

Digital Business Strategy

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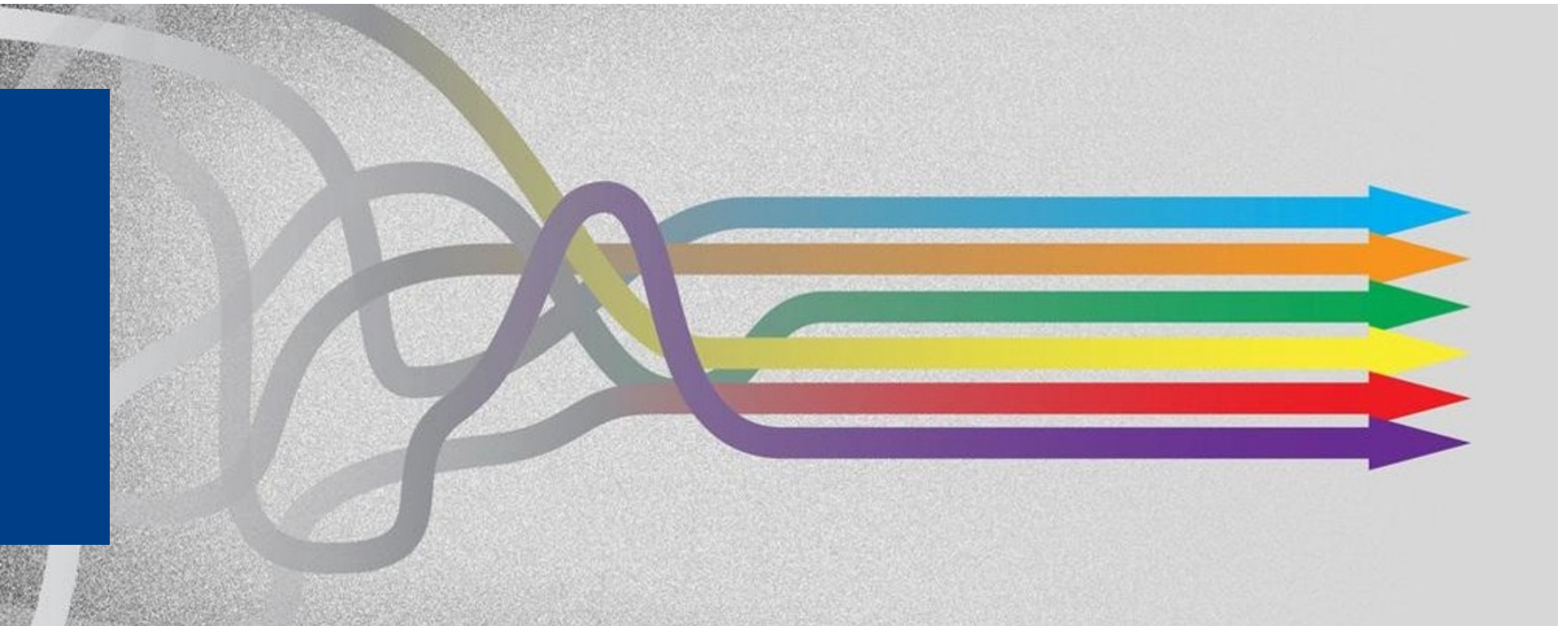
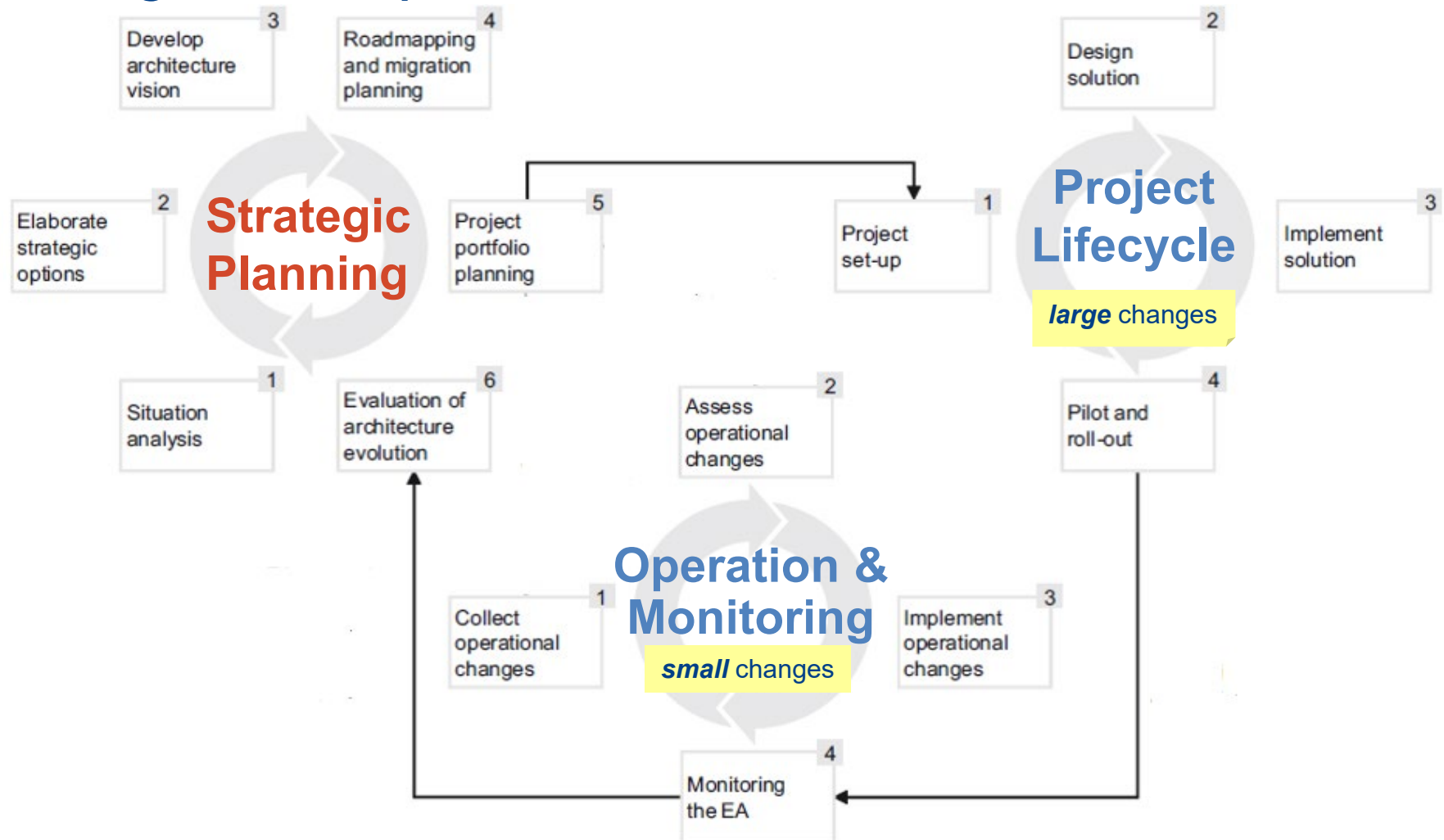


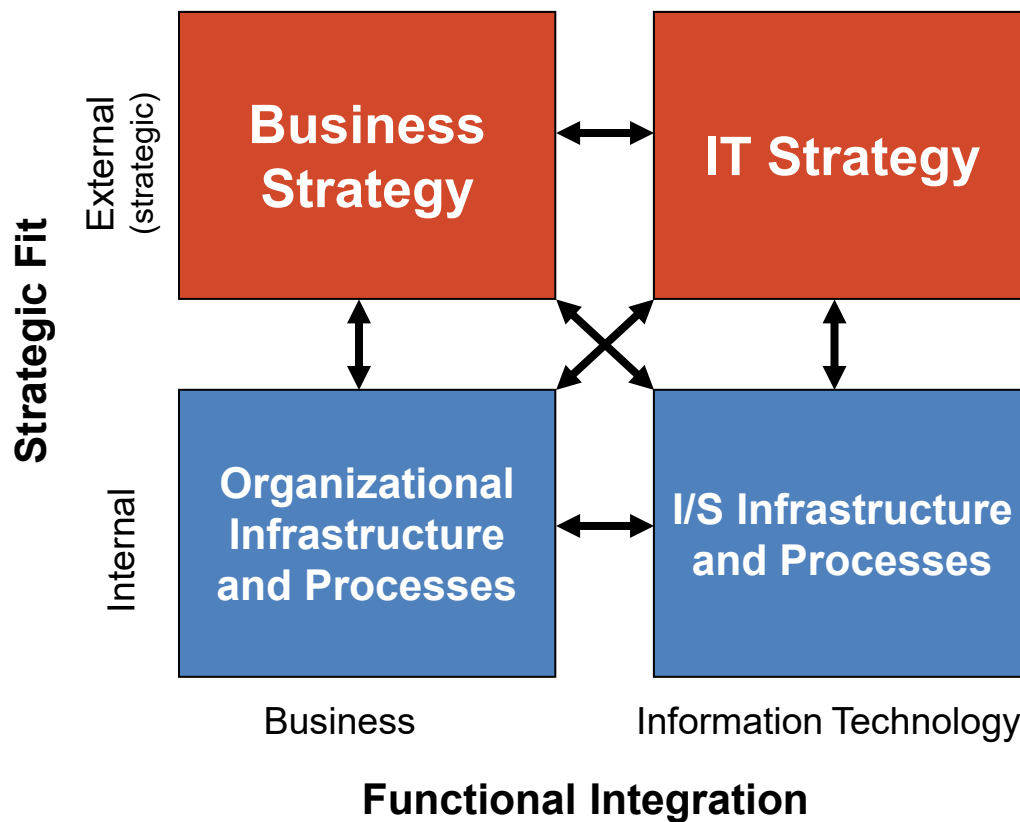
Photo: <https://blog.civismakers.com/strategic-alignment-the-key-to-organizational-success-b7b69fef911c>

Change Processes cover Business and IT on strategic and operational Level



Strategic Alignment Model

Strategic Alignment Model



- The strategic alignment model of Henderson and Venkatraman (1993) combines 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)

A strategy is a long-term **action plan** for achieving a goal, set in the context of a rapidly changing environment

What is Business Strategy?

- Two types of strategy according to Porter (1995):
 - ◆ Do what everyone else is doing (but spend less money)
 - ◆ Do something no one else can do

- Types of strategy according to Ovens (2015):
 - ◆ Doing something new.
 - ◆ Building on what you already do.
 - ◆ Reacting opportunistically to emerging possibilities.

Porter, Michael E. (1996) What is Strategy, Harvard Business Review, November-December 1996

Ovens, Andrea (2015) What is Strategy, Again? Harvard Business Review, <https://hbr.org/2015/05/what-is-strategy-again>



What is IT Strategy?

- IT strategy is the discipline that defines how IT will be used to help businesses win in their chosen business context ²⁾
(Gartner)
- IT Strategy sets direction for IT function in an organization ¹⁾
 - ◆ Ensures that maximum IT dollars are spent on value creation activities for the business
 - ◆ Ensures that these dollars create the maximum value: maximize the return on IT investments.

1) <https://www.gartner.com/en/information-technology/glossary/it-strategy>

2) <https://cioindex.com/reference/what-is-it-strategy>

IT-Strategy Components

- **Service Strategy:** deliver better and cost effective services to the business and customers → project mgmt, software development, incident mgmt. ...
- **Information/Data Strategy:** maintain integrity, availability and accuracy of business data across business processes
- **Application Strategy:** deliver required business functionality with low total cost of ownership, easy maintainability, reduced delivery time → standardization
- **Infrastructure Strategy:** provide a high performing, reliable, energy and cost efficient environment to run IT services → standardization
- **Security Strategy:** protect confidentiality, integrity and availability of information by establishing physical and logical controls
- **Sourcing Strategy:** procure services with the right quality, at the right price and with right controls

1) <https://www.gartner.com/en/information-technology/glossary/it-strategy>

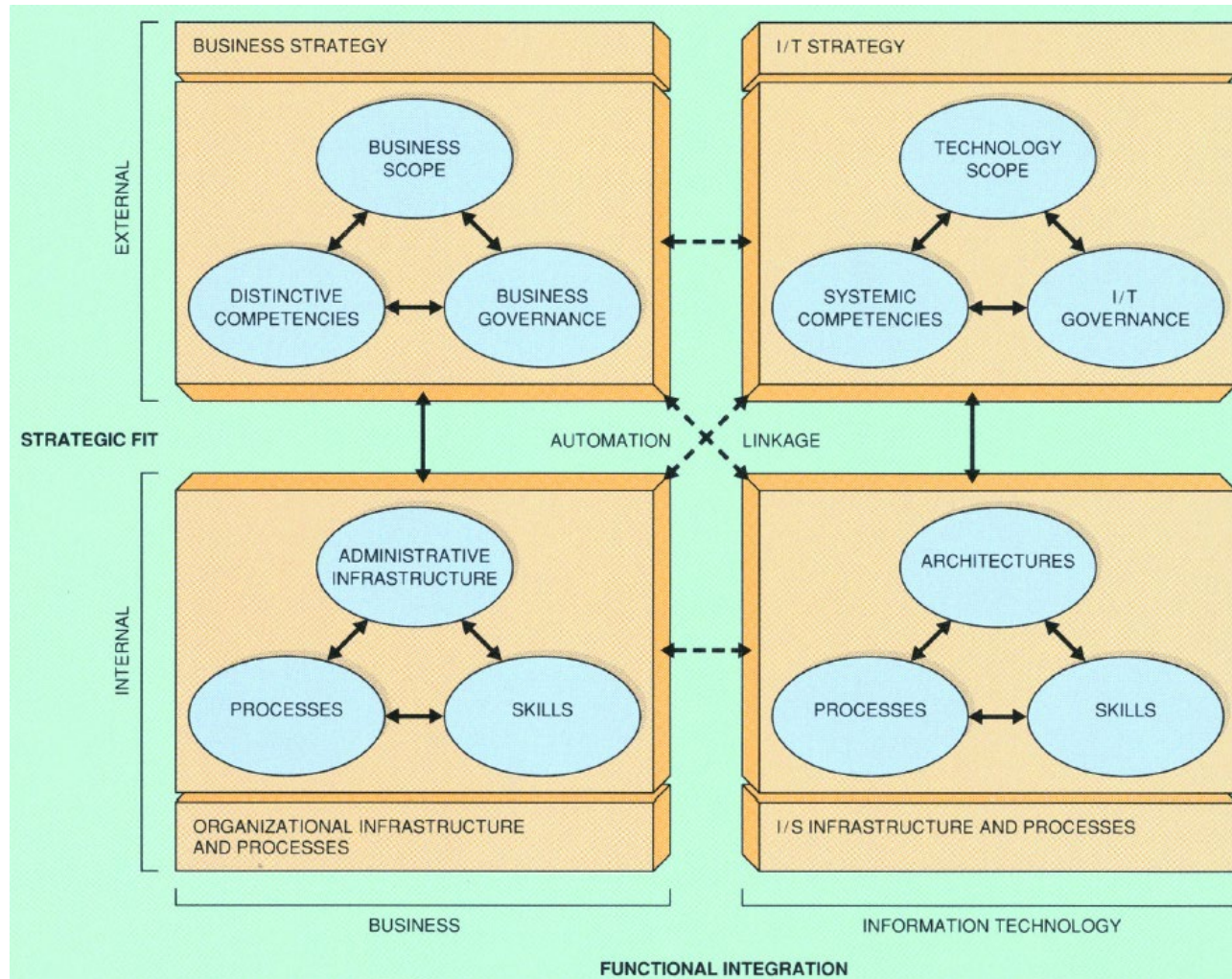
2) [https://cio-wiki.org/wiki/IT_Strategy_\(Information_Technology_Strategy\)](https://cio-wiki.org/wiki/IT_Strategy_(Information_Technology_Strategy))

IT-Strategy Enabler

- **Governance:** processes, structures and mechanisms to control and manage the strategy and ensure the realization of IT strategic objectives
- **Operating Model:** functional alignment of business and IT structures and IT supplier groups
- **Architecture:** business process and technology map to enable effective change delivery, business continuity and strategic decision making
- **Processes:** Industry frameworks and models (e.g. ITIL for service delivery) to ensure consistent delivery, reduced rework and greater productivity
- **Skills and Capabilities:** Expertise and proficiency in aligning IT with the business





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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	

New: Digital Business Strategy

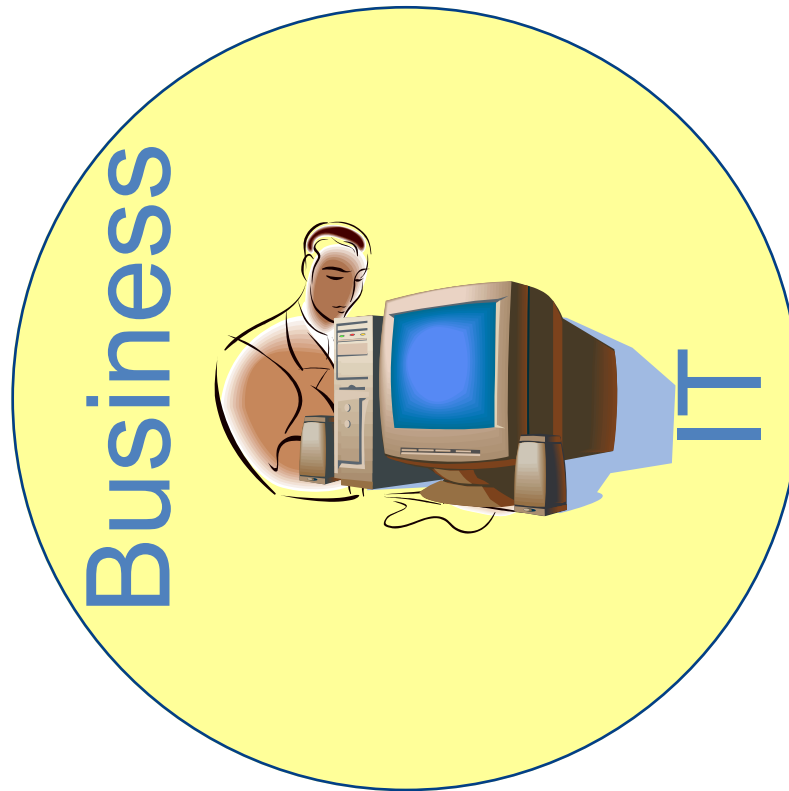
The Ultimate Goal: Business-IT Convergence

“Forget IT-business alignment. [There is] a small number of companies where business and IT are virtually indistinguishable... IT and the business are not so interested in aligning but rather are fully engaged in converging on an enterprise vision or goal that hovers above every department and project plan and is crystal clear to each and every employee.”

Julia King (2010)

Julia King (2010) Beyond Alignment. Computerworld. <https://www.computerworld.com/article/2550559/it-management/beyond-alignment.html>

Business-IT Convergence



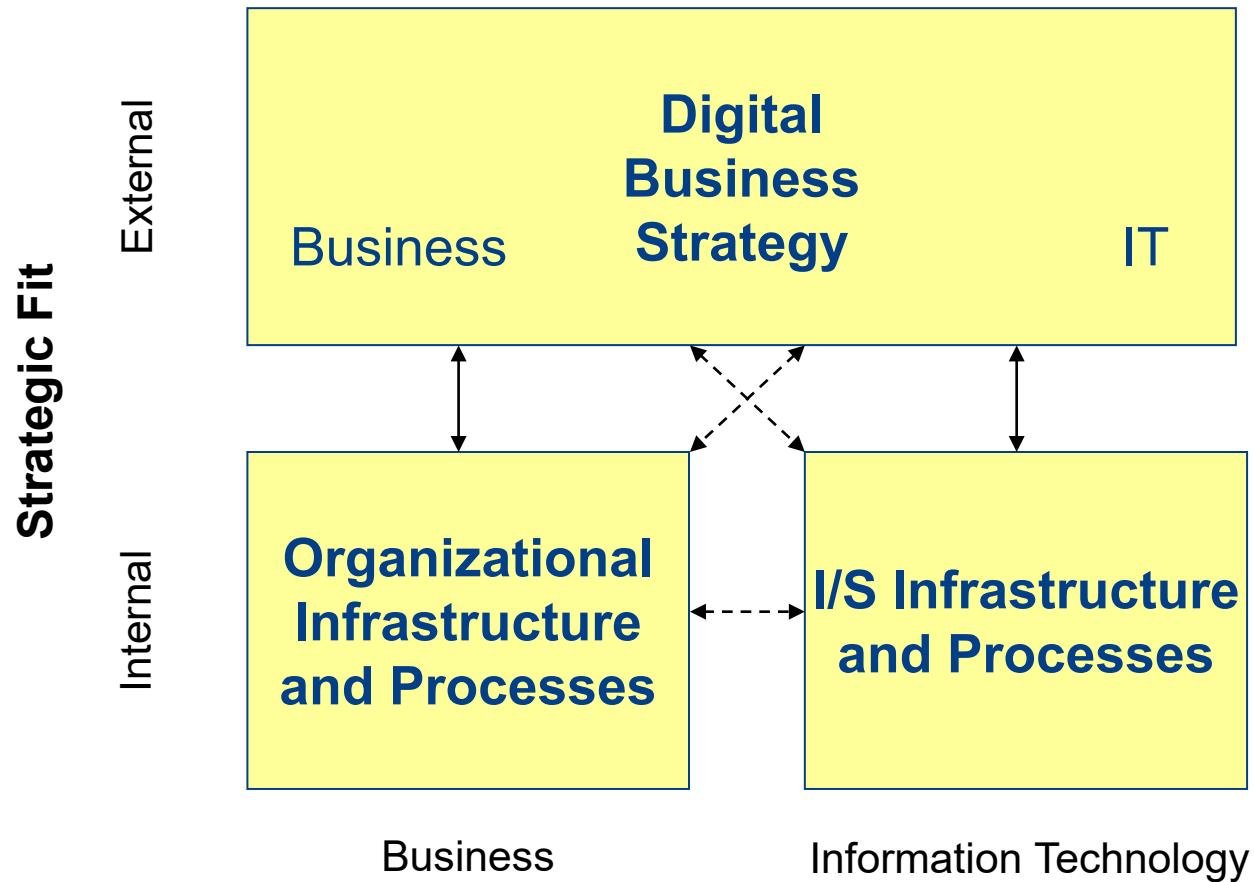
New: Digital Business Strategy

- Digital technologies are fundamentally transforming business strategies: business models, products and services, capabilities
- ***Digital Business Strategy:***
 - ◆ Fusion between IT strategy and business strategy
 - ◆ Overcoming the view of IT strategy as a function following business strategy



(Bharadwaj et al. 2013)

Relation to Strategic Alignment Model



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)

Themes of Digital Business Strategy (1/2)

- **Scope:** portfolio of products, services and activities
 - ◆ Transcends Traditional Functional and Process Silos;
 - ◆ Digitization of products and services and information around them
 - ◆ Extend the scope beyond firm boundaries and supply chains to dynamic ecosystems that cross traditional industry boundaries

- **Scale:** Growing of business in digital and physical terms
 - ◆ Rapid Digital Scale Up/Down;
 - ◆ Network effect within multisided platforms;
 - ◆ Information Abundance;
 - ◆ Alliances and Partnerships

Themes of Digital Business Strategy (2/2)

- **Speed** of ...
 - ... Product Launches,
 - ... Decision making
 - ... Supply chain operation
 - ... Network formation and adaptation
- **Sources of value creating**: Additional dimensions in addition to leveraging physical, tangible resources
 - ◆ Increased value from information
 - ◆ Value creation from multisided business models
 - ◆ Value creation through coordinated business models in networks



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)



**"There are no IT projects,
only business projects."**

(Paul Coby, CIO of British Airways)