Towards a Framework for Business/IT Alignment in Networked Value Constellations

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Outline

• Introduction
• Overview of research
  – Motivation
  – Problem definition
  – Conceptual framework
• Small study
• Conclusion and outlook
Introduction

- Member of VUBIS
  - VU Research School for Business Information Sciences
  - Inter-disciplinary research interest
    - Department of Computer Science - Business Informatics Group
    - Department of Information Systems and Logistics, FEWEB
- Participating in VITAL
  - Value-Based Business-IT Alignment in Networked Organizations
    - Dutch NWO-project with strong industry involvement

Main Themes in VITAL

Network of enterprises rather than just in a single enterprise

- Joint work to satisfy complex, IT-based customer need (e.g. Cisco, Dell)
- Different enterprises with different requirements
- Constellations are born in a dynamic environment

Value-based alignment

- Economic value = profit
- Understanding the harmonization of IT and business strategy based upon its economic value
- All enterprises within the constellation perform value-adding activities that strengthen the joint value proposition
Research Objectives

- Design of networked value constellations (Tapscott, 2000)
- Reasoning about successful harmonization of IT with business strategy taking its economic value into account
- Reasoning = computer supported
- Business-IT alignment as the first step forward

Business-IT Alignment

  - Interplay exists among business and IT strategy
  - “Not an event but a process of continuous adaptation and change”

- Shortcomings:
  - No attention on networks of organizations
  - No constructional solution for alignment problems
    - Operational (computer-supported)
    - Refined, providing a step-wise approach
Proposed Solution

- Conceptual framework to deal with alignment problems between different perspectives
- Filled up with conceptual modeling techniques
  - To detect inconsistency
  - To provide traceability of decisions taken
  - To achieve shared understanding among stakeholders
- Automated reasoning becomes possible
Benefits

- Proposed framework attempts to identify what alignment could mean in an inter-organizational setting
  - Clear articulation of alignment issues in networks
- Separation of perspectives supports the step-wise and thus a more refined approach
- Operationalized support for decision making becomes possible

Applied Modeling Technique

- Value-based modeling: $e^3$-value method (Gordijn, Akkermans (2003, REJ))
  - Allows to consider a constellation on the business value level
  - Notion of value activity: combines different perspectives from an economic value point of view
  - Supports business model design
  - Demonstrates the joint value proposition, value distribution and allocation
**e³-value in Nutshell**

- Successfully applied in academic/commercial world (Busmod, Obelix (EC-founded projects))
- “What is offered to whom and what is provided in return”

**Small Study**

- Hotel wants to offer wireless connectivity (WiFi)
- Various solutions are available
  - Wireless connectivity “in-house” via ISP
  - Partnering with a Telecommunication Company (telco)
- Which alternative is the most beneficial?
- Methodology
  - e³-value
  - Conceptual framework
Value Proposition

Value proposition perspective triggers following questions:
Q1: Which actors execute which value activities?
Q2: Which value exchanges exist between different actors?
Q3: How are expenses and revenues divided over actors?

→ Further investigation is needed

Business Processes

• Focus on WiFi provision and its operational costs
• Who is executing the operation?
• 3 main factors to indicate alignment activities between business processes and value propositions:
  – Value activities require operational activities
  – Expenses and additional benefits of operational activities are not visible on the value proposition perspective
  – Distribution of such expenses and benefits triggers for inter-organizational alignment between value proposition and business process perspectives
Information Systems

- Focus on WiFi provision and its investment costs
- Who is the owner of the investment?
- 3 main factors to indicate alignment activities between information systems and value propositions:
  - Value activities require information system components
  - These components involve expenses that are not visible yet on the value proposition perspective
  - Distribution of such expenses and benefits triggers for inter-organizational alignment between value proposition and information system perspectives

Conclusion and Outlook

- First step is alignment from a *profitability/economic value* point of view
  - What other alignment criteria exist besides profitability?
- Valuation might vary over time
  - How to handle the dynamics?
  - What factors influence valuation?
- Alignment happens among various perspectives and dimensions
  - Focus is on the underlying information systems
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http://www.vital-project.org