

# **Organizational and Strategic IT Alignment and Firm Performance: A Study of German Manufacturing Firms\***

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## **ABSTRACT**

The returns to information technology (IT) use have been studied in some detail in recent years. The consensus in various disciplines (economics, management, information systems) is that there are complementarities between firm organization and IT and that decentralization and IT use appear to work best in conjunction, although recently some functions of IT have been identified as favouring centralization. In this paper, we propose that the complementarity between organization and IT depend on a third factor, a firm's strategy. Using a novel dataset on over 250 German manufacturing firms, we find that IT use and decentralization appear complements mainly in firms exploring new markets and following a differentiation strategy, while IT and centralization are complementary in firms exploiting cost advantages in established markets.

**Keywords:** Information Technology, Complementarities, Generic Strategies.

**JEL Codes:** L23, M15, L60.

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