STRATEGIC ALIGNMENT OF BUSINESS STRATEGY WITH INFORMATION TECHNOLOGY STRATEGY TO ACHIEVE SUSTAINABLE COMPETITIVE ADVANTAGE IN MOBILE COMMUNICATION SECTOR IN IRAQ

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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

The strategy has always been a great concern to top management, Strategy is an important consideration in management decisions. Companies strive hard to find the right strategy to obtain a successful business, especially in this competitive market of business. It is important for organizations to understand if and how much the IT strategy supports business strategy, and vice versa. Strategic alignment has continued to be an issue for many organizations worldwide. The aim of this study is basically to address and understand the concept and theory of business-IT strategic alignment. it tries to provide further understanding into the concept of strategic alignment between business strategy and IT strategy, and how important strategic alignment is in business. And it attempts to give understanding of previous studies in business-IT strategic alignment by different scholars as they presented different definitions and meanings to the concept of strategic alignment based on different views. The concept of the alignment between business strategy and IT strategy. which is the issue that presented an obstacle to achieve strategic competitive advantage, and to find out how can organizations gain and maintain competitive advantage by the alignment between business strategy and IT strategy. This Study, is between business strategy and IT strategy, and presents a general strategic alignment model. It practically focuses on how to manage the business-IT strategic alignment in business organizations to achieve success through sustainable competitive advantage. Quantitative data were collected in the telecommunications sector in Iraq. More specifically, this study has tested the research model by conducting 200 survey questionnaires with of Mobile communication sector in Iraq. The results obtained from the structural equation modeling (SEM) technique, the researcher used the indirect structural models or the fully mediated models, This indicated that the Strategic Alignment has a strong significant effect on Sustainable Competitive Advantage. In summary, these results further suggest that SA was a major determinant of development of Sustainable Competitive Advantage. Moreover, the results of the main survey questionnaire through the SEM show strong evidence for the mediating effect of strategic alignment on the outcome relationships (business and IT strategies) and sustainable competitive advantage. This study has provided a detailed roadmap that researchers and practitioners can use in order to understand the resources required. Future research. This study Provides foundation for further research in the same sector studied by this thesis in addition to a different field of marketing aspects in Iraq by using SEM techniques.

ABSTRAK

PENJAJARAN STRATEGIK DALAM STRATEGI PERNIAGAAN DENGAN STRATEGI TEKNOLOGI MAKLUMAT UNTUK MENCAPAI KELEBIHAN KOMPETITIF MAMPAN DALAM SEKTOR KOMUNIKASI MOBILE DI IRAQ

Strategi ini sentiasa menjadi kebimbangan besar kepada pengurusan atasan, Strategi adalah satu pertimbangan yang penting dalam membuat keputusan pengurusan. Syarikat berusaha keras untuk mencari strategi yang betul untuk mendapatkan perniagaan yang berjaya, terutamanya dalam pasaran perniagaan yang kompetitif ini. Adalah penting bagi organisasi untuk memahami jika dan berapa banyak strategi IT menyokong strategi perniagaandan begitu juga sebaliknya. Penjajaran strategik terus menjadi isu bagi banyak organisasi di seluruh dunia. Tujuan kajian ini adalah pada dasarnya untuk menangani dan memahami konsep dan teori perniagaan IT penjajaran strategik, cuba untuk memberi kefahaman lebih jauh ke dalam konsep penjajaran strategik antara strategi perniagaan dan strategi IT, dan betapa pentingnya penjajaran strategik dalam perniagaan, Dan ia cuba untuk memberikan pemahaman kajian sebelum ini dalam penjajaran strategik perniagaan IT oleh ulama berbeza kerana mereka dibentangkan definisi yang berbeza dan makna kepada konsep penjajaran strategik berdasarkan pandangan yang berbeza. Konsep keselarasan di antara strategi perniagaan dan strategi IT, yang merupakan isu yang dibentangkan halangan untuk mencapai kelebihan daya saing strategik, dan untuk mengetahui bagaimana organisasi boleh mendapat dan mengekalkan kelebihan daya saing dengan penjajaran antara strategi perniagaan dan strategi IT. Kajian ini, adalah antara strategi perniagaan dan strategi IT, dan membentangkan model penjajaran strategik umum. Ia boleh dikatakan memberi tumpuan kepada bagaimana untuk menguruskan perniagaan-IT penjajaran strategik dalam organisasi perniagaan untuk mencapai kejayaan melalui kelebihan daya saing yang mampan. Data kuantitatif dikumpulkan dalam sektor telekomunikasi di Iraq. Lebih khusus, kajian ini telah diuji model kajian dengan menjalankan 200 soal selidik kajian dengan sektor komunikasi mudah alih di Iraq. Keputusan yang diperolehi daripada teknik pemodelan persamaan struktur (SEM), penyelidik menggunakan model struktur tidak langsung atau model pengantara sepenuhnya, ini menunjukkan bahawa Penjajaran Strategik mempunyai kesan yang ketara yang kuat ke atas Kelebihan Persaingan Mampan, Ringkasnya, keputusan ini menunjukkan bahawa lanjut SA adalah penentu utama pembangunan Kelebihan Persaingan Lestari. Selain itu, keputusan kajian soal selidik utama melalui SEM menunjukkan bukti kukuh untuk kesan pengantara penjajaran strategik mengenai hubungan hasil (strategi perniagaan dan IT) dan kelebihan daya saing yang mampan. Kajian ini telah menyediakan pelan tindakan terperinci yang penyelidik dan pengamal boleh menggunakan untuk memahami sumber yang diperlukan, kajian masa depan, kajian ini Menyediakan asas untuk penyelidikan selanjutnya dalam sektor yang sama dikaji dengan tesis ini sebagai tambahan kepada bidang yang berbeza daripada aspek pemasaran di Iraq dengan menggunakan teknik SEM.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Strategy is an important consideration in management decisions. Thus, most companies work on developing and honing their strategies in order to attain success in the competitive world of business. It is believed that understanding the significance of Information Technology (IT) strategy is important for an organization to support any business strategy. Accordingly, strategic alignment is of central concern to organizations across the globe. Furthermore, developments in IT have highlighted how significant a role it plays in company strategies. It is vital that business IT strategies and processes should be aligned. Despite the fact that strategic alignment has long been considered a key issue in business, a satisfactory model has yet to be produced.

Companies now find themselves competing in a rapidly evolving business world, where continual reassessment of strategic alignment is necessary to ensure maximal operating efficiency. Much attention has been given to the advantages offered by IT capabilities and there has been considerable attention paid to developing a model which recognizes the importance of aligning IT and business strategy. In the process of adopting a strategy, various factors such as communication, trust, understanding, participation, shared knowledge and IT dependency level, have all had a significant effect on the alignment between IT and business strategy Sabherwal and Chan (2001).

This study aims to advance our understanding of the nature of strategic alignment between IT and business. The objectives are two-fold: firstly, to provide additional knowledge about conceptual aspects of this strategic alignment and its fundamental role in business; and secondly, to consider previous studies in business-IT strategic alignment by various researchers, wherein, they present a

range of interpretations of strategic alignment from differing perspectives. In addition, it examines the alignment gap between business strategy and IT strategy to find out how organizations can gain and maintain competitive advantage by reducing the alignment gap between business strategy and IT strategy – a gap which prevents companies from acquiring a strategic competitive advantage.

The diagram belowshows a simple graphical representation of the interaction between the main variables of the three important aspects of this study, namely business strategy, Information Technology, and competitive advantage.

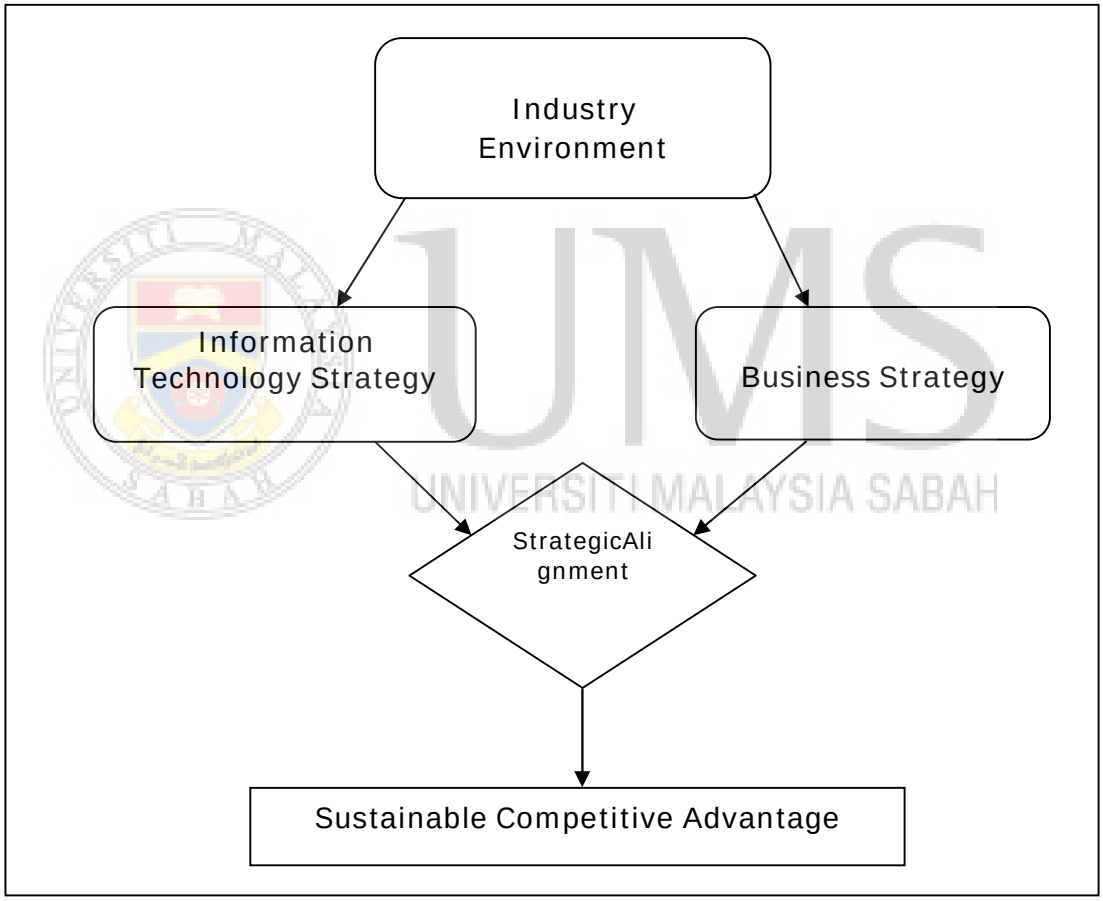

Figure 1.1: Simple Graphical Representation Of The Study.

Source : Author publisher

1.2 Background Of The Study

Information systems strategy is an important consideration in business decisions. The process of aligning information systems and business strategies necessitates the examination of the impact of mutual alignment. For instance, when we investigate that organizational strategic to information systems alignment contributed minimal performance improvement for specific Miles and Snow (1978) strategy types it would have supported management decisions to reduce resource allocations to information systems for those types . The reallocation of resources in this situation might have led to a reduced IT budget and improved company performance. The reduced IT budget might have entailed less funding, retaining equipment, maintaining the number of specialist employees, abandoning measures to upgrade user skills and shelving plans to introduce new information systems. However, this study intends to demonstrate that business to IT alignment and business performance are positively correlated for all strategy types. The findings was show that increasing strategic alignment has positive implications for business organizations.

Fjermestad and Saitta (2005) Dorociak, (2007) discussed the problem of determining the contribution of IT to business objectives. They noticed the non-alignment of a business and the perception of the contribution of IT to business aims, which led them to conclude that company performance should be assessed in tandem with business and IT alignment. Using combined measurements including business to IT alignment as well as business performance results in a more clearly definable cause and effect relationship than assessing the contribution of IT to business objectives only as part of the alignment process. The discrepancy between IT and business in relation to the contribution of IT to company objectives supports Fjermestad and Saitta's requirement for including performance and alignment in strategic assessments Dorociak, (2007). Managerial awareness of environmental considerations, specifically outsourced IT is crucial for determining the role played by IT in business performance.

Managerial staff need to be aware of the businesses operating environment and the fact that beneficial IT business alignment effects contribute to improved strategic decisions. Examination of information systems alignment indicates usage maturity. As an illustration of this, Sabherwal and Chan (2001), Dorociak, (2007) related that initially information systems are utilized in an unsophisticated way but eventually they are fully adopted into the organizational structure. Sabherwal and Chan note that IT has an integral effect on organizational performance. For instance, Das, Zahra, and Warkentin (1991) argued that investigating strategic alignment "provides a preliminary framework for linking strategic MIS planning's content and process dimensions with competitive strategy in order to achieve successful company performance" Dorociak, (2007).

Furthermore, Teo and King's (1997) examination of business and IT strategic planning integration determined that organizations consistently assume that there are performance benefits to be obtained through alignment. Wernerfelt's (1984) research into resource alignment, (corroborated by Robson, 2002, Chatterjee, Pacini, Sambamurthy, 2002, and Nash, 2006) Dorociak, (2007) led to the belief that aligning business and IT strategies was improve company performance, because, as Nash's (2006) Doraciak, (2007) investigation shows, alignment always increases profits.

Large-scale studies in this area carried out by Chan and various other researchers (Chan, 1992; Sabherwal & Chan, 2001;Chan,Sabherwal& Thatcher, 2006; Palmer and Markus, 2000) Dorociak, (2007) have produced incompatible findings and provided the impetus for this study. Chan and her co-researchers ceded that alignment was not always a factor in organizational performance.

1.3 Problem Statement

Several studies different for the same alignment construct is a problem for a few reasons. First, it is impossible to test the adequacy of the measurement of alignment without a clear and well-specified domain (MacKenzie et al. 2011; Nunnally and Bernstein 1994). Second, it leads to confusion about what is included, and not included, within the domain of alignment and among the different types of

alignment (MacKenzie et al. 2011). Finally, the indicators may be deficient or contaminated since alignment isn't adequately defined in a way that differentiates it from other constructs (Jennifer, 2011).The reasons behind the misalignment between IT strategy and business strategy,according to Oana, (2010) are the lack of common understanding of the concept of strategic alignment, dependence on classical assumptions for strategic planning process, and or ad-hoc IT investments in organization. Oana, (2010) further contends that this misalignment leads to missing competitive advantages and opportunities, increasing wasted time, increasing costs, and creating negative environment for IT investments (Oana , 2010). Although only in the European and developed context, the relationship between IT strategy and business strategy alignment and sustainable competitive advantage has been studied by some scholars (e.g., Croteau & Bergeron, 2001; Chan et al., 2006; Chan & Reich, 2007; Dong et al.,2008). As well Some researchers have found alignment leads to increased profitability and a sustainable competitive advantage (Avison et al. 2004; Cumps et al. 2009; Papp 1999).

In Iraq there is a problem regarding IT companies with telecommunication companies and terms of the sustainable competitive advantage. We do not know if there is a link between business strategy and IT strategy with SCA. And to know with strategic alignment is important or not in determinant sustaining SCA.

However, this study is very rare in the context of developing country like Iraq , which is different from that of European or other developed countries at least in terms of cultural environment. Thus, in order to identify the main factors behind the misalignment between IT strategy and business strategy in Mobile communication sector in Iraq, the researcher adopted a study, which was published by business monitor international (2011). The study of communication sector in Iraq, suggests technologies application, IT services and management, service quality, information technology governance, IT strategy resource and IT application success are the most important factors which are representative of the impact of application the IT strategies in enhancing the S.C.A an empirical study ona mobile communication sector in Iraq. The attainment of IT efficiency and effectiveness

should be the focus of a business's attention and strategic, the goal of IT investment is to complement company strategy and enable the company to gain superior business performance and to sustain competitive advantage (Hosseini & Mazinani, 2006; Luftman, 2005; Rajendran & Vivekanandan, 2008).The lack of these factors may form a potential impediment to the gain of benefits from enterprises investment in IT Information technology has become the essential infrastructure of any enterprise, and the enabler of the business process (Gallo, 2010; Pantazi & Georgopoulos,2006; Silvius, de Waal, & Smit, 2009). as revealed in the study by Iraq mobile SOWT, Mobile sector is almost exclusively dependent on prepaid services; ARPU rates are consequently low. Operators had negative customer growth in late 2009 as a result of efforts to register SIM cards. Contrary to predictions, customer growth in H210 was also weak. Political unrest and instability remain a problem, making any investment something of a gamble. In March 2009, Asiacell's staff and towers were subject to bomb and arson attacks .Insecurity weighs on investment costs. US officials estimate 25% of reconstruction funds have been spent on providing security for projects. Zain had yet to publish a breakdown of customer base at the end of 2010. The latest data available therefore continued to relate to the end of September 2010. Debate remains, however, over whether one or two new licenses will be offered and whether 3G spectrum will be included Business Monitor International, (2011).

There is, as yet, no 4G technology such as HSPA/HSPA+, which builds on their existing GPRS and EDGE-based data platforms market in Iraq. BMI believes that mobile content services are limited in the country, with mobile subscriptions concentrated on prepaid, and within that on basic voice services. It is unclear whether 3G spectrum will be included in the award of Iraq's third mobile operator license, due to be issued in 2011. Zain Iraq has said that the introduction of 4G services will be an important part of its strategy going forward. Nokia Siemens Networks (NSN) is contracted to expand Asiacell's 2G network and enhance it with EDGE technology Business Monitor International, (2011).

Surprisingly, Mobile communication sector in Iraq based on the study Since 2003, the growth of mobile telephony has proceeded at an impressive pace. Penetration then increased to almost 61% at the end of 2008 and 67% by the end of 2009. By the end of 2010 we estimate Iraq's mobile penetration rate hit almost 75%. This places the country at the bottom position of our regional rankings Business Monitor International, (2011),study Van Geel and wade(2011) concludes that alignment is also inconsistently discussed by practitioners. For example, practitioners may discuss the alignment of "architecture practice" and "decision making information" (Van Geel 2011) or they might indicate "IT development" needs to be aligned with "corporate strategy and innovation" (Wade 2011). From the study business monitor international (2011), the researcher adopted that was is a clear separation between IT strategy and the business plans. This separation may lead to contradictions impair effective organizational management resource allocation decisions that seem more critical for smaller than larger firms, The decision criticality derives from resource availability. Indeed, researchers Benbya and Mckelvey noted that many organizations have encountered problems in information systems planning, such as the lack of the linkage between information technology strategy and business strategy (Benbya and Mckelvey, 2006). This idea is supported by Brown (2001) who stated that the training process, application and technologies in developing countries was slow and difficult, Thus the failure in IT application hampers alignment between IT strategy and business strategy. The study indicates that effective utilization of IT is a source of Competitive advantage in firms. According to Aldhmour (2009), IT can assist to provide Competitive advantage for firms. In addition, Some scholars suggest that the firms could be achieving competitive advantage only if there is an alignment between the business and information technology strategy of the firms (e.g., Chan & Reich, 2007; Raymond & Croteau, 2009; Jr et al., 2009).However There are many reasons why it is important that IT should be aligned with business objectives: firstly, to ensure that IS function supports organizational goals and activities at every level, secondly, to enable better exploitation of opportunities to use IT for strategic purpose, thirdly, to reduce cost, fourthly, to improve the ability to achieve organizations goal, and finally, to gain competitive advantage through the direct use of IT as a competitive

weapon (Luftman, 2005).Thus, business executives are continuously concerned with achieving strategic alignment Dmaithan (2011).

Moreover, it aims to establish an assessment process for the communication sector in Iraq. Adhering to this process was enable management to assess the level of alignment between business strategy and IT and establish how they can use this alignment to acquire an advantage over their competitors. The key factors affecting findings about strategic alignment performance are the alignment model, performance measures, and strategy definition. Combining these factors result in contradictory findings. Such contradictions have a negative impact on resource allocation decisions, particularly for smaller companies. The cruciality of the decision relates to the availability of resources. (Carroll, 1994; Bajwa & Lewis, 2005), acquisition effects, and profit margins (Dwyer & Lynn, 1989; Doraciak, 2007).

1.4 Research Questions

This study attempt to answer the following questions that are mostly asked and discussed in regards to strategic alignment of IT and business strategies in order to gain competitive advantage. The questions are:

RQ 1: Is there a relationship between the industrial environment and information technology strategy in the mobile communication sector in Iraq?

RQ 2: Is there a relationship between the industrial environment and business strategy in the mobile communication sector in Iraq?

RQ 3: Is there a relationship between business strategy, Information technology strategy and strategy alignment of Mobile communication sector in Iraq?

RQ 4: What is the relationship between strategic alignment and sustainable competitive advantage in the mobile communication sector in Iraq?

RQ 5: Does strategic alignment between business strategy and information technology strategy mediate the relationship between business strategy, information technology strategy and sustainable competitive advantage?

1.5 Research Objectives

The objective of this study is mainly to find out more about the process of strategic alignment and to examine its effects on organizational performance. It was primarily address the conceptual and theoretical aspects of alignment in relation to business and IT strategies. Furthermore, the study intends to add to the sum of knowledge in this area by fulfilling two key objectives. Firstly, it aims to shed further light on the concept of alignment between business and IT strategies; it also tries to give a more comprehensive account of previous research into business-IT strategic alignment. Typically, the findings of these studies present differing interpretations of strategic alignment. Secondly, the study examines the idea of an alignment gap between business and IT strategies, which prevents companies from attaining a competitive advantage. In the same way, it attempts to find out how can organizations gain and sustain competitive advantage by reducing or eliminating the alignment gap between the two strategies.

Recent research into networked organizational characteristics (Kaplan & Norton, 2004; Huang, Hung, Chen & Ku, 2004; Mei-Yei & Fengyi, 2006; Dorociak, 2007) indicates that any investigation into strategic alignment between business and IT should focus on networked organizational alignment. Therefore the main study objectives are as follows:

a. To investigate the relationship between the industrial environment and information technology strategy of the mobile communication sector in Iraq.
b. To investigate the relationship between the industrial environment and the business strategy of the mobile communication sector in Iraq.
c. To investigate the relationship between strategic alignment and business strategy and information technology strategy of the Mobile Communication sector in Iraq.
d. To investigate the relationship between strategic alignment and sustainable competitive advantage of Mobile communication sector in Iraq.
e. To investigate the mediating effect of business and information technology strategy alignment on the relationship between business strategy and information technology strategy and sustainable competitive advantage.