

# ***Strategic Alignment of Business and IT***

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**Business Model**

**Strategy**

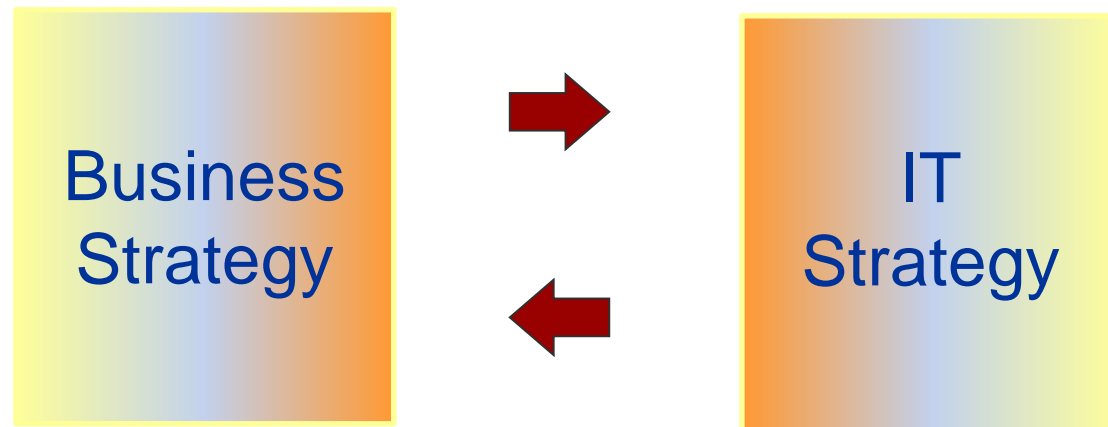
**Organisation and Processes**

**Information Systems**

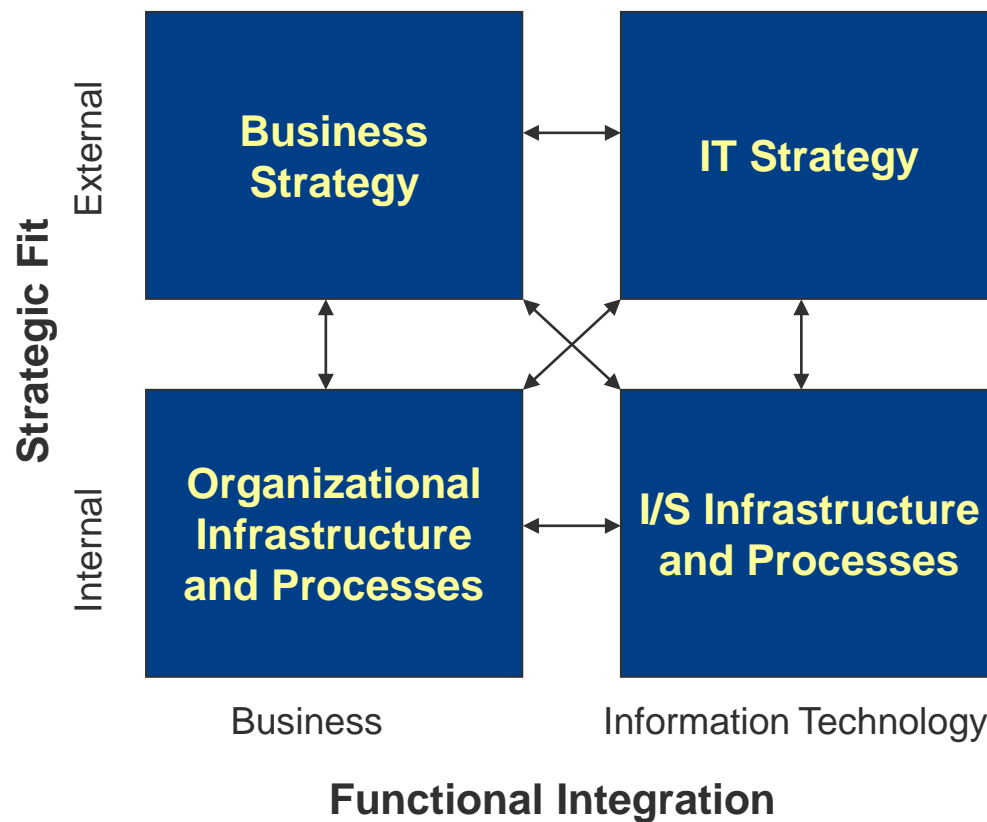
**Infrastructure**

## «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



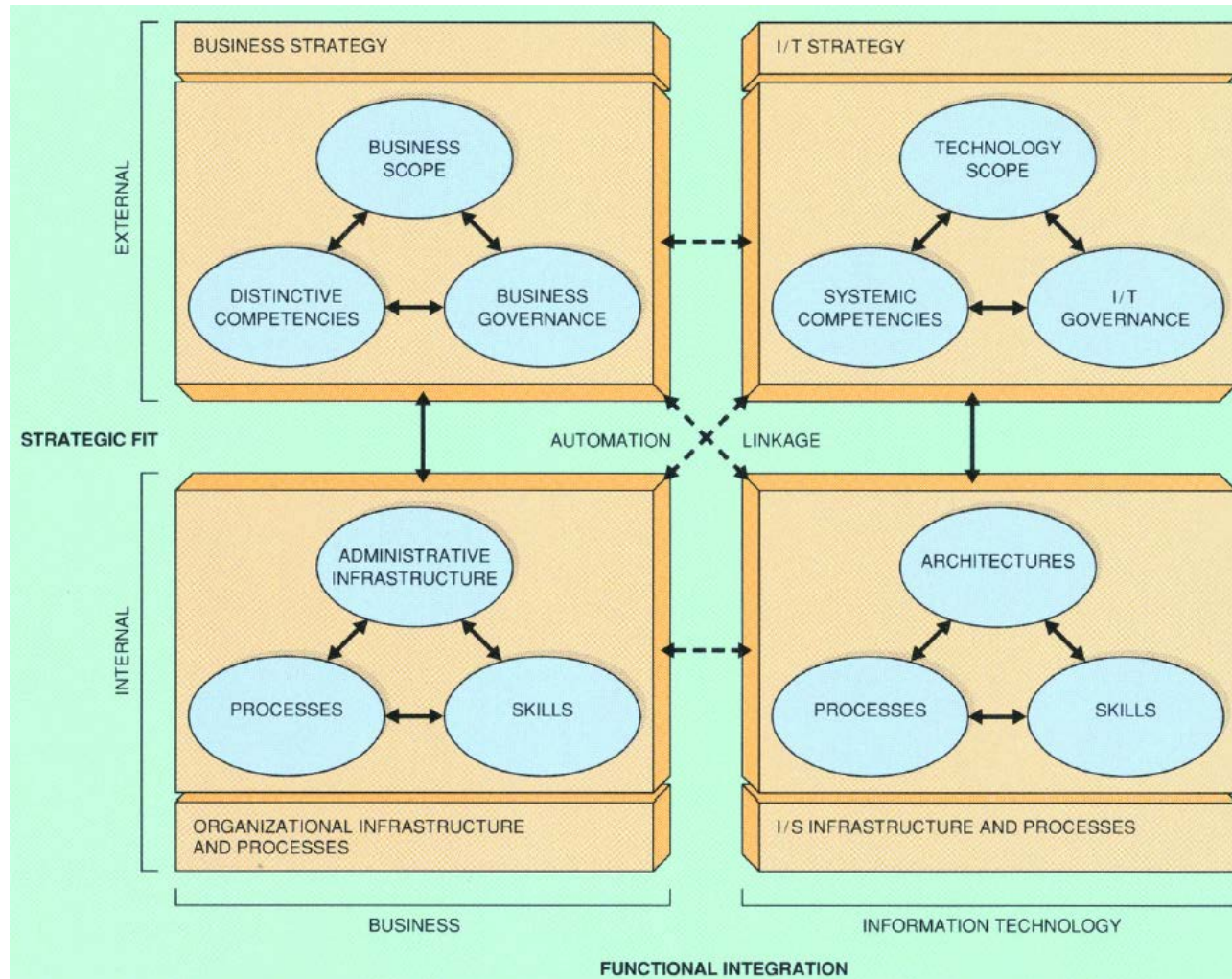
# Strategic Alignment Model



- 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)

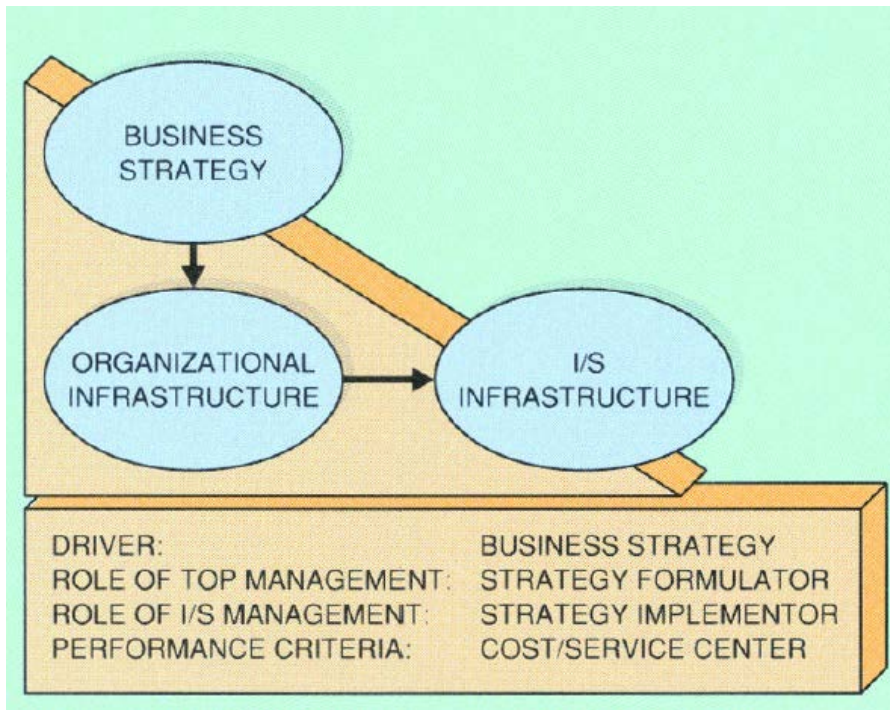


# Four Dominant Strategic Alignment Perspectives

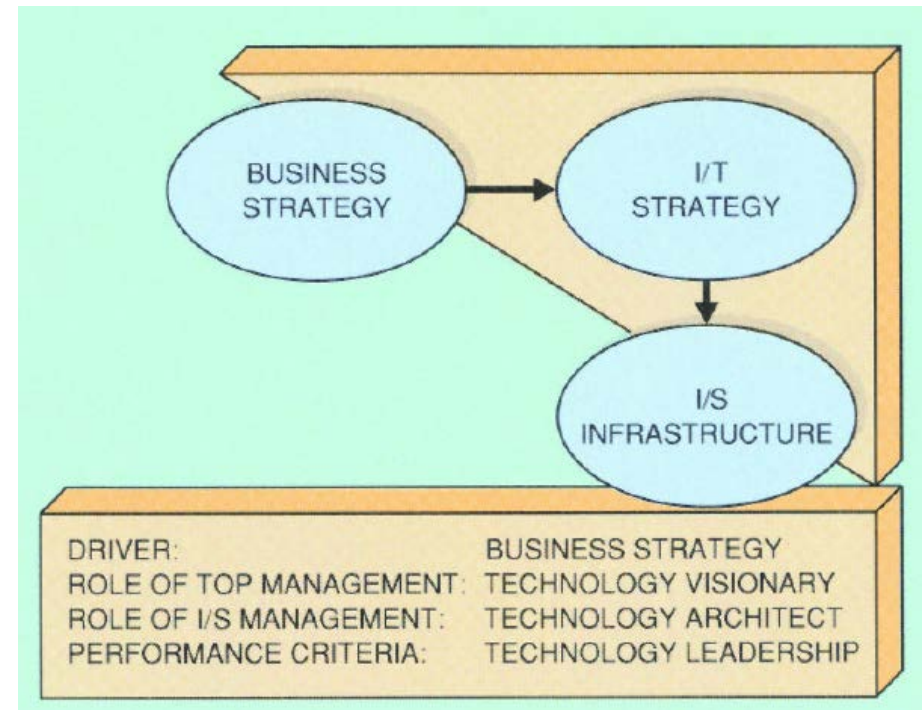
Perspective	Driver	Role of top management	Role of IT management	Performance criteria	Alignment approach
Strategy execution	Business strategy	Strategy formulator	Strategy implementer	Cost/service center	
Technology transformation	Business strategy	Technology visionary	Technology architect	Technology leadership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

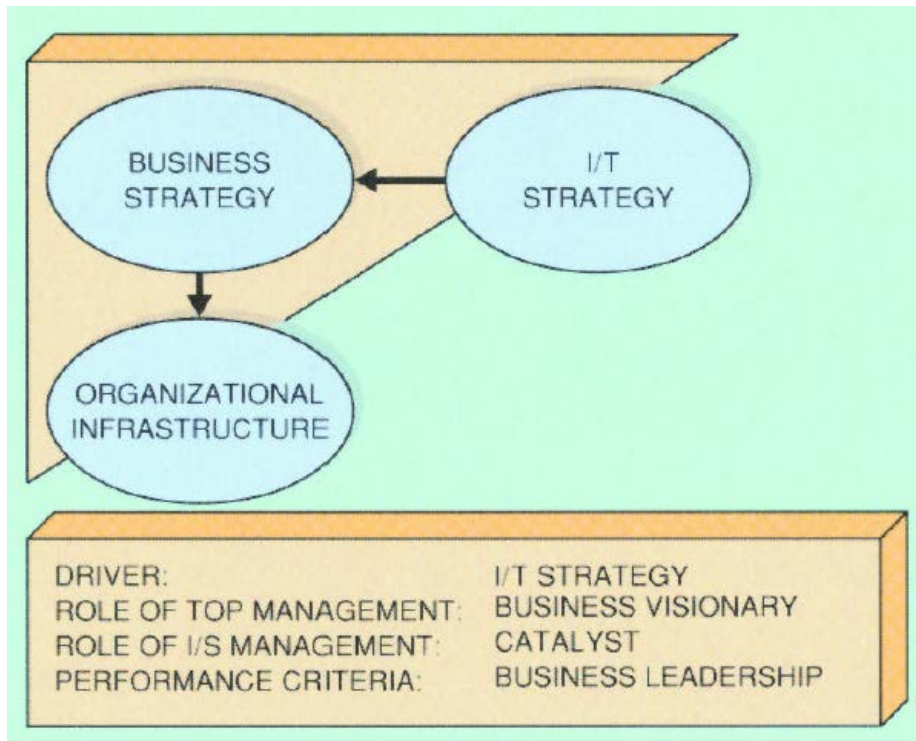


Technology Transformation Alignment

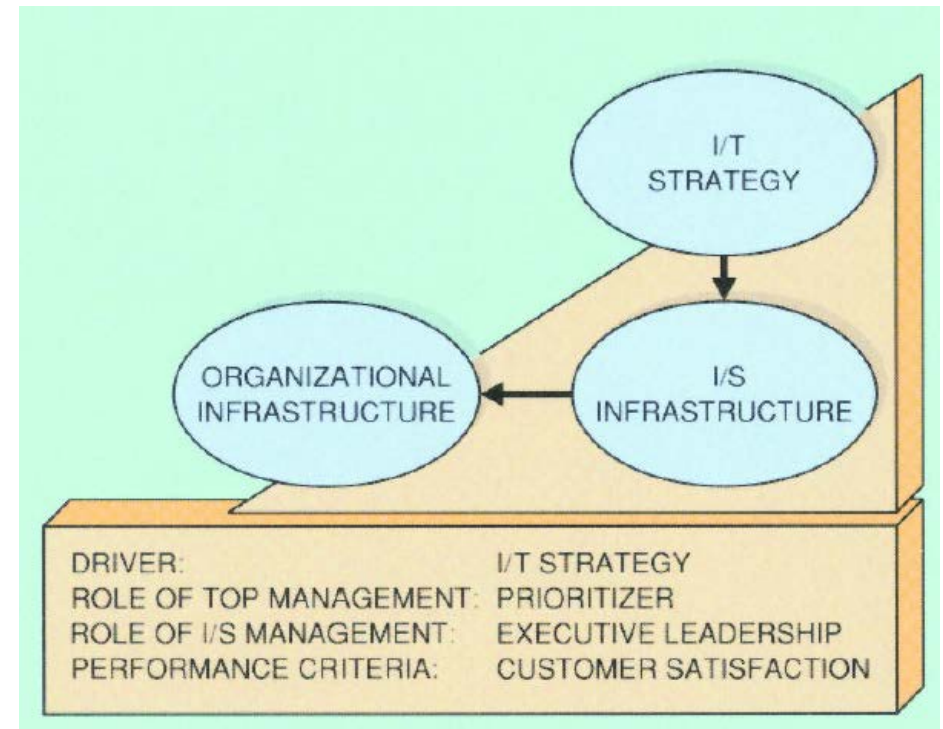
(Henderson & Venkatraman 1993)

# 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



(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 al. 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 al. 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 al. 2013)

