



Strategic Alignment of Business and IT

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Business Model

Strategy

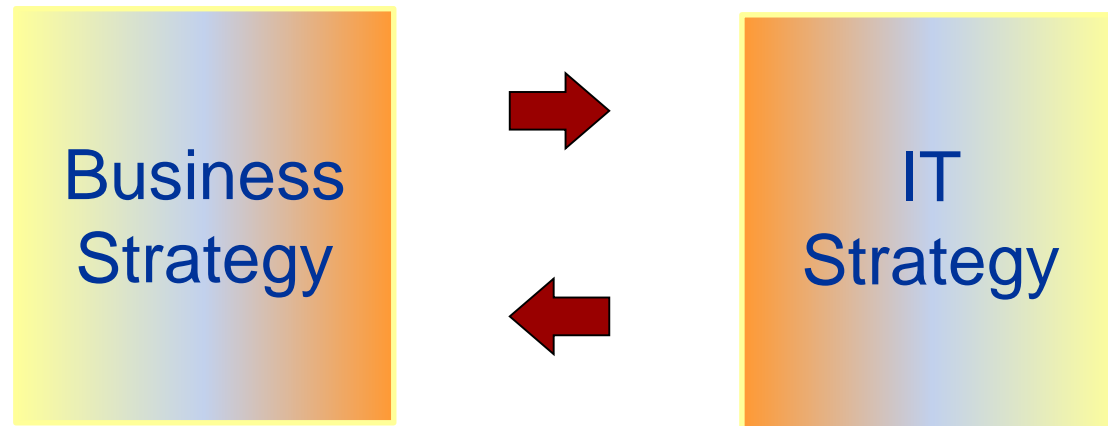
Organisation and Processes

Information Systems

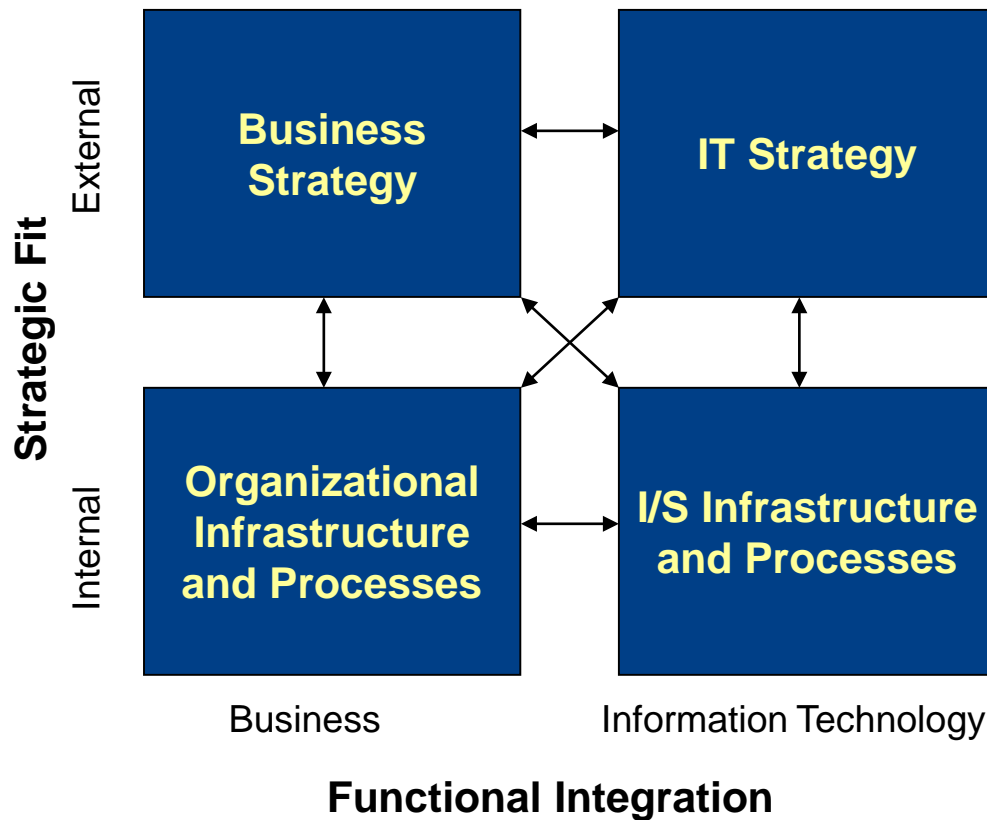
Infrastructure

«Traditional» view on Business-IT Alignment

- IT strategy has been seen as a functional-level strategy that must be aligned with the firm's chosen business strategy



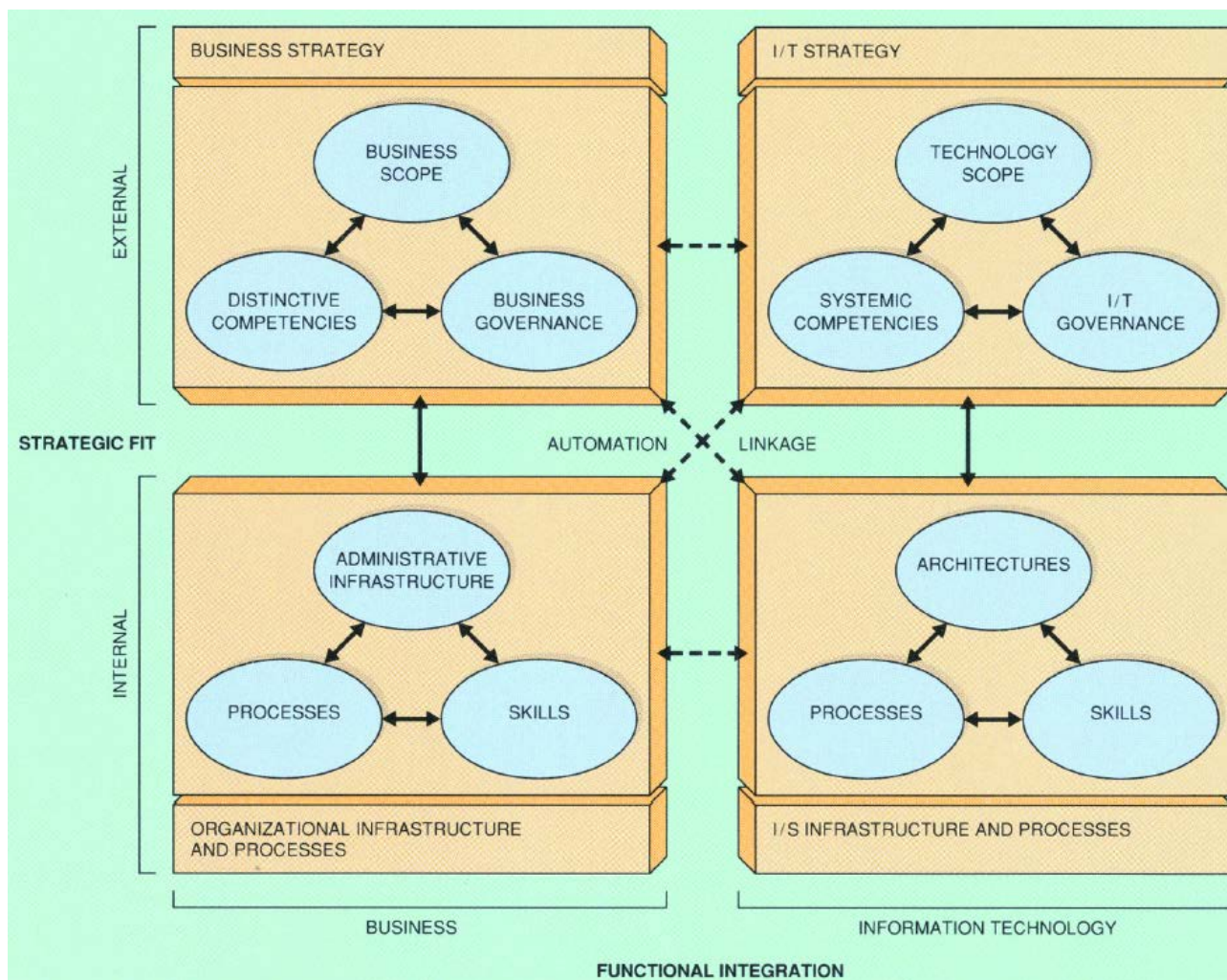
Strategic Alignment Model



- The strategic alignment model of Henderson and Venkatraman (1993) combines the two dimensions
 - ◆ Aligning business and IT (functional integration)
 - ◆ Aligning internal and external drivers (strategic fit)
- Two principle approaches for alignment:
 - business-driven: take the business strategy as the starting point and derive the IT infrastructure
 - IT driven: focus on IT as an enabler; start from IT strategy deriving organisational infrastructure





(Henderson & Venkatraman 1993)

Strategic Alignment Model – Detailed View



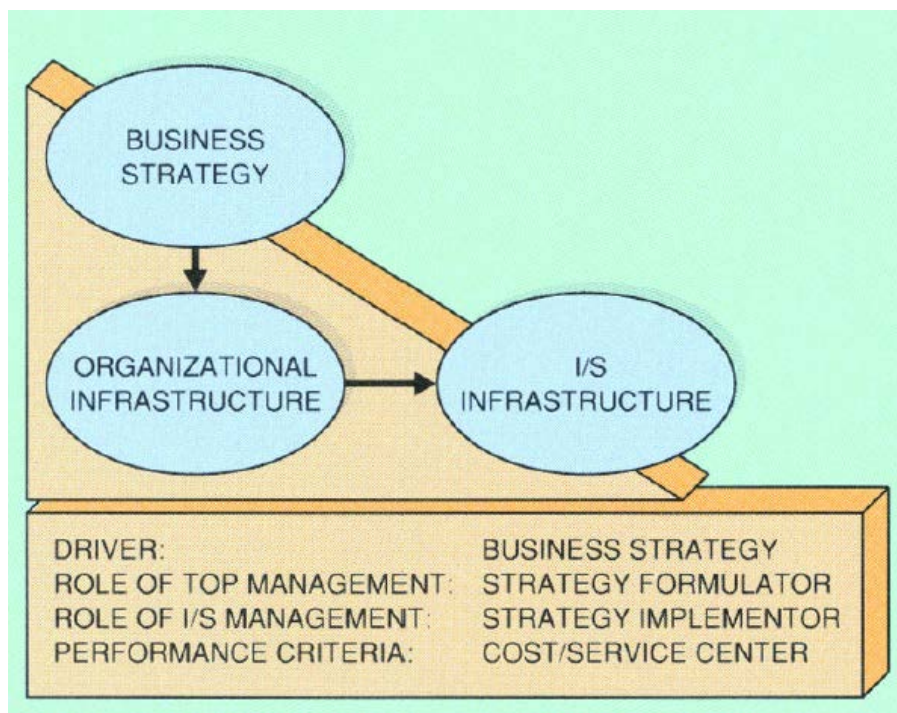
(Henderson & Venkatraman 1993)

Four Dominant Strategic Alignment Perspectives

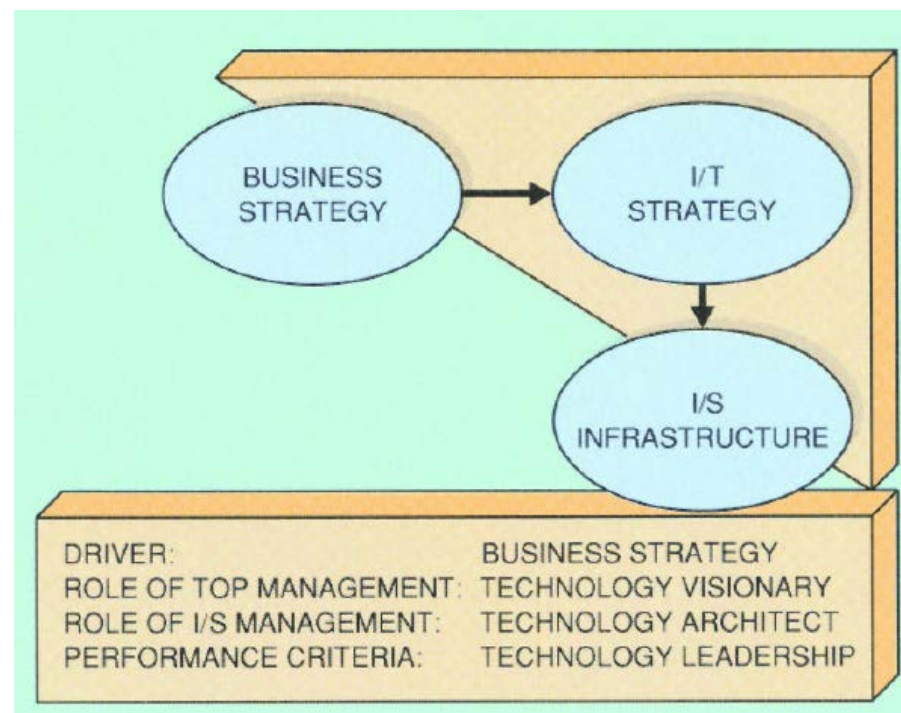
Perspective	Driver	Role of top management	Role of IT management	Performance criteria	Alignment approach
Strategy execution	Business strategy	Strategy formulator	Strategy implementer	Cost/service center	
Technology transformation	Business strategy	Technology visionary	Technology architect	Technology leadership	
Competitive potential	IT strategy	Business visionary	Catalyst	Business leadership	
Service level	IT strategy	Prioritizer	Executive leadership	Customer satisfaction	

Four Dominant Alignment Perspectives:

I) Business Strategy as the Driver



Strategy Execution Alignment

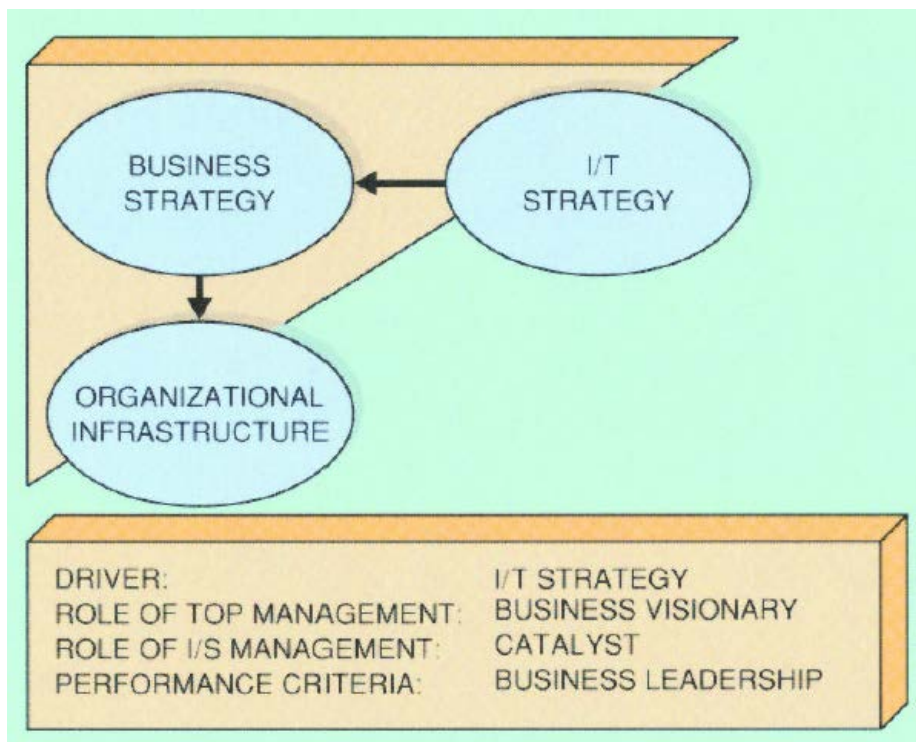


Technology Transformation Alignment

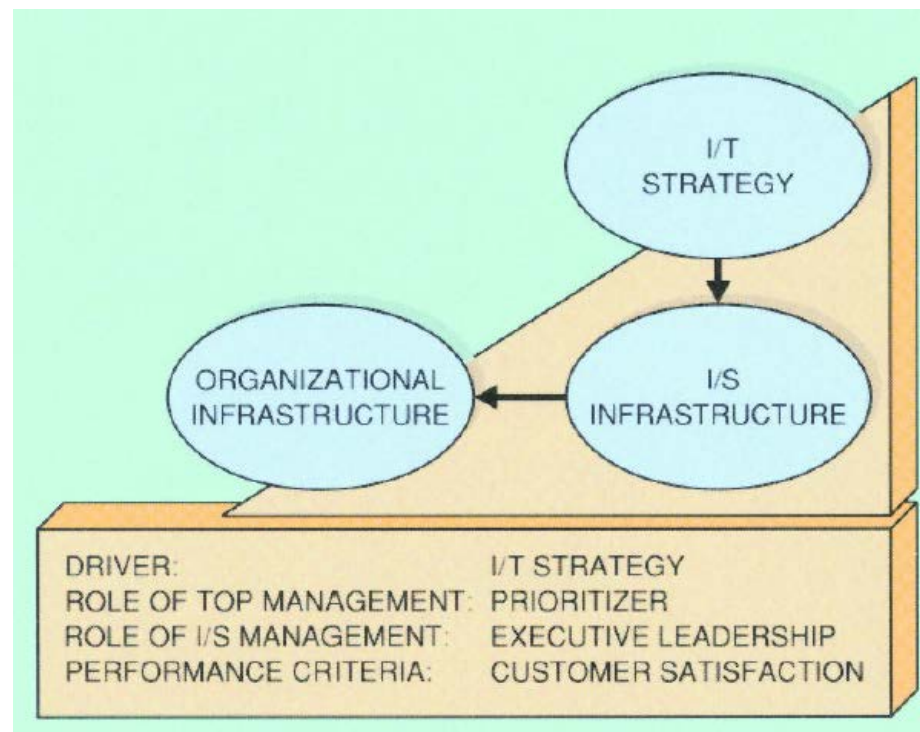
(Henderson & Venkatraman 1993)

Four Dominant Alignment Perspectives:

II) IT Strategy as the Driver



Competitive Potential Alignment



Service Level Alignment

(Henderson & Venkatraman 1993)

New: Digital Business Strategy

New: Digital Business Strategy

- Digital technologies are fundamentally transforming business strategies, business processes, capabilities, products and services
- **Digital Business Strategy:** Fusion between IT strategy and business strategy



Digital Business Strategy

- Digital business strategy is an ***organizational strategy formulated and executed by leveraging digital resources to create differential value.***
- Overcoming the view of IT strategy as a function following business strategy
- Recognizing the pervasiveness of digital resources in other functional areas such as operations, purchasing, supply chain, and marketing
- Explicitly linking digital business strategy to creating differential business value (...) drive competitive advantage and strategic differentiation

(Bharadwaj et a. 2013)

Drivers of the Four Key Themes of Digital Business Strategy

Key External Digital Trends

- Pervasive Connectivity
- Information Abundance
- Global Supply Chains
- Improved Price/Performance of IT
- Growth of Cloud Computing
- Emergence of Big Data

Key Organizational Shifts

- Limitations of Traditional Business Models
- Trans-functional Role for IT
- New Mandate for IT and the CIO
- Increased Familiarity with IT

- Scope of Digital Business Strategy
- Scale of Digital Business Strategy
- Speed of Decision Making
- Sources of Value Creation and Capture

Performance

(Bharadwaj et a. 2013)

Key Questions on Digital Business Strategy Themes

Scope of Digital Business Strategy

- What is the extent of fusion and integration between IT strategy and business strategy?
- How encompassing is digital business strategy, and how effectively does digital business strategy transcend traditional functional and process silos?
- How well does digital business strategy exploit the digitization of products and services, and the information around them?
- How well does digital business strategy exploit the extended business ecosystem?

Scale of Digital Business Strategy

- How rapidly and cost effectively can the IT infrastructure scale up and down to enable a firm's digital business strategy to bolster a strategic dynamic capability?
- How well does digital business strategy leverage network effects and multisided platforms?
- How well does digital business strategy take advantage of data, information, and knowledge abundance?
- How effective is digital business strategy in scaling volume through alliances and partnerships?

Speed of Digital Business Strategy

- How effective is digital business strategy in accelerating new product launches?
- How effective is digital business strategy in speeding up learning for improving strategic and operational decision making?
- How effectively does digital business strategy bolster the speed of dynamic supply chain orchestration?
- How quickly does digital business strategy enable the formation of new business networks that provide complementary capabilities?
- How effectively does the digital business strategy speed up the sense and respond cycle?

Sources of Value Creation and Capture

- How effective is digital business strategy in leveraging value from information?
- How effective is digital business strategy in leveraging value from multisided business models?
- How effective is digital business strategy in capturing value through coordinated business models in networks?
- How effective is digital business strategy in appropriating value through the control of the firm's digital architecture?

(Bharadwaj et a. 2013)

