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The Important Antecedents of Strategic Alignment in Manufacturing Industries in Malaysia

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Abstract This study is meant to examine the relationships of several antecedents and important of strategic alignment into manufacturing industry in Malaysia. The study identified six importance antecedents of strategic alignment into manufacturing industry, namely: Service Quality, Shared Knowledge, Strategic Planning, Track Record, Value and Belief, Strategic Alignment, Business Strategy. Is widely acknowledged that alignment of business strategies and manufacturing strategies has positive influence on manufacturers' competitiveness. Due to the immerse globalization and virtualization in today business environment, many transformation is taking place with improvement in value chain as well as foster closer relationship with their customers and business partners. 300 questionnaires were mailed to selected respondents. Two hundred questionnaires were completed and returned, representing 66.7% response rate. A seven point liker scale was used to measure responses. The data were analysed using Structural equation modeling (SEM), using AMOS version 16. Confirmatory factor analysis of measurement models indicates adequate goodness of fit after a few items were eliminated through modification indices verifications. Goodness of fit indices of the revised structural model show adequate fit. The goodness of fit indices of the revised model indicate adequate fit (GFI=.941, RMSEA=.045, RATIO CMIN/DF=1.401, P-VALUE=.021). The regression parameter estimates of two variables are found to be significant. Value and belief has a positive relationship with Strategic alignment and Strategic alignment has a positive relationship with Business Strategy. The findings are discussed in the context of strategic alignment into manufacturing industries in Malaysia.

Keywords Strategic Alignment, Business Strategy, Value and Belief, Manufacturing Industries, Malaysia

1. Introduction

The alignment of business strategy and manufacturing strategy is widely acknowledged to have a positive influence on manufacturers' competitiveness. According to Skinner[1], who pointed out that manufacturer drafted their business strategy according to their external competitive environments; their competitive goals were then drawn up based on their business strategies. In order to achieve these competitive goals, manufacturers had to ensure that the associated internal operations were effectively executed therefore; manufacturers have long been advised to construct a clear manufacturing strategy to have better performances.

The changes in the present industrial scenario have contributed to changes in the structure and functioning of organizations. Organizations have been focusing on changes in the structure resulting in flatter organizations. The results of various studies show that large organizations have changed their shapes dramatically, reducing layers of hierarchy, dispersing authority and decision making, and adopting a variety of practices associated with knowledge sharing, quality improvement, strategic planning for business strategy and its performance (Seyed and Siavash,[2]).

The trend toward globalization and virtualization of the business environment has encouraged the anticipation in involving transformations, both internal and external, as most organizations must re-create their value chain and strive for closer relationships with their customers and other business partners. In response to or anticipation of the changes in their environment, most organizations are deploying the best strategy in order for reasons, of survival and competitiveness. Thus is raised a fundamental question underlying these transformations, namely how can an organization actually translate its strategic alignment into increased business performance, be it in terms of productivity, increased market share, profitability or other indicators of organizational effectiveness.

Given the complex nature of this question, researchers realized that the answer would be adopting strategic alignment would influence business performance to the

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extent that it would be in "alignment" or "fit" with the strategic, structural and environmental dynamics specific to each organization (Markus and Robey,[3]). Strategic alignment means that the decisions taken within the dimension of each sub-strategy should be mutually consistent and converge with the overall business strategy (Joshi, Kathruia & Porth,[4]; Sun & Hong,[5].

Strategic alignment became a focus of study when it was found that companies in which the organizational structures were suitably adjusted to the business strategy performed better than others Hitt MA,[6]. Since then, specific studies have been carried out on the alignment of resources and internal processes with business strategy and competitive advantage ([7],[8],[9],[10],[11],[12],[13]). There for the main attention of this study is to examine the important of strategic alignment in manufacturing industries.

2. Literature Review

2.1. Service Quality

Over the last decade, the marketing and quality literature have devoted reams to the issue of service quality and delivery. Service quality has been acknowledged as a key element of success in attracting repeat customers (Heskett et al.,[7]), and is often valuable in distinguishing itself from competitors to expand a competitive advantage in the service-oriented world (Rapert and Wren,[8]). Previous studies have recommended that service personnel play an important role in customer's evaluations of service quality (Bebko and Sciulli,[9]; Heskett et al.,[7]; Mattson,[10]; Tansuhajm et al.,[11])

Furthermore, there has been some interest in applying the concept of service management and quality (Pitt et al,[12]; Van Dyke et al,[13]), which can be characterized merely as a customer–supplier exchange. In these circumstances it is very important to pay attention to study of service quality, its dimensions and measuring method in order to improve it continuously.[13] Continuous offer of high quality service is extremely important to reach consumer satisfaction which is reflected positively to competition and to profitable business of service companies. Most business has tended to focus on products rather than service and only recently has this service aspect been addressed. Also, the customer is the ultimate arbiter of quality and no matter how good the service provider feels, it is the perception of the customer that is important in assessing its quality.

2.2. Shared Knowledge

Research on strategic alignment planning highlights the importance of the top managers' and their subordinate knowledge to success in their business strategy. When all staff of the organization is knowledgeable about the business, they are more likely to develop shared understanding and vision and achieve improved linkages between objectives and actions.According to previous research, the exchange of knowledge among people who enjoy harmonious interpersonal relationships should be higher (Chiu et al.,[14]. Focusing on the patterns and implications of the relations within the collective, social network perspectives suggests that individuals and their actions (e.g., knowledge exchange) are interdependent rather than independent occurrences. For instance, close social interactions without any conflict enable individuals to increase the depth, extent, and efficiency of mutual knowledge exchange (Chiu et al.,[14].

Other than that, information sharing helps to improve visibility and therefore improves the allocation of inventory production scheduling and knowledge transfer process (Simatupang and Sridharan,[15]). Barratt and Oliveira,[16] demonstrate that top managers' lack of knowledge inhibits alignment, while Luftman and Brier[17] discuss how executives' understanding of business issues enables alignment. Simatupang and Sridharan,[15] emphasize the importance of business executives' familiarity with business knowledge and their potential business impacts. Finally, Reich and Benbasat[18] found shared domain knowledge, at a deep level, to understand and be able to participate in the other's key processes and to respect each other's unique contribution and challenges," to facilitate short-term and long-term alignment. This highlights the importance for managers of common goals, common experiences, common vocabulary and even common, overlapping education.

2.3. Strategic Planning

Strategic planning is a process that begins with the setting of organizational aims, defines strategies and policies to achieve them, and develops detailed plans to make sure that the strategies are implemented to achieve the organizational goals. Since the 1970s, the literature on strategic systems has highlighted the importance of sophisticated (i.e., well-defined and comprehensive) strategic planning processes argue that planning ("the discipline and vision to foresee problems and opportunities within a turbulent and complex environment,") is one of the most important business management issues; it is frequently ranked by practitioners among the top ten key issues. Reich and Benbasat[26] have argued that strategic alignment cannot be aligned to the business strategy when the organization lacks a formal planning process and the business strategy is ambiguously defined. Luftman and Brier[25] also found clearly defined business goals and visions to facilitate alignment. Luftman and Brier[25] have explored how planning processes promote shared knowledge and alignment in order to success business strategy. Thus, prior research suggests that managers need sophisticated strategic planning processes in order to facilitate alignment.

2.4. Track Record

Past implementation failures, that is previous projects that were not perceived to have been successful, influence top management's ongoing perceptions. Martins and Kambil[20] argue that how managers view new or future strategic

opportunities is affected by their looking back at experiences with past ones. As a result of past system failures, business may lose credibility with top management and end-users, Lufman and Brier[17]. Top manager and colleagues who are perceived to be competent are more likely to be trusted and consulted early in decision-making processes. As a result, they are more likely to be aware of new business developments and to act in accordance with current and emerging business needs. Luftman and Brier[17] found that the department track record, i.e., its ability to meet its previous commitments, facilitated alignment. Reich and Benbasat[18] also found prior project success to facilitate short-term alignment. Thus, prior success is another important predictor of current levels of alignment. This suggests that past credibility gaps cannot be ignored by managers but must be addressed as a high priority. Using new successes to improve its track record should enable the organization to better align itself, as a trusted partner, with the rest of the organization.

Furthermore, Martins and Kambil[19], asserted that past experiences of success will determine the perceptions of managers towards new or future strategic opportunities. Put simply, a past system failure could lose credibility with both top executives and the end-users (Luftman et al.[20]. Dahlberg and Kivijärvi[21] suggested that beliefs related to knowledge, attitudes and past experiences could be seen as a main contingency factor that affects strategic alignment. Rockart et al.[22] argued that a successful track record is likely to develop its relationships with business at all levels. Luftman and Brier[17] and Reich and Benbasat[18] found that the track record of each personnel namely its ability to meet its previous commitments, enabled alignment. Chan et al.[23] suggested that past credibility gaps cannot be ignored by managers and have to be considered as a high priority to address any outstanding credibility issues that business executives might have with the industry.

2.5. Value and Belief

Values and beliefs can significantly shape how attitudes develop and hence behaviour and practices. These beliefs are shaped throughout one's career based on the experiences which one has it. For instance, inadequate structures and processes can impinge on the effective delivery of business services even if there are congruent values and beliefs between the organisation and the rest of the business. Furthermore, the importance of values and beliefs to strategic alignment was also been acknowledged. Luftman et al.,[20] assured that values and beliefs will improve strategic alignment. Henderson and Venkatraman[24] mentioned that values and beliefs affect the decision making ability of partners. According to Tomkins[25] personal ideologies an individual maintains toward belief-based and value-based components of human living may be understood according to the two orthogonal dimensions of normative and humanism.

2.6. Strategic Alignment

Strategy is viewed as a long-term approach to implementing a company's plans and the resources needed to achieve its goals and objectives Wu. Wenhai,[26]. There has been much debate, however, about 'what strategy really is' since the early 1990s. There has also been a consistent analysis of the importance of strategy to technology, change and innovation over the last four decades, which clearly demonstrates the significance of increasing the understanding of the role of strategy in managing technologies to improve operational performance. The importance of strategic alignment is recognised by Delery and Doty[27] for an effective organisational performance.

Organisations which aim to achieve world-class performance must make decisions on what objectives will enable them to gain a competitive advantage or differentiate themselves. Strategic alignment refers to the integration and coordination of the applied plans of Information Technology and the goals of the organization. In this area, not only should Information Technology plans reflect goals, mission and strategies of business, but the business plans should be as a reference for the plans of Information Technology, its applied plans and specific technologies (Wu. Wenhai,[26]).

The importance of strategic alignment increases along with the efforts of today companies to enhance the integration of business and Information Technology (Luftman, J.,[20, Luftman, J. & Brier T.,[17]. Perhaps it is because of this issue that alignment covers both outlines of effectiveness and efficiency. Strategic alignment is also important because it is recognized, Delery and Doty[27] for an effective organisational performance.

2.7. Business Strategy

The strategic alignment with business strategy has been defined is an intense hands-on business redesign process, in which we align the strategic goals, business model and processes, and company culture with the key business purpose and core values Luftman J.,[20]. Bharadwaj, A. S[28] argues alignment exists when an organization's goals and activities that support them remain in harmony. The alignment is considered fruitful when an organization is applying appropriate strategy in a given situations in a timely way, and these actions stay congruent with goals, and needs. Beside these conceptual perspectives, alignment can help organizations in three different ways. The first is by maximizing the return on investment; the second is by enabling organizations to achieve competitive advantage and thirdly, it facilitates them to respond to new opportunities by providing direction and agility Bharadwaj, A. S.[28].

Furthermore, a corporation should seek to respond to the external environment effectively to gain competitive advantages, or the competitive forces (Porter,[29]). Strategies serve to exploit a corporation's capability as a competitive weapon to achieve its mission and objectives. A clear strategy can play an important role in a firm's success. In today's competitive environment, a company more than ever needs a strategy that specifies the kind of competitive

advantage that it is seeking in the market and articulates how that advantage is to be achieved. Hayes, R.H., and Pisano, G.,[30]. A typical business firm should consider three levels of strategies: corporate strategy, business strategy and functional strategy. Corporate strategy describes a company's overall direction. Business strategy occurs at the business unit level. And functional strategy is concerned with developing a distinctive competence to provide a company or a business unit with a competitive advantage Hunger, J.D., and Wheelen, T.L.,[31].

3. Research Questions and Research Framework

This paper examines the effects of five factors, which is shared knowledge, strategic planning, track record, service quality and value and belief are directly based on prior empirical research on alignment. Our selection of these five factors is a result of their prior discussion in the literature. In this paper, the following questions will be studied, as illustrated in the framework in Fig. 1.

Hypothesis 1: Shared knowledge is positively related to strategic alignment.

Hypothesis 2: Planning sophistication is positively related to strategic alignment.

Hypothesis 3: Prior success is positively related to strategic alignment.

Hypothesis 4: The higher level of service quality the greater the manager's engagement in strategic alignment or service quality is positively related to strategic alignment.

Hypothesis 5: The stronger values and belief in the business plan, the greater the manager's engagement in strategic alignment. Values and Belief success is positively related to strategic alignment.

Hypothesis 6: Business Strategy is positively related to strategic alignment.

3.1. Theoretical Framework

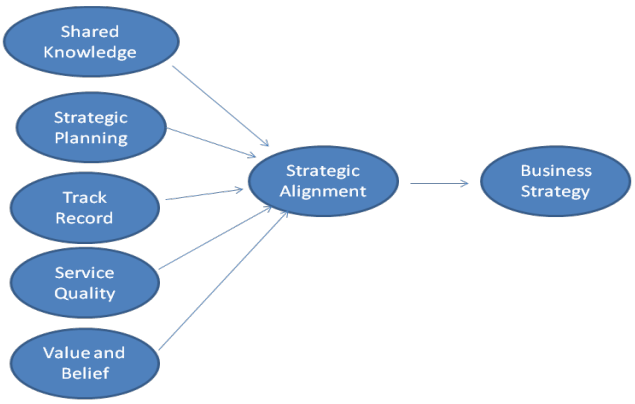


Figure 1.

4. Methodology

4.1. Sample and Procedures

The sampling frame for the study is the northern region manufacturing company. Since the top managers are supposed to supply reliable information concerning the organizational characteristics this study regards senior managers as the most appropriate informants. This study used a questionnaire survey method to collect data for testing the validity of the model and research hypotheses. Variables in the questionnaire include background information, organizational By using random sampling, 30 firms were selected, and a total of 300 questionnaires were mailed to selected respondents, along with a cover letter that explained the objective of this study and asked the questionnaires to be completed by those who are top executives (presidents, vice-presidents or top administrators) and are familiar with the issue of this study. To increase the response rate, this study used follow-up letters, emails and phone calls after one week. Of the 211 returned questionnaires from 23 companies, 11 are incomplete and the remaining 200 are valid for analysis, representing a response rate of 66.7%. In addition, this study compared the characteristics of the respondents to those of the original sample to avoid the probability of non-response bias. These comparisons did not indicate any significant differences between the respondent and non-respondent companies, suggesting no response bias in this study.

4.2. Measures

We developed a field survey for top managers. All the research constructs were measured using closed-end, seven-point Likert-scale items, with scales ranging from 1 = "very weak", 2 = "moderately weak", 3 = "slightly weak", 4 = "neither strong nor weak", 5 = "slightly strong", 6 = "moderately strong", to 7 = "very strong". Shared Knowledge variable was measured using ten items drawn from Boswell, W.R., and Boudreau, J.W.[32]. Strategic planning mechanism was measured using nine items adapted from Venkatraman N[33]. Track record was measured using six items drawn from Churchill, G.A.J.[34]. Service quality variable was measured using four dimension contain sixteen items drawn from Wu, T.S., et.al[35]. Values and beliefs were measured using three dimensions that contain twenty items drawn from P. Cragg, M. King, and H. Hussin[36]. Strategic alignment was measured using five items drawn from Kyobe, M.[37]. Business Strategy was measured using eight items drawn from[38].

4.3. Data Analysis and Results

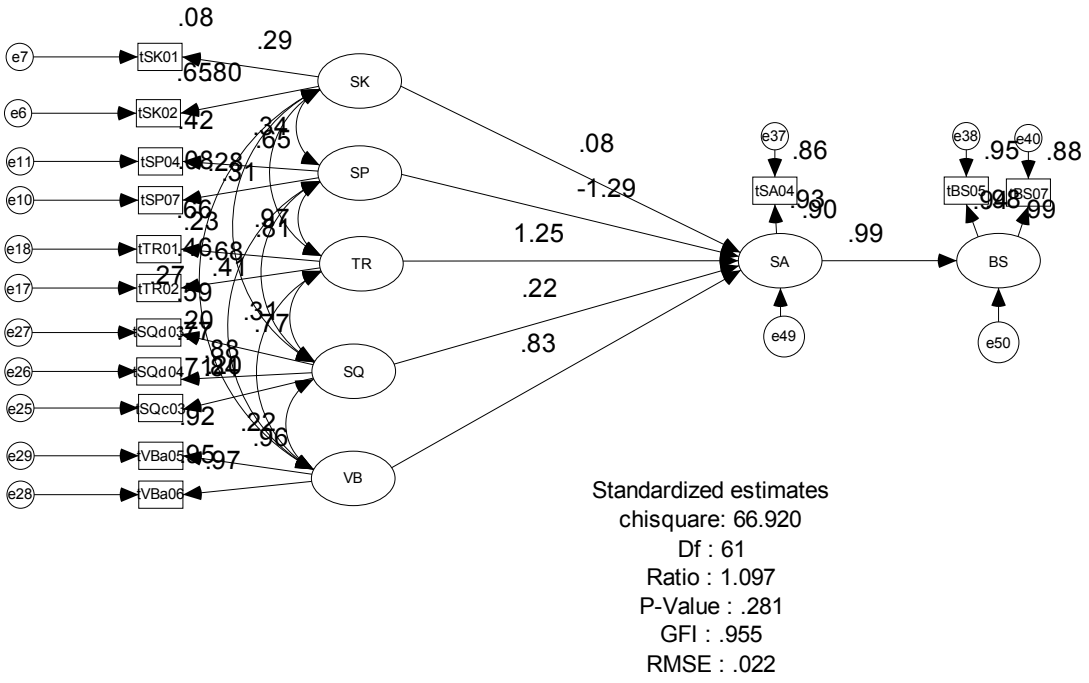


Figure 2. Revised Model

In order to examine whether the factors discussed above could impact strategic alignment on business strategic in northern region manufacturing firms, a number of statistical tests were carried out.

The statistical tests were carried out using Structural Equation Modeling (SEM) techniques using the AMOS (Analysis of Moment Structures) software package version 6. The aim is to assess the causal effects of the listed independent variables on the dependent variable (actual purchase). The indices of fitness selected as refer-ence for evaluating the adequacy of the model were the Chisquare statistics, Bentler-Bonett Non-Normed Fit Index (NNFI), Comparative Fit Index (CFI), and Goodness-of-fit Index (GFI). These indices were provided by AMOS and commonly selected for assessing a model's goodness-of-fit. There was also a general agreement that a GFI index greater than 0.90 and close to 0.95 should be an indicator of an adequately fitted model by Hair[38].

Table 1 presents results from the path analysis of the combined hypotheses. The first until five hypotheses proposed that strategic alignment would be a positive predictor of shared knowledge, strategic planning, track record, service quality and value and belief. The six hypotheses proposed that business strategy would be positive impact on strategic alignment. The path for H1 was not significant ($\beta = 0.086$, $p = 0.792$), so as the path for H2 was not significant ($\beta = -4.156$, $p = 0.885$), H3 also was not significant ($\beta = 1.681$, $p = 0.881$), same with H4 ($\beta = 0.239$, $p = 0.845$). Therefore Hypothesis 1, 2, 3 and 4 were not supported.

But, H5 was significant ($\beta = 0.827$, $p = 0.002$) and H6 ($\beta = 1.045$, $p = ***$).

5. Discussion

This study support that there is a significant relationship between strategic alignment and value and belief and also business strategy with strategic alignment. However, this study shows insignificant relationship between strategic alignment which is mediating variable and four independent variables which are shared knowledge, strategic planning, track record and service quality. The result show that shared knowledge is contradicted from previous study P. Cragg, M. King, and H. Hussin[36]. This could imply that managers mostly work independently, thus making decision making authority unnecessary. Most managers nowadays is not monitored like in olden days due to modern electronic communication such as internet, emails, mobile/internet i-phones, computers, on-line ordering, purchasing and reporting. Place and time become insignificant as long as targets are achieved and immediate feedback could be done daily. Strategic planning has been found to have insignificant relationship in this study which is in contradiction with previous studies as discuss above. This is because the managers may not take all aspect of firm into account during the implementation of strategic planning. Track record also not significant to the strategic alignment because of the changes in track record are not consistent with the current trend and demand and service quality show insignificant result because some managers stressed that service quality does not support strategic alignment.[36] found some concerns related with service quality such as inadequate training programs, which hinder the finding of solutions to enhance product or service.

6. Conclusions and Future Research

This study examined the importance of strategic alignment in manufacturing industries. This study took into account five exogenous and two endogenous. During the study, the researchers observed that there is a negative relationship between strategic alignment and four exogenous variables because of few reasons as discuss above. Future researchers should focus several countries since this would help to advance understanding of the business strategic alignment issue and the conditions and outcomes of achieving it from different nationwide origins in different contexts.

Relationship			Estimate	S.E.	C.R.	P
SA	<--	SK	0.086	0.326	0.264	0.792
SA	<--	SP	-4.156	28.692	-0.145	0.885
SA	<--	TR	1.681	11.222	0.15	0.881
SA	<--	SQ	0.239	1.226	0.195	0.845
SA	<--	VB	0.827	0.273	3.035	0.002
BS	<--	SA	1.045	0.039	26.617	***

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