

Strategic alignment between is it and business



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1. The strategic alignment between IS/IT and business

The role of information technology in organizations has been changing since its developments, where it started as a role for supporting daily tasks and transferring these tasks into electronic processes. Later on, this role was changed to support business strategies (Henderson and Venkatraman, 1999) and to shape new strategies for the organization (ibis).

In fact, the alignment between IT and business means that both can work together to achieve the organization goals (Tarafdar and Qrunfleh, 2010). Moreover, researchers were motivated to find out alignment approaches to facilitate the organization from achieving its goal. Such approaches are, strategic alignment model (Henderson and Venkatraman, 1999), and Tarafdar and Qrunfleh (2010) approach that suggest having two phases; planning phase and tactical phases. Whereas, the planning phase is to ensure that the adopted technology is the required technology for reaching the organization goals. In addition, the tactical phase is the execution phase to ensure that no applications or plans are used which are irrelevant to the organization goals (ibis).

However, many organizations failed to align IS/IT with business goals due to different reasons. Firstly, lack of understanding and interaction between the CEO and the CIO (Johnson and Lederer, 2010). Secondly, for some reason the organization changes its IS/IT strategy that causes misalignment between IS/IT and business strategies (Tarafdar and Qrunfleh, 2010). Thirdly, strategic alignment means a fit between IS/IT strategy and business strategy (Sabherwal and Chan, 2001) and due to unclearness vision between the plan phase and the execute phase which causes a conflict between the two

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phases (Tarafdar and Qrunfleh, 2010). Finally, some managers do not recognize the value of IT investment in their organizations (Henderson and Venkatraman, 1999).

On the other hand, many organizations achieved superior business performance by aligning IS/IT with their business strategies (Sabherwal and Chan, 2001). While others gained competitive advantages (Kearns and Lederer, 2000). Unfortunately, these critical success factors have showed the importance in aligning IS/IT strategy with business strategy. Similarly, it is important that organizations set their business strategies with regard of IT and on the same time IS/IT can be developed in order to achieve the organization strategies (Manwani, 2008). One successful story in relation to the IT and business alignment strategies is Amazon. com (reference). The company noticed the value of IS/IT investment and started the business by selling online products via the internet. In addition, aligning IS/IT strategy to business strategy will improve IS/IT effectiveness and will increase the business performance (Xiaoying, Qianqian and Dezhi, 2008). Clearly, Amazon treats each customer differently based on the customer purchasing history that determines the customer choices.

When looking at the implementation of ERP systems and its strategic alignment within the business, you see that the main role of the system is to streamline, standardize and integrate business processes (Hanseth, Ciborra and Braa, 2001). Furthermore, they argue that when global organizations develop such a system, they face many challenges and issues in relation to ERP strategic alignment within business strategies. Therefore, misalignment of ERP system with global organization strategy is a reason of failing ERP

implementation (Madapusi and D'Souza, 2005). The next section will explain the types of international strategies that can be aligned with the enterprise information systems for global firms.

2. International strategy models

The international strategies for global organizations must be adopted in order for organizations to gain a stronger market position and to be able to control and manage their worldwide operations (Barlett and Ghosal, 1998). The first type is the multinational strategy; the company has many subsidiaries that react autonomously in order to respond to the local needs (ibis). The second type is the global strategy; these companies focus on enhancing the business efficiency and reducing costs by standardizing and controlling business units through the company's headquarter (Madapusi et al., 2005). The third type is the transnational strategy; the companies adopting this strategy are interested in global efficiency and local responsiveness in order to gain competitive advantages (ibis). The next section types of difficulties and challenges that may appear during the implementation of the ERP systems.

3. ERP implementation challenges

Implementing ERP system in a global organization has two perspectives, one is organizational and the other one is technical. Both are critical factors for the success of ERP system implantation (Sheu et al., 2004).

3.1 Organizational perspective

Organizations may face conflicts and misfit in relation to ERP implementation, such as task complexity and insufficient resources (Barki, Rivard and Talbot, 1993). Meanwhile, (Sheu et al., 2004) highlight the <https://assignbuster.com/strategic-alignment-between-isit-and-business/>

national differences when implementing ERP systems in global organizations. In their research studies and according to case studies they did on many global companies in the USA, China, Taiwan and Europe, they came out with major findings.

One issue is the cultural and language barriers, because ERP systems are English support, many non native speakers face problems in using the system which leads to employees' resistance. Moreover, the process of choosing the adaptation of ERP systems can be affected by communication barriers due to different languages and different cultures. For example, MoniP is a large manufacturer company, headquarter of the company is located in Netherlands and the subsidiary is located in Taiwan. When they first implemented ERP they had difficulties communicating to each other due to language barriers, so the implementation was done independently with decentralized decisions. Other issues have to do with governmental regulations, and diplomatic relationship between countries and geographic locations and time zone differences.

3. 2 Technical perspective

(Madapusi and D'Souza, 2005) argue that global firms face three kinds of challenges; first of all, ERP system configuration based on four organizational hierarchy; enterprise, system, business process and customization levels (Markus, Tanis and Fenema, 2000). The second challenge is ERP information architecture, whether to standardize and centralize the firm business processes which is known as centralize architecture, or whether to have many autonomous business units with local and distributed architecture (Madapus et al., 2005). In addition, hybrid architecture, for firms to have

both distributed and centralized architectures, such as globalizing the supply chain and localizing the products (ibis). Finally, the ERP system rollout challenge, it deals with the rollout approach. Researchers have concluded two types of ERP implementation approach, the big bang approach and the phased approach (reference). The first requires changes to be made for headquarters and subsidiaries at the same time and taking the risk on switching from legacy systems to ERP-multi site systems. While the later, requires changes to be made on multiple stages starting with a pilot project and then moving to the next project (ibis).

4. A generalized framework for aligning the ERP systems with international strategy models

Some guide lines can be set prior to implementing the ERP systems. In fact, organizations have to realize the importance of aligning ERP systems with the globalization strategy models (Madapusi and D'Souza, 2005) to guarantee that enterprise wide systems are developed to enhance business performance (Xiaoying et al., 2008), gain competitive advantage (Akkermans et al., 2003) and streamline, integrate (Madapusi and D'Souza, 2005) and control the information flow across business processes (Hanseth et al., 2001). Furthermore, (Madapusi et al., 2005) introduce a general framework that aligns ERP system execution with the international strategy models.

4.1 The alignment between ERP system implementation and multinational strategy

Organizations with multinational strategy focus on decentralizing business operations within business units to meet the local needs (Madapusi et al., 2005). Therefore, the ERP system configuration on the enterprise level for multinational strategy will select multi-financials/multi-operational structure

(ibis). In addition, choosing the distributed information architectures and customize the ERP systems for each business unit to meet the local needs (ibis). Lastly, companies with multinational strategy better implement the system using the phased approach (ibis) which is less risky comparing with the big bang approach (reference).

4. 2 The alignment between ERP system implementation and global strategy

Organizations with global strategy tend to have one standard operation in all business units. Moreover, they look in enhancing their operation efficiency (Madapusi et al., 2005) by having the headquarter controlling all business activities. In contrast the national business units have less control and freedom (ibis). Therefore, these organizations need to implement an ERP system with centralized decision making standardize business operations, increase business efficiency and enhance information sharing (ibis). So, when selecting an ERP configuration at the enterprise level, companies use the single-financial/single-operation structures. Besides, they follow the centralization information architectures by developing the “ best practice” embedded in ERP systems to increase control (ibis). Finally, for the ERP execution, firms should go for the big bang approach. Indeed, well implemented ERP system will improve the business performance worldwide (ibis).

4. 3 The alignment between ERP system implementation and transnational strategy

Organizations with transnational strategy call for a common configuration that highlights the importance of global organizations to cooperate with the technological change, complex environment and the creation of integrated

markets (Barlett and Ghosal, 1998). Moreover, these firms are opting to centralizing and integrating common systems and core applications globally (Madapusi et al., 2005). In addition, aligning the transnational strategy with ERP system, the ERP configuration at the enterprise level will select the single-financial/multiple-operations structures (ibis). Also, at the ERP information architecture, transnational strategy tends to use hybrid architectures and execute the system using the big bang and phased approaches (ibis).