

## Chapter 9

# Strategic Alignment and Service Systems Case Examples

### ABSTRACT

*This chapter describes three case studies, selected from the extant literature, to illustrate how some of the key concepts such as strategic alignment, strategy map, service system, value-in-exchange, value-in-use, and value co-creation, and so on, addressed in the preceding chapters (in Sections 1 and 2 of the book) can be operationalized in real-life. The authors use the theories described in these preceding chapters to explain key case study phenomena captured by their authors.*

### INTRODUCTION

This chapter describes three case studies, selected from the extant literature, to illustrate how some of the key concepts such as strategic alignment, strategy map, service system, value-in-exchange, value-in-use, and value co-creation, and so on, addressed in the preceding chapters (in Sections 1 and 2 of the book) can be operationalized in real-life. The authors use the theories described in these preceding chapters to explain key case study phenomena captured by their authors.

The first case study summarizes the case study by Huang and Hu (2007) on a biopharmaceutical company focusing on their use of Norton and Kaplan's (2004) balanced scorecard (strategy map) to manage strategic alignment of all the firm's divisions (including IT) with the corporate strategy and vision (pp. 173-184).

The second case study is an abridged excerpt from Chew and Gottschalk (2009) which uses CLP, a utility company, as an example of how Norton

and Kaplan's (2004) strategy maps (pp. 428-458) can be systematically applied to analyze the successful formulation and execution its IT strategy by the CLP Group CIO over a four-year period (2004-2008) in alignment with CLP corporate strategy and vision.

The third case study summarizes the empirical study by Stucky, Cefkin, Rankin, Shaw, and Thomas (2011) which uses a descriptive model (based on Spohrer et al.'s [2007] conceptual model of a service system) to describe the dynamics of value co-creation by service systems in complex IT service engagements that Stucky et al. have participated in (pp. 267-281).

### STRATEGIC ALIGNMENT VIA STRATEGY MAP: A BIOPHARMACEUTICAL COMPANY CASE EXAMPLE

Strategic alignment is a basic principle of interaction between IT and business. Alignment is more

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than a process, but also a mindset of how IT can work for, and with, business all the time in the face of changing external environments (Huang & Hu, 2007, p. 174). As described in chapter 6, business and IT must act as one to achieve sustained strategic alignment despite continuing environmental changes. This case example reviews, using appropriate theories developed in the preceding chapters, how a successful company achieves sustained strategic alignment, based on research by Huang and Hu (2007).

According to Huang and Hu (2007, p. 175) and congruent with our study in chapters 5 and 6, four factors are critical for success in strategic alignment:

1. Integrating IT planning with business planning,
2. Maintaining effective communication channels,
3. Developing strong relationships between IT and business, and
4. Institutionalizing the culture of alignment.

They conducted a case study of BIOCO (a pseudonym), which has adopted Kaplan and Norton's (2004) strategy map (see chapter 2) as a strategic management tool, to substantiate these arguments. Huang and Hu's (2007) case study of BIOCO is summarized below using our own interpretation of how the theories and principles of strategic alignment and strategy map (described in the preceding chapters of this book) might have been applied.

*BIOCO is a medium-sized biopharmaceutical company in USA. Faced with declining sales of its then-core products in the late 1990s, BIOCO underwent structuring to refocus its business. It dismantled the silo business structure and created a new corporate culture, where multiple business units including IT were brought in line with the new strategies—using the strategy map (balanced scorecard) framework (p. 176).*

A key move by the CEO, reinforcing the business-IT partnership principle, was to appoint the CIO as the champion for implementation of the strategy map. In other words, the CIO was the corporate-level organizational boundary spanner, one who provides the communicative linkages between organizational subunits and with the corporate (Pawlowski & Robey, 2004). This would imply the CIO was not only business savvy but also had the trust and respect of the CEO and presumably the executive leadership team. From knowledge management's standpoint, the CIO would act as the translator between different departments and, indeed, quite possibly even as a knowledge broker (Brown & Duguid, 1998; Pawlowski & Robey, 2004) who participated in the formulation/development of each department's strategy map (see chapters 1, 2, and 3). "Brokering requires not only translation but also evaluating and explaining the relevance and significance of translations to the recipient's practice" (Pawlowski & Robey, 2004). Knowledge brokering therefore would facilitate not only business-IT alignment but also alignment of departmental goals and visions with the corporate goals and vision—a holistic form of strategic alignment.

The strategy maps of BIOCO were created, following extensive training to key personnel on strategy map principles and techniques, which show graphically the new visions and strategies of the company across all four perspectives of financial, customer, internal (processes), and learning and growth. A strategy map was created for the corporate (top level) and one for each of the business units, including IT. Each departmental strategy map's goals and strategies were derived from the corporate goals and strategies—with interdependencies (as in Porter's system of activities in the firm—chapters 1 and 2) between department and corporate and between department and department clearly shown. The BIOCO practice of determining and linking strategic alignment interdependencies between departments was performed as in the following example:

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