

## Chapter 6

# Strategic and Business– IT Alignment Under Digital Transformation: Towards New Insights?

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### ABSTRACT

*Digital transformation is at a very early stage. Digital transformation has several impacts on business, on organization and process and raises several questions. Over the years, the aims of strategic fit and IT-business alignment have remained constant but the environment in which companies operate has changed significantly becoming more dynamic, very competitive and global. This chapter attempts to analyse how the digital transformation could affect more specifically strategic and IT-business alignment.*

### INTRODUCTION

The digital economy marks a historical shift in the approach to businesses and potential commercial activities. In the digital environment, a competitive firm should constantly be able to reposition itself in terms of its value proposition, resources and competences, financial capacity in light of the changing entry (and exit) barriers, the disruptive technologies and business models and periods of evolving competitive dynamics. Hypercompetitiveness and digitalization presuppose permanent transformation of competitive advantages and critical success factors (CSFs). D'Aveni et al. (2010) thus have proposed “the age of temporary advantage” as an alternative concept to sustainability. This idea is also shared by McGrath (2013) who has called into question the relevance of sustainability in today’s fast moving and hypercompetitive marketplaces.

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The digital transformation has several impacts on business, on organization and process and raises several questions. “A digital transformation strategy impacts a company more comprehensively than an IT strategy and addresses potential effects on interactions across company borders with clients, competitors and suppliers” (Hess et al., 2016, p. 1). This chapter attempts to analyse how the digital transformation could affect more specifically strategic and IT-business alignment.

## **LITERATURE REVIEW: DIGITIZATION, DIGITALIZATION AND DIGITAL TRANSFORMATION**

Digital transformation is a polysemous, buzz word (Sugahara et al., 2017, p.71). There are many dimensions of digital transformation sometimes confused with other terms such as digitization or digitalization (Table 1).

Digital transformation is often considered as the next step of digitization. Digitization is the process of converting information from an analog to digital format. For example, in the entertainment industry, the dematerialization of content has had repercussions not only on production, but also importantly on exploitation, broadcasting and distribution. In the context of convergence, these technological changes are also accompanied by changes in common practices adopted by consumers and strategies of the main firms involved (Daidj, 2015; Danowski & Choi, 1998).

The term “digitalization” closely related with computerization was used first by Robert Wachal in 1971 who discussed the social implications of the “digitalization of society”. In the Oxford English Dictionary (OED), digitalization refers to “the adoption or increase in use of digital or computer technology by an organization, industry, country, etc.” Gartner’s IT glossary defines digitalization as “the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.”

As regards digital transformation, definitions are numerous elaborated by both practitioners and academic scholars. Keyur Patel and Mary Pat McCarthy (2000) have been among the first authors to address the digital transformation issue by highlighting three questions as follows: What is digital transformation? How does it change business? What are the challenges for B2B companies and B2C companies in making a digital transformation?

Table 1 presents an overview of definitions of digital transformation summarizing key focus words contained in the definitions.

The digital transformation was first associated with technologies. “Within an enterprise, digital transformation is defined as an organizational shift to big data, analytics, cloud, mobile and social media platforms. The current business environment is witnessing a radical altering of the business landscape fueled by the emergence of digital innovations and opportunities. Firms are increasingly adopting various opportunities such as analytics, big data, cloud, social media and mobile platforms in a bid to build competitive digital business strategies” (Nwankpa & Roumani, 2016, p. 2). Then, according to most definitions, emphasis has been placed on one or two main concepts developed both in the strategic area and the IS/IT literature including (IT) capabilities, process, value (creation and capture), business model and organization. Several scholars have underlined the impact of the digital transformation on performances (Westerman et al., 2011; Peppard, 2016). Very little information and analysis can be found in academic papers on the relevance of new KPIs. Kotarba (2017) presented an analysis of metrics used to measure digitalization activities. Digital KPIs are numerous and there are already too many metrics and

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