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Strategic Alignment: A Dynamic Process

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Abstract

Although alignment has continued to be a major concern of executive IT managers it is still not well understood. Most prior research into alignment has tested theories developed a priori from the literature. The current interpretive research developed a theory of alignment grounded in data collected by interviewing senior business and IT managers. The theory indicates that organisational dynamics coerce IT managers into adopting one of two responses to business strategy ambiguity. They can either collaborate with business peers in an attempt to provide business value, or concentrate on the technology providing a reliable low cost IT service. Subsequent actions of IT managers then tend to reinforce the conditions that led to the adoption of the response creating a reinforcing feedback loop that makes it difficult to change response.

Keywords

Strategic alignment, collaboration, grounded theory

Introduction

IS/business alignment has been defined as "... the degree to which the information technology mission, objectives, and plans support and are supported by the business mission, objectives and plans" (Reich & Benbasat 2000, p. 82). It continues to be a major concern of executive IT managers (Luftman & McLean 2004) even though neither the concept (Ciborra 1997) nor its attainment (Chan 2002) is well understood. In their various papers King & Teo use the degree of plan integration as a surrogate measure for the level of alignment between the business and its IT function (King 1988; King & Teo 2000; Teo & King 1996, 1997). This is a result of the difficulty of understanding the concept of alignment (Ciborra 1997) and then operationalising its measurement (Luftman 2001).

Earlier research has provided lists of enablers and inhibitors to alignment (Luftman, Papp & Brier 1999) but we have little knowledge of the dynamics of alignment. Similarly we have lists of critical success factors that affect the integration of business and IT strategic plans (Teo & Ang 1999) but no indication of how each may affect others. We know that the relationships and shared domain knowledge developed between CEO's and CIO's is important to alignment (Chan 2002; Luftman 2001; Reich & Benbasat 2000) and we have some idea of the antecedents of good relationships between these peers (Feeny, Edwards & Simpson 1992) even though there is still doubt about why collaboration between business and IT managers can occur in some companies but not others (Day 2007). It appears that the IT planning approach adopted within an organisation can affect the alignment of IT and business strategies (Earl 1993) as can the integration of IT and business plans (King & Teo 2000). However, we are unsure whether the integration of IT and business plans promotes communication and the development of shared domain knowledge between IT and business managers as argued by Teo & King (1996, p. 318), or whether communication and shared domain knowledge fosters a learning environment that promotes more effective IT strategic planning (Earl 1993, pp. 10-11). It has also been assumed that any failure in IT project implementation is the result of poor planning methods which, therefore, should be improved (Lederer & Sethi 1988). The latter assumes that strategy development is a logical process. It ignores both the social aspects of the process and the effect of business dynamics (Ciborra 1997). It also appears to assume that the integration of business and IT plans should also be a logical and unproblematic event given the will to do so. This is in spite of evidence that indicates that a high level of integration of plans is relatively rare (Teo & King 1997, p. 200).

This ambiguity is partly a result of the prevailing research paradigm in use in IS studies (Orlikowski & Baroudi 1991). Most of the research cited so far has either tested theories developed a priori from the literature whilst assuming linear causality between variables, or develops lists of factors affecting a particular issue. Even though a single piece of research can be robust, anomalies become apparent when multiple research reports are compared. As detailed above, we are not sure whether the integration of plans leads to improved communication and shared domain knowledge or vice versa. Campbell et al. (2005) provide further evidence of anomalies occurring between research projects when they compared the work of Reich & Benbasat (2000) with that of

Nelson & Coopridge (1996) and the organisational trust literature. Although the danger of assuming linear causality has been raised by various authors including Ciborra (1997) and Reich & Benbasat (2000) the challenge of doing otherwise is rarely accepted in IS alignment research.

Additionally, alignment research generally restricts its investigation to actions at an executive level. It is assumed that the implementation of decisions made at that level will be unproblematic at lower levels of the organisation. Again, some authors have warned against this assumption (Chan & Huff 1993; Chan et al. 1997; Ciborra 1997).

It appears, then, that research that investigates alignment by including the actions of actors from various hierarchical levels within an organisation, does not assume linear causality and adopts a different research paradigm from that normally employed is likely to improve our understanding. The research reported here develops a theory grounded in qualitative data collected from interviews with senior business and IT managers. Analysis of the data did not assume linear causality but took a systemic view of the problem situation. It identifies important variables of alignment that are rarely mentioned in the literature. It indicates that the dynamics of the alignment process is critical, effectively restricting the choices and decisions of IT managers. The dynamics can also create unintended consequences even given the best intention of participants. The research method is described in the next section.

The following section then identifies the aspect of alignment, the ambiguity surrounding business strategies, of most concern to participants. The fourth section introduces the dynamics of alignment, whilst the fifth section describes the theory that emerged from analysis of the data. The last section provides conclusions and discussion.

Research Methodology

The research methodology chosen was grounded theory using qualitative data with analysis informed by a constructionist epistemology. An advantage of a theory grounded in data is that it "... typically transcends, organizes, and synthesizes large numbers of existing studies" (Glaser 1992, p. 34). It emphasises the induction of theory from data and explicitly requires the researcher to investigate disconfirming data rather than either exclude or control that data (Glaser 1998; Orlikowski 1993). Thus it should allow an unravelling of the type of anomalies existing in alignment research and discussed above.

Contrary to the normal recommendations of grounded theory practitioners (Glaser 1978), an extensive literature review was conducted prior to data collection to comply with the requirements of doctoral research. This is considered appropriate as the recommendation is a guide to prevent the researcher becoming sensitized to what the data should be saying rather than what it is saying (Urquhart & Fernandez 2006). However, I still needed to minimise the effect of my prior reading on my data collection and analysis.

Data was collected by recording then transcribing interviews with both business and IT managers from various organisations. These ranged from small Australian manufacturing firms to large financial institutions and multinational consumer goods manufacturers. Subjects were chosen on their ability to provide insight into the problem area. That is, selection was purposive with no attempt being made to ensure that the sample was statistically representative (Morgan 1997). To lessen the effect of my reading the first three interviews were unstructured focus groups which shifted power from the facilitator (myself) to the participants of the focus groups (Blackburn & Stokes 2000) thus reducing my influence on the topics discussed by subjects (Berg 1998). This, then, allowed participants to investigate issues of importance to themselves and opened up new areas for investigation (Morgan 1997, 1998). The interview instruments for individual interviews, which ranged from 40 to 120 minutes, were then based on the areas considered important to the participants of these focus groups. This structure effectively minimised the effect of my prior reading as participants initially had control of what was, and was not, discussed. In total twenty managers were interviewed – 16 IT managers ranging from CIO's to mid level managers, and 4 business managers ranging from a managing director to a line manager. Eight participants had work experience in both IT and general business domains. Additionally, some subjects participated in both a focus group and one or more individual interviews.

Analysis of data was conducted using the interactive family of codes which emphasises "... mutual effects, reciprocity, mutual trajectory, mutual dependency, interdependence, interaction of effects, covariance. This code is an effort to capture the interacting pattern of two or more variables, when the analyst cannot say which comes first" (Glaser 1978, p. 76). Open coding was followed by axial coding (Fernandez 2004; Glaser 1978) with additional targeted data collection occurring where a gap in the emerging theory was perceived to exist. Eventually the codes were brought to a very high conceptual level with a number of major categories and their properties (sub-categories) being identified. In this way a substantive theory that explains the behaviour of managers when considering alignment emerged from the data. Analysis indicated that when considering alignment the major issue of these managers, both IT and business, was the ambiguity surrounding business strategies. That is, they are concerned with strategic alignment rather than other forms of alignment (Henderson

& Venkatraman 1993). This concern of participants is consistent with earlier research into alignment (Chan 2002).

The Core Concern of IT Managers when Considering Alignment

It has long been recognised in the business discipline that the strategies enunciated within business plans may not be those that are actually enacted (Baker 1992; Kerr 2003; Mintzberg 1988). However it is generally assumed in the IS discipline, with a few exceptions, that those strategies contained within plans will actually be implemented. An implicit acceptance of this situation is held within the definition of alignment previously quoted. That definition concerns itself with business and IT mission, goals and plans - not strategies. It is then assumed that any difference between the strategies contained within plans and those actually in use is due to a poor planning methodology which therefore should be improved (Lederer & Sethi 1988).

The initial interviews held during this research indicated the importance participants placed on understanding what was happening within the business and understanding peer managers' goals. The argument being made by participants was that if they did not understand the goals of their business peers then they could not then align their actions to those goals. This understanding was gained via developing relationships with business peers. An example was provided by an IT manager within a multi-national consumer goods manufacturer:

How do you know if what you're doing is in the right direction if you don't have these relationships? You develop the networks, you develop an understanding of what the business wants, or the strategy that is required. If you didn't have the relationship you couldn't be in alignment, because what would you be in alignment with? You wouldn't know anything

Analysis of the interviews then indicated that the participants of this research provided hints as to why the business strategies in use drifted from those contained within plans. According to the subjects, both business and IT, those strategies that are implemented within an organisation tend to have reasonably common characteristics. Strategies that are enacted:

- Have meaning to the person enacting the strategy. He must know what he has to do to achieve the strategic goal.
- Are conceptually simple. Many strategies are either visions or 'motherhood' statements such as 'We will provide an industry leading service to our customers.' The person enacting the strategy is entitled to ask 'What does this actually mean in practice?'
- Usually relate to performance measures. These may relate to an individual or business unit (or both).
- Exhibit short term results. This is related to the previous characteristic. To enhance performance measurements, the results of any actions must appear in the short term.
- Do not require changes in a person's work habits. Thus they should be simple to execute and not conflict with the manager's current mental models about how the organisational system operates. They tend not to require additional knowledge from outside the manager's functional area <withheld for refereeing>.

Formal business strategies are often difficult to understand. They can seem ambiguous to business managers due to their conceptual nature. Additionally, factors within the organisation, such as the incentive and measurement schemes in place, tend to restrict the actions available to managers when attempting to implement strategies. A CIO gave an example:

... one example that really stands out in my mind was very much a case of managing the perceived bottom line in order to shore up bonuses. It was as blunt as that. Things that should have been done to ensure the long term growth assets of the company were being pushed back because of "if I don't make this number this quarter I don't get my cheque."

Managers' ability to comprehend a situation or their ability to take actions bounds the choices that are available to them when enacting strategies. The result is an ambiguous situation for IT managers where the strategies being implemented are often at odds with those contained within plans. This, then, identified the core problem faced by IT managers when attempting to promote alignment – the ambiguity surrounding the difference between the strategies held in business plans and those they can see being implemented by their business peers.

The challenge then was to develop a theory that explained the actions of IT managers when they are faced with this ambiguity.

The first quote indicates that many IT managers resort to developing relationships with their business peers to understand the business goals and strategies in use. However, many IT managers are unable to develop these

relationships and so collaborate with their peers. The theory that emerged from the data explains why this may be.

A Dynamic Situation

Participants of the focus groups were asked to discuss what they thought either promoted or hindered alignment within a business. Unsurprisingly most of the factors they raised have been identified in previous research. These include: communication between peer managers, the development of shared domain knowledge, the history of IT success or failure, the status of the IT unit within the business, trust and credibility of the IT unit, the existence of a set of business and IT strategic plans, organisation structure and others (see, for example, Teo & Ang 1999, Luftman 1999). But whilst discussing these items participants indicated that many of them influenced others. This has also been previously recognised, but prior research has normally attempted to establish a causal relationship between a very few of these factors (see, for example, the research of Nelson & Coopriider 1996, Reich & Benbasat 2000). Analysis of my data indicated that there is a web of influence between these factors and that it may not be advisable to consider causal relationships between a few factors in isolation.

For example, participants indicated that business managers may hold a perception that the IT group is unreliable. This may not be the reality, but the stories and myths circulated within an organisation perpetuate this perception. This then becomes the mental model held by a business manager. In this situation it is likely that the perceived role of an IT group is that of a basic service provider as it is believed that it is incapable of doing better. IT will be considered a cost centre. If IT is just providing a low cost service there is not much benefit to the manager of developing relationships. It is simpler to just tell the IT group what is needed and to provide a limited budget to it. The lack of relationships then inhibits the development of trust, and limits the ability of all managers to develop a shared system of meaning and shared domain knowledge. This, then, leads to a situation where the CIO is unlikely to be invited to the business planning process. This scenario is shown in Figure 1.

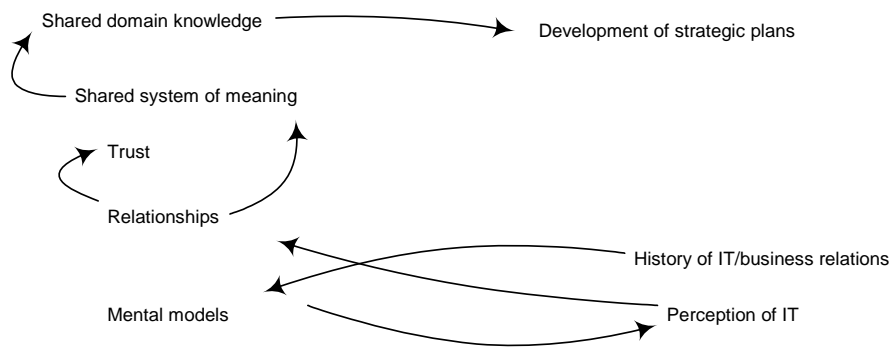


Figure 1: The History of IT/business relations can eventually affect the shared development of strategic plans.

Participants identified many other influences between factors that either encourage or inhibit the development of alignment and are shown in two columns in Figure 2. During analysis it was realised that some of the factors are concerned with a manager's ability to understand a complex situation. This ability could be either as a result of personal characteristics or could be due to factors beyond the control of that manager. They have therefore been shown as belonging to what I term the locus of comprehension.

Similarly, there appears to be a set of factors that limit a manager's ability to take action once he has understood a problem situation – in our case the ambiguity surrounding strategies. I have included these factors within the locus of control.

It also became clear that most of these factors affect the ability of all managers to comprehend a problem situation then take action – not just IT managers. That is, it is the interaction of many of these factors that limit the ability of a business manager to understand what is required of him by a business strategy then take actions that support the implementation of that strategy. This creates the strategy ambiguity that is the core problem of IT managers when they attempt to align their actions to business goals.

Although the factors that participants identified as either inhibiting or enabling alignment have been divided into these two loci it is an artificial construct. It is the influences between all of these factors, as shown by arrows in Figure 2, that is important.

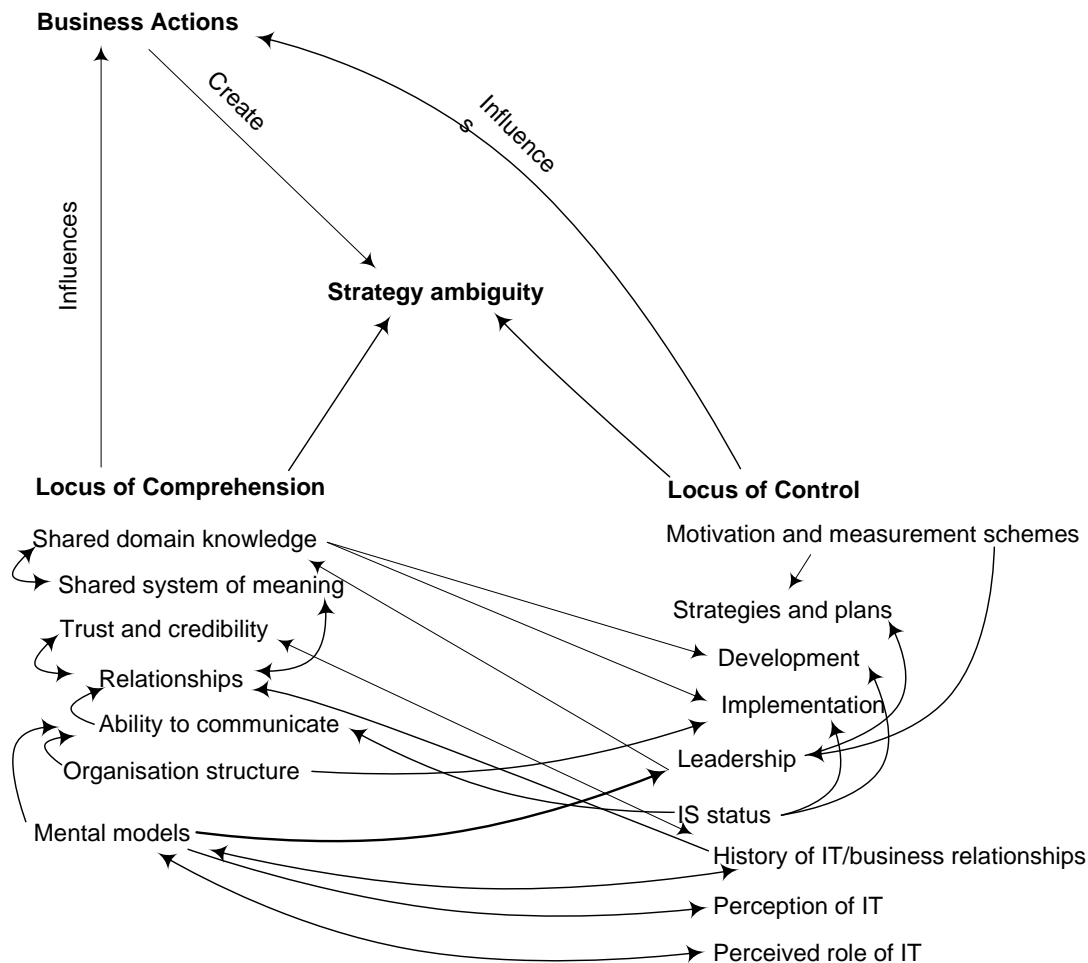


Figure 2: The interaction between factors that have been artificially divided into the locus of comprehension and locus of control lead to strategy ambiguity. The same factors then limit the ability of an IT manager to understand the strategies in use and then take action to support those strategies.

Two Responses of IT Managers when Confronted with Strategy Ambiguity

Most of the early participants of this research indicated that they attempted to form relationships with their business peers to understand their goals. They then attempted to collaborate with their business peers to support their peers' goals. But, there must be a willingness for both managers to work together. This willingness is determined by the interaction of the variables shown in Figure 2. If past experiences with IT have been favourable then the mental models held by a business manager are more likely to support communication with an IT manager. Other factors can influence this.

The leadership style of some senior management personnel does not encourage collaboration, but instead encourages competition between business units. This, then, does not support the development of the trust that is a pre-requisite to the development of relationships, shared system of meaning and shared domain knowledge (Lewicki & Bunker 1996).

Where shared domain knowledge is developed IT managers are more able to support the actions of their business peers (strategy implementation in Figure 2). Similarly CIO's are more likely to be involved in strategic business planning (Earl, 1993). Overall there is likely to be an improvement in the credibility of the IT department as perceived by business managers (Bashein & Markus 1997), an improvement in perceived IT performance (Nelson & Coopriider 1996) and therefore an improvement in IS Status. This, in turn, favourably affects the mental models of business managers encouraging further communication and a further improvement in shared domain knowledge.

The condition of variables such as IS status (and its sub-categories) and the motivation and measurement schemes that are in place will then tend to limit, or bound, the actions that are available to an IT manager attempting to support the goals of the business peer. If the role of IT is seen as one of providing competitive

advantage then the IT manager is more likely to be given the freedom to support his peer's goals. Conversely, if there is a poor history of relationships between IT and business and IT is seen as a cost centre, then the IT manager is unlikely to have the discretionary funds or resources available to support the goals/initiatives of a business manager.

Collaborative Response to Strategy Ambiguity

The subjects of this research indicated that where conditions support the development of relationships with their business peers it is also likely that they will have a reasonable ability to take actions to support the goals of those peers.

I have called this situation a collaborative coping response. When faced with strategy ambiguity IT managers are able to form relationships with their business peers to understand their goals. They are then often able to collaborate with their peers and support their goals.

Where IT managers are able to adopt a collaborative coping response to strategy ambiguity they tend to develop a high understanding of business issues whilst the level of formality tends to be low. Their emphasis is on adding business value. However, the horizon and target of alignment is dependent on the goals of their business peer.

The peer of a CIO is often the CEO who normally has a long term vision for the organisation. Strategies tend to support this vision. The action of the CIO will also tend to support these strategies and organisational vision. That is, the target of alignment is the organisational strategies and as a consequence alignment at this level of an organisation tends to be long term. This is the situation described by Chan (2002) when she investigated business units that reputedly had a high level of alignment. It also reflects an environment that promotes an organisational approach to strategic information systems planning as described by Earl (1993).

However, the peers of lower level IT managers are line managers who are likely to modify organisational strategies during implementation as previously described. Goals are likely to be short term as business managers (and business units) are often measured on short term efficiency rather than their ability to implement business strategies. IT managers may conscientiously support the actions of their business peers but corporate goals and strategies are not being realised. This reflects the observations of Nordstrom and Soderstrom (2003) when they investigated the introduction of an ERP system into a large multi-national forest products corporation. A corporate goal, the transformation of the firm, did not occur. However, it could still be argued that in this situation some form of short term alignment is being achieved, albeit to line managers' goals.

A corollary to this is that where a collaborative coping response is adopted by lower level IT managers then IT strategies may also be modified during implementation.

Technological Response to Strategy Ambiguity

Not all IT managers are in a situation where they can form relationships and collaborate with their business peers. As previously described, conditions within an organisation may make it extremely difficult for an IT manager to form relationships even if so desired. A number of research participants lamented this situation. Where these conditions exist it seems to be normal that decision choices of an IT manager are also very limited. They are severely restricted in the actions they can take.

This situation seems to occur in organisations where IT is not valued. This could be because it is seen as outside the core competence of the firm, or there is a history of poor relations between IT and business. This can occur for many reasons. A result is that IT is seen as a cost centre that should provide nothing other than a low cost, reliable, IT service. The CIOs of all the IT groups in this research identified as being in this situation reported to the CFO. This includes one Australian based organisation that has an annual IT budget of AUD\$1 billion.

Because IT managers are unable to form relationships they are then unable to understand the strategies and goals of their business peers. As just described, their ability to take action is also severely limited. In this situation IT managers, whether they wish it or not, tend to retreat from the business and concentrate on providing a low cost, reliable IT service. This is what the organisation wants even if it then complains about an unresponsive and unhelpful IT department.

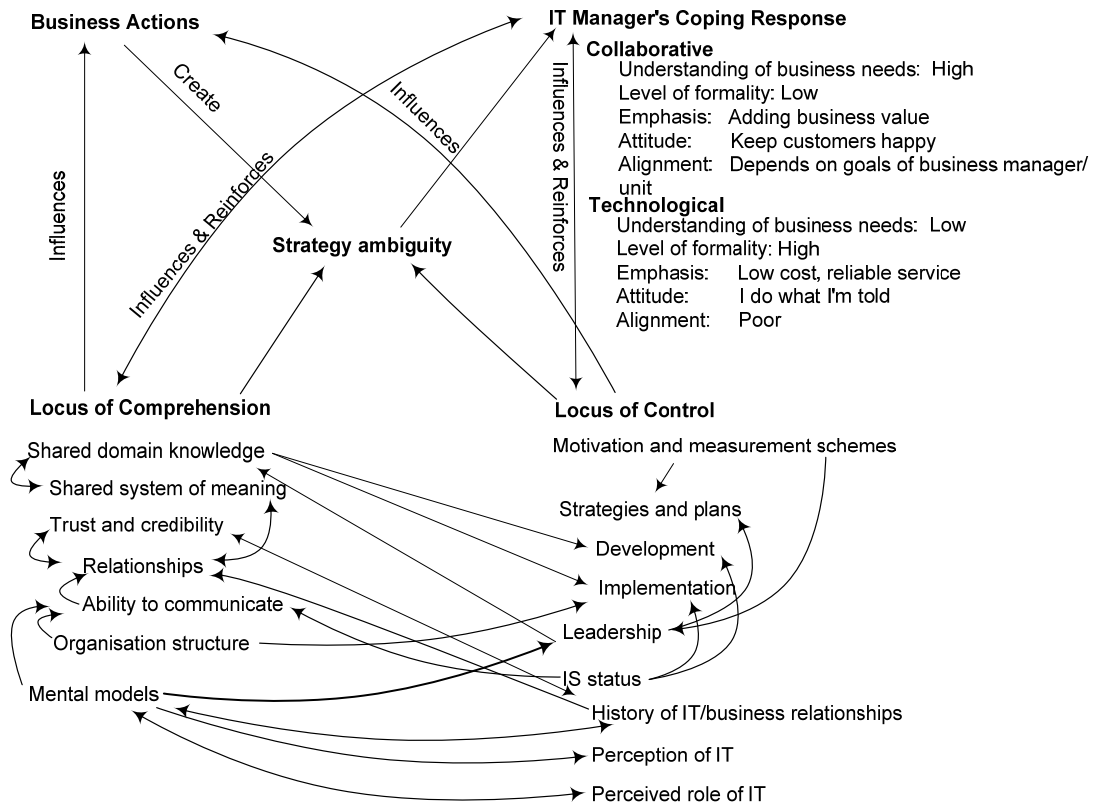


Figure 3: Interaction between variables within the locus of comprehension and locus of control affect business managers implementation of strategies creating strategy ambiguity for IT managers. It then determines the response of an IT manager to strategy ambiguity. The actions of both groups of managers then tend to reinforce the status quo, making a change of response extremely difficult.

Where a technological coping response to strategy ambiguity is dominant the understanding of business issues by IT managers tends to be low. The level of formality between business and IT tends to be high whilst the emphasis is on providing a low cost, reliable service. The attitude of IT managers tends to be "I do what I'm told." There appears to be little alignment between IT and the business.

These variables, their lines of influence and a summary of the properties of the two responses is shown in Figure 3.

Many of the variables acting on one IT manager will affect other managers within the group in a similar fashion. The leadership style of senior business managers will affect all IT managers within an IT unit the same way, as will the IS status for that group. This means that one coping response will often become dominant within an IT group. But, where there is more than one IT group within an organisation (such as a networking group and a business systems group) the dominant coping response for each group could be different. One reason for this given by many participants is the structure of the organisation and location of individual IT units. Some units are co-located with their customers whilst others are kept separate making communication and the development of relationships and collaboration difficult.

The preceding discussion and the model shown in Figure 3 indicate that the actions available to an IT manager once a response has been adopted then tend to reinforce the status quo of the variables within the two loci. An IT manager who adopts a technological coping response will tend not to communicate with business peers. This manager will, however, concentrate on providing a reliable IT service as that is the criterion being measured. Both of these actions will tend to reinforce the mental models of business managers that IT personnel are not communicative and that the role of IT is that of a service centre.

A technological coping response does not necessarily lead to poor IT value. The Australian organisation referred to earlier obviously does get value from its IT. However, the managers within this organisation realise that it could be much better value if they could change the way in which business and IT work together. The IT group of this company was forced into a technological coping response many years ago as a result of a large IT failure. At that point they were placed under the control of the CFO. The CIO does not take part in the business planning process and is not consulted in this regard. This IT group, like all the other IT groups identified in this research as adopting a technological coping response, is totally reactive to business initiatives. The senior IT

management is attempting to change this situation and move to a more collaborative style of engaging with the business but indicated that they expected it will be a minimum of 5 years before any worthwhile results will be seen.

Although beyond the scope of this research it could also be argued that a technological response could be appropriate in some industries. Some participants indicated that where used inappropriately a technological coping response is often the precursor to the outsourcing of the IT function.

It is the perception of IT and the perception of the IT role that is important, not the reality. There is likely to be long delays in any attempts to change the values of the variables shown in Figure 3. The lines of influence identified in Figure 3 mean that improving alignment will require simultaneous attention to multiple variables. It also requires the cooperation of both the business and IT functions. Either group effectively has the power of veto which is implemented by its actions. The difficulty of changing responses was highlighted by a senior business manager within a multi-national consumer goods manufacturer (who was the CIO of a telecommunications company in his previous position) when he was asked whether the IT group within his current organisation was considered to be a cost centre rather than an area of advantage. He replied:

Correct. As I said, I think some of their [the IT group's] problems are driven by senior management's view. But from what I can see IT is doing nothing to help that situation.

When then asked whether he thought this IT group could change its response, he replied:

No. I think they've built themselves in such a way that they're almost impervious to a strategy change. They tend to see their role as purely mechanistic. I guess a technical delivery rather than a business value type thing which is more where the strategies tend to happen. I think that is where they're falling down and it's going to take some effort to change.

In a later conversation, not recorded, this same manager indicated that the rhetoric of senior management within the firm is that the role of IT is to provide competitive advantage. However, the actions of senior management do not support this. IT is seen as a cost centre. This provides an example of how mental models and IS status, including perceived role and perceived responsiveness of IT, can limit the actions of both business and IT managers. A positive feedback loop is created where the actions of both sets of managers reinforce the coping response already adopted.

IT manager participants provided anecdotal evidence of another phenomenon that reinforces the dominant coping response. They instanced situations where they, or workmates, were employed in an organisation where the dominant response was counter to their own preferred response. Some people are comfortable working within a technological response, some are not. Where a mismatch occurs IT personnel tend to leave the organisation. Whilst describing this research to IT managers in an attempt to verify the reasonableness of the theory I have been provided with additional anecdotal evidence to support this phenomenon. A recurring statement when I have described a particular response, has been "I used to work in an organisation like that, but I left." More research is required to determine the extent of self-selection of IT personnel to organisations that promote a particular response to strategy ambiguity.

Conclusion

This research investigated IS/business alignment. It did so by allowing participants to tell their own stories about alignment rather than assuming that alignment could be improved in any given way. The variables contained within the locus of comprehension and locus of control are those that inhibit or enable strategic alignment. They are extremely similar in concept to those enablers and inhibitors of alignment identified in earlier research (Luftman 1999, Teo & Ang 1999). A few exceptions occur. Earlier research has placed little emphasis on the effect of either incentive and measurements schemes or mental models held by various managers on the alignment process. Earlier research has called for improved communication and relationships between IT and business managers. This research indicates that this may not be possible unless both parties are amenable to an approach by the other.

The main contribution of this research is to demonstrate that it is the interaction between all variables that has the most influence on strategic alignment not the value of individual, or small groups of, variables. Alignment is a dynamic process and should be studied as such.

It has been shown here that the interaction between the variables within the two loci also enables or inhibits collaboration between business and IT groups. It could therefore be argued that achieving strategic alignment is partly a process of developing collaboration between business and IT. At the same time senior management should be aware of the unintended consequences of their decisions and policies on business strategy implementation. For example, incentive schemes that exclusively promote efficiency may be counterproductive if the goal is to gain competitive advantage from the IT resource. People will always react to the way they are

measured (Kerr 1995). Similarly, isolating the IT group from its business customers may be efficient but may not be effective as it inhibits the development of communication, trust, shared system of meaning and shared domain knowledge. Additionally we cannot assume, as has often been done in the IS literature, that alignment is the domain of executive management. There are two aspects of strategy – development and implementation. We need to consider both.

No attempt has been made in this research to attribute causality. The arrows shown within the various figures represent lines of influence as identified by subjects. The strength of influence is unknown, as is the value of any of the variables. Later, quantitative, research could determine these values.

One variable not discussed here, but which was mentioned regularly in early interviews, is that of organisational culture. I would argue that the interaction of the variables within the two loci leads to the emergence of a dominant coping response and sets the relationship between business and IT. This, then, represents the culture of the organisation or “the way things are around here.”

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