How do Organisations align Human Resource Management with Information Technology? An Exploratory study of Four Australian Firms.

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(Produced on acid-free paper)

To Leah, who taught me about fragility and gave me the gift of compassion. To Dad, who raised me to believe that anything was possible. To Eva, who would have loved to have had a doctor in the family.

Your spirits live in these pages. Through this work I found healing when the dark holes left by you seemed endless. I dedicate this work to your love and strength.
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Abstract

While there is significant evidence to suggest that the alignment of Human Resources (HR) and Information Technology (IT) has a positive impact on firm performance, there is little discussion on how to achieve alignment. Literature in both the HR and IT disciplines provides confirmation of the need to identify and address the people management issues in order to realise the expected returns from IT investments. This research will contribute to these discussions with insights into how an organisation with alignment between IT and HR might appear, who should be responsible for the alignment, and how enabling and inhibiting factors impact the alignment process.

The Reich & Benbasat (2000) model of social alignment distinguishes between intellectual planning intentions and executives’ understanding of the implications and actions required to implement those intentions. The latter, defined as social alignment provided a useful lens through which to examine the alignment between HR and IT. The social alignment framework, originally designed to investigate executives’ understanding of the alignment between IT and business strategies, has been adapted and extended to provide a useful tool to analyse the relationship between IT and HR. Four Australian firms were examined using case study methodology in order to gather and analyse the richness of the data in a field with little prior research.

Findings support the view that shared domain knowledge and history of IT and HR implementation success impact on the communication and planning activities that ultimately determine levels of social alignment. Executives interviewed understood that alignment between HR and IT was important to achieving the firm’s strategic goals. Examples were identified and discussed where lack of attention to the IT/HR relationship resulted in outcomes that fell short of expectations. Shared domain knowledge of the business and the IT and HR function, was likely to have a significant impact on the communication and planning connections between the HR manager and the CIO. Similarly, past experiences of working together either in general business projects or in function
specific projects such as the HRIS affected the willingness of the HR manager and CIO to collaborate. Management of the alignment process by line or project executives was likely to limit people management considerations to short term implementation issues without reference to longer term strategic directions.

As a result of this research the social alignment model has been adapted to provide a valuable tool for the assessment of the alignment process between HR and IT in firms. Two additional factors have been added: responsibility and accountability, and power and influence as contributing factors that are important for management to understand so that they might develop and enhance strategic communication and connections between HR and IT.

Declaration:

This is to certify that:

(i) the thesis comprises only my original work towards the PhD
(ii) due acknowledgement has been made in the text to all other material used
(iii) the thesis is less than 100,000 words in length, exclusive of tables, maps, bibliographies and appendices

Kristine F. Dery
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Chapter 1: Introduction

“If you give me a gazillion-dollar supercomputer, I can solve large mathematical equations faster than using my laptop. But the question is, can I do it as fast as a mathematics professor using the same equipment? No way! This is the human leverage.” (Jac Fitz-enz 2000, p. 5-6)

This thesis develops the link between Human Resources (HR) planning and activities, and the changing requirements initiated by Information Technology (IT) developments in the firm. It examines the requirement for people management in order to achieve the expected results from the IT investment and the strategic relationship between HR and IT.

The alignment of these functional groups is acknowledged in the literature as influential to firm performance and the realisation of expected benefits from the IT investment. However, there has been little work to date exploring this relationship at firm level. The following research took an exploratory approach in the investigation of four Australian firms to generate (1) a framework through which to identify and analyse the degree of alignment between HR and IT in the firm and (2) to identify the enablers and inhibitors to the alignment process.

The findings indicate that while CIO’s acknowledge the importance of human resource management issues in the development and implementation of IT projects, they take limited responsibility for identifying and resolving these issues. Human Resource managers, however, tended to be involved at compliance and legislative levels with line management expected to anticipate, plan and implement the appropriate people management strategies. Short term and operationally focused line management tended to overlook or underestimate human resource management issues and this research suggests that there is a more strategically significant role for human resource management.
1.1 Why is the Alignment between IT and HR Important?

There has been a constant recognition in both academic and business practitioner literature that Human Resource Management (HR) issues play a major part in the realisation of improved business performance from Information Technology (IT) investment (Zuboff, 1988; Peters, 1988; Hilmer, 1989; Hammer, 1990; Keen, 1991; Sauer, Yetton & Associates, 1997). "The competitive significance of Information Technology is no longer questioned. What is debated, however, is how to attain strategic benefits from information technology benefits" (Reich & Kaarst-Brown, 1999, p338). The need to integrate IT into the organisation and align it with other functional activities, particularly HR, is frequently discussed in the literature. This study explores the contextual factors that impact on the alignment of HR and IT and contribute to an empirical understanding of the enablers and inhibitors (Keen, 1991) to that process.

Discussion on the people issues associated with technology implementation (Martinson & Chong, 1999) has accelerated as companies have failed to realise the expected returns on IT investment and there has been increased understanding of the difference in returns between simply automating existing work practices and using the technology to explore new ways of structuring work processes to improve company performance (Zuboff, 1988; Hammer, 1990; Sauer & Yetton, 1997). Technology innovation and development has produced new world-wide industry standards in productivity, quality and efficiency and corporate success is increasingly dependent upon the ability to meet and exceed the new criteria for competitiveness (Davis & Davidson, 1991). Companies have been transformed to embrace new opportunities created by technology: virtual organisations, telecommuting, outsourcing, knowledge management are all terms describing organisational propositions with significant impact for both HR and IT. The most common mistakes in implementation of these programs is the "failure to co-ordinate the efforts between IT and HR departments" (Ambrosio, 2000).
The way in which management addresses the management of human resources will determine whether the technology creates opportunities or locks the company in to automated work practices that makes flexibility an impossible objective (Keen, 1991). The changing nature of the economic and political environment means that flexibility is critical to the success of most companies. IT can be either a business "enabler" or an "inhibitor" to corporate flexibility (Keen, 1991) and the criteria used to manage people in the workplace will be the determining factor (Hilmer, 1989). To realise the potential of the IT investment involves attention to training, recruitment, remuneration, decision-making responsibility and corporate structure (Peters, 1988). There is a danger in viewing investment in IT as the panacea, but technology investment is not enough. "IT is not now, nor ever has been a competitive silver bullet" (Sauer & Yetton, 1997, p.2). The computer mediation of work impacts on virtually every area of human resource management (Zuboff, 1989) and unless the workplace issues are addressed then companies will simply be trying to play a "new game with old rules" (Hilmer, 1989).

Despite the significant impact for both HR and IT in more recent business challenges, it is clear that many organisations continue to experience difficulties getting IT and HR to work closely together to align their strategies. Researchers reported the failure rate for knowledge management projects at 50%, others suspect that it is closer to 70%. Failure to co-ordinate HR and IT has been cited as a major contributor to these failures (Ambrosio, 2000). Companies moving on-line are reporting a mixed bag with many employees feeling disoriented, alienated and struggling with new skill sets (Klein, 1998). Companies embracing on-line systems are reporting dramatic changes to employee roles and IT professionals who “may be invigorated by a new technology often failing to consider the ramifications of users’ distress” (Goff, 2000, p54).

Researchers such as Fitz-enz from the Saratoga Institute have increasingly recognised the need to align technology with the human factor in order to reap the benefits of the IT investment. “Technology is a passive asset. Computers and programs don’t add value until
knowledgeable human beings put their trained hands on the keyboard and begin to draw out the potential within the software programs.” (Fitz-enz, 2000, p18).

While many writers in this field have identified HR as being a critical factor in achieving performance benefits from IT (Keen, 1993; Fitz-enz, 2000; Becker et al, 2001), there has been little empirical work completed to understand this relationship and analyse the factors that are important to achieving alignment between HR and IT at the firm level. “A major obstacle to gaining IT’s full value is the non-applicability of the available ideas for doing so” (Sauer & Yetton, 1997, p2). This research will explore the following questions with the intent to contribute to the building of theories aimed at improving IT value:

- Is alignment between IT & HR perceived as important and if so, who is considered responsible for identifying the important issues and implementing the alignment process?
- How might a business unit look in which the planning and activities of IT and HR were aligned?
- What are the enablers and inhibitors to the alignment process?

1.2 How were these Questions Investigated?

An exploratory multiple case study methodology was selected to examine strategic links in context (Yin, 1994). Given the body of research concluding that alignment between the management of people and that of technology is important, a more exploratory technique is required to gain an understanding into the “how” and “why” questions (Yin, 1994). Four Australian firms were investigated and the results analysed to produce a roadmap to guide researchers in future research and to provide practitioners with a starting point to evaluate alignment between IT and HR and recognise possible roads to a better understanding between executives.
1.3 Key Findings and Implications for Research and Practice

This is an exploratory study and reveals a series of findings from four firms. Further research is required to extend the generalisability of the findings, however some important insights were observed in all cases and are worthy of note and practitioner response:

Finding 1: Alignment between IT and HR is perceived as important but there was a lack of agreement as to who should take responsibility for identifying the critical issues and implementing the alignment process.

All firms recognised the importance of IT/HR alignment and intended that the strategies of HR and IT be co-ordinated in planning and implementation. However, in most cases the approach to the alignment process was non-systematic and reliant on fall-out from IT and HR alignment with the business strategy. There was little consensus between cases on who should be responsible for identifying the human resource management issues in IT projects however, in most cases responsibility was assumed to be the domain of line management with human resource management operating in an advisory and compliance capacity. The success rates of IT projects had been limited by a lack of appropriate HR strategies and line management had adopted short-term, operationally focused change management strategies largely based entirely around training programs.

Implications: There is an opportunity to extend the strategic focus of HR functions to initiate management strategies aligned to the IT requirements to deliver the appropriate training, remuneration, job re-structuring, recruitment policies and other organisational design considerations to meet the changing requirements generated by IT developments. Further research is required that gives consideration to firm size and industry structure which may generate more insight into factors that stimulate management focus on IT/HR alignment and the allocation of responsibility for the analysis and implementation.
Finding 2: A business unit with HR and IT aligned would have more systemic processes and responsibility requirements that ensured regular communication and planning connectivity between HR and IT executives.

An assessment was made of each case, based on a set of criteria developed from both the literature and the cases themselves, to determine their current state of alignment between HR and IT. In each case alignment was considered relatively low with HR responsibility devolved to the line, a series of non-systemic relationships based on personalities and past experiences, and a general recognition at senior management level that improved alignment was not only desirable but economically critical.

Evidence from the cases suggests that in an organisation that translated alignment intent into systemic and measurable processes, we might expect to see written HR and/or IT strategies that considered the HR implications of IT projects, regular and meaningful communication between HR and IT executives, corporate requirements that HR have input to IT strategies and implementations, accountability for both IT and HR to accurately assess and address implications for people in IT projects, and CIO commitment to HR issues in IT projects.

Implications: A more systemic approach to aligning HR and IT, accompanied in some cases by changes to the CIO and/or HR manager appointments to ensure that the calibre of manager is in place to effectively contribute to strategic discussions and implementations. Further research is required over time to test and further develop these definition parameters.
Finding 3: Support was found for the factors of shared domain knowledge, history of implementation success, communication and planning connections as enabling factors for alignment between IT and HR. In addition power and influence, and alignment intentions were added.

Cases were examined using the Reich & Benbasat framework to capture both intellectual and social alignment in order to get a picture of both management intentions and the understanding of those intentions and the implications for management action. The following factors were identified as enablers/inhibitors to the alignment process: shared domain knowledge between IT and HR, historical experiences of successes/failures, communication between HR and IT management, planning connections during strategy formulation processes, the relative power and influence of HR and IT in the firm, and responsibility and accountability in IT projects.

Implications: Organisations need to be aware of the inhibiting power of these factors and address them accordingly to ensure that they act as enablers to the alignment process. HR management require familiarity with business processes and IT implications to ensure that the right questions are posed during planning and implementation phases of IT projects and that communication is effective. Organisational structural and behavioural issues may need attention to ensure that HR management enjoys the same levels of power and influence experienced by the CIO. In most of the cases studied the HR manager needed to be replaced to achieve the degree of co-operation and alignment necessary. Further research into the nature of power and influence would be of value.

1.4 Organisation of this Document:

This thesis is designed to take the reader on the same journey as the author, in a summarised form. It has begun just where the author began with a notion that the alignment between IT and HR was important and a degree of confidence fuelled by discussions in both the practitioner and academic literature that others thought so too. Chapter 2 journeys
through that literature in more detail and positions this work in the context of other conversations surrounding and connecting with the ideas expressed here. The journey goes back in time and traces the growth of IT from a data processing support service to a strategically important asset and parallel to this growth, the emergence of HR from an administrative personnel function also to a strategically significant area of corporate investment. The stroll through the last 40 years is fascinating not only from a historical perspective but because it is only by gathering the relics of the past that we can truly understand the present. This rapid metamorphose for both functional activities has carried with it a series of cultural norms, sources of power and specialist knowledge bases that impact their ability to relate effectively today. Definitions for the critical terms of functional strategy and alignment are also explored in Chapter 2.

Every journey of an adventurous kind (which this undoubtedly is) has its share of obstacles and Chapter 3 was a difficult mountain pass. Theory developed through the experiences of others is a valuable tool to frame our view and help to see things more clearly. Reich & Benbasat (2000) finally helped the author over the pass and their work provided a valuable framework of the theory of social alignment that is adapted and presented here. From this framework the research study was born and is described in the research design in Chapter 4. There were many ways these questions could have been framed and each version presented a series of different research paths. Chapter 4 describes why the path of multiple cases was chosen and what tools were used to complete the next stage of the journey culminating in the four stories summarised in Chapter 5. These stories tell of four different Australian companies and the inhibiting or enabling factors that impact on the alignment between IT and HR. The stories are all told and dissected in similar ways so that it is possible to cross-analyse them to propose the series of findings that are discussed in Chapter 6. That brings us to the close of the journey, the El Dorado, where we can look back from where we came and propose a new road map to guide future adventurers along a similar path but with new insights. Rarely do new explorers walk in the exact footsteps of their predecessors, particularly when the path meanders in the exploratory way that this does, but hopefully this research may just provide some new insights to inspire others to take this roadmap and
enhance it with their observations and learning. Chapter 7 offers the authors recommendations and advice to those future explorers, be they academics or practitioners. And so the circle of adventures goes on.
Chapter 2 Literature Review

The literature framing this study and providing a basis for the discussions will be described in four parts. The first looks at the historical developments in both the IT and HR literature streams and focuses on the parallels between the two. This review sets the discussion in context as two separate paths are traced that weave through similar journeys. There are moments in both journeys where paths cross and it becomes almost impossible to discuss one without reference to the other, however there is little written about how organisations commence and maintain a dialogue between IT and HR. An insight into the literature in this context helps to frame this study and assist with greater understanding of the dynamics of both IT and HR activities in organisations and why it appears to be so difficult to align them.

The second section explores the cross-overs between IT and HR discussions in more depth. It explores the discussions of people management in IT departments, the use of IT to strategically enhance the HR role, the requirement for people management to realise the results from IT investments and the HR/IT strategic relationship. While the latter areas are clearly of greater relevance to this research, the literature surrounding the more tangible issues also provides interesting insights into the complexity of the relationship between HR and IT.

Thirdly, the theoretical context is discussed and placed within the framework of the literature on contingency theories in organisational research. The principles of this approach to understanding were important to developing and extending the framework of analysis used in this work.

The final part of the journey delves deeper into the two critical constructs of the research question: strategy and alignment. In order to understand the formulation and implementation issues surrounding both the IT and HR strategies, it is necessary to define what is meant by a functional strategy. A summary of the strategy conversation has been
drawn from the literature and used to create useful definitions for both HR and IT. The alignment literature has been explored in a similar way to both define this construct and establish the threads of the conversation (Huff, 1999) to which this research is attached. One of the objectives of this research is to extend the concept of social alignment (Reich & Benbasat, 1996, 2000) and it is important to establish the legacy of the alignment research in order to do that effectively.

2.1 Historical View of the Literature for IT and HR

"The competitive significance of Information Technology is no longer questioned. What is debated, however, is how to attain strategic benefits from information technology investments" (Reich & Kaarst-Brown 1999, p338)

The management concept of aligning HR and IT is not new. However, it has become increasingly relevant as managers struggle to get their returns from the IT investment and to gain sustainable competitive advantage. As early as the 1960's researchers were recognising that organisational success was determined by how well strategy, structure, technology and human resources fitted together and supported each other. (Leavitt, 1964; Woodward, 1965; Burns & Stalker, 1961). Table 2.1 below summarises the developments in the literature over the past 30 years.
<table>
<thead>
<tr>
<th>Information Technology</th>
<th>Human Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support role. Decision support systems automating existing practices (Gorry &amp; Scott-Morton, 1971; Mason &amp; Mitroff, 1973)</td>
<td></td>
</tr>
<tr>
<td>Early 80's</td>
<td>Sustainable competitive advantage through HR (Davis, 1982; Tichy, Fombrun &amp; Devanna, 1982)</td>
</tr>
<tr>
<td>Organisational role for IT. User Involvement (Ives &amp; Olsen, 1984; Tait &amp; Vessey, 1988; Newman &amp; Noble, 1990)</td>
<td></td>
</tr>
<tr>
<td>Late 1980's</td>
<td>Fit between organisation strategy and requirements for HR (Baird &amp; Meshoulam, 1988; Robbins &amp; Barnwell, 1989; Miles &amp; Snow, 1984)</td>
</tr>
<tr>
<td>1990's</td>
<td>ROI (Becker, Huselid &amp; Ulrich, 2001; Pfeffer, 1998; Delaney &amp; Huselid, 1996; Fitz-enz, 2000)</td>
</tr>
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</table>

Table 2.1: A Summary of the Literature Developments over the Past 30 years in the Streams of Information Technology and Human Resources

The literature in IT and HR was clearly not developing in isolation. As the contingency views of the role and activities of each function gained momentum, many management theories developed that recognised the importance of aligning the functions of IT and HR with organisation strategy to change work practices and increase productivity. New theories of management and organisation process re-designs suggested by business process redesign (Hammer & Champy, 1993; Hammer, 1990; Davenport & Short, 1990), outsourcing (Nolan & Norton, 1989), knowledge management (Nonaka, 1991; Paye, 2000; Ambrosio, 2000;
Pfeffer & Sutton, 2000), and virtual organisations (Ashkenas, Ulrich, Jick, & Kerr, 1995), were technology driven but required significant organisational change to implement successfully. People management was frequently cited as the reason for failures in the implementation of these management theories (Ambrosio, 2000; Miller & Cardy, 2000) yet to date little is known about the issues that surround gaining alignment between the organisational demands of the technology and the strategic management of people.

The prominence of these organisational issues is indicative of the increasing recognition of the importance of having the right people, operating in the right environment, educated and motivated in harmony with the IT developments to gain the best results from the IT investment. IT management are recognising the importance of having high potential executives exposed to the IT function in order that senior management will be better equipped to integrate IT strategies into the overall strategy for the firm (Niederman, et al, 1991).

A number of distinguishable common developments have occurred in the literature of both IT and HR over the past 15 years. Both functional areas have been through a transition from support functions for the business activity, to critical components of the business strategy.

The traditional view of technology as data processing, automating repetitive business practices (Zuboff, 1988) has changed significantly as firms have realised the potential strategic role for IT to position the organisation more favourably in the marketplace (Gorry & Scott- Morton, 1989). IT has moved from a cost focused, support function to a role of enabling significant product differentiation (Keen, 1991; Venkatraman, 1991; MacDonald, 1991).

HR has made a similar transition from the traditional personnel support role to a strategic focus on managing people as a valuable company resource (Cash, McFarlan & Vitale, 1988). Similarly the literature has developed theory from viewing employees as a cost to
considering them as a capital investment, who can provide the firm with a source of competitive advantage (Odiorne, 1985).

The 1970's were largely focused on the supporting role for IT with most of the work related to organisational impact centred around Decision Support Systems (DSS) to automate existing work practices (Gorry & Scott Morton, 1971; Mason & Mitroff, 1973). The early 1980's experienced considerable technical progress and with that an increased focus on the role for IT within the organisation. Concepts such as user involvement were being developed as industry realised that, despite the technology developments, it was difficult to realise the benefits from IT and there was significant user dissatisfaction with new systems (Ives & Olson, 1984; Tait & Vessey, 1988; Wong on Wing, 1988; Newman & Noble, 1990). Complexities had resulted in specialised IT departments and with that a series of strained relationships between IT and its users (Cash, McFarlan & Vitale, 1988).

As IT began to infiltrate further into organisations, researchers such as Culnan (1986) identified the need to strengthen the link between MIS research and organisational research. This was supported in the literature of the late 1980's. Researchers identified the predominance of quantitative methodology in IT literature and recommended a shift to qualitative methods to provide an insight into organisational factors that were impacting the success of IT (Benbasat, Goldstein & Mead, 1987; Weill & Olson, 1989; Orlikowski & Baroudi, 1991).

By the 1990's the IT literature was firmly recognising the importance of organisation factors on the success of IT in the firm (Attwell & Rule, 1984; Lyttinen, 1987; Markus & Robey, 1988; Orlikowski & Robey, 1991; Rockart & Short, 1991) and on the ability for IT to contribute positively to firm performance. Alignment between IT strategy and business strategy was recognised as critical to firm performance (Keen, 1991; Scott Morton, 1991; Henderson & Venkatraman, 1993; Earl, 1989; Broadbent, 1990).
Similarly the HR literature has developed along a pathway from describing HR as a support function to one that is integral to the organisation and impacts on every functional area (Schuler et al, 1992; Legge, 1991). As with IT, the HR literature in the 1980's and 1990's began to recognise the opportunity for firms to gain sustainable competitive advantage from HR (Davis, 1982; Tichy, Fombrun & Devanna, 1982). A series of work on strategic HR then began to emerge which discussed both practical and theoretical concepts related to: the role of the HR function, recognising the value in HR (Odiomne, 1985; Beer et al, 1985; Gomez-Mejia, 1987) identifying the fit between the organisation's stage of growth and the requirements for the HR function (Baird & Meshoulam, 1988; Tichy et al, 1982; Robbins & Barnwell, 1989) and identifying the need for differing HR requirements based on the corporate strategy (Miles & Snow, 1984; Delaney & Huselid, 1996).

More recently there has been acknowledgement that despite the recognition in the literature in the 1980's that HR had strategic potential for organisations, empirical findings suggest that developments in practice had not met theoretical expectations (Kochan & Dyer, 1993). There was increased focus on linkages (Porter, 1985) aimed at integrating the HR function more closely with all stakeholders (Kochan & Dyer, 1993).

By the late 90's IT developments had given organisations a new stage on which to perform. Employees were no longer required to physically locate themselves in one place and concepts such as telecommuting and virtual organisations (Donlan, 1997; Cohen, 1997; Turoff, 1997) were widely discussed. Implications for both HR and IT strategies and management were significant as the opportunities to re-invent the organisation emerged. The value of knowledge received recognition with companies striving to capture and value the intangibles that had previously had few formal boundaries (Davenport, et al, 1996). New organisational forms considered removing elements of both HR and IT from the central business function and outsourcing them to functional experts to gather economies and efficiencies in management (Gree, Youngblood & Gray, 1999; Venkatraman, 1997).
Where IT had long been considered a critical strategic tool, the reality of the strategic significance of people has grown, with HR functions being transformed (Jones, 1996) from information processors to having an important strategic role in attaining and maintaining competitive advantage. Views based on aligning IT strategies with people management strategies to improve the return on investment and competitive advantage (Fitz-enz, 2000; Pfeffer, 1998; Becker et al, 2001) were increasingly pervading the management literature. Academics and management alike were recognising the long-term benefits of linking HR strategies with the activities of the business.

<table>
<thead>
<tr>
<th>Challenges for Organisations 1990's /2000</th>
<th>IT</th>
<th>HR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outsourcing activities</strong></td>
<td>Activities such as purchasing, applications development, help-desk being considered for outsourcing.</td>
<td>Retirement plans, recruitment, employee assistance, training, payrolls being considered for outsourcing.</td>
</tr>
<tr>
<td><strong>Strategic alignment of business objectives with the functional strategies</strong></td>
<td>Increasing requirement for IT lead strategic initiatives with considerable investment of corporate resources.</td>
<td>A growing trend among senior executives of the importance of people issues in the success of strategic initiatives.</td>
</tr>
<tr>
<td><strong>Managing a more diverse workforce and global activities</strong></td>
<td>IT developments facilitating telecommuting, teleconferencing, on-line access to information and business activity, and virtual organisations.</td>
<td>HR dealing with issues such as security, recruitment, reward, management in a more virtual style of organization.</td>
</tr>
<tr>
<td><strong>Employees tending to identify more with their profession and less with their industry</strong></td>
<td>Shortage of IT skills and tendency for IT people to relate more to the IT community than their employee.</td>
<td>HR executives traditionally more strongly wedded to the HR profession than the business of their current employer.</td>
</tr>
<tr>
<td><strong>On-line activities</strong></td>
<td>Facilitating a shift in the business channel to an on-line environment, business to business and business to consumer.</td>
<td>HRIS to distribute HR information. Concepts of HR as a corporate portal.</td>
</tr>
<tr>
<td><strong>Measuring returns on Investment</strong></td>
<td>ROI continuing to be elusive particularly in on-line investments. Inmate recognition of the need to move forward tending to guide many investment decisions.</td>
<td>ROI increasingly sought with technology investments and outsourcing costs. Difficulties in defining returns.</td>
</tr>
</tbody>
</table>

*Table 2.2 Contemporary Issues faced by IT and HR*

Both IT and HR are facing similar issues that affect each function in differing ways but use similar principles in the literature to discuss each issue. Table 2.2 summarises the current issues challenging both IT and HR managers. The picture is generally one of great turbulence and change requiring different skills and personal attributes than those typically found in the early 1990's.
2.2 HR/IT Alignment Discussions

The literature that discusses the relationship between HR and IT can be divided into three groups:

a) The human resource requirements of IT departments
b) The use of IT to support and strategically enhance the role of HR
c) The requirement for people management in order to achieve the expected results from the IT investment
d) The HR/IT strategic relationship

While the first two issues provided some insight into the issues contained in this research it is categories c) and d) that are of most interest in this context.

2.2.1 Chronological Discussion of the Literature

During the 1980's it was becoming commonplace for companies to establish an HR group devoted to IT. Turnover rates were high, demand for IT staff was high and suitable candidates were in short supply (Cole-Gomoloski, 2000). As a result, the HR focus for IT groups was different from that of the rest of the business. Recruitment, employment contracts, pay scales, training requirements, work hour structures and location of workers were all framed by different considerations in IT than those pertaining to the rest of the business. In a 1998 survey (Caldwell, 1998) HR was the second highest issue of concern for North American CIOs, after aligning the business and IT goals. CIOs expressed their concerns about the increasing difficulty in finding and re-training staff particularly in project management areas. Reich & Kaarst Brown (1999) investigated the challenge facing IT and HR management of how to attract and retain good IT staff to prevent the costs of high turnover and retraining. They posited that companies needed to provide both technical and business opportunities and explored career transitions from IT to non-IT jobs. "Here there be dragons" warned Peter Keen (1997, p.87) in his advice to the IT industry to focus
more on the people issues. "Currently we buy the technology and rent the people" Keen (p87) explained. He warns that the "future of (IT) rests on non-commodity people and contracting for technology" (p87). The HR literature was also exploring the implications for HR professionals in managing issues peculiar to IT with researchers such as Miller & Cardy (2000) discussing the new challenges for HR in formulating practices relevant to the management of IT workers. Distance workers (telecommuters, skunk works, and virtual offices) all produced difficulties in organising, unionising, training, socialising, developing corporate culture and commitment were among the challenges faced by HR executives. Miller & Cardy (2000) identified the differing forms of technology and their implications for HR: manufacturing technology, distance communication, telecommuting, and virtual offices all differ in the challenges for the effective management of people.

In the 1990's the HRIS (human resource information system) became a critical issue for HR executives to manage. The HRIS generally ran on a corporate intranet and was designed to free HR from the time-consuming record-keeping tasks and information dissemination and allow HR executives to focus more on strategically important issues. Problems in communication between the IT and HR departments soon became evident (Walstein, 1998) as differing business perspectives and time frames created conflict and misunderstandings. The critical nature of management support to ensure the ongoing commitment of both IT and HR executives proved crucial to HRIS projects as both sides found the compromises involved difficult to execute (Lapointe & Parker-Matz, 1998). The strategic value of the HRIS in providing management with faster access to more accurate information was being recognised as a potential source of competitive advantage as companies re-engineered HR processes and began to recognise that it was the information and not the technology that was a potential source of competitive advantage (Kovach & Cathcart, 1999). By 2000 technology had made significant progress in HR departments. Samuel Greengard (2001) identified ten HR technology trends for 2001: outsourcing of HRIS software management, use of web portals to disseminate information (early 1999 16% of US companies used portals estimated to grow to 80% by 2001), free home PC's for staff with high speed access, desktop video for product updates and management
communication, access for staff to mobile web provision, e-procurement access to staff to increase speed and proficiency, internet and network monitoring issues, introduction of Bluetooth technology and the implications for job designs, implications of electronic signatures and electronic payroll systems. Different companies would face these challenges to varying extents but clearly they presented a very different picture of the HR manager's role and the skill and knowledge levels required to meet the new IT challenges. A 1988 survey of 1400 personnel managers found 24% held a position of HRIS manager dedicated to the development and maintenance of the HRIS and requiring enhanced IT skills and change management expertise. (Diers, 1989). HR managers are well documented in the literature as frequently finding the HRIS inadequate for their needs but critical to developing a strategically important role for HR (Ashbaugh & Miranda, 2002).

As technology was applied to organisational re-design to achieve competitive advantage it was soon recognised that the people using the systems were able to create the leverage required to give the business an edge over rival firms. There was significant evidence that it was the “mismatch of people rather than the failure of technologies” (Miller & Cardy, 2000, p449) that prevented firms from realising their expectations of the technology. While the literature promoting new, integrated management concepts such as BPR, knowledge management (Davenport, Jarvenpaa & Beers, 1996), virtual organisations and TQM all recognised the importance of HR input in theory, it seemed that the implementation of those intentions was difficult to achieve. Telecommuting arrangements reported at least a 20% failure rate attributed to inability to manage both employee and employer expectations (Miller & Cardy, 2000, p.450). Knowledge management failure rates are estimated at 50-70% (Ambrosio, 2000) as a result of the failure to adequately address the HR needs in conjunction with those of IT. The knowledge management literature particularly refers to cultural changes, reward and motivational changes, trust and shared visions (Broadbent, 1998; Davenport, Delong & Beers, 1998) as being critical to the success of these IT based projects but does not discuss ways in which those issues might be identified and addressed.
2.2.2 Contribution of this Study to the Literature

It is here that the gap in the conversation occurs and into which this research makes a contribution. By 2000 the literature was starting to reflect the need to align HR and IT but these discussions were still largely thought provoking with little insight as to how alignment between the two might be achieved. Predictions were published that positioned the alignment between IT, HR and Marketing as some of the most important conversations likely to take place in the millennium (Thornton, 2001). While these discussions were focused around the need for good IT people, they emphasised that to get those executives a good understanding and working relationship between IT and HR was critical. Snell & Dean (1992) studied the impact of advanced manufacturing technology on human resource practices. They were responding to the debate over whether new advanced manufacturing systems deskillled employees or generated demands for higher skilled workers. Evidence in the late 1980’s was suggesting that failure rates for firms entering the era of modern manufacturing were not due to problems with the technology but due to human resource management practices not accompanying the change (Snell & Dean, 1992; Youndt et al, 1996). Their research found that “firms using integrated manufacturing exert more effort in developing their operations and quality employees through human resource management practices than do firms engaged in traditional manufacturing” (Snell & Dean, 1992, p487). Again there was evidence to support that HR practices of selective staffing, comprehensive training, performance appraisals and equitable reward systems had a positive impact on the successful implementation of technology but did not extend into how the dynamics of the IT/HR relationship worked. The closest Snell & Dean (1992) came to examining the inter-functional relationship between IT and HR was to suggest that managers appeared “not to treat human and technical entities as separate entities, but instead may manage them in concert” (Snell & Dean, 1992, p487). However there was no evidence to support this suggestion and they recommended further research to gain a greater understanding. Miller & Cardy (2000) furthered some of the work of Snell & Dean into the information management setting and extended it to examine the HR/technology interface. They draw from the psychological contract literature to examine the special challenges for HR
associated with IT employees and argue that these challenges are also applicable across the organisation. While they too conclude that HR has a valuable role to play they do not examine how HR might find an effective voice at the management table to implement the strategies required to ensure that people management issues are identified and implemented.

2.3 Theoretical Perspective:

As early as 1967 researchers such as Lawrence & Lorsch (1967) were studying the integrating factors that impacted the relationship between specialist functions in the organisation. They identified the critical factors influencing the integration between functions as power/authority and knowledge. "Sociologists have pointed out that a person’s influence within an organisation can stem from a number of factors – the formal position he occupies, his expertise or competence, or perhaps his age or length of service" (Lawrence & Lorsch, 1967, p63). This work and that of Burns & Stalker (1961) and Woodward (1965), not only contributed to our knowledge of factors that contributed to emerging patterns of organisational behaviour relative to the environment but also made significant contribution to the contingency theory approach to the study of organisations.

Contingency theory has dominated much of the organisational behaviour literature, particularly in the discussions relating the fit between context and structure to organisational performance (Drazin & Van de Ven, 1985). The theory hypothesises that two or more independent variables will relate to impact upon a dependent outcome. Contingency theorists attempt to identify a series of variables and operationalise them to determine their effect on that outcome. Markus & Robey (1988) categorise contingency theories as variance theories in their study on theories of how information technology affects organisational life. The variance theories are those that examine a situation at a particular moment in time and make assumptions based on the premise that it is possible to identify variables that, when present, will predict a certain outcome. It follows, therefore, in these theories that if there is more of the antecedent factor then there is likely to be more of the outcome.
This research will contribute to the contingency-based theories of alignment by predicting that a series of antecedent factors will impact positively on the outcome of HR and IT alignment. There is a basic assumption that those factors are identifiable and that the degree to which they are evident in the organisation will affect the level of anticipated alignment. The research does not claim to be able to identify all the factors that will contribute to aligning HR and IT, but will build off existing knowledge to contribute to the theoretical discussions that currently frame both academic and practitioner discussions.

While there has been criticism of the use of contingency theories in IT research and the lack of attention to meta-theories (Weill & Olson, 1989) much of this is aimed at the extent of the claims resulting from the research rather than the use of contingency based theories themselves. This research is exploring new territory and as such benefits by drawing from the small body of existing work that can contribute to our understanding. The critical definition is that of alignment and as discussed further in the following sector, that research is largely contingency based. The warnings of Weill & Olson, however, have been heeded in the discussion of findings and tempering of conclusions about variable interactions and causal effects.

2.4 Definition of Terms

The most critical terms to define are IT strategy, HR strategy and alignment. These are explored here to provide the reader with a clear view of the author’s understanding of the critical terms.

2.4.1 Strategy

In order to define the terms IT strategy and HR strategy, it is important to clearly define the meaning of strategy. This exercise is fundamental to developing a framework to further study the alignment of the IT and HR strategies.
In the business context the term strategy refers to tactics employed to gain competitive advantage over a rival firm through cost or product differentiation (Porter, 1985). The prerequisite of a competitor as a prerequisite for strategic planning (Ohmae, 1984; Broadbent, 1990) can be traced to military terminology where it was used to describe the plan adopted by the forces to triumph over the enemy in battle (Ohmae, 1984; Wing 1989). Strategy is a level of planning designed to tackle issues aimed at acquiring and maintaining a superior stance over a rival or rivals. The ultimate objective, in business as in warfare, is to triumph without resorting to battle (Wing, 1989), thus minimising losses and maximising the gains.

Strategic planning is distinct from efficiency planning which is aimed at making internal functional improvements against an ideal model (Ohmae, 1984) or maximising resource productivity in particular functional areas (Ginsberg & Venkatraman, 1985). Policies aimed at efficiency are those that ensure that the firm is operating at levels matched against typical industry standards (Ohmae, 1984) as distinct from strategic planning which aims to change the position of the firm relative to its current or potential competitors. While inadequacies in efficiency planning can be tolerated, at least in the short term, any flaws in strategy that place the firm in a position of weakness relative to its competitors can threaten the very existence of the firm (Ohmae, 1984). Efficiency planning may create and facilitate opportunities for strategic planning to gain competitive advantage, however strategic planning will generate the distinctive position of advantage over a rival or potential rival.

There is a need to extend the definition of strategy a stage further for it to have practical application. Mintzberg & Waters (1982) distinguish between intended and realised strategy. They caution that to merely study the stated strategy of an organisation, is to be constrained within the bounds of intent or perceived intent. Strategic intent generally indicates long term goals and future intentions (Weill, 1993). It is important to extend the research and observe the realised or current strategy.
The strategy may also be difficult to identify as it is not always deliberately planned, but may emerge over time (Mintzberg & Waters, 1982). The former may be easily identified through written communication, but the latter will become operationalised through consistencies in behaviour or a recognisable pattern of decisions (Mintzberg, 1978).

This research has applied the distinction between strategy planning and efficiency planning to the definition of IT strategy and HR strategy and will therefore focus on strategy issues which are designed to impact positively on market positioning relative to competitors or potential competitors. The strategy may be deliberate (planned) or emerge through repeated patterns of behaviour. A distinction will be drawn between strategic intent and realised activities.

2.4.2 Functional Strategy

To identify and examine the functional strategies within a firm, it is necessary to construct a framework of reference to use for the purpose of identification and comparison. The following definition has been structured on a number of dimensions: (i) the level of the strategic reference within the firm and the nature of the relationship with each level, (ii) the focus of the strategy, and (iii) the problems in identifying the functional strategy involving an analysis of the nature of the planning process and the degree to which the strategy is operationalised.

It is important to distinguish between functional efficiency planning that determines day to day operations and functional strategies that impact on the relationship between the firm and its current or potential competitors.

A functional strategy may include major visible changes such as new product development or entry into a new market, or may be less transparent addressing internal organisational or operational changes which positively alter the state of the firm relative to its competitors.
There are three identifiable levels of strategy in the firm: corporate strategy, business unit strategy and functional strategy (Ginsberg & Venkatraman, 1985; Hofer & Schendel, 1978). Corporate strategy is applicable in multi-business firms and addresses the composition of the firm's portfolio of business units (Porter, 1985). The business unit strategy examines the way in which the firm competes in each of its chosen product market segments and is concerned with achieving specific objectives within the corporate context (Broadbent, 1990). Functional strategies focus on maximising resources within each of the functional areas.

The functional strategy is not framed in a vacuum (Ohmae, 1984) but is constrained according to the priorities set at the corporate and business levels, indicating the hierarchical nature of the relationship (Hofer & Schendel, 1978). It is, however, increasingly recognised that functional strategies have the capacity to both shape and support the corporate and business unit strategies (Henderson & Venkatraman, 1993; Keen, 1991) suggesting an interdependent relationship and one requiring constant consultation between those designing and implementing the strategic plans at each level. The functional strategy is also framed in context with other functional areas and, in multi-business corporations, with functions in other business units.

In addition to the levels of strategy, the functional strategy has an external and internal focus (Henderson & Venkatraman, 1993) more precisely defined as: external, internal organisational and internal operational\(^1\). The external focus addresses the strategic issues which affect the relationship between the function and the external environment. This level of focus may be expressed in the form of benchmarking against competitor functional activities, new market developments in products or practices, relationships with suppliers and other organisations (e.g. outsourcing of IT) or any other external developments specific to a single functional activity. The internal organisational issues are concerned with issues

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\(^1\) Adapted from terms developed by Ansoff (1965) where he suggested that the three levels of focus were Strategic, Administrative and Operational. For clarification these have been re-labelled as external, Internal Organisational and Internal Operational but the definition at each level of focus is as per Ansoff.
such as the relationship between functions within the business unit and across business units. Issues of shared resources, control, learning and shared information are likely to be guided by the functional strategy. The internal operations component of the functional strategy will address the opportunities and constraints imposed by the existing capabilities and assess future requirements to meet the guidelines set by the business unit strategy.

Difficulties in identifying strategy are evident at the functional level for two reasons: (i) the functional strategy does not have to be performed by a designated department or group that can be easily identified and observed (Ohmae, 1984) and (ii) the strategy is not necessarily deliberate and may emerge out of the collective actions of the individuals in the firm (Mintzberg, 1987).

Mintzberg & Waters (1982) in their discussion of the difference between intended and realised strategy suggest that strategies become operationalised through the consistencies in behaviour of organisations or a "pattern in a stream of decisions" (Mintzberg, 1978). The search for consistencies in decision making behaviour ensures a study of realised strategy and isolates those intentions that are not implemented.

The functional strategy is unlikely to be totally deliberate or emergent but will lie somewhere along a continuum providing for a degree of learning and emerging patterns of behaviour while exerting some degree of control over the process. The position of the functional strategy on the continuum will depend on direction from the corporate and business unit strategies, the nature of the environment, culture, leadership, internal systems and the strategic priority of the function to the business.

The functional strategy can therefore be defined as an identifiable plan or recognised behaviour that is aimed at developing a particular function to contribute to the advantageous positioning of the firm relative to its competitors or potential competitors. It

\[\text{(Ansoff, 1987) suggests that the more turbulent, the more emphasis on deliberate strategy}\]
will reflect an external and internal focus, with input from the corporate, business unit and other functional strategies.

<table>
<thead>
<tr>
<th>Dimensions of Strategy</th>
<th>Descriptive Terms</th>
</tr>
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<tbody>
<tr>
<td>Level</td>
<td>Corporate</td>
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<td></td>
<td>Business Unit</td>
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<td>Functional</td>
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<td>Focus</td>
<td>External</td>
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<tr>
<td></td>
<td>Internal Organisational</td>
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<td></td>
<td>Internal Operational</td>
</tr>
<tr>
<td>Operationalised</td>
<td>Intended (long term)</td>
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<td></td>
<td>Realised (current)</td>
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<tr>
<td>Planning</td>
<td>Deliberate (planned)</td>
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<td></td>
<td>Emergent</td>
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*Table 2.3 Strategy Terms*

### 2.4.3 Information Technology (IT) Strategy

Information Technology has experienced rapid growth in line with significant technological developments in recent years. As a result of this growth and resultant changes, IT has been defined in many different ways in the literature. However, as the pervasiveness of IT is becoming more evident (Rockart & Short, 1991) and responsibility for the IT function is increasingly being decentralised, it is becoming clearer that the broadest definition must be applied to assess the IT strategy on any criteria. Keen (1991) claims that IT must combine all forms of technology including: computers, voice, office automation, PC's and data communications. Weill (1990) also adopts a broad definition classifying IT as hardware, software, communications, telephones, facsimiles and all personnel and resources dedicated to IT. As we are interested in the firm-wide relationship between IT and HR, the broadest definition is the most appropriate to capture the potential opportunities and benefits of the alignment between these two functions. Therefore IT is defined according to Weill, excluding all manufacturing based technology such as robotics, engineering equipment and other production equipment. The definition will also eliminate any distinction between
Information Systems (IS) and Information Technology (IT) encompassing both areas under a single broad definition. IT strategy, therefore, will encompass all information systems and technology issues that impact on the state of the firm relative to its competitors.

Earl (1989) has defined the functional strategy of IT on three levels: Information Technology (IT) strategy, Information System (IS) strategy and Information Management (IM) strategy. The IT component refers to the technical issues of the delivery of data, computing, communications and applications to the organisation. IS is concerned with setting priorities, allocating resources and providing strategic justification for a shopping list of projects determined by the strategy at the Business Unit level. The IM component has a focus on relationships at all levels of the corporation and the management of information to meet the objectives of the firm.

Weill (1993) uses a similar definition in his definition of IT strategy describing the components as: IT architecture, the delivery of services and the role for IT. MacDonald (1991) describes IT strategy as selections from a global technology platform, the internal adoption of skills and processes to support organisational requirements and management processes. These definitions conform closely to those prescribed by Earl breaking the strategy into technical, project delivery and management issues.

The IT strategy is framed by input from corporate, business unit and other functional strategies (Weill, 1992; Venkatraman, 1991; Earl, 1989; Ginsberg & Venkatraman, 1985). This perspective is consistent with the functional strategy model. The relationship between the IT strategy and that of the corporate and business unit levels can be totally independent and one of a delivery of products and services from IT (Weill, 1992; Venkatraman, 1991). By contrast IT may be totally dependent upon directives from the corporate and business strategies.

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3Referenced from teaching notes. Definition yet to be published.

4Architecture is defined as the blueprint for IT in the firm. It is the technology framework for integrating the use of IT into the business (McNurlin and Sprague, 1988). Architecture is comprised of 4 elements: computing, communications, data and applications (Earl, 1989).
unit and viewed as a support function (Porter, 1985; Venkatraman, 1991). In this case the planning process would be top-down and business-led as opposed to the bottom-up approach found in the independent scenario. Another form of relationship is interdependent where the IT function and the rest of the business interact to identify and address strategic opportunities (Weill, 1992; Venkatraman, 1991; Keen, 1991).

The IT strategy has both an external and an internal focus (Venkatraman, 1991; MacDonald, 1991). Increasingly IT is becoming an integral part of the business itself, shifting roles from that of a support function to a critical strategic component on which the internal and external processes of the firm depend (MacDonald, 1991). The external focus for IT strategy is growing in importance as IT enables the firm to transcend traditional company boundaries (Cash & Kosynski, 1985) and develop inter-organisational systems. Inter-organisation systems have both significant external impacts as they alter the balance of power between buyer and supplier and internal impact as business processes and organisational requirements are transformed.

Earl’s framework is functionally based in that it describes the components of the IT strategy based on activity groupings. While this may be useful from an implementation perspective, it is less useful in understanding the role for the IT strategy and the relationship with the HR strategy. To gain an insight into the nature of this relationship and its benefits a more detailed framework in which to analyse the functional strategies is needed.

It will not necessarily follow that the IT strategy in the firm will be documented and clearly identifiable and therefore may need to be determined through decision patterns, behaviour, employee perceptions and documentary evidence on decision making. Formalised strategic plans are good indicators of strategic intent, but need to be examined in the context of realised activity to determine any gap that may exist. The IT portfolio (Weill & Lucas, 1992) provides a good indicator of current, emergent IT strategy dividing IT products and services by purpose: strategic, informational, transactional and infrastructure.
The IT strategy is therefore defined as the intended plan and realised portfolio aimed to contribute to the advantageous positioning of the firm relative to current or potential competitors using the resources of information technology. The content of the strategy has three levels of focus: external, internal organisational and internal operational, and will be shaped by inputs from the corporate, business unit and other functional strategies. The IT strategy will determine: the technology blueprint, the role for IT in the organisation and the delivery of IT services. The strategy will be operationalised in the form of the IT portfolio defined in terms of strategic IT, informational IT, transactional IT and infrastructure (Weill, 1993).

2.4.4 Human Resource (HR) Strategy

HR strategy has also experienced significant changes in definition in recent years as firms have sought new ways to compete in an environment of constant change. The development from the traditional administrative focus of Personnel to the strategic role of Human Resource Management has been based on the commonly held belief in the last decade that the management of human resources can provide firms with a competitive advantage (Davis, 1981; Legge, 1992). This requires recognition by management that the HR function is not a service unit, but should be regarded as an important part of management philosophy with clear input to the bottom line (Schuler et al, 1982). A variety of new developments naturally flow from this change in thinking including organisational structure (Schuler et al, 1982), the role and necessary characteristics of the HR manager and the acknowledgement of the requirement for an HR strategy that is integrated at all levels of strategy within the firm (Baird & Meshoulam, 1988).

HR is defined on many dimensions but most definitions cover the activities of planning, staffing, appraisal and remunerating, improving employees and the working environment, and establishing and maintaining working relationships (Schuler et al, 1982). The aim of HR is to integrate these activities closely with the overall business strategy and to attract
and retain employees who can contribute positively to firm performance (Schuler et al., 1982).

HR is also often defined in terms of the differences between Personnel and HR (Legge, 1992). This method of definition is very prescriptive and practitioner oriented and is useful to explain the extension of the role for HR to contribute to the firm’s competitive edge and long term survival. This comparison is also useful in the definition of HR to understand the organisation’s stage of growth (Baird & Meshoulam, 1988; Schuler et al, 1982; Miles & Snow, 1984).

The HR strategy is likely to be more difficult to identify than the IT strategy. The responsibility for this function is often diffused throughout the management of the organisation with varying degrees of centralised control. The strategy may not be explicitly stated, or may only be formalised in part, therefore it will be important to observe behaviour patterns, communication channels, internal documents, and assess perceptions of staff in order to identify the current HR strategy. This research will focus on the content of the HR strategy, rather than the process used for HR decision making (Dyer, 1984). It is, however, recognised that the HR decision making process may provide a degree of insight into the alignment with IT strategy.

It is important to define HR strategy precisely in terms of the unit of analysis (Dyer, 1984). For the purpose of this research, HR strategy is defined as those decisions that involve the management of human resources (e.g. allocation, utilisation, compensation) as opposed to the management of the human resource department. This research is interested in exploring the functional strategy of HR as it applies to the business, not the operational efficiency planning associated with running a specialised department.

The HR strategy fits neatly into the functional strategy model in that it addresses both external and internal considerations (Schuler et al., 1982; Baird & Meshoulam, 1988). External considerations include: economic issues, external recruitment, demographics,
legislation and competition. Internal organisation issues address structure, communication, remuneration structures, culture, management goals and values. Internal organisational factors address issues such as relationships with other internal functions, corporate structure and level of involvement with corporate strategic decisions. Internal operational factors include HR operations technology, skill levels, internal recruitment and career paths.

The HR strategy is therefore defined as the plans and decisions regarding the management and organisation of staff that are directed toward contributing to the competitive positioning of the firm. These plans may be formalised or emergent through a series of actions and behaviour patterns and are directed at a business level. The HR strategy is not concerned with the structure and administration of a specialised HR department.

2.4.5 Alignment

"Well I'll eat it", said Alice, "and if it makes me grow larger, I can reach the key; and if it makes me grow smaller, I can creep under the door: so either way I'll get into the garden, and I don't care which happens!" (Lewis Carroll, Alice in Wonderland)

As Alice made her way through her adventures in Wonderland, she was constantly finding herself in situations where she simply did not fit. She was either too small or too large. Fortunately in this magical land she discovered that she could eat or drink to instantly alter her size to fit her circumstances.

This was the perception in more traditional companies (Eisenhardt & Brown, 1999) where structures were mostly stable and strategies implemented as a constant course of activities. Change was defined as a periodic adjustment to meet extraordinary challenges or opportunities. In these circumstances the concept of fit was similar to Alice's adventures. When the company was faced with a set of circumstances that required change in order to survive, they altered their shape to fit the new mould. Fit was a static concept of periodic change.
Corporate success, however, in high velocity, intensely competitive industries requires an ability to adapt to environments where constant change is viewed as the norm (Eisenhardt & Brown, 1999; Peters, 1988; Huber, 1984b) and it is the companies that have developed levels of flexibility that have prospered. In this environment the concept of fit is too limiting and we need to view organisations as aligning their resources. This is a concept embracing change and recognising that alignment is a constant process. Corporations that do not constantly reassess the structure of their organisations to adapt to changing, market conditions are requiring “their employees to compete with the handicap of a misaligned corporation” (Eisenhardt & Brown, 1999, p. 82).

Eisenhardt & Brown (1999) discuss a corporate level process of patching where organisations are comprised of a “continually shifting mix of highly focused, tightly aligned businesses” (p. 94) that can respond to market opportunities. In this way the organisation can alter its form quickly and easily in order to maximise opportunities and extract themselves relatively painlessly from non-performing activities. There has been significant recognition of the importance of strategic alignment between IT and the business (Henderson & Venkatraman, 1992; Rockart & Scott Morton, 1984; Reich & Benbasat, 1996; MacDonald, 1991; Sauer & Yetton, 1994; Luftman, Lewis, Oldach & Scott, 1993) and also between HR and the business (Becker, Huselid & Ulrich, 2001; Pfeffer, 1984; Rothwell, Prescott & Taylor, 1998; Newell & Scarborough, 2002; O’Reilly & Pfeffer, 2000).

Despite the critical role that fit or alignment plays, it “lacks the precise definition needed to test and recognise whether an organisation has it or not” (Galbraith & Nathanson, 1979). Inadequate attention to alignment definition is prevalent in both academic and practitioner literature (Schoonhoven, 1981; Fry & Schellenberg, 1984; Drazin & Van de Ven, 1985). While it is clear from the IT literature from the early 1970’s that alignment is desirable it remains unclear how to achieve the harmony between IT and the business and what impact misalignment might have (Luftman & Brier, 1999).
This section will examine the evolution of the use of the terms fit and alignment in the managerial literature. The validity of using the terms interchangeably will be questioned and each term defined grammatically and through literal use. A definition of alignment will then be posited.

The terms fit and alignment seem to have been used interchangeably throughout the corporate strategy literature to describe the relationship between two or more variables which produces improved business performance e.g. the fit between strategy and structure is often referred to in contingency theory as having a positive impact on performance. Other phrases and words include matched, contingent upon, consistent with, congruence and co-alignment (Venkatraman, 1989). Each of these words or phrases implies a positive relationship between two or more factors i.e. the relationship between them implies a positive outcome.

However, despite the interchangeable nature of their use, the terms intuitively conjure differing pictures in the mind and are grammatically defined with some distinctions. The management literature has also evolved in its use of the terms from a position where fit was more commonly used to illustrate the nature of a relationship, to a point where alignment appears to be the more dominant term. A closer examination of the literature suggests that the nature of the relationship(s) under scrutiny in the literature differs as the term is adjusted from fit to alignment.

The terms differ by literary definition and have differing connotations in use. The term fit is defined in a number of ways in grammatical terms, but essentially refers to the process of conforming or shaping to the demands or requirements of one factor to those of another factor. The Oxford Dictionary defines fit as a matching of one thing with another, or the adaptation of one thing to another. There is an implied meaning that two or more factors must either be designed to fit together, in much the same way as pieces of a jigsaw (Yetton & Sauer, 1994) or that one must alter in some way to fit the static requirements of the other.
It is a static concept that generates a feeling of erratic moves from one state of fit to another.

Alignment is a term with military origins and is grammatically defined in the Oxford dictionary as the process of arranging things into a line. A line can be a described as a straight line in which three or more points are joined, a curve connecting all points having specified common property, or a direction or course. The straight line definition is one which implies a fit or match between points where three or more must be matched in order for a state of alignment to occur. The second implies a more fluid concept of alignment where factors having common properties are not perfectly matched into a straight line, but work together to create a curve connecting them. The third looks at the future and indicates that alignment creates the potential to proceed on a given course.

The difference between fit and alignment by dictionary definition is a concept that incorporates time and state. Fit is a more static concept, determined at a given point in time and looks at the specific relationship between one factor and another. Alignment is a more fluid concept that describes a positive relationship between a series of related factors that draws them into the same course. The concept of alignment refers to an ongoing process without a definitive end, as opposed to fit which is a finite, end in itself. Whereas fit implies a change of state by one factor to fit another, alignment is concerned with the orientation of a series of factors which enhances or enables a series of other factors.

Fit was a construct that grew out of contingency theory where the fit between context and structure was posited to have a positive effect on performance (Drazin & Van de Ven, 1985; Lawrence & Lorsch, 1967). This was a very quantitative era where fit was a concept of measurement. Many definitions and methods were discussed and the virtues of one over another tested and argued. Venkatraman (1989) proposed that a series of standards was necessary between the concept of fit and its measurement in testing. He described six theoretical relationships indicating differing specificities of the theoretical relationship(s) posited as fit: moderation, mediation, profile deviation, gestalts, co-variation and matching.
These concepts were then matched with appropriate measuring tools in an attempt to get some consistency for cross referencing and development of research propositions. Venkatraman (1969, p441) observes, however, that these perspectives focus on “static, cross sectional approaches for specifying and testing fit”. He recognises the dynamic and never-ending process of co-alignment where organisations are continually “shooting at moving targets” (p441) and that the measuring devices that he discusses may be inappropriate for examining a more longitudinal perspective.

Venkatraman (1989) discusses the need to recognise the forces that explain the organisational movement toward and away from equilibrium. He visualises the desired state of equilibrium as fit and differentiates between short and long term views, recognising that there may be trade offs between the two. Sauer & Yetton (1997) also recognise the more fluid patterns of alignment and extend the notion to a more conscious level where organisations may deliberately push functions out of alignment in order to effect change. Reich & Benbasat (1996) support the need to separate short and long term perspectives in their discussion of linkage in which they are concerned with the validation of more qualitative measures to gain an understanding of the relationship between business and IT objectives.

Finally there are two dimensions of alignment: intended alignment and realised alignment. These dimensions parallel similar views of strategy (Mintzberg & Waters, 1982) and imply that there is an expected gap between the organisation’s desire for alignment and the relationship that occurs in reality (Chan, Huff, Barclay & Copeland, 1997). Executives often mistakenly believe that alignment exists when in reality only the factors that contribute to alignment are in place (Reich & Benbasat, 1996). The study of the gap between planned alignment and the mutual understanding and visions of different executives (Reich & Benbasat, 1996) will provide some insight into the input factors that contribute positively and negatively to alignment.
This study uses the term alignment quite deliberately, not as a way of encompassing all the other terms, but descriptively as a way to view a specific relationship. Alignment is conceptualised as an orientation, an on-going process based on the will to achieve a common goal. It is therefore possible to conceive of a series of factors or pre-conditions that create an organisational environment favourable to the ongoing executive focus on alignment. In this way alignment is conceptualised as an outcome (Broadbent & Weill, 1991; Chan et al., 1997; Reich & Benbasat, 1996) with determinant factors that affect the degree of alignment as conceived by Venkatraman (1989) in his moderation view of alignment. The moderator perspective suggests that the impact that a predictor variable has on a criterion variable is dependent upon a moderator variable. While this is a very quantitative view of alignment it is consistent with the principles of the contingency theorists' view which implies that an increase in a given input variable will result in an increased outcome. As distinct from this earlier contingency research that treated fit as a static concept, this approach recognises a more fluid approach and therefore the need to visualise a series of internal processes (MacDonald, 1991) that support and enable the alignment process.

Chapter 3 continues to build off this literature and to further examine the Reich & Benbasat framework of alignment and apply it to the relationship between IT and HR.
Chapter 3: The Research Framework

This research builds on a framework and theory developed by Reich & Benbasat (1996, 2000) that was designed to examine linkage between the business and information technology objectives. The framework is a useful lens through which to observe and analyse the alignment between IT and HR strategies because it examines executives’ understanding of each other’s objectives and plans, as distinct from the intellectual intent of written documents. The Reich & Benbasat (2000) framework examines alignment in the short-term to gain an insight into executives understanding of current goals and strategies and also their understanding of long-term goals. Given that initial findings suggested relatively low levels of alignment between HR and IT generally, it was decided to focus on short-term strategies for the purposes of this research. However, it is acknowledged that the investigation into longer term strategies may be a topic for additional research.

Reich & Benbasat (1996) define the construct of linkage as having two dimensions:

- **The intellectual dimension** exists when the content of information technology and business plans are consistent and externally valid
- **The social dimension** exists when IT and business executives understand and are committed to each others plans

Each of these dimensions describes an effect or outcome, with a series of causal factors potentially influencing each outcome. The intellectual dimension is influenced by planning processes, techniques, and data to formulate a set of plans indicating management’s intentions. The degree to which those input factors were mutually consistent between IT and the business strategy formulation processes would ultimately impact on the degree of intellectual alignment. The social dimension, however, reflects the degree to which both business and IT executives understand each other’s plans. This understanding was likely to be effected by the “choice of actors, timing, decision making, and communication used in the formulation” (Reich & Benbasat, 1996, p58) of the IT and business strategies.
The terms linkage and alignment are used interchangeably in this study. Linkage being the acknowledged term used by Reich & Benbasat, but the term alignment seemed to reflect the more fluid concept attributed to the relationship between HR and IT. Linkage was defined by Reich & Benbasat (1996, p57) as "the degree to which the IT missions, objectives and plans support and are supported by the business mission, objectives, and plans". The alignment definition employed for the purposes of this study sits comfortably with this more fluid concept of support rather than the matching and predictive models of fit (Scott Morton, 1991; Henderson & Venkatraman, 1993), and therefore it is considered that the terms "linkage" and "alignment" are one in the same. Reich & Benbasat (2000, p83) would appear to concur with the interchangeability of terms and refer to the social dimension of alignment in their discussions of prior research that influenced their thinking.

As discussed in the previous section defining alignment, this research supports the concept of alignment as a continual process (Eisenhardt & Brown 1999; Sauer & Yetton, 1997). While conceptually this research favours this fluid notion of alignment (Luftman, 1998) and the notion that organisations move in and out of varying states of alignment (Sauer & Yetton, 1997), a distinction is made between the operating state of the business and the requirement to examine alignment for research purposes. In order to identify a series of enablers and inhibitors (Luftman, 1998) to the alignment process it is necessary to adopt the cause and effect model (Reich & Benbasat, 1996) to capture evidence at a given time that provides some explanation for how organisations facilitate the alignment process. It is anticipated that indicators will, however, provide evidence of past and anticipated future changes in the nature of alignment as they are identified in the case studies. For the purposes of this study the term "linkage" will be used when referring to the Reich & Benbasat (1996, 2000) research and the term "alignment" will describe the IT/HR relationship explored in this research.

The Reich & Benbasat (1996, 2000) research examines the dimension of social linkage and explores the input factors that determine the level of understanding of strategies between the business and IT executives. The framework is consistent with Mintzberg's (1978) view
of strategy that accepts that objectives and plans may not be in a written, published form but may be distinguishable through the actions and beliefs of executives in implementation. This is particularly applicable to the HR strategy that may not be readily identifiable but is nevertheless observable through the examination of a set of accepted guiding principles that determine the priorities and activities of the HR executive. In order to understand these it is important to examine the minds of the executives and not simply their written intent. The dimension of social linkage refers to the “choice of actors, their degree of involvement, and the methods of communication and decision making” (Reich & Benbasat, 1996, p57). This is a particularly useful model to examine the alignment between IT and HR for a number of reasons:

- The alignment between IT and HR may not be explicitly documented as important, but implied and understood in principle by the overall culture of functional alignment with the business strategy of the firm
- HR strategies are frequently one of the functional strategies not explicitly documented
- It is the understanding of the implications of the IT strategy for HR that are anticipated to be important, not merely cross-references in the written documents. Although it is recognised that published cross-referencing of plans is likely to influence the social dimension of alignment between HR and IT.

The Reich & Benbasat (1996, 2000) model of linkage has been adapted and applied to IT and HR strategies to gain an insight into the social alignment between the executives managing each of those functions. Reich & Benbasat (1996, p60) heed the warning from Calhoun & Lederer, 1990; and Lederer & Mendelow (1986, 1989) that detailed written plans are often not produced and therefore the minds of the executives were important to explore through their knowledge and opinions. This was particularly relevant in the study of HR and IT alignment where written documentation was often unavailable and relationships relied on non-systemic processes.
By using the Reich & Benbasat framework of linkage between IT and business strategies as a lens, an initial view of alignment between HR and IT was possible. The aim of the research was to further develop and amended the framework to more accurately represent a view of the relationship between IT and HR, and gain an understanding of what alignment might look like and what factors would be likely to influence alignment.

Figure 3.1 places the dimensions of alignment in an organisational context to clarify the lens through which each case will be examined. Each dimension of the framework has been further examined to assist in a common understanding and set of parameters for each case study.\(^5\)

![Figure 3.1: The Research Framework](image)

There are three identifiable levels of strategy in the firm: corporate strategy, business unit strategy and functional strategy. (Ginsberg & Venkatraman, 1985; Hofer & Schendel, 1978). Corporate strategy is applicable in multi-business firms and addresses the

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\(^5\) This framework was presented by Kristine Dery at the ACIS Doctoral Consortium, 2002.
composition of the firm’s portfolio of business units (Porter, 1985). The business unit strategy examines the way in which the firm competes in each of its chosen product market segments, and is concerned with achieving specific objectives within the corporate context (Broadbent, 1990). Functional strategies focus on maximising resources within each of the functional areas.

The functional strategy is not framed in a vacuum (Ohmae, 1984) but is constrained according to the priorities set at the corporate and business levels, indicating the hierarchical nature of the relationship (Hofer & Schendel, 1978). It is, however, increasingly recognised that functional strategies have the capacity to both shape and support the corporate and business unit strategies (Henderson & Venkatraman, 1993; Keen, 1991) suggesting an interdependent relationship and one requiring constant consultation between those designing and implementing the strategic plans at each level. The functional strategy may also be framed in context with other functional areas and, in multi-business corporations, with functions in other business units.

This research is concerned with the inter-functional relationship between IT and HR. The framework reflects the findings of Reich & Benbasat (1996) in their study of linkage between IT and business strategies, which identifies differences between the written strategies and the executives’ understanding of the implications of those strategies. Mutual statements of intent were examined between the written or verbalised strategic statements of both HR and IT to determine a level of intellectual alignment i.e. the intent of the organisation to align the activities of HR and IT. The intended/published functional strategies are anticipated to contribute positively to HR and IT executives’ understanding and actions and will be analysed to gain an insight into the degree of social alignment that exists. Additional factors that impact on the ability and willingness of HR and IT executives to work together to align their strategic focus will also be identified and further explored.
The Reich & Benbasat (1996, 2000) research study of ten business units in the Canadian life insurance industry identified a series of factors that influenced the social linkage between IT and the business strategies: shared domain knowledge, history of implementation success, communication and planning connections. The following research builds on these factors and proposes additional enablers and inhibitors for further examination. These factors are further defined and illustrated in the Figure 3.2 which expands upon the macro view in Figure 3.1. Social alignment is treated as an outcome and describes the degree of consistency and understanding between the HR and IT executives of their own, and each other’s, strategic directions and priorities.

The input factors are those identified in the Reich & Benbasat (1996, 2000) research and will be examined for their applicability to the alignment between IT and HR and further expanded to capture other factors that impact on the IT/HR understanding and alignment. Shared domain knowledge and history of implementation success were found by Reich & Benbasat (1996, 2000) to be antecedent factors impacting communication and planning connectivity. These factors are consistent with those identified by Luftman (1998) where a five year study of IT and business executives from over 800 US firms identified the six most important factors in alignment as: "senior executive support for IT, IT management's involvement in strategy development, IT's understanding of the business, the existence of a partnership between business and IT leaders, the level of prioritisation of IT projects, and IT management's leadership abilities" (Luftman, 1998,p283). This research will explore those relationships further and build on this framework. Each construct of the framework is defined and placed in the context of other research that further supports the validity of using it as a starting point to gain an understanding of the HR/IT social alignment process. In addition, a loose interview structure is detailed which, while explored in detail in the methodology discussion in Chapter 4, does provide additional insights into how each construct has been operationalised in the process of gathering evidence in each of the cases.
3.1 Shared Domain Knowledge

Shared Domain Knowledge refers to IT and HR executives’ understanding of the business and of the knowledge in HR of the IT strategies and vice versa. The level of shared understanding between executives has been found to be a major contributing factor to alignment in a number of studies. Jerry Luftman (1998) identified IT’s understanding of the business and the existence of a partnership between the business and IT leaders to be among the six most important factors influencing alignment of IT and the business. Nelson and Cooprider (1996) surveyed eighty-six IT and line groups across a range of industries and found that increased shared knowledge between IS and line groups lead to increased IS performance through the mediating variables of mutual trust and influence. Trust and influence were also supported as important contributors to creating business/IT alignment in Earl and Feeny’s (1994) findings into how CIOs add value. Rockart, Earl & Ross (1996)
interviewed IS executives in fifty firms across four countries listing "effective relationships with line management" as the second of their eight imperatives for a successful IS group. They found that relationships between IS and the line demanded that both IT and the line management accept accountability for systems projects and that "is achievable only when both parties share their unique expertise" (Rockart et al, 1996, p45).

Shared knowledge is not just recognised in the IT literature as being a critical enabler to communication and alignment. Rothwell et al (1998) identified five common complaints about traditional HR, the first of which was the lack of working knowledge about the business and the strategic goals of the organisation. They also recommended that HR needed to understand the implications for people management of organisational strategies, understand industry trends and generally form closer relationships between the HR practitioners and the line. Shared knowledge is not simply managerial communication (Nelson & Cooprider, 1996) but a much deeper form of interaction that involves knowledge transfer. Keen (1988) describes shared knowledge as mutual understanding moving beyond simply knowing details of each others activities to each other's "needs, constraints and contribution to an organisational venture partnership" (p52). Reich & Benbasat (2000) found support for Keen's views in their study on IT/business strategy linkage. This research has applied those views to the inter-functional sharing of knowledge between IT and HR executives. Shared domain knowledge is therefore defined as the IT and HR executives' abilities to understand and participate in each others key processes and to respect each other's contribution and challenges. Shared domain knowledge is anticipated to contribute positively to communications and connections in planning processes.

Evidence of shared domain knowledge was collected by asking questions of each executive. The answers provided indicators of executives' industry and company experience, levels of experience and comfort in the IT/HR domains and assessments of other executives' IT/HR/business knowledge and acumen. Written and verbalised curriculum vitaeas were gathered to create insight into background experience and
knowledge of each executive and discussions were invited that self assessed the value of that background experience to each executive’s current role.

3.2 History of Implementation Success

There is industry evidence to suggest that track records in both IT and HR impact on inter-organisational relationships and the ability of executives to have a credible voice at the management table. Successful IT implementations improve business relationships at all levels (Rockart et al 1996; Reich & Benbasat 2000) building trust and recognition that IT can add value. “Broken promises of lead times and service availability lead to cynicism. Managers begin to develop business plans and operations that do not rely on IT” (Earl & Feeny, 1994, p13).

Fred Neiderman (1998) identifies a series of areas where HR and IT interact in the development of organisational learning and knowledge management. These include: the use of IT to support and distribute the HR strategies, using HR techniques and programs to support the work of IS professionals and using HR to support the work of the end-users. These touch-points (Figure 3.3) are points at which IT and HR are likely to connect and form a perception of each other’s skills and abilities to contribute value. They are important areas to evaluate for indicators of implementation success and the possible implications for communication between the HR and IT executives.
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There is industry evidence to suggest that track records in both IT and HR impact on inter-organisational relationships and the ability of executives to have a credible voice at the management table. Successful IT implementations improve business relationships at all levels (Rockart et al 1996; Reich & Benbasat 2000) building trust and recognition that IT can add value. "Broken promises of lead times and service availability lead to cynicism. Managers begin to develop business plans and operations that do not rely on IT" (Earl & Feeny, 1994, p13).

Fred Neiderman (1998) identifies a series of areas where HR and IT interact in the development of organisational learning and knowledge management. These include: the use of IT to support and distribute the HR strategies, using HR techniques and programs to support the work of IS professionals and using HR to support the work of the end-users. These touch-points (Figure 3.3) are points at which IT and HR are likely to connect and form a perception of each other's skills and abilities to contribute value. They are important areas to evaluate for indicators of implementation success and the possible implications for communication between the HR and IT executives.
Opinions from executives were sought at each stage of the “touch-point” framework to build a historical picture of IT implementation stories in each firm. In addition to seeking a general history of IT projects, self reporting considerations were sought on how well projects were perceived to have been implemented, and whether they were considered to be successes or failures. More specific information was collected on the relationship between the IT and HR functions. The HR involvement in people issues in IT, and the IT response to HR technology requirements (e.g. HRIS), was explored to gain insights into the nature and background of the IT/HR relationship and to build up a picture of the history of implementation success.

3.3 Communication between HR and IT Executives

Reich & Benbasat (2000) identified shared domain knowledge and historical success records as antecedents to communication. Nelson & Cooprider (1996) suggest that a common language based on shared knowledge is critical to effective communication. This is anticipated to be particularly relevant in a study that examines the relationship between
IT and HR where specialised knowledge and language pertaining to each function is likely to inhibit conversation. While this seems to imply that communication could be viewed as the antecedent of shared knowledge (Nelson & Cooprider 1996), it was decided that the communication between HR and IT was more likely to be aided by shared knowledge and experience leading to a familiarity with function-specific terminology and therefore that the Reich & Benbasat lineal view of the alignment process was more useful. Lack of understanding and communication was identified by IT and Business executives in a study of three hundred US companies (Luftman, 1996) as two of the foremost inhibitors to alignment.

Reich & Benbasat (2000) used a typology that was adopted for this study to capture the ways in which IT and HR executives interact. Communications were examined in the categories of direct communication, liaison, temporary task forces, permanent teams, integrating roles and managerial linking roles. Each of these were examined between IT/business, HR/business and HR/IT executives to build a picture of the nature and quality of the communication.

3.4 Connections between IT and HR Planning

There is evidence in the literature to suggest advantages in including IT executives in the business planning process (Luftman & Brier, 1999) and that this is a crucial time in which alignment is forged (Reich & Benbasat, 2000). The HR literature also makes both implicit and explicit assumptions that there will be a degree of connection between the HR and business planning processes to assess the impact for people management requirements and to plan accordingly. The implication is that planning processes involving both HR and IT executives will, by default, generate a degree of connection between HR and IT. Zmud (1988) recommends the use of structural mechanisms such as IT project teams or steering committees with representatives from all affected parties to drive planning connectivity and alignment. Shared knowledge and a history of project successes are likely to ensure that the HR executive is included on IT project teams and thus able to connect in the planning process and develop the appropriate people management strategies.
Planning connections were categorised as follows: isolated, architected, derived, integrated and pro-active in line with Reich & Benbasat (2000) and discussions with executives were framed by these categories to create a picture of the planning process and the level of connection between HR and IT.

3.5 Intellectual Alignment

The findings of Reich & Benbasat (2000) identified short term business direction as an influencing factor on the level of social alignment demonstrated in the Canadian insurance firms. Short term business direction was defined as "a set of one to two year objectives, either found in written plans or articulated by management" (Reich & Benbasat, 2000, p99). For the purposes of this research this was interpreted as intellectual alignment i.e.: statements of intent by the firm that frame both the business direction and the importance of aligning the functional strategies with those of the business in order to realise those intentions. It was considered that a level of intent was a pre-requisite to social alignment.

This chapter was designed to create a roadmap to guide the reader through the frameworks used to collect and analyse the material gathered from the case studies. It focuses on the adaptation of the findings of Reich & Benbasat (1996, 2000) that explored the understanding of IT and business executives and measured the social dimension of linkage. This model contains five influential elements: shared domain knowledge, history of implementation success, connections in the planning process, communication and business direction. These elements also appeared to be influential in the alignment between HR and IT, and therefore the Reich & Benbasat (2000) framework has been adapted to investigate and build a framework of alignment to further explore this relationship. Table 3.1 summarises the influencing factors:
<table>
<thead>
<tr>
<th>Influencing factors in the Reich &amp; Benbasat (2000) framework</th>
<th>Adaptation to the IT/HR alignment framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared Domain Knowledge between business and IT executives</td>
<td>Shared Domain Knowledge between IT and HR executives</td>
</tr>
<tr>
<td>History of IT implementation success</td>
<td>History of the relationship between IT &amp; HR executives based on past IT project planning and implementation, and touch-points that reflect HR's involvement in IT people management and IT's role in the implementation of systems for HR</td>
</tr>
<tr>
<td>Communication between IT and business executives</td>
<td>Communication between IT executives and HR executives, and also between the business executives and each of the functional groups.</td>
</tr>
<tr>
<td>Connections between business and IT planning</td>
<td>Connections between business, IT and HR planning</td>
</tr>
<tr>
<td>Short term business direction</td>
<td>Plans indicating the firm's intended strategy, and the need to align the strategies of both IT and HR with that of the business, and also the inter-functional strategies of IT and HR</td>
</tr>
</tbody>
</table>

*Table 3.1. Adaptation of the Reich & Benbasat (2000) Framework to the Study of Alignment between IT and HR.*

### 3.6 Other Factors

The Reich & Benbasat (2000) framework was developed to define and explore the social dimension of linkage between IT and the business strategies. This research has extended and adapted that framework to explore the alignment between IT and HR. While it was anticipated that the antecedents of the social dimension of linkage would also apply to the alignment of IT and HR, it was also likely that other factors would emerge from the cases that were considered to have impact. These factors were identified and further explored.

Chapter 4 further explores the methodology used to gather and analyse the material from the four case studies. Each of the constructs in the framework is further operationalised in
some detail to facilitate the data gathering, while being careful to build each story from the ground up and not to generate or lead responses.
Chapter 4: Research Methodology

"We are committed to clarity in qualitative analysis procedures, a commitment that requires a good deal of explicit structure in our approach to enquiry. This is not the same thing as "positivism" ....One can be an inductively oriented phenomenologist and rather structured in ones approach to empirical work." (Miles & Huberman, 1994, p.20)

The methodological approach for exploring the alignment between IT and HR uses an interpretative approach to case studies (Walsham, 1995) that intends to increase our knowledge of a series of processes that explore alignment across the dimensions of intent and understanding. A theoretical framework is used to guide case selection, data collection and analysis. The framework, while providing an element of initial order, acted more as a lens through which to view a series of complex interactions between executives and enable them to be grouped and analysed.

The following provides a roadmap to guide the reader along both the thought paths and activity trails that the researcher trod in the process of completing this research project.

4.1 Research Purpose and Contribution:

Given the exploratory nature of this research, it is important to understand the criteria by which the exploration could be judged successful (Yin, 2003). Through a series of four case studies, this research will make a contribution to research while observing the need to add to practitioner relevance (Benbasat & Zmud, 1999) and extend our understanding of:

- theories of alignment, particularly social alignment
- the relationship between IT and HR strategic planning in the firm
- ways to enable a closer working relationship between IT and HR
- ways to increase the strategic contribution from HR through a closer working relationship with IT

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4.2 Research Questions:

The competitive significance of Information Technology is no longer questioned. What is debated, however, is how to attain strategic benefits from the technology investment. This study investigates how firms align their information technology strategies with appropriate human resource management.

The following questions will contribute to our understanding of the alignment between IT and HR:

- Is alignment between IT & HR perceived as important and if so, who is considered responsible for the alignment process?
- How might a business unit in which IT and HR were aligned look?
- What are the enablers and inhibitors to the alignment process?

The major focus of the research is on the latter question which identifies the factors that contribute to the alignment process and offers recommendations for practitioners. The desire to answer the research questions leads to the adaptation of the Reich & Benbasat (2000) framework and the findings of this research will develop this framework further to contribute to both academic and prescriptive discussions surrounding these issues. Table 4.1 matches the research framework discussed in the previous chapter to the research questions.

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Constructs in the Social Alignment Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is alignment between HR &amp; IT important, and who is responsible?</td>
<td>Intellectual alignment (intent)</td>
</tr>
<tr>
<td></td>
<td>Case study observations</td>
</tr>
<tr>
<td>How might a business look in which IT/HR were aligned?</td>
<td>The picture of Social Alignment constructed in the revised framework</td>
</tr>
<tr>
<td>What are the enablers and inhibitors to the alignment process?</td>
<td>Communication, Connections, Shared Domain Knowledge, History of Implementation Success, Other factors</td>
</tr>
</tbody>
</table>

*Table 4.1: Matching the Research Questions with the Constructs in the Research Framework.*
4.3 Implications for the Research Design:

The nature of the research question required the plans and activities of each firm to be studied in context and by gathering a wide array of data, paint a picture of the site through several themes (Creswell, 1989). Given that very little has been published in this research area it was important to keep the canvas relatively clean and let the picture unfold, however a series of preliminary sketches were made to give the exploration some purpose (Yin, 2003) and guide the initial site selection. These sketches were based on the existing theories of intellectual and social alignment (Reich & Benbasat, 1996) which gave direction to the exploration without restricting its dimension.

4.4 Research Strategy

Researchers in the late 1980’s identified the predominance of quantitative methodology in IT literature and recommended a shift to qualitative methods to provide an insight into organisational factors that were impacting the success of IT (Benbasat, Goldstein & Mead, 1987; Weill & Olson 1989; Orlikowski & Baroudi, 1991). It is particularly appropriate where firstly research and theory are at an early, formative stage and the researcher has less prior knowledge of what the variables are likely to be and secondly the experience and context of the actors are critical to gaining an insight into the problem (Benbasat et al 1987). "The IS field has also seen a shift from technological to managerial and organisational questions and consequently more interest in how context and innovations interact." (Benbasat, et al, 1987, p370) It is in the context of this shift that this study has emerged to gain an insight into the way organisations manage IT to ensure that the implications for the HR strategy are addressed. Therefore it is imperative that this question be examined in an organisational context (Cresswell, 1998; Yin, 2003). The case study methodology was selected in line with Benbasat et al’s (1987) validation criteria to understand:
• the communication and planning processes between IT management and those responsible for people management strategies which needed to be examined in their natural setting with a view to generating theory from contemporary practice (studying IS in its natural setting).

• the inhibitors and enablers in the alignment process between HR and IT, and to gain insight into the conditions that make alignment important (answering how and why questions).

• the organisational factors that contribute to alignment between the IT and HR functions, which is an area that has received scant attention to date (research in a relatively new area).

Understanding the natural setting and historical context in each case was important in the process of understanding complex interactions between executives and to isolate possible inhibiting or enabling factors that contributed to the alignment process. Executives interviewed were considered as actors with the abilities to influence their environment as opposed to passive respondents in situations over which they had no control (Klein & Myers, 1999). Context was also crucial to commenting on the degree of alignment, since it was established early in the research that the study of published documents was not going to provide sufficient or valuable insight. If IT or HR plans were available in a published format, they may well be indicative of intended alignment but not necessarily reflective of executive understanding or actions. The geographic location, physical presentation, personal characteristics of the actors and other contextual issues were important considerations to gain an understanding of the issues and processes.

Earlier chapters provide academic and empirical evidence to suggest that aligning people management issues with the strategic requirements of IT developments is important to realising returns on the IT investment. While further exploration of this question may be a worthwhile topic for future research, this work focuses on gaining an understanding of the “how” question. Organisational and people issues have been identified as contributing to the high failure rate of many major IT lead strategic opportunities, so why is it so difficult
for companies to manage the alignment of people and technology? The answer to this question is complex and contextual. A process of interviews and placing those conversations in context was considered the best way of gaining an understanding of the “how” and “why” questions.

The research to date has not specifically addressed the organisational factors that impact alignment between IT and HR, and so theory and prior research had to be drawn from other fields to build a research framework. While this framework helped to place some initial boundaries, the question had to be approached from a relatively clean slate with descriptions and theory built from the ground up. Case studies allow scenarios to be drawn on to an empty canvas and factors to be further explored as they presented themselves. This was important to the selection of the methodology so as not to inhibit the scope of the findings.

4.5 Research Design

The research was designed to cast a view across a series of firms to gain an insight into a series of complex relationships. While an initial alignment model framed the cases and some existing theory was used to facilitate further understanding, additional categories and concepts emerged from the findings (Glaser & Strauss, 1967). Each case was explored in some depth through interviews, observations and document analysis, with a cross-case analysis designed to capture a broader range of experiences both to confirm regular findings and expand the range of possibilities.

4.5.1 Multiple Cases

Multiple cases are useful when there has been few prior research studies and thus minimal prior theoretical development. When the research is exploratory and aimed to contribute to, or build theory, Yin recommends a series of case studies that are selected as literal replication or theoretical replication. Literal replications are cases that are predicted to have similar results based on their selection criteria eg: companies with significant reliance upon
people and technology to deliver their goods or services are likely to have a similar strategic view of the importance of aligning IT and HR. Theoretical replications use a selection criterion that predicts different outcomes, thus providing opportunities for contrasting results. Although this research is more exploratory than the more positivist Yin model would suggest, it was still possible to use some selection criteria that were intuitively relevant to the degree of anticipated alignment.

Four Australian firms were selected for this research based on the criteria described in the following sections.

4.5.2 Unit of Analysis:

This research aims to make a contribution to theory of organisations and ways in which they manage alignment across two specific functional areas. Four business units, operating divisions or subsidiaries have been selected as the units of analysis for this research. Chandler (1990) defines these as units “responsible for a set of closely related product lines or a geographical area” (Chandler, A.D., 1990, p7) with a corporate office that has the over-riding responsibility for performance monitoring and allocation of resources for the overall enterprise. Each entity in this study is answerable to varying degrees to a larger corporate entity with global interests, but each is independently managed and has autonomy over alignment processes. In addition each entity has its own dedicated IT and HR management functions albeit with differing reporting structures.

<table>
<thead>
<tr>
<th>Case:</th>
<th>Description of the Unit of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-Bank</td>
<td>Business unit based on a product line within a large Australian based global bank</td>
</tr>
<tr>
<td>WxPress</td>
<td>Business unit based on a product line, within a large Australian based, global corporation</td>
</tr>
<tr>
<td>PFS</td>
<td>Joint venture between Australian and US based corporations based on a product line with a geographic focus.</td>
</tr>
<tr>
<td>Snax</td>
<td>Manufacturing unit of a large US, global corporation with a geographical focus.</td>
</tr>
</tbody>
</table>

Table 4.2: Units of Analysis
The business unit was selected as the unit of analysis due to the ability to define the activities of IT and HR within its boundaries and to have a clear picture of their responsibilities and activities within the management structure. At a corporate level both of these functional groups are often policy driven and not directly involved in the management of the business.

4.5.3 Site selection:

From the outset site selection was always likely to be difficult in this project. Yin’s theoretical approach seemed logical as an opportunity to examine sites, explore differences and contribute to an understanding of the alignment processes between IT and HR. The difficulty was how to identify the sites that would contribute to an understanding of the research question, rather than opportunistically (Benbasat et al., 1987) examining the workings of organisations in the hope of finding something of interest. If alignment was to be the criteria then there had to be an easily identifiable indicator of alignment, otherwise sites would need to be studied at random, an assessment made of the degree of alignment and then a decision reached as to whether they should be included or not. The lack of previous research meant that there were no pre-tested selection criteria to follow so a structural analysis was completed that used annual reports and other published material to pre-select sites based on the positioning of HR and IT functions in the corporate structure.

Researchers such as Lawrence and Lorsch (1967), Woodward (1965) and Burns and Stalker (1966) had long established a contingency tradition that linked structure to performance. They found that higher performing organisations had different structures to low performers. It was therefore considered useful to apply structure as an indicator of intellectual alignment assuming that those companies that valued the alignment of HR and IT as an important contributor to performance would be likely to link them in some way structurally. Given the specialised nature of these two functions it was likely that the executives would have a functional reporting line (Galbraith et al., 2002) even if that was within a matrix style structure that also included a product or geographic reporting line (Mintzberg, 1979).
The ability for reporting lines to determine and maintain power structures within the organisation (Galbraith et al., 2002) also meant that the positioning of the HR and IT executives relative to each other was potentially a good indicator of the organisation's desire to align their activities. A common reporting line would also provide some indication of the need to co-ordinate activities across the functions given the need for HR and IT executives to specialize vertically while extending their role horizontally across the organisation (Mintzberg, 1979). If IT and HR were at the same level of seniority and reported to the same person, it was assumed that there was an intention to align HR and IT, that is potential intellectual alignment (Figure 4.1).

A preliminary study of annual reports was completed (Appendix 1) that indicated little structural evidence of intellectual alignment between IT and HR. The three companies that did have HR and IT reporting to the CEO or as the responsibility of the same executive were all natural resource/manufacturing companies. Further research indicated some similarities in the annual reports of these firms which may prove to be more reliable indicators in the final selection criteria:

- An entrenched quality improvement program
- Part of an international group
- History of industrial disputes
- Large capital investment with relatively high risk
- Dedication to staff health and safety
- Focus on issues concerning both IT and HR

Further analysis and discussions with some key executives from these firms indicated that industrial relations activities were the primary focus of the HR management and that industrial disputes were often as a result of technological innovation or the pending threat of change as a result of technology. Alignment forced by industrial relations regulatory bodies was not the primary focus of the study. Discussions also revealed that HR at this time largely focused on compliance, administration and recruitment with little concern for
strategic input. The people management strategies were not necessarily developed by the HR function, but more the role for operations management if considered at all. A more qualitative approach to site selection was clearly required. However, the site analysis did indicate a series of factors that needed to be considered in the final section.

Factors considered in the final site selection included:

- An understanding by the CIO or CEO that strategic HR input was important was considered important to get their commitment to the project, whether the company was considered to be implementing alignment well or not.
- It was likely that the company would be part of a larger group with a global view that was benchmarking against international standards (as indicated in the structural study)
- It was necessary that the firm had a high investment in both people and information technology (as opposed to manufacturing technology) to generate an alignment that wasn’t forced by the threat of industrial dispute.

Once the above criteria were met then sites were divided by structure, which was still considered intuitively as a predictor of management’s intent to align the functional activities of HR and IT, and size of the business unit which was also predicted to be an enabler of alignment. The sites were distributed across industries to facilitate some industry comparison and selected as follows:
PFS was a smaller business unit (under 100 employees) with a very democratic, consultative style of management and a circular corporate structure diagram which indicated high levels of co-operation and intellectual alignment. WxPress was also a smaller unit with a slightly higher number of employees (350) but with both IT and HR with different reporting lines to parent bodies and HR participating on a part-time basis in the affairs of WxPress. There appeared to be no structural indicators of intellectual alignment in this case, however, the small size and more intimate relationship between executives may potentially compensate. M-bank was a much larger business unit, geographically spread and with differing reporting priorities for IT and HR. Both HR and IT reported to the same central services unit in M-bank, but where IT operated in an agency relationship with internal charges, HR reported to the M-bank CEO and was salaried to the business unit. They are therefore positioned higher along the structural indicator continuum.
than WxPress. Snax Ltd was the largest business unit surveyed and also had the strongest structural indicators of intellectual alignment. Both HR and IT reported direct to the CEO and were accountable in the same structure. They both had functional reporting requirements into the parent but their primary accountability was to the CEO Snax Ltd.

While Snax Ltd. was primarily engaged in manufacturing activities, the decision to keep them in the study was made on the basis that significant changes were happening to the information technology strategy of the business that impacted significantly on the non-unionised executives. The history of industrial relations regulatory alignment was considered to caste another interesting dimension to the alignment question without muddying the waters, as would have been the case had the unionised area of the business unit been included.

Within each site a strategic IT project was selected to a more focused view of the IT and HR relationship and the minds and actions of executives involved in planning and implementation. The IT project selected was required to have some strategic significance to the organisation i.e.: the intent of the project was to change the positioning of the firm relative to its competitors. It was considered that a project of this nature would have the attention of the senior HR and IT executives in the business unit and also be of strategic significance to the corporate entity. IT projects selected on the basis of their strategic contribution would also be likely to have implications for the strategic management of HR. As such, the project would be a useful microcosm of HR and IT activity that would provide a closer view of the alignment process. Table 4.3 details the projects selected in each business unit and the projected implications for human resource management:
<table>
<thead>
<tr>
<th>IT Project</th>
<th>Mbank</th>
<th>PFS</th>
<th>WxPress</th>
<th>Snax Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On-line mortgage application system</td>
<td>On-line superannuation fund management system enhancement</td>
<td>On-line retail ordering system</td>
<td>R&amp;D system to coordinate recipe development, ingredient sourcing and labeling</td>
</tr>
<tr>
<td>Implications for HR</td>
<td>Processes previously dominated by data entry and validating, now restructured with a greater focus on analysis and assessment skills. Additional opportunities to restructure jobs with part-time / job sharing rosters.</td>
<td>Organisation built on corporate relationships moving to longer term relationships with individual policy holders. Increased complexity of consumer demands. Current bias favouring administrative skills moving to financial advisory skill requirements.</td>
<td>Customer contact staff initially employed for ability to communicate by telephone with customers, now required to move to a written medium and provide the same degree of advice and information.</td>
<td>Specialist operators detailing, proofing and checking compliance on labeling and recipe development will no longer be required in their current form. Potential for significant job redesign based on more co-operative, process driven systems.</td>
</tr>
</tbody>
</table>

*Table 4.3: IT Project selection for each Business Unit*

### 4.6 Operationalising the Research Objectives

The research objectives were loosely operationalised to formulate an interview framework to create a results format that could be analysed across cases. However, the operationalisation of the research frameworks were considered as starting points and constructs were intended to be further operationalised as the research progressed and discussions enriched these initial ideas. Figure 4.2 below is a reminder of the research framework discussed in Chapter 3 which will now be operationalised in more detail.
4.7 Intended (Intellectual) Alignment

The research framework predicts that indicators of the organisation's intent to align the activities of IT & HR will have impact on executives understanding and actions to realise those intentions. Indicators of intent will provide input into the first research question that explores the importance of alignment and who is responsible for identifying and implementing the HR initiatives related to the IT strategic plan.

Intentions can be identified either through written plans, articulated statements, and activities that indicate desired organisational behaviour (Reich & Benbasat, 1996, 2000, referred to these intentions as intellectual alignment). This research examines written documentation, where possible, for statements of intent that indicate a recognition that
aligning the activities of HR and IT is desirable, and/or indicators that aligning HR and IT with the business strategy is important. Written statements were also examined for consistencies in the strategic directions of both HR and IT eg: statements of functional objectives driven by the same stated business imperative.

In addition, executives were asked to self-assess the importance of alignment between IT and HR to the organisation and the degree to which they believed that they organisation was committed to alignment and achieved their alignment goals. Although the pitfalls of self-assessment are acknowledged, it proved to be an effective starting point to discussion and another view of alignment that was valuable to add to the pool of other assessment criteria.

Activities were also examined that were indicative of a formalised organisational approach to aligning HR and IT planning and implementation. These were likely to be found in the form of attendance requirements at planning sessions, mandatory inclusions in project teams, regular meetings including both HR and IT executives and other systemic approaches to formalise management alignment intentions.

4.8 Enablers and Inhibitors

While intellectual alignment was considered an important input factor to social alignment, it is by nature different to the enablers and inhibitors of the social alignment process. Where intellectual alignment is an indicator of intent and can be measured using more tangible evidence such as written documentation, social alignment is concerned with the minds of the executives. Indicators of understanding are less tangible and more complex to extract and analyse and are represented in the research framework by the factors in the lower part of the diagram otherwise known as the enablers and inhibitors. Each of these factors are operationalised for the purpose of this research as follows:

4.8.1 Shared Domain Knowledge was operationalised as executives' knowledge about each others functions and/or the business operation eg: the HR managers past industry
experience or involvement in IT projects. Each executive was asked about their cross-functional experience and also their experience in other areas of the business to gain some insight into their level of shared domain knowledge. Curriculum vitaes were collected from each interviewee and executives were also asked to self-report on their degree of knowledge and experience in the other function and the business. Discussions were also built around the importance of shared domain knowledge and its ability to inhibit or enable the alignment process. Results were categorised as low, medium or high based on the following broad bands of definition combined with ratings based on general discussion of inter-functional and business knowledge:

<table>
<thead>
<tr>
<th>HR executives</th>
<th>Inter-functional knowledge</th>
<th>Business knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low: No IT knowledge beyond personal PC skills, no IT experience. Participation on IT projects limited to general executive meetings. Medium: Personal IT interest, participation on IT project teams. High: previous work experience in IT, management role on IT project team, proactive in IT projects for HR</td>
<td>Low: HR career only, no line experience and contact with business executives limited to HR issues. Medium: Involvement on business planning teams, confident in operational knowledge, more than 5 years industry experience. High: Held line position(s), involved in management strategy team, over 5 years industry/general business experience.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IT executives</th>
<th>Inter-functional knowledge</th>
<th>Business knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low: No HR experience and knowledge of the HR function restricted to compliance issues. Medium: HR involved in the IT function, IT on HR strategic planning team, IT including HR in project teams. High: IT has held an HR role previously, contributes to HR strategic planning, and understands the HR strategic function.</td>
<td>Low: IT career with no business experience, reliant upon line management input into IT planning process, less that 5 years industry/business experience. Medium: Over 5 year's industry/business experience. Regular attendance at business meetings and involvement in business planning. High: Held line management position previously, extensive.</td>
<td></td>
</tr>
</tbody>
</table>

*Table 4.4 Ratings of Inter-functional and Business Knowledge*

4.8.2. **History of implementation success** was operationalised using a series of touchpoints, as discussed in Chapter 3, between IT and HR that established inter-functional perceptions of success. HR executives were asked to describe their involvement with IT in
projects such as the design and implementation of an HRIS (Figure 4.3). Their views on the success rating of these projects were sought and discussion invited on the nature of their relationship with IT during the project.

Figure 4.3 Touch-points between IT and HR

Discussion on their views of IT as a result of past experiences added further insight. IT executives were asked to similarly discuss HR's ability to assist them in people management issues and invited to comment on HR's value based on their past experiences. These discussions inevitably extended beyond the current work environment to past experiences both within the existing organisation and from previous work environments. In addition, all executives were questioned about their general past experiences of HR and IT in the organisation and discussions focused on the overall firm perception of each function based on past experiences. The ranking bands in Table 4.5 were used as a perception guide with additional discussion used to verify and extend the analysis:
<table>
<thead>
<tr>
<th>IT projects in HR</th>
<th>History of Implementation Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor: HRIS experience negative and general response to IT negative</td>
<td>Poor: HRIS experience negative and general response to IT negative</td>
</tr>
<tr>
<td>Satisfactory: HRIS experience negative to satisfactory, general impression of IT negative to satisfactory</td>
<td>Satisfactory: HRIS experience negative to satisfactory, general impression of IT negative to satisfactory</td>
</tr>
<tr>
<td>Successful: Positive experience of HRIS implementation and positive response to IT</td>
<td>Successful: Positive experience of HRIS implementation and positive response to IT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HR involvement in IT</th>
<th>History of Implementation Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor: No HR involvement in IT. No opinion or low opinion of HR</td>
<td>Poor: No HR involvement in IT. No opinion or low opinion of HR</td>
</tr>
<tr>
<td>Satisfactory: Some experience of HR in IT. Mixed success. Low to satisfactory opinion of HR.</td>
<td>Satisfactory: Some experience of HR in IT. Mixed success. Low to satisfactory opinion of HR.</td>
</tr>
<tr>
<td>Successful: Positive experience of HR in IT. Positive view of HR</td>
<td>Successful: Positive experience of HR in IT. Positive view of HR</td>
</tr>
</tbody>
</table>

Table 4.5: Rankings of Implementation Success History.

4.8.3 **Connections in planning** were operationalised by Reich & Benbasat (2000) as isolated, architected, derived, integrated or proactive. Weill & Broadbent (1997) used similar categories in their study of IT infrastructure categorizing views of IT infrastructure from no view to utility, dependent or enabling. The concept of views extends the notion of connectivity from one of planning connections to a slightly broader concept that captures roles and perceptions. These views were used by Weill & Broadbent to categorise the firms approach to IT infrastructure investment which is essentially what we are trying to examine in our discussions on connectivity. If there was no view on the alignment between HR and IT you would expect to find each working autonomously The Weill & Broadbent categories were useful in the application of the framework to examining the alignment between HR and IT due to the differing views of each function by the organisation. IT and HR executives were asked to describe the strategic planning process and also the role that each function had within the process. These discussions enabled an assessment to be made based on the following criteria:
<table>
<thead>
<tr>
<th>Connection Type</th>
<th>HR/IT Connections</th>
<th>HR/business Connections</th>
<th>IT/business Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>No connection</td>
<td>HR and IT plans derived separately</td>
<td>HR plans and activities made independent of the business</td>
<td>IT plans and activities independent from the business</td>
</tr>
<tr>
<td>Utility</td>
<td>Connections based on admin/compliance requirements. No strategic connection.</td>
<td>HR focused on compliance and administration with no strategic context.</td>
<td>IT plans developed outside the strategic context. Admin/cost focused</td>
</tr>
<tr>
<td>Dependent</td>
<td>HR strategies derived from IT strategies, or IT dependent on HR requirements.</td>
<td>HR strategies responsive to business requirements and derived from current plans</td>
<td>IT strategies formulated in response to business strategic requirements</td>
</tr>
<tr>
<td>Enabling</td>
<td>Integrated planning processes with each function pro-active in enabling new opportunities</td>
<td>HR integrated into the business planning process and taking a proactive role where appropriate to lead strategic initiatives</td>
<td>IT integrated into the business planning process and enabling new strategic possibilities with technological innovation.</td>
</tr>
</tbody>
</table>

Table 4.6 Rankings of Connections in Planning adapted from Weill & Broadbent (1998), p 96.

4.8.4 Communication was operationalised in accordance with the Reich & Benbasat framework based on an assessment of the ways in which executives interacted with each other. These groupings were considered to be particularly appropriate to capturing a picture of ways in which two functions interact given the vast differences in the relationships between HR and IT found at the various case studies. Reich & Benbasat based these typologies on work by Galbraith (1977) in which they were used prescriptively to reduce information overload at the top of an organisation by increasing communication in the middle to lower levels. They provide an informative lens through which to gain an understanding of the nature and frequency of communication between groups. The typology has been adapted to gain a picture of HR and IT in Table 4.7. Examples of behaviour at each site were examined using this typology to gain an insight into the enabling of the inhibiting nature of communication as an influencing factor on the degree of social alignment.
<table>
<thead>
<tr>
<th>Nature of the Communication</th>
<th>Examples of expected behaviour between HR/IT</th>
</tr>
</thead>
</table>
| Direct communication        | Informal interaction in the office, lunches, functions etc.  
Formal scheduled meetings specifically between IT and HR.  
Formal scheduled meetings at which both attend.  
Written contact: email, memo, reports etc. |
| Liaison role                | IT business analysts working with HR to interpret needs.  
HR executive in an advisory capacity only. |
| Temporary task forces       | A strategic IT project with IT and HR representatives on the project team |
| Permanent teams/committees  | IT steering committee with HR participating.  
HR strategic planning team in which IT participated.  
Executive committee attended by both HR and IT. |
| Integrating roles           | Project manager/ change manager appointed to integrate the requirements of both IT and HR. |
| Managerial linking role     | IT and HR functions managed by the same executive. |

Table 4.7: Nature of the Communication between HR and IT

4.9 Data Collection:

The case studies were written consecutively over a 2-3 year period and each was completed before starting on the next to reduce the risk of confusing details. Given the rapidly changing territory that both IT and HR occupy, the earlier two cases (PFS and WxPress) were revisited and updated towards the end of the data collection process to ensure comparability with the others. Both these cases changed CEO during the data gathering phase of the study and the insights of the new CEO added further dimension to the findings. Either the CEO or CIO reviewed each case, or a verbal summary of the case, triangulating the findings to assist in the reliability of evidence and to validate interpretations of the less tangible observations. Changes were made where agreed.

Multiple sources of evidence were gathered (Yin 2003; Benbasat 1987) to add texture and richness to each picture painted. The multiplicity of evidence was also useful to validate observations and conversations. While it was the intent prior to the commencement of the research to duplicate the evidence in each site, this was not always possible due to availability, access restrictions and the opportunistic nature of evidence gathering. The cases were written consecutively and so evidence at times was collected in sites 3 or 4 that hadn’t been gathered in earlier sites. While attempts were made to revisit earlier sites and
collect the additional material, this was not always possible. Table 4.8 summarises the interviews, material and observations gathered at each site.

Executives were interviewed over periods varying from 1 hour to several repeat visits. The executive responsible for IT management and the Manager of HR were interviewed in each case but other executives varied depending on the nature of the case and opportunities made available in the site. The initial contacts in each site tended to guide the next stage of the interview process thus potentially creating some bias in data collected, following the natural tendency to recommend executives who were sympathetic to similar views. The researcher was alerted to this in the earlier cases and thus requested targeted executives that were identified as potentially adding insights as the stories unfolded and the picture began to emerge.

Some of the executives interviewed became intrigued by the nature of discussions on the alignment between HR and IT and thus facilitated additional conversations as the study developed. These conversations provided some of the most valuable insights. As the interviewee became more familiar with the line of enquiry, interviews became more conversational and were less likely to require much structural input and questioning by the researcher (Walsham, 1995). This process assisted to reduce the value-laden input of the researcher and generate greater freedom of input from the executives. Additional conversations with IT managers and consultants from other companies who were not included as case studies produced many unsolicited views that were able to add rich context to data collected from the sites.

In most cases strategic plans were not available for removal from the site; however, each case was able to provide verbal summaries, viewing of material or presentation summaries which enabled a reasonable assessment of the planning processes and content of each strategic plan. Placed in the context of published annual reports, web sites and newspaper reports, and further checked by the CIO or CEO, the representation of the strategic plans in this research can confidently be used in the cross-case analysis.
<table>
<thead>
<tr>
<th>Site</th>
<th>Interviewees &amp; number of interviews @ 1 hour each</th>
<th>Case validation</th>
<th>Other material gathered</th>
<th>Other observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mbank</td>
<td>CEO (3) CIO (1) Head of HR (Mbank) (2) Head of HR (Corporate) (1) Project manager e-mortgage (1) Head of e-mortgage (2)</td>
<td>Verbal presentation to CEO. Written summary of case approved by CEO</td>
<td>Annual report 2001 On-line sites. Published articles and books. e-mortgage project management documentation. e-mortgage evaluation assignment. HR strategy presentation. e-mortgage IT strategy.</td>
<td>Observed the operation of e-mortgage with an operator. Geographic office locations.</td>
</tr>
<tr>
<td>Snax Ltd</td>
<td>CIO (2) VP HR (2) VP Strategy (1) VP R&amp;D (1)</td>
<td>Verbal validation by CIO</td>
<td>USCAN annual report 2002. On-line material. Viewed strategy docs on site. HR strategic plan.</td>
<td>General environment observations eg: reception, corridors, tea room, and management office layout.</td>
</tr>
<tr>
<td>WxPress</td>
<td>First CEO (2) New CEO (2) CIO (2) HR (1-2) Head of Customer Services (1) Manager e-commerce (2)</td>
<td>Written case approved by both CEO’s.</td>
<td>Brewing Ltd Annual Report 2001 Press clippings Industry reports.</td>
<td>Observed customer contact centre, training centre and general office observations.</td>
</tr>
<tr>
<td>PFS</td>
<td>First CEO (3) New CEO (3) Head IT (2) Head HR (1) Head e-business (1) Head of customer service (2) Operations Manager JV parent (1)</td>
<td>Written case approved by first CEO. Verbal presentation and written case approved by new CEO.</td>
<td>Annual reports 2001 for both parents. IT strategy document. HR board presentation. PFS structure diagram. Press clippings. On-line sites.</td>
<td>General office observations of design, layout and locations of key executives in both Sydney and Melbourne.</td>
</tr>
</tbody>
</table>

Table 4.8 Summary of Data gathered from each Site

In addition to general strategic plans, M-Bank was able to supply a paper presented by one of their own executive MBA executives analysing the planning and implementation of the
e-mortgage project. This was a valuable self assessment of e-mortgage and provided another layer of understanding in this project.

4.10 Interview Structure:

"The goal of any qualitative research interview is therefore to see the research topic from the perspective of the interviewee, and to understand how and why he or she comes to have this particular perspective. (King, 1994, p.14)

A series of semi-structured interviews were conducted with a focus on open-ended discussion but framed by the objectives of the research outlined at the start of this chapter. This research framework was used to develop an interview guide (Appendix 2) which was modified with consecutive cases to reflect new information (King, 1995). Each interview commenced with a description of the research questions and usually proceeded with open discussion based on the interviewee’s general views on alignment between HR and IT (Table 4.9). These discussions usually roughly sketched the interviewee’s understanding of what alignment between these two functions might look like, whether it was important to the business unit in question, and how well or badly it was executed in their organisation or others in which they had worked. Other issues flowed from this introductory phase in a variety of ways. The interview guide was merely used to ensure that all issues were covered, but did not dictate order of questions or any specific wording.

One of the difficulties experienced was interviewees becoming too high level in their analysis and comments. In order to understand the processes and relationships at the site in question, it was necessary to keep bringing the conversation back to actual responses and views rather than what “should happen”. Interview prompts were found to be quite effective in these situations where the researcher would anonymously share an observation from another site and ask how that might compare to experiences at the interviewee’s company. This was a valuable tool to re-focus the respondent without restricting the flow of thoughts and descriptions of experiences.
<table>
<thead>
<tr>
<th>Research Objectives</th>
<th>Focus of Interview Questions</th>
<th>Other Material Gathered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding the organisational context, the selected project and the characteristics of the key players</td>
<td>General overview of the business, identification of the project, business expectations for the project.</td>
<td>Annual Reports, Strategy documents, internal reports, online business searches, newspaper articles</td>
</tr>
<tr>
<td>Determining the degree of Alignment</td>
<td>Business, IT and HR strategies, intentions, current practices, formal structures/rules, informal activities</td>
<td>Project documentation, organisation charts; Business, HR and IT strategy documents where possible</td>
</tr>
<tr>
<td>Inhibitors/enablers to the alignment process</td>
<td>Shared domain knowledge; History of IT project success (general and in HR) and HR involvement in IT; HR/IT touch-points; planning connectivity; general communication details</td>
<td>Project analysis documents (Mbank), Executive CV's (written and verbal)</td>
</tr>
<tr>
<td>The importance of HR and IT alignment</td>
<td>Business implications for the project; anticipated future developments and implications for IT/HR; cost/benefit assessment of a closer alignment between HR &amp; IT</td>
<td>Project specifications. Strategic documents related to the project. Post-implementation analysis documents.</td>
</tr>
</tbody>
</table>

*Table 4.9: Interview and Data Collection Framework*

### 4.11 Data Analysis

The data was collected with as many quotes as possible to support an analysis based on executives' feelings and thoughts, as much as actions. The prior analysis within each site grouped evidence according to the alignment model and added to that framework a series of additional factors that were identified as impacting on the alignment process.

The case studies in Chapter 5 summarise the story for each firm in similar formats to assist in the cross case analysis in Chapter 6.
Chapter 5: Case Summaries

The following chapter describes the activities of four business units. The firm names are disguised to protect their identities. Two of the four CEOs requested anonymity and it was therefore decided to conceal the identity of all four firms explored in the study. Table 5.1 below summarises the cases to give the reader an overall view of the study. Each business unit is then described using a similar template. This allows the reader to create their own picture as they explore a brief summary of the activities of each business and the HR and IT planning and activities through the lens of a selected strategic IT project. A within-site analysis follows each case study to discuss the findings and place them in the context of the Reich & Benbasat (2000) framework. Finally, a general discussion section, “Other Factors”, is added at the end of each case that identifies factors that inhibit or enable alignment between HR and IT, and that were not covered by the framework of analysis.

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Mbank</th>
<th>PFS</th>
<th>WxPress</th>
<th>Snax Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>Mortgage provision</td>
<td>Superannuation management</td>
<td>Manufacturer and retailer</td>
<td>Manufacturer</td>
</tr>
<tr>
<td>Size</td>
<td>1300 people in multiple sites</td>
<td>69 people located on one floor</td>
<td>350 people in one building over 2 floors</td>
<td>3500 people in multiple sites</td>
</tr>
<tr>
<td>Structure</td>
<td>Business unit of a large corporation HR dual reporting line with dotted line to centre IT dual reporting with dotted line to BU. CEO reporting to CEO Bank Corporation.</td>
<td>Joint venture between two large corporations. CEO reporting to management team of both parents.</td>
<td>Division of large corporation IT and HR dual reporting with dotted lines to WxPress. CEO reporting to parent.</td>
<td>Division of US corporation. HR and IT matrix structure with dual reporting to CEO FMCG and US parent heads of counterpart services.</td>
</tr>
<tr>
<td>Planning Process</td>
<td>Strategic planning process determined by the corporation, and with input from corporate strategic goals. IT and HR on executive strategic management team.</td>
<td>Interactive top-down, bottom-up process with input from HR &amp; IT. Largely a dependent planning relationship for HR &amp; IT with little pro-active strategic input from either function.</td>
<td>Top down process with directives from the parent corporation. Matrix planning responsibilities for both HR and IT with primary reporting lines to the parent. Both functions viewed in a dependent planning role.</td>
<td>EBIT targets set by the parent corporation. Some infrastructure rules established at parent level, but regional planning largely interdependent with HR and IT integrally involved.</td>
</tr>
<tr>
<td>Business</td>
<td>Growth in Australian</td>
<td>New entrant in</td>
<td>Lower pricing and</td>
<td>Market Growth</td>
</tr>
</tbody>
</table>
| Strategy | consumer banking  
Low cost provider | corporate fund management  
Market growth through innovation and product development | increased product and service reliability through vertical integration.  
Market growth in target segment. International expansion using Australian model. | through acquisition and product innovations. |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IS Project</td>
<td>On-line mortgage application and assessment system for customer and agent access.</td>
<td>On-line superannuation management system for direct use by corporate superannuation managers and individuals.</td>
<td>On-line system for customer orders as an additional and alternative ordering medium to traditional phone, fax and mail.</td>
<td>R&amp;D system to co-ordinate databases for recipe development and compliance</td>
</tr>
<tr>
<td>Implications for HR</td>
<td>A process that has previously been dominated by a data entry and validating process, now restructured with a greater focus on analysis and assessment skills. Opportunities to restructure jobs with part-time /job sharing rosters</td>
<td>Organisation built on corporate relationships. Moving to longer term relationships with individual policy holders. Current bias toward administrative issues moving to financial advisory skill requirements.</td>
<td>Customer contact staff initially employed for ability to communicate by telephone with customers, now required to move to a written medium and provide the same degree of advice and information.</td>
<td>Specialist operators detailing, proofing and checking compliance on labeling and recipe development will no longer be required in their current form. Potential for significant job redesign</td>
</tr>
<tr>
<td>Intended Alignment</td>
<td>HR and IT strategic plans aligned with stated business unit and corporate strategy</td>
<td>Circular management structure indicative of integrated planning and management. Bottom up and top down planning to facilitate commitment and aligned statements of intent.</td>
<td>Strategic intent to align through the activities of the senior management team. HR and IT have dual reporting lines to WxPress and the Parent.</td>
<td>Alignment specialist company retained to facilitate communication and understanding between executives. Planning processes completed in co-ordination with all Regional Management and with reference to the US parent.</td>
</tr>
<tr>
<td>Realised Alignment Between HR and IT as Evidenced in the Selected IT Project</td>
<td>e-Mortgage project over budget, late in delivery and implemented with significant user resistance. Old system now running in parallel with new. HR involvement late and restricted to training as determined by the change management process managed by IT. Management dissatisfaction and failure to capitalise on</td>
<td>Call centre calls proving to be more complex and longer than first anticipated. Therefore costs difficult to contain. Training ineffective in solving the problem and costs anticipated to rise further as business moves into individual fund management requiring expertise in financial planning. Current dealings only</td>
<td>Little discussion between IT and HR apart from executive meetings. IT defines their role solely within the bounds of technology design, implementation and support. Anticipated that all HR issues will be considered by the operation. Operation tends to focus on short term implementation issues of training and HR involved from the early planning stages with an agreement that the change management executive will be managed from within the HR department. CIO very committed to the early identification and understanding of the critical HR issues. R&amp;D project</td>
<td></td>
</tr>
<tr>
<td>Identified Barriers to Alignment</td>
<td>Low confidence in HR input. Geographical isolation of IT and HR divisions. No shared domain knowledge between IT and HR. History of low implementation success with PeopleSoft in HR, and HR difficulties in the IT department.</td>
<td>Little strategic HR input. Little strategic business input from IT. Heavy reliance on the operation management to take responsibility for HR activities. Thus recruitment policies formed in isolation and alignment between HR and IT interpreted as training policies and activities.</td>
<td>Impact on people and roles not perceived to be significant. Operation traditionally managed all HR strategic issues at the line. Proprietary system with no major strategic changes required since initial implementation.</td>
<td>Few IT initiatives in the FMCG industry and therefore little experience of change processes. HR fluctuated in the past between being a totally administrative support function, to being very powerful with the ear of the CEO. Lack of trust in the HR manager. Little shared domain knowledge between HR and IT. IT and HR managers unfamiliar with the business.</td>
</tr>
</tbody>
</table>

| Enablers to Alignment | CEO leadership style Change of HR manager with strategic view and significant mortgage operational experience. | CEO leadership style Small size of the business and regular informal communication between executives. | Long serving senior executives | CIO very experienced in change management and very aware of the need to align the IT objectives with the business capabilities. Outside company used to facilitate better communication between execs. |

Table 5.1: Summary of Case Studies
Case 1: Mbank

The Mbank case focuses on a large global organisation with a management commitment to the importance of HR management as a critical source of competitive advantage. However, despite management recognition of the value of strategic HR input, a strategically critical IT project failed to meet expectations largely as a result of a lack of adequate HR strategic input. Findings suggest that it is important to understand and address informal relationships and processes to ensure that the implications of intended alignment are translated into management action. (Dery, 2003).

"The past year has been about technology, people, leadership, and having a go. To us 'growth' no longer means simply being a bigger version of what we were before. To truly grow today, we must break out from old paradigms, be different from what we have been in the past and distinct from what our competitors are today" (Bank strategy document, 2001)

Mbank is a division of one of Australia’s largest banks and is responsible for personal mortgages. It is the largest division in Personal banking, which has a combined contribution of almost 50% of the consolidated income for the Bank. The past five years have witnessed considerable changes within the Bank; a new CEO and significant strategic moves to improve the Bank’s competitive position in Australia. The Bank has moved from being the highest cost-to-income ratio bank at 63% to the lowest in the Australian market at 39.7%. Market capitalization has doubled to over $28 billion, making it Australia’s second largest bank (Gottliebsen, 2003).

Major contributors to this change of position have been staff reductions (previously 80-90% of all transactions required a teller and now this figure is reduced to 56%) and a major focus on increasing the Bank’s share of the domestic personal and business banking. Mbank has been critical in achieving the Bank’s strategic goals.

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6. "Bank" refers to the banking corporation. Mbank is a business unit reporting to Bank.
Mbank Strategic Goals in Summary:
(Business Unit strategy)
Add 1 million new customers by 2005
Increase customer satisfaction and loyalty
Provide 50% of each customers total financial needs
Enhance automation and web based delivery of services
Further develop third party alliances

Mbank has an independent management structure and operates under a general philosophy of managerial autonomy and accountability within the confines of the Bank corporate policy. There is, however, a more centralised management of infrastructure including HR and IT. These functions have a matrix-type (Mintzberg 1979) structural relationship with the business units. In the case of Mbank, the reporting lines differ between HR and IT (Figure 5.1). Information technology is managed via a client/agency relationship with Mbank paying for services provided. However, HR is salaried directly from Mbank with an additional reporting line to central infrastructure.

Figure 5.1: Reporting Structure of selected Functions at Mbank

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Information Technology

"I'm enabled and empowered to provide great customer service...I'm e-transformed"

Staff Objective in e-Mortgage IT strategic plan

The last five years have seen a significant move towards aligning IT more closely with the business of the Bank and increasing IT executives understanding of the business. The success of that move has varied among business units and seems largely dependent upon the management styles and knowledge of the specific CEO and IT manager. The Bank is encouraging greater IT familiarity among executives, with programs such as PCs @Home that encourage extended PC access.

IT strategy

The Bank’s annual report lists five key strategic goals for IT:
- Provide customers with a personalised, consistent experience
- Empower our customers and our people with real time information access and online applications available via the web anywhere, anytime
- Ensure IT infrastructure is robust, flexible and cost-effective
- Aggressively reduce costs, improve productivity, increase straight through processing, simplify and automate administrative functions
- Provide low risk, high efficiency and state-of-the-art payment capabilities

Applications in each of the business units were developed in alignment with these overall company objectives.

IT Management

IT reports into a corporate division known as Bank Shared Services (BSS) and has an agency/client relationship with Mbanks. The nature of the relationship with the business units was reported to be highly dependent on the particular CEO. "Trust is critical in this relationship" explained the Mbanks CIO, "The attitude of the CEO flows down to the other
levels within the business unit”. In the case of Mbank the CEO was described as IT literate, and a strong and demanding leader who was willing to work closely with IT to meet the strategic needs of the business. The CIO highlighted the tensions in the business unit relationship by commenting “The main issue to address is that the customers (business units) do not like IT and we need to bridge the gap between technology and the business units”. Mbank typified the company wide move to bring IT closer to the management of the business and to ensure the IT management develops a greater understanding of the business operation. “The business wants help but needs to feel that IT understands their needs. [Once that happens] it is much easier to get closer and then the ball rolls” explained the CIO “The lines are blurred with IT and Mbank, with line people on the IT team for projects”.

The CIO had a Bachelor of Finance and a career beginning in Finance and then progressed into IT management in the banking industry. His background was as a consultant, contracting to the Bank since 1995. In 1999 he was appointed as a Bank employee. He had 60 direct reports, all of whom were project focused and required different management skills from general line management. “Project people generally get less training, with opportunities only really available between projects. Everyone is expected to look after their own career and need to be accountable for their own training” the CIO explained. He attributed the IT executives’ lack of business understanding to the difficulty in managing and developing their skills in a craft based environment. There was one HR person assigned from the centre to address the people issues for a total department of 450 staff.

Human Resources

“In general HR executives are not particularly technical or banking sophisticated, but they are smart HR people and able to apply HR skills effectively. There is a need to develop many HR executives from operational HR to HR thinkers with more of a strategic focus.” (Head of Bank HR)
The last three years have seen significant changes in the HR focus and structure at the Bank. Historically, HR had been extremely powerful with every CEO passing through HR at some stage in his career. Executive's careers were largely determined by the secret categorisation generated by the HR department which "pinned a number to your back indicating your potential within the Bank executive ranks". Traditionally the head of HR had a close working relationship with the CEO, and HR was regarded as having significant influence in Mbank. This position of power, however, did not necessarily translate into one of perceived value by the business and HR was more often associated more with obstructive behaviour and strategically undervalued.

The HR department was centrally managed, reporting to the DSS along with IT. An HR staff of approximately 2000 and was responsible for compliance, salaries, employment policies, career paths, training and administration. Executives in the HR department were HR professionals and generally had little business experience in the banking arena.

Changes in the strategic direction and management of the corporation were critical to the re-organisation of the HR function. The emphasis has shifted from the management of a disposable resource, to the investment in people as capital. There are now just 230 executives employed in HR: 70 located in the business units, 10 in the centre and 150 in Bank shared services (managing administrative and compliance functions). The business centre executives, while owned by the centre, are largely accountable to the managing directors of each business. Each business has an HR strategy, formulated by the HR manager in collaboration with the business unit manager and with input from the centre to ensure corporate consistency.

The Bank has an HRIS (Human Resource Information System) which was a critical business tool incorporating White Pages, compliance issues, training programs, on-line job applications, skill profiles and other people management tools. The HRIS could be accessed to varying degrees by all executives and provided a core of HR information. People management was treated as a critical resource across Mbank and it was intended that HR be
involved at an early stage of new projects to explore the implications for people involved in intended changes. Business unit managers were encouraged to use central HR for help and advice, and to ensure that changes were compatible with the overall people objectives of Mbank.

**HR Strategy**

The corporate HR strategy of the Bank was to create a smart work-force, and the last 3 years have seen a dramatic move in this direction from an increase in senior executive training to PC’s at home for e-Mortgage executives. Over 90% of employees were shareholders in Mbank. Three years ago it had been difficult for Mbank to attract good people but in recent times they had become the “darling of the industry” with top graduates vying for places. The change of image had been critical to the status turnaround.

The Mbank HR published strategy focused on 5 core capabilities: customer focus, caring for staff, attracting and retaining talent, results in alignment with Mbank targets, and consistency of product delivery through planning and management. Alignment with Mbank strategic objectives was frequently cited in determining KPIs, recruitment and development of talent and strategic HR priority setting. HR strategic objectives were each defined and developed into action plans based on staff surveys and Mbank objectives.

**HR Management**

The organisation of HR had changed dramatically in Mbank over the past 12 months. Previously the HR manager was a “visiting consultant” paid by the corporate, not the business. "He worked to parameters set by the corporate, not the business” (MD, Mbank) and was therefore largely sidelined by the operation and other Mbank executives. Mbank now pays for HR, and the reporting priorities have shifted in favour of understanding Mbank’s people requirements and encouraging HR participation in all strategic planning.
The HR manager in Mbank had been appointed 12 months prior to this research to fill the new strategic HR role. She had a banking background with specific experience in mortgages and an accounting degree. In addition to her business experience, the HR manager had spent considerable time in central HR, and described her contacts there as invaluable. Her direct reporting line was to the CEO Mbank with a dotted reporting line to central HR. Every executive interviewed had the highest respect for her knowledge and understanding of their operation and believed she would contribute positively to the management of the business. The HR manager attributed much of her opportunities for strategic involvement to her banking/accounting background, and understanding of the business, and the support she received from her CEO (whom she described as being very in tune with HR requirements and challenges).

e-Mortgage

"When e-Mortgage works well, it delivers a process that is cleaner, faster and more user friendly than the previous system and provides the platform for future straight through processing, and is consistent with the overall Mbank strategy" (Mbank Head of e-Mortgage Processing)

One of the e-Mortgage strategically important projects for Mbank was e-Mortgage, a system designed to streamline the mortgage origination, processing and approval system to improve productivity through more efficient work-processes. e-Mortgage was designed to enable mortgage applications to be initiated on line, carry out assessment calculations and procedures from the electronic application, and validate and approve applications within an integrated system. The increase in speed and accuracy was intended to accelerate growth in mortgage lending. A process that previously took an hour was anticipated to take 20 minutes, reducing costs and allowing for more applications to be processed. Access would be staged but was designed to focus initially in-house, with provisions to extend to third parties such as brokers, and ultimately enabling customer self-entry and direct monitoring of mortgage applications. Mortgages assessment procedures were largely table- based, and
therefore e-Mortgage was designed so that the system could be amended by Mb ank management without the involvement of IT technicians and programmers.

**e-Mortgage Project History:**

<table>
<thead>
<tr>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project conceived early 1999 by Mb ank</td>
</tr>
<tr>
<td>Management responsibility assumed by Central IT Services</td>
</tr>
<tr>
<td>Project outsourced to a US-based systems developer to customise a product previously developed and successfully marketed</td>
</tr>
<tr>
<td>Mb ank resumed control of the project in 2000 under a newly appointed Mb ank management team</td>
</tr>
<tr>
<td>User testing with an Mb ank user group in a smaller city remote from head office</td>
</tr>
<tr>
<td>Revised system implemented in a staged program of training and change management</td>
</tr>
</tbody>
</table>

e-Mortgage was finally implemented in 2001, $14 million over budget and 12 months late “placing pressure on the operational side of the business to deliver to financial targets without the technology to support productivity improvements” (Mbank e-Mortgage systems: Key learnings from a stake-holder perspective, In-house paper). Implementation was difficult with system failures and significant user resistance. Consequently, promised reductions in staff numbers, the elimination of 95% of restarts, increased service consistency, reduced legal/compliance risks, and infrastructure benefits for other Mb ank projects had not as yet been realised.

Duplication of both old and new systems was maintained to satisfy user confidence, and the system had been slow to produce expected results. Users switched between the old and new systems, getting the best from both and reluctant to rely on the new.

A detailed implementation strategy had been developed by the project management team which identified the need to address people issues and manage the change process. The plan repeatedly refers to Mb ank’s requirement to implement the IT system without altering
jobs or processes. The implementation document refers to Mbank's desire for "the least possible impact on staff...with minimal organisation job role and responsibility realignment". Mbank's published objective in the strategy document was to "automate current process using e-Mortgage and minimize the process re-engineering effort". The objective that referred to the job and organisational impact proposed "to identify changes to jobs, structure and realignment according to redesigned processes with minimal business staffing impact." The process redesign was defined as "not a true reengineering activity, rather where possible manual processing and CDM functionality will be removed and the automated 'to be' e-Mortgage process will be designed to fill the activity gap." An on-job training schedule was prescribed using on-line help guides, training coaches, an induction program and regular training meetings. A budget of $214,000 was established for training and a team of trainers engaged to establish a Train the Trainer style program to ensure all 286 users in 8 sites across Australia and New Zealand were comfortable with the new system.

The impact of the change was described in a project management in-house memo as "Staff roles and responsibilities may change. This will be approached gradually and may not be fully understood by day 1 rollout. The amount of staff role change will be strongly driven by the business manager"

Different people were required to reshape the environment in order to effectively use the technology and realize the expected returns for Mbank. Previously e-Mortgage of the staff had been data entry focused, taking data from faxes for assessors to approve or reject and entering it into a proprietary system on Dumb Terminals. The new system was PC based and minimized the amount of data entry with on-line applications at source. All data was entered at branch level and was required to be entered just once. e-Mortgage will ultimately reduce the need for data entry and increase the role for assessors, as applications are expected to have a faster turn around. There was a requirement for more flexible work hours to increase time available for applications to be processed. Managers were now required to manage by using the information generated by the system and less by instinct.
As the implications of the system become more apparent, Mbank has asked whether the existing people were capable, or willing to take on the challenges of the new system. Mbank management realized that re-training had not adequately generated the assessor skills required in the staff who was formerly content in data entry roles. The work force needed to be more flexible with less full-time and more part-timer operators to cover extended hours of customer access. “How do you find experienced loan assessors who will work part-time and be flexible?” (Head of e-Mortgage). The IT promise that the system would be self-training and that staff would be e-transformed had not come to fruition.

Discussion of findings

"Frankly it is easier to get a temp off the street, than re-train existing people (Head of e-Mortgage)"

Published documents and strategy papers suggest a strong degree of intellectual alignment between the strategic intentions of HR and IT in Mbank, but the activities surrounding the implementation of e-Mortgage indicate a significant gap between intellectual (formal plans and strategies) and social alignment (executives understanding). Statements of strategic intent appear internally consistent (Reich & Benbasat 1996) and indicate a selected path designed to gain advantage over competitors. The HR strategy was focused on improving the overall intellectual standard of executives (through reward and recruitment) in order to meet the corporate requirement for innovation. There was significant focus on the fusion of people and technology with strategic emphasis on projects such as Home PC’s designed to “enable staff to become more familiar ....with technology....underlining the importance the Bank places on e-transformation” (Bank Annual Report, 2002). Mbank’s strategic plans reflected the corporate goals in the growth objectives for mortgages and the e-Mortgage project proved to be a critical strategic initiative. Published IT documentation for the design and implementation of e-Mortgage also indicated a strong degree of intended alignment with Mbank strategies. Much consideration had gone into the strategic impact on customers and business partners to
generate growth and loyalty; finding ways to remove repetitive tasks for Mbank staff, and increasing sales opportunities. A reduced requirement for training was predicted due to the intuitive nature of the system and the empowerment of staff as they were "e-transformed" (e-Mortgage strategy document, 2001). There was no specific HR strategy for the e-Mortgage project, however the project management document identified people management issues and established a program to address them. However, the focus on maintaining existing job structures and minimizing change appeared to be at odds with objectives of the IT investment aimed at reducing costs of processing, and increasing application opportunities and approvals. This inconsistency would seem to suggest weaker levels intellectual alignment between HR & IT. While there were consistencies in the business unit strategies and the strategic objectives for e-Mortgage, the design and implementation failed to accurately visualise the changes to the organisational model and did not fuse the people considerations with the requirements of the technology.

By default, it could be suggested, HR and IT should be aligned as a product of their functional alignment with the business level and corporate strategies. While the HR and IT plans certainly reflect a specialist vision derived from the Mbank direction, their activities suggest that there are other factors eroding the effectiveness of that intent.

Figure 5.2 illustrates the lines of influence affecting the strategy formulation process at Mbank and indicates differences between intellectual or intended alignment, and the observed executive behaviour and understanding at the IT project level. The e-Mortgage project provided a valuable lens through which to gain a picture of executives understanding of the HR and IT strategy and its implications for management action. Despite documentary and conversational evidence that indicated very strong intentions to align the activities of all functional activities with the corporate and business unit strategies, HR was not involved in one of Mbank's major strategic projects and the change management program designed to address people issues was managed by a relatively junior member of the line management team. There was no evidence of any strategic HR input to
the project at any phase of design or implementation and therefore people management issues were responsive and overtly driven by the need to maintain the status quo.
Figure 5.2: Analysis of Lines of Influence and Assessment of Intellectual and Social Alignment at Mbank.
Reich & Bombast's (1996) framework provides a valuable lens through which to observe the activities surrounding e-Mortgage and thus the alignment between IT and HR in Mbank. The framework enables some understanding as to the difficulties in translating relatively clear statements of strategic intent to executive understanding and action.

**Figure 5.3: Analysis of enabling and inhibiting factors to Social Alignment (Reich & Bombast, 2000) as observed at Mbank**
Shared Domain Knowledge

Shared knowledge was limited between HR and IT at the time of planning and implementation of e-Mortgage (Table 5.2). IT management had some knowledge of the business and there is evidence of an understanding of the business needs. However the first 12 months of the project were managed at a distance from Mbank with central IT acting as sponsors and liaisons with the system provider. HR input at this time was also accessed from the centre and was not represented on the project steering committee. As a manager in central HR explained, "In general HR people are not particularly technical or banking sophisticated, but they are smart HR people and able to apply HR skills effectively". The new management team in Mbank brought HR into the business unit with a dotted reporting line to the centre. The new head of Mbank HR had grown up in the business of banking and particularly mortgages. While she was not technically sophisticated, she did command significant respect from the operations team due to her business knowledge. Her appointment was too late to be effective in the implementation of e-Mortgage, but her current influence provides insight into the role of the HR manager in the alignment process. "Our HR people just don’t know what questions to ask (in order to take a strategic view of the impact of an IT project) and I am in the process of helping them to do that" (Head of HR, Mbank.)

The IT manager had no working experience in HR and little banking experience apart from some consulting time in financial services. The CEO of Mbank expressed it as "they (IT) would have no working knowledge of HR nor would they consider it to be part of the requirements of their job". IT executives tended to either build specialist IT careers, or seek to improve their position within a chosen firm (Reich & Kaarst-Brown, 1999). At the Bank there was a history of long-service indicating a commitment to the company, however, there was little evidence of movement from line banking roles into IT or vice versa. HR similarly had few people who had business experience other than from an HR perspective. Discussions with e-Mortgage project executives strongly indicated much higher levels of
respect for the opinions of an HR Manager who had worked in their business, and whom they therefore felt would have an enabling attitude rather than an obstructive approach bound in regulatory inhibitors. There was support in the findings for lack of shared domain knowledge as an inhibitor to effective communication and planning between HR and IT.

<table>
<thead>
<tr>
<th>Position</th>
<th>Inter-functional knowledge</th>
<th>Business knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR manager</td>
<td>Low moving to Medium: Previous HR management had no IT experience of knowledge of systems, however, the new appointment has significantly more knowledge and personal experience and is playing a more pro-active role</td>
<td>Low moving to High: Previous manager had HR experience only, however the new appointment commenced her career in HR, moved to operations management and now back to HR.</td>
</tr>
<tr>
<td>CIO</td>
<td>Low: IT back ground only with very limited HR knowledge</td>
<td>Low: IT career with financial services experience from a consulting perspective. No banking operations experience.</td>
</tr>
</tbody>
</table>

Table 5.2: Shared Domain Knowledge at Mbank

(2) History of Implementation Success

Historically Mbank HR had not dealt well with the more variable nature of the IT employment contracts and salary scales. HR had a reputation for pointing out all the reasons why something could not be done. This attitude had tended to sideline their opinions and active involvement on project committees. As the Head of Operations for e-Mortgage reflected… "HR (value) depends on the nature of the person as to whether you would involve them or not". The current management of HR were more involved and respected in the business than those originally involved in e-Mortgage. This would seem to support the importance of a successful history as an antecedent to communication between executives.

IT was highly regarded for building very robust systems but reported to exaggerate time and budget buffers to ensure they met targets. IT had recently installed People Soft in HR which had many teething problems. The HR Manager expressed a lack of faith in its ability to understand issues from an HR perspective.
Past experiences tended to shape and trap the organisation based on preconceived beliefs about what was and wasn't possible (Pfeffer & Sutton, 2000). HR, with a history of obstruction and negativity, was particularly affected by its past experiences in Mbank.

The Neiderman (1998) touch-point framework (Figure 5.4) indicates the touch-points where IT and HR connected and developed a legacy of positive and negative experiences.

![Diagram showing touch-points between HR and IT in Mbank](image)

**Figure 5.4: Touch-points between HR and IT in Mbank**

Table 5.3 summarises the history of implementation success between HR and IT. Clearly neither of the functions had a particularly positive view of the other based both on inter-functional contact and generally held organisational beliefs.
<table>
<thead>
<tr>
<th>Inter-functional projects</th>
<th>History of Implementation Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT projects in HR</td>
<td>Poor: HRIS experience negative and general response to IT negative</td>
</tr>
<tr>
<td>HR involvement in IT</td>
<td>Poor: Limited HR involvement in IT and experiences have been negative with HR failing to understand IT’s needs. IT held a fairly low opinion of HR’s ability to contribute.</td>
</tr>
</tbody>
</table>

Table 5.3 History of Past Projects in M-bank

(3) Communication

Regular executive update and planning meetings were held to ensure the alignment of Mbank general activities. In addition, an annual 3 day executive management conference was attended by both IT and HR. However, outside of these meetings, there was little communication between HR and IT management. They resided in separate buildings and so there were limited opportunities for less formal communication.

The e-Mortgage project was riddled with communication difficulties. The pilot study was located on the other side of Australia from the project planners, and managers of the mortgage processing unit were assigned responsibility for the pilot study. The people selected as training coaches failed to understand and implement their roles to the extent required, and the costs and time allowed for training and people management were severely underestimated by the Project Manager. The biggest fears for staff were redundancies and at the time of these interviews (18 months after implementation) these were still much talked about fears. No redundancies had as yet resulted from the system but staff feared that once the system was running on its own (i.e. without the other running in parallel) redundancies would follow.
Table 5.4 indicates the nature of communication between HR and IT which was largely confined to executive committee meetings and business unit planning sessions. There were no other teams in which representatives from both were included and minimal (if any) informal contact.

(4) Connections between HR and IT in planning

HR was not included in any of the planning activities for e-Mortgage until close to implementation when they were involved to assess the impact and regulatory issues of the projected redundancies. IT relied on the e-Mortgage project manager to assess the people issues and provide a change management program. The abrogation of the interpretation of the IT strategy into an assessment of the HR impact to the project manager proved to be ineffectual, as the company struggled to deal with an IT investment designed to reap some significant strategic benefits through staff re-organisation and cost cuts. A people strategy designed to minimize changes to jobs and processes seemed to be working counter to the strategic requirements necessary to reap both cost and revenue growth objectives.
<table>
<thead>
<tr>
<th></th>
<th><strong>HR/IT connections</strong></th>
<th><strong>HR/business connections</strong></th>
<th><strong>IT/business connections</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No connection</strong></td>
<td>HR and IT plans derived separately</td>
<td>HR plans and activities made independent of the business</td>
<td>IT plans and activities independent from the business</td>
</tr>
<tr>
<td><strong>Utility</strong></td>
<td>Connections based on administration/compliance requirements. No strategic connection.</td>
<td>HR focused on compliance and administration with no strategic context.</td>
<td>IT plans developed outside the strategic context. Administration/cost focused</td>
</tr>
<tr>
<td><strong>Dependent</strong></td>
<td>HR strategies derived from IT strategies, or IT dependent on HR requirements.</td>
<td>HR strategies responsive to business requirements and derived from current plans</td>
<td>IT strategies formulated in response to business strategic requirements</td>
</tr>
<tr>
<td><strong>Enabling</strong></td>
<td>Integrated planning processes with each function pro-active in enabling new opportunities</td>
<td>HR integrated into the business planning process and taking a proactive role where appropriate to lead strategic initiatives</td>
<td>IT integrated into the business planning process and enabling new strategic possibilities with technological innovation.</td>
</tr>
</tbody>
</table>

Table 5.5 Planning connections in Mbank

Table 5.5 above indicates the nature of the connections in planning at Mbank. The planning process was interactive with executives at a corporate level having significant input into the strategic planning process and business unit executives contributing both at the functional and business planning stages. There was considerable evidence to suggest that input from both HR and IT helped to shape the strategies and not simply respond to business directives. However, there was no evidence at Mbank of any connection between the HR and IT strategic planning processes other than the spill over from the corporate process.
(5) **Other factors identified**

The following factors were considered relevant to the alignment process between IT and HR:

**(a) Geographic Location**

The geographic location of HR and IT in Mbank did not lend itself to informal corridor discussions and the natural networking of executives. IT was located in a separate building, several blocks from HR and the e-Mortgage operation. Discussions only took place at formal management meetings and there was little opportunity for more relaxed discussion. Add to this isolation the test site in Perth (on the west coast, a four hour flight away) while the rest of the business was on the east coast, and the effect of geographic separation is likely to have some impact.

**(b) Structural power**

Differences in structural power (Pfeffer, 1992; Buchanan & Badham, 1999) may well contribute to our understanding of why HR had difficulty finding a voice at the strategic planning table. Formal position and authority, access to information and resources, sense of being irreplaceable and physical and social position in the organisation network have been used in the literature to explain the commonly found differences in influence between functions, particularly in HR and Finance or IT.

Traditionally HR sought power in the Bank through its recruitment activities and career path management. Executives had to seek approvals from their immediate manager before they could apply for internal vacancies, and HR was very instrumental in determining each individual’s seniority limits. Recent changes downsized HR, outsourced central administrative tasks and devolved responsibilities to the business units for the management
of people. Career paths and internal job movements are no longer restricted or controlled by central HR. The focus has changed and it is expected that HR will make a strategic contribution.

By contrast IT has grown from a transaction based data processing department to a function of critical strategic significance. IT has larger budgets, higher paid executives, employs more people and presents greater entry barriers to entry as a profession than HR. While it was possible to sideline HR issues in e-Mortgage, IT was clearly a critical contributor with a much louder voice.

The structural reporting lines at the time of e-Mortgage, while similar for HR and IT, represented differing power structures in the executive team. Both functions reported primarily to Bank central services, with MBank accessing their services on an advisory basis. An internal cost was levied to the business unit based on estimated usage. IT had a louder voice at the management table given the critical nature of the system to the e-Mortgage project, however HR was not included in the planning nor the implementation and regarded their role as primarily responsible to the Bank central services management. When the new business unit CEO was appointed and had to resurrect the e-Mortgage project, one of the first tasks was to get a more direct reporting structure for HR with a dotted line to Bank central services, replacing the previous solid line. In this way HR became more committed to business unit objectives and had more opportunities to make a valuable contribution to projects.

(c) Change Management

Reliance on a change management process to deliver user acceptance fell well short of the strategic restructuring that was needed for effective implementation. A Project Manager was assigned to e-Mortgage reporting to the Manager Mortgage Processing and a comprehensive plan was created to mentor, train and guide users through the process of change. There was no HR involvement other than the consideration of administrative and
legal issues surrounding potential staff cuts. The project manager had no HR experience and viewed e-Mortgage from a staged implementation perspective. She was surprised by the degree of user and management resistance and acknowledged the inability of the change management program to resolve the issues.

(d) Responsibility and Accountability

While IT and Mortgage Operations were accountable for the e-Mortgage project, there was no HR accountability. IT understood their role to be the delivery of the system according to brief. User issues were considered in as much as the system could be modified and training could be initiated, but user skill compatibility, recruitment profiles, work schedules and other strategic HR issues fell outside of their field of reference. The responsibility for user implementation rested with the operation, who saw their role in terms of managing the process of change. While HR advice was sought for administrative purposes, they had no strategic accountability.

Summary of Insights from Mb ank:

The following factors sum up the insights gained from Mb ank and helps to provide a clearer View of some of the enabling and inhibiting process the affect the alignment process:

(1) Recognition from the Mb ank CEO that people issues were critical to the successful implementation of the IT strategy was significant in raising the HR profile and power. This was achieved through:

(a) Appointing a new HR manager with mortgage line experience
(b) Changing the reporting line of the HR manager to increase her accountability to the business unit.
(2) A change management program that relied upon line management for strategic HR input fell well short of recognising and effectively addressing the HR issues in the implementation of e-Mortgage, reducing the program to a training schedule. Also, having a relatively junior executive responsible for the change management process did not accord it the required weighting to ensure line management co-operation and commitment.

(3) While HR was acknowledged by senior Bank executives as strategically important, and was therefore required to participate on each of the executive management teams, evidence at Mbank suggests that the level of power and influence varied according to the personal experience and characteristics of the particular HR manager. The ability of the HR manager to have strategic input into critical IT projects was non-systemic and largely dependent upon the past experiences of the other project executives with HR, and their perceptions of the HR manager’s ability to add value.

(4) Given the non-systemic nature of the HR manager’s relationship with IT, communications were significantly inhibited by locating the departments in separate buildings. The geographical separation limited opportunities for informal chats in the corridor and the development of personal relationships. The effects of geographical separation were further exacerbated in the e-Mortgage trials, when the line management responsible for trial implementation and HR strategic input commenced operations in another state from the e-Mortgage project management team. The executives responsible for the eventual national role-out of e-Mortgage could only have spasmodic involvement in the trial implementation and adjustments were made based on local characteristics that lacked relevance on a national scale.

(5) HR had no accountability for the implementation of the e-Mortgage project and thus simply operated in an advisory capacity as requested by the project team. The project management did not see a role for HR apart from advising on redundancy or
termination programs in the event that projected reductions in staff required became a reality.
Case 2: PFS

PFS is a new, innovative company with a CEO committed to a co-operative, participative management style. It was anticipated that a closer alignment between HR and IT might be observed at PFS as a result of this culture, however, findings suggest that a more systemic approach was required to extend the general organisational commitment to alignment to the HR/IT link.

PFS was a joint venture between Management Finance Corporation (MFC) and Venture Investments Australia Ltd. (VIA), the Australian arm of the US-based VIA Group Inc.

In May 1998 MFC and VIA formed PFS as a joint venture to produce and market a corporate superannuation product. The primary objective of both companies was to establish a product that would enable client companies to outsource superannuation activities and provide employees with the opportunity to make choices in the management of their own investments. The Group Executive at MFS explained, "We saw a trend in the market away from defined benefit plans to defined contribution. Investment choice and funds choice would inevitably follow. With defined benefit, the member has no interest in the investment decision, but with defined contribution there is an increase in active involvement."

The VIA Group in the US was the world's second largest mutual fund organisation, managing more than $A750 billion of investor funds. VIA had many years' experience in the investment choice market for superannuation in the US, but had a very small team (20 people) in Australia and no commercial track record outside of the US. By joining forces with VIA, MFC believed it might be possible to combine VIA's many years of investment choice experience with MFC's 100 years of providing financial services to the Australian market.

PFS provided a comprehensive and integrated system for a client organisation to manage employees' superannuation funds while providing the employees with an opportunity for hands-on involvement in investment decisions. A range of services enabled corporations to
outsource their superannuation activities and realign resources to their core business. The PFS system was built on scalable, standardised technology and was readily transportable from one company to another, providing much needed economies of scale. It provided the member with access to information on their fund and its investments online or VIA a 24hour phone access enabling investment choices to be managed by the member. While the contractual relationship was between PFS and the employer, the member could change employers and retain their fund management with PFS as an individual.

**Business Strategy**

The strategy for the creation of PFS was based on three critical market assessments:

- A shift in the superannuation market from defined benefit to defined contribution
- Increased difficulties for companies trying to manage employee superannuation plans and the fragmented responses from the financial services industry to corporate demands
- Constantly changing regulatory requirements, shifting the market focus from innovation to compliance

Superannuation had been a very low interest area of investment despite the fact that, as the CEO at PFS emphasised, "It is for e-Mortgage people, their second largest asset next to their own home." However, in the mid- to late 90s the focus on the management of superannuation funds was shifting. Australia was beginning to follow a trend experienced in the US, of moving from defined benefit plans to defined contribution. Corporations had become increasingly concerned about their ability to meet defined benefit payouts and were moving towards the no-risk option of defined contribution. This move automatically changed the perspective of employees who were taking more interest in the earnings of superannuation funds and demanding more choice in their management.

Superannuation fund management had been a difficult area for companies to manage efficiently. It was expensive to administer and resource, and took valuable management
time away from the business. Employee queries needed to be answered, funds administered, and considerable attention given to compliance issues. E-Mortgage companies had previously demonstrated a preference for defined benefit plans, in which the employee received a pre-agreed benefit at retirement. These plans differed in structure and investment requirements. A single company may have had to administer as many as 20 different plans. Company mergers and acquisitions exacerbated the multiplicity of plans and the complexity of their administration.

Superannuation firms had historically chosen to provide either administration or investment services. There were few attempts to provide a bundled superannuation solution/service, and those firms that did provide both services generally managed them through separate divisions. While the investment area provided profit opportunities, low margins and increased pressure on prices in the administration business resulted in severely diminished returns. Other financial services companies in Australia including MFC had sold their corporate administration businesses after many attempts to make them viable. In its focus on investment management, MFC accessed just a portion of the superannuation fund wallet, and it was the company’s strategic intent to retain and expand its existing client base. MFC anticipated that a fully integrated response to corporate superannuation needs would increase opportunities to access investment funds.

Industry complexity challenged the abilities of companies’ to develop information systems to manage corporate superannuation funds. Investment inertia was further compounded by regular changes to government regulations, which had focused the information system development away from innovation and towards compliance. By financial services standards, information systems were significantly under-resourced and under-developed in the superannuation area. PFS’s GM Client Delivery described the industry situation in the late 90’s as an era “where increasing legal changes, combined with a downward pressure on administrative and investment fees, meant that all the energy was devoted to just getting by.” VIA and MFC recognised that together there was an opportunity to enter the corporate superannuation arena with purpose-built IT applications and an integrated solution.

We will make it as easy as possible for individuals to take control of their financial future. We will do this by:

(1) Working with organisations to integrate superannuation solutions and facilitate other financial services
(2) Knowing and understanding them better than anyone else
(3) Unleashing our speed, agility and spirit in everything we do

The challenge for PFS was to provide a tailor made corporate product, offering customers investment choice within a cost structure that represented considerable savings to the client company. There were several critical factors that had emerged in their first few years and were adding to the challenge:

- Delays in legislative changes to superannuation requirements
- Increased number and length of customer contacts combined with real time expectations were resulting in escalating costs
- A slower transition from defined benefit to defined contribution meant that a dual IT system needed to be established to cater for a growing number of clients who required both systems in order to outsource their entire superfund management to PFS (60% of their inaugural members were still on defined benefit schemes and resisting the change to defined contribution)
- Increased levels of financial planning skills required to retain customers as they move jobs (45% of the client base had moved companies since first joining PFS through their original employer)
- Increased demands for tailored offers to corporate clients has reduced the benefits of leveraging off the foundation systems to maximise economy of scale opportunities and has increased costs significantly
PFS Organisational Structure and Culture:

"The corporate culture of open honesty and respect for individuals is important here, and you are judged on whether you live the values of the organisation."

CIO

PFS had a unique culture that combined a relaxed, open environment of creativity and innovation with the more serious requirements of running a credible financial services corporation. In October 2000, PFS had 64 staff members on one floor of an office building in Melbourne’s Central Business District. The MD’s office had become smaller and smaller over time, as more space had been cribbed for additional workstations and meeting rooms. Most of the floor space was open plan with glass walled meeting spaces set aside for privacy and noise control.

The PFS organisational chart in Figure 5.5 below illustrates the communal style of management fostered by the MD. While there were clearly defined areas of specialisation and responsibility, everyone was expected to participate in the management of the business and to work together to ensure that all activities were strategically aligned. The People Manager was grouped with Business and Online Services, reporting directly to the MD. The CIO also had a direct reporting line to the MD, but with a much larger department reporting to him.
Figure 5.5: PFS Organisational Structure Chart (printed with permission of the MD at PFS. Note: Names on the chart are not necessarily those in position at the time of interviews)

Information Technology

“We do not have some of the (IT) legacies to fix. We do not have the IT patchwork. It is very expensive for our competitors to keep up”

GM Business and Online Services

Online distribution was an assumed necessity in a 1998 start-up. The CEO summed it up: “We do cost-benefit analysis, but that is not the critical issue. Technology and education are critical to our differentiation strategy.” Offering investment choices to the employee and, at the same time, releasing the employer from the administrative tasks required online management to ensure that the business would be cost-effective. VIA had significant experience with this technology in the US, but under different legal and tax rules. Its processes and knowledge could not be transferred directly to PFS. MFC did not have the advanced platform necessary to build the system, so it was decided to build proprietary
systems for PFS using VIA’s expertise. Sapient (the US-based IT consulting firm) had built e-Mortgage of VIA’s applications so they brought 15 staff to Australia to build the system to PFS specifications from inception.

**IT Strategy**

PFS’s IT Strategy and Architecture document states, “*IT is committed to managing technology as a strategic asset that supports and where appropriate, drives PFS’s strategic intent*. IT accounted for 30% of PFS’s expenditure budget (approximately AUD $3million in 2000).

**Summary of IT strategic objectives:**

- Increase value to internal and external stakeholders
- Align with business driven projects
- Leverage from parent organisations where appropriate (MFC and VIAAA)
- Deliver quality solutions in a fast, high-quality ad fiscally responsible manner

**IT Management**

“*Technical aspects are easy, the team and people issues are hard. IT people are not used to these issues…. All executives at PFS are very people focused and team issues are very important. Sometime this is a challenge in IT. People are just looking for answers and do not want to engage in the process...they do not necessarily fit into the process*” CIO PFS 2001

The CIO reported direct to the MD of PFS and was a member of the executive management team. The governance model was designed to provide “*the ability to balance the flexibility*
required in a small agile organisation with the formality to efficiently manage workloads and business demand.” Three streams of management had been established:

- **Mapping and prioritising business strategies**: The CIO and the IT management group were responsible for understanding the drivers of business change and the IT systems needed at PFS to implement the appropriate developments. The technology needs would then be ratified and prioritised in consultation with the rest of the PFS management team.

- **Business relationship management**: Internal Relationship Managers appointed to align the plans and activities of the IT group with the business requirements.

- **Systems development and enhancement**: Projects classified into development (if they required more than 3 weeks to complete), or enhancement (if they required less than 3 weeks to complete) to ensure that the management team has input into the strategic prioritisation process and that “business as usual” is not disrupted by new developments.

The CIO had an IT background in telecommunications and joined PFS at the beginning of 2000. Prior to PFS he had no financial services experience. Following in the footsteps of the very successful and well-liked foundation CIO from VIA had not been easy. Personalities clashed and the new CIO faced the different challenges of maintaining and developing the IT strategy rather than the building, implementation and development required in a start-up business. The People Manager (HR) joined PFS at a similar time and together they had to build confidence in a team that was having difficulties adapting to the new IT leadership. This relationship remained close, with HR involved in all IT recruitment and team building exercises.

The CIO had a strong working knowledge of HR principles and was able to discuss HR principles in some detail with significant knowledge of the PFS recruitment strategy, remuneration structures, industry benchmarks, review procedures and personal development assessment programs. He expressed difficulties in getting his IT people to
work as a team and to recognise the value of process in decision making. While HR issues were important to him from the perspective of managing an IT team, they were less relevant in managing the characteristics of the IT systems users. These were viewed as management issues for the line and not seen as part of the IT responsibilities. IT management did not play a role in determining the HR impact and requirements of new systems and this role was left to operations. The CIO expressed a high level of confidence that the people issues would be resolved at the operations level.

**Human Resources**

The People Manager (HR) had been in her role with PFS for 12 months, taking over from the CFO who had managed the role from the inception of the company. Prior to her appointment, the strategic issues had been handled by the CEO and her management team, with administrative and compliance issues addressed by the CFO. There was a performance management system in place with a 360 degree feedback system that reviewed each employee’s remuneration, based on company, department and individual performance. The senior executives had reviewed the HR requirements of PFS and decided that a greater focus was needed for the future and employed a People Manager.

The first task had been to review the systems and get company feedback on what was working and what was required. The strategy was based on these outcomes and the corporate strategic plan. “People had worked very hard to set up PFS, now it was time for the company to give back” (People Manager PFS)
The HR strategy was based on:

- A people development framework established to meet individual needs for personal and professional development
- Reviews of fixed and variable remuneration based on a feedback system from managers that benchmarked PFS against industry standards, as well as assessing internal requirements
- Recruitment and selection quality controls that established a check system aimed at culturally aligning new recruits to PFS in addition to skill requirements.
- Performance management system review to re-align the assessment measures with the PFS business strategy
- Career and succession planning in response to the requirements created by the rapid growth of PFS in 2 years and the demands of employees seeking career progression
- Focus on personal health and wellbeing

There was no formal long term strategy for HR, however, the challenges had been identified for the next 2-3 years. PFS had been established by a young (average age 20-30), career oriented and success focused team. The critical challenge ahead revolved around taking that team from a start-up phase to a growth and maintenance phase. Critical challenges had been identified as:

- Vulnerability to key people and the need to address these dependencies
- Managing the mix of people from a start-up to the next phase which required fewer entrepreneurs and more people who were less career focused (recent turnover tended to be amongst the start-up people)
- As PFS grew more structures and the formalising of processes would become important. This is likely to be a difficult phase for the more entrepreneurial executives.
Human Resource Management

The People Manager had no IT background and reflected that she "relied heavily on IT people for input on HR issues". One of the key challenges, she said, was to encourage IT to "talk in plain English" and communicate more effectively with the organisation.

While the People Manager said that she was aware of the IT strategy she "could not tell you specifically what it was". However, issues pertaining to IT were regularly raised at the leadership team level and the strategy had been presented to the leadership team. People issues relating to those employed in the IT area were included in the IT strategy.

The People Manager worked closely with the CIO on the human resource issues identified in the IT department, worked out of an office next to the IT team and was currently concentrating the first stage of an HRIS (Human Resource Information System). An IT business analyst was assigned to her to meet the HR needs. Meetings were held monthly for specific issues or just as a general catch-up. These meetings were informal and worked well. The People Manager was confident in IT's ability to deliver the HRIS she required and cited a good working relationship with the IT executives. Current projects included the implementation of the 360 degree survey on-line. The People Manager, in the role of project sponsor, was working with the CIO and a business analyst on this project.

HR was not involved in determining the people needs, or predicting the changing people needs resulting from IT developments. The People Manager would expect IT to consider the impact on people as a result of any IT changes and would anticipate that IT would sit down with the users to consider any relevant issues. The leadership team, however, discussed people issues constantly and reviewed changing requirements. While HR was not normally represented on project teams, the issues were raised at the leadership level and HR played an important role in "coaching managers on HR issues".
In December 2000, HR had released a competency framework to assist all areas of the organisation in recruitment procedures. This document was designed to establish core competency criteria across the organisation to enhance and build team skill levels. The next step was to focus on the interview process and training criteria to ensure that the same methodology was employed across the organisation and that all legal issues were covered. The People Manager cross checked the interview process and was involved where required.

People Management did not play a part in the recruitment of operations’ executives eg. Call Centre. The People Manager had “every confidence that the Call Centre manager knew what she was doing and complied with the PFS preferred methods for the recruitment of staff”. The processes in the Call Centre had been reviewed, and issues relating to remuneration and recruitment were discussed with Lisa as required. There was, however, a more active role in the recruitment process in to ensure that legal and compliance issues were addressed other areas of the organisation and that HR were having significant input into assessing the cultural fit of prospective employees.

**Project Won**

The launch phase technology had always been intended for early upgrade and the updated version, Project Won, was due to be installed in November 2000. The Project Won team, consisting of six PFS staff and nine consultants, spent about six months building the new system. The updates offered increased employer online benefits to streamline accounting and record transfers, online employee education programs (designed to cut costs and provide training to members that are geographically dispersed), conversion guidance, improved member tools and information, and new client and consultant sites. The improved site was championed by the GM Business and Online Services, taking 60-70% of his time, and co-sponsored by the CIO who estimated 10-20% of his time was spent managing the project. IT held responsibility for quality assurance, ensuring that the technology met business needs, managing the consultants and assisting in resourcing the project.
The upgraded system was a critical development for PFS's competitive positioning and future development strategy. Cost impacts had been felt in both the education area and the administration of contribution transfers from companies. Education costs had exceeded expectations due to geographically dispersed members and need to maintain educational consistency. The new educational program had been produced for applicability to an online channel and was aimed at reducing these costs, while still providing the strategic benefits of the program to members. A variety of formats in which contributions were received had also increased administration costs, and new developments for employers were aimed at standardising these transactions to further reduce costs.

**Further Developments at PFS:**

Many changes had occurred at PFS since the beginning of this case writing exercise. A new MD was appointed and further discussions with her added some noteworthy insights:

**(a) Strategic Shift**

The closing of Direct Benefit (DB) funds and the move to Defined Contribution (DC) funds did not happened to the degree expected. Large numbers of customers still maintained significant numbers of people in direct benefit funds eg: one major client had long serving staff and 60% of their superfund was still in DB funds. Despite many attempts by organisations to get people to switch to DC, the risk factors could not be outweighed by corporate offerings and thus from day one, PFS have had to deal with both types of funds. This came as quite a shock with their first major client and they had to get a system up and running in a few days. The large investment in Sapient could only deal with DC funds so COMPASS was introduced from the Australian parent to deal with DB funds, resulting in two systems running in parallel. The developers of COMPASS did not consider the impact of the Web in their applications. Thus when COMPASS was required to run in real time in line with the PFS strategy, it couldn't cope. The system had to be closed down for 10 days
to run manual statements and this caused massive backlogs, poor customer service and low staff morale. PFS has made the major decision to bury COMPASS and integrate new developments in Sapient to cope with DB and DC funds. It was critical to maintain DB capability as the move to DC has been significantly more gradual than first predicted.

Executives leaving their jobs represented a significant risk factor for PFS. While it was true that 45% retain their funds with PFS after they leave their current position, this was often a holding bay during a transition phase and monies were then transferred to a fund aligned with their new employer. Financial planners were accessed from MFS and VIA to try to address this problem and maintain individual loyalty. Extension of the product offer to non-superannuation financial services was also being considered a method of generating member loyalty.

This meant substantial differences in the skills required for customer service operators and in the structure of these jobs. HR has had no involvement in addressing these issues and line management had implemented additional training in an attempt to up skill call centre operators to cope with the increased complexity of calls. The backlogs became so large that a separate group was designated to focus solely on clearing these files while the rest of the team only handled new enquiries with a greater focus on completion and maximising the use of the new system. After nine months, the backlog was reduced but not cleared and there are still difficulties with the increased levels of complexity. Management are now required to be fully trained in the systems and are rostered to 3 hours per fortnight on the phones to try to build greater understanding and better strategic planning for this area.

(b) Shift in Cost Structure

In an e-commerce environment there is increased process transparency and real-time expectations. Employees are individually more accountable and able to be measured as opposed to earlier systems that focused on team performance only. Increased levels of
accountability and task complexity required new job structures, training and recruitment policies. HR had little or no input to these changes.

The cost focus of PFS failed to really appreciate the impact of increased volumes and task complexity in the e-commerce environment and the consequent increase in call times and manual input placed pressure on cost targets. Systems were being modified to deal with these changes and cost structures modified to more realistic levels.

(c) Increased Customer Demands for Tailoring of Product Offer

The “Big end of Town” from where PFS draw their corporate customers has greater demands for flexibility. Such customers often have very definite ideas above the default position for employee investments that had to be accommodated by drawing on the expertise of the PFS Australian parents. Other companies wanted to tailor the web site and printed material so that their employees saw only their own corporate colours and logos. The website had not been designed for tailoring and so required sizable modifications. There were significant cost implications for tailor-making a product that was designed to be a standard solution capitalising on economies of scale.

Transition phases for companies have required more attention, focus and a greater degree of understanding of the customer’s business. Customer service and account executive functions now require a higher degree of business acumen and experience to add value to this process. Company-wide training has been implemented to try to address these issues under the control of line management.
(d) Cultural Changes

“A good-news culture is not always an honest one and it sometimes hard to counsel poor performance in this environment” (new MD)

PFS had found that the type of people required for a start up are generally different from those required at a maintenance and growth phase, so the new MD has made some significant management changes. There was a need to make processes and relationships systemic rather than relying so heavily on personal relationships and informal conversations.

The challenge had been to generate an increase in responsibility and accountability while still retaining the vibrancy and creativity of the team. In a more recent planning conference each senior executive was asked to take the five key words (to be inserted) that describe the PFS culture and draw a symbolic representation of these words. An artwork has been created from these drawings to be hung in the PFS office, reminding all employees that the company will only ever be as good as the creativity and energy of its people.

Another major issue for PFS, was that of compliance. In the initial set up months, senior compliance lawyer was employed to ensure that PFS was not only able to give their clients the best advice but observed all the criteria themselves. Frustrated by the lack of strategic focus in this area, he had resigned and was replaced by a more junior legal advisor. Thus the compliance area had diminished in importance. The new regime has significantly enhanced this strategically critical area of the business with two senior legal advisors, a junior and a PA in order to address compliance issues more thoroughly and with more initiative.
(e) **Future Challenges**

Future challenges for PFS include growth in the corporate market in order to become the major player and the move from corporate choice of fund management to individual choice through increased education and awareness. PFS is a scale business where volume is a critical profit driver. The existing infrastructure was capable of handling in excess of 200,000 members.

PFS focuses on the corporate sector only, and of that sector funds worth in excess of $15 million. (Corporate accounts worth $15m or under are diverted to MFC in their small business division. There are approx 280 accounts in Australia that fall into this category. PFS currently have 52 clients and 55,000 members. The future strategy for the next 5 years is to capture a major share of the corporate market.

(f) **Change in Ownership**

PFS has more recently been purchased by the founding Australian parent and is soon to become a business unit of a large corporation. One of the benefits forecast will be an opportunity to access a more senior level of HR input which was recognised by the MD as a pre-requisite to an improved alignment between HR and IT.

**Discussion of Findings**

PFS was formed as a joint venture because the recognised opportunity in the market could not be adequately serviced by either MFC nor VIA. VIA had the technology but lacked the local knowledge and also had a very conservative culture that was not seen as conducive to the market. MFC had tried once and failed both in the IT development and also the corporate culture which was change resistant and conservative.
The company had the first mover advantages of innovation, the credibility of its two owners, a fresh IT slate, economies of scale opportunities, an entrepreneurial organisational culture and significant local knowledge of a new market. However, to maintain that market advantage they needed to focus on ways of increasing corporate switching costs and driving growth quickly to lock up the individual market ensuring that business in an increasingly mobile workforce.

Figure 5.7 illustrates the lines of influence affecting the planning process at PFS and the levels of intellectual and social alignment observed.
MFS & VIA Joint Venture Corporate Strategy
Growth in fund management opportunities in the corporate superannuation market

PFS HR Strategy:
Change cultural mix from entrepreneurial to managed growth.

PFS (Business Unit) Strategy:
Establish and grow a successful business providing an integrated superannuation solution to organisations at a cost lower than their current in-house rate which enables members to make informed investment choices.

Intellectual alignment indicators evident generally e.g.: circular org. chart, references in all written and verbal communication, but not specifically between HR and IT.

Project Won (IT project) strategy:
Reduce educational costs for members
Increase access to information and education for members
Standardisation of transactions to reduce costs

Social Alignment between IT and HR was restricted to fall-out from general HR strategies and activities. HR anticipated that people issues would be identified and assessed by IT, and the CIO viewed HR issues as the responsibility of the line.

PFS IT strategy:
Support and drive the PFS strategic intent with fast, high quality IT products and services.

IT strategy for Project Won:
Aligned to the PFS IT and Business strategy to standardise data input and geographical distribution of information. Focus on quality assurance and management of consultant relationships.

Figure 5.7: Analysis of Lines of Influence and Assessment of Intellectual and Social Alignment at PFS
IT published plans indicated a significant degree of intellectual alignment. The circular nature of the organisational chart indicated an emphasis on executives working closely together and aligning their activities with the business strategy. There were leadership meetings every two weeks to examine current projects and ensure that every member of the team understood the significance of their project and assessed the implications for their area of responsibility. The office structure was very open and supportive of informal discussions. Most of the employees were young (20-30 age group), and they were encouraged to spend time together and enjoy each others company. There was a readily identifiable culture of innovation and flexibility that was overtly recognised and expressed by all interviewees.

However, there was little evidence of an intellectual alignment between HR and IT beyond the overall culture of co-operation. HR was fairly new as a specific focus in PFS and had formerly been the responsibility of the CFO. This strongly suggested a compliance and administrative focus. The strategic human resource decisions were made by the CEO and/or the line managers. HR was not included in new technology project groups and took a minimal role in the people management issues of the key operational area. The People Manager assumed that IT would consider the people issues in new technology initiatives and yet IT saw the people management as the responsibility of line management to assess and implement.

A string of significant resignations indicated to HR that a new recruitment criteria was becoming necessary as the business moved from its entrepreneurial phase to one of maintenance and growth. It was, however, not clear how this would translate into recruitment policies that were strategically aligned to the IT changes.

The Call Centre management liaised regularly with the training centre to ensure that operators and sales people received the training they required to use the new system.
However, strategic considerations were not specifically addressed by HR, and were viewed as the responsibility of the management team.

The HR management on Project Won was reactionary and limited in scope. Her style proved adequate for the short term implementation of the system, but became problematic when staff had to be equipped with the necessary skills and business acumen to respond to changing customer and market demands. These issues are discussed further in the analysis using the Reich & Benbasat model in Figure 5.8.

![Diagram](image)

**Figure 5.8: Analysis of Enabling and Inhibiting Factors to Social Alignment (Reich & Benbasat, 2000) as observed at PFS**
Shared Domain Knowledge

Shared knowledge was limited between HR and IT (Table 5.6). The CIO had a fairly extensive knowledge of HR practices and was able to readily articulate HR objectives and plans due to the close working relationships within IT on HR issues. There was very little acknowledgement of the role for IT in managing the people issues pertaining to implementation and it was the view of the CIO that operations (line) management would take control of those issues. The Business Analysts were responsible for project liaison between the IT and the business on a project-by-project basis and they were seen as critical to ensuring that IT understood the management issues surrounding the introduction of systems. Within the small, tight-knit management team it was considered that strategic HR issues would be dealt with as required by a consolidated team effort.

The People Manager had a very limited knowledge of the plans and activities of IT. Beyond the regular management meetings there was very little exchange of strategic IT plans and she had no working knowledge of the systems. Any people requirements were expected to be made by the operations management in consultation with IT and these were not viewed as part of the People Managers domain. HR was involved to a fairly minor degree with strategic thinking and anticipated that this thought process would be jointly undertaken by the management team with input from HR at recruitment, assessment and remuneration phases.

<table>
<thead>
<tr>
<th>Position</th>
<th>Inter-functional knowledge</th>
<th>Business Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Manager</td>
<td>Low: no IT knowledge and limited PC skills. HR nor included on IT project teams and input confined to general management meetings.</td>
<td>Low: HR professional with no previous industry experience</td>
</tr>
<tr>
<td>CIO</td>
<td>Med: Close working relationship with HR but no involvement in HR planning except for general input through executive meetings</td>
<td>Med: Previous business and IT experience at a Telco. Strong interest in people management issues.</td>
</tr>
</tbody>
</table>

Table: 5.6 Shared Domain Knowledge at PFS
(2) History of Implementation Success

PFS was a relatively new start-up venture and, therefore, there was little history to consider in this case other than its having been a major driving force for MFC to establish the joint venture in the first place. Both IT disasters and a history of change resistance was critical to the establishment of the joint venture as MFC’s management realised that there was no way forward using their existing people and structures. The VIA system had been adapted and successfully installed through a co-operative management process at the inception of PFS. Adoption rates were between 11-13% of the client base for the web-based services. This response rate was considered to be high in the financial services sector and gave further confirmation that the system was easy to use for consumers and provided the appropriate information in the right format. Human resources management was a relatively new function at PFS and was created as a result of growth in staff numbers and the need for a manager to focus on the specifics of this function. HR was generally viewed as an administrative support function and there was no history of involvement in the operations environment. IT had a history of HR involvement with considerable success.

The culture of PFS was repeated in every interview with management referring constantly to the importance of people fitting into the PFS family. “We can train, but it is e-Mortgage important that everyone fits into the Team,” “I see myself as a member of PFS rather than an employee”, “Knowledge of superannuation and the right cultural fit are what is important ... we can train internally on systems” were typical quotes from a range of PFS managers. The culture was driven by the MD who had a vision for PFS as the leading corporate superannuation provider in Australia. The ultimate aim was to create a business model that could then be replicated in other countries (particularly Asia) in a future international expansion program. PFS needed to be innovative and flexible to meet changing customer needs. PFS needed to maintain the position as market leader in order to attract the top, higher yielding corporate customers.
The touch-points in Figure 5.9 indicate the relatively peripheral role for HR management in PFS. While people management in general was viewed as critical to the success of the business, the role for HR was largely advisory and compliance focused. Strategic HR thinking was considered the domain of all management with implementation the responsibility of the line managers. While HR and IT shared a positive history as they worked together to solve people issues in the IT department, they did not consider themselves strategic partners in the planning and implementation of new IT projects. IT projects had been relatively successful to date in PFS and IT was perceived in a positive light and considered important to the strategic success of the business.

Figure 5.9: Potential Touch-points between HR and IT in PFS
The rankings for implementation success detailed in Table 5.7 reflect a positive picture but may be slightly swayed by the youth of the executives interviewed which means there is little baggage to carry from elsewhere, and also by nature in an entrepreneurial start-up, they are perhaps more optimistic.

<table>
<thead>
<tr>
<th>Inter-functional projects</th>
<th>History of Implementation Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT projects in HR</td>
<td><strong>Successful:</strong> HRIS not yet implemented but HR very positive about the design process and the relationship with IT in general.</td>
</tr>
<tr>
<td>HR involvement in IT</td>
<td><strong>Successful:</strong> Positive experience of HR introducing communication strategies and management support for IT. CIO/HR manager have developed a new recruiting strategy for IT and staff assessment system. CIO very committed to HR advice and leadership in people management issues.</td>
</tr>
</tbody>
</table>

*Table 5.7 History of Past Projects at PFS*

(3) Communication between HR and IT

Communication relied heavily on regular meetings and informal conversations socially or in general movement on the floor. The company is located on one floor in a semi-structured office environment of screened cubicles, a few closed management offices and meeting rooms. The Call Centre and Account Managers were actively encouraged through weekly meetings to provide feedback on the system, customer requirements and any other issues causing day to day concerns. Staff had also been encouraged to mix socially and their similar ages made this very easy to achieve. Generally the staff was 25–35, single, and shared similar interests. While there were some very positive outcomes from the sociable and friendly nature of the PFS team the down side was the establishment of a "good news culture" (MD) which made hard decisions more difficult and at times meant that they were avoided altogether. There was some history of people being moved for social and personal considerations rather than business benefits, and executives occupying positions that may have been better served by someone with more experience. So, while executives may have been talking constantly, they weren’t necessarily addressing some of the more confronting and difficult management issues due in part to the constrictions of social norms.
Table 5.8 examines communication behaviour between IT and HR using the Galbraith (1977) typologies. With the exception of the executive committee, communication between HR and IT tended to be based on informal communication or specific operating requirements eg: IT's people management issues or the development of the HRIS. HR was located next to IT on the office floor which facilitated informal discussion and increased the level of comfort between the IT executives and the HR manager. HR was not involved in IT project teams and would anticipate only being involved in an advisory capacity if requested by the operations management.

<table>
<thead>
<tr>
<th>Nature of Communication</th>
<th>Observations of behaviour between HR and IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Communication</td>
<td>Communication largely centred around informal discussions, regular executive meetings, and HR's regular meetings with IT to facilitate an on-going executive development, recruitment and communication strategy for the IT executives.</td>
</tr>
<tr>
<td>Liaison role</td>
<td>IT business analysts working closely with HR to determine the HRIS requirements. HR working in an advisory capacity to IT.</td>
</tr>
<tr>
<td>Temporary Task Forces</td>
<td>IT only represented on project teams</td>
</tr>
<tr>
<td>Permanent committees/teams</td>
<td>Executive committee attended by both HR and IT. HR not represented on IT steering committees</td>
</tr>
<tr>
<td>Integrating roles</td>
<td>Operations management expected to integrate the HR/IT functions</td>
</tr>
<tr>
<td>Managerial linking role</td>
<td>Both HR and IT report to the CEO and are part of the executive committee, however each takes responsibility for their specialist function</td>
</tr>
</tbody>
</table>

Table 5.8 Communication between HR and IT at PFS

(4) Connections in Planning

IT and HR managers are both on the executive team responsible for building business strategy. The MD described the process as top-down, bottom-up but evidence suggests that
while this may have been the case for the operation, both IT and HR plans were prepared after the business strategy was in place and were dependent upon the objectives contained in that document. Strategy formulation occurred in an “away day” environment conducive to brainstorming and creativity with plans presented to the board in a seminar-type environment involving all staff. HR would not have any input into the IT planning process, nor would the IT plan be consulted during the building of the HR strategy. Connections between IT and HR planning flowed by default from the general business strategy alignment process. Table 5.9 frames the planning process using the Weill & Broadbent (1997). Both IT and HR strategies were derived in response to the business strategy, although there was some evidence from discussions with the CEO and the operations management that IT strategic opportunities were fed into the strategic planning process. However, the written IT plan and discussions with the CIO did not confirm those discussions so it was felt that the process was more dependent than enabling. The HR manager had very little strategic input and considered her role to be reactionary and advisory. There were no strategic connections between the IT and HR planning processes other than discussions at the strategic planning meetings and no evidence in written plans of inter-functional strategic input between IT/HR.

<table>
<thead>
<tr>
<th></th>
<th>HR/IT connections</th>
<th>HR/business connections</th>
<th>IT/business connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>No connection</td>
<td>HR and IT plans derived separately</td>
<td>HR plans and activities made independent of the business</td>
<td>IT plans and activities independent from the business</td>
</tr>
<tr>
<td>Utility</td>
<td>Connections based on admin/compliance requirements. No strategic connection.</td>
<td>HR focused on compliance and admin with no strategic context.</td>
<td>IT plans developed outside the strategic context. Admin/cost focused</td>
</tr>
<tr>
<td>Dependent</td>
<td>HR strategies derived from IT strategies, or IT dependent on HR requirements.</td>
<td>HR strategies responsive to business requirements and derived from current plans</td>
<td>IT strategies formulated in response to business strategic requirements</td>
</tr>
<tr>
<td>Enabling</td>
<td>Integrated planning processes with each function pro-active in enabling new opportunities</td>
<td>HR integrated into the business planning process and taking a pro-active role where appropriate to lead strategic initiatives</td>
<td>IT integrated into the business planning process and enabling new strategic possibilities with technological innovation</td>
</tr>
</tbody>
</table>

Table 5.9: Planning connections at FFS
Other Factors

The following factors were identified that were considered relevant to the alignment process between IT and HR at PFS:

(a) Culture and Leadership

The initial MD had a collaborative, innovative style of management and exerted a profound influence on the culture of PFS. She was well respected and her management style was understood and replicated by her executive team.

The young, innovative culture was critical for the energy and innovation required for the start-up phase of PFS. Senior management anticipated that the culture of co-operative decision making and participative management would create the strategic alignment of all activities with the business strategy. Staff worked closely together and were encouraged to socialise and form close working relationships. It was important that new recruits fitted into the culture with additional skills able to be learned as required.

The fact that HR and IT were not found to be aligned (except by default from the general business alignment process), suggests that the culture of co-operation was not enough to ensure the focus on, and understanding of the implications of an IT strategy. Despite a close working relationship and high levels of mutual respect and regard between the CIO and People Manager, the strategic questions concerning the implications for people in a new IT project were abrogated to line management and considered to be the responsibility of neither HR nor IT.

However, as PFS entered the next stage of managed growth, more systemic processes and accountability were necessary to meet the strategic challenges. A new MD was appointed by the parent companies and the transition was not smooth. Some executives were unable to cope with the differences in leadership styles and chose to leave PFS.
(b) Structural Power

A company of 69 fulltime employees is considered too small to necessitate a fulltime HR person and thus the appointment of the People Manager is indicative of the MD’s high level of commitment towards the effective management of people in PFS. However, the rewards in a small enterprise of this nature are unlikely to attract the highest level of strategic HR experience. Like the rest of the PFS team, the People Manager was relatively young with a career that had been wedded to the HR profession. While the People Manager was considered to be an equal member of the executive team, her influence was considerably less than the rest of the management executives. Her knowledge of the financial services industry and PFS was limited and thus, her voice was confined to HR compliance issues. As a result, the involvement of HR in management issues tended to be fairly opportunistic and confined to problem solving, rather than strategic thinking and input at planning stages.

Both the People Manager and the CIO were relative new comers to the PFS management team being in their roles for just 18 months. The others had all been part of the start-up management team and were very tight knit and wedded to the PFS vision. Influence was difficult under these circumstances and the more systemic processes introduced under the new MD relied less upon personal relationships to influence strategic discussion and implementation. A change of CIO and an extension of that role has resulted in a more integrated role for IT in business discussions. However, the skill and experience base of the HR team is still considered to be an inhibitor to further involvement in IT project discussions and critical management decision making.
(c) Geographic Location

PFS was still small enough to be located on one floor. The open plan nature of the offices made it easy to find and talk to other executives, and informal communication was an important part of the PFS culture. However, proximity and ease of discussion did not seem to influence the involvement of HR in IT projects as anticipated. The office of the People Manager was located beside the IT department and she described a good level of camaraderie between the IT executives and HR. While the People Manager had worked closely with the CIO on people issues in the IT department and enjoyed a close working relationship with him, neither party considered that HR had a role to play in IT projects, and line management had not considered requesting HR input. Thus, while geographic location was identified as a unique factor in this case and considered to be an enabler in the alignment process, there was no evidence to support this thinking.

(d) Strategic Change

The changes to regulations and market behaviour did not occur as quickly as first predicted by the joint owners of PFS and therefore some major changes to strategies were required to meet market demands. These changes, discussed in the case, affected IT and HR significantly, with additional systems requiring increased technical and financial expertise to deal with both Defined Benefit and Defined contribution fund management. Several changes to senior line and IT management have been necessary to increase levels of expertise and introduce systems to cope with the changes. At present the future is unclear for PFS, although it is likely that they will be absorbed back into a parent organisation to extend resources to respond to market complexity. It was recognised by the CEO that one of the major advantages of absorption into a bigger organisational environment would be the availability of more strategic HR input which was not affordable under a small organisation cost structure. PFS had recognised the need for more highly skilled staff and a re-positioning of call centre rolls to reflect the added complexity. Management had recently
embarked on a rostered system of phone duties to increase their overall understanding of both the technology and the knowledge required to respond to customer requests.

(e) Summary of Insights from PFS

The following factors sum up the insights from PFS and further our understanding of the factors that enable or inhibit the alignment process between HR and IT:

(1) A general culture of co-operation and collaborative management practices was not enough to ensure that HR would provide input into the IT strategic thinking. A more systemic approach is more likely to focus management attention and raise the questions of HR input in ways that will lead to more accountable responses.

(2) The experience and business knowledge of the HR manager was critical in achieving the level of power and influence necessary to maintain a strategic voice at the management table. Abrogation of the HR input in IT projects to line management was likely to result in a short term approach and a lack of focus on longer term strategic HR input.

(3) Informal processes based on common locations did not lead to collaborative management thinking, although it is possible that location may make communication easier if other factors are in place to generate the discussions in the first place.

(4) Recognition of the importance of HR as a value driver by the MD was not enough to generate strategic HR input. The People Managers influence continued to be opportunistic and lacked the consensus of the executive team that HR input added value to project planning and implementation.

(5) Strategic change required a more flexible and knowledgeable work force to respond to both technological and operational changes. A strategic HR focus based upon an
understanding of the requirements of IT strategic changes may well have identified
the opportunities earlier and minimised the difficulties experienced by PFS as they
struggled with the fluctuations in the market environment.
Case 3: WxPress

WxPress is a small, innovative company with a management team who had developed it from start-up to a successful and highly respected business. The recent purchase by a large global parent resulted in considerable change to management practices. Findings suggest that the informal management processes and intuitive thinking that aligned the HR management with IT developments in the past were being tested under the new strategies of global expansion and corporate reporting responsibilities.

“Our business is all about building databases” General Manager

WxPress, the inaugural Australian company specializing in direct-marketing of wine and related products, was the major player in the on-line bottle shop market. The story of this company was interesting for many reasons: it was a fully vertically integrated business from grape growing to delivery, it had outlived its on-line competitors, it was the first direct marketing company in Australia to sell and distribute wine and related products, and it had grown through many changes in 20 years. However, major strategic changes in IT management and delivery had significant implications organisation-wide, and channel conflicts with retailers were complex and difficult to manage. As the General Manager said, “We have a highly urbanised population in Australia and a very deregulated wine industry...in this market wine clubs should never work”. And yet in 2001, WxPress continued to grow and prosper with 7-8% market share of all wine sold in Australia, over 300,000 members and successful expansions into NZ, USA, UK and Europe. The worldwide business model in 2002 still closely resembled the initial concept that the company successfully launched 20 years ago. The ensuing years had seen the demise of a number of competitors and the outsourcing of other wine clubs to the management of WxPress. Direct marketing, with a more recent extension into on-line promotion and sales, was the basis of this very successful business model which senior managers described as being “all about building databases”.

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The WxPress business model can be more closely compared to other direct marketing operations than to traditional wine retailers. The currency was the maintenance, development and integrity of the database, with no additional retail activity to support the direct marketing efforts. The database was built and maintained in a number of ways:

- Advertising to increase membership of the WxPress Wine Club
- Monthly mail-outs of wine catalogues
- Outbound telemarketing to the existing database
- Regular delivery of wine tasting offers to increase member awareness and wine education.
- Member incentives

WxPress' members could choose to respond to direct communication by mail, phone, fax or email. All responses were received in the customer contact centre, keyed in by the Customer Service Representatives (CSRs) and processed automatically through the WxPress systems to delivery. E-Mortgage email orders were transmitted directly to production for automatic charging, unless there was a complexity in the order that required manual intervention.

Members of client wine clubs were generally unaware that they were dealing with WxPress and placed their orders by fax, mail or phone. On-line ordering from client sites was not yet possible but was considered a high priority in the e-commerce development planning. All communication with these members was undertaken under the guise of the client company eg: Juniper Airlines Wine Club.

WxPress sourced wine from their own vineyards as well as a range of well-known wine brands and a series of other smaller Vineyards. Contracts with suppliers varied from the supply of grapes for use in WxPress' wineries, the supply of finished product, or the supply of finished product grown and produced to WxPress' specifications. Wine was generally bottled by the WxPress' own bottling plant, Australia's largest bottler and importer of cork.
Approximately 60-70% of all wine sold by WxPress was proprietary product unavailable for purchase in other retail locations. While this gave WxPress the opportunity to offer exclusive product to members it also required additional information and advice to promote and sell product that was unfamiliar in the market.

Business Strategy

In August 1997, WxPress was purchased by MVinyards, a wholly owned subsidiary of a major Australian brewing group, for AUD$160 million. WxPress turnover was AUD$154 million with an EBIT of AUD$22 million in 1996/7 (MVineyard Annual Report, 1997). MVinyard was one of Australia's oldest and e-Mortgage successful wine producers, controlling approximately 43.7% of the total wine market in Australia at the time of the WxPress takeover.

The new ownership and injection of expertise and capital gave WxPress the long awaited opportunity to apply the model to international markets, and operations were quickly established in UK and Europe. Results for the Brewing Group in 2001 reported a group net profit of $465.2 million AUD, an increase of 8.7% over the previous year. However, the wine divisions EBIT was up 121.7% to $342 million with a contribution of 41% to the overall group EBIT. This was a significant difference from the previous year where wine contributed just 24% to EBIT and beer 61%. The contribution of beer to the 2001 results was down to 50%. The wine growth could largely be attributed to the purchase of a large US based Wine-maker in October 2000 for AUD$2.9 billion. The US operation contributed e-Mortgage of the wine earnings with non-US wine growth up 14.2% to AUD$176.2 million (Sydney Morning Herald, 2001, p21).

International expansion has proceeded with WxPress operating in New Zealand, and more recently in Europe. Expansion is expected to continue through Europe and the UK and ultimately to Asia as WxPress leverages off the successful Australian business model.
WxPress Organisational Structure and Culture

WxPress is a reporting division of Vineyard, which is owned by a large Australian publicly listed brewer. The CEO reports direct to Vineyard, with a semi-matrix configuration of management centralising IT, Finance and Human Resource management. The HR manager reports to the HR Director Asia/Pacific for MVineyard with a dotted reporting line to the WxPress CEO. The CIO had been reporting to Vineyard, but further centralisation of the IT function in recent months changed his reporting line in recent months direct to the Brewing Group with a dotted line to the CEO, WxPress (Figure 5.10). Their business cards identify them as MVineyard and Brewing Group employees respectively, and they both spend several days a week working at their reporting entities.

![Diagram of WxPress Organisational Structure]

*Figure 5.10: Reporting structure at WxPress*

The WxPress Contact Centre was the nerve centre of the operation. In stark contrast to the quieter ambience of the management offices, the Contact Centre was a vast floor of people

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and computer screens humming with the buzz of conversation, interspersed with periodic bursts of laughter and friendly banter between CSRs (Customer Service Representatives). Dress was casual and there was a relaxed, informal feeling about the centre, however the orderly nature of desks, information and prompt cards hanging from the ceiling and around the walls, and the organised nature of the room in general were indicative of a focused and efficient operation.

The term Customer Contact Centre was a deliberate branding, with the intent that it should reflect the culture of an advisory service department rather than a hard sell call centre. While CSRs clearly had a requirement to sell wine, the process of sale was advisory and informational with no pressure to purchase. Members were encouraged to return wine they didn’t like and CSRs had the ability to correct problems with complimentary wine, freight discounts or other forms of service resolution. Training was critical to the sales process, which had to carefully manage the tension between reaching sales targets and conducting the customer relationship in an advisory, order-taking manner. Retaining the ability to up-sell and increase order quantities was an important part of the process, but not at the cost of the quality of the wine advisory process.

This tension was also reflected in the lengths of calls. The objective was to minimise the length of calls and maximise revenue value per call. Average call time at WxPress was 233 seconds; however, calls could go for an hour with less informed members or more complex requirements. While CSRs were trained to avoid lengthy “chats”, they were also encouraged to take time to advise and educate. On-line responses also needed to be managed to avoid a “chat” scenario with many emails requiring responses. Training mechanisms were being developed to avoid the “bat and ball” scenario with emails. On-line members tended to have higher service expectations than the traditional mail or telephone customer, complaining when late night emails did not get immediate responses. WxPress had established a 24-hour resolution commitment to on-line customers in response to these complaints.
Information Technology

"Strategically, the WxPress site will continue to expand and extend.....the (business)model lends itself to on-line trading.....international sites are just beginning with other sites to follow" CIO, June 2001

The past 18 months to 2 years had been challenging times of question and change for the WxPress' IT department. IT had been the first functional area to be centralised under the Brewing Group Shared Services plan which was designed to restructure IT, HR, Procurement and Finance for all the Brewing Group companies in order to facilitate uniformity and cost savings. The Brewing Group head office based in Melbourne was to be the new centralised location and selected IT people would be required to commute on a regular basis. Issues concerning the impact of standardisation of software applications and centralisation of management and decision making had proved challenging for the CIO and his IT group.

IT Strategy:

<table>
<thead>
<tr>
<th>Summary of Strategic Goals for WxPress IT:</th>
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<tbody>
<tr>
<td>To adapt/develop new systems that could extend the existing business model world-wide, with a primary focus on Europe</td>
</tr>
<tr>
<td>To centralise reporting structures with electronic data transmission</td>
</tr>
<tr>
<td>Upgrading of call centre applications to facilitate on-line activities for consumers</td>
</tr>
<tr>
<td>Maintain and further development to generate efficiencies in the business-to-business relationships with producers</td>
</tr>
</tbody>
</table>

The challenge for IT was to balance the corporate requirements to maximise economies of scale opportunities offered as part of a large corporation and enhance opportunities for corporate flexibility through standardisation, while continuing to support the specialist requirements of the WxPress business model and meet future strategic growth
requirements. Clearly there were opportunities to centralise and standardise elements of IT infrastructure such as network services, desktops and PC help desks. However, there were significant practical difficulties in the implementation of a standardised application that could meet the operational requirements of the wide range of business units across the Brewing Group.

Over the past 18 months significant research and effort had been devoted to this task mapping services and processes, and trying to match the business requirements with the deliverables offered by a common application. Finally, a decision had been made that while there were valuable benefits to be gained by centralising desktop and hardware support, networks, helpdesks, telecommunications, purchase and replacement, the variations in the applications across the Brewing Group were such that no single supplier could meet all requirements.

WxPress made a decision to examine a wider range of options to find a solution which would suit their strategic requirements. Systems needed to consider 3 separate areas of focus:

1. Trade: the production and manufacture of wine, and sales to wholesalers
2. Wine Clubs: sales to consumers by direct marketing with no retail outlets
3. Services: a range of add-on products designed to enhance the product offer to the customer eg: the WxPress bottling and distribution business, and the WxPress delivery company bringing the wine right to the consumer’s door.

The systems in the trade area of the business had been driving much of the requirement for change in recent years. “The software was old and no longer capable of meeting company requirements”, explained the CIO. With corporate standardisation no longer an inhibiting factor, WxPress cast their net wider and were lead to their newly acquired American wine producer, BB. The BB operation was a trade business very similar to Vineyard in Australia, and used an ERP system from J.D. Edwards that had performed well. While the system was
not well known in Australia at the time, a team sent to the US to work with BB felt they had the expertise available in the US to make it viable. The new system was implemented in late 2001 and was run by MVineyard IT in Melbourne, which had always been the administrative centre for the Trade operation. MVineyard had more recently relocated into shared premises with Brewing Group IT.

The highly specialised and customised nature of the Clubs and services area made the decision on software replacement more difficult. The existing Data General hardware, Masterpack application that had been customised for WxPress and Universe database formed an uncertain environment for the future. Significant development was required to enhance the systems to meet new business challenges including on-line opportunities, and WxPress were reluctant to make further investments in either system. However alternative systems also had a range of difficulties in their ability to meet the specialist business requirements. The gradual replacement of the hardware with Hewlett Packard addressed the first area of concern and a series of developments allayed fears about the future of the application and database management systems. Owners of the application Masterpack went into receivership leaving WxPress with their existing application and no requirement for reference to its owners. Renamed Cellarpak, the application was now solely owned by WxPress and their own levels of expertise had built it up to significantly eliminate requirements for outside maintenance support. The database Universe, had had a series of owners, but was purchase by IBM late in 2001 with a commitment to maintain the system and enhance it as a competitive tool against Oracle. With these assurances of long term viability, WxPress decided to maintain the existing software and implement the long awaited changes required. A review plan was established to reconsider the options again in 3 years time.

The system would now have all the required capacity to extend the WxPress operation into Europe with operations in countries such as Germany, Holland, France and Belgium. The system could provide multi-lingual functions and the currency exchange hurdle encountered in earlier attempts to transfer the system to Europe had been overcome with
the introduction of Euro-currency. All reporting was electronically transmitted direct to Brewing Group, and data could be transferred to and from the JD Edwards trade system.

The call centre had been dominated by dumb terminals but the move to on-line distribution required the upgrading of these terminals to PC’s. All outbound call stations had been upgraded to PC stations, and by March 2002 it was intended that every operator would work from a PC. The move to PCs had also been fuelled by a PABX upgrade that required PC’s to communicate. The newer operations in NZ and Europe were all PC based.

On-line sales had proved less important to WxPress than originally predicted. The high cost of building complex, interactive sites meant that a solid business case was required for new sites to be built and for major enhancements to existing sites. The e-commerce team had been downsized from its original form and was largely concerned with support and maintenance rather than further development. The exception to this strategy was the business to business site supporting the bottling and distribution business of Vinpac. “This business was ideally suited to the on-line environment and approximately 80% of its customers interact exclusively on-line” explained the CIO. “It makes sense to the customer who previously monitored production of their grapes by fax and phone. On-line trading only makes sense if the customers want it”. The Vinpac site allows customers to monitor their production from order to shipment and to get regular updates on testing, status reports on production and receipts of delivery. WxPress IT is now moving into phase 2 of development of this product with further enhancements and refinements.

IT Management

“I don’t do IT. I am not a techo. I understand this business and my job is to ask whether it is good for the business and good for the customer,” explained the CIO

The CIO had been with WxPress since its inception in 1982. He had been instrumental in building the original systems and prided the company as a leader in technological
innovation that facilitated strategic developments in WxPress. His concerns at the suggestions that WxPress adopt the Brewing Group ERP system reflected these views. “WxPress had always been at the leading edge of IT development...always with a technology led system. While the new ERP system would have taken IT to the leading edge again, the loss of functionality would have endangered the business. Functionality was more important.”

The restructuring from being a smaller, family style business to reporting to a major international brewing company was not without its problems and required a significant shift in the CIO’s perspective. In the past there had been no requirements for major IT change. The system was modified regularly and adapted to meet changing customer requirements but the organisation was small enough for the CIO to be very close the operational requirements of the company. Regular management meetings addressed any HR issues associated with technological changes and it was anticipated that the Call Centre Manager would take responsibility for the people issues. IT worked closely with the training department to ensure that users were skilled at using any new application enhancements and operated a “feedback loop” to ensure that all issues were covered. IT had no input into recruitment policies for the operation but would “anticipate a reasonable degree of computer literacy. HR has not traditionally had much influence. They are mainly concerned with compliance with the Brewing Group” explained the CIO.

**Human Resources Strategy**

“In the past there has been no positive input from HR into WxPress. We (WxPress) have done very well without an HR function” (HR Manager)

The Brewing Group had more recently developed a more strategic View of human resources which had not been evident in the past. “HR was more likely to be putting up blocks... than facilitating strategic initiatives” explained the HR Manager. “There was no real HR visible at WxPress”. The only role HR played was a clerical, administrative type function, and the line management had been responsible for the management of all people
issues. MVineyards developed a more focused view of the strategic HR input but and recognized that the key strategic requirement was to devolve people management issues to the line. There was a 1:500 ratio of HR executives to staff and this was unlikely to change. It was thought that HR managers would take responsibility for educating the line management in training, recruitment, performance review, quality control and measurement functions, and that the line management would consult with HR managers in an advisory capacity.

Based on the group strategic statement of "global enjoyment", the Brewing Group has a published HR strategy which focuses on the requirement for all divisions to establish an "inspiring workplace".

**Brewing Group HR Strategic Focus:**

"It is essential that the group attracts, develops and retains the best people"

We will do this by:

1. Focusing on development and training opportunities that facilitate individual growth as well as meeting business needs
2. Ensuring that the Brewing Group and its businesses are challenging and rewarding places to work
3. Encouraging employees to hold shares in the Brewing Group

There was no published HR strategy for MVineyards or WxPress but the group strategic statements set the direction and understanding for the HR activities of the group. The Brewing Group had also clearly indicated their commitment to change management processes and the need to ensure that people issues were considered in the implementation of new IT projects. People considerations were either addressed by the line management on the project team (under HR advice) or, in larger projects, the HR manager would be included in the project team.
Human Resources Management

The HR manager reported to the HR Director Asia and Pacific at WVineyards and spent two days per week at WxPress. He had been in the current role for 14 months. His background was in HR, followed by a few years in line management in a large FMCG company. More recently he had moved back to HR.

WxPress had functioned well without specific HR input with strategic people management issues were examined by the line. The Call Centre Manager had been with the company virtually since inception and was very competent in understanding the HR issues. The HR manager described his role as “having to ask questions and have an external pair of eyes” to stimulate thinking. However, it was anticipated that the ultimate responsibility for decisions that affected the structure and management of people would remain with line management within the corporate HR framework. The HR manager actively opposed and discouraged any further involvement in line management activities. “Some line managers abrogate their people management issues to HR and that is not what we are about,” reflected the HR manager.

WxPress On-line

“The critical strategic question for WxPress in the late 1990s was how could WxPress use the Internet to deliver the promise better?” General Manager WxPress

The critical strategic challenge facing WxPress was how the new world would look for direct marketing wine companies. The market was responding in a variety of ways to the on-line challenge, with responses ranging from simple on-line brochure systems (as existing companies tested responses), to new dot-coms operating as virtual entities. The media had been quick to declare these dot-coms instant successes and the market was
rewarding the on-line promise with share prices reaching levels far in excess of their more traditional industry rivals.

Debates in WxPress had been vigorous as management decided how to respond to the on-line challenge and the related strategic priorities. Decisions had to be made with few certainties in an environment that was brimming with optimism, due to the daily reports of success stories of dot com shares trading at premium prices. New sites were being established faster than anyone could keep trace and companies were under enormous pressure to compete on-line. WxPress had always been at the leading edge of technology, a strategy that had been critical to success, and there were divided opinions over the pace and direction of on-line developments.

The final decision was to proceed with caution and to maintain the integrity of the current system, augmenting it with the on-line information and purchase options. The strategic focus for WxPress had always been on customer service, providing credible advice and discussion with a reliable order and delivery system to meet customers' needs. A cautious, progressive development was considered the most likely to offer customers an alternative channel to gather information, search and order, whilst WxPress gained a better feel for customer behaviour and needs. It was also decided that the site would not serve as a customer acquisition tool given the significant capital investment required to reach new potential clients, but rather would serve existing customers, with entry points for those who happened upon the site in a general search.

The first WxPress site had been launched early in 1995 simply as brochuresware. This initial sojourn into Virtual trading paved the way for subsequent developments. Site improvements continued with version 3 providing a limited on-line shopping function. Orders were manually keyed in by the customer contact centre. However, by 2001 the fourth version of the site was launched providing a comprehensive interactive site with search facilities and on-line shopping fully integrated into the on-line ordering system. This reduced the need for manual intervention. To preserve the wine advisory aspect of the
WxPress proposition, wines were listed with full tasting notes and links to related products and wines. Searches could be based on price, variety, or region with future visions to extend into customer preference links with recommendations based on previous orders, and order history search mechanisms (similar to Amazon.com).

By 2001 the dedicated on-line team in the customer contact centre, (who had previously processed on-line orders manually), now acted more in a quality control and advisory capacity, answering emails, manually checking larger or complicated orders and quality controlling for duplicate transactions. Automatic prompts were being considered to encourage up-selling and as reminders. The WxPress product offer extended into associated areas of wine accessories to maximise order values. Email addresses were actively sought for future targeted on-line news and offers designed to enhance the segmentation and target marketing that WxPress acknowledged as their specialty.

The site was maintained and developed by a dedicated e-commerce team of 10 programmers, 2 site development people and a marketing manager, who were responsible for on-line developments and relationships. This team also worked closely with the Brewing Group’s other internet sites (there were 31 sites in 2001) with the manager of e-commerce functioning in an advisory capacity for many of these sites as they expanded on-line. Internet sites for the WxPress operations in UK and New Zealand were developed by the WxPress team in Australia, with marketing and on-going management maintained at a local level. Sites were designed so that content updates could be readily entered by non-programmers to maintain the validity and potency of the site.

Orders placed on-line could not be accessed by the CSRs, who used dumb terminals without internet access. Therefore, all telephone enquiries relating to on-line searches and orders had to be transferred to a dedicated internet team. All staff was trained in the on-line functionality but, without access from their terminals, could not action on-line orders. It was anticipated that the proposed ERP system would address many of the integration and
access issues upon implementation (see discussion of proposed IT changes in the earlier section of the case).

The results from the site were closely monitored and analysed. While 10-15% 7 of Wine Club member orders and enquiries were received via the net, 90% of these were from existing clients. Order values were similar to phone sales with a minor decline in the average case per order suggesting a tendency to order less wine more often. Acquisition rates via the net remained low, suggesting that general advertising, mail-outs and referrals were still the e-Mortgage cost effective ways of acquiring new customers. However, future developments and cross references with other sites were expected to increase exposure to new customers. Only 50% of those who searched the site purchased on-line. It was assumed that some simply choose not to buy, but it was estimated that a larger percentage used the search facility but then phoned to purchase, perhaps reflecting concern about credit card security and a desire for the reassurance of the personal touch.

This system was designed so that it could also be “re-skinned” to make it possible for the other international companies of WxPress to use the system and provide their customers with a fully integrated on-line search and order system accessed through the home page of the host party. Future developments were likely to maximise the targeting potential of the internet, with the development of recognition tools for return purchasers, order prompts and other more sophisticated tools to personalise and enhance the ordering process. It was anticipated that on-line distribution would only increase in strategic importance for WxPress with recent studies showing lower costs per transaction in on-line sales.

Discussion of Findings

There had been very few changes in the business model for WxPress since its inception in 1982, so change management issues were not something that had been dealt with on a

7 Overall 5% of orders came via AA the net however this is likely to increase as client companies acquire online customer access.
regular basis. IT changes had been incremental and the impact could be managed with training programs. WxPress had a very sophisticated training center to maintain the wine knowledge of call center staff, so technology training was not difficult to accommodate. IT projects had previously not resulted in significant changes in job structures and had therefore not required strategic HR input in order to consider the impact on issues such as recruitment, remuneration, job descriptions or other HR change management activities apart from training.

Therefore, the on-line project was simply implemented using a selection of the brighter customer contact centre staff and training them to process on-line orders. In the experience of the e-commerce manager alternative job structures were not considered – for example, on-line access from home (a virtual office model), the possibility of a 24 hour response availability, extended sales and service models etc. "Proposals (such as these) are just not part of the culture of the organisation", observed the e-commerce manager. Strategically on-line sales are important as they substantially reduce the cost of sale, but the system ceased to be further developed once the on-line threat dissipated.

Future projects, such as the CRM, are recognized by the CEO as requiring a much greater focus on change management. Furthermore systemic processes will be required to ensure that people issues are considered properly at both planning and implementation phases. This system carried a de-skilling threat as the power of long serving operators was likely to be eroded by automated referrals and up-selling prompts. This process was predicted to require more attention than simply training instigated by line management. Global considerations will also require more dedicated focus that just that of the local manager, who is also likely to feel his/her power base being eroded.

The strategic focus on people as a competitive asset at WxPress was indicative of an intent to align all management activities with human resource considerations. There was evidence of alignment of the IT strategy with the business strategic requirements, but there was no specific HR strategy at WxPress, although there was a clear set of HR objectives from the
Brewing Group. The HR Manager acted in an advisory capacity with expectations that line management would determine and implement HR strategies. The company was relatively small and located in one building and therefore there were many opportunities for both formal and informal discussions between management. There was a culture of co-operation and commitment to the overall results of the company and to the success of each project.

The on-line project had an intentionally small start and eased into the business gradually. WxPress had a “toe in the water” approach and the Manager E-commerce in charge of the project was restrained by the conservative allocation of resources in keeping with the slow growth strategy. By mid 2001, WxPress on-line competitors began to falter and close. It had become clear that dedicated on-line liquor retailing was not viable at this time and the pressure on WxPress to deliver on-line options was reduced. This environment had an impact on the management resources dedicated to the thinking and implementation of the project. The dedicated team comprised the Manager e-commerce and IT representative responsible for building the site, and the Call Center Manager for implementation. The HR manager at the time had no role in the On-line Project, however, a larger CRM project currently on the drawing board will involve the new HR manager on the project team from the inception of that project. The new HR manager appeared to have more credibility as a valued member of the team. An internet manager was appointed by the Call Centre and staff were hand-picked to train and operate the internet responses. These tended to be the brighter, more experienced staff who could manage email discussions and know when to call the customer direct to further discussions. Implementation went relatively smoothly and given that the online business did not grow as expected, the ongoing need for dedicated management was limited. The e-commerce Manager was assigned to another project and all on-line activities are now managed as part of the general call centre activities.

Figure 5.11 describes the strategy formulation process and lines of influence at WxPress. While there was no written HR strategy, there were guiding principles formed based on the framework of the group HR strategy and formulated in conjunction with the strategic
requirements of WxPress. There were clear statements of intent to align the HR activities with the strategic requirements of the business. The IT strategy was formulated in close alignment with the Group IT strategy and designed to meet the strategic requirements of WxPress. Tensions were clearly evident as the CIO weighed up the factors involved in standardizing the systems across the group with the strategic requirements of WxPress, and it was agreed to sacrifice a degree of standardisation in favour of a system that better met the strategic requirements of WxPress. There was no evidence of planning input between HR and IT, but the predominant culture of valuing people as assets suggested intended alignment. Furthermore there was clearly fall-out from the business alignment process suggesting management intent to align HR and IT.

However, the translation into management action or social alignment was not so clear. For example a very experienced management team who had been with WxPress since inception was able to instinctively respond to changes in the business environment, but alignment was based on personal relationships and experience. There were no systemic alignment processes in place to ensure that HR issues were addresses and possibilities explored. As WxPress expanded into global markets, management resources were stretched and it became apparent that a more systemic approach was required. The new HR manager appointed to devote two days per week to WxPress from his base at MVineyards, was dedicated to a more strategic approach to HR input at WxPress.
**HR Strategy**
Global growth in brewing and wine-making, with considerable focus on wine.

**Brewing Group Strategy**

**MVinyard Strategy:**
Growth in the growth, processing, bottling, sales and distribution of wine

**HR Director**

**WxPress HR Strategy:** Attract, retain, and develop the best people.

**WxPress Strategy**
Domestic growth of wine sales and global expansion

**WxPress IT strategy:** Support the global expansion program, standardise and centralise reporting systems, develop B-B systems.

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**HR Strategy for On-line Project**
HR not involved. All people management issues addressed by line management who selected the more able operators and provided training.

**On-line (IT project) Strategy:**
Maintain market position with on-line competitors and reduce transaction costs

Social alignment between IT & HR abrogated to line management to identify people management issues and respond. HR not involved and IT did not perceive a role for HR.

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**IT Strategy for Online Project:**
Extend the proprietary WxPress system into an on-line, PC based environment.

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*Figure 5.11: Analysis of Lines of Influence and Assessment of Intellectual and Social Alignment at WxPress.*
The Reich & Benbasat (2000) model further explores the factors that enabled and inhibited the degree of social alignment or executive understanding and actions between HR and IT.

![Diagram of Social Alignment]

Figure 5.12: Analysis of Enabling and Inhibiting Factors to Social Alignment (Reich & Benbasat, 2000) as observed at Mbank
Shared Domain Knowledge

WxPress was built upon a culture of caring and commitment to its people. Education and training has been at the heart of the management philosophy and valuing people’s knowledge has always been viewed as critical to the competitive positioning of WxPress. Strategic people management issues had always been the responsibility of the line management with legal, administrative and conformance issues dealt with by the HR manager. More recently a new HR manager was recruited from MVineyards to focus solely on WxPress two days per week, largely in an advisory capacity and with inclusion in projects as required.

Table 5.10 focuses on the shared domain knowledge between the IT and HR managers based on their previous work experience and self-rated levels of expertise. The new HR manager was considerably more experienced that his predecessor who managed HR at the time of WxPress On-line. He had an FMCG background in both HR and operations management and was very committed to devolving HR responsibility to the line. MVineyards regularly ran HR courses for line management and required them to have at least a broad knowledge of HR regulations and codes of compliance. In this way it was anticipated that the HR manager would have more capacity for strategic input.

The CIO had a focused IT background and had been with WxPress since its beginnings. He was firmly wedded to the proprietary systems developed at the outset and nervous about company-wide systems that may not suit the WxPress operation. Eighteen years with WxPress had made him a valuable member of the management team with significant operations and industry knowledge. He had worked closely with the Manager Customer Services for all of that time and so intuitively knew that people issues would be dealt with at the operations level. However, international expansion had seen a dramatic change in the role for Manager Customer Services and he was setting up call centres in Europe. With communication channels based on informal and personal relationships it was yet to be seen how effectively people issues would be handled.
All staff at WxPress were given wine training and invited to barrel tastings, except for the IT team. At the commencement of WxPress On-line, the e-commerce manager began the inclusion of IT staff on that project to barrel tastings to get them more involved in the product and committed to the project.

<table>
<thead>
<tr>
<th>Position</th>
<th>Inter-functional knowledge</th>
<th>Business knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR manager</td>
<td>Low: No IT knowledge beyond personal PC skills, no IT experience. Participation on IT projects limited to general executive meetings. Although the new HR manager was more experienced his general IT knowledge still rated low.</td>
<td>Low moving to High: The previous HR manager had no business experience, however, the new appointed HR manager had considerable consumer goods line management experience.</td>
</tr>
<tr>
<td>CIO</td>
<td>Low: No HR experience and knowledge of the HR function restricted to compliance issues.</td>
<td>Med to High: CIO has only ever been in IT but has 18 years of experience with WxPress and has been integrally involved with the business.</td>
</tr>
</tbody>
</table>

Table 5.10: Shared Domain Knowledge at WxPress

(2) **History of Implementation Success**

The CIO was well liked and respected in WxPress and he had a history of running award-winning systems (Telecentre of the Year and Call Centre of the Year, 1996) and leading edge call centre technology. "People used to come just to see the technology in action," recalled the CIO. Recent years had encountered difficulties with the requirement to integrate legacy systems into enterprise-wide requirements for consistency and standards. The systems in place were reliable and help desk facilities provided adequate support. However, in more recent times, service levels had dropped and it was generally thought that IT was stretched to meet the demands of the business. Training needs were routinely addressed by the training centre in the customer service centre and were reactive to staff requirements as identified by management. The People-soft system in HR had a reputation for being unreliable and inaccurate. Difficulties had resulted in the parallel manual back-up systems maintained by line managers for recording important detail such as KPIs.
HR, by contrast, had a history of behavior that was not considered to add strategic value, and could even be obstructive. There had been a general lack of respect for HR by all executives, however, there was recognition that the new HR manager had more business experience and the potential to make a more positive contribution. An easily detectable level of cynicism surrounded all conversations about the history of the HR contribution. HR previously had no role in managing people in IT and "HR was seen by the CIO as more of a hindrance than a help", explained the new HR manager. However, HR was just starting to have a role with IT in recruitment and performance measuring systems although the involvement was still very limited at the time of writing and the HR manager was not in a hurry to extend his IT involvement.

Table 5.11 summarises and rates the history of implementation success as it effected the relationship between HR and IT. While IT had not enjoyed success with HR systems this tended to be largely blamed on the Brewing Group and did not impact on the perception of the IT caliber at WxPress. However, the CIO did not have a positive view of the contribution that HR could make to the management of IT. This perception certainly acted as an inhibitor to any involvement HR would be likely to have in an IT project.

<table>
<thead>
<tr>
<th>Inter-functional Projects</th>
<th>History of Implementation Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT projects in HR</td>
<td>Poor to satisfactory: HRIS experience negative but general response to IT positive based on overall business system success</td>
</tr>
<tr>
<td>HR involvement in IT</td>
<td>Poor: No HR involvement in IT. HR viewed by the CIO as obstructionist and adding no value.</td>
</tr>
</tbody>
</table>

Table 5.11: History of Past Projects at WxPress

Figure 5.13 describes the touch-points between IT and HR at WxPress which were limited to the development of the HRIS and limited involvement in the implementation of IT systems. Generally HR had not been perceived to add much in the way of strategic input and had a reputation for obstructive behavior. In the past WxPress had been reliant on the experience of line management to initiate and develop people management strategies.
However, the new HR management was perceived more positively and likely to add more strategic value.

![Diagram]

*Figure 5.13: Potential Touch-points between HR and IT at WxPress*
(3) Communication

Regular executive meetings were attended by both HR and IT to discuss performance and planning issues. In addition, both the CIO and the HR manager attended weekly update and advisory meetings at head office (in another state) to ensure functional compliance with their counterparts at the parent level. Less formal communication has always been reliant upon personal relationships and regular daily contact. Expansion plans and an increase in demands for compliance with the parent organisation were making informal communication channels less reliable. Table 5.12 classifies the nature of the communication between HR and IT in WxPress which was confined largely to executive meetings and informal discussions in the office. IT and HR were locate on the same floor but at different ends and would not regularly cross paths informally. The new HR manager was included on the IT project teams from the inception of the project and it was anticipated that he would make a strategic contribution.

<table>
<thead>
<tr>
<th>Nature of the Communication</th>
<th>Examples of expected behaviour between HR/IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct communication</td>
<td>Informal interaction in the office</td>
</tr>
<tr>
<td></td>
<td>Formal scheduled management meetings attended by HR &amp; IT</td>
</tr>
<tr>
<td>Liaison role</td>
<td>Liaison at the Brewing Group level but not at a WxPress level unless HR contacted the Help Desk</td>
</tr>
<tr>
<td>Temporary task forces</td>
<td>No HR representation on IT project teams, although new developments will include HR</td>
</tr>
<tr>
<td>Permanent teams/committees</td>
<td>Executive committee attended by both HR and IT Other groups would only involve HR in an advisory capacity as required</td>
</tr>
<tr>
<td>Integrating roles</td>
<td>Line management anticipated to integrate IT and people requirements</td>
</tr>
<tr>
<td>Managerial linking role</td>
<td>Different reporting lines with dotted reporting lines to the WxPress CEO</td>
</tr>
</tbody>
</table>

*Table 5.12: Communication between HR & IT at WxPress*
Connections in Planning

All senior executives were involved in business strategic planning but there were no specific planning connections between HR and IT (Table 5.13). The CIO would expect that any people issues resulting from IT systems would be covered in the operations management plans, as would HR who saw themselves in an agent/advisory role. As there was no HR plan specifically for WxPress, the HR manager was largely there to advise and ensure that WxPress activities fell within the corporate HR boundaries. There was no involvement from HR in the IT planning process.

The new WxPress CRM system that was designed to enhance the sales process and introduce Amazon-type automated sales referral and extension activities, was a major strategic IT project under consideration at the time of writing. HR had been included in the more recent planning phase on the advice of the vendor of that system. However, in the initial phases, HR had not been invited to the strategic planning meetings where the initial brief and implementation plans for the CRM system were discussed and developed. This raises the issue of timing for HR involvement. Early HR involvement could potentially influence the vendor brief and create implementation demands and cost implications. However, a later involvement may render HR strategically insignificant with only compliance and training options available for input. The vendor for the CRS systems advised the budget for organisational implementation should be increased to that allowed for the technology investment.

Table 5.13 explores the planning connections between HR and IT, and also between each function and the business. The IT and HR plans were dependent on the group functional plans and that of WxPress. There was some interaction and input from the IT and HR

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8 Refers to Epiphany, a CRM system similar to that used by Amazon books to provIAAde an automated response to sales enquiries that suggests additional purchase options based on sales to customers with similar profiles who have also ordered the product listed in the enquiry.
management but this was largely a dependent process with significant direction from the Brewing Group. IT and HR had no involvement with each others planning processes other than HR advice sought in projects involving potential changes to staff numbers or the nature of work.

<table>
<thead>
<tr>
<th></th>
<th>HR/IT connections</th>
<th>HR/business connections</th>
<th>IT/business connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>No connection</td>
<td>HR and IT plans derived separately</td>
<td>HR plans and activities made independent of the business</td>
<td>IT plans and activities independent from the business</td>
</tr>
<tr>
<td>Utility</td>
<td>Connections based on admin/compliance requirements. No strategic connection.</td>
<td>HR focused on compliance and admin with no strategic context.</td>
<td>IT plans developed outside the strategic context. Admin/cost focused</td>
</tr>
<tr>
<td>Dependent</td>
<td>HR strategies derived from IT strategies, or IT dependent on HR requirements.</td>
<td>HR strategies responsive to business requirements and derived from current plans</td>
<td>IT strategies formulated in response to business strategic requirements</td>
</tr>
<tr>
<td>Enabling</td>
<td>Integrated planning processes with each function pro-active in enabling new opportunities</td>
<td>HR integrated into the business planning process and taking a proactive role where appropriate to lead strategic initiatives</td>
<td>IT integrated into the business planning process and enabling new strategic possibilities with technological innovation.</td>
</tr>
</tbody>
</table>

Table 5.13: Connections in the Planning Process between IT and HR

(5) Other factors identified:

The following issues were also identified as important in the relationship between HR and IT:

(a) Geographic Expansion

The Australian company was relatively small and located on two floors of a large tower building. The Customer Service Centre and training school resided on one floor and the rest of the company several floors above. IT was in a separate secure area from the rest of the executives, but there appeared to be significant movement and opportunities for both formal and informal discussions between management. Central glass walled meeting rooms
were constantly in use and office doors were generally open. The décor of the offices was quietly elegant, with commanding Views over the harbour and city. The location had been selected to provide maximum opportunities for access for customer service centre staff who were largely dependent on public transport.

The organisational processes were developed around a small space where informal communication and discussions between senior management occurred as executives moved around the floor. The call centre was in the same building and could be readily accessed. European expansion already meant that several of the key executives were regularly away for long periods and behaviour was changing. Both the HR manager and the CIO spent time each week in the parent company and the connectivity and casual conversations of a small, private business were limited. Alignment was more likely to be generated by more formal planning processes, rather than the non-systemic processes of the past.

(b) Culture

WxPress has been built upon a culture of caring and commitment to its people. Education and training has been at the heart of the management philosophy and valuing employee knowledge was always viewed as critical to the competitive positioning of WxPress. Strategic people management issues were the responsibility of the line management with legal, administrative and conformance issues dealt with by the finance department. More recently an HR manager had been appointed from MVineyards to focus solely on WxPress for two days per week, largely in an advisory capacity and with inclusion in projects as required. There was a culture of co-operation and commitment to the overall results of the company and therefore to the success of each project.

The future challenge for WxPress lay in the growth of a local model, based on non-systemic processes and long-term personal relationships, into a multi-national environment. The New Zealand operation had been the first trial and had proved successful. However, it was still geographically close enough and culturally similar enough to make the extension
of the model relatively simple. Expansion into European markets required more systemic approaches to aligning activities that had not previously been important in the Australian model.

(c) **Power and Influence**

The HR manager had not enjoyed the same seniority of managerial influence as the CIO who had been with WxPress since formation and who was considered an integral part of the managerial team. HR had previously been a support function, not involved in strategic discussions. The Operations Manager largely took responsibility for the people management issues and he was certainly considered one of the senior management executive team. The new HR manager, with dual reporting lines, had a more senior executive role and was more likely to make a strategic contribution and raise longer term HR issues that would be considered more seriously by the management team.

**Summary of Insights from WxPress:**

The following points summarise the insights from the analysis of WxPress and provide further insights into the inhibitors and enablers of the HR/IT alignment process:

1. WxPress had gone from being a small, privately owned business with a culture of innovation and a sense of family to a division of a large, global enterprise. Informal communication and management practices based on years of experience and intuition had been very successful in the past, however, global expansion and corporate standardisation and reporting requirements had exerted pressure on the existing practices and a more systemic approach to the alignment process was necessary.

2. A single call centre managed by an executive with over ten years experience in the company was successful in recognising the HR issues associated with incremental changes to the technology and work practices. Historically, the HR manager’s input
was only sought for legal issues and matters of compliance. However, the managing executive now had responsibility for establishing and running call centres worldwide and could not apply the same levels of management intuition and personal involvement as before. Strategic HR input was still available through the local management of each centre, but the parent company had appointed an experienced HR manager part-time to provide additional support and guidance.

(3) The perceived degree of organisational change resulting from the IT project was likely to impact on the level of HR focus. In the case of the on-line project, it was viewed by line management as a simple extension of the existing sales process and therefore given no HR input. No consideration was given to strategic opportunities such as Virtual workforces, flexible hours etc. and the On-line Project Manager believed that management would not have been receptive to suggestions of potential strategic opportunities when the project parameters were simply to be an on-line player and keep pace with the opposition. The suggestion to strategically extend the project parameters would not have made the executive agenda.

(4) A part-time HR Manager from the parent company had enabled WxPress to access a higher level of HR experience than had previously been Viable on a full-time dedicated basis. Dual reporting lines may potentially have aligned HR and IT at a corporate level, but there was no evidence to suggest that this reporting structure supported closer alignment at the business unit level.
Case 4: Snax Ltd

In response to rapidly changing market conditions and regulatory requirements, Snax Ltd faced major changes to business processes facilitated by the availability of new technology. In order to meet these challenges, both the CIO and HR manager had recently been appointed. These two executives had previous experience in major change management projects and were both wedded to the requirements of IT and HR strategic alignment. This case examines the previous situation and highlights power and influence, and shared domain knowledge as two of the major factors impacting on IT and HR alignment.

"We have a company background of no change. There has been very little change to business processes for the last 130 years...no change and therefore, no requirement for change management. The only experience of change in HR was organisational structural change and so they think that constitutes change management." CIO

Snax Ltd is one of Australia’s oldest manufacturing companies founded in by a young Scottish immigrant with just £14 in his pocket in 1865 and remained as a family owned business until 1997 when it was bought by a large US based company in a similar business, USCAN. USCAN reported a turnover of US$6.1 million for 2002. Snax Ltd operates as an autonomous business unit of USCAN and represents 8% of EBIT for the world-wide group. While strategically important to the USCAN global expansion strategy, Snax Ltd was not a critical revenue earner for the group and there was little management “interference” from the parent.

Snax Ltd manufactures, sells and distributes a wide variety of food and beverages including a sweet biscuits, snack foods, and drinks. A local snack food business purchased in 2002 extended this product range significantly. Distribution has expanded since purchase by USCAN into Hong Kong, Malaysia, Singapore, Indonesia, Brunei, Thailand, The Philippines, Vietnam, and Taiwan with acquisitions of leading brands in New Zealand and Indonesia. Future expansion was anticipated to add exports into other Asian markets as well as acquisitions and joint ventures with local brands.
Business strategy

"I would spend around 70% of my time on acquisitions, and the remaining 30% on strategic management” Vice President Strategy

The business strategy was largely directed by USCAN with local input at implementation. The V.P. Strategy was sent out to Australia by USCAN from the UK operation in 1998 with a mandate to implement an aggressive merger & acquisition program to meet significant growth targets for the Asia/Pacific region. The culture and symbolism of Snax Ltd as a significant Australian icon was valued, but rapid expansion was the critical driver for USCAN. The key challenge for the V.P. Strategy was to implement the USCAN aggressive growth strategy with a series of relatively antiquated, proprietary systems while still protecting the existing values of the Snax Ltd brand.

Snax Ltd business strategy summarised:

- Further expansion of distribution in Asia
- Acquisition of selected local brands
- Increase EBIT contribution to USCAN

One of the critical market challenges was the power of the retailers. In Australia, 80% of all FMCG were sold through two major players with a series of independents grouped together under a single buying entity and making up the rest. This inequity was not replicated in any other market for USCAN and placed Snax Ltd in a vulnerable position that could easily disturb the rapid growth strategy should the retail players make any significant changes to the mode of business. Added to this position of vulnerability were threats posed by the condition of the current ERP systems that framed the range of Snax Ltd divisions. A mish-mash of data management systems ran across the different plants creating inefficiencies and difficulties in leveraging infrastructure to create economies of scale. Growth in EBIT was difficult to manage when cost efficiencies were restricted.
The VP Strategy was particularly sensitive to large areas of infrastructure investment with returns that were difficult to quantify. "If we proceed with our new ERP system there are unlikely to be any quantifiable returns. It will be $45 million that we simply never see again." This position was supported by USCAN reports of a 6% increase in sales for 2002 against and 18% decline in net earnings. This decline was explained by decisions to substantially increase marketing expenditure to reinvigorate existing brands and to further infrastructure development to re-build the company. These investments were viewed as critical to the longer term growth and acquisition strategy. Two major acquisitions (one in Snax Ltd) had been made in 2002 which also required additional costs to seal the unions.

**Summary of USCAN Strategy in Relation to International Businesses**:

- Strengthen the broader portfolio
- Begin to build new growth avenues
- Drive quality and productivity
- Improve organisational excellence and vitality

**Organisational Structure and Culture**

"Culture is critical...in a dog eat dog environment it is much more difficult for executives to comment across issues and responsibilities. A culture of co-operation and trust (like we have at Snax Ltd) enables cross-border comments. Executives are open to each other's involvement on their patch" CIO

Snax Ltd is based in a 1950’s style office building in a light industrial area 30mins out of Sydney’s CBD. There were portraits of founders and senior executives hanging on the walls. Showcases of current products and a range of historical memorabilia decorated the rabbit warren of corridors and offices. The building had a no-frills feel about it, typical of manufacturing environments of the 1960s-70s, yet there was evidence of a commitment to the legacies that had built one of Australia’s largest, most successful brands.
A matrix structure existed within USCAN with the support functions of Finance, HR, IT, Marketing, and Legal reporting to their USCAN counterpart and also to the President Asia/Pacific. Vice presidents of each function meet with their USCAN counterparts four times per year to ensure that functional strategies were framed within the context of corporate considerations and in order to enhance opportunities generated by the parent company.

![Diagram of organizational structure](image)

*Figure 3.14: Reporting Structure at Snax Ltd*

The CIO had five direct reports with a total of 29 staff, a reduction of 10 people in the last 12 months due to outsourcing development and application functions. All IT staff was centralised, with the exception of Asia. There were a number of global systems: PeopleSoft, the office system, infrastructure standards, and architecture but the rest of the systems were local with input from USCAN IT where necessary. IT expenditure could be approved internally for up to $1 million, over that amount USCAN had to approve all expenditure.
Human Resources was organised in an internal matrix with four activity functions providing services across five operating divisions. Employee relations had 16 HR staff assigned across 10 manufacturing sites dealing with unions and AMWU agreements. The workers in these areas were paid by the hour, collective, unionised and required day to day HR input. In addition, there was a central industrial lawyer to maintain an overall sense of perspective and relativity. Managerial and sales executives in each division were provided with 1-2 local HR people to address their administrative and compliance issues. Strategy and organisational development were centralised with 2 people focused on these issues and the largest centralised activity, Remuneration and Benefits had consisted of 8-10 people.
Information Technology

"The Systems stuff is easy, but how do you manage people and change? ...that is the hard part." CIO Snax Ltd.

The IT department had seen significant change over the last 18 months with the outsourcing of all development and application management reducing staff numbers from 39 to 29. The department had centralised reporting direct to the CIO, and was described by her as "very lean, with a focus on effective governance processes". In addition to structural changes, the IT department was trying to cope with a major increase in the strategic significance of IT projects. IT had previously been an organisational resource with a utility focus, responsive to business needs but with low strategic value. USCAN strategic growth drivers and changing commercial requirements from major retailers resulted in revised priorities and skills in the IT department.

IT Strategy

The IT strategy was published in a series of documents that consisted of four components:

- Organisational: sourcing component
- Applications and architecture
- Operational: largely directed by USCAN and addressing hardware, infrastructure and other areas of global compliance.
- Delivery: how systems are made available to the business

This document formed the "IT wish-list" and the blueprint for the way IT should ideally look. However, investment priorities and implementation schedules were driven by the needs of the business within the IT framework. Investments were only made as needed within the context of the business requirements.
Examples of the strategic management of IT included: Project Compass and the pending new ERP system:

- Project Compass was driven by changing regulatory requirements that necessitated more detailed information for labeling. The system development required to execute this requirement was expanded into a larger product management life cycle system that upgraded the existing technology within the framework of the technology strategic blueprint.

- The ERP project was designed to bring all the divisions onto the same platform in order to facilitate the development of a global infrastructure. While the desirability of this common platform was strategically desirable for future IT development, the investment would not have been considered without the collaborative commerce requirements being forced upon Snax Ltd by the retail giants.

IT Management

The CIO had been with Snax Ltd for just 18 months and had come from a series of IT roles in financial services and leisure industries. "Fast moving consumer goods generally have a low level of IT maturity, but recent developments have been driven by the major retailers and have dragged Snax Ltd into collaborative commerce, and consequently they have had to search for IT professionalism from other industries" CIO Snax Ltd

The CIO was very committed to change management practices and had played a major role in major change processes in her last two CIO roles. "I usually have the 'Who Moved my Cheese' calendar on my desk", she laughed. In previous positions she had been involved in large system developments requiring significant attention to managing the change process.

“So many IT projects fail due to lack of HR alignment”, the CIO explained. “Why when projects fail do so few management teams analyse the failure, identify the problems and
learn by them? CIOs do not take this on board and do not accept responsibility for implementation failure. Too many CIOs simply take responsibility for developing technology that meets the brief...a great advocate for analysing and understanding project success and failures should be HR.” CIO Snax Ltd

The CIO at Snax Ltd was held accountable for the technology, and beyond this fir organisational success. She highlighted the importance of change management processes to realise success, citing an example of a recent logistics project where IT just formed a component of the overall project which involved the closure of a major plant. The CIO got involved when she was newly appointed looking at the broader project which was not going to plan. It soon became apparent that the person running the project did not have the level of seniority or experience required to enforce the changes necessary. “Levels of accountability in the organisation were just too low and senior management were not attending steering committees.” explained the CIO. This view was reinforced by the V.P Strategy, “Eyes would glaze over at management meetings about the project with everyone, including me, assuming that those with specialist input knew what they were doing and had it under control.” The result was 12 months of delivery problems that impacted directly on earnings. While the IT component was delivered ‘successfully’, the project required a much broader view to ensure its overall success. The CIO eventually enabled that view to come to fruition, and an increase in senior management involvement salvaged the project with less damage than there might otherwise have been.

**Human Resources**

“We have had fluctuating HR skill levels. In the past the personnel department has fluctuated from a role based on recruitment to a high profile interventionist rather than facilitator role. The relationship with the CEO has varied accordingly.” VP Research & Development
HR had a chequered history at Snax Ltd culminating in the recent appointment of a new VP HR charged with making a more strategic contribution in the light of pending organisational changes. There had always been a significant focus on Industrial Relations issues within the manufacturing and distribution environment, but more recently a focus on organisational cultural issues as Snax Ltd made the adjustments to a US parent and also dealt with assimilating new divisions as part of the acquisition growth strategy. Future challenges for HR were aligned to further growth and acquisitions, and organisational changes as a result of proposed new IT systems.

The past 12 months had been particularly intense for HR with the closing of a major plant and the resulting reduction of 550 jobs as a result. This had focused considerable attention on industrial relations and severance options. In addition the acquisitions of a new operating division had created a series of issues introduce new people to Snax Ltd management procedures and expectations. This transition had been particularly difficult with an autonomous business with the associated management style having to comply with corporate rules and restrictions. A management consulting company was contracted to manage the transition but were described by the VP HR as “low in emotional intelligence and very naive in their expectations”. As a result, Snax Ltd was seeing some “very immature management behaviour, HR (inherited) included”, the VP HR explained. “The transition may take at least two years to really complete and have everyone comfortable. It cannot be executed overnight.”

**HR Strategy**

USCAN instigated a company-wide pledge for all staff that formed the public face of a human resource strategy that called for the “investing in, and tapping the power of, our people” (USCAN 2002 Annual Report, p20).
USCAN Pledge:

Together we will do extraordinary things in the workplace and in the marketplace.

Together we will:
- Delight our consumers
- Build the world's greatest brands
- Deliver the highest imaginable quality
- Drive the lowest imaginable costs
- Develop the best imaginable team
- Produce the e-Mortgage extraordinary results

The re-organisation in 2002 created a matrix structure at USCAN which "enables us to leverage our skills and share best practices worldwide" (USCAN Annual Report p20) and at the same time committed to an upgrading of resources "ensuring that our people have the tools they need to win in the workplace and in the marketplace." (USCAN Annual Report, p20). In addition there was a commitment to retain, attract and develop the best talent in the industry (USCAN Annual Report, p20).

A series of activities had been developed by USCAN to implement the strategic objectives including:
- A leadership model to strengthen the depth of leaders that values integrity, motivation and a 'can do' mindset
- The publishing of the USCAN vision and unifying pledge
- A series of employee satisfaction surveys
- An introductory program for business school recruits to educate them about the company, its customers, its culinary history and also including hands-on kitchen experience preparing the meals cooked by USCAN customers

The HR strategy for Snax Ltd was written and distributed during the writing of this case. This was the first draft written by the HR manager after discussions with each member of the executive team. It was a detailed 35 page document that focused on the external market
place, the HR response to the business strategy drivers, current HR resources and drivers, and finally a proposed HR structure and set of strategies to lead the company forward. The plan was in the process of being circulated to senior management for their feedback before being presented to the USCAN HR team. The strategy document specifically addresses alignment with the business strategy and details the driving concepts for change management, making specific mention of transition phases needed for Compass.

**HR Management**

"HR is a mixed bag and many do not ‘get’ their role in transformational change. CIO’s focus on technology and HR focuses on the process. The business tends not to focus on the process and therefore blames the technology or the project management, but not the business change process." CIO

The previous VP HR had been very resilient to change. He did not involve HR in any areas of the business outside of compliance and administration, and had an autocratic style of management that did not favour commitment to change processes. Previously HR had not had to face significant change. "There had been little change to the business in 130 years. No change and therefore no requirement for change management. The only experience of change in HR was organisational structural change and so they now think that constitutes change management." reflected the CIO. In order to institute the changes that were required to maximise the potential of Compass and other proposed new IT systems (such as the new ERP system) it was critical to have more strategic HR input and someone who understood managing change processes. Consequently the VP HR was replaced with someone with a greater strategic focus and a background of involvement in major change processes.

The new VP HR came from a background of human resource management in manufacturing businesses. She had significant experience in large change manage projects.
Project Compass

"Compliance drives compulsion...you can’t afford to get it wrong" VP Research and Development

Project Compass was instigated as the result of legislative changes in Australia that required greater detailing of labelling to ensure that all ingredients were accurately recorded and available for consumer reference. The changed legislation also required Snax Ltd to audit the source of all inputs, an activity that potentially had a significant impact on current operational procedures. At the announcement of the changes Snax Ltd systems were not capable of generating the information required and product lifecycle systems did not have the capabilities to collect the data required. "R & D had no definitive handover systems with separate proprietary systems for each part of the process. Therefore there was no guarantee of information flowing from one stage of the process to the other" explained the CIO. "There was a difficulty in guaranteeing recipe integrity as it passed through each stage."

Prior to the legislation, labeling had been a manual procedure and exposed Snax Ltd to recalls through labeling errors. This risk was considered too great and left Snax Ltd too exposed. "We have a guy who has been doing the same laborious job for years. He looks at the recipe and determines the details for the labeling. He cannot make a mistake. The new system will get all the labeling information automatically" explained the VP Research and Development. "It (Compass) is potentially de-skilling but he has ownership of the databases and is a co-designer in the new system, not as a data-base designer but as a knowledgeable person for standards."

Initially proposed as a compliance project for Australia, the brief for Compass rapidly extended into a project of strategic significance with USCAN commitment that would enable Snax Ltd to manage the product lifecycle more efficiently and accurately. The current system required substantial amounts of manual keying across multiple data bases that held the ingredient information, recipes, and the research story that supports
development and care information. Compass would not only ensure compliance but would facilitate lower costs, global sharing of information and integrated customer needs.

The extended version of Compass would offer:

- Product life cycle recording and tracking
- A DSS that enabled ‘what if’ ingredient analysis
- Global sharing of information through compliance with USCAN platforms
- Direct shipment of data to large retail customers

The extension of Compass would enable Snax Ltd to incorporate the USCAN new product development system based on the US ‘Ideation’ system of idea generation, project approval, project release and mature product management. This system was designed to manage product life cycles more efficiently and at lower costs. By tracking all the data in one system investigations into lower cost alternatives and recipe options were easier and could also provide a tracing record for future research and thereby create more efficiencies. The current Snax Ltd new product development system is proprietary, however Compass would be built on the global USCAN platform that “would shrink the technical world enabling expertise to be shared more readily across US, Europe, Asia and the Pacific” explained VP Research and Development. The system will also integrate customer needs (eg. A major retail chain was looking for EANet to transfer shipment data). Snax Ltd would automatically be able to advise them about delivery contents, pricing, and other information requested, with the possibility to extend this service to other retailers.

While the project was only in the ‘Discovery’ phase with USCAN managing the expectations of the rest of the business, it provided an interesting lens through which to examine relationships and planning processes.
Discussion of Findings:

"People get very emotive about their processes. A US colleague called me very irate because he had heard about Compass and informed me that it was critical that the product specification documents must look identical to those he currently uses." Vice President R&D.

The Vice President R&D summed up the widely held beliefs in Snax Ltd when faced with the option of a new IT system. Many employees had long histories with the company and were deeply wedded to the existing methods of performing their tasks. Change was generally a threatening option and something to be viewed with deep suspicion, particularly if it originated from another business unit and even more so if it came from another country. HR themselves had been recent customers of change when USCAN implemented People-soft world-wide. Feeding off resentment about the USCAN purchase and taking advantage of USCAN’s failure to follow up implementation and usage, the previous VP HR at Snax Ltd installed the People-soft system with great reluctance and ran it with minimal usage. "There was no engagement from HR and therefore it just sat there," explained the current VP HR.

Alignment was repeatedly talked about at Snax Ltd and a consulting firm was engaged to regularly run alignment seminars for staff and management, facilitating discussion and opening communication channels. The senior management team met regularly to discuss management issues and to ensure that everyone understood the strategic issues. Both IT and HR strategies were written in the context of the Snax Ltd business strategy and the respective USCAN functional strategies. These indicators of intended alignment were apparent between IT and the business unit strategy, and also between HR and the business unit strategy. However, the intention to align HR and IT was less clear. The CIO was passionate about change management, and firmly committed to HR’s role in managing change processes to enable successful IT implementations. "Change management must be
driven out of the business, but HR must provide the tactics” explained the CIO. “IT is responsible for the physical tasks of change.” The CIO clearly felt that alignment with HR was critical for IT, but that it was imperative that the person in the HR role understood and could assess the requirements for change and implement them effectively. “The alignment is based more on relationships than systemic process”, commented the CIO in discussion about HR/IT alignment.

The VP HR was also committed to change management but viewed the HR and IT functions as providing support for the business. The ability to work with IT was clearly understood to be important, but would flow from alignment with the business unit strategy.

Figure 5.16 uses the alignment framework to clarify the lines of influence in the Snax Ltd strategy process and identifies alignment indicators.
USCAN Group Strategy
Rapid growth of international businesses through mergers and acquisitions

Snax Ltd HR Strategy:
Support the USCAN and WxPress strategies with increased skill levels and business involvement.

Snax Ltd (Business Unit) Strategy:
Further expansion of distribution through acquisition and sustained business growth.
Increase EBIT contribution to USCAN

Intellectual alignment indicators evident generally eg: written plans contain business strategic alignment references, external alignment facilitator retained, HR strategy refers to IT projects and their implications

HR strategy for Compass:
Previous HR management not involved in Compass. All people management issues addressed by line management or external consultants. New HR manager employed to execute change management strategies and will be involved in the implementation phase of Compass.

Project Compass (IT project) strategy:
Improve product lifecycle process
Reduce costs
Global sharing of product development information
Enable regulatory compliance

Social Alignment between IT and HR at the initial phase of Compass was severely restricted by a lack of strategic HR thinking and commitment. Under new HR management there was evidence of regular discussion between HR and IT.

Snax Ltd IT strategy:
Support the Snax Ltd strategic growth and cost reduction program, in line with the USCAN requirements for standardisation.

IT strategy for Compass:
Taking advantage of a regulatory change to develop compliance systems and extend them to a strategic project management system that conforms to USCAN requirements for global standardisation.

Figure 5.16: Analysis of Lines of Influence and Assessment of Intellectual and Social Alignment.
Using the Reich & Benbasat model of social alignment (Figure 5.17) the factors that enabled or inhibited the translation of management intent into executive understanding can be examined more closely.

**Intellectual Alignment**
Written and verbalised evidence of intended alignment throughout the organisation although no specific reference to HR and IT.

**Social Alignment**
CIO had very clear understanding of the HR strategy and the value of HR in IT projects.
Previous HR manager had no IT knowledge nor recognition of HR role in IT projects. New HR manager very committed to strategic involvement.

- Communication between IT and HR Executives significant
- Connections between IT and HR planning responsive to business planning needs and an understanding of each others strategies.
- Shared Domain Knowledge between HR and IT based on both the HR manager and the CIO's previous experience in major change management projects.
- Power & Influence. Strategic changes
- HR had a history of negativity and political strongholds. IT has dealt with very few major projects.

*Figure 5.17: Analysis of Enabling and Inhibiting Factors to Social Alignment (Reich & Benbasat, 2000) as observed at Snax Ltd*
(1) Shared Domain Knowledge

Neither the CIO nor the VP HR had worked in any other business roles other than their respective functional areas of expertise. However, previous involvement in major change management projects had exposed the CIO to a close working relationship with previous HR managers. The VP HR had no experience in IT management but was familiar with systems and the language of IT due to previous experience in large projects that had significant IT components and thus required organisational change management. Snax Ltd CEO had recently recruited the VP HR based on his previous experience working with her where they had implemented an organisation-wide change program in another company.

Neither the CIO nor the HR manager had previous manufacturing experience but they had both enjoyed close working relationships with the members of their executive teams in other organisations, involving overseas parent companies.

<table>
<thead>
<tr>
<th>HR executives</th>
<th><strong>Inter-functional knowledge</strong></th>
<th><strong>Business knowledge</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Medium</strong>: Personal IT interest, participation on IT project teams.</td>
<td><strong>Low to Medium</strong>: HR career only, no line experience but with significant knowledge of business issues and a wealth of change management experience.</td>
</tr>
</tbody>
</table>

| IT executives | **Medium**: HR involved in the IT function, IT had input into the HR strategic planning process, IT including HR in project teams. | **Low to Medium**: Regular attendance at business meetings and involvement in business planning. No manufacturing experience but an understanding of business requirements. |

*Table 5.14: Shared Domain Knowledge at Snax Ltd*

(2) History of implementation success

The CIO had worked with good strategic HR executives before and anticipated that HR could offer significant improvements to IT projects.
However, Snax Ltd had a very limited view of HR management based on a chequered history of experiences and HR’s varying levels of power and influence, which were based not on strategic value but on the nature of the relationship between the CEO and the HR manager. When that relationship was close, HR exerted significant power in determining executive’s future promotional possibilities. Now the requirements were for HR to have a more strategic input and the newly hired HR manager had that mandate.

The new ERP project shed some light on the impact of past success and failure. There had been significant debate over who should manage the ERP project. The CIO of Snax Ltd and of USCAN firmly believed it to be an IT role, however, the Vice President Strategy feared that it would then become an IT project as opposed to a business project and that would threaten management buy in. The project was deemed too important and with too many strategic implications to risk decisions being made without unanimous agreement and understanding of the implications from the management team. The Vice President Strategy had experienced the wastage of a CIO working without effective controls in the past and was unwilling to take the risk again, so there was a tussle for power over the management of the project. The VP Strategy had recently won the mandate to run the project. The ERP project would be headed by strategy, not necessarily because that was the right managerial and strategic path, but because previous experiences framed a view that suggested that this was a less risky formula.

The touch-point framework (Figure 5.18) indicates a limited history of implementation success or failure with the exception of the HRIS implementation. Perceptions of IT and HR had been influenced more by executives’ experiences in other companies rather than in Snax Ltd.
HRIS designed by USCAN. Implemented with resistance from HR at Snax Ltd and minimal use.

Human Resources  \[\leftrightarrow\] Information Technology

HR involvement in IT restricted to compliance

Limited new development of IT systems in the past

Little call for HR involvement due to the relatively stable history. HR likely to more involved as significant changes are implemented.

Information System End Users

Figure 5.18: Potential Touchpoints between HR and IT at Snax Ltd

Table 5.15 summarises the IT/HR history of implementation success. Specific inter-functional experiences did not seem to impact on perceptions of value as much as general business experience and reputation of each function.

<table>
<thead>
<tr>
<th>Inter-functional projects</th>
<th>History of Implementation Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT projects in HR</td>
<td>Poor: HRIS experience negative but this was based on negativity toward the imposition of the will of USCAN rather than reflecting on Snax Ltd.</td>
</tr>
<tr>
<td>HR involvement in IT</td>
<td>Poor: No HR involvement in IT. HR, under the original management, was not considered generally able to offer strategic value.</td>
</tr>
</tbody>
</table>

Table 5.15 Project history in Snax Ltd

193
(3) Communication

Communication and alignment is recognized as an important issue at Snax Ltd with a consulting firm engaged on a regular basis to arbitrate and generally improve all employees’ ability to work together and communicate effectively. The primary objective of the consultants is to align the business plans and activity through effective communication. Selected members from differing teams are brought together in groups to learn from each other and promote understanding and better working relationships.

Communication with USCAN, the parent organisation is also recognized as important and HR and IT both have functional conferences at least four times per year. The CIO is on the phone every two weeks ensuring that there is a regular two way flow of communication. In this way IT and HR have the opportunity to seek specialist functional support as well as interaction with the business team.

<table>
<thead>
<tr>
<th>Nature of the Communication</th>
<th>Examples of expected behaviour between HR/IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct communication</td>
<td>Informal interaction in the office</td>
</tr>
<tr>
<td></td>
<td>Management meetings</td>
</tr>
<tr>
<td></td>
<td>HR/IT meetings to assess implementation issues and predict and plan for the appropriate change strategies</td>
</tr>
<tr>
<td>Liaison role</td>
<td>IT business analysts working with HR to interpret needs for the new HRIS</td>
</tr>
<tr>
<td></td>
<td>HR executive assigned to IT people management...largely compliance focused</td>
</tr>
<tr>
<td>Temporary task forces</td>
<td>New ERP IT project has IT and HR representatives on the project team</td>
</tr>
<tr>
<td>Permanent teams/committees</td>
<td>Executive committee attended by both HR and IT</td>
</tr>
<tr>
<td>Integrating roles</td>
<td>IT and HR executives expected to work together to integrate their roles and ensure that their activities are aligned.</td>
</tr>
<tr>
<td>Managerial linking role</td>
<td>IT and HR functions report to the CEO and also to USCAN counterparts.</td>
</tr>
</tbody>
</table>

*Table 5.16: Communication between HR and IT in Snax Ltd*

Communication between HR and IT extended well beyond executive management meetings to regular discussions both formal and informal on project planning and implementation strategy. While this relationship was in its infancy, both the CIO and the HR manager independently expressed the need to work closely together. The recently
completed HR strategy had been discussed with the CIO during the planning stages and received strategic input from IT. Offices were located near each other facilitating an ease of informal discussion.

(4) **Connections in Planning**

Line managers at Snax Ltd not required to include IT in their strategy planning sessions, and while most chose to do so, others elected not to. "**IT must force its way in**" said the CIO. "**IT needs to be involved from the early planning stages in order to recognize strategic opportunities and plan for them**". The HR manager also described the HR involvement in planning as one of forcing access at early planning stages to identify and respond to people management issues. The autonomous nature of the operations managers required functional management to earn their respect and recognize their value at the planning table. "**There is a constant requirement to keep earning your seat**" explained the HR manager. "**When issues get to the regional management team then HR can jump in, but otherwise we need to keep close to the business, hear of issues and force our way in**".

All senior executives were involved in business planning and it was anticipated that the functional plans would assess the implications for their specialist interest and outline the appropriate response. Plans would then be ratified by the line management before being presented to the counterpart management in the parent company. There were no formal connection requirements between HR and IT planning other than the flow through from alignment with the business plan. However, the informal relationship and mutual respect between the more recently appointed HR manager and the CIO meant that there was considerable collaboration. Project teams for both Compass and the ERP systems involving both IT and HR cemented the planning connections. Table 5.17 outlines the planning connections between IT and HR and each of the functions and the business. Both IT and HR strategies were framed in a strategic contact with varying levels of connectivity. While there was no formal requirement for IT to have input into the HR strategy, the CIO’s input was sought and the impact of IT projects specified in the strategic document. The HR
manager described the process of strategic planning for HR as dependent on the business and the role for HR as one of supporting the rest of the business. IT, however, was certainly playing a more pro-active role at the time of writing with the technology enabling significant strategic change.

<table>
<thead>
<tr>
<th></th>
<th>HR/IT connections</th>
<th>HR/business connections</th>
<th>IT/business connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>No connection</td>
<td>HR and IT plans derived separately</td>
<td>HR plans and activities made independent of the business</td>
<td>IT plans and activities independent from the business</td>
</tr>
<tr>
<td>Utility</td>
<td>Connections based on admin/compliance requirements. No strategic connection.</td>
<td>HR focused on compliance and administration with no strategic context.</td>
<td>IT plans developed outside the strategic context. Admin/cost focused</td>
</tr>
<tr>
<td>Dependent</td>
<td>HR strategies derived from IT strategies, or IT dependent on HR requirements.</td>
<td>HR strategies responsive to business requirements and derived from current plans</td>
<td>IT strategies formulated in response to business strategic requirements</td>
</tr>
<tr>
<td>Enabling</td>
<td>Integrated planning processes with each function pro-active in enabling new opportunities</td>
<td>HR integrated into the business planning process and taking a proactive role where appropriate to lead strategic initiatives</td>
<td>IT integrated into the business planning process and enabling new strategic possibilities with technological innovation</td>
</tr>
</tbody>
</table>

Table 5.17: Connections in planning between IT and HR in Snax Ltd.

(5) Other Factors

Snax Ltd had been through a period of massive change. Not only did they now have a parent company to address but the basis of their competitive positioning was under threat. The following factors were identified as important to the alignment between HR and IT:

(a) Power and Influence

Snax Ltd had operated with the same systems and processes for the last 100 years. In a brief space of time they had come under a new owner with differing views and processes, and a changing market structure with a massive power shift in favour of the two major retailing groups. The ability of these retailing groups to demand changes to processes, and also
legislative changes was making it impossible for Snax Ltd to continue operations as before. A company that had known few changes needed support to plan and implement the large IT investments required to meet these challenges. Firstly, a new CIO was appointed who had significant experience in large enterprise wide system implementations and change management programs. She then drove the appointment of the new HR manager to help manage the change required. "The change must be managed and supported by HR and implemented by the line for it to be effective," she explained. So, from the outset the newly appointed HR manager and CIO were wedded to an aligned management style. There was no baggage of past experiences and, in fact, the CIO had very positive past experiences of HR involvement in IT projects. She viewed the HR involvement as critical to the projects success. The CIO had been instrumental in the HR appointment and had insisted on a very experienced executive who had worked through large change projects. The HR manager had also previously worked with the CEO previously so her expertise was well known to him and contributed to her power of reputation.

The proposed ERP project management debate was indicative of the organisations desire to be supported by IT and not lead by the IT project. The Vice President Strategy had fought hard to maintain management of the project to ensure that all organisational issues were addressed and that it became a strategic business project (rather than an IT project) that others could abrogate responsibility for.

(b) Strategic Changes

Snax Ltd was facing an era of massive strategic changes that would redefine their business dramatically. The challenge for the executive team was to maintain focus on their core business and ensure that it kept running profitably while they pursued an expansion plan of mergers and acquisitions, and restructuring business processes to meet regulatory and market requirements. Snax Ltd systems were archaic and business processes relatively manual and inefficient. The critical strategic questions facing the executive team at this time was how to balance the level of investment with the projected returns. They currently had a series of ERP systems all running in isolation with no way of creating a common
platform from any of them. However, the $20 million investment with no real measures of benefit (at least in the short term), was daunting. "The real danger", explained the Vice President Strategy "is that while we are trying to fix all this we take our eye off the ball and we end up with no business to fix."

These changes had necessitated the employment of different management in both HR and IT to meet the new challenges. Both of these appointments were executives who had significant experience in major change management programs and were committed to the need for IT and HR to work closely to ensure that their strategies were developed collaboratively. They both recognised the importance of HR’s integral involvement in IT initiatives in order to give consideration to all the strategic options.

**Summary of Insights from Snax Ltd:**

The following summarises the insights gleaned from the analysis of the Snax Ltd case, and the scenarios impacting on the alignment between HR and IT:

1. A major strategic change involving significant investment in IT and changes in the business process, had instigated a management re-assessment of the executives managing both IT and HR. Different skills and experiences were thought to be required to take Snax Ltd through the change process. Both the CIO and HR manager were replaced by an executive from another industry, but with experience in managing teams through major strategic change. The change of HR manager was largely driven by pressure from the new CIO whose past experience of successful IT implementation had relied heavily on strategic HR input.

2. Both IT and HR described having to force their way into project meetings and strategic planning sessions, either by developing personal relationships that facilitated their inclusion, or by use of their positional power. Use of central services, IT or HR, support was encouraged but still remained optional for each
manufacturing unit general manager. Therefore, alignment between IT and HR was non-systemic and reliant upon the personalities and skills of executives in each of those functions.

(3) Major IT projects required both the support of the local executive team and then ratification of the budget by the US parent, USCAN. It was suggested that simply getting IT strategy and budget approval was difficult enough, without having then to include strategic input from HR. Such input might add complexity and further risk factors that could cloud the approval process. Therefore, HR input was reduced to good news stories of potential staff cuts and cost savings. This minimised formal HR strategic input from the initial project detailing and strategic planning phase and forced HR to be reactionary in their response. Furthermore their involvement became more discretionary at implementation phases of the project.

(4) Positive past experiences of both the CIO and the HR manager working closely together in previous IT and HR positions, was driving the alignment in their new roles at Snax Ltd. This seems to suggest that historical experiences may well be critical in identifying, addressing, and assessing the alignment process in other situations.

(5) Projects vary in the expected impact on people management. In the case of Snax Ltd, the R&D manager recognised that there were likely to be changes in peoples roles and work requirements as a result of Compass but had not assessed them at the time of writing the case. However, the new ERP system was considered by all senior management to have significant implications for people management. The HR manager was clear in her strategic role on the ERP project and was involved from the initial planning phases, (her role was less defined in project Compass and more reliant upon informal relationships). While the timing of her appointment meant that she was not able to be involved in the early planning for Compass, it was
unclear whether she would have been involved even had she been in position. She was more likely to be in a responsive role rather than acting as a strategic partner.

Summary of Cases:

This chapter summarised the stories of four Australian companies. Each company had an IT project at varying stages of completion that impacted on the considerations effecting people management and strategy. While each story is different there are common threads which enable some insights into the alignment process between IT and HR. Chapter 6 explores this alignment between HR and IT further through cross case analysis.
Chapter 6: Cross Case Analysis

In this chapter the evidence from the four cases in the previous chapter will be grouped and analysed to address the three research questions:

- Is alignment between IT & HR perceived as important and if so, who is considered responsible for the alignment process?
- How might a business unit look in which IT and HR were aligned?
- What are the enablers and inhibitors to the alignment process?

The first two questions have been addressed in section one of this chapter as the concept of alignment is further explored, assessing the degree of alignment observed in the cases and creating a hypothetical picture of an organisation with alignment between IT and HR. Executives’ views on the importance of alignment were gathered and other evidence explored to support those views. The research framework was then extended to examine planning practices and to identify who, if anyone, in the organisation was charged with the responsibility of human resource management in IT projects. The second section in this chapter examines the relationships between IT and HR and identifies factors that inhibit or enable the organisation to achieve strategic alignment between them.

6.1 Importance of IT/HR Alignment

As the research progressed a clearer picture of alignment between IT and HR emerged along with executives’ perceptions of how important it was to performance. The theoretical framework (developed in Chapter 3) proposed a hierarchical planning process with input from both the corporate and business unit strategies. Alignment between HR and IT was then predicted to occur at both the intellectual (intended) level, and at a social level to capture the understanding of executives. The framework is reproduced in Figure 6.1 to better enable a discussion of findings relative to the theoretical model.
As the research progressed, the planning pathways became clearer. There was no indication in any of the four business units in the study, that input into the strategic planning processes of IT and HR would be likely to flow in both directions, as you might expect to see in the IT/Business strategy alignment or the HR/Business strategy alignment. If indeed there was any direct flow of information between IT and HR, it was a dependent planning process with HR assessing the impact of IT developments on the people management strategies of the firm. There was evidence of alignment between the IT/Business strategies and also between HR/Business strategies and, by default, some spin off evident between HR and IT (eg. Mb ank had a corporate strategy to increase opportunities created by technology to reduce costs and increase market share. The HR strategy to create a smarter workforce and the IT strategy of PC’s at home seemed to be well aligned to those corporate objectives and also to each other, although there was no evidence to suggest that there was any process of consultative planning to generate that HR/IT link), but any additional focus on HR/IT alignment was not common. Also while there appeared to be little contact between IT and

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9 This excludes information flow related to HR management of people issues in IT, or the development and implementation of IT systems for HR use.
HR when observing activities at the functional strategic planning stage, this did not necessarily mean a lack of alignment. In addition to the spin-off from corporate and business unit planning, people management issues were often considered elsewhere in the organisation working with IT strategic input e.g. line managers, project managers and/or change managers. HR involvement may be consultative and only evident at the project management levels. Figure 6.2 indicates the well documented and supported lines of planning influence and also those that were evident but varied, in both direction and strength of influence, between the cases.

![Diagram](image)

*Figure 6.2: Strategic Planning with Potential Directions of Influence for IT projects*

Each case was examined according to the directions of influence indicated in Figure 6.2 and there was evidence of written plans and understood intentions to align the IT and business strategies and the HR and business strategies. There was, however, little concrete evidence of any conscious actions to align the strategic objectives of HR with the
requirements of the IT strategy. While all executives acknowledged the importance of strategic alignment and particularly the value of ensuring that the people management issues were identified and addressed in IT projects, there was an assumption by most executives that the HR/IT alignment would fall out of the general management practices. There was little evidence of specific focus on the IT and HR functional alignment and, in fact, limited recognition of the role for HR in IT projects.

Table 6.1 summarises the evidence from each case. Snax Ltd, with a new HR manager and relatively new IT manager, had discussions during the HR strategic planning phase to facilitate an understanding of the implications on people management of the future IT direction, but no evidence of IT influence on the HR plans was found in any of the other three firms. Not one of the IT projects had HR representation on the IT project team studied, although future projects in the pipeline as the study was in its concluding phase, had HR representation in three firms. It is also interesting to note that these same three companies had changed HR management since the initial study. The management interviewed in each of the cases recognised the importance of having people management issues identified and addressed as an integral part of the IT project. However, they generally felt that these issues were recognised within the general management process. Line management was responsible for any training, recruitment, redundancies or re-organising of work in each of the areas impacted by the new IT system but there was no evidence in any of the cases (other than Snax Ltd) of any strategic analysis or planning by the HR management.

In all cases the CIO assumed that line management would assess and direct all implications for people management within the IT project studies. WxPress added an internal strategist to assess the potential strategic opportunities for HR in project assessments. Mbank established a project management team reporting to the line manager of the IT project with responsibility for the change management program. The manager responsible for the change management program was eager to point out that she was from an IT background and not connected to HR. The only involvement from HR in the e-mortgage system at
Mbank was in advisory capacity should the anticipated redundancies eventuate. Given that the anticipated opportunities for staff cuts did not present themselves, HR’s role was eliminated on the project.

<table>
<thead>
<tr>
<th>Case</th>
<th>Indicators of the importance of alignment</th>
<th>Executive(s) responsible for HR /IT alignment process</th>
</tr>
</thead>
</table>
| Mbank  | Recognised as important in the business with published statements of intent, training programs, regular strategic meetings. All executives expressed the importance of alignment generally. No specified focus on HR and IT (as was evident between IT/Business) | IT project/change manager  
Line management  
HR becoming involved more recently following a change in the HR management. |
| PFS    | Circular organisation chart and culture of co-operation and consultation. All executives recognised the importance of alignment between HR and IT. New CEO acknowledged that the HR/IT link was not as they would like. | Line management |
| WxPress| Corporate focus on centralised functional systems to gain group connectivity. People issues regarded as important to IT success by most executives but no evidence of HR/IT alignment activity | Line management  
HR involved in an advisory capacity in more recent times |
| Snax Ltd | Alignment consultants retained to focus on linking activities and ensuring communication and co-operation between executives. | Line management  
HR management |

*Table 6.1: Summary of Alignment Indicators and Executives Responsible*

PFS did not involve HR in IT projects other than in a regulatory advisory role and all recruitment, training and remuneration decisions were made by line management. Some discussion on these issues occurred at management meetings where HR would have the opportunity to voice an opinion, but the HR manager did not see her role as pro-active in IT projects.

WxPress executives were committed to the alignment of all activities in the firm and there was both documentary and verbal evidence to support this commitment. Executives met
regularly and worked closely together in strategic planning and implementation. The CIO and Manager Customer Services had each been with WxPress from its inception and worked closely together without ever having needed input from HR other than compliance advice. As the business model extended to international markets the informal alignment systems had to be codified into corporate procedure. HR now participates in an advisory capacity on IT project teams but the HR manager would anticipate that the line management in areas impacted by the project would have established and implement the people management strategies.

6.2 IT/HR Alignment

Evidence from discussions with the executives in the four cases gradually built a picture of a series of indicators that would be evident in a company where HR and IT was aligned.

- Evidence of intellectual alignment with the business unit strategies in both IT and HR. This may not be in the form of written plans, but may be indicated through internal consulting processes, reporting structures, regular meeting arrangements and other regular activities that suggest that the business unit strategic requirements are being considered in the activities of the HR and IT functions.
- Evidence of regular communication between IT and the executives focused on the people management of the organisation and responsibility for these outcomes.
- Business unit requirements that a representative from HR be included in all IT project teams.
- Evidence that the CIO understands the importance of HR strategies to effectively implement the IT strategy.
- Understanding by the HR manager or other HR responsible parties of the IT strategy and the implications of the strategy for the management of people in the organisation.
• Recognition by the senior executives that having HR strategies built around the requirements generated by changes in IT is critical to realising the rewards from the investment in the IT strategy.

6.2.1 Assessment of Alignment across the Cases

The four cases investigated were analysed according to the criteria above to create an indication of the degree of alignment between HR and IT. From this position it was then possible to examine the factors that contributed to executives understanding of alignment (i.e. social alignment) and the variables that promoted the development of HR strategies to meet the requirements of the IT strategy. Evidence was also gathered that indicated the executives’ current evaluations of the degree of alignment in their firms and used to compare self-reported perceptions of alignment with the assessment generated by the alignment indicators. Table 6.2 summarises the evidence from each case which is discussed in detail in the following paragraphs.
<table>
<thead>
<tr>
<th>Company</th>
<th>Alignment Level</th>
<th>Written Evidence in Plans</th>
<th>Regular Meetings Between HR and IT</th>
<th>HR Representation on All Project Teams</th>
<th>CIO Recognition of the Impact of the IT Strategy on People and the Person Responsible for Managing Those HR Factors</th>
<th>HR Understands the IT Strategy and the Implications for People Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>WxPress</td>
<td>HIGH</td>
<td>No HR plans. Evidence of IT aligned with business objectives.</td>
<td>Weekly executive meetings and project teams.</td>
<td>HR not represented on on-line project, but now included on project J.</td>
<td>People considerations acknowledged by CIO as important, responsibility of Customer Contact Centre.</td>
<td>HR dedicated to WxPress for 2 days per week and used on a needs basis.</td>
</tr>
<tr>
<td>PFS</td>
<td>LOW</td>
<td>No evidence of IT alignment in HR documents. General alignment only referred to in IT documents.</td>
<td>Weekly executive meetings. Regular informal discussions between IT and HR managers</td>
<td>HR not represented on IT project teams</td>
<td>CIO familiar with HR terminology, but HR issues to be addressed by line management</td>
<td>HR has little strategic input. Largely compliance and administration focused</td>
</tr>
<tr>
<td>Mbank</td>
<td>LOW but improving</td>
<td>General business unit alignment only in documents. Project management documents refer to training and introductory communication</td>
<td>Weekly executive meetings</td>
<td>HR not represented on e-mortgage project, but likely to be in future projects</td>
<td>CIO not concerned with people implementation issues and considered them to be the responsibility of the business. Project manager (IT executive) appointed to manage the change process reporting to the technical delivery manager</td>
<td>Previous HR reported to central services and not strategically focused. Current HR manager from the mortgage business and more aware of strategic issues</td>
</tr>
<tr>
<td>Snax Ltd</td>
<td>LOW but improving</td>
<td>General business unit alignment in IT and HR documents.</td>
<td>Weekly executive meetings. Regular informal meetings between HR &amp; IT. Project meetings</td>
<td>HR now represented on all IT projects. Previous HR management not represented on Project C</td>
<td>CIO very aware of the requirement for HR to align strategies and take responsibility for change management programs</td>
<td>HR works closely with IT to understand the implications of proposed changes. Reliant upon IT to identify the issues, then HR will implement</td>
</tr>
</tbody>
</table>

*Table 6.2: Alignment Indicators*
6.2.2 Self Reporting

While self-reporting criteria were recognised as inherently problematic (Reich & Benbasat 1996, p70), the ratings were valuable as an assessment of the executives' interpretation of the situation and could be used as a comparison based on the expected picture of alignment. In addition to asking the question "Are the HR strategies constructed to ensure that the changing requirements of the IT strategy are aligned with people management?", evidence in general conversation was gathered to validate the interviewees' response. Each respondent was asked to rate the organisation's degree of alignment but not provided with a rating framework. In this way it was possible to get feedback on the criteria they used to rank the degree of alignment. Reich & Benbasat (1996, p70) found some muddying of the waters in self-reporting of linkage with interviewees often rating their ability to work closely with the other executives in question, rather than answering the question intended, requiring an assessment of how closely business and IT plans were linked. In discussions of HR and IT alignment it was difficult to separate these two issues and information gathered during self-reporting levels revealed that due to the lack of systemic processes, alignment was largely determined by the personal relationship between the HR and IT managers. There was little variance in the perceptions of the interviewees in each site as indicated in Table 6.3 and the final rating assigned to each case was based on a consolidation of views with additional information used to reach an assessment where there were conflicting views.

While there was enough consistency in self-reporting across each site to make an overall site rating judgement, the information gathered in each site on who was responsible for ensuring that people issues were considered in IT project implementations, did not find consensus. Not only was there a lack of consistency across sites, but there was a considerable lack of clarity on who took responsibility for the people issues in IT projects within each site examined.
<table>
<thead>
<tr>
<th>Case</th>
<th>Ratings</th>
<th>Comments</th>
</tr>
</thead>
</table>
| WxPress    | CIO (High)  
CEO (High)  
HR (High)  
e-commerce Manager (Medium)  
Customer Service Manager (High) | Generally executives ranked the alignment as High, although the e-commerce manager had a lower perception based on her specific involvement in the on-line project. Ranking left as high but with reservations further explored in the extended analysis. |
| PFS        | CIO (High)  
CEO (Low)  
HR (High)  
Customer Service Manager (High) | Additional evidence indicated that IT and HR were rating their personal relationship as a result of HR working on people issues in IT. HR had no input in projects nor the IT strategy. Line management considered all the people issues and therefore selected a high rating. The CEO's rating was considered to be the more accurate of the self ratings. |
| Mbank      | CEO (Low, improving)  
HR (Low, improving)  
CIO (Low, improving)  
e-mortgage manager (Low, improving)  
e-mortgage project mgr (Low) | Low ratings consistent with the activity reporting. Change of HR manager has established greater trust and credibility in the relationships and increased potential alignment. |
| Snax Ltd   | CIO (Low, improving)  
HR (Low, improving)  
R&D (Chequered, improving)  
Strategy Mgr (Low) | Low ratings with change of HR manager signaling higher potential alignment. Activities to date justify the confidence that higher alignment is being attained. |

Table 6.3 Self-reported Alignment Ratings

6.2.3 Written Evidence

Written evidence collected included public records (eg: annual reports, newspaper articles, internet reports, etc), strategic plans (where possible), project planning documents and, in one case, a written project assessment report. The documents were scanned for evidence of the intent to align HR and IT with both the business and each other (intellectual alignment) and also for evidence that executives understood the organisational impact of the IT strategy (social alignment). Written strategies were not available for IT, HR and the business unit at every site. In some cases strategy documents were given readily, others had
to be viewed on site, and others were discussed verbally either because they had not been written or because they were considered too confidential to be released.

(a) HR Strategies

The larger business units of Snax Ltd and Mbank had written HR strategies detailing goals developed out of the business strategies. Snax Ltd had a very detailed HR strategic document that was written by the HR manager and was in the process of being ratified and amended by both the executive management team and the senior HR staff, before being presented and integrated into USCAN's worldwide HR strategy. Business strategic statements were operationalised by the HR manager in terms of the implications for HR and a series of objectives established. Gaps were identified between current HR activities and the requirements of the business strategy and steps identified to bring HR into closer alignment. The current lack of HR involvement in change management was identified in the strategic document and IT projects such as Compass identified as requiring dedicated HR involvement to ensure successful implementation. Low HR skill levels were specifically addressed in Snax Ltd and while that was not identified as an issue in the Mbank strategy, the inhibiting factor imposed by the low HR skill base in Mbank was expressed verbally by the HR manager. The Mbank HR strategy document was not as detailed as Snax Ltd, identifying skill and cultural gaps that were critical to achieving the Mbank strategic objectives but largely driven by the central HR company-wide strategy. There was no specific mention of IT projects.

WxPress did not have an HR strategy document and PFS had a presentation document that briefly outlined the HR objectives. This document had been prepared as part of the executive planning process as a result of participation in that process by the HR manager. There was no specific reference to IT projects and statements were of a very general nature.
(b) IT Strategies

IT strategic plans were published in all sites but with varying degrees of detail and focus and the documents pertaining to the project selected in each site tended to be more informative than those of the general business unit. Mbank had a particularly detailed planning document (Road Map) for e-mortgage that positioned the project within the structure of the business unit objectives and considered the strategic implications of the project from the perspectives of the staff, customers and business partners. The Customer and Partners perspective indicated an understanding of the role for the e-mortgage system in the Mbank strategy to grow the business through increased customer satisfaction (e.g. speed of processing, access to information, easy access to the application procedures and competitive pricing. References to staff included training, up-skilling, increased job satisfaction and a cultural focus on empowerment. Again, these were closely aligned to the central and business unit strategies. The Organisational Change Strategy documentation focused on training, communication, user acceptance and maintaining the “least possible impact on staff”. This was a detailed document largely focused on timetables for training and communication which were detailed as the panacea to manage the change process with a focus on timetables and costs.

The other sites did not have the detailed documentation that Mbank published, although the Snax Ltd project was still in its infancy and the level of detailed written plans likely to be forthcoming. The Snax Ltd IT plan included significant attention to organisational issues in alignment with both the business strategy and the USCAN IT world-wide IT strategy. PFS had a written IT strategy with close ties to the business unit strategies and the requirement to seek IT drivers from the strategic focus of the business. Organisational issues were addressed in terms of the business relationship management program which was targeted primarily at IT development phases and identifying on-going user issues for both technical and training solutions. WxPress did not share their written strategy but verbally indicated close ties to both the WxPress strategy and the parent IT strategy. Organisational issues
were training focused and regarded as the responsibility of the line. The on-line project manager similarly expressed organisational considerations in training terms.

A comparison of the written documentation across the sites is represented in Figure 6.3 where an assessment has been based on written references in published documents.

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snax Ltd</td>
<td>Implications of IT strategy in HR plans, and organisational issues identified in the IT strategy. IT Project plans address HR issues. Both plans aligned with Business Unit strategy</td>
<td>No mention of the IT strategy/projects in the HR strategy. Organisation issues addressed in IT strategy. Some HR issues addressed in IT project strategy. Both IT and HR aligned to Business Unit strategy.</td>
<td>No indicators of IT projects in HR strategy, and few references to organisational issues in IT strategy. No alignment</td>
</tr>
<tr>
<td>Mbank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WxPress</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Figure 6.3: Alignment Indicators between IT and HR in the Written Documentation of Sites.*

### 6.2.4 Regular Meetings

In every business unit, regular executive meetings were relied upon to deliver internal functional alignment and in each case both IT and HR were represented on the executive management team. These meetings were used for strategic planning purposes as well as
operational issues and there was intent in every business that they should provide the forum to understand the issues faced by each executive and work together to solve them using the resources of the business unit. In addition to these IT and HR in three out of the four cases had regular meetings with their parent company counterparts. The contact hours varied (from weekly for WxPress, to quarterly for Snax Ltd) and were augmented by more frequent phone calls and informal discussion. PFS had a more remote relationship with the parent companies and with the exception of the CEO, restricted their contact to annual strategy meetings and adhoc contact surrounding specific issues.
Specific HR/IT contact was only found in project team meetings where HR was invited to the party and more informal discussions facilitated by personal relationships and office location. Mbavk had IT and HR located in two separate buildings several blocks apart which did not allow for any casual “coffee machine” type conversations and provided scant opportunities for more informal business relationships to grow. The other three sites all had IT and HR on the same office floor and thus conversations and discussions tended to take place in less formal settings than the executive meetings. In the business units where line management were considered responsible for all people management issues connected to IT implementations, meeting time was generally restricted to executive updates and planning sessions and project team meetings. In the two larger business units, line management were in different office locations than those of HR and IT management, WxPress had the customer service centre in the same building but on a different floor and PFS were all located on one floor, so therefore opportunities for informal contact varied across the cases.

6.2.5 Project Team Representation

HR was not represented on any of the project teams examined although with the new HR appointments in three of the cases, this situation was rapidly changing. Snax Ltd, Mbavk and WxPress all had major IT projects at early stages in the latter part of this research and the HR manager had a seat at the project planning table. People management issues were considered in varying ways on the project teams as summarised in Table 6.4:
<table>
<thead>
<tr>
<th>Projects:</th>
<th>Executives on the project team</th>
</tr>
</thead>
<tbody>
<tr>
<td>WxPress: Online customer sales project</td>
<td>e-commerce Manager, IT representative, Customer Services Manager</td>
</tr>
<tr>
<td>PFS: Project Won</td>
<td>CIO, CEO, Customer Services Manager, Manager e-commerce, 2 IT staff and 9 IT consultants.</td>
</tr>
<tr>
<td>Mbank: e-mortgage</td>
<td>CEO, Manager Mortgage Processing, CIO, Project manager and the consulting team representatives.</td>
</tr>
<tr>
<td>Snax Ltd: Compass</td>
<td>CIO, HR, R&amp;D Manager</td>
</tr>
</tbody>
</table>

Table 6.4: Executives assigned to the IT Project Management Team for each Business Unit studied

The WxPress project also had input from the Internal Strategist whose job it was to assess internal capabilities and identify gaps and potential opportunities. It is unclear how much input he had into the on-line project, but it appears to have been minimal after the initial conception stages. There was significant reliance upon the Customer Services Manager to consider the people management issues. His intimate knowledge of the business and his operation made him confident in the implementation and on-going management of the on-line project. PFS relied on the line input to assess the people management issues which were largely confined to the identification of training requirements. User satisfaction feedback loops were implemented for both technical issues and training purposes but there was little strategic IT focus beyond the immediate operational issues. At Mbank the failure to focus on strategic HR issues in the project planning phases was disastrous for the implementation of e-mortgage with significant user resistance, few cost savings and on-going issues caused by user difficulties. Line management and project planning representation were neither qualified nor experienced enough to add strategic HR input and focused all their energies on dealing with cost and time over-runs. Snax Ltd did not have HR representation on IT project teams in previous small IT projects, however, a change of management and an increased focus on the strategic input of IT had brought HR to the project management table. Projects currently in progress at the time of writing the case all had HR representation on the project team.

All business units identified the calibre of the HR manager as the reason for his/her omission from the project team. With the exception of Snax Ltd, the idea of including HR
on the project team had clearly not been considered. Interviews with line management and CEOs revealed a similar view of the HR manager’s role on the IT project. They perceived HR as unlikely to add value and, in fact, based on past history likely to be obstructive to the new opportunities under exploration. The new HR managers in three sites, had considerably more business experience than their predecessors and were very determined to have a voice in IT projects. “We have to force our way in (to project teams), but once there you should be able to look around the table and not know who the HR manager is”, explained the HR manager Snax Ltd when discussing the amount of business experience necessary to have a voice at the management table.

6.2.6 CIO Recognition of People Management Factors

With the exception of the CIO at Snax Ltd, none of the CIOs interviewed considered the people management issues to be their area of responsibility. They considered line management to be responsible for assessing the impact of the technology and managing the people issues to ensure that the system was accepted and used the way it was intended to be used. All of them had a very project based view of their role with clear boundaries around their areas of responsibility. HR was only considered in terms of the people needs of the IT department and varying past experiences did not generally paint HR in a very favourable light. The CIO at PFS did have a more favourable view of HR due to his regular contact with the HR manager in an attempt to improve the people issues in his own department as a part of the transition from the previous CIO. Although he expressed more knowledge of HR practices and roles than at WxPress and Mbank, he still identified line management as responsible for the people issues surrounding the IT strategy and did not include HR on IT project teams.

The CIO at Snax Ltd had previous experience of large change management projects and had worked with some very experienced and active HR managers, so regarded HR as a critical IT partner. She had positive experiences of working with HR and some close
personal relationships. She identified the lack of IT and change experience of the previous HR manager at Snax Ltd as a major inhibitor to the ability for IT and HR to work together.

6.2.7 HR Understanding of the IT Strategy

In all business units the HR manager could speak knowledgeably about the Business Unit strategy and was involved in the strategic planning process. With the exception of PFS, all had a central responsibility as well as a local business unit focus and the division of their time between the centre and the business unit varied from three days per week with the parent organisation (in the case of WxPress) to weekly (Mbank), biannually(Snax Ltd) and annually via general management (PFS). WxPress and Mbank both had significant operations experience and were IT literate and could speak quite knowledgably about IT projects and opportunities. They were familiar with IT terminology and were comfortable talking about IT projects. Snax Ltd HR manager did not have the business experience of the other two, but her experience with large change management projects had also made her very comfortable with IT terminology. This familiarity was not true of their predecessors. Mbank central HR manager observed that “In general our people are not particularly technical or banking sophisticated, but they are smart HR people and able to apply HR skills effectively”. The HR manager at PFS confessed that she had little IT literacy and did not understand the language of IT often. “I force them to speak in plain English so that I can follow the conversation” she explained.

6.2.8 An Assessment of the Alignment between IT/HR across the Sites

The indicators identified above were used to provide an assessment of the nature of the IT/HR alignment in each case for the purposes of identifying the factors that contribute or inhibit the alignment process. Descriptive assessments were applied as opposed to the rating system applied by Reich & Benbasat on the basis that the descriptions provided a more detailed insight into a more complex relationship than the IT/business strategy
alignment issue proposed by the original authors. Table 6.5 summarises the alignment assessments for each case.

<table>
<thead>
<tr>
<th>Cases</th>
<th>Alignment between IT &amp; HR assessment:</th>
</tr>
</thead>
</table>
| WxPress | Intended in a general context to align all functional strategies with the strategic directions of the business.  
Non-systemic  
Project dependent  
Personality dependent  
Devolved to the line with HR guidance |
| PFS | Intended in a general context to align all functional strategies with the strategic direction of the business.  
Non-systemic  
Personality dependent  
Devolved to the line & largely interpreted as training.  
Recognised by CEO as problematic. |
| Mbank | Specific indicators of HR/IT intended alignment.  
Non-systemic  
Personality dependent  
Change management program based in IT and interpreted as training.  
Recognised by CEO as problematic and new HR appointment and reporting lines implemented. |
| Snax Ltd | Specific indicators of intended HR/IT intended alignment.  
Non-systemic  
Personality dependent  
New CIO and HR appointments |

*Table 6.5: Descriptive Assessment of HR/IT Alignment*

Despite indicators in written statements and discussions that alignment was intended between HR and IT, either within the overall organisational management culture or given specific recognition as important, there were no systemic processes in place that ensured HR input into IT strategies and projects. Any strategic alignment observed was based on personal views of the HR managers’ competencies and ability to add value. This was highlighted in three of the cases as the replacement of the HR manager with a more experienced person immediately gave them a voice at the strategic planning table. Previous HR managers in those business units, while having a seat at the executive table, were not given an influential voice evidenced by their absence from the IT project team.

People management issues were generally interpreted as implementation and devolved to the line where a training schedule was established. While the training process assisted in
the short term with implementation, the IT systems had not realised their expected returns in three business units, with the fourth dramatically changing its approach as they embarked on a major strategic change program facilitated by new IT opportunities.

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Business issues associated with the IT project assessed</th>
<th>More recent action to rectify</th>
</tr>
</thead>
<tbody>
<tr>
<td>WxPress</td>
<td>No growth in on-line sales</td>
<td>New system being developed and installed to facilitate up-selling by projecting from customers existing profile and matching with other similar profiles. Full time HR Manager replaced with a more senior and experienced manager part-time with balance of time at the parent organisation.</td>
</tr>
<tr>
<td>PFS</td>
<td>Large backlogs of work due to increase in work complexity and customer service staff being overwhelmed. Tandem system developed to handle situations that Project Won was not designed to handle.</td>
<td>Created a separate unit to deal with backlogs and restructured the current work processes. Over 50% of management team changed, including CIO and CEO. Greater focus on compliance and monitoring of performance. Increased experience levels of staff through training and recruitment.</td>
</tr>
<tr>
<td>Mbank</td>
<td>Failed to meet expected costs savings. Slowly improving customer satisfaction and increasing revenue.</td>
<td>Change of HR management and reporting. Increased focus on implementation issues. Technical enhancements.</td>
</tr>
<tr>
<td>Snax Ltd</td>
<td>Growth strategies by M &amp; A requiring much greater focus on IT and change management processes. Recognised as not possible under the existing management.</td>
<td>New CIO and more recently new HR Manager to facilitate strategic development. Both employed with significant experience in change management and knowledge of each others functions.</td>
</tr>
</tbody>
</table>

Table 6.6: Indicators of the Impact of Lack of Alignment between IT and HR.

While it would be unreasonable to suggest that the alignment between HR and IT was solely responsible for difficulties in realising the expected benefits from IT projects, it is reasonable to suggest (supported by the changes in HR management in three cases, and the fourth searching for more senior HR input) that the business units inability to interpret the people management issues connected to the new IT developments was significant. In each business unit the HR manager was not considered experienced enough to understand the business issues and make a positive contribution to the change process involved in the new IT systems and the role of assessing and managing the people issues was assigned to line management. "It is no good assigning the responsibility for the people management issues
and change process to the line manager because more often than not, it is the activities and responsibilities of that very person that have to change the most. The hardest thing for line management to let go of, is the power that comes with having more experience and knowledge than their staff. When everyone has access to the knowledge and the system takes over much of the processing, the line manager is left searching for a new role and more often than not, they will hold on to the existing one", explained the CIO at Snax Ltd when questioned about the line manager taking the HR role on IT projects.

On the basis of the assessments above the cases were positioned on a spectrum of alignment:

![Diagram](image)

Figure 6.4: Indicators of the Assessment of the Current State of IT/HR Alignment with Directional Arrows indicating Evidence of Movement

The more detailed and triangulated assessment above would largely support the self reported levels of alignment in all cases except WxPress who ranked themselves as having a high degree of alignment. The assessment tools that have been used suggest that this is an optimistic view and perhaps biased by some of the well documented weaknesses in the self reporting measuring tool of recall and reluctance to admit to the downside of management practice. While there were some indicators of more recent moves to align HR and IT with
the latest IT project at WxPress, at the time of the research the indicators suggest that alignment was relatively low and non-systemic.

6.3 The Enablers and Inhibitors to Social Alignment

While the first phase of analysis evaluated the alignment between HR and IT across the four cases, it was clear that a greater understanding of how organisations align, or fail to align, the two functions was of greater interest in these discussions. However, it was important to have the first conversation in order that we may enjoy the second. Once a picture existed that indicated the nature of alignment between IT and HR, the Reich & Benbasat framework provided a valuable lens through which to examine the factors that influence the understanding of ‘executives’ in the strategic alignment process.

![Diagram of Social Alignment]

*Figure 6.5 Framework of Social Alignment (adapted from Reich & Benbasat, 2000)*
The framework is repeated in Figure 6.5 for ease of reference and each factor discussed in the context of findings from the four cases. An analysis of findings across the cases supported this framework and added other dimensions as the model was adapted to understand the relationship between HR and IT.

In Chapter 5 evidence from each site was collected and discussed in the context of the framework in Figure 6.5. Those findings have been analysed across the cases by "partitioning and clustering" (Miles & Huberman, 1984, p152) the data. The analytic categories were determined firstly by the constructs of the Reich & Benbasat (2000) framework, and secondly by additional categories that emerged from the data (Miles & Huberman, 1984). The additional factors that emerged from each case were clustered into meaningful groups with like characteristics to extend the social alignment framework to provide a useful tool for understanding the IT/HR alignment process.

6.3.1 Shared Domain Knowledge

"HR needs business training and/or line management experience. My experience tells me that the profession as a whole, is weak in change management skills and does not have the credibility or support of the line to play this role." (David Logani, 1998 p260).

Shared Domain Knowledge was examined through discussions with executives to determine their level of knowledge of IT, HR and the business. Although the primary targets for these discussions were IT and HR managers to ascertain their respective degree of cross-functional knowledge, it was also found to be important to discuss cross-functional knowledge with line management or strategic planners who may be assuming responsibility for the human resource management function in IT projects. IT knowledge was conceptualised as (1) work experience in an IT role, or involvement in the planning of IT projects and (2) personal confidence in IT use. HR knowledge was similarly assessed as either (1) work experience in an HR role or involvement in the human resource issues in
past projects, and (2) general familiarity with HR terminology and concepts. Both were additionally assessed in terms of their knowledge of the business and past industry and general business management experience. It was anticipated that the more cross-functional and industry knowledge IT or HR executives had, the more likely they would be to have a greater understanding of implementation issues and the closer the alignment would be between the two functions (Rothwell, et al., 1998).

Each category was examined and findings grouped for cross-case analysis. In addition a rating (low, medium or high) was assigned according to the criteria presented in Chapter 4. These ratings proved useful for further grouping and analysis of cases. Results are summarised in Table 6.7.

<table>
<thead>
<tr>
<th>Cases:</th>
<th>CIO’s knowledge and experience of HR</th>
<th>HR manager’s knowledge and experience of IT</th>
<th>CIO’s industry/business unit experience</th>
<th>HR Manager’s industry/business unit experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>WxPress</td>
<td>IT background 18 years at WxPress. No HR or line experience Would expect the line management to consider HR issues related to IT changes. LOW</td>
<td>Recently joined the parent group and WxPress. Reasonably comfortable with IT terminology and concepts. Not involved in IT people issues. LOW</td>
<td>18 years with WxPress Significant exposure to general management issues. Intimate knowledge of the industry and business. High degree of reliance on the Head of Customer Service for people issues MEDIUM</td>
<td>Past experience in both HR and line management roles in FMCG companies. Some industry knowledge relevant to WxPress but new to the business. LOW moving to HIGH</td>
</tr>
<tr>
<td>PFS</td>
<td>IT background with no HR experience. Very familiar with HR terms and activities due to the close working relationship based on people management requirements in the IT</td>
<td>No working knowledge of IT and low level of personal expertise and/or interest in IT. Considered HR issues in IT based projects to be the responsibility of IT to identify and call on HR if required.</td>
<td>Telecommunications background with no working knowledge of the superannuation or financial services industry. Took over the CIO position from a very experienced executive from the US parent company.</td>
<td>HR background. No line management or financial services experience.</td>
</tr>
<tr>
<td></td>
<td>Department. Considered line management to be responsible for HR in IT projects. <strong>MEDIUM</strong></td>
<td><strong>LOW</strong></td>
<td><strong>LOW</strong></td>
<td><strong>LOW</strong></td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>--------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Mbank</strong></td>
<td>IT background in finance sector. Recently joined Mbank from a consulting firm. No working knowledge of HR and would not expect to need any exposure to HR. Implementation issues viewed as the responsibility of the Mbank operation. <strong>LOW</strong></td>
<td>HR and banking experience with some exposure to IT management. Comfortable with technology use and some understanding of IT issues. <strong>LOW - MEDIUM</strong></td>
<td>Financial services and consulting background from an IT perspective. Industry familiarity and understanding through the IT lens. <strong>LOW</strong></td>
<td>Line management experience in both the Bank and Mbank. HR experience in the Bank central services so had a wealth of experience in both specialist HR roles and line management in the company. <strong>LOW moving to HIGH.</strong></td>
</tr>
<tr>
<td><strong>Snax Ltd</strong></td>
<td>IT background with significant experience in large change management processes. Very familiar with the role and responsibilities of HR and has worked closely with HR managers in the past. <strong>MEDIUM</strong></td>
<td>HR background for 18 years. Experience in major change projects with close working relationship with IT. IT literate and comfortable with terminology and IT project strategies. <strong>MEDIUM</strong></td>
<td>No previous FMCG experience. Background in financial services and the leisure industry. <strong>LOW moving to MEDIUM</strong></td>
<td>HR background in manufacturing businesses. No line management experience but senior positions in change management processes involving large, complex HR issues. <strong>LOW moving to MEDIUM</strong></td>
</tr>
</tbody>
</table>

*Table 6.7: Cross-case view of Shared Domain Knowledge*

Shared domain knowledge was found to be significant in the ability for business units to align HR with the requirements of IT. In Snax Ltd where both the CIO and the HR manager had considerable experience in large change programs with a significant IT contribution, although minimal industry experience, there appeared to be more evidence of alignment. In both Mbank and WxPress, there was a significant increase in IT/HR alignment once the HR
manager was replaced by someone who was more experienced in the strategic HR tasks. In the case of Mbank, the new HR manager had significant industry experience and so was welcomed to the e-mortgage project by the line manager of that project who had considerable trust and belief in her. The HR manager at WxPress had less industry experience but was more comfortable with strategic HR management issues and the implications of IT projects.

The HR knowledge of the CIO seemed intuitively less important reflecting the more dependent role of HR. Results, however, do indicate higher alignment in Snax Ltd where the CIO had more knowledge of HR and was determined that the HR link was crucial to IT project success. The CIO at Snax Ltd was instrumental in forcing a change of executive in the HR managers role in order to manage the change process required. She did not believe that line management could achieve the people management strategic planning and implementation required without the strategic input and commitment from HR. PFS, however, also had a very HR literate CIO who worked closely with the HR manager and had a clear understanding of the principles and strategies of HR. However, he too delegated the people issues in Project Won to the line management, choosing not to interpret the IT requirements for people management and not to involve HR in the project. The alignment assessment for PFS is low on the scale, indicating that the technology implementation knowledge held by the HR manager is perhaps more critical.

The discussions will return to the importance of shared domain knowledge in the analysis of the impact of communication, connections and power on social alignment.
6.4 History of Implementation Success

Organisations can become trapped by their own histories and people carry expectations based on the past that determine their views on what is, and isn't possible (Pfeffer & Sutton, 2000).

The purpose of examining implementation success was to ascertain whether past experiences, positive and negative, coloured the views of IT and HR executives when they each considered the relative levels of credibility and value that each other could contribute (Pfeffer, 1994). It was quickly discovered that executives were very forthcoming in the value that they attributed to HR and IT executives and that they tended to naturally frame their descriptions in the context of past projects. There was a plethora of negative stories about HR experiences with line and general managers drawing not only from experiences with the business unit in question, but also from experiences in previous companies. HR were often viewed as negative, obstructive, and meddling and there were numerous accounts of past experiences where executives did all they could to avoid using HR. There was evidence of the changing power of HR in the organisation with the relationship between the senior management of HR and the CEO cited as critical to the power base of the HR executives. The two larger sites of Mbank and Snax Ltd relayed stories of the history of power in the relationship between HR and the CEO, where HR largely determined the career potential of executives. Under this system HR management was handled with extreme care which tended to establish a history of compliance based on caution, rather than one of mutual respect based on business acumen.

IT, HR and other executives were asked to comment on the history of IT and HR in the business unit and comment on past success and failures, and their views on the difficulties that may have occurred. IT and HR were specifically asked to comment on “touch-points” that may have brought the two functions together in the process of providing services for each other eg: IT developing and implementing an HRIS for HR, or HR providing people
management skills to the IT department. It was anticipated that past experiences may effect communication between the two functions and ultimately the degree of social alignment. A ranking was attributed to each of the categories of analysis as described in Chapter 4 to help with the analysis process. Table 6.8 summarises the findings and rankings.

<table>
<thead>
<tr>
<th>Implementation success indicators:</th>
<th>IT project history in HR</th>
<th>HR involvement in IT people issues</th>
<th>Perceptions of IT success in the business unit</th>
<th>Perceptions of HR in the business unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WxPress</strong></td>
<td>No past history. PeopleSoft in early stages and implemented at corporate level.</td>
<td>No past history and HR expressed a reluctance to get involved due to a lack of experience and understanding of their issues which tended to be very different from the mainstream business.</td>
<td>CIO well respected and IT highly regarded in the firm. IT not as integrated into the business unit as other functions. Only recently have IT staff been included in barrel tastings and commenced wine education activities.</td>
<td>Previous HR management regarded as administrative and rule driven with no potential to add value beyond compliance. HR strategic functions managed at line level. New HR manager more strategically focused and respected by the business as an informed advisor.</td>
</tr>
<tr>
<td><strong>POOR to SATISFACTORY</strong></td>
<td><strong>POOR</strong></td>
<td><strong>SUCCESSFUL</strong></td>
<td><strong>POOR</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PFS</strong></td>
<td>No past history. HRIS in early stages of development and HR working closely with IT in briefing stages.</td>
<td>Very close working relationship with IT due to major HR issues as a result of the new CIO. High mutual respect between CIO and HR manager. HR involved in all IT recruitment and staff development.</td>
<td>The relatively short history of PFS has meant there had been no IT issues to deal with, however, recent developments have indicated some major IT problems with resulting management changes.</td>
<td>Regarded as a more junior member of the management team. Relatively new to the organisation and to date had been active largely within the IT department. Customer Services had no active relationship with HR.</td>
</tr>
<tr>
<td></td>
<td><strong>SUCCESSFUL</strong></td>
<td><strong>SUCCESSFUL</strong></td>
<td><strong>SATISFACTORY</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Mbank</strong></td>
<td>Significant problems with the installation and effective use of PeopleSoft. IT not regarded highly in the implementation of this project and not valued in their</td>
<td>Some HR involvement in IT but with limited success. HR not regarded highly and viewed as adding little value and having limited understanding of</td>
<td>IT perceived as very competent and effective at delivering robust, successful IT product. They have a reputation for delivering late and over budget and for</td>
<td>Previous HR management in Mbank was regarded as obstructive and negative. HR input on projects would be avoided if possible. New</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>SATISFACTORY</strong></td>
<td></td>
</tr>
</tbody>
</table>

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| Snax Ltd | People Soft forced on HR from the parent company and accepted with reluctance and active opposition. Revised version being embraced by new HR manager with a significant commitment from HR executives in its design and future use. | There was an HR person appointed to Central Services who responded to all requests for HR assistance with IT people. She came from a finance background previously with Snax Ltd and was well respected by the business groups she dealt with. | IT had a mixed bag reception in Snax Ltd. Some operational units included them in all strategic planning sessions, others had to be coerced and IT had to "force their way in". There had been some resistance to systems felt to be "forced upon" Snax Ltd by USCAN. New CIO better received and included. | HR power in the organisation has in the past relied on the relationship between the CBO and the HR Manager, and based on influence over career opportunities. HR has little strategic input and has been largely compliance and IR focused. New appointment inspired by the need for input to future change management processes. |

*Table 6.8 History of Implementation Success*

All four cases ranked the perceptions of HR in the business as poor and in three cases there has been a change of HR manager within the last 2-3 years, based on the assessment that the incumbent did not have the ability to contribute strategically to the organisation. The fourth case was reassessing its HR requirements, recognising that they required more strategic thinking and HR input into the company’s response to change opportunities. Interviews at each site identified the contribution of HR as a major inhibitor to the alignment between HR and IT. Past experiences of HR’s obstructive behaviour and inflexibility reported in three out of four cases, was likely to encourage line and other functional management to deliberately avoid consultation with HR executives.

The perceptions of IT in the business were more positive with three cases reporting a satisfactory relationship and WxPress expressing even more confidence in the contribution
from the IT department. The experiences in the HR department with installations of HRIS systems, such as People Soft, appeared less positive in most cases. The response from PFS was based on a system still in the planning stages so may change as implementation commences. Evidence therefore appeared to suggest that the impediment to alignment was not so much due to a poor history of IT implementation success as it was to the past experiences with HR. Interestingly the historical impediments to communication and planning connections seemed to be resolvable but required significant signs of change from the senior management team such as a new HR manager.

Figure 6.6 further explores the findings in the first two columns of Table 6.8 using the touch-point framework developed in Chapter 4 and used to present data in each of the cases in Chapter 5.

\[Figure 6.6: \text{Touch-points between HR and IT}\]
IT was unlikely to consider the involvement of HR in projects other than in a consultancy capacity for their own people management issues. This too was a mixed bag with three cases indicating a poor rating on the ability for HR to contribute positively to the people management in the IT department. PFS had positive results in HR’s involvement in resolving a series of people management issues and as a result enjoyed a positive and respectful relationship with the IT department. It is, however, interesting to note that the CIO of PFS has not retained his position and the HR role has been reduced to a more compliance/administrative function indicating a lack of ability to build from that positive contribution and for HR to have a more strategic input into future IT projects. It is possible that the HR manager’s lack of IT knowledge and inexperience in strategic HR input to the business in general contributed to the failure to capitalise on the IT relationship. In contrast to PFS, Mbank had a negative experience of HR involvement in IT people management issues contributing to the CIO’s lack of regard for the HR function.

The implementation of the HRIS was still in its infancy in PFS, but had not ranked as positive experiences in the other cases. Broader cultural issues, particularly in Snax Ltd, make it difficult to draw any conclusions on the impact of IT implementation successes in HR and on the on-going communication issues. In Snax Ltd the HRIS had been forced upon the HR department by the new US parent company, USCAN. Management opposition generally to USCAN found an outlet in their refusal to use the system unless absolutely necessary. WxPress had a similar issue with a corporate system thrust upon them by the Brewing Group without consultation and input. The HR manager ran a parallel manual system due to the unreliability of information available via the HRIS. Mbank expressed similar frustrations but felt the PeopleSoft system itself may have been a major contributing factor. The HR manager at Mbank, however, did express high levels of frustration in her dealings with IT over the HRIS and its myriad of problems.
6.4.1 Communication

Communication was discussed in the cases across six dimensions. Table 6.9 compares the results across the four cases using the definitions discussed in Chapter 4. There was no evidence in any of the cases examined of HR and IT involvement together on any managerial teams other than the executive management team. The four projects studied had temporary project teams set up to initiate, plan and implement the IT system and HR was not represented on any of the teams. The responsibility for managing the people issues connected with the project was given to a line manager or project manager who took on the integrating role, communicating with IT and HR when required. Mbank executives reported that the only communication with HR on the e-mortgage project was to plan a possible redundancy program should the anticipated opportunity present itself. When the project failed to deliver cost savings there was no further communication with HR. Line management in PFS did not consult with HR for strategic direction in recruitment, remuneration systems nor any other people management issues. Other than input at the executive team meeting, HR had a passive role responding only when her advice was sought. WxPress followed a corporate policy to devolve responsibility for HR to the line and therefore would only be involved in discussions on an advisory capacity with line management taking the integrating role.

<table>
<thead>
<tr>
<th>Nature of the Communication</th>
<th>Examples of expected behaviour between HR/IT across the cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct communication</td>
<td>Very little direct communication between IT and IT other than specific inter-functional projects eg: HRIS. Informal office communication was facilitated by close proximity of offices. Largely communication restricted to executive meetings of the managerial team.</td>
</tr>
<tr>
<td>Liaison Role</td>
<td>IT business analysts involved in varying degrees to interpret HR needs and build HRIS systems. HR in all but one case left quite dissatisfied with the level of communication and the resulting system HR role in liaising with HR on people management issues in IT restricted largely to compliance and administration. PFS used HR had a more strategic role for HR.</td>
</tr>
<tr>
<td>Temporary task forces</td>
<td>No project teams evident with HR and IT representation, although in all sites except PFS, HR were represented on new IT projects and required to make a more strategic contribution</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Permanent teams/committees</td>
<td>HR on the executive management team in each case. No other permanent team in any of the four cases had both HR and IT representation</td>
</tr>
<tr>
<td>Integrating roles</td>
<td>Mbank appointed a project manager reporting to IT to manage the change process and ensure that the people considerations were addressed. WxPress had an internal strategist appointed to consider the internal impact of new strategy proposals. Snax Ltd employed external consultants as alignment specialists to facilitate communication between executives and facilitate change where required. PFS considered the integrating role to be managed by line management.</td>
</tr>
<tr>
<td>Managerial linking role</td>
<td>In all cases both HR and IT reported to the CEO of the business unit. However, at WxPress, Mbank and Snax Ltd there were reporting lines to the appropriate functional heads.</td>
</tr>
</tbody>
</table>

Table 6.9 Communication across the Sites

The managerial linking role between HR and IT was the CEO in all cases although with varying degrees of power. PFS had a direct reporting structure with both IT and HR reporting to the CEO. Mbank had HR reporting direct with a dotted line to Central Services HR, but IT reporting direct to the centre with dotted responsibility to the CEO. Snax Ltd had a matrix reporting structure with the primary reporting line to the CEO and dotted lines to USCAN functional heads. WxPress had the reverse with both the HR and IT managers holding corporate business cards and having direct reporting lines to group functional heads and dotted lines to the business unit CEO. To exacerbate this scenario further, IT reported to the Brewing Group but HR reported to MVineyard. Neither HR nor IT took a managerial linking role and the linking roles between the two functions varied across the sites. Evidence seemed to support better levels of communication when the primary reporting line was to the business unit CEO for both functions, although the antecedent factors of shared domain knowledge and implementation success were likely to have a stronger influence.
The quality of communication in the liaison role between HR and IT would seem intuitively to be influenced also by the antecedent factors, however, the difficulties were also compounded by the nature of the communication. HRIS development difficulties were compounded by other environmental factors (as discussed earlier) and also by the nature of the software itself which often did not seem to provide the flexibility required to meet the full needs of HR. HR involvement in IT was also problematic due to the differences in dealing with the unique requirements of IT contractual staff, different remuneration structures and recruitment challenges. So communication in the liaison roles for both functions was problematic and rarely smooth and effective.

Direct communication was restricted largely to executive team meetings and while HR held the same structural power as IT in all cases, the ability for the HR manager to have effective input varied across the cases. The ability to draw on shared domain knowledge both in IT and operational requirements had significant impact on the level of influence able to be exerted by the HR manager. In WxPress, Mbank and Snax Ltd the HR managers had been relegated to advisory positions on issues of compliance and crisis management. It was evident that recent new recruits into these positions had significantly more shared domain knowledge and were given greater influence at senior management level. PFS had a more junior member of staff with a minimal level of operations knowledge and, while she attended management meetings, she had limited strategic input. Geographic location of offices had an impact on informal communications. In PFS, Snax Ltd and WxPress the IT and HR offices were on the same floor and had more opportunities for informal exchanges. This was evident at PFS and at Snax Ltd where casual discussion between IT and HR management were regular. WxPress had more limited opportunities due to the part-time nature of the HR manager and the weekly interstate requirements for the CIO. However, Mbank had HR and IT located in different buildings so their paths rarely crossed except for executive meetings. Given that the relationship between IT and HR was largely non-systemic it was likely that the barriers to informal communication were significant as inhibitors to communication.
6.4.2 Connections in Planning

Each case was examined according to the Weill and Broadbent (1998) criteria discussed in Chapter 4 and the results are summarised in Table 6.10.

Most of the planning connections between HR and IT were based on compliance and administration requirements with only Snax Ltd adopting a more strategic role for HR in more recent times. Any strategic connections in the remaining three sites were based on fall out from the business planning process and not as a result of direct connections between IT and HR. In almost all cases HR planning connections could be described as dependent with HR management taking a reactive role in response to the business strategy. While it was likely in most cases that the HR manager would contribute to the business strategic discussions, the HR specific response would be dependent. Only Mbank had evidence of a more pro-active role for HR with strategic statements clearly led by HR policies to increase the overall skill level of the workforce and elicit the cream of the graduate recruits. While these statements of intent could also be defined as responsive, it was clear that HR had made a pro-active contribution to these discussions and that the strategy had been incorporated into other functional responses e.g. PC’s @Home.

<table>
<thead>
<tr>
<th>HR/IT connections</th>
<th>HR/business connections</th>
<th>IT/business connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>No connection</td>
<td>HR and IT plans derived separately</td>
<td>HR plans and activities made independent of the business</td>
</tr>
<tr>
<td>Utility</td>
<td>Connections based on admin/compliance requirements. No strategic connection. (3)</td>
<td>HR focused on compliance and admin with no strategic context.</td>
</tr>
<tr>
<td>Dependent</td>
<td>HR strategies derived from IT strategies, or IT dependent on HR requirements (1)</td>
<td>HR strategies responsive to business requirements and derived from current plans (3)</td>
</tr>
<tr>
<td>Enabling</td>
<td>Integrated planning processes with each function pro-active in enabling new opportunities</td>
<td>HR integrated into the business planning process and taking a proactive role where appropriate to lead strategic initiatives (1)</td>
</tr>
</tbody>
</table>

Table 6.10 Levels of planning connections observed across the cases. (The number in brackets identifies the number of cases in each category)
The IT planning process was spread between dependent and enabling as technology was used both in response to the business strategy and also to create opportunities previously unavailable to behave in new and different ways. Snax Ltd and Mbank fell into the “Enabling” category where technology contributed to the business in a more pro-active way. Both these sites were assessed as having a higher degree of social alignment and both showed a more pro-active approach to business/functional planning connections.

6.5 Discussion of other Factors Identified in the Cases

Other factors that worked as antecedents to the communication and planning connections and ultimately affected the degree of executives’ understanding of strategies and alignment included: geographic location, power, responsibility and accountability, and leadership. Discussions also return to the original selection criteria of size and structure to see how valuable they were as predictors of alignment.

6.5.1 Geographic location

After interviews with Mbank executives, geographic location was considered to be a significant inhibitor of the alignment process and worthy of further exploration. IT was located in a separate building, several blocks from HR and the e-mortgage operation. Discussions only took place at formal management meetings and there was little opportunity for more relaxed discussion. Added to this isolation was the selection of Perth as the e-mortgage test site, while the management of the project was on the east coast. All feedback mechanisms were maintained within structured channels with little opportunity for informal input and discussion. The significance of geographical isolation was also supported by researchers such as Peters & Waterman (1982) who recognised the value of informal communication and management by walking around.

In all other cases, however, senior executives were located on the same floor and with offices in close proximity to each other. In PFS, the IT department was right beside the HR
office and the HR manager was in frequent contact with IT. Snax Ltd and WxPress were located on the same floor, albeit some distance from each other, but still with opportunities for informal discussion "at the coffee machine". While it was hard to gather evidence from interviews on the impact of informal discussion on communication between HR and IT, general observation during site visits indicated that there was reasonably constant movement of executives around the floor and opportunities for informal dialogue if desired.

Given the alignment assessments across the cases, it would seem that geographic location was in fact not a significant variable as first predicted. Informal dynamics were more effected by trust and influence, identified by Nelson & Cooprider (1996) as antecedents of shared knowledge. Out of 24 Executives interviewed not one identified geographic location as a factor that had impacted the relationship between IT and HR executives. Executives from Mbank had some identification with the notion of geographic separation as an inhibiting factor when prompted, but did not reinforce this view in less structured parts of the interview.

6.5.2 Power

The non-systemic nature of the IT/HR alignment requires executives to share a similar view of the organisational reality (Bacharach & Lawler 1980). It is through this shared perspective that they would be likely to co-ordinate their actions to reach a common goal. The problem, however, is that all things are not equal and power differentials mediate behaviour and give some a greater voice in the co-ordination process than others (Pfeffer,1981).

Differences in power (Pfeffer 1992; Buchanan & Badham 1999) may well contribute to our understanding of why HR had difficulty finding a voice at the strategic planning table in each of the business units studied. Formal position and authority, access to information and resources, sense of being irreplaceable and physical and social position in the organisation
network have been used in the literature to explain commonly found differences in influence between functions, particularly between HR, Finance and IT.

Bacharch & Lawler (1980) drew the distinction between authority and influence, where authority was based on structural sources of power and influence sources power from personality, expertise or opportunity. In each of the cases written, both HR and IT management belonged to the executive team and had the opportunity to participate in business strategy meetings and critical decision making processes which often resulted in IT project teams to implement new technology. However, HR executives were routinely excluded from strategically significant IT project teams and findings indicate that they had little, if any, input into organisational preparation or implementation of the new system. It would seem that HR had little influence at the management table. Findings indicate the following factors may have reduced the HR managers influence in these discussions: lack of knowledge about the business and/or IT projects, lack of credibility and perceived value based on past HR experiences and the HR manager failing to identify a role for himself/herself in IT projects.

The following analysis addresses each of these factors across the four cases and provides insight into behavior observed in each of the projects selected.

(a) Lack of knowledge about the business and/or IT

As described in the section on Shared Domain Knowledge, the HR managers in the business units selected had limited personal or business knowledge of IT. At first this was thought to be significant, however in the second round of interviews when the new HR manager had been appointed (in three cases) it became apparent that the HR voice was being more clearly heard at the executive table and this was largely due to the increase in general business experience of the HR manager. The HR Manager at Mbhank had considerable business and HR experience. She had worked in line management for mortgages and had just completed two years in HR in Central Services for the Bank. While
her predecessor who had no business experience, only HR, was sidelined in strategic management discussions and not included in the IT project team for e-mortgage, the new HR manager was integrally involved in all strategic planning and project teams. "One of my critical tasks is to establish a list of questions that my HR team must ask in discussions with line management. One of the major problems is that most HR managers just do not know what to ask." (HR Manager, Mbank). The general lack of business experience and IT project experience had made it difficult for HR to engage in strategic management discussions at any level above reactionary comment at either a compliance or legal level. Added to the level of personal and professional influence, was the compounding structural issue that HR had a primary reporting line to Central Services and a dotted line to the CEO at Mbank. The change in reporting lines to a direct report to Mbank increased the structural power of the HR Manager, but reports from the line management clearly reflected a significant increase in HR influence with the new appointment and her ability to understand the business issues and add value.

Similarly the HR manager at Snax Ltd had been replaced largely due to his inability to add value in the planning phases of a series of large proposed IT projects. "He just couldn't see what we were talking about when we referred to change management" explained the CIO. Coming from a traditional HR background he relied on his relationship with the CEO and traditional pillars of HR power and once these were eroded and the role required to become more focused on strategic change he had no expertise to draw on. WxPress had experienced very similar issues and replaced their HR Manager with a more experienced executive with significant line management experience. The CEO took a decision to have a more experienced HR manager for two days a week and sourced from the parent company, than a full time executive with an HR background only.

Another contributing factor (particularly identified at Mbank) was the lack of IT experience at the people related issues involved in IT planning and implementation. "They (IT) would have no working knowledge of HR nor would they consider it to be part of the requirements of their job" CEO Mbank. This view was shared by CIO's at PFS and
WxPress who both said that people management issues were not their responsibility and relied on the line management to address them. This lack of HR knowledge and experience may also have reduced the power of HR to get involved in planning and implementation discussions. "HR often have to force their way in" remarked the HR Manager Snax Ltd. Forcing their way in to strategic discussions would be difficult without business and/or IT knowledge to draw on. The HR manager Snax Ltd had no line experience, but had been involved in many large change management projects and therefore was familiar with the IT terminology and concepts. She also worked with a CIO at Snax Ltd who was very supportive of the value that could be added to projects by involving experienced HR people.

(b) Lack of Credibility and Perceived Value based on past HR Experiences

Traditionally HR sought power in Mbank and Snax Ltd through recruitment activities and career path management. All Bank executives had to seek approvals from their immediate manager before they could apply for internal vacancies and HR was instrumental in determining each individual's seniority limits. Recent changes downsized HR, outsourced central administrative tasks and devolved responsibilities to the business units for the management of people. Career paths and internal job movements were no longer restricted or controlled by central HR. The focus had changed and it was expected that HR would make a more strategic contribution. Snax Ltd had a similar history, further complicated by the industrial relations role it played. The power of HR was described as "...fluctuating, depending upon the relationship between the HR manager and the CEO at the time" (R&D Manager). HR determined career paths of management and organisation structural changes and had the ear of the chief executive in determining people's futures. Recent changes had recognised the role for HR in implementing business strategy and the new appointment of the HR manager was a clear signal that HR had to be less of a power broker and more accountable to the business to add strategic value.
IT by contrast had grown from a transaction based data processing department to a function of critical strategic significance. IT had larger budgets, higher paid executives (in three out of four cases the CIO was paid considerably more than the HR manager), employed more people and had greater barriers to entry as a profession than HR. While it was possible to sideline HR issues in e-mortgage, IT was clearly a critical contributor with a much louder voice.

<table>
<thead>
<tr>
<th>Mbank</th>
<th>WxPress</th>
<th>Snax Ltd</th>
<th>PFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR not understanding the unique nature of IT workers and therefore help limited. History of past failures.</td>
<td>No HR involvement in the IT department.</td>
<td>HR positively involved in IT people planning and management.</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 6.7: Success of HR Involvement in IT People Management Issues*

The CIOs’ experiences of HR involvement in their departmental people issues varied (Figure 6.7) but generally there was little evidence to support the idea that experiences with HR executives at this level affected the way HR was perceived by IT. PFS had the lowest assessment of alignment despite the fact that HR had been successful in their involvement in IT people management issues. This positive relationship did not transfer benefits to HR’s influence in strategic IT projects as we might have expected. One explanation may have been the expectation from the CIO that the line management would deal with the people

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10 While exact figures were not gathered, relative data and approximations were sought to confirm the suspected pay discrepancies)
issues and/or that the line managers did not share the benefits of a positive relationship with HR and therefore did not value her input. The HR manager was relatively new to the job and previously the role had been managed by the CFO in a more compliance, legalistic manner. Line management had become used to managing their own strategic people management issues and therefore did not consider it of value to include HR. The HR manager had minimal IT experience and limited industry knowledge, so her influence was limited by her lack of expertise. The HR role in IT people management was created out of crisis when the IT staff had great difficulties accepting the new CIO. The critical nature of the problem is likely to have made the CIO more responsive and open to HR assistance, but his limited industry knowledge and strategic input did not make it possible for him to pull HR into a more proactive role in IT planning and project teams, particularly when line managers did not value the HR input.

Line management in all other cases repeatedly raised issues of poorly managed past HR experiences which seemed to colour their level of respect for the HR manager. “He was known as the Human Remains Manager” cited the CEO of WxPress. “It depends on the nature of the person in HR whether you would bother to involve them or not… AR(current HR manager) is fantastic and would be a highly respected member of the team (but others) I just wouldn’t bother with”, explained Manager e-mortgage Mbank. “The previous HR manager was just useless and he was never going to get it” said the CIO Snax Ltd “But I have worked with good HR managers in the past and I know what a difference it can make to the success of a project.”

While past experiences had an impact on the degree of respect held for HR in the organisation, it did not seem to be as influential as shared domain knowledge in generating the “power to be heard” in executive planning and implementation sessions.
(c) **HR Manager not Identifying a Role for Himself/Herself in IT Projects**

In both PFS and WxPress the HR manager took a very responsive role, reacting to calls for help from other members of the management team. The HR role at WxPress was consultative and committed to the process of devolving HR responsibilities to the line. Involvement on IT projects was on request from the CEO or CIO, or in the course of general executive team discussions. The latest project was not regarded as an IT lead project team but rather as a strategic business development and therefore involved all members of the management team and was headed by the CEO.

At Mbank and Snax Ltd the new HR managers were more integrally involved in IT projects but *"may need to force their way in"* (HR Manager Snax Ltd) to smaller projects using the more informal network of management contacts. Snax Ltd was about to embark on a large ERP project which was intentionally labelled a business project, headed by the Strategy Manager and with the involvement of the entire executive team. Previously in both companies HR was more pro-active and not inclined to see a role for themselves on IT project teams. Given the evidence from the business units studied that suggests that it would be unlikely that IT would generate a request for HR involvement, then it is reliant upon HR themselves to initiate involvement or the vision of the CEO or line manager to ensure that an HR representative is at the project management table.

### 6.5.3 Responsibility and Accountability

*"Why, when (IT) projects fail do so few management teams analyse the failure, identify the problems and learn from them? CIO's do not take this on board and do not accept responsibility for implementation failure. Too many CIO's simply take responsibility for developing technology that meets the brief...a great advocate for analysing and understanding project successes and failures should be HR."* CIO Snax Ltd.
While these areas were not specifically addressed, they emerged from the research and should be explored further in future studies. Of the four cases studied, HR had no accountability for the IT project examined and there was no indication that IT project involvement would be considered in the Key Performance Indicators used in the assessment of HR performance.

In all three out of four cases, IT understood their role to be the delivery of the system according to brief. User issues considered focused on management input availability, and general training for existing staff, however, user skill compatibility, recruitment profiles, work schedules and other strategic HR issues fell outside of the IT field of reference. The responsibility for user implementation rested with the operation, who saw their change management role in terms of communicating the pending changes, training users and providing support in implementation. The management of HR operated in an advisory capacity for compliance and preparation for redundancies when necessary. At the time of writing accountability levels for the new projects had not been established, however the ownership of the new ERP project suggested that all senior executives would be held accountable for decisions and implementation success. “Everyone must take responsibility for this project”, insisted the V.P. Strategy. “If I see eyes begin to glaze over I am going to stop the meeting until everyone understands exactly what it is that they are signing off on.”

Processes to simply deliver user acceptance in Mb ank fell well short of the strategic restructuring that was needed for effective implementation. A Project Manager from IT was assigned to e-mortgage, reporting to the Manager Mortgage Processing and a comprehensive plan was created to mentor, train and guide users through the process of change. There was no HR involvement other than to consider administrative and legal issues surrounding potential staff cuts. The project manager had no HR experience and viewed e-mortgage from a staged implementation perspective. She was surprised by the degree of user and management resistance and acknowledged the inability for the change management program, which focused primarily on training, to resolve the issues.
Accountability for the project rested with the line and IT management, and ultimately the CEO, but did not include HR.

At PFS the level of increase in work complexity was severely underestimated resulting in huge backlogs and service standards well below targets. Eventually tasks were redesigned, a line was drawn and all backlogged tasks were assigned to a designated task force to complete. The management team took overall responsibility for the success of the project, but people management issues were largely the responsibility of the line with HR in an advisory and compliance role only, but with no accountability.

WxPress implemented an on-line sales system that mirrored their brochured, mail and fax operation. Largely this was in response to the introduction to the market of purely on-line players. The momentum for this project stalled as the on-line players collapsed (the major threat was purchased and closed by WxPress) and the on-line business treated as simply an alternative distribution option for the mail product. After the initial adoption rates, growth stagnated and remained at 11% of total revenue. While cost of sale is significantly less on-line, it has remained an adjunct to traditional business channels. The e-business manager took ultimate responsibility together with IT but HR strategic input was reliant upon line management with no input from HR.

Ultimately the lines of responsibility and accountability for people management were not clear and therefore it became easy to “pass the buck” when things went wrong. There was no-one specifically assigned the task of recognising the important people questions to ask and then accounting for suitable responses from either IT and/or the business.

6.5.4 Case selection criteria examined

It is interesting at this point to return to the case selection criteria to see if any evidence appeared that suggested that either size or structure may provide some insight into factors that contribute to alignment.
(a) Size

The smaller business units of PFS and WxPress ranked lower on the alignment ranking than the larger units of Mbank and Snax Ltd. Evidence suggests a much greater reliance on general executive discussion and proximity to generate understanding and co-ordinating behaviour. Due to the non-systemic nature of IT and HR alignment it seemed likely that these sites would be more aligned than their larger, more complex counterparts. However, this did not appear to be the case and people management consideration was largely reduced to training and communication. More strategic HR issues concerning recruitment strategies, forward talent projections, job redesign opportunities and other organisational issues were either not considered at all, or assumed to be the responsibility of the line management. Line management were often wedded to the status quo and thus the system merely automated existing work practices and overlooked opportunities that could threaten the current role and influence of their own role. HR management was found to be less experienced in both HR and in business in the smaller business units, and has less understanding of IT projects and their implications for people management. The CEO describes the calibre of HR management available to a company of 69 people as a major obstacle to getting valuable strategic HR input. WxPress were able to improve their HR management by accessing two days of a more senior HR executive from their parent company. The WxPress move was stimulated by an opportunity to install a strategically important system that would enable them to provide a more cost effective, customer focused product but would create significant changes to organisational processes and thus required more strategically focused HR input.

Evidence collected in this study suggested that the calibre of the HR executive was critical to the IT/HR alignment process and that this strategic input may be harder to access for smaller business units. The advantages of a smaller and intimate management team do not appear to offset the value of HR experience and focus.
(b) Structure

The analysis of the influence of power in organisations on IT/HR alignment suggests that there was little difference between business units in the relative impact of the differing reporting structures of the IT and HR functions. Although the Mbank experience and CEO decision to create a stronger line of reporting and accountability for HR does suggest that alignment can be more easily directed with more direct reporting structures. Previously HR had primary reporting and accountability responsibilities to Shared Services, in a similar line to that of IT. However, the problems with the implementation of e-mortgage prompted the CEO to call for greater business unit control over HR activities and a more integrated role for HR on the management team. It is possible, however, to interpret the Mbank move as a requirement to gain more control over the appointment of the HR person which would support the shared knowledge and influence requirements more than strategic reporting as a contributing factor. This alternative view would be supported by evidence at WxPress where the HR manager has a direct reporting line to the parent and a dotted line to the CEO of WxPress. The experience and knowledge of the HR manager in this case has earned him a place on the IT project team, one that would never have been occupied by his predecessor.

The reporting structure for IT yields similar conflicting evidence. In the more closely aligned case of Snax Ltd, IT and HR both reported direct to the CEO as was also the case in the least aligned case of PFS. Again the personalities and experience of the CIO’s seemed to have a stronger impact on alignment.

6.6 Summary of Case Analysis

The following Table 6.11 summarises the findings and discussions above. It highlights the factors that were found to be significant contributors to the alignment process and concurs with the Reich & Benbasat model which recognises the contribution of shared domain knowledge and history of implementation success as important antecedents to
communication and planning connections which ultimately lead to greater levels of social alignment. However an important mediator is proposed and that is the power of influence that ultimately determines the level of communication and planning connections in this non-systemic relationship between IT and HR executives. Advantages of close geographic location seem to be outweighed by experience and shared knowledge of the HR and IT executives, as with business unit size. Organisational structure was an inhibitor in only one case, but these findings could also be interpreted as creating an opportunity to raise the levels of shared domain knowledge and overcome the negatives of previous HR experiences. Assigned KPI’s for both IT and HR that reflect their individual contributions to people management in IT projects was identified as a possible inhibitor to alignment that could benefit from further investigation.

<table>
<thead>
<tr>
<th>Alignment enablers/inhibitors</th>
<th>Impact on Social alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared Domain Knowledge</td>
<td>Considered an important antecedent for the social alignment model, but more important that HR has some working knowledge of IT.</td>
</tr>
<tr>
<td>History of implementation success</td>
<td>Important to the establishment of trust and integrity</td>
</tr>
<tr>
<td>Communication</td>
<td>Informal and formal communication opportunities critical to executive understanding.</td>
</tr>
<tr>
<td>Connections in planning</td>
<td>Antecedent factors important to give HR a credible role in the IT and business planning process.</td>
</tr>
<tr>
<td>Power</td>
<td>Found to be a critical variable is the non-systemic alignment process currently in place</td>
</tr>
<tr>
<td>Geographic location</td>
<td>Not found to be meaningful.</td>
</tr>
<tr>
<td>Responsibility and accountability</td>
<td>HR not accountable in any of the IT projects examined. Considered critical and will therefore be a topic for further research and practitioner recommendations.</td>
</tr>
<tr>
<td>Size</td>
<td>Not found to be an enabler as first predicted. In fact the smaller business units fared poorly in relation to the two larger business units.</td>
</tr>
<tr>
<td>Structure</td>
<td>All HR and IT managers on the executive team, however structural power identified as an important source of authority.</td>
</tr>
</tbody>
</table>

*Table 6.11: Summary of Cross Case findings*
The revised model of IT/HR social alignment is presented in the next chapter which builds off the evidence and analysis in this chapter and positions the proposed framework in the academic literature and theoretical discussions.
Chapter 7: Revised social alignment framework for IT/HR

This chapter brings part of our journey to an end and establishes a new beginning. The findings are summarised and revised roadmaps presented that help us to further understand and explore new territories. This chapter addresses the research questions commencing with the revised social alignment model and new insights into the enablers and inhibitors to alignment. The issue of importance and allocation of responsibilities is then examined, followed finally with a recommended picture of how we might expect an organisation with alignment to look. Chapter 8 reaches out to new beginnings and explores the limitations of this research and the possibilities for further exploration.

This journey commenced with a map first drawn by Reich & Benbasat (2000) to help business and IT reach a mutual understanding of how to reach a set of common goals. This understanding was labeled Social Alignment. The pathways drawn seemed to have relevance for a similar journey that IT and HR must take to support each other to also reach the intended goals of the organisation. At the beginning of our journey it was predicted that the revised Reich & Benbasat map might look like Figure 7.1 (repeated for ease of reference).

To see whether this map held any value in directing executives along this path, four companies were selected and studied by talking to relevant executives, observing behaviour and environments, reading and analysing documents and generally trying to understand the pathways to aligning the strategies of IT and HR. Some of the paths companies used were difficult to negotiate and in some cases blocked completely making it difficult to get to the final destination together. The Reich & Benbasat map helped to locate those paths initially and to re-map the routes by trying to understand what caused the difficulties and the blockages.
The revised map still bears some resemblance to that proposed by Reich & Benbasat but will hopefully now provide some insight into factors that make the roads so impassable at times and provide directions to help HR and IT work more closely together to reach their common goal. The proposed new map (Figure 6.2) was drawn based on the findings of the four case studies where support was found for the antecedents of shared domain knowledge and the effects of past experiences of IT and HR. Of these two factors shared knowledge was the most powerful factor that had the potential to clear road blocks and help executives to visualise a way forward together. Negative past experiences had the effect of increasing the weight of the load and making the path more difficult, but equally positive histories of HR and IT working closely together seemed to add that necessary spring to the step that made obstructions easier to overcome. Communication and planning connections were supported through the findings as the major highways to mutual understanding, or social alignment but an important round-about of power and influence was identified. The revised
map suggests that it is important for organisations to understand the dynamics of activity on this round-about in order to guide IT and HR out of the smaller arterial roads to the highways on the other side. Road rules may need to be written to more explicitly to recognise directions, increase shared knowledge of the geography and identify the differences in terrain faced by IT and HR. These rules are intended to help direct traffic on the round-about and increase understanding of the weight of baggage to overcome hurdles. Proposals to assist researchers and practitioners in this process are suggested in Chapter 8.

![Diagram](image)

*Figure 7.2 Proposed Framework of Analysis to create a greater Understanding of the Alignment Process between HR and IT.*

Both shared knowledge and past history are recognised as bases for influence. Bacharach and Lawler (1980) recognised these bases as expertise and personal characteristics. Specialist knowledge, or expertise, is a source of powerful influence as others turn to the
specialist for knowledge that they do not possess. Thus specialist knowledge generates power based on dependence. Personal characteristics enhance the credibility of the executive’s input and enables perspectives to be swayed in the desirable direction. The characteristics connected with reputation (Bacharach & Lawler, 1980) based on past experiences are recognised as important bases for influence.

Evidence suggested that the balance of power was generally tipped in favour of IT in the cases analysed. The HR managers in all cases entered the ‘Power and Influence’ round-about low on IT and business knowledge which reduced their ability to apply their specialist HR knowledge in an influential way. Past experiences of HR in IT departments had not been positive in all but one case, and that was likely to have impacted on the executive’s personal credibility with the CIO and further reduced their ability to influence discussions. The paths to further communication and participation in planning activity were thus difficult to negotiate. In the three cases where HR management had been more recently replaced the evidence suggests that their increased knowledge had enabled them to exert more specialist power and thus smooth the road to improved communication and planning input. The HR managers in Mbank and Snax Ltd had moved into their new positions with proven track records with the CEO’s of those companies and reputations as experienced and business-savvy executives. At the time of writing, these reputations were enabling them to enjoy ease of access to project teams and greater influence on the management team. It was clear, however, that they would need to deliver value to the management process in order for that level of support to continue.

It is also useful at this point to revisit the research framework which looked at planning routes and provided the reference points to establish a picture of how alignment might look in a company where social alignment existed between IT and HR. Figure 7.3 depicts the directions of planning influence as evidenced in the four case studies.
When line management were charged with the task of assessing and managing the people issues, the power bases appear to adjust in their favour as they leverage off specialist operations knowledge and, in most cases, more IT knowledge than the HR manager. The CIO in all cases except Snax Ltd felt comfortable with referring all people issues to the line manager who was more integrally involved with the IT project and had significantly more influence in project discussions than the HR Manager. The danger as documented in Mbank and recognised by the CIO at Snax Ltd is that old practices may simply be automated and anticipated benefits from the IT investment are inhibited by a lack of strategic HR thinking.

"It is very hard for line managers to envisage how the new order might look when they
themselves are likely to be facing the most significant change. Most line managers source their power from their specialist operations knowledge so when all their employees can access the same information they tend to feel very threatened.” CIO Snax Ltd. HR managers in every case had abrogated full responsibility to the line or project managers offering little specialist support other than advice on compliance or redundancy programs. There was no link evident that suggested that the line or project manager was managing the people issues under the umbrella of the HR strategy. In fact, it was apparent that the only strategic input from HR when a line or project manager took full responsibility for an IT project was by default from the general managerial planning processes. This level of input was at best unreliable and at worst non-existent.

While this research would caution against full abrogation of the HR alignment process with IT to the line management, it is not the view of the researcher that line management should be excluded from the process. However, HR should have strategic input and be responsible for ensuring that there is alignment of the strategic objectives between HR and IT, and that the response to IT strategic initiatives is developed under the umbrella of the overall HR strategy.

Figure 6.4 depicts a revised framework of directions of influence which, if realised, would indicate alignment between HR and IT in the firm. Not only would we expect to see alignment between the functional strategies of IT and HR at the business and corporate levels, but we would also expect to see regular dialogue and consultation between HR and IT in their strategic planning processes. It would also be anticipated that active involvement between HR and IT and the line/project manager appointed to the project would be evident. IT, HR and the line manager would be likely to be represented on the project team, would have input into each others strategic plans and would have levels of accountability for the successful implementation of the product. In order that the alignment process did not fall short at the intellectual alignment point, there would be evidence of processes to enrich and enable executives to have a comprehensive knowledge of each others strategic priorities and the impact that those priorities may have for the inter-functional relationship. This
understanding (social alignment) was largely driven by shared domain knowledge so it is anticipated that a program of cross-training, multi-functional career paths or other inter-functional educational opportunities would indicate an organisational commitment to the alignment between HR and IT.

![Diagram showing the alignment between IT and HR strategies](image)

**Figure 7.4: Strategic planning Directions of Influence that would indicate Alignment between HR and IT**

**Summary:**

There was significant evidence to suggest that a lack of HR/IT alignment had negative consequences for the IT projects in this study. The results have generated a new map to guide executive understanding of how alignment might look and how it might be achieved.
It is intended to provide a map and to indicate some of the obstacles that may be faced on the journey. Chapter 8 will reflect on the findings and explore their limitations, further exploration opportunities and the implications for practitioners.
Chapter 8: Limitations, Contributions and Implications for Future Research

In the true spirit of adventure, the journey you think you are going to embark upon at the beginning rarely takes exactly the planned route and you are always likely to find things you never expected to find along the way. That is the definition of exploration.

The important task at the end of any adventure is to assess the findings and identify things that you might have done better had you known about them in the beginning and make recommendations for those who just may feel as passionate about the adventure as you did.

8.1 Limitations

There are several limitations of this research project that need to be considered and factored into future studies.

While every effort was made to triangulate results and verify the data collected, the researcher was conducting the interviews and observations alone and aware of only getting one perspective in the interpretation of the interviews. To increase perspectives on the evidence gathered, discussions were shared with the thesis supervisor soon after they were completed. In two out of the four cases, the researcher had worked with the supervisor gathering material for another purpose prior to the interviews recorded in this study. Therefore, the supervisor was familiar with the cases and the players and able to contribute with a good working knowledge.

The business units studied were very cautious in general about sharing confidential information and given that many of the questions asked them to comment on another executive’s performance or input, were not open to recorded discussion. The recorder was abandoned after unsuccessfully trying to use it in the first few interviews and so evidence was dependent upon the researcher’s notes and memory. Write-ups were completed as
soon as possible after the interviews, however, the author's interpretation may have been subjected to the biases of memory recall in some instances. The potential for misleading the results with biased interpretation was again minimised by detailed discussions with the supervisor soon after the interview. Results were also triangulated by either returning the case to the company to read and comment (Wxpress, Mbank and PFS). In the case of Snax Ltd there was a verbal sharing of the case given as they were not prepared to devote time to reading it.

The research studied four companies and each of these organisations agreed to the research because they felt the subject matter had relevance for them and was of interest. This may have biased the results slightly in that they had projects that had problems as a result of a lack of alignment between IT and HR. It was not possible to identify sites initially by their degree of alignment because the author was not sure what form alignment might take. This was even more difficult when it became clear that it was important to understand more than simply intent, and that the minds and understanding of executives needed to be analysed and understood. While the selection criteria of size and structure seemed to be possible predictors to select sites that might be likely to be aligned or not, they turned out to be weak determinants. All business units were very reliant upon non-systemic factors to create alignment and smaller companies tended to have an added inhibitor of a less qualified experienced HR manager, thus compounding the alignment difficulties. Reporting structures differed but in each case the HR and IT managers were on the executive team and therefore all theoretically had the same opportunities to contribute to strategic discussions, however, the less overt factor of power was more influential than structural position. Given that executives seemed to source their power from shared knowledge and expertise more than their position, structure also appeared to be a weak published determinant of alignment.

While results were relatively consistent in identifying enabling and inhibiting factors, the research was limited to just four business units and thus needs to be replicated across a larger sample to further investigate the identified factors and others that may not have been
evident in this research. Industry differentials were not explored in this study and should be researched to see if there are any differences in findings.

Due to the exploratory nature of this research, the framework was developing as the research progressed. This meant that the initial sites had slightly different questions and avenues of exploration than the latter sites. While every effort was made to go back to earlier sites to address issues identified in the latter, this was not always that successful. In two cases the CEO changed after the initial data collection and in one the HR manager changed. There were HR management changes in two other sites but that was immediately before data collection commenced. While in all cases the initial executives were contactable and the new incumbents helpful and insightful, it still made continuity of data collection difficult.

8.2 Implications for Further Research

This research has found evidence to support Reich & Benbasat that shared domain knowledge and past experiences have an impact on communication and planning connections, which ultimately determine executives understanding of alignment between the two functions. In addition evidence suggested that power and influence was a critical mediator and that the degree of responsibility and accountability for the IT project by IT and HR was a critical factor to consider. Further research is needed to understand the power variable and the circumstances under which it is more or less important to the process. Additionally, responsibility and accountability are variables identified but not explored fully. An interesting area of exploration might be to do a cost/benefit assessment of alignment. It is possible that there are certain circumstances under which the benefits do not outweigh the costs involved in generating alignment.

The researcher assumed at the beginning of this study that if the IT and HR strategies were aligned with the business strategy of the firm then it would be likely that IT and HR would also be aligned. While there were some indicators of a spin off from the alignment with the
business strategy, there was substantial evidence to suggest that more effort was required to ensure that people management issues were addressed in IT plans. A more detailed study of planning processes would shed more light on the dynamics that can lead to HR and IT falling short of any degree of alignment save that which spins off from the general business planning process.

The concepts of power and influence grew out of the research and their importance was initially undervalued in the analysis. Given that they are now considered to be an integral part of the social alignment model, further investigative work would provide some valuable insights particularly into power shifts during planning and implementation processes.

Another issue that became evident but had been scarcely touched on here is the timing of the HR input. In three of the four cases, HR had no initial involvement in the planning phases of the IT project. Mbank sought advice late in the process on redundancy issues but that was the extent of HR involvement until the project failed to realize expected results and HR were consulted in an advisory capacity. In both Wxpress and Snax Ltd the new HR managers were involved from the earliest phase in the IT project team, but previously were not involved unless required to consult on implementation problems. Further research would be valuable that investigated the implications of the timing of HR involvement. By relating the nature of the project to the timing of HR involvement it may be possible to gain further insights into the alignment process.

8.3 Implications for Practitioners

It is clear from the analysis of these cases that IT and HR alignment is non-systemic and subject to the relative characteristics of the IT and HR management. The vulnerability of this situation is clearly not desirable. Companies must therefore assess the importance of the alignment process and put some planning procedural requirements in place to at least publicly indicate the organisations strategic intent. These requirements might include:
• a representative from HR on all IT project teams,
• the HR manager’s comments and input to the IT strategy document to ensure that organisational implications are addressed,
• the CIO’s input to the HR strategy and inclusion of all IT project implications in the strategy document
• cross training of IT and HR management to provide opportunities for the appropriate questions to be asked and addressed
• specifications that clearly indicate the role for HR and the role for the line management on IT project teams to ensure that old procedures are not simply being mechanised and maintained within the interests of the line manager who should be involved but not leading the people management issue debate
• build in accountability measures for IT and HR in projects to ensure that people management issues are considered and measured in the assessment of the success of the project.
• document failures as well as successes to generate lessons for both IT and HR for future activities.

The suggested framework for assessing the degree of alignment between IT and HR should provide a good starting point for analysing the degree of current alignment in the firm. This assessment would be a good starting point for businesses to commence a dialogue among senior executives that overtly recognises the importance of IT alignment with HR, and the fact that it requires a greater degree of focus in planning than simply assuming that alignment will occur through the general planning process.

The findings from the research also indicate that HR management is unwilling or feels unable to take a management role in IT projects. In a time when HR is searching for opportunities to make a more strategic contribution, a close alignment with the CIO would seem to be a worthwhile investment. An HR manager who is familiar with the role and activities of IT and therefore can assess the likely impact on the organisation and people management, would seem to be a very worthwhile executive to have on the team. The
biggest problem for both IT and HR in assessing the people management issues is knowing what questions to ask. An organisation that has invested in educating both the CIO and the HR manager and supporting them to maximize opportunities to align their activities, is more likely to gain competitive leverage from their IT investment than one who assumes that alignment will occur as a result of the general planning process and abrogates strategic HR input to IT projects to the line.

8.4 Contribution of the Study

This research set out to see what alignment between IT and HR might look like and to gain some understanding of the inhibitors and enablers that facilitate the relationship. In the course of this investigation the findings have made a contribution to the theory of social alignment. The results support the Reich & Benbasat model and adapt and extend it to be a useful tool in the analysis of alignment between the functional strategies of HR and IT. Two additional factors were identified through the research providing some prescriptive advice for practitioners and opportunities for further academic research.

A framework to help identify the state of alignment between HR and IT is proposed that recognizes some of the potential hazards of abrogating HR responsibilities in IT projects to other executives eg. Line management.

The results of the research clearly indicate a very important strategic role for HR in IT planning and implementation. Evidence form the interviewees suggested that many HR managers are unwilling to take a role in IT projects and yet this is a powerful opportunity to make a valuable strategic contribution.

This was an ambitious work that may well have said too little about too much, but it is hoped that it might provide an initial road map to guide other explorers to the start of the track. From there they will make many more findings that will hopefully continue this conversation in many more interesting directions.
Appendix 1: Organisational Structure Analysis

Purpose: In order to commence the site selection process it was decided to do an analysis of a series of annual reports across a range of industries to see whether any pattern emerged that might suggest that organisational structure could produce an identifiable site selection criteria.

Method: Due to the lack of any previous research into the alignment between HR and IT, the approach chosen for the initial scan of organisations was designed to provide insights to an evolving process of research design. A starting point was selected, from which the issues requiring focus and the appropriate approach to the analysis of these issues were likely to gradually become apparent.

The first step was to complete a structure analysis on a series of randomly selected companies. This step was designed to provide an insight into the impact that structure may have on attitudes affecting alignment between the IT and HRM functions in organisations.

The analysis of the corporate structures of these firms was thought likely to provide some insight to the degree of intellectual alignment at a corporate level. It is hypothesized that if there was no evidence of intellectual alignment at a corporate level then it was unlikely that alignment existed at either an intellectual or social level at the business unit or functional levels of the organisation.

In order to classify the degree of intellectual alignment suggested by the corporate structures of the selected companies, a rating system was devised which was refined as the analysis proceeded. Table A1.1 describes the rating system used to categorise organisations for an initial process of analysis.
<table>
<thead>
<tr>
<th>Rating</th>
<th>Organisation Structural Indicators</th>
<th>Indicator of the level of Intellectual Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dedicated executive, reporting to the CEO, responsible solely for IT &amp; HRM</td>
<td>Close intellectual alignment</td>
</tr>
<tr>
<td>2</td>
<td>Both HR &amp; IT reporting to the same Group executive, who reports to the CEO</td>
<td>Intellectual alignment indicated</td>
</tr>
<tr>
<td>3</td>
<td>HR &amp; IT separately positioned on the reporting line to the CEO</td>
<td>Recognition of the importance of both functions, but no indication of intellectual alignment.</td>
</tr>
<tr>
<td>4</td>
<td>HR or IT on the direct reporting line to the CEO</td>
<td>Recognition of the importance of one function, but no acknowledgment of the need for alignment.</td>
</tr>
<tr>
<td>5</td>
<td>Neither function reporting to the CEO and no structural relationship evident</td>
<td>Low importance allocated to both functions and no alignment intended</td>
</tr>
</tbody>
</table>

*Table A1.1 Rating System to Group Organisations based on Structural Indicators*

These ratings can be more clearly related to each other using the grid in Figure A1.1 which distributes the rankings based on the structural level of importance indicated for each function. The intellectual alignment rankings have been placed on the grid indicating rating one as the highest level of intellectual alignment, and level five indicating no structural indication of intent to align HR and IT.
Companies were selected based on access to current corporate structure information and with a view to gaining representation across all major categories of corporate activities. There were 13 companies examined representing the following industry groupings (Table A1.2):

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of companies:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailing</td>
<td>1</td>
</tr>
<tr>
<td>Natural resources extraction and manufacturing</td>
<td>4</td>
</tr>
<tr>
<td>Financial services</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2</td>
</tr>
<tr>
<td>Other service companies</td>
<td>1</td>
</tr>
</tbody>
</table>

Information was collected from company annual reports 1993/94 and other published university information relating to the same time period. Corporate structures were analysed and information was sought from annual reports which may provide an insight into the level of intellectual alignment between IT and HRM eg: statements of intent, strategic operational insights and intended action, and other statements that used the words “alignment, fit, linkage” or anything else that indicated management’s intention to align
activities within the organisation. Other information was sought in annual reports which could provide leads as to the enabling and inhibiting factors to the alignment of these two functions.

Results:

Table A1.3 is a tabulation of the results ranked according to the rating classifications defined above and based on published annual report information:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Number of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

Table A1.3: Number of Companies in each Rating Group.

One company had a dedicated executive responsible for HR and IT who reported direct to the CEO. This was assumed to be an indicator of a commitment to the alignment of the planning and management of these two functions. There were no examples found to fit the second ranking, however, two companies ranked both IT and HR highly in structural importance indicating alignment between the business and each function. However, there were no common reporting lines to suggest that alignment between the two functions. Figure A1.2 indicates the number of companies in each rating group and provides a picture of relativity.
Figure A1.2 Number of Companies found in each Structural Indicator Group

The majority of companies clearly fall into categories which do not provide any structural evidence of intellectual alignment of HRM and IT. They also do not structurally recognise the two functions as both being important. There was significant evidence that the HRM function was structurally positioned at a higher level than IT, with 5 companies out of the 7 in the rating 4 category positioning HRM with a direct reporting line to the CEO, but the IT function reporting to the CEO via another executive (usually Finance).

There is an indication that the purpose of the organisation may have some impact on the need for companies to recognise the importance of these two functions. The 3 companies who recognised the importance of both functions equally in their structures (bottom right box) and indicated a degree of intellectual alignment were all natural resource extraction and manufacturing companies. The following factors were evident in the annual reports of all three companies:
• an entrenched quality improvement program
• part of an international group
• history of industrial disputes
• large capital investment with relatively high risk
• dedication to staff health and safety
• focus on issues concerning both IT and HR

**Issues to Consider:** This small structural survey highlighted the following issues for further consideration:

• The IT and HR functions may not be structurally represented at a corporate level, however there may be more significant structural indicators of intellectual alignment at the business unit level.
• Corporations need to recognise the importance of both functions before they adopt an intellectual alignment approach.
• The structural dominance of the HR function may still indicate intellectual alignment given that the IT activities may be subject to higher scrutiny by HRM.
• Quality improvement programs may be significant input factors to the corporate recognition of the need for alignment of HR and IT.
• Industry groupings may be significant in the conscious need for the alignment of HR and IT.
• High investment in the IT and HR functions relative to other functions may be significant in the recognition of their importance and the need to align the functions.
• A turbulent industrial relations environment may be a significant driver to the recognition of the importance of both functions and the need to align them.
• The set of attitudes and behaviours that determine intellectual alignment may be the same as those determining social alignment. However, where a gap between intellectual and social alignment is evident, then it is likely that there are additional...
factors influencing attitudes and behaviour, and/or that the influencing factors are being valued differently.

The Next Step: The structural survey has examined one factor that may indicate company attitudes to alignment. In order to identify other factors which may influence attitudes toward alignment, it is proposed that a more exploratory approach be used to gain more insights into the minds and attitudes of HR and IT executives.

These case studies will be designed to provide indicators of attitudes of the management of one function toward the managers and activities of the other. It will also be designed to identify some of the factors which may be influencing those attitudes such as:

- reward systems
- leadership
- corporate structure
- personal relationships
- industrial relations
- quality improvement programs
- past experiences
- information politics and culture

The case studies will address the other possible factors that are likely to be influencing attitudes and identify other factors which have been overlooked. A revised model for alignment between IT and HR will then be produced for both further research and practitioner recommendation purposes.
Appendix 2: Interview Prompt Sheet

Business:

Interviewee:

1. Shared Domain Knowledge
   1.1 Industry/company experience:

1.2 IT experience

1.3 HR experience

1.4 Assessment of the HR execs knowledge of the business and of IT

1.5 Assessment of IT knowledge of bus and of HR

2. IT Implementation success
   2.1 General history of IT projects:

   2.2 Success of those projects
2.3 How well are IT plans implemented generally?.

2.4 Has IT suffered in reputation in the company as a result?

2.5 Do you feel the same way about IT people (i.e. some enablers, some blockers) as you do about HR?

2.6 Major HR projects and history of HR contribution

2.7 How important is HR to IT projects?

2.8 How is the HR input measured or valued?
3. Communication between IT, HR and business execs

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4. Connections between the business, IT and HR planning processes

How are business plans developed? eg top down, bottom up, more integrated? Who is involved? What is the process?
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