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CIOs' Influence on Business Strategy Formulation and Realization

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Abstract

This paper examines chief information officers' (CIOs') influence on the IT component of business level strategy formulation and realization. A literature review summarizes definitions of power and organizational politics and reviews the ways the (IS) literature has treated these concepts. A research model, with specific research propositions, is then presented. The model contends that CIO influence is: 1) derived from many sources (e.g. inclusion in the top management team, level of IT expertise etc.), 2) used to shape the IT component of business strategy formulation, and 3) used to ensure the IT component of business strategy is realized.

Introduction

The importance of the chief information officer (CIO) in the organization is evidenced by the increased longevity in the average tenure of the CIO in organizations (Earls, 1996). In addition, the increased importance of IT as a tool to support business strategy has vaulted the CIO position to greater prominence within the organization (Reich and Benbasat, 1996). This increased importance has implications for the amount of influence that CIOs exert in the corporation.

Previous research has examined the prominence of the CIO in influencing the development of IT strategy designed to support the business strategy (Feeney et al., 1992). In addition, previous research (Lucas, 1984; Saunders, 1981, Saunders and Scamell, 1987; Markus, 1983; and Huff, 1991) has focused on the IT department's influence and power. This paper departs from these orientations in at least two ways. First, the paper argues that the real significance of the increased prominence of the CIO is in the CIO's influence on the IT component of business strategy. Second, this paper examines the sources and use of individual influence, as opposed to the IT department's influence.

Organization Theory And IS Research Contributions

Shafritz and Ott (1992) suggest that the "power school" of organizational theory is practically oriented and, as opposed to the systems and "modern" structural schools of organization theory, better reflects organizational reality. For example, the power school rejects the assumption that personal preferences of members of the organization are tempered by systems of authority, formal rules, and by norms of rational behavior. Their definition of power is as follows: "Power is the ability to get things done the way one wants them done; it is the latent ability to influence people." (p. 399) This definition offers a variety of advantages for understanding the organization. First, it highlights the fact that power is relative to a social context. This notion is picked up by Pfeffer (1992) who suggests that power is context specific or relative. For example, person A is not powerless or powerful in general, but only in the context of other social actors in a particular social context.

Second, the phrase "the way one wants them done" is a reminder that power is often used to overcome conflict over methods, means, approaches and/or "turf". This is reminiscent of Lawrence and Lorsch's (1967) notion of conflict resolution achieved by integrators or integrating mechanisms. Shafritz and Ott (1992) suggest that the use of power can also be used to resolve conflict.

Markus' (1983) case study demonstrates the superiority of the interactionist theory's political variant to explain and deal with resistance to information systems. This political variant suggests that resistance stems from the interaction between the system and the distribution of intra-organizational power. Pfeffer (1992, p. 407) suggests that power is "...a store of potential influence." Huff (1991) agrees with this view of latent or

stored power when he suggests that power is underutilized by the IT department, partially due to their ignorance of the sources of power and amount of power they have. The basic premise is that if you do not know that you are powerful in a given context, then you will not exert influence on individuals or processes. Saunders and Scammell (1986) and Huff (1991) identify the sources of IT department power using a strategic contingency model. According to this model, there are four main determinants of departmental influence, which include:

- the non-substitutability of its expertise
- its ability to reduce the uncertainty of another department
- how central a department is in the organization's work flow
- and the ability of a department to meet the organization's objectives

Pfeffer (1992) also acknowledges the importance of organizational politics and its relationship to power or influence. He suggests that organizational politics is the method by which different preferences are resolved in conflicts over the allocation of scarce resources. Furthermore, organizational politics encompasses the process by which power is obtained and used in the organization.

Cobb and Marguiles (1992, p. 462) define organizational politics as "...the use of power to modify or protect an organization's exchange structure." The exchange structure is made up of the organization's resource allocation system and organizational members who have authority to allocate those resources. Efforts to change the exchange structure's equilibrium involve political activity on the part of challengers to the status quo and those who seek to sustain it. In this respect, organizational politics is seen as neutral.

Kanter (1979) distinguishes between two kinds of power. Negative power, identified as coercion, eventually leads to powerlessness. Groups can be subject to powerlessness due to lack of information and support. Positive power, identified as power sharing, democratic, and participatory in decision making and implementation, has the potential to enhance the power of the sharer.

One of the sources of power mentioned in the organizational learning (OL) literature is the ability of an individual or group to control or reduce uncertainty for others (Crozier, 1963; Hickson et al., 1971). Duncan and Weiss (1979) suggest that this mirrors the knowledge held by individuals concerning specific organizational environments and activities. Furthermore, changes in organizational knowledge may threaten the power base and will be resisted by organizational members. Huff (1991) concurs with this perspective and suggests that the IT department's ability to reduce organizational uncertainty is an important source of influence.

Chandler (1962) suggests that strategy is a conscious position taken by the dominant organizational members. Thompson (1967) calls this group the dominant coalition and states that this coalition represents those members of a firm who at any point in time possess the power to influence the strategies of the firm.

Conceptual Framework

The conceptual framework (see Figure 1) depicts the relationship that CIO influence has on the IT component of business strategy formulation and realization.

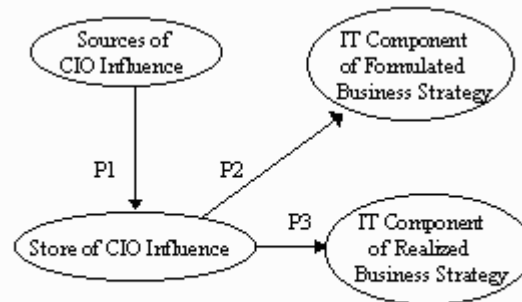


Figure 1: Conceptual Framework

Research Propositions

Huff (1991) suggests that the four determinants of IT departmental influence, derived from the strategic contingencies model, can also be applied to individuals. Thus, we can think of the determinants of individuals' influence as being similar to the IT department's sources of influence. For example, the sources of individual influence could consist of:

- the non-substitutability of individual expertise
- an individual's ability to reduce the uncertainty of another individual or group
- how central an individual is in the organization's work flow
- and the ability of an individual to meet the organization's objectives.

There are other sources of CIO influence in addition to those suggested by the strategic contingencies model. For example, in addition to individual expertise in information technology, Armstrong and Sambamurthy (1996) suggest that the business-related knowledge of the CIO, in conjunction with a CIO's strategic IT related knowledge, affect the CIO's participation in the top management team (TMT). If the CIO is "extremely well informed" about business related knowledge and strategic IT, the CIO will enhance his/her chances of participating in the TMT or his/her credibility. This is important because Armstrong and Sambamurthy (1996) found that the TMT positively influences the extent of IT deployment.

Proposition 1: A CIO's sources of influence will enhance the CIO's store of influence.

The CIO can influence the IT component of the business strategy in a number of ways. For example, Copeland and McKenney (1988) suggest that technical competence, which is held by the CIO, is a necessary requirement for gaining competitive advantage from information technology. However, if a CIO does not articulate this technical competence in the appropriate strategic planning forum, this technical competence may be ineffective. Thus, a technologically knowledgeable CIO with an appreciation for the business context can help organizations avoid failures like underestimating the IT task's complexity and overestimate the technology's capabilities as TWA and United did (Copeland and McKenney, 1988).

Proposition 2: The exercise of the store of CIO influence will enhance the IT component of the formulated business strategy.

Venkatraman (1989) and Chan et al. (1997) partially describe implementation in terms of realized strategy. Chan et al. (1997) suggest that realized IS strategy refers to strategy evident in IS investment decisions and IS deployments, as contrasted with vocalized or documented IS strategy which may not be realized. Markus' (1983) work on overcoming resistance to changes makes a contribution to our understanding of realized strategy. CIOs can use their influence to overcome resistance to change and ensure that the CIOs' companies can realize the IT component of their business strategies.

Copeland and McKenney (1988) acknowledge the role of intelligent persistence to realize business strategy. Creating sustainable advantage with IT need not be the result of extraordinary vision. Intelligent persistence leads to invaluable experience not easily imitated by rivals. Thus, a CIO who exercises "intelligence persistence" can use his/her influence to obtain resources needed to fully implement IT projects.

Proposition 3: The exercise of CIO influence will enhance the IT component of realized business strategy.

Discussion

It is important for CIOs to understand the nature and use of influence in organizations for a variety of reasons. First, having and using influence are preconditions for accomplishing tasks in organizations (Huff, 1991). Second, understanding the transitory nature of influence will keep CIOs from falling into a false sense of security based on the influence that they may have today but not tomorrow. CIOs must also recognize that influence is neutral until it is exercised. If it is exercised negatively (Kanter, 1992), this can lead to powerlessness. If it is exercised positively, this can lead to the enhancement of influence.

This paper contributes to IS strategy research in three ways:

- The identification of a gap in the IS literature on power and influence, namely the role of individual influence on the organization as opposed to IT departmental influence.
- The extension of research on the CIO's participation in the dominant coalition or top management team.
- The introduction and exploration of the idea of the CIO's influence on the IT components of business strategy formulation and realization.

Future Directions

The next phase of this research program on CIO influence, reflected in this paper, will flesh out the tentative research framework. The model will be tested between two industries, the insurance industry, which is relatively information intense, and a natural resources industry, which is not as information intense. A pilot study involving CIOs of these industries will be a natural first step. In the longer term, a comparison of the roles of CIO power and influence in different cultures will be examined by comparing situations in North America, Asia, and Europe.

References available upon request from the first author