

Chapter 51

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 a structural description of internet based business models and the COBIT 5 Goal Cascade, we explain these specific requirements and propose a possible integration of a bottom-up alignment. With this work we provide guidance in the challenge of business/IT alignment for internet based business models and show pathways for IT governance frameworks to better support a bi-directional alignment.

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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 embrace two sided market situations and require unique considerations in order to be successful. Contrary to popular concepts, as depicted by the top-down business/IT alignment approach in COBIT 5, the requirements of internet based business models in two sided markets can emerge out of the business operations and be defined by the customer. An example is the business cooperation of T-Mobile and Spotify Inc., where the satisfactory needs of customers implied the adoption of both business models (Oestreich, 2012).

In this paper, while extending Bartens et al. (2014a), we focus on the characteristics of internet based business models in two sided markets and their representation within the COBIT 5 framework. Here, the requirements of a bi-directional business/IT alignment can be observed and exhibited in a very distinct and comprehensible manner. After a brief literature review on internet based business models in two sided markets, IT governance and IT governance frameworks in Section 2, we investigate the degree of representation of internet based business requirements in two sided markets and possible gaps within the framework, following the ‘COBIT 5 Goals Cascade’, in order to achieve a basic understanding. Thus, we consolidate the characteristics of these business models and their success factors in Section 3 and examine their appropriate representation in COBIT 5 in Section 4. Consecutively, in Section 5, we give a brief excursion on internet based business models in two sided markets and introduce the case

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