Chapter 4

Business/IT Alignment in Two-Sided Markets: A COBIT 5 Analysis for Media Streaming Business Models

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ABSTRACT

Business/IT alignment can be considered a key challenge in IT governance and becomes especially important in IT-heavy and internet based business models. Recent discussions express the need for a bi-directional paradigm for internet based business models. IT governance frameworks support business/IT alignment but mostly follow a business-driven alignment paradigm. We identify characteristics of internet based business models and use the case of streaming to examine how the IT governance framework COBIT 5 can integrate these characteristics under consideration of a bi-directional business/IT alignment process. We reveal that requirements for streaming business models may not be fully covered by the framework. Based on


1. INTRODUCTION

Due to the recent growth rates of internet based business and e-commerce worldwide (IDC, 2009), internet based business models have become an important part of the worldwide economy that have transformed brick and mortar business into internet based business (Dutta & Biren, 2001; Fingar & Aronica, 2001) or enabled the creation of novel, purely internet based businesses. This market transformation process usually either involves drastic changes from previous strategies, as often seen, e.g., in the newspaper industry (Smith, Binns, & Tushman, 2010) or enforces new business strategies to be developed (Eisenmann, Parker, & Van Alstyne, 2006; Smith et al., 2010), as, e.g., seen in media streaming business models. Occasionally this also comes under the umbrella of new buzz words like digital transformation (Patel & McCarthy, 2012) and digital transition (McFadden, 2012). Recognizing the nature of internet based business models and the foundation of their business base, a pervasive influence of information technology (IT) is observable throughout the whole organization (Evans & Wurster, 1996). In addition, they mostly act in two sided market (Armstrong, 2006) environments, serving multiple classes of customers, requiring another shift in strategy (Eisenmann et al., 2006).

In recent years the concept of IT governance represents a well-discussed set of concepts for ensuring the ‘optimal’ utilization of IT for the benefit of a business (De Haes & Van Grembergen, 2005; Iskandar & Salleh, 2010; Lainhart, 2001; Weill & Ross, 2004). With regard to its worldwide and cross-industry spread, COBIT constitutes a popular framework for addressing the challenges of IT governance in a holistic manner. COBIT 5 emphasizes a generic approach, aiming to be customizable into any specific field of application for all kinds of enterprises (ISACA, 2012a). As the core of the COBIT 5 framework, the Goals Cascade transfers the generic stakeholder needs into business and IT-related goals, leading off into processes as well as activities, giving a suitable base for our investigation.

Internet based business models inherit a combination of unique characteristics that demonstrate current challenges for IT governance (Breuer, 2004). While customer and success orientation are deeply associated with each other, and a recurring issue in business model approaches, they entail the reversal of the causal chain of requirements in internet based business models. Furthermore, these characteristics
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