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IS Strategic and Structural Alignment: Eight Case Studies[1]

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Abstract

The relative importance of IS strategic alignment and IS structural alignment in eight best practice organizations is examined. What successful firms do to attain alignment is highlighted, and current wisdom on the antecedents of alignment is confirmed or challenged.

Introduction

Surveys on key issues facing information systems (IS) executives repeatedly highlight the importance of aligning the IS function with the business function, and call for more research in this area (e.g., Niederman, Brancheau and Wetherbe, 1991; SIM, 1996; Williams and Cooke, 1994). However, little research to date has examined the nature and relative significance of multiple *components* of IS alignment. This study does that. It investigates two distinct dimensions of alignment (Henderson and Venkatraman, 1992; Jarvenpaa and Ives, 1990): IS *strategic alignment* and IS *structural alignment*. IS strategic alignment reflects the harmony or fit of business and IS strategies. It is the degree of support provided by IS for business goals. IS structural alignment is the appropriateness of the structure of the IS function (the distribution and management of key IS responsibilities) in the context of the structure of the overall business unit. IS strategic alignment and IS structural alignment are not independent; they are interrelated.

The literature[2] suggests that antecedents of *strategic alignment* at the business unit level include:

! Communication and understanding between business and IS executives
! Linked business and IS missions, priorities, strategies, planning processes, and plans
! Line executive commitment to IS issues and initiatives

Research on the IS organization structure suggests that antecedents of *structural alignment* include:

! IS skills on the part of line personnel and business skills on the part of IS personnel
! Appropriate formal reporting relationships and committees/teams
! Informal relationships and networks (impacting both structural and strategic alignment)
! Appropriate career paths
! Appropriate incentives/rewards and performance measurement

A key goal of this study was to determine the prevalence of strategic and structural arrangements that are prescribed in the literature in best practice firms. The intent was to challenge or confirm the accepted wisdom, and to examine the dimensions of alignment.

Research Method

It was important to identify and study >best performing= firms that served as >alignment exemplars=. Using a research database on 170 North American companies (Chan et al., 1997), business units were ranked based on their (1) business performance, (2) IS performance, and (3) IS alignment. Eight business units with the highest average scores were identified. Five of these were Canadian, three were US firms. All were part of large, multinational corporations. Three were insurance companies. Three manufactured automotive parts and two manufactured pharmaceutical products. Arrangements were made to visit these firms and interview key informants (the CEO, CIO, CFO, and two or more business partners). In addition, interviewees were asked to complete questionnaires, and to provide objective data to corroborate their statements. For example, annual company reports, documented business unit plans, and IS plans were examined. The researchers used the data gathered to complete Table 1 below. All executives participating in the study reviewed, and verified, their company data.

Case Studies

In Table 1, cases C1-C8 are summarized. Business units are listed as either employing (Y=yes) or not employing (the entry is left blank) practices that are described in the literature as antecedents of alignment. The frequency of the existence of the practice in the eight business units is used to infer the relative importance of the antecedent.

Table 1: The Existence of Alignment Antecedents in Best Performing Companies

	C1	C2	C3	C4	C5	C6	C7	C8	
ANTECEDENTS OF I.S. STRATEGIC ALIGNMENT									**RELATIVE IMPORTANCE**
Communication and Understanding Between Business and IS Executives									
CIO has been with the firm for many years	Y	Y	Y	Y	Y	Y	Y		High
CEO and CIO have a strong working relationship	Y	Y	Y	Y	Y	Y	Y	Y	High
Linked Business and IS Missions, Priorities, Strategies, Planning Processes, and Plans									
Business and IS plans are closely linked	Y	Y	Y	Y	Y	Y	Y	Y	High
IS strategy and plans are well-documented	Y	Y		Y		Y	Y	Y	Moderate to High
IS personnel participate in business planning	Y	Y	Y	Y	Y	Y	Y	Y	High
IS personnel participate in new product development	Y	Y	Y	Y			Y		Moderate
Line Executive Commitment to IS Issues and Initiatives									
IS projects have business sponsors	Y	Y	Y	Y	Y	Y	Y	Y	High
ANTECEDENTS OF I.S. STRUCTURAL ALIGNMENT									**RELATIVE IMPORTANCE**
IS Skills for Line Personnel, and Business Skills for IS Personnel									
IS training/skills development opportunities exist	Y	Y	Y	Y		Y	Y	Y	High
IS personnel are customer-oriented and have strong business skills	Y		Y	Y	Y	Y		Y	Moderate to High
Formal Reporting Relationships and Committees/Teams									
CIO reports to the CEO	Y	Y		Y			Y	Y	Moderate
CIO is a member of a senior management committee	Y	Y		Y	Y	Y	Y		Moderate to High
CIO has both line and IS responsibilities		Y	Y				Y		Low to Moderate
IS reporting arrangements are adapted to meet business partners' needs	Y		Y	Y		Y		Y	Moderate
There is an IS steering committee			Y	Y		Y	Y	Y	Moderate
Cross-functional teams/task forces are established	Y	Y	Y	Y	Y	Y	Y		High

Informal Networks and Relationships (see *Communication and Understanding Between Business and IS Executives* above)									
Appropriate Career Paths									
Personnel have opportunities to move vertically within the IS organization	Y	Y		Y	Y	Y	Y	Y	High
IS personnel make lateral short- or long-term transfers into business partner areas	Y	Y	Y	Y	Y	Y	Y	Y	High
IS staff are long term employees; there is little turnover	Y		Y	Y	Y	Y	Y	Y	High
Incentives/Rewards and Performance Measurement									
Quality or continuous improvement programs exist	Y	Y	Y	Y	Y	Y	Y		High
Incentive/compensation bonus schemes exist	Y	Y	Y	Y	Y	Y	Y	Y	High
The use of external IS consultants and/or outsourcing is encouraged	Y		Y	Y		Y	Y	Y	Moderate to High
Regular reviews of IS performance are conducted	Y	Y		Y	Y	Y	Y	Y	High

Findings

With very few exceptions, interviewees expressed the view that IS strategic alignment mattered more than IS structural alignment. The ends, not the means, were important. In most business units, the expected antecedents of strategic alignment were evident. There was little conventional wisdom to challenge except for the need to document IS strategy and plans, and to have IS personnel participate actively in the development of new products and services. The literature and practice generally seemed to be in sync. However, there was more to dispute with respect to the antecedents of structural alignment. Strong business skills and a customer-orientation were not always in evidence in the IS organizations, and CIOs were not always powerful members of senior management teams. IS steering committees were not always necessary, and partnerships with external IS consultants/service providers were not always utilized. The researchers concluded that the antecedents of structural alignment were interdependent, and that structural alignment could be achieved in multiple ways. In different organizations, different subsets of the antecedents would suffice.

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[2] Because of space constraints, detailed references have not been provided.