



<http://www.vital-project.org>

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

Zsófia Derzsi

06-06-2006

Vrije Universiteit Amsterdam



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

- Henderson, Venkatraman (1993, *IBM Systems Journal*)
 - 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

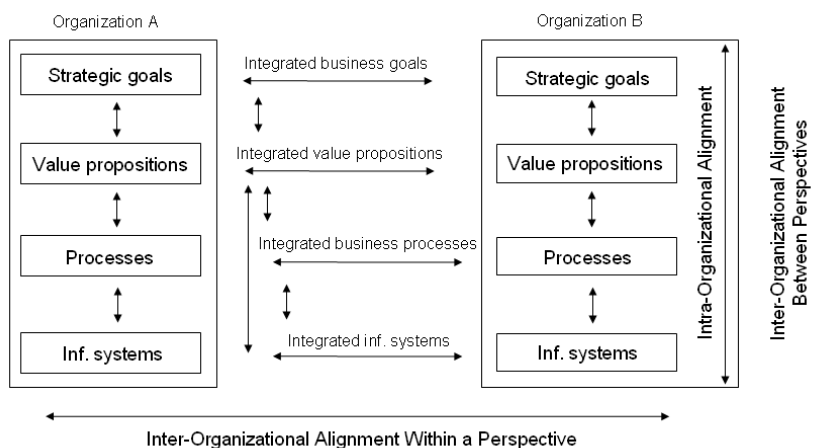


Proposed Solution

- 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



Conceptual Framework





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



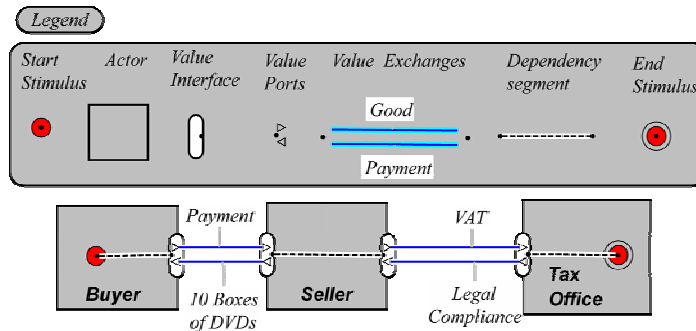
Applied Modeling Technique

- Value-based modeling: *e³-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-funded projects))
- “What is offered to whom and what is provided in return”

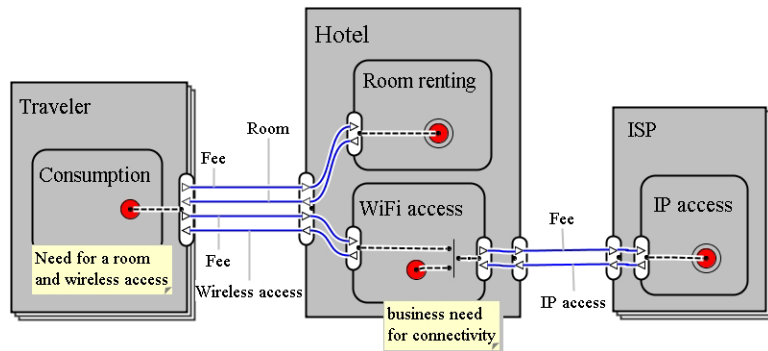


Small Study

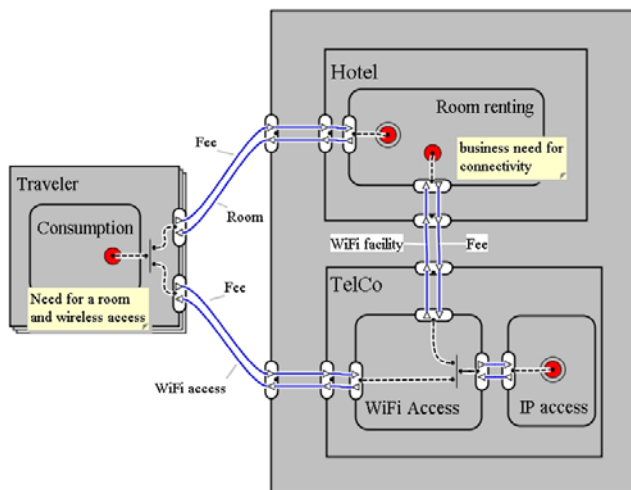
- Hotel wants to offer wireless connectivity (WiFi)
- Various solutions are available
 - Wireless connectivity “in-house” via ISP
 - Partnering with a Telecommunication Company (telco)
- Which alternative is the most beneficial?
- Methodology
 - e³-value
 - Conceptual framework



ISP Alternative



Telco Alternative





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



<http://www.vital-project.org>

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

Zsófia Derzsi

06-06-2006

Vrije Universiteit Amsterdam