

Alignment Effectiveness for Value Creation with Information Systems

Martina MITAMBO*

The University of Zambia

Enterprises often face problems while executing business strategies to exploit opportunities or solve problems. Within enterprises, strategy blindness could be affected by mistranslation of strategic intent, flexibility of the information system, or cognitive entrenchment. The alignment between business strategy and business processes is a critical factor in the ability of enterprises to overcome the phenomenon. Opportunities for value creation include magnifying the positive spread in cash flow or pursuing growth opportunities. Information systems could greatly simplify the processes involved in business strategy by integrating process-related decision-making with the business strategy. Decision support tools such as knowledge management, decision strategy, decision content, and expert groups, customised for organisational information systems can help enterprises optimise operations in a variety of ways such as becoming more responsive to changing market conditions in hypercompetitive markets. Greatest opportunities for decision support are incorporating external sources of data such as economic data and user behaviour analytics. Benefits are more effective utilisation of resources, larger product portfolio, better product or service quality, and shorter delivery times.

Keywords: Business Strategy, Value Creation, Information System

JEL Classification: M10

1. Introduction

In the presentation is an analysis of business strategy for value creation using information systems within enterprises across industry sectors. Beginning with an extensive analysis of business strategy and value creation within contemporary enterprises, the author reviews the use of information systems to exploit value creation opportunities through spread and growth. In the discussion are also factors that affect the use of information systems while executing business strategy. Best practices from academia and industry experts show how firms could use information systems more effectively by customising the systems for their organisation-specific environment and business practices.

2. Literature Review

2.1. Business Strategy

Strategy pyramid is a process for strategy development with systematic strategic planning built into the planning and budgeting process. Nine building blocks makeup the strategy pyramid (see Figure 1). A sound

* Corresponding Author:

Martina Mitambo, UNZA, School of Medicine, Department of Public Health, Grants Management.

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knowledge of the business is the base of the strategy pyramid. Goals and objectives for the business are based on sound business knowledge and supported by market demand forecasting. Gauging industry competition and tracking competitive advantage are important building blocks for targeting the strategic gap. Business strategy is about bridging the gap, and corporate addresses bridging the gap. The final building block is about addressing risk and opportunity. It is helpful to distinguish between business and corporate strategy, which are distinct but related fields. Business strategy involves a product or service with a cost structure, while corporate strategy involves allocating organisational resources for the business strategy. The corporate strategy could include a portfolio of business strategies. Both business and corporate strategy could benefit from tools, such as a matrix with indicators.



Figure 1. Strategy Pyramid
Source: Evans (2013)

Strategy should not be confused with business model, which is influenced by computers and spreadsheet software. Business model is the economic underpinning of an enterprise strategy, which includes the activities associated with making a product or service and marketing. A sound business model is the basis of a viable organisation, describing in a systematic manner how the pieces of a business fit together to generate income. Competition, a critical dimension of performance, is not factored in the business model. Business strategy is a process with activities to transform inputs into outputs.

Strategy should be used to enter and build defensible positions in the market by exploring potentially strategic moves such as using innovation to overcome barriers to entry. A good strategy is only a part of the process, where implementation is crucial. Implementation involves alignment between strategy and the day-to-day details of how a company operates. Action plans are instrumental in aligning business strategy, because managers cannot expect to set instructions and expect results. Consistent behaviour, training, and reinforcement are necessary to support action plans. Since employees play a critical role in implementing business strategy, harnessing their energy and commitment to strategic change is the management's challenge. Employees need motivation to do the right things well, and real incentives are necessary. Managers also need to monitor the performance of the strategies and identify areas for intervention.

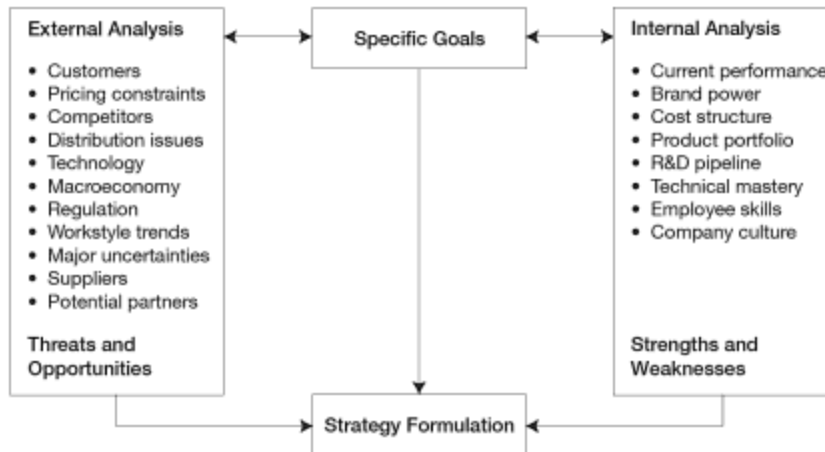


Figure 2. Strategy Formulation
 Source: *Harvard Business Review* (2005)

Goals are the building blocks of business strategy, where strategic choices emerge from looking outside as well as inside the organisation (see Figure 2). External and internal factors clarify the operational environment, enabling the management do better and mission its desired future. External analysis is the essence of competitive strategy, where external stakeholders including customers, competitors, suppliers, and regulators have an impact on profit potential. Internal factors influence the organisational capacity in achieving goals. Technology is a part of the competitive environment and is always changing, making existing ways of doing things obsolete. The role of information technology in business modelling and business strategy cannot be ignored.

2.2. Value Creation

In a globalised economy, businesses need to manage themselves more effectively in a rapidly advancing world characterised by dependence on foreign labour and separation of functions. Economic conditions require enterprises to re-evaluate its business segments. In today’s economic environment, information technology is an absolute necessity. However, enterprises still need to understand how to improve their information systems for long-term success and growth. Information technology needs to be integrated into the definition of business value within enterprises.

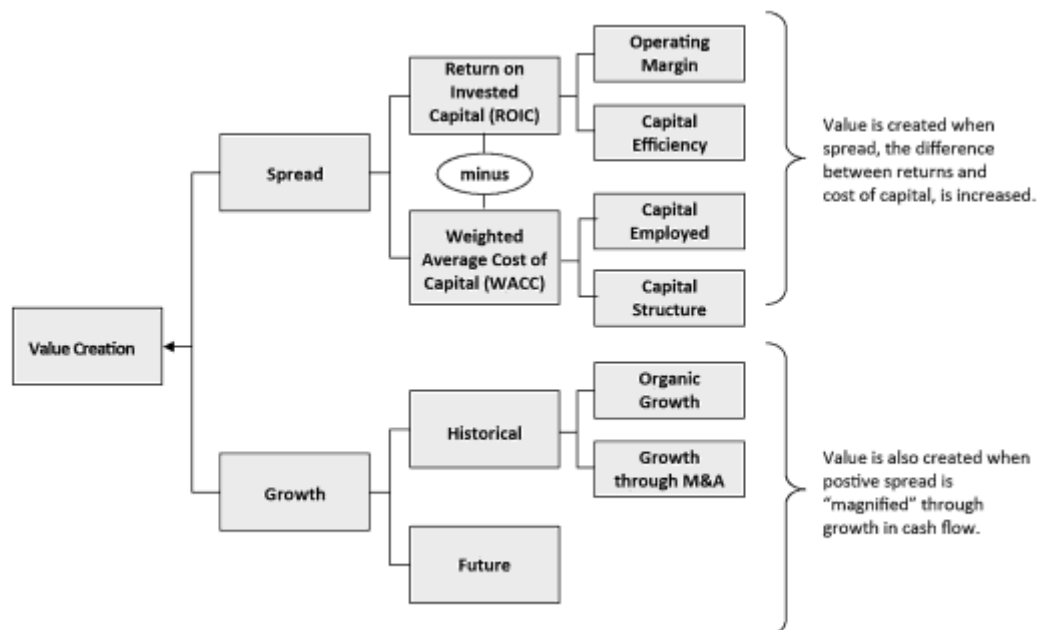


Figure 3. Value Creation
 Source: *Bhatia* (2012)

Value creation involves magnifying the positive spread in cash flow through pure greenfield innovation or mergers and acquisitions (see Figure 3). Spread is the difference between the rate of return on the investment and the cost rate for the money. Growth is another component of value creation, which is an outcome of innovation in products and services. Strategic mergers and acquisitions could contribute to the growth.

In the context of business strategy, it is the management of strategic options for growth. Strategic option involves making a specific and fundamental change to the value proposition, value network, and revenue model.

2.3. Information Systems for Value Creation

For business organisations, activities are becoming more and more dependent on information systems - in order to achieve greater effectiveness in business outcomes, strategies need to inspire more strategic information systems. A survey of chief information officers in manufacturing organisations showed that infrastructure-related activities inspire technical, personnel, and procedures planning, whereas core areas only lead to procedures planning. Mirchandani and Lederer (2014) show greater effectiveness from technical planning rather than personnel and procedures planning. The implications of the findings are for managers who need to reconsider how their organisations respond to needs, and how they should adjust their business strategy.

2.4. Alignment Effectiveness

Within businesses, information systems are strategic to realise desired intent. Even though experts recommend aligning information systems functionality with strategic intent for implementing strategically-aligned systems, little is known how to do it in practice. Arvidsson, Holmström, and Lyytinen (2014) argue when an organisation implements a strategic system but fails to produce the intended change; the outcome is strategy blindness, or the inability to realise the strategic intent. Factors contributing to strategy blindness are mistranslation of intent, flexibility of the information system, and cognitive entrenchment. Businesses could achieve better outcomes in dealing with strategy blindness by working around these factors.

3. Research Premises

Henfridssona and Lindb (2014) explain improvising strategy, and deliberate actions contribute to realising strategic intent using information systems. In technology-mediated practices, emergent patterns of action are associated with strategy building. The process involves groups, within the business, who initiate strategy contents for their activities, suggesting the usefulness of the bottom-up effort in the strategy-as-practice approach.

Information systems within businesses could support strategy by making contributions in a variety of ways argue Leonard and Higson (2014). Fluidity and extensiveness of system use for wide-ranging strategy patterns or the ability to change system use as needs change, for instance, where top managers engage in interactive strategising. Interactive and procedural strategies could be related to the importance of the system, where strategies are more likely to occur if the system has strategic significance. The system could also identify activities of managers, and identify processed champions, in order to orient them towards the organisation's goals, provide guided support, and encourage fluidity.

4. Research Methodology

From an extensive review of the literature, the author identified the key concepts within the business strategy phenomenon and value creation using information systems. In the investigation on value creation using information systems, content analysis from industry cases was empirically grounded, exploratory, and predictive or inferential. Content analysis allowed the author to provide a unique perspective on the phenomenon based on industry evidence. The qualitative approach for the analysis allowed the author to understand value creation strategies that are most appropriate for enterprises (see Figure 4).

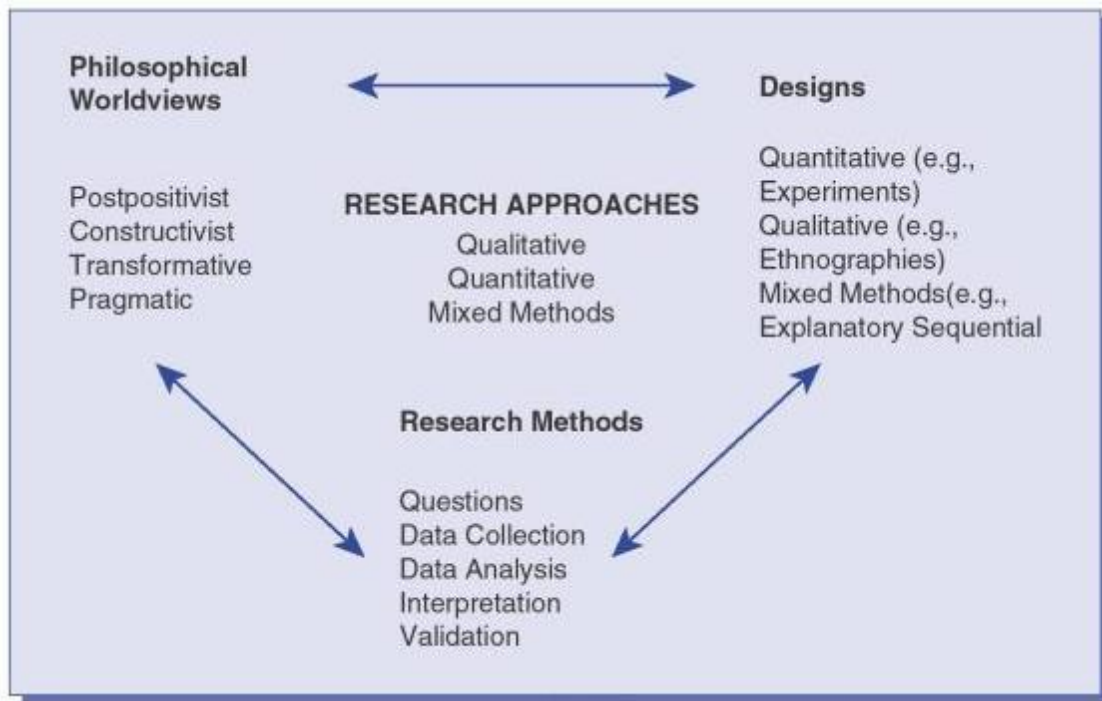


Figure 4. Research Framework
Source: Creswell (2014)

5. Analysis and Results

5.1. Case Studies

Kalkan, Erdil, and Çetinkaya (2011) argue that information systems and business strategy need alignment for improved business performance. Organisation-specific variables such as firm size, information technology architecture, and business strategy could affect the firm's performance. For the specific strategy of prospecting, for instance, economic conditions such as changes, technological development, and globalisation detected by the information system could offer opportunities.

Dong, Liu, and Yin (2008) found that the alignment is a better predictor of business performance than strategy or information system alone. Alignment between business strategy and information system is crucial for the enterprise to be competitive. It is necessary to discover the similarity, maturity, and capability for aligning the business strategy and technological assets.

Industries across sectors are benefiting from decision support and intelligent systems. For instance, the tangible goods market is experiencing a shift from single individual products to individualised mass customisation. Techniques such as hybrid value bundles are helping manufacturers achieve market share, allowing for differentiation from competitors, with combined solutions for tangible and intangible goods. Customer integration, different product life cycles, and product specifications are values within a risk management model that takes care of the product strategy. Information systems could greatly simplify the process and integrate product-related decision making with the business strategy.

Information systems could also aid in business strategies involving capacity planning and performance contracting. Capacity investment is a critical activity in wide-ranging industry sectors such as health care facilities, information technology services, and contract manufacturing (Jiang and Seidmann, 2014). The business strategy is to compete on quality and speed. Insufficient capacity could mean loss of income for the firms, and managers want to ensure that they are neither over nor underinvested in capacity. The approach requires the integration between business intelligence and strategy. Managers could model extreme scenarios and use the understanding for business strategy and capacity planning, which could be enhanced by information systems.

Online retailing is another area that could benefit from information systems, where the key to success is about getting the pricing right. In online retailing, where shoppers enjoy unprecedented opportunities, online retailers try wide-ranging strategies. Personalised pricing strategies and randomised pricing are typical strategies used by online retailers. Information systems could aid in understanding consumer behaviour and developing a pricing strategy. Smart consumers trade off between buying immediately at a high price and

buying later at a low price. Wu, Li, and Xu (2014) show that randomised pricing strategy could generate more profit than a flat pricing strategy by understanding the relationship between customers' patience and the discount factor on optimal prices.

Enterprises could also become agile by using decision support systems in the cloud to take advantage of data analytics in the cloud, to achieve scale, scope, and speed of economies. The approach requires the integration of information technology with decision sciences, which could greatly enhance decision-making. For firms operating in hypercompetitive markets, user expertise in information systems is necessary. Components of decision support systems include knowledge management, decision strategy, user groups, and decision context. For a firm using an intelligent decision support, marketing managers could develop more effective marketing campaigns, for instance, or manufacturing managers could be more responsive to market demands. In the industry, the debate continues on technological, managerial, strategic, and economic factors for innovations in information technology for enterprises.

Practices within enterprises have become more dependent on data, making the case for integrated information systems to utilise resources effectively, increase products, improve quality, and shorten delivery time. Information systems could do much more than the traditional enterprise resource planning systems widely used by managers. Uçaktürk and Villard (2013) argue integrated information systems could enhance managerial decision-making with advanced, transformable, and well-considered decisions.

Information systems could also help enterprises deal with economic cycles and developments in global business practices with inputs from expert sources. The multi-centred and collaborative approach involving inputs from industry experts could greatly enhance managerial decision-making within firms.

6. Discussion and Conclusion

Despite the availability of spreadsheets and models, enterprises face problems with their business strategies to exploit opportunities or remedy troublesome situations. The alignment between business strategy and business processes is a critical factor in the ability of enterprises to overcome strategy blindness, which could be affected by mistranslation of strategic intent, flexibility of the information system, or cognitive entrenchment.

Firms could create value by magnifying the positive spread in cash flow or pursuing growth opportunities. Information systems could greatly simplify the processes involved in business strategy by integrating product- or service-related decision making with the business strategy. Decision support tools, including knowledge management, decision strategy, decision content, and expert groups, embedded in information systems can help enterprises optimise operations in a variety of ways such as becoming agile to become responsive to changing market conditions in hypercompetitive markets.

Incorporating external sources of data, such as economic data or user behaviour characteristics, provide the greatest opportunities for decision support. Benefits include more effective utilisation of resources, larger product portfolios, better product or service quality, and shorter delivery times. Managers could benefit from advanced, transformable, and wide-ranging decision scenarios. Opportunities also exist for multi-centred and collaborate decision-making with inputs from industry experts.

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