

# Chapter 6.10

## Alignment of Business and Knowledge Management Strategies

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### INTRODUCTION

The role of knowledge as a crucial asset for an enterprise's survival and advancement has been recognized by several researchers (e.g., von Krogh, Ichijo & Nonaka, 2000). Moreover, by having knowledge (intellectual resources), an organization can understand how to exploit and develop its traditional resources better than its competitors can, even if some or all of those traditional resources are not unique (Zack, 1999).

However, realizing the importance of organizational knowledge and its management in creating value and in gaining competitive advantage is only the first and the easiest step in any knowledge management (KM) initiative. The second and almost as important step is to answer how and where to begin questioning (Earl, 2001). In fact,

“many executives are struggling to articulate the relationship between their organization's competitive strategy and its intellectual resources and capabilities (knowledge)” (Zack, 1999). As Zack (1999) argued, they need pragmatic yet theoretically sound model. It has been highly accepted that a pragmatic and theoretically sound model should meet at least two criteria. First, it should explicitly include the external domains (opportunities/threat) and internal domains (capabilities/arrangements) of both business (B-) and knowledge (K-) strategies and the relationships between them. Second, it should provide alternative strategic choices.

In order address this issue a KM strategic alignment model (KMSAM) is presented. It stems from the premise that the realization of business value gained from KM investment requires align-

ment between the business (B-) and knowledge (K-) strategies of the firm and is based on the Henderson-Venkatraman SAM for IT (Henderson & Venkatraman, 1993).

### Overview of the Henderson-Venkatraman Strategic Alignment Model

The KM strategic alignment model is based on the theoretical construct developed by Henderson and Venkatraman (1993). In their model business success is viewed as the result of the synergy between four domains. The first two, the external domains, are business strategy and information technology (IT) strategy. The strategy domains are described in terms of (business/technology) scope, (distinctive business/IT systemic) competencies and (business/IT) governance. The second two, the internal domains, are organizational infrastructure and processes and IT infrastructure and processes. Both internal domains are described in terms of (administrative/IT) infrastructure, (business/IT) processes and (business/IT) skills. This synergy is achieved through two types of relationship:

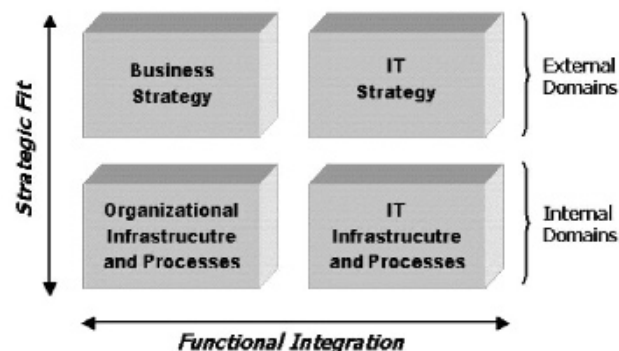
- Strategic fit emphasizes the need for consistency between strategy (external domain) and its implementation (internal domain).
- Functional integration, which has two modes, extends the strategic fit across functional domains. The first mode, strategic integration, deals with the capability of IT functionality both to shape and to support business strategy. The second mode, operation integration, focuses on the criticality of ensuring internal coherence between organizational infrastructure and processes and IT infrastructure and processes.

Figure 1 shows the elements of the IT strategic alignment model (ITSAM).

### KM Strategic Alignment Model (KMSAM)

The premise of the original ITSAM is that "the effective and efficient utilization of IT requires the alignment of IT strategies with business strategies" (Henderson & Venkatraman, 1993). In parallel way, the premise of KMSAM, in which knowledge strategy replaces IT strategy, is that "the effective and efficient use of organizational

Figure 1. IT strategic alignment model (Henderson & Venkatraman, 1993)



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