The Alignment of Information Technology and Business Strategy in the Kuwaiti Companies.

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Abstract

Despite the fact that in many organizations in Kuwait the business executives remain doubtful about the strategic value of information technology. The alignment of information system strategy with the business objectives continues to be considered as one of the most critical issues facing organizations today. Only 28% of the surveyed companies in Kuwait claim that their IT objectives aligned to their business strategy which is a very low number. This paper uses a survey to investigate the alignment existence between the business objectives and IT strategy within different companies located in Kuwait. The survey was conducted through a questionnaire distributed to IT managers and executive business managers in the selected companies. The suggested survey questionnaires related to find out, first, does an alignment exist between the IT strategy and the company Business objectives? Secondly, if there is no alignment what are the reasons and the barriers arising in those companies? Analysis of the survey result reveals generally the IT and Business manager's attitude towards the existence and the barriers of alignment.

Introduction

In the past, when companies start using the IT resources, the development and support organizations where located within the business departments that they support and mostly, within the financial department in order to control the organization cost. This was primarily because the use of IT was relatively limited and was directed toward the specific needs of particular departments. In addition, the need for integrating the technology resources across the organization was limited as well.

As the use of IT increased and expanded throughout the business, organizations start modifying their organizational structures and companies started to realize that there was a large duplication of effort across different departments. New technologies, such as client server, the internet, data warehousing, and enterprise resources planning systems (ERP) emphasized the need for centralized information infrastructure in the organization (Aldridge, A. and A. L. Harris, 1999).

Nowadays many organizations have created a separated IT department in their organization structure responsible for developing, building and maintaining the new technology as well as supporting information technology resources across the enterprise. This organization structure provided significant benefits to organizations: simplifying the network infrastructure, minimizing maintenance cost, maximizing IT operational efficiency, and enabling enterprise-wide deployment of IT resources. However, (Lederer & Mendelow, 1989) argued that this organizational structure can lead into coordination difficulties between the IT department and the rest of the organization. These difficulties arises from unclear or unpredictibale business missions, objectives and priorities; poor communication; absence of IS management from the business planning process; and unrealistic expectations and lack of sophistication in respect of IT on the part of user managers. Therefore, without a good alignment between the business strategy and tactical planning of IT and the rest of the organization, a business could have a risk in a costly IT failures and a steady decline in competitive ability (Behling, R. and H. Records, 1995; King. W.R and Y.A. Pollalis; Liebowitz, J.1999; Oz, E. and JJ. Sosik 2000; Shore, B., 1996).

Alignment process is not an easy task because it needs large and continuing efforts at coordination. This research paper will conduct a survey for different kinds of companies in the state of Kuwait. The purpose of the survey is to find out whether the IT/Business alignment exist and if it does not exist then what are the barriers and reasons. In addition, the survey should give an indication of managers' attitudes towards and beliefs about strategic alignment in their organizations.

Literature review

The alignment between business strategy and IT information system strategy has been one of the hottest topic for the researchers for many years. It is considered as one of the main concern of the Business managers and one of the key issues in Information system management around the world (Brancheau et al., 1996; Gottschalk, 2000). Most of the researchers today emphasize that IT strategy should be aligned with the company's overall strategy. According to a survey conducted by Computer Science Corp (CSC), the top priority of the IT executive is to align the IT function with their business operation (Sid, 1994).

The idea of alignment has been studied from several perspectives by many researchers. These studies revealed that there are different types of alignment, such as strategic alignment, structural alignment, Business alignment, information system alignment, Cross-Dimensional alignment and Alignment mechanism (Sabherwal et al., 2001), majority of research have emphasize that the alignment should be strategic in order to provide highest benefits such as improving competitive advantage and enhancing performance (Levy 2000, Chan and Reich 2007).

To support these studies many researchers have come up with models and planning steps for IT business alignment. For instance, in order to have a full integration between business strategy and IT strategy Teo and king (1996), suggested a four-stage planning model:

1. Administrative integration- which indicates that there is a little or no effort from the IT to support the business objectives.
2. Sequential integration- which means that the business plan has one-way relationship when providing general direction for IT plan.
3. reciprocal integration- which means that there is two-way relationship between Business and IT
4. full integration-. Which means that the IT plan and Business plan are developed concurrently.

Reich and Benbasat (1996) separated two dimensions in the linkage between business and IT planning or strategy:

1. An intellectual dimension, relating to the stability, consistency and validity of IT and business objectives;

2. A social dimension, relating to mutual understanding and commitment between business and IS executives in an organization, with respect to each other's missions, objectives and plans.

Various other researchers have also extended these studies, In order to assess the maturity of Business-IT strategy alignment, professor Luftman has introduced Strategy Alignment Maturity model (Luftman, J.2000). This model consists of six alignment maturity criterion along with five levels of maturity. The Six Alignment Maturity Criteria are:

1) Communication maturity: to measure the effectiveness of information exchange between IT and business units in order to determine the understanding of business by IT and vice versa.

2) Competency/Value measurement maturity: to develop business metrics, IT metrics, and metric for assessing both IT and business in order to determine the contribution of IT organization to business.

3) Governance maturity: to determine who has the right to make decision and what processes that they will use at different levels to identify the order of importance in procuring the IT resources.

4) *Partnership maturity:* business's awareness of IT contribution, the relationship between business and IT organization, and the degree of consensus in goal, of mutual trust between them will be measured in this component.

5) *Technology Scope and Architect maturity:* the abilities of IT organization in flexibly providing the infrastructure, evaluating and managing the newly emerging technologies, facilitating changes in business process will be assessed.

6) *Skill maturity:* practices regarding human-related topics, such as retention, hiring, training, career crossover, etc., along with the organization's readiness against changes, learning, leveraging new ideas will be gauged.

The Level of Alignment Maturity are:

1) *Initial or ad-hoc processes:* There is no IT-business strategy alignment. The communication is poor. Contribution is not realized of one another. IT is viewed as cost center and focused on supporting the back-office only.

2) *Committed processes: Relationship between IT and business has been improved. Alignment focuses only on department functions and locations. IT is viewed as technical and cost oriented. And there is no link between IT and business objectives.*

3) *Established, focused processes: At this level, the understanding between IT units and business units is being created. The use of SLA applied throughout the organization. IT becomes valuable to business. Even though, IT is view as cost center, its investment potential has been realized. Technical and business skills become important to managers.*

4) *Improved, managed processes: Several processes of strategic alignment have been carried out. The gap between understanding of IT units and business units has been closer than before. IT can take part in decision support and appeared as value asset. IT has been viewed as "value service provider and as an enabler of changes" (Luftman, J. 2000). Organization leverages its IT infrastructure to achieve the competitive advantage.*

5) *Optimized processes: IT-business strategy alignment has been applied and carried out across the organization. IT leverages the organization's partners and customers. Organization shares the knowledge, metrics to external entities such as partners, customers, suppliers, etc. IT extended its "reach to encompass the value chains external customers and suppliers" (Luftman, J. 2000). The relationship between IT and business tends to be informal and effective. "Strategic business and IT planning are integrated across and outside the organization" (Luftman, J. 2000).*

The benefits of aligning business strategy with IT strategies have also been recognized by researchers and practitioners. Some of these benefits includes (1) increasing organizations

return on IT investment; (2) improving companies' competitiveness; (3) enhancing flexibility (Avison et al. 2004); and (4) Profitability of organizations (Galliers 1991; Papp 2001). With the alignment, organizations can have the traditional benefits of IT/IS in terms of having an organization's operations accepted by executives (Huang and Hu 2007) as well as obtaining top management support (Lederer and Mendelow 1989). Byrd and Turner (2000) stated that in order for IT to provide competitive advantage, it must be strategic, and have impact on the "goals, operations, products, or environmental relationships of organization". Other researchers have suggested that increasing business ownership and accountability for return on IT investment was an effective way to ensure alignment of business strategy and IT strategy (Gomolski, B. 2002).

The present paper is to investigate how alignment is sought and achieved in participated companies, and what its implications are for the performance in those companies. We have commenced the research by distributing a questionnaire to different types of organization in the Kuwaiti market, to discover attitudes towards alignment from both IT and Business executives.

Defining Strategic Alignment

Many researchers and practitioners have defined the strategic alignment between IT strategy and business strategy and in this section we will mention a few. Avison et al. (2004) stated that Alignment is the degree to which the IT mission, objective and plans support and are supported by the business mission, objectives and plans. Broadbent and Weill (1993) define strategic alignment as the extent to which business strategies are enabled, supported, and stimulated by information strategies. Henderson and Venkatraman (1993) refer to strategic alignment as selecting appropriate alignment perspectives for achieving business objectives. Whereas strategy in its broadest sense is all about alignment or matching organizational resources with the environmental threats and opportunities (Porter 1985; Shin, 2002 p.3; Andrew 1980 cited in Avison et al., 2004). The strategic alignment perspective suggests that the effect of IT on performance depends on the fit and harmony between IT Strategy and corporate strategy (Palmer and Markus, 2000; Croteau and Raymond, 2004). Therefore, Strategic alignment is a process of creating a harmony between IT and Business strategies and leveraging IT functionalities to create and support new and existing business strategies.

Strategic alignment can also improve business performance (Sabherwal and Chan, 2001), maximize the return on IT investment, achieve the competitive advantage, and provide direction and flexibility to react to new opportunities (Avison et al., 2004). However, it is important to note how IT is used and leveraged to serve the firm's focus. Tallon et al. (2000) identify four types of firms; Unfocussed, operation focused, market focused and dual focused. In unfocused firms, IT has no clear goals and it is perceived as expense and business necessity, so management undervalues IT potential and delays IT purchases, trying to minimize IT expenses instead of increasing IT investment. While, operation focused firm is concentrating on the operational effectiveness, so it uses IT to reduce the production cost and increase efficiency and productivity by focusing on the quality, speed, flexibility, and time to market (Avison et al., 2004).

On the other hand, market focused firm concentrates on its strategic position and the value proposition so it uses IT to enhance its market position by improving the value propositions for customers. Finally, dual focused firm extend its use of IT beyond operational effectiveness to include market research and new market research to achieve strategic positioning and operational effectiveness simultaneously (Tallon et al., 2000).

Importance of Information Technology to Business

Nowadays, being competitive depends on the effective use of IT to manage the information resources. Many researchers and practitioners have emphasize this concept, for example, Smaczny (2001) stated that the high dependency on IT has increased to the level where an IT responsiveness can create a competitive disadvantage. Failure to leverage IT may seriously decrease a firm performance and viability (Avison et al., 2004). Bruce (1998) warns that the failure to align IT with Business will decrease the IT creditability and reduce the strategic IT investment by providing proactive systems instead of reactive ones. Willcocks (1994) identified the value and the impact of IT on the firm's profitability and efficiency and marked four domains which can be affected by the leverage of IT; competitive advantages, cost base efficiency, product delivery, operational feasibility, and capacity to manage (Willcocks, 1994 p.114).

Therefore it can be noticed that IT has moved from simply supporting operational functions to being a critical strategic organizational resource which should be shaped to deliver business needs (Henderson & Venkatraman, 1993; Rockart, 1988; Carr, 2003). Broadbent & Weill (1993) stated that "Business are highly dependent on IT". Therefore aligning IT objectives to the business strategy has become very important in order for the company to stay in business and become competitive in the market (Chan et al. 2006, Luftman et al. 2006).

The influence of IT has also been noted in IT literature. Rockart (1998) stated that IT can have a profound effect on business strategy. Keen (1991) claimed that "IT has become an important aspect of everyday business. It is potentially a key element in competitive positioning". Overall, IT has become a major organizational resource for executing business strategy (Rockart, Earl & Ross, 1996; Feeny & Willcocks, 1998; Rangan & Adner, 2001).

Given the importance of the alignment between business and IT strategies and the lack of similar studies in the Kuwaiti market, we undertook a survey that explore and investigate such alignment in the Kuwaiti organizations and this paper outline the outcomes.

The Survey

The survey consist of five sections together with a covering letter that explained the purpose of the research study and offered a copy of the result and their interpretation to those who responded.

The survey questionnaires are developed to investigate the existence of the IT/Business alignment and the attitudes of the business executive managers and IT managers towards alignment. It contains 5 sections each one contains at most 6 questions. When designing the set of questions, we were guided by similar studies in the literature (Luftman, Papp & Brier, 1999; Reich & Benabast, 1996, 2000; Teo & Ang, 1999; Brancheau et al., 1996; Papp, 1995), as well as by a desire to keep the questionnaire to be as simple as possible.

We have sent the questionnaires to a selection of private sector, government sector, financial and retail companies in Kuwait.

The first section of the survey asked for a background information including job title and industry sector. The second section concerned about aspect of the existence of alignment between business and IT strategy. The third section asked questions about whether the IT

department has been used as a cost department. The fourth section asked about whether the organization is working on minimizing the gap between the IT strategy and business strategy. The fifth section asked respondents to use 5 point likert scale to include their perceptions of the highest rated barriers to alignment and answers to this question were chosen from 1-most important, to 5-least important.

We sent questionnaires to 100 companies, two copies (separately) were sent to each company, one addressed to the Business executive manager and the other to the IT manager. The questionnaire was accompanied by a letter outlining the research project and requesting a reply in four weeks. The survey was distributed to different kind of companies in Kuwait depending on the number of companies accepted to do the questionnaires, 25 in the financial investment field, 15 manufactures, 25 retail companies, 3 education institutes, 20 government sector, 8 consumer goods companies, and 4 companies are in different fields than mentioned above.

We received 57 responses. The response rate is 57% of the survey distributed.

1.1 Result and Discussion

The result of the survey are presented according to the main sections of the survey questionnaire.

1.1.1 Section One - Organization Background information

The first section of the survey asked for a background information including job title and industry sector. Of the 57 respondent completed the questionnaires, 35 (61.4%) came from executive IT managers and 22 (38.6%) came from executive business managers. This differential rate of response might mean that executive business managers are less interested in questions of strategic alignment than IT managers or maybe they are busier people.

Respondent were from a variety of industry sectors 30% from financial, 10% from Manufacture, 10% from Retailing, 15% from Education, 19% from government and public sector, and the reminder 16% from other sectors.

1.1.2 Section Two – IT Business Alignment

The second section of the questionnaire concerned with more focused perceptions of alignment between business and IT strategy. When we asked the participated companies if there IT strategy is aligned with their Business objectives, only 28% responded said yes it is aligned, More than half 32% are not sure and 40% said there is no alignment in their company. When participant were asked if their business managers have a good understanding of the IT objectives. 20% said yes they have, 18% are not sure and 62% said no. When participant were asked if their IT managers have a good understanding of the Business objectives. 40% participant said yes, 35% are not sure and 25% said no.

When participant were asked if their IT manger takes part in the formulation of the corporate strategy. 14% of the participant said yes, 23% are not sure and 63% said that IT manager does not participate.

When Participant were asked if their IT and business managers communicate and negotiate with each other on business project. 55% said yes there is a communication. 21% are not sure if there is any communications, and 24% said no there is no communication.

When participant were asked whether the executive business managers' perception of technology value to their company is accurate. 54% said yes their perception is accurate, 19% they are not sure and 27% said that the business perception of technology values is not accurate.

1.1.3   Section Three - IT department as a Cost center.

Section three deals with considering the IT department as a cost center. What we mean is that IT department has no effect on the company strategy and it is used only for technical support. 20% from the respondents either agree or strongly agree that their IT department has no strategic role in the organization's business plan, where most of the participants 45% disagree or strongly disagree with this openion. 20% of the respondent are in between and they have a neutral opinion. The second question was asked about if the IT department has no effect in the company. A significant majority of respondent 50% either disagree or strongly disagree that the IT department has no effect on the company. And only 30% agree that IT department has no effect on the company and only 7% of the respondents have a neutral opinion. When respondent where asked if there IT department is used as a technical support function, 52% agree or strongly agree that is true and almost half of that percentage 25% disagree or strongly disagree that there IT department is used as a technical support department and only 21% has no opinion on this issue.

When respondent were asked if the expenditure on technology has any value on the business side. Only 10% disagree or strongly disagree that the IT has a value on the business, where the majority of the participants almost 80% agree or strongly agree. 8% has no opinion and prefer to be neutral. When we asked the participant if the investment on IT negatively affect business productivity or customer experience, only 5% agree or strongly agree and the majority of participant 85% have disagree or strongly disagree that the IT Investment has a negative effect on business, and only 8% has a neutral decision. When we asked the participants whether they think that business executive management usually don't approve most of IT project, 15% agree or strongly agree that usually business executive management don't approve most of the IT projects and the majority of participants 55% disagree or strongly disagree that the executive management don't approve the IT projects, and 30% have a neutral opinion.

1.1.4   Section Four – Minimizing the gap

Section Four deals with how to minimize the gap between IT strategy and Business Strategy. When participant were asked if there should be an IT representative in the upper management meeting. 77% agree and strongly agree that in order to minimize the gap between an IT strategy and business strategy there should be an IT representative in the upper management meeting and only 23% totally disagree.

When participant were asked whether the decision of investment on IT technology should be taken from the organization board level rather than the IT department level, 33% agree and strongly agree that the investment on IT should be taken at executive board level rather than at the IT department level. 27% of participant they were neutral and are not sure, and 40% don't think that the IT investment decision should be taken at the board level.

When participant were asked whether business strategy and IT strategy are equally important, 80% participant agreed or strongly agreed that they are equally important. 12% said they are not sure and 7% only said that they are not equally important.

When participant were asked if business managers should give high priority to IT projects, 67.5% agree and strongly agree that IT projects should be given a high priority from business managers. 12% were not sure and only 7% disagree or against this idea.

When participant were asked whether the business managers should be involved in formulation of IT strategy at department level, 52% agree and strongly agree that business managers should be involved in the formulation of the IT strategy at department level. 33% were not sure and only 15% don't agree on the involvement of business managers.

When participant were asked whether the IT managers should be involved in the formulation of business strategy at department level. 57% agree and strongly agree that IT managers should be involved in formulation the business strategy. 21% were unsure and 12% of participant say that their IT manager has no involved in the formulation of business strategy.

1.1.5   Section five – Barriers to Alignment

Answers to section-5 were chosen from a 5-point Likert scale (from 5-most important, to 1-least important). Most of the participants 70.8% said that ineffective communication between business management and IT management is the most important barrier to alignment.

60% from the participants choose poor understanding among the business leaders of how IT should support business objectives is the second important barrier to alignment, and 48.5% said that lack of defined business strategy is the third barrier to alignment.

40% said that weak support from IT to help the business to achieve its objectives is the fourth important barrier to alignment, and the least important barrier to alignment is the lack of investment in IT were 26% participants voted for it.

Analysis of the Survey

Despite the importance of the alignment process, there have been relatively few studies focusing specifically on it in Kuwait. Our survey is the first research which will investigate the alignment existence on the ground, through a fieldwork. The purpose of the survey is to find out whether the IT/Business alignment exist and if it does not exist then what are the barriers. In addition, the survey should give an indication of executive managers' attitudes towards and beliefs about strategic alignment.

The survey shows that most of the participated companies in Kuwait 72% have said either they don't know or they have no alignment, and only 28% of the participated companies have said yes that their IT strategy is aligned with their Business objectives. The Survey also shows

that there is a positive attitudes among business and IT managers regarding the importance and existence of alignment. This provides some empirical evidence of the importance of the alignment process. This evidence is reinforced by the fact that the alignment process is measured using two respondent (IT and business managers) in the same company. This result give us more insight to carry on investigate alignment in the real world. Both managers confirm the importance of equality preparing business and IT strategy at the same time. Meanwhile, business managers don't understand IT as 62% of participant managers said that business managers don't understand IT objectives. The former result is consider quite risky, this misunderstanding may lead to reverse actions from business managers. Doing so, business managers will consider IT department a technical support not strategic department, prevent firm from exploit any opportunity may be created by IT; avoid any contact with IT department; don't allocate the proper resources, and prohibit firm from utilise IT to be competitive in their sector.

As mentioned above, 54% of the Business executive managers have reported that their perception of the IT value to the company is accurate and 35% of the same respondent reported that IT department has an effect on the company strategic role. This means that IT has an important value to them and plays a "strategic" role in the enterprise. Additionally more than 50% say that business executive management plays a visible role in formulating the IT strategy development. Given the nature of these responses, both managers' answers to survey questions about the barriers to alignment are as follows: • Almost 70% of the executives managers say "ineffective communication between business management and IT management" represents the most important challenge; • (60%) say the "Poor understanding among the business leaders of how IT should support business objectives" is a second important challenge; • Nearly half (48.5%) say that "lack of defined business strategy is the third important challenge; and • (40%) say that "weak support from senior business management" is the fourth challenge, and the least important barrier to alignment is the lack of investment in IT projects "where only 26% participant voted for it.

As mentioned above 40% of respondent said that IT managers understand business needs, such understanding enables developing joint applications that satisfy user needs, supports business strategy or shape new business strategy. On the other hand, the business managers are still facing difficulty in understanding IT objectives, the survey shows that only 20% said that they are able to understand IT objectives. In this situation, either the business managers don't know the latest development in the technology which led to lag in their IT knowledge, or IT managers have been using some IT jargon which is not easily understood by business managers. This lead us to that, not only creating frequent communication channels between IT and business managers to facilitate the understanding (Reich & Benbasat, 2000; Teo& Ang, 1999) but also, the IT managers should use business language. For instance, return on investment or overhead cost to measure the IT projects performance. Both managers IT and Business should acknowledge the importance of preparing their strategies together and at the same time but unfortunately they don't. This result is consistent with the concept of (king &Teo, 1996). In terms of four types of integration, the former result gives us empirical evidence that there is lack of communication in the administrative level as well as in full integration.

Business executive prospective

The survey shows that most of the business executives they find it hard to understand the IT requirements and needs. Thus, it is difficult for them to participate in formulating the IT strategy and it is also harder for them to communicate with IT executives. The survey also shows that 63% of participants said that IT managers does not participate in the formulation of the corporate strategy. This result also indicates that business executives don't think that it is important to the company to call the IT managers to participate in the formulation of the company strategy. This result also justify the barrier why there is poor understanding between business leaders of how IT should support business objective.

Another important point to be highlighted is that only 20% from the respondents strongly agree that their IT department has no strategic role in the company and this is obviously coming from the business executives' side who don't see that value of the IT projects in their company.

We also found out from the survey that there is a split decision between the IT executive managers and the Business executive managers on whether the IT department has an effect role on the company, 50% from participants said that the IT has an effect on the company performance and the other 50% say there is no effect which comes from the business managers side.

The business executive mangers also claim that the IT department is used as a technical support function only and this is to justify their claim that the IT department has no strategic role in the company.

IT executive prospective

Despite the fact that both IT and business managers thinks that IT and business strategies are equally important and should be aligned, they disagree on the alignment process. IT managers strongly support that they should participate in the formulation of the corporate strategy and there should be an IT representative in the upper management meeting as well. On the other hand, they disagree with the concept of taking the decision of investment on IT technology from the organization board level rather than IT department level.

Most of the business executive participants say that the IT department has no effect on the company, 80% of the participants (which is more than the number of IT executives participated) agree that the IT expenditure has a business value which shows that most of the IT applications are perfectly used by the business units, and this point of view is supported by 85% of the participants which they disagree with the statement that say IT investment has a negative effect on the business objectives.

Therefore we can find out from the survey that lack of communication and poor understanding are the most rated barriers between the IT and business manages in order to apply the process of alignment between them. The executive managers should communicate more often in order to understand each other and work on the alignment process accordingly.

Conclusions

This paper describes our investigation of whether organizations operating in the Kuwaiti market consider the existence of the IT/Business alignment and the attitudes of the business executive and IT managers towards alignment within these selective companies. During the fieldwork, we have found that most of the selected companies in Kuwait use the IT department as a technical support department and it is not treated as a strategic partner to the business departments this is because of the lack of integration between IT/business departments.

We also discovered that IT/business alignment remains unsolved issue because of the lack of communication and poor understanding among the business leaders. In addition, in most of the company participated there is no proactive dialogue between IT and business departments at the administration level, when they do talk it is always difficult for the business managers to understand the IT Jaron. This issue made the business executive to have no interest in listening the IT problems and therefore calling them to participate in formulating the business strategy.

Therefore with IT becoming so much more important to the development and delivery of business strategy we recommend that more attention needs to be paid to the IT strategy development than it has been paid in the past. In addition, executives managers from both groups must continue to work together to understand better their challenges and opportunities as well as their goals.

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