Chapter 6.11
Developing Business Aligned Knowledge Management Strategy

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ABSTRACT

With the growing awareness of the crucial role that knowledge can play in gaining competitive advantage, several issues with regard to knowledge management (KM) initiatives have challenged executives. The articulation of the relationship between an organization's competitive strategy and its knowledge strategy is the most eminent. This chapter addresses the issue of how to align knowledge strategy with enterprise business strategy. Based on the premise that the realization of business value from KM investments requires alignment between business and knowledge strategies, the issue is addressed by developing a strategic alignment model for KM. This model, which is based on the Henderson-Venkatraman strategic alignment model, includes the external domains (opportunities/threat) and internal domains (capabilities/arrangements) of both business (B-) and knowledge (K-) strategies and the relationships between them. Furthermore, it provides alternative strategic choices. The model is used to study a KM initiative at Buckman Laboratories.

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, 1999a).

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, 1999a). As Zack (1999a) argued, they need a pragmatic, yet theoretically sound, model. The required model has to meet at least two criteria. First, it must 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 must provide alternative strategic choices.

This chapter stems from the premise that the realization of business value gained from KM investment requires alignment between the business (B-) and knowledge (K-) strategies of the firm. Therefore, it addresses the aforementioned issues by developing a "strategic alignment model (SAM)" for KM initiatives. It is based on the Henderson-Venkatraman SAM for IT (Henderson & Venkatraman, 1993).

The remainder of this chapter is organized as follows: The Henderson-Venkatraman SAM for IT (ITSAM) is first presented. Next, the KM Strategic Alignment Model (KMSAM) is developed and used to study the KM initiative at Buckman Laboratories. The paper then concludes by discussing the implications of the proposed metamodel and future research.

OVERVIEW OF THE HENDERSON-VENKARTAMAN STRATEGIC ALIGNMENT MODEL

The strategic alignment model (SAM), the framework for this study, is based on the theoretical construct developed by Henderson and Venkatraman (1993). In this 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

Whereas 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), the premise of knowledge management SAM (KMSAM), in which knowledge strategy replaces IT strategy, is that, "the effective and efficient use of organizational knowledge requires the alignment of knowledge strategies with business

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