DOES EMPLOYEE ALIGNMENT AFFECT BUSINESS-IT ALIGNMENT? AN EMPIRICAL ANALYSIS

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ABSTRACT

The aim of this paper is to investigate if employee alignment will influence the business-IT alignment in organizations. We measured employee alignment through perceived organizational trust, perceived communications on business-IT strategies to employees, perceived employee commitment to business-IT strategies and perceived knowledge on business-IT strategies. Structural equation modelling (SEM) is used to test the model and hypotheses in this research. The findings from this study indicated that perceived organizational trust, perceived communications on business-IT strategies to employees and perceived knowledge on business-IT strategies have a positive and significant relationship with business-IT alignment of organizations. This study addresses the lack of empirical research by investigating whether employee alignment would improve an organization's business-IT alignment.

Keywords: IT, Employee Alignment, Business-IT alignment, IT strategies, Indonesia.

INTRODUCTION

With increasing competition and globalization, business nowadays have to operate efficiently and effectively. With the introduction of information technologies (IT) and Internet, most companies are now leveraging on IT as part of their strategic business tools. In order to address the global competition, manufacturing organizations are now taking advantage of advanced IT to improve their supply chain [31]. IT tools such as customer relationship management (CRM) systems, supply chain management (SCM) systems, Enterprise Resource Planning (ERP) systems and business intelligence tools are being used by companies to ensure that they can achieve competitive advantages over their rivals by providing shorter lead times, introducing new products more frequently and responding to customer service and product requirements more rapidly [4].

Although the benefits of IT are no longer a business secret, many organizations are still facing issues with IT implementation. One issue faced by organizations is that it difficult for them to achieve long term benefits through the adoption of IT [41]. Studies have shown that as many as one third of software failed to delivers that it is intended [19]. One reason for this is the lack of business-IT alignment. It is found that the problem of aligning business and IT strategies is one of the five main problems faced by IT managers [42]. Past studies have attempted to address this by looked into various aspects of organizations factors such as the communications between the business executives and IT executives, the involvement of IT personnel in forming business strategies, and the support from top management on IT. However, there have been few studies which attempt to investigate if employees' alignment with business-IT strategies will improve the alignment of business-IT strategies in organizations. As Boswell et al. [7] stated, employees' alignment with organizations' strategies are important for the successful execution of the strategies. Yet, there has been very little attempt to investigates if employees are aligned to the business-IT strategies and whether their alignment will determine the success of business-IT alignment. Furthermore, most studies presented on business-IT alignment have been conducted in developed nations. In developed nations, there are less resistance for the employees to adopt IT strategies when compared to countries which are still new to IT and might resist the idea of strategic IT implementations.

Therefore in order to bridge the gap in existing literatures, this paper attempts to investigate the relationships between employees' alignment and the business-IT alignments of organizations located in Indonesia. We have chosen companies in Indonesia due to the fact that Indonesia is one of the fast growing developing countries in Asia. Furthermore, Indonesia main economy contributions are still from the agricultural and manufacturing sector. They are able to attract many foreign investments due to their low labour cost. However, other countries such as China and Vietnam are now competing with Indonesia using low cost strategies. In the long term, it would be difficult for Indonesian firms to compete just based on lower labour costs than its competitors. There is a need to improve efficiencies in the businesses and this can be achieved via IT implementations. Results from this study can provide useful insights to decision makers of other companies in other fast developing nations such as China, Vietnam, India and Malaysia. The next section will provide the literature review for this study. Research model and hypotheses development are discussed after the review of literature. This is follow by the methodology and discussion of results sections. Lastly, conclusion and implications as well as limitations and future suggestions for the study are discussed.