

# The strategic alignment model and fit commerce essay



**ASSIGN  
BUSTER**

## Contents

- Alternate Performance Management Tools.

Henderson and Venkatraman ( 1993 ) province that the construct of strategic alliance is based on two cardinal premises foremost that economic public presentation is straight related to the ability of direction to make a strategic tantrum between the place of the administration in the competitory product-market sphere and the design of appropriate administrative construction to back up it ' s executing and secondly that this strategic tantrum is inherently dynamic. Henderson and Venkatraman ( 1993 ) argue that the inability to recognize value from IT investings is, in portion due to miss of alliance between concern and IT schemes of administrations. Strategy is viewed as affecting both scheme preparation ( determinations refering to competitory, merchandise market picks ) and scheme execution ( picks that pertain to the construction and capablenesss of the house to put to death it ' s merchandise market picks ) and there needs to be alignment between preparation and execution Henderson and Venkatraman ( 1993 ) .

Importantly Henderson and Venkatraman ( 1993 ) assert that no individual IT application can present a sustained competitory advantage and that this competitory advantage is obtained through the capableness of an administration to work IT functionality on a uninterrupted footing.

Henderson and Venkatraman ( 1993 ) contend that IT scheme should be articulated in footings of an external sphere and internal sphere and that the internal sphere of IT scheme has dominated and the external sphere of IT scheme has barely been explored. As IT emerges as a critical enabler ( and

merely non a cost Centre ) of concern transmutation with capablenesss to present steadfast degree advantages, it is imperative to pay attending the external sphere of IT scheme Henderson and Venkatraman ( 1993 ) . Their field research clearly indicates that the unequal tantrum between external and internal spheres of IT is a major ground for the failure to deduce benefits from IT investings.

## **Functional Integration**

This is the demand to incorporate the IT scheme and the concern scheme. Two types of integrating are identified, strategic integrating the nexus between concern and IT strategies reflecting the external constituents and operational integrating associating internal spheres ( IT and administration substructure and procedures ) Henderson and Venkatraman ( 1993 )

## **Four alliance positions**

The SAM theoretical account identifies four alliance positions. These are now described

Business Strategy as the driver, the first two cross sphere relationships arise when concern scheme serves as the drive force

## **Strategy executing**

In this sphere concern scheme has been articulated and is the driver of both organizational design picks and the design of IT substructure see table 3. This is the most common and widely understood position.

Table 3 Business Strategy as driver - adapted from Henderson and Venkatraman ( 1993 )

Position

Driver

Role of top direction

Role of IS direction

Performance standards

### **Technology transmutation**

As shown in table 3. 1 this alignment position involves the appraisal of implementing the chosen concern scheme through appropriate IT scheme and the articulation of the needed I/S substructure and procedures.

Business Scope

Distinctive Competence

Business administration

Business Scheme

Architecture

Procedures

Skills

I/S substructure and

procedures

Technology range

Systemic competences

IT Governance

IT Strategy

Table 3. 1 Technology position adapted from Henderson and Venkatraman  
( 1993 )

Position

Driver

Role of top direction

Role of IS direction

Performance standards

Technology transmutation

Business Scheme

Technology visionary

Technology Architect

Technology leading

IT Strategy as an enabler, the following two cross sphere relationships originate when direction explores how IT might enable new or enhanced concern schemes with corresponding organizational deductions

### **Competitive potency**

As shown in figure 3. 2 this alliance position is concerned with development of emerging IT capabilities to impact new merchandise and services ( concern range ) , influence cardinal properties of scheme ( typical competences ) , and develop new signifiers of relationships ( concern administration )

Table 3. 2 Competitive possible position adapted from Henderson and Venkatraman ( 1993 )

Business Scope

Distinctive Competence

Business

s administration

Business Scheme

Administrative Infrastructure

Procedures

Skills

Organizational substructure

and procedures

Technology range

Systemic competences

IT Governance

IT Strategy

Position

Driver

Role of top direction

Role of IS direction

Performance standards

Competitive potency

I/T Strategy

Business visionary

Catalyst

Business leading

## **Service Level**

As shown in table 3. 3 this alliance position focal points on how to construct a universe category I/S service administration. This requires an apprehension

<https://assignbuster.com/the-strategic-alignment-model-and-fit-commerce-essay/>

of the external dimensions of IT scheme with matching internal design of the I/S substructure and processes. This Strategic tantrum for IT creates the capacity to run into the demands of I/S clients

Table 3. 3 Service Level position adapted from Henderson and Venkatraman ( 1993 )

Position

Driver

Role of top direction

Role of IS direction

Performance standards

**Service degree**

**I/T Strategy**

**Prioritizer**

**Executive leading**

**Customer Satisfaction**

**The enablers and inhibitors of business/it alliance**

Luftman and Brier ( 1999 ) modified the SAM theoretical account. by placing 12 alignment constituents from the SAM theoretical account. The relationship between these 12s alignment constituents defines Business/IT alliance Luftman and Brier ( 1999 ) . An assessment tool was developed to turn to the alliance of concern and IT in houses by placing the strengths and



failings related to the business/IT alliance by using the relationships between the 12 alignment constituents from the SAM theoretical account. These 12 alliance constituents are

## **Business Scheme**

Business Scope includes the markets, merchandises, services, groups of customers/clients, and locations where an endeavor competes every bit good as the rivals and possible rivals that affect the concern environment.

Distinctive Competencies the critical success factors and nucleus competences that differentiate a house from it ' s rivals to supply it with a possible competitory border. This includes the chosen scheme, marketing the trade name, internal and external research, fabrication and merchandise development, cost and pricing construction, and gross revenues and distribution channels.

Business Governance how companies set the relationship between direction, shareholders, and the board of managers. Besides included are how the company is affected by authorities ordinances, and how the house manages its relationships and confederations with strategic spouses.

## **Organizational Infrastructure and procedures**

Administrative Structure the manner the house organizes its concerns.

Examples include cardinal, decentralise, matrix, horizontal, perpendicular, geographic, federal, and functional.

Processes how the house ' s concern activities ( the work performed by employees ) operate or flow. Major issues include value added activities and procedure betterment.

Skills H/R considerations such as how to hire/fire, actuate, train/educate, and civilization.

## **IT Strategy**

Technology Scope the of import information package, applications and engineerings used.

Systemic Competencies those capablenesss ( e. g. , entree to information that is of import to the creation/achievement of a company ' s schemes ) that distinguishes the IT services.

IT Governance how the authorization for resources, hazard, struggle declaration, and duty for IT is shared among concern spouses, IT direction, and service suppliers. Undertaking choice and prioritization issues are included here.

## **IT substructure and Procedures**

Architecture the design for depicting the endeavor architecture for the concern includes concern, information and engineering precedences.

Procedures those patterns and activities carried out to develop and keep applications and pull off IT substructure.

Skills IT human resource considerations such as how to hire/fire, actuate, train/educate, and civilization.

From these 12 constituents of alignment Luftman and Brier ( 1999 ) carried out a study to place the enablers and inhibitors that hinder alliance. Based on this study they identified the six most of import enablers and inhibitors in rank order these are shown in Table 3. 4

Table 3. 4 Comparison of Enablers and Inhibitors adapted from Luftman, Papp and Brier ( 1999 )

ENABLERS

Inhibitor

**Senior executive support for IT**

**IT/business deficiency close relationships**

**IT involved in scheme development**

**IT does non prioritise good**

**IT understands the concern**

**IT fails to run into committedness**

**Business – IT partnership**

**IT does non understand concern**

**Well-prioritized IT undertakings**

**Senior executives do non back up IT**

**IT demonstrates leading**

**IT direction lacks leading**

As can be seen in the tabular array 3. 4 the same set of subjects ( executive support, understanding the concern, IT concern dealings and leading ) show up as both an enabler and an inhibitor.

From the study consequences Luftman and Brier ( 1999 ) produced a six measure attack to do alignment work in any administration viz. , set the ends and set up the squad, understand the concern IT linkage, analyse and prioritise spreads, stipulate the actions ( project direction ) , choose and evaluate success standards and prolong alliance

## **The strategic alignment adulthood theoretical account ( SAMM )**

Luftman ( 2001 ) developed the SAMM theoretical account methodological analysis for measuring a company ' s alliance.

The theoretical account is based on the Capability Maturity Model developed by Carnegie Mellon ' s Software Engineering Institute, but focuses on a more strategic set of concern patterns.

Six interrelated constituents together with standards for measuring alignment adulthood are identified Luftman and Kempaiah ( 2007 ) .

Communications measures the effectivity of the exchange of thoughts, cognition, and information between IT and concern administrations, enabling both to clearly understand the companies schemes, plans concern and IT environments, hazards, precedences, and how to accomplish them. The alignment standards for communications are understanding the concern by IT, apprehension of IT by concern, inter/intra organizational acquisition, protocol rigidity and cognition sharing and affair effectivity

Value uses balanced steps to show the parts of information engineering and the IT administration in footings that both the concern and IT understand and accept. The alignment standards for value are IT Metrics, concern prosodies, balanced prosodies, service degree understandings, benchmarking, formal assessment/reviews and uninterrupted betterments

Governance defines who has the authorization to do IT determinations and what processes IT and concern directors use at strategic, tactical and

operational degrees to put precedences to apportion IT resources The alliance standard for administration are concern strategic planning, IT strategic planning, organizational construction, budgetary control, IT investing direction, maneuvering commissions and prioritisation procedure

Partnership gauges the relationship between a concern and IT administration, including IT ' s function in specifying the concern ' s schemes, the grade of trust between the two administrations, and how each perceives the other ' s part. The alignment standard for partnership are concern perceptual experience of IT value, function of IT in strategic concern planning, shared ends, hazard, rewards/penalties, IT plan direction, relationship/trust manner and concern sponsor/champion

Scope and Architecture measures IT ' s proviso of a flexible substructure, it ' s rating and application of emerging engineerings, it ' s enabling or driving of concern procedure alterations and it ' s bringing of valuable customised solutions to internal concern units and external clients and spouses. The alignment standards for communications are traditional enabler/driver external, criterions articulation, architectural integrating ( functional administration and endeavor ) , architectural transparence, flexibleness and pull offing emerging engineering.

Skills measures human resources patterns, such as hiring, keeping, preparation, public presentation feedback, promoting invention and calling chances, and developing the accomplishments of persons. It besides measures the administrations preparedness for alteration, capableness for acquisition, and ability to leverage new thoughts. The alignment standards

for accomplishments are invention, entrepreneurship, venue of power, direction manner, alteration preparedness, calling crossing over, instruction, cross preparation and societal, political, swearing environment.

The degrees range from degree one to level five where degree five is the highest degree of adulthood. A higher alignment adulthood correlates with higher house public presentation steps Luftman ( 2001 )

### **The Evolution of Balanced Scorecard:**

The Balanced Scorecard ( BSC ) had its beginnings in 1990, in a one twelvemonth KPMG sponsored multicompany survey called, “ Measuring public presentation in the Administration of the hereafter ” . David Norton served as the survey leader and Robert Kaplan a Harvard University Professor, as an academic adviser. The survey was motivated by a belief that being public presentation measuring attacks, chiefly trusting on fiscal accounting steps were going disused Kaplan and Norton ( 1996b ) .

The BSC evolved from this undertaking and was summarised by Kaplan and Norton ( 1992 ) . They contend that traditional fiscal public presentations, which worked good in the industrial epoch, are out of measure with modern company demands. The demands which modern organisations required were a “ balanced ” set of steps between fiscal and operational steps.

The BSC allowed directors to look at the concern from four of import positions viz.

Customer position ( How do clients see us? )

Internal position ( What must we stand out at? )

Invention and learning position. ( Can we go on to better and make value? )

Fiscal position. ( How do we look to stockholders? ) .

The name reflected the balance between

1. Short and long term aims

2. Objective steps ( e. g. , fiscal ) and Subjective steps ( e. g. invention and acquisition ) .

3. Leading indexes ( results desired and public presentation drivers ) and Laging indexes ( results ) , and

4. External ( for stockholders and clients ) and Internal ( for critical concern procedures, invention, and learning and growing ) ,

This is depicted in Figure 1 where the four positions are shown with cause and consequence relationships

When the BSC was foremost introduced it was about measuring, non scheme. The BSC evolved from an improved measuring system to a nucleus direction system Kaplan and Norton ( 2001b ) . Early adoptive parents of the BSC achieved breakthrough consequences utilizing this tool as a strategic direction tool Kaplan and Norton ( 2001b ) .



To detect how this was achieved Kaplan and Norton ( 2001b ) researched how these companies achieved breakthrough consequences. Their research revealed that three constructs kept arising:

**Scheme:** They made scheme the pivot around which the organisational docket was developed.

**Focused:** Focus on the scheme was the chief driver

**Administration:** Employees were encouraged to move in basically different ways, guided by scheme.

Five rules of successful organisations emerged from Kaplan and Norton ( 2001b ) research on successful BSC users. These five rules describe the cardinal elements of constructing an organisation able to concentrate and align on scheme and present discovery consequences, through scheme executing, Kaplan and Norton ( 2001b ) .

They are:

1. Mobilize alteration through executive leading – To drive alteration, executives must be the primary alteration agents. They need to develop a vision and scheme on where they want to drive the organization. A They must guarantee that the full executive squad is aligned with the scheme of the administration. Executive sponsorship is critical to guarantee transformational alteration is a success. Executives need to be involved in doing scheme executing a nucleus competence within the administration.

This is done by

Been actively involved in strategic planning and execution

Visibly passing the scheme through the communicating channels used in the company.

Appoint and promote transformation/ alteration agents

The instance for alteration must be clearly articulated.

Guaranteeing leading squad is engaged and non running in silos

Vision, mission and scheme is clearly defined and implemented.

2. Translate the scheme into operational footings – Been able to interpret scheme to operational footings has proved debatable. The BSC was developed to turn to this job, to interpret scheme into a linguistic communication all can understand. The BSC provides a model for depicting and passing the scheme in a consistent manner. A strategic map is used to pass on the cause and consequence relationship that show how intangible assets are converted into touchable ( fiscal ) outcomes. The BSC usage of quantitative lead and slowdown steps allows the value making procedure to be described and measured and therefore be managed instead than be inferred. Putting marks that are linked to good specify and understood aims ensures that the steps are clearly understood by all. Targets can be used to stretch the administration ( to guarantee attempt from employees ) and to guarantee that attempts are focused on the right set of steps.

3. Align the organisation to the scheme. The whole point of an administration is to do the whole greater than the amount of the parts, to make synergism.

Whether it is about sharing resources or sharing clients making new beginnings of value requires organizational alliance. These new beginnings of value, derived from organizational design and behavior are referred to as synergisms. The key to making organizational synergisms is to guarantee that the single units are aligned around shared ends and aims. To make this the administration must clearly specify its function, which helps specify the synergisms that it wishes to make at the lower degrees. This provides a strategic architecture that guides organizational alliance by aligning corporate with support concern units, guaranteeing support unit are aligned with each other and external spouses and eventually that the board of managers are aligned. For every administration the primary beginning of value is the client. They make opinions about the value of the administrations merchandises or services and can take to utilise/not use their products/services.

4. Motivate to do scheme everyone's occupation - This is built around Human resource direction ( HR ) systems. This is the invention and learning position of the BSC. These HR systems are used to determine the aims, inducements, capablenesss and competences of every employee. Employees are required to understand the scheme of the administration, if the scheme execution is to be a success. How they conduct daily concern must guarantee that it contributes to the scheme's success. Employees need to first understand the vision of the administration and how the scheme is aligned with it. Without this cognition, employees can non accommodate their work to lend to effectual scheme execution. Communication is a major lever for organizational success. Good communicating is needed to

Instil an apprehension of the administration ' s scheme throughout the administration

Foster buy in to back up the scheme

Educate the administration about measuring and direction system for implementing the scheme

Provide feedback about the scheme

Communication and instruction and alining inducements and personal aims are critical to put to deathing strategy. A Leading organisations are besides developing personal scorecards to farther nexus the personal development procedure to the strategic direction procedure. Incentive compensation helps administrations move beyond making strategic consciousness to actuating people to act strategically. It is of import to thoroughly see the design issues that can most act upon public presentation, for illustration the usage of quantitative or qualitative steps tied to compensation determinations, whether to honor person or squad public presentation.

5. Regulate to do scheme a continual process- Using the BSC as a strategic direction system entails scheme preparation, strategic public presentation coverage, strategic reappraisals, strategic planning, budgeting and integrating.

Kaplan and Norton ( 2004 ) showed how scheme maps provided a ocular model for incorporating the administration in the four positions of a BSC.

Strategy maps illustrated the cause and consequence relationships that link desired results in fiscal and client positions to critical internal procedures.  
<https://assignbuster.com/the-strategic-alignment-model-and-fit-commerce-essay/>

The scheme maps identifies the specific capablenesss in the administrations intangible assets that are required for presenting public presentation in the critical internal procedures Kaplan and Norton ( 2004 ) .

This is depicted in figure 2

Figure 2 Strategy Map picturing cause and consequence method

Intangible assets have become decisive for sustainable value creative activity. The acquisition and growing position of the BSC highlights the function for alining the administrations intangible assets to it ' s scheme. This position contains the aims for three constituents ( human capital, information capital and administration capital ) of intangible assets indispensable for implementing scheme Kaplan and Norton ( 2004 ) . They must be aligned and integrated with the aims of the internal procedures.

As this research is about alining Business and IT strategies farther item will be provided on the Information Capital intangible plus. Information capital consists of systems, databases, libraries and webs that make information and cognition available to the administration. Using this attack the focal point displacements from measuring the information capital public presentation by cost and dependability statistics to rating based on strategic alliance, mensurating how information capital contributes to the administrations strategic aims. Information capital must be managed like an plus, with it ' s value been measured by how it contributes to the administration scheme for making competitory advantage Kaplan and Norton ( 2004 ) .

Strategic tantrum exists when the web of internal public presentation drivers is consistent and aligned with the desired client and fiscal results ( the cause and consequence of Strategy maps ) .

Kaplan and Norton ( 2006 ) looked at alining organizational units by presenting the function for an endeavor Strategy Map and BSC. These tools are used to clear up corporate precedences, which can so be clearly communicated to each concern unit, and besides to the board of managers and cardinal clients, providers and confederation spouses. The corporate central office so evaluates how each concern unit is executing as respects the precedences set by the corporate central office. In this manner executives are provided with a administration model that ' s helps to unlock antecedently unfulfilled value from endeavor synergisms Kaplan and Norton ( 2006 ) .

The alignment procedure of necessity, should be cyclic and have a top down prejudice Kaplan and Norton ( 2006 ) . The alignment sequence recommended by Kaplan and Norton ( 2006 ) to make endeavor derived value starts with corporate central offices jointing the endeavor value proposition that will make synergisms among runing units, support units and external spouses. In this scenario IT is taken as an internal support and service unit. By using the Strategy maps and BSC for the alignment sequence, allows this procedure to transform IT from an disbursal Centre to a strategic spouse Kaplan and Norton ( 2006 ) . Alignment is so viewed as a direction procedure. Most administrations attempt to make synergism in a disconnected uncoordinated manner and when no 1 is responsible for overall

administration alliance, the chance to make value through synergism may be missed Kaplan and Norton ( 2006 ) .

In alining IT with the corporate administration the IT must be competent at basic necessary services while developing the capablenesss to join forces with concern units, offering them customised services, solutions and engineerings that advance their schemes. This strategic placement shifts the paradigm from how much to pass on IT to how much to put in IT to progress the administration ' s strategic docket Kaplan and Norton ( 2006 ) .

### **Criticism of the BSC**

Norreklit ( 2003 ) investigates if the BSC is based on converting theory or if it is the consequence of persuasive rhetoric. Norreklit ( 2003 ) comes to the decision that the BSC text is persuasive a trait that can be ascribed to the position of the writers. Harmonizing to Norreklit ( 2003 ) , the dramatic attack used in the BSC relies excessively much on emotional entreaty ( poignancy ) , which entreaties to the receivers emotions and temper and the reputation/authority of Kaplan and Harvard Business Publishing ( ethos ) significance that trust is garnered by the receivers by the authorization and credibleness of the writer, instead than on sound logical development ( Son ) the logical statements gained through human logical thinking.

Reilly and Reilly ( 2000 ) discuss and knock the balance scorecard attack. The primary restriction is that it does non specify appropriate balance, peculiarly in footings of stakeholder value and the linkages among measurings and between positions is non expressed Reilly and Reilly ( 2000 ) .

Ittner and Larcker ( 2003 ) province that most companies have seemingly adopted the BSC, but rarely set up the cause and consequence linkages between the measurings and desired results between non fiscal steps. This allows self-serving directors to take and manipulates measurings entirely to heighten their ain net incomes and fillips. It appears that nonfinancial measurings are merely as, if non more, susceptible to use as fiscal accounting measurings, and possibly even more detrimental to the companies because of the chance costs incurred Ittner and Larcker ( 2003 )

Harmonizing to Schonberger ( 2008 ) end puting and scorecard attacks interfere with procedure betterment in the undermentioned ways, most ends and marks are excessively extremely aggregated to bespeak how to react when the end and marks are non attained, those puting the ends and marks are non the 1s who have to implement the procedures, KPI direction tends to do over reaction to fluctuations that are normal to the system, A most KPIs are influenced by factors that are beyond the control of the work force and by concentrating on direction set ends and prosodies there is a decrease on the focal point of the procedures and procedure informations needed for uninterrupted betterment.

### **Alternate Performance Management Tools.**

Activity-based costing ( ABC ) , bridges finance and operations. On the operational degree, it identifies the activities that are required by a company to present the goods or the services that it produces. It besides defines which resources are needed to fuel these activities. On the fiscal degree, activity-based bing provides directors with penetration about the costs of concern activities or procedures by apportioning direct and indirect costs to <https://assignbuster.com/the-strategic-alignment-model-and-fit-commerce-essay/>



assorted stairss for each activity or procedure, the alleged cost drivers  
Buytendijk ( 2008 ) .

Activity-based direction ( ABM ) aligns activities, resources, and fiscal  
consequences Buytendijk ( 2008 ) .

Buytendijk ( 2008 ) describes Six Sigma as a strict and disciplined  
methodological analysis that utilizes informations and statistical analysis to  
step and better a company ' s operational public presentation, patterns and  
systems.

The European Foundation for Quality Management ( EFQM ) Excellence Model  
is a strategic public presentation direction methodological analysis. It is a  
model based on nine standards. Four of these standards are results, with  
regard to one ' s ain public presentation, clients, people, and society. These  
are achieved by pull offing the five enabling standards: leading, scheme,  
partnerships and resources, people, and procedures. The EFQM procedure  
mostly consists of self-assessment. Harmonizing to EFQM, self-assessment is  
a comprehensive, systematic and regular reappraisal of an organisation ' s  
activities and consequences referenced against the EFQM Excellence Model,  
Buytendijk ( 2008 )