



# Journal of Innovation & Knowledge

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## Empirical paper

# The organisational integration of the IT function: A key enabler of firm capabilities and performance

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### ARTICLE INFO

#### Article history:

Received 5 January 2017

Accepted 5 February 2017

Available online xxx

#### JEL classification:

M15

L2

#### Keywords:

Organisational integration

Organisational units

IT management value

Competitive capabilities

Cooperative capabilities

CIO

### ABSTRACT

Organisational integration between intra- and inter-organisational sub-systems is an important factor of operational coordination, innovation and strategic effectiveness. So far, scholars have mainly focused on the organisational integration of three sub-systems: production/operations, marketing/sales, and research & development. This study investigates the organisational integration of the organisational unit in charge of the firm's information technology (IT) and information systems (IS): the IT function. Five key dimensions of this construct are identified: integration of the IT function with the top management team (TMT), business units, firm's customers, non-IT suppliers and IT providers. A survey questionnaire with 236 respondents confirms that all these five dimensions of the organisational integration of the IT function positively influence the firm's market performance; this relationship is strongly mediated by the contribution of the firm's IS to both competitive and cooperative organisational capabilities. This research model highlights the complementary explanatory power of Lawrence and Lorsch's theory of organisational integration, the business – IT alignment literature, and the resource-based view (RBV). The results suggest that the more firms evolve towards IT-enabled business environments, the more they need IT managers to be socially embedded in these environments and actively contribute to the overall knowledge-based organisational integration of the system.

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## La integración organizacional de la función IT: un facilitador clave de las capacidades y el rendimiento de la empresa

### RESUMEN

La integración organizacional entre los subsistemas intra e inter organizacionales es un factor importante de coordinación operacional, innovación y eficacia estratégica. Hasta ahora, los estudiosos se han centrado principalmente en la integración organizacional de tres subsistemas: producción/operaciones, marketing/ventas e investigación y desarrollo. Este estudio investiga la integración organizacional de la unidad organizacional a cargo de la

#### Palabras clave:

Integración organizacional

Unidades organizacionales

Valor de gestión de IT

Capacidades competitivas

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<http://dx.doi.org/10.1016/j.jik.2017.02.003>

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Capacidades de cooperación  
CIO

tecnología de la información (IT) de la empresa y los sistemas de información (SI): la función IT. Se identifican cinco dimensiones clave al respecto: integración de la función informática con el equipo directivo superior (TMT), unidades de negocio, clientes de la empresa, proveedores no IT y proveedores IT. Un cuestionario de encuesta con 236 encuestados confirma que todas estas cinco dimensiones de la integración organizacional de la función IT influyen positivamente en el desempeño del mercado de la empresa; Esta relación está fuertemente mediada por la contribución de la IS de la empresa a las capacidades competitivas y cooperativas de la organización. Este modelo de investigación resalta el poder explicativo complementario de la teoría de la integración organizacional de Lawrence y Lorsch, la literatura de alineación de negocios-IT y la visión basada en recursos (RBV). Los resultados sugieren que cuanto más empresas evolucionan hacia entornos empresariales habilitados para IT, más necesitan que los administradores de IT estén socialmente integrados en estos entornos y contribuyan activamente a la integración organizacional global del sistema basada en el conocimiento.

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## Introduction

Organisational integration can be defined as the extent to which distinct and interdependent organisational components rapidly and adequately respond and/or adapt to each other while pursuing common organisational goals (Barki & Pinsonneault, 2005; Lawrence & Lorsch, 1967). The term “component” in this definition indicates any organisational sub-system, such as organisational units, functions, or external partners. Organisational integration is essential in the knowledge age. For example, in a highly integrated supply chain, a firm’s research and development (R&D) function, its marketing function and its key, trusted supplier can systematically collaborate and learn from each other for new product development.

The literature has identified several organisational mechanisms that are direct enablers of organisational integration. Among these mechanisms, some have proved particularly relevant, such as process standardisation, good social relationships within the senior team, purposeful inter-component connectedness, cross-functional projects, cross-functional teams, and technological interfaces (Gilbert, 2005; Glouberman & Mintzberg, 2001; Gupta & Govindarajan, 2000; Hansen, 2002; Jansen, Tempelaar, van den Bosch, & Volberda, 2009; Klein & Rai, 2009; Lawrence & Lorsch, 1967; Martinez & Jarillo, 1989; Nelson, 1989; Tsai, 2002).

Technological interfaces, in particular, play an increasingly crucial role in innovation-oriented organisational integration. In the last decades, the evolution of IT has enabled an unprecedented integration of processes and information flows, both within and across organisational boundaries (Berente, Vandenbosch, & Aubert, 2009; Sambamurthy, Bharadwaj, & Grover, 2003). Today, internet-based systems are the key enablers of social connectedness in business environments (Jue, Marr, & Kassotakis, 2009). In addition, the implementation of some new technological interfaces, such as enterprise resource planning (ERP) systems or e-business platforms, results in gigantic cross-functional projects in which cross-functional teams of IT people must bridge organisational silos

(Barki & Pinsonneault, 2005; Newell, Tansley, & Huang, 2004). For these reasons, effective relationships between the highest-ranked IT manager, often called the chief information officer (CIO) and the top management team (TMT), including the chief executive officer (CEO), may offer a key contribution to innovative strategies and growth in the e-business era (Feeny, Edwards, & Simpson, 1992; Naranjo-Gil, Hartmann, & Maas, 2008).

In sum, the relevance of the IT function and, in particular, IT managers (including the CIO) to organisational integration is at least fourfold. First, this function is in charge of designing, adjusting and implementing the tools that are key to process standardisation, which is an important mechanism enabling integration. Second, the IT function is in charge of supporting all the system’s social connectedness through smooth web-based communication; also social connectedness is a powerful mechanism enabling integration. Third, the IT function periodically participates in cross-functional teams in charge of key cross-functional projects, when new important IS systems are designed and implemented: both cross-functional teams and projects are key mechanisms for integration. Fourth, the highest-ranked IT managers are in the position to play a pivotal role in fostering constructive relationships and cooperation within the firm’s senior team, a key factor to spread the culture of integration throughout the whole organisation.

All these reasons notwithstanding, the literature has overlooked the role of the IT function and IT managers in organisational integration so far. Scholars have investigated the importance of specific aspects: for example, the importance of an effective relationship between the CIO and the CEO has been highlighted and tested (Feeny et al., 1992). Nevertheless, to the best of the authors’ knowledge, an empirical investigation of the IT function’s overall organisational integration and its impact on firm performance is still missing.

Previous studies on the organisational integration of specific functions have thus far mainly focused on the role of the marketing/sales, production, and R&D functions (Barki & Pinsonneault, 2005; Jaspers & van den Ende, 2006; Millson, 2013), whilst the IT function has not attracted scholarly attention so far. These studies have confirmed that the

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