Strategic Alignment of Organizational Strategies

Sam Lubbe
University of KwaZulu-Natal, South Africa

INTRODUCTION

Alignment is important to all organizations. This is confirmed by King (1995) but it is not yet clear how to achieve harmony between business strategy, information technology (IT) and e-commerce and what the impact of this alignment would be on an organization. In the past, the IT department was responsible for planning, development and management of information systems (IS). With the convergence of e-commerce, gaining an understanding of how e-commerce and IT may be jointly employed to support organizational strategies is important for managers (it is acknowledged that some organizations place e-commerce in the IT department, while others have it as a separate department). Good practice will ensure that the organization will find the best place for it. It is, however, good policy to split e-commerce and IT staff while aligning strategies. It is necessary to align the strategy for the e-commerce department as well. This alignment could be either "lawful" (wishes to create and protect) or chaotic (wishes to destroy).

Strategic alignment is defined by Papp and Fox (2002) as the use of IT in the integration and development of business strategies and corporate goals. Alignment is a dynamic process that requires close, continual assessment (because the goals keep on moving) and cooperation between achieving competitive advantage and surviving.

This article therefore discusses the changing environment of the organization in terms of strategic planning. Managers of tomorrow must understand what e-commerce is, how the approach to this concept will be, and how it will affect the leverage of the organization. The article will briefly provide a discussion of the topic and a perspective on the issues and problems as they relate to alignment. It will also briefly look at future trends and will end with a definition of some terms.

BACKGROUND

The establishment of alignment between IT and organizational objectives has consistently been reported as one of the key concerns of IS managers (Lubbe, 2001; Reich & Benbasat, 2000; Rodgers, 1997). Findings by authors (e.g., Dhillon & Orton, 2001; Hamilton & Chervany, 1981; Henderson & Sifonis, 1988; Moad, 1994; Papp, 1997; Reich & Benbasat, 2000) suggest that both practitioners and researchers should direct their efforts toward understanding of domain knowledge. On the other hand, Venkatraman (2000) argues that managers must also align their vision to dotcom to ensure that the leaders of the Industrial Age do not become the dinosaurs of the dotcom era.

Alignment should be based on different levels; that is, it can be based on the shared domain knowledge between business and IT executives, IT implementation success, communication between business and IT executives and connections between business, IT and e-commerce planning processes (Reich & Benbasat, 2000; Papp et al., 1996). Venkatraman (2000) argues that the Internet changes everything – particularly for brick and mortar organizations, branded products and services, and traditional supplier and customer relationships.

Papp (1997) argues that executives rarely agree and that they normally oppose each other while meeting to discuss alignment. These executives, however, acknowledge that there are different approaches to alignment, but are not willing to give any leeway. Each industry will also have a different type of dimension to its alignment that impacts its architecture through changes in e-commerce, IT and the business infrastructure. Therefore, with the advent of e-commerce another level had been added that impacts on effective planning of strategies.

Amadi (1998) and Cerpa and Verner (1998) state that strategic alignment and all its dimensions give value to the business on all levels of the business. Bildfell (2003) also noted that many planes or dimensions should be kept in mind while aligning strategies. These dimensions could be architectural alignment, cultural alignment, customer alignment, and so forth. Dhillon and Orton (2001) argue that strategic options such as cost leadership, differentiation, strategic alliances and globalization could further add on dimensions to the strategic alignment of the organization. They added that there will be some schizoid incoherence and that management should pay attention.

The relationship between peers inside the organization helps management visualize how alignment has been achieved within the organization. Enns et al. (2003) argue that the relationship between CIOs and their peers should successfully affect the visualization. The degree of mutual understanding of current objectives (short-term alignment) and the congruence of IT and e-commerce vision (long-term alignment) between IT, e-commerce and IT executives affects alignment as well. Alignment as a key should maximize the value and impact of the organization's IT and e-commerce investments and be flexible enough to allow the organization to act quickly to ensure that changes are taken into account.

Chan (2000) also argues that communication and understanding are factors that should be kept in mind on a business level. There should also be linked executive commitment to IS and e-commerce issues and initiatives. These links contribute to missions and dimensions for e-commerce, IT and the organization.

FUNCTIONAL INTEGRATION

Some of the functions that should be paid attention to while attempting to align strategies are the shared domain knowledge between business, IT and e-commerce executives; IT and e-commerce implementation success; communication between business, e-commerce and IT planning process; and connections between business, e-commerce and the IT planning process. All the factors mentioned in this instance were found to influence short-term alignment, while only shared domain knowledge was found to influence long-term alignment. Reich and Benbasat (2000) established that a new factor, strategic business plans, affects both short-term and long-term alignment (supported by Dhillon & Orton, 2001).

All management functions must be aligned – especially for organizations that run e-commerce operations. If there is no alignment, then the dotcom strategy may be "hijacked" by staff members for their own purpose (Venkatraman, 2000). The functional areas will influence the ranking of enablers and inhibitors of strategic planning (Papp & Fox, 2002). The type of business (brick-and-mortar and/or e-commerce) will have a bearing on the alignment perspective of the organization. Bildfell (2003), on the other hand, argues that there are three functional areas that should be kept in mind while aligning strategies. These are relationships that accelerate the strategy; relationships that help penetrate new markets and relationships that improve competitiveness and solution capabilities.

INSTRUMENTS TO MEASURE ALIGNMENT

The Gartner Group had designed an instrument that could be used for measurement of assignment called Alignment

Figure 1. The strategic alignment model (Adapted from Papp & Fox, 2002)