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Strategic Alignment: Firm/Industry Assessment

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When a firm's business and information technology executives sit down to discuss corporate strategy, it's typically from opposite sides of the conference table -- and each side has their own views, agenda and goals. What is interesting is that each side acknowledges the need for and importance of the other in the corporate strategy formulation process. Formulating a successful strategy, however, in today's fast paced, dynamic business environment can be quite a challenge. Executives must ponder several questions: Will our strategy be successful? How should it be used to achieve competitive advantage? How does our competition compare?

Results of a multi-year study (Papp, Luftman, & Brier, 1995; Papp, & Luftman, 1995; Papp, Luftman, and Brier, 1996) from 1992-1996 reveal that business and information technology (IT) executives are indeed aware of each other's role in the strategy development process. Strategic alignment, the appropriate use of IT in the integration and development of business strategies and corporate goals, is an important catalyst for this mutual recognition. Alignment focuses on the linkages between business and IT strategy and infrastructure.

The effect of a firm's industry classification suggests that it may affect the degree and type [there are 12 perspectives or types] of alignment (Papp, 1995). Over 600 firms were studied and each was grouped into one of 15 industry classifications. The largest number, 23.4%, came from the manufacturing industry. Results indicate that certain industries are more likely to follow specific perspectives than others (see table). For example, the manufacturing industry, due to its diversity, follows many of the perspectives to at least some degree. The primary focus is on IT Infrastructure Fusion (20.3%), Competitive Potential (13.5%), and IT Organization Infrastructure (10.8%).

Alignment Perspective by Industry

Count Row Percent	Strategy Executio n	Tech nology Potentia l	Compet itive Potentia l	Servic e Level	Org. I/T Infra structur e	I/T Infra structur e Strategy	I/T Org. Infra structur e	Org. Infra structur e Strategy	Org. Strateg y Fusion	Org. Infra structur e Fusion	I/T Strateg y Fusion	I/T Infra structur e Fusion	Row Total s
Agricultur e, Forestry	---	1 25.0	1 25.0	---	---	---	---	---	1 25.0	---	---	1 25.0	4 1.3
Business Svcs, Computers & Electronics	1 9.1	2 18.2	1 9.1	1 9.1	---	---	1 9.1	---	---	2 18.2	---	3 27.3	11 3.5
Defense & Govern ment	---	1 14.3	---	1 14.3	---	---	2 28.6	---	---	2 28.6	---	1 14.3	7 2.2
Educational Institutions	2 6.7	7 23.3	1 3.3	---	5 16.7	2 6.7	3 10.0	2 6.7	---	1 3.3	1 3.3	6 20.0	30 9.5
Finance & Banking	2 7.4	3 11.1	3 11.1	1 3.7	3 11.1	---	2 7.4	---	1 3.7	5 18.5	1 3.7	6 22.2	27 8.5
Health care, Health Svcs.	---	2 14.3	2 14.3	---	---	---	---	1 7.1	3 21.4	1 7.1	---	5 35.7	14 4.4

Insurance & Real Estate	2 5.9	7 20.6	5 14.7	---	3 8.8	2 5.9	5 14.7	---	---	3 8.8	1 2.9	6 17.6	34 10.8
Manufacturing	6 8.1	12 16.2	10 13.5	1 1.4	6 8.1	2 2.7	8 10.8	2 2.7	2 2.7	5 6.8	5 6.8	15 20.3	74 23.4
Petroleum, Refining	---	1 20.0	1 20.0	---	1 20.0	---	---	1 20.0	---	---	---	1 20.0	5 1.6
Pharmaceuticals	---	2 40.0	---	1 20.0	---	---	---	---	---	---	---	2 40.0	5 1.6
Public Administration	4 14.8	4 14.8	---	2 7.4	1 3.7	---	3 11.1	1 3.7	---	4 14.8	1 3.7	7 25.9	27 8.5
Services, n.o.s.	4 13.8	4 13.8	---	1 3.4	4 13.8	---	1 3.4	1 3.4	3 10.3	1 3.4	4 13.8	6 20.7	29 9.2
Commerce	2 11.1	1 5.6	2 11.1	---	1 5.6	---	4 22.2	---	1 5.6	1 5.6	---	6 33.3	18 5.7
Transportation	---	2 16.7	2 16.7	1 8.3	1 8.3	1 8.3	---	---	---	1 8.3	---	4 33.3	12 3.8
Utilities	---	7 36.8	1 5.3	1 5.3	2 10.5	---	2 10.5	---	2 10.5	---	---	4 21.1	19 6.0
Column Totals	23 7.3	56 17.7	29 9.2	10 3.2	27 8.5	7 2.2	31 9.8	8 2.5	13 4.1	26 4.1	13 4.1	73 21.1	316 100.0

Educational institutions and the Insurance/Real Estate industry (respectively) indicated either a Technology Potential (23.3%/20%) or IT Infrastructure Fusion (20.6%/17.6%) perspective, both of which impact IT infrastructure. Public Administration firms (25.9%), the commerce industry (33.3%), transportation companies (33.3%), and the healthcare and health services industry (35.7%) focused almost exclusively on an IT Infrastructure Fusion approach. This indicates a high degree of comfort with their business strategy and a desire to impact their IT architecture through changes in IT strategy (e.g., hardware, cost-performance issues) and business infrastructure (e.g., staffing, streamlining business processes). The finance and banking industry concentrated on the infrastructure area using the Organization Infrastructure Fusion (18.5%) and IT Infrastructure Fusion (22.2%) perspectives. Finally, utility firms suggest focusing almost exclusively on the Technology Potential perspective (36.8%) which uses IT strategy to affect the firms' IT architectures (Papp, 1995).

While these initial findings are by no means definitive, they suggest that firms which do not follow the common alignment perspectives representative of their respective industries may, in fact, be less aligned than their competition. The long term ramifications are being studied in a longitudinal assessment and will be reported later this year.

Alignment is a dynamic, evolving process that requires close, continual assessment and cooperation by both business and IT executives to achieve synergy in the development of corporate strategy. Cooperating less may mean the difference between achieving competitive advantage and simply surviving until tomorrow.

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