

From Square to Triangle: Realigning the Alignment Model

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Abstract. This paper suggests a new integrative perspective on business – IT alignment as IT is becoming entwined with almost all business functions. As a consequence, the strategic value of IT is decreasing and IT is becoming a commodity. Therefore, we argue that the IT strategy domain in the Strategic Alignment model can be merged with business strategy and propose processes as the mediator between business aspects and IT aspects. We coin this alignment model the Process Alignment Model.

1 Introduction

According to Carr [1]: “IT doesn’t matter.” Although his conclusion goes too far for us as well as for many others, his analysis is - to say the least - thought provoking. What Carr actually points out is that the strategic value of IT is rapidly diminishing: IT is becoming a commodity. This holds that IT as a resource is essential to competition but inconsequential to strategy. Now, what are the consequences if we project this shift towards commoditization on the strategic alignment of the IT function with the business function? How does this change our perspective on the management of IT? We elaborate on the seminal Strategic Alignment Model of Henderson and Venkatraman [2] to develop a Process Alignment Model. The purpose of this model is to highlight the prevalence of process alignment over strategic alignment for contemporary organizations.

2 Do We Need to Align at the Strategic Level?

The key argument of Henderson and Venkatraman is that the lack of *functional integration*, i.e. the alignment between the business and IT strategies of organizations, is the root cause for the inability to realize value from IT investments. Also Luftman, Lewis, and Oldach [3] looked at why it may not be sufficient to work on any one of these areas in isolation or to only harmonize business strategy and information technology. Part of the discrepancy on IT management has to do with the fact that the technological aspects of IT management have been overemphasized to the detriment

of information management. Furthermore, economic performance is directly related to the ability of management to create a *strategic fit* between the position of an organization in the competitive product-market arena and the design of an appropriate administrative structure to support its execution. By putting these two dimensions into a matrix, Henderson and Venkatraman derive four interrelated domains that are relevant to the alignment of IT, which are: business strategy, IT strategy, organizational infrastructure and processes, and IT infrastructure and processes.

However, based on Carr, we argue that the IT strategy domain in the Strategic Alignment Model can be removed from the model. That is, IT strategy has become part of the business strategy. This would automatically lead to the traditional alignment perspective in which business strategy is the driver and the focus of the IT manager is on strategy execution (for more details see Henderson & Venkatraman, [2]). If this is the new dominant model, one might conclude that Carr advises business people to go back to the stone age of IT management. Yet, upon closer investigation, Henderson and Venkatraman's service level alignment perspective might still hold water.

2.1 Strategic Advantage through Execution of Processes

Maybe IT strategy can no longer provide a competitive edge: technology leadership as well as business leadership by emerging new ITs are no longer viable. But, as stated before, this does not imply that the execution of processes no longer depends on IT. Hence, IT should be aligned and managed in relation to its effect on business processes and vice versa. Hayes and Upton [6] also discussed this operations-based focus, with an emphasis on tactical based activities for competitive advantage, looking at the alignment between infrastructure and process. In other words, what makes IT strategically essential is its ability to support and automate business processes [4]. Indeed, computerized information systems are urged to be more and more process aware [5]. Moreover, as most business activities and processes have come to be embedded in software, IT is entwined with almost all business processes. Consequently, IT is fundamental for building a world-class service organization, without IT itself being of strategic value (as the IT itself is becoming a commodity).

2.2 Impact of Process Focus on Roles

This process focus has strong implications for the roles of top and IT management. Top management will need to act as a prioritizer and must articulate how best to allocate resources both within the organization and in the marketplace (joint-ventures, outsourcing, licensing, etc.) [2]. On the other hand, IT management has to provide executive leadership by making the internal service business succeed within the operating guidelines from top management. Hence, contemporary organizations will more and more focus on a strong alignment of business and IT processes. Based upon our arguments the Strategic Alignment Model is converted into the Process Alignment Model presented in Figure 1.

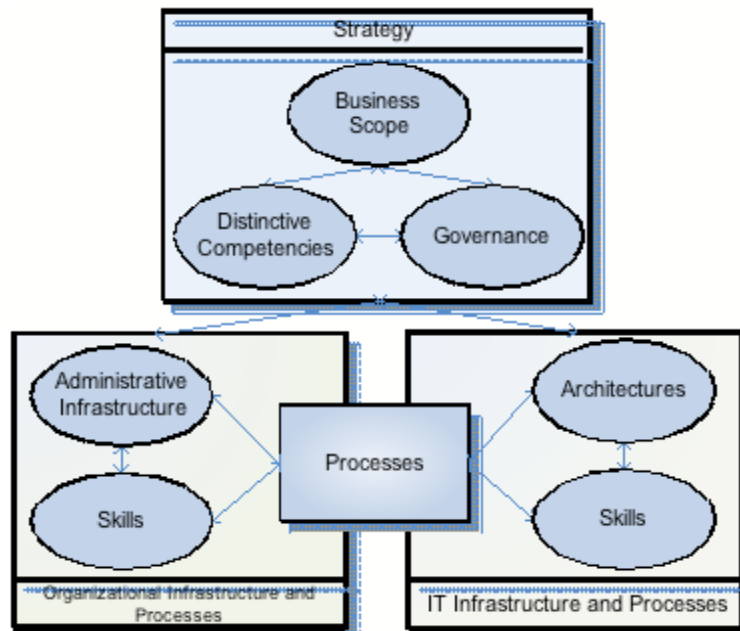


Fig. 1. The Process Alignment Model (adapted from Henderson & Venkatraman's Strategic Alignment Model [2]).

The proposed model treats business processes as a mediator for aligning organizational and IT infrastructure. It is this mediator role that provides a smooth transition of requirements from an organizational domain to IT domain or vice versa. Given our focus on the process as a mediator, our future work will examine the resolution of different levels of necessary collaboration, without significant modification of either infrastructure.

References

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