

Chapter 10

Strategic Role of Information Technology in a Multinational Company: The Case of an Organization with Subsidiaries in Egypt and Sweden

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EXECUTIVE SUMMARY

The purpose of this case study research is to study the strategic role that information technology (IT) plays in two subsidiaries - located in Egypt and Sweden - of a multinational company with a federal organizational structure. Using a well-established evaluation framework and a widely accepted model, we examine two important aspects of the strategic role of IT: i) how IT supports business and organizational strategy; and ii) the maturity of business and IT strategy alignment. The case study discusses the importance of having a balanced relationship among business strategy, information strategy, organizational strategy, and the way in which business and IT managers should act to improve business-IT alignment, also referred to as strategic alignment. Based on the results of the comparative analysis of the two companies, the research presents concrete recommendations that IT decision-makers from the two subsidiaries of the multinational company should consider to improve IT performance.

1. INTRODUCTION

Information technology has become more important to business strategy than it was in the past.

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Today, IT is integrated into almost every part of the business process (Luftman, Bullen, Liao, Nash & Neumann, 2004). According to Tang and Walters (2006: p.2), as organizations evolve, so do their strategies. As a result, "IT and IT-enabled systems are now indispensable in supporting business

strategies". In fact, about 36 years ago, McFarlan, McKenney & Pyburn (1983) introduced the strategic grid in order to help managers understand the strategic impact of information systems and of an application development portfolio in their companies. The importance of the use of information for strategic purposes was later addressed by many researchers (Porter & Millar, 1985; Earl, 1989). Further on, King and Grover (1991: p.293) analyzed the "organizational factors that facilitate or inhibit strategic use of information resources and the processes leading up to their adoption". Moreover, Bergeron and Raymond (1995: p.167) found that high performance is achieved by companies that combine a "strategic orientation with a strategically oriented IT management".

As we now see, the current business environment is a dynamic, fast-changing and highly competitive one. This can be explained, at least partially, by the tremendous leaps that IT has taken in the last 30 years, especially the last 10-15 years of the Internet era. As a result, IT has become an important factor in all organizations as an enabler of business and organizational change or a driver for transformation (Turban, Leidner, McLean & Wetherbe, 2006). In such an environment, it is essential that business managers understand the potential use and critical role of IT in promoting the success of companies (Huff, Maher & Munro, 2006). But in the study of the strategic role of IT, we could not ignore the concept of business-IT alignment, or strategic alignment (Chan, Huff, Barclay & Copeland, 1997), still considered by many company executives to be very important (Luftman & Kempaiah, 2008; Luftman, Kempaiah & Rigoni, 2009; Luftman & Ben-Zvi, 2010).

In the last few years, several researchers like Burn and Szeto (2000), Avison, Jones, Powell & Wilson (2004), Weiss and Anderson (2004) and Hu and Huang (2006) have contributed to the research on the assessment of strategic alignment. In the opinion of Chan (2002), organizations in which business and IT are strategically aligned improve their IT performance. Moreover, accord-

ing to Kearns and Sabherwal (2007), in achieving greater strategic alignment (which can enhance the effects of IT on business performance), managers should also give due consideration to shared domain knowledge and planning behaviors as well as to the planning and implementation of IT projects. On the other hand, according to McKeen and Smith (2009), strategic alignment is only one of the problems facing IT managers in developing an IT strategy and, in the authors' opinion, IT is more important today in the development and delivery of a business strategy. In this context, the goal of our chapter has been to study both IT strategy in correlation with business strategy and organizational strategy, and strategic alignment through a case study research approach in two subsidiaries of a multinational company, one located in Egypt and the other in Sweden.

2. RESEARCH BACKGROUND

2.1 Frameworks and Models to Evaluate the Strategic Role of IT

In the introduction, we reviewed some of the research work concerning the strategic role of IT. The research literature holds many frameworks and models. In studying the strategic role of IT, researchers such as Rusu and El Mekawy (2009) have considered only those that are widely accepted, have a higher impact among practitioners and were well recognized by the management of the companies that were studied. In this research, we used the same approach with regard to the strategic role of IT in a multinational company, using the Information Systems Strategy Triangle (Pearlson & Saunders, 2009) and Strategic Alignment Maturity Model (Luftman, 2000). According to Pearlson and Saunders (2009), balancing the three corners of the Information Systems Strategy Triangle formed by business, organizational and information systems (IS) strategies is very important in every successful company. In fact,

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