Chapter 13
Aligning Business and Knowledge Strategies: A Practical Approach for Aligning Business and Knowledge Strategies

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ABSTRACT

The alignment of business and knowledge strategies necessarily includes the individual and the organizational perspectives. A major problem in this context is to reconcile these perspectives into a common framework for alignment. To this end, an intermediate level is introduced—the activity domain. The activity domain is a canonical structure comprising all kinds of organizational units, irrespective of size and organizational level. The organization is regarded as a constellation of activity domains, each having a capability to produce an outcome that the organization needs in order to fulfill its goals. Alignment is defined as the management of dependencies between capabilities such that these capabilities fit the business’s strategic intents. As a consequence, business and knowledge strategies can be linked to the same target—the activity domain. Practical guidelines and alignment targets for these strategies are suggested.

INTRODUCTION

The quintessence of alignment is how to bring various elements of an organization to work in concert in order to maximize its overall performance. Achieving and maintaining fit between these elements is a necessity for survival in a changing economy. For example, aligning IT and business is still the number one concern for information technology (IT) executives (Luftman & McLean, 2004). In the era of globalization, ever escalating turbulence of the market, and increasing complexity of products, alignment pose immense challenges (e.g. Chan, 2002; Earl, 1996; Hackney, Burn, Cowan, & Dhillon, 2000; Opdahl, 1997; Regev & Wegmann, 2003). Some of the difficulties are:

- There is an ambiguity of how to define alignment, and how to decide which elements are relevant for alignment. Common elements
mentioned in connection with alignment are externally oriented ones such as strategies, goals, market needs, and internally oriented ones such as IT, business processes and knowledge.

- Central concepts in alignment such as “business goal”, “business structure”, “informal organization structure”, “strategy”, etc., are inherently vague (Chan, 2002).

- Alignment spans across the boundaries of several organizational units. With increased organizational dynamics such as outsourcing, alliances formation, etc., both intra- and inter-organizational aspects need to be considered. Outsourcing, for example, implies that the control of alignment concerning the outsourced functions is lost.

- Alignment includes not only technical issues but also social ones such aligning different informal structures and organizational cultures (Chan, 2002).

- There is an apparent lack of theories that can provide an integrative, socio-technical foundation for alignment (e.g. Martinsons & Davidson, 2003).

Since IT is an indispensable part of organizations, it is not surprising that alignment of business and IT has been in focus for many years. Approaches, i.e., constellations of methods, processes and implementation strategies for achieving business/IT alignment, are often referred to as Strategic Information System Planning (SISP). According to Earl (1996), SISP approaches can be categorized from the particular underpinning assumptions driving the approach:

- **Business led** maintains that business aspects should lead information system (IS) implementations: “current business direction or plans are the only basis upon which IS plans can be built and therefore business planning should drive SISP” (Earl, 1996, p. 141).

- **Method driven** assumes that SISP “is enhanced by, or depends on, use of a formal technique or method” (ibid., p. 143). This approach focuses on the “best” method and is often executed with the aid of consultants.

- **Administrative** insists that the aims of SISP can be reached by formal procedures for allocating IS resources. Business units submit IS development proposals to committees who examine “project viability, common system possibilities, and resource consequences” (ibid., p. 144).

- **Technical** claims that “an IS oriented model of the business is a necessary outcome of SISP and therefore analytical, modeling techniques are appropriate” (ibid., p. 145). The emphasis is on deriving architectures for the organization. The end product is a business model, and formal methods – often supporter by CAD-tools – are used to define activities, processes, and data flows of the business. The model tends to become complex and hard to make sense of for others than those directly involved in the modeling effort.

- **Organizational** is based on “IS decisions being made through continuous integration between the IS function and the organization”. This approach eschews long-term plans and focuses on continuous decision-making activities shared by business and IS. Organizational learning about business problems and opportunities of business and IT are emphasized. A distinguishing feature is the concentration on one or a few “themes” in the organization as targets for alignment, such as service level, product development, or low-cost administration. These themes are then pursued for several years.

Although all approaches have pros and cons, it appears that the organizational one is superior, contrary to espoused wisdom: