

Strategic Alignment of Business and IT

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Business Model

Strategy

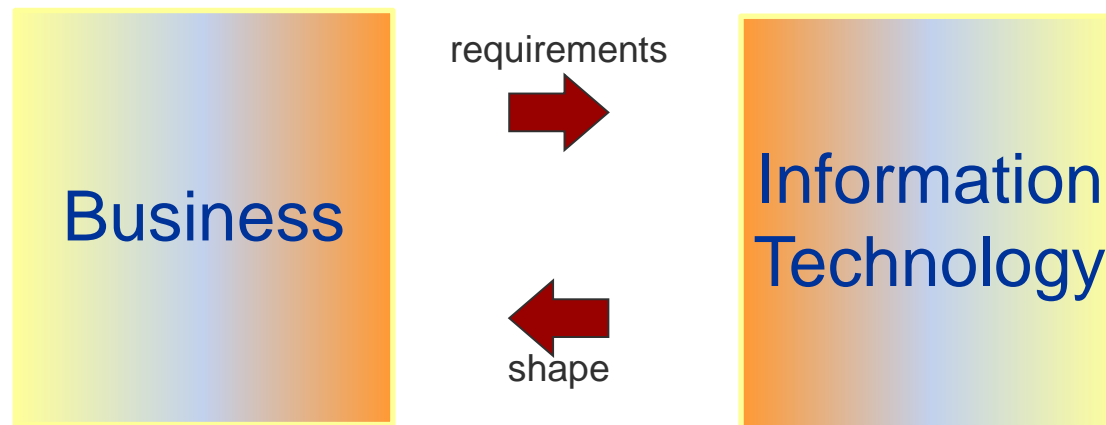
Organisation and Processes

Information Systems

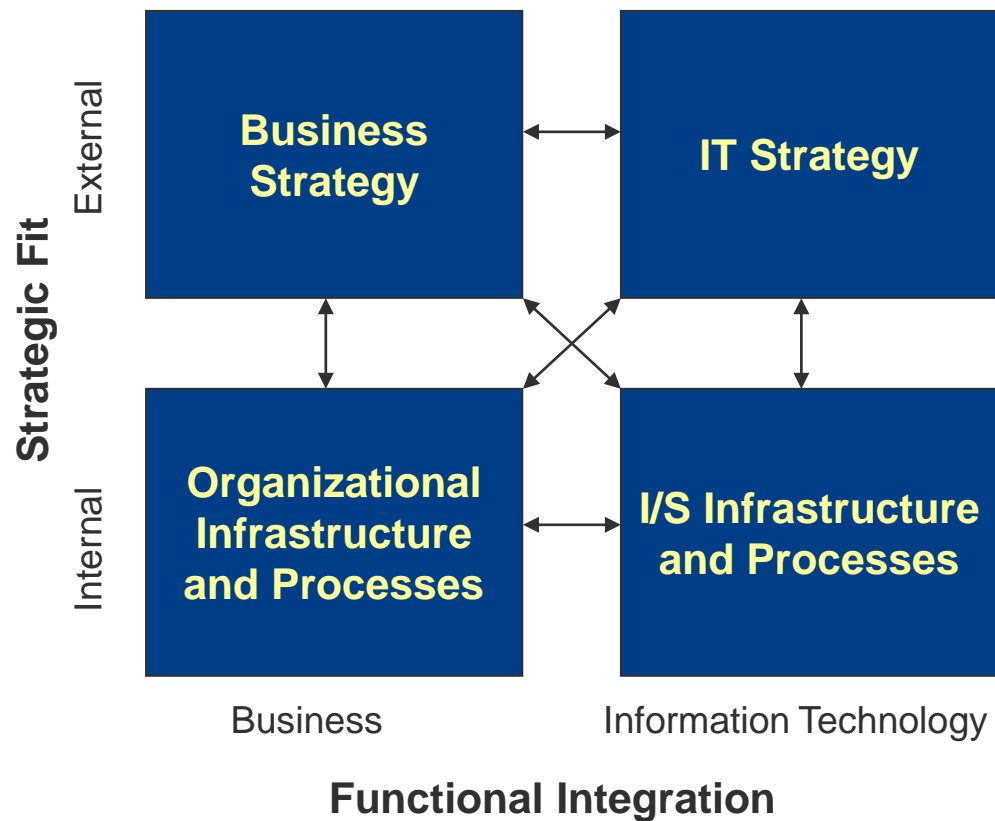
Infrastructure

«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
- The alignment of business and IT has to create an environment in which the IT department and the CIO ...
 - ...are not merely installing technology to support business processes but
 - ...are also using technology to shape the business.



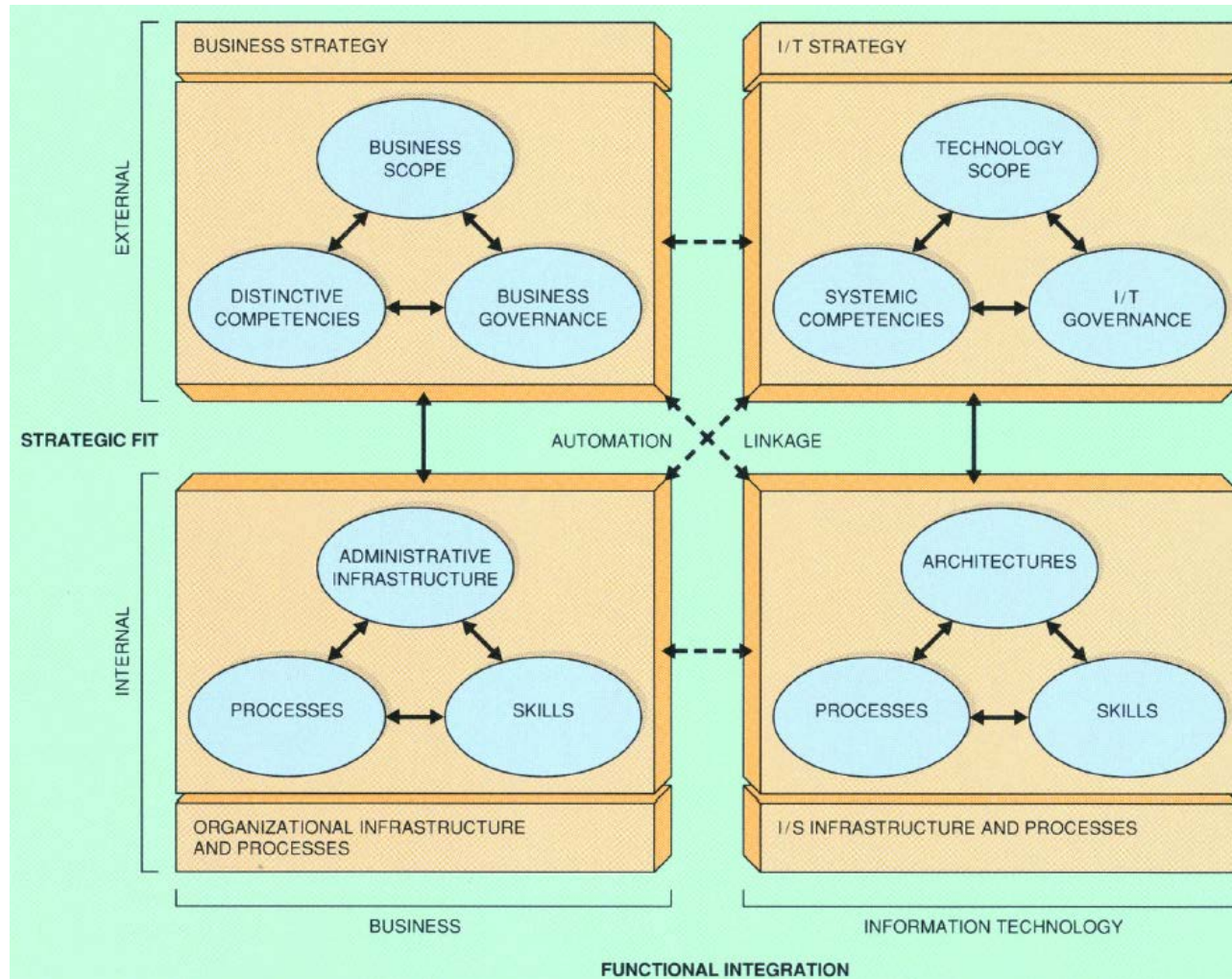
Strategic Alignment Model



- 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)

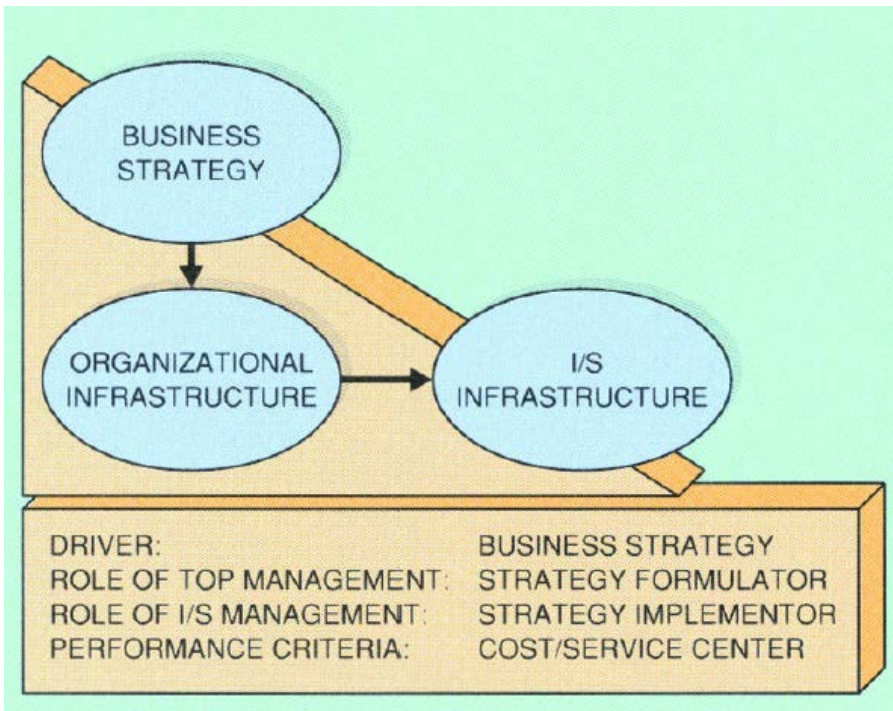


Four Dominant Strategic Alignment Perspectives

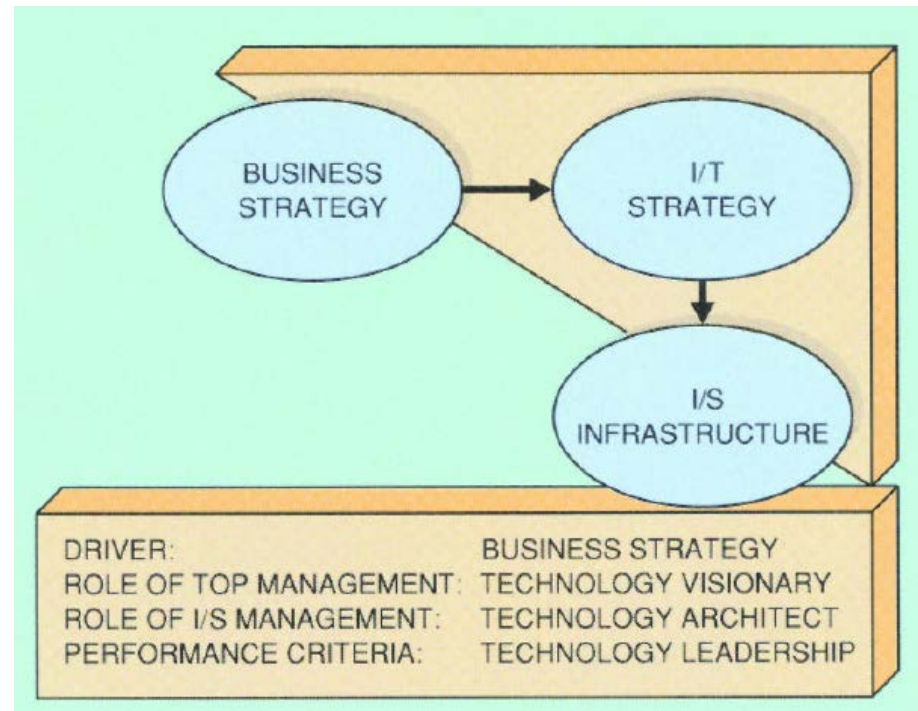
Perspective	Driver	Role of top management	Role of IT management	Performance criteria	Alignment approach
Strategy execution	Business strategy	Strategy formulator	Strategy implementer	Cost/service center	
Technology transformation	Business strategy	Technology visionary	Technology architect	Technology leadership	
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

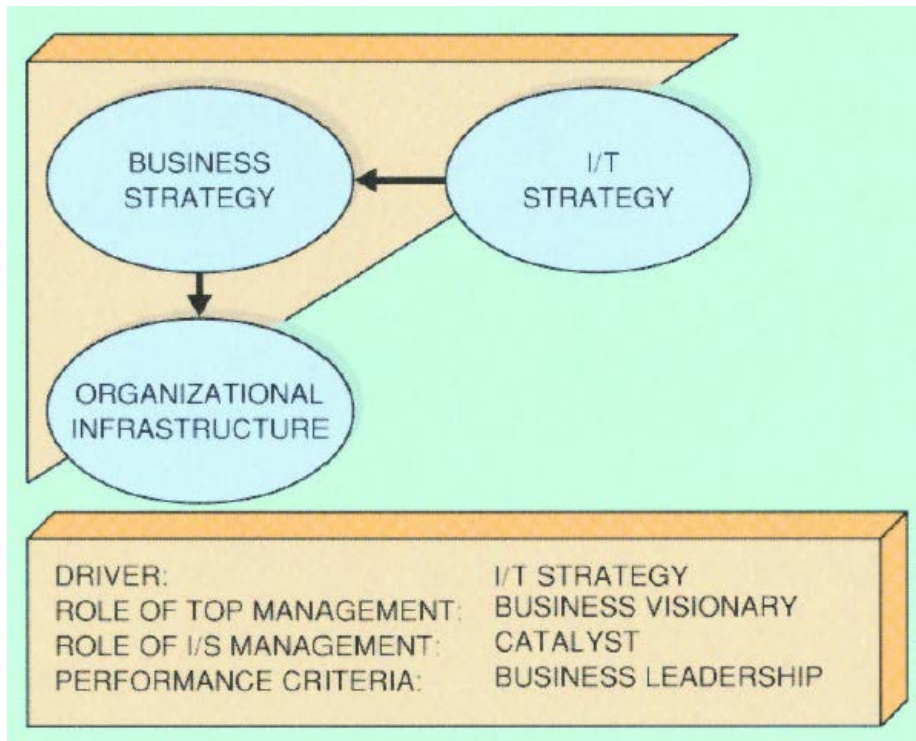


Technology Transformation Alignment

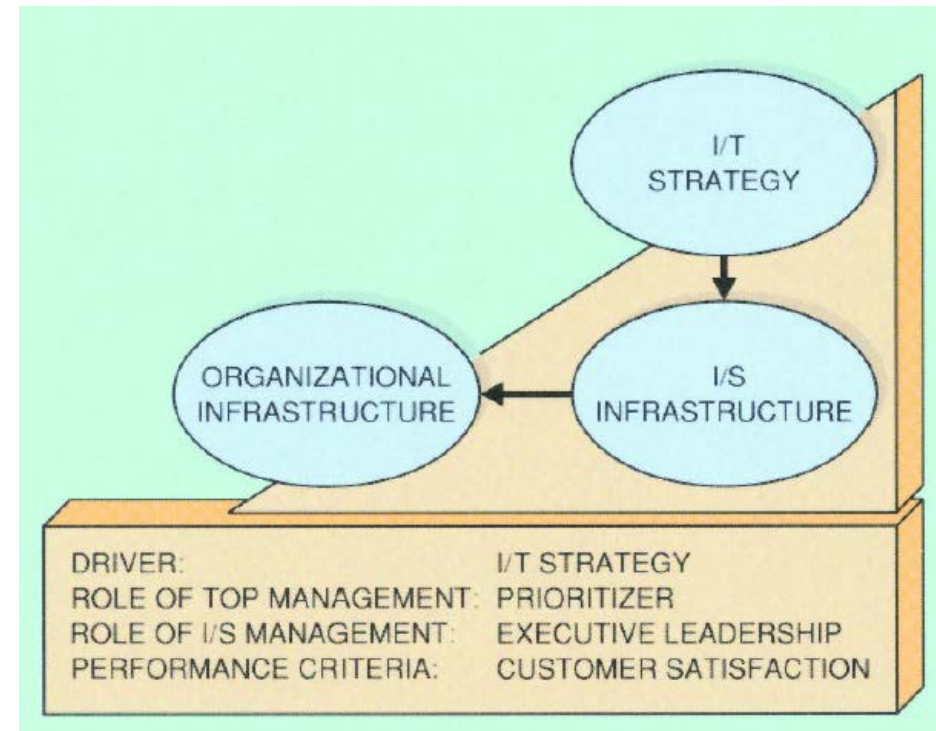
(Henderson & Venkatraman 1993)

Four Dominant Alignment Perspectives:

II) IT Strategy as the Driver



Competitive Potential Alignment



Service Level Alignment

(Henderson & Venkatraman 1993)

New: Digital Business Strategy



**"There are no IT projects, only business projects."
(Paul Coby, CIO of British Airways)**

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



(Bharadwaj et al. 2013)

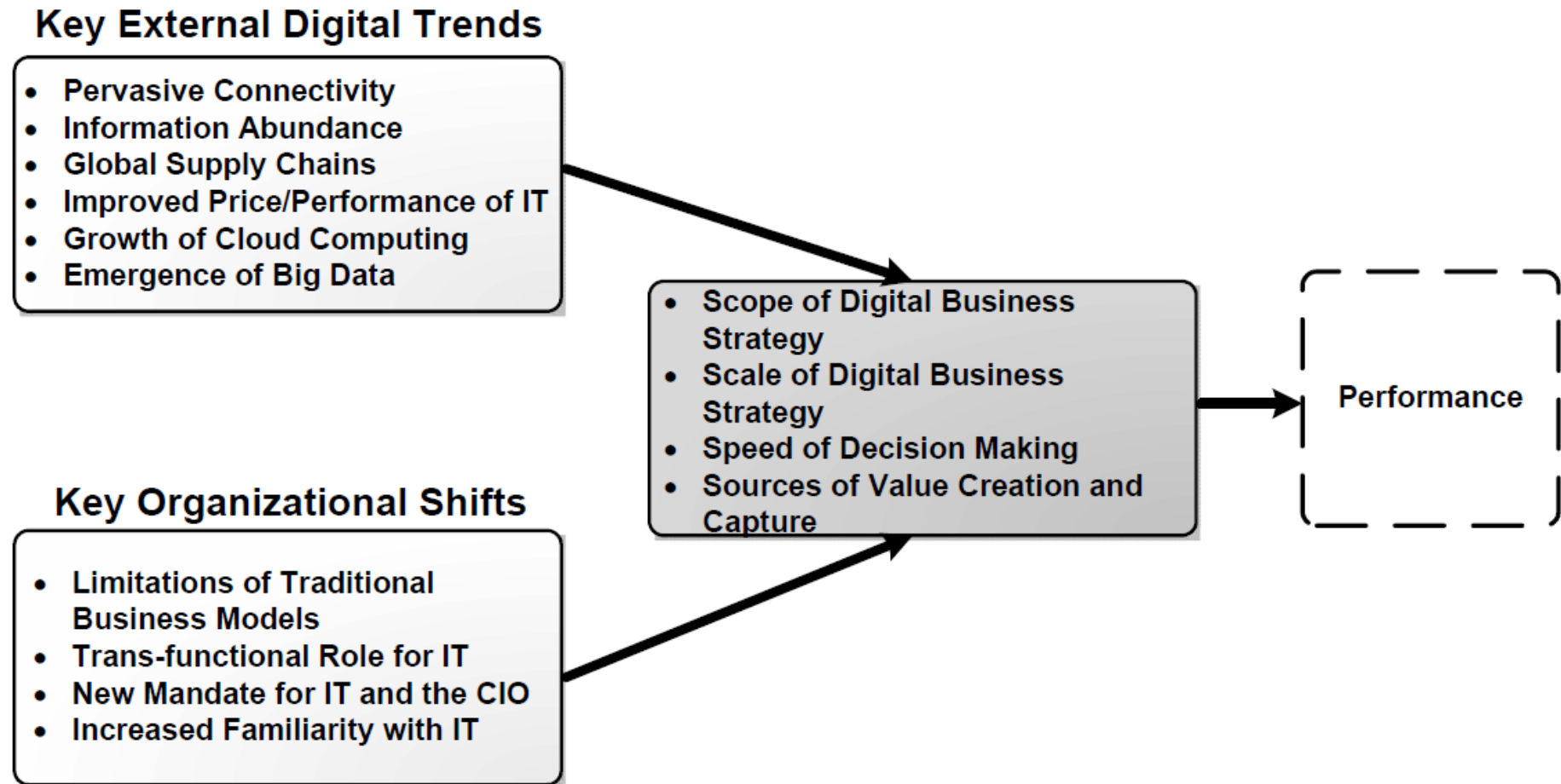
Digital Business Strategy

- 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



(Bharadwaj et al. 2013)

