

Business/IT Alignment in Two Sided Markets: A Study of COBIT 5 for Internet Based Business Models

Yannick Bartens, University of Hamburg, Hamburg, Germany

Frederik Schulte, University of Hamburg, Hamburg, Germany

Stefan Voß, University of Hamburg, Hamburg, Germany

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 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 internet based business models are not 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.

Keywords: *Business/IT Alignment, COBIT 5, E-Business Models, Enterprise Governance of IT, Internet Based Business Models, IT Governance, Two Sided Markets*

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,

DOI: 10.4018/ijitbag.2014070102

2006; Smith et al., 2010), as for instance seen in social media networks. 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 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 we give a brief excursion on internet based business models in two sided markets on the base of the business model canvas depiction of an exemplified social networking site. After that we outline how these ascertainties influence the business/IT alignment in situations like this in Section 6.

2. LITERATURE REVIEW

2.1. Two Sided Markets and Internet Based Business Models

Two sided markets depict a specific market situation, which usually integrates two (or more) participants/agents, which are interacting over a platform offered or depicting an intermediary. Via this platform exchange transactions are processed (Armstrong, 2006; Hildebrand, 2011; Osterwalder, 2010; Rochet & Tirole, 2003, 2004). Two side markets are naturally strongly associated with advertising related or implying business models (Hildebrand, 2011; Lin, Li, & Whinston, 2011; Osterwalder, 2010; Rysman, 2009; Schmidtke, 2006). The main challenge for operating a business model as the intermediary is seen in successful revenue

15 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/article/businessit-alignment-in-two-sided-markets/120024

Related Content

A Research Journey into Enterprise Governance of IT, Business/IT Alignment and Value Creation

Wim Van Grembergen and Steven De Haes (2010). *International Journal of IT/Business Alignment and Governance* (pp. 1-13).

www.irma-international.org/article/research-journey-into-enterprise-governance/40955

An Analysis of Factors that Influence the Ability of SMEs to Derive Benefit in Four Phases of Electronic Commerce: 34 Australian Case Studies

Stephen B. Chau and Paul Turner (2003). *Managing IT in Government, Business & Communities* (pp. 97-110).

www.irma-international.org/chapter/analysis-factors-influence-ability-smes/25903

Technology, Web 2.0 and Beyond

Laurence Lock Lee (2009). *IT Governance in a Networked World: Multi-Sourcing Strategies and Social Capital for Corporate Computing* (pp. 258-294).

www.irma-international.org/chapter/technology-web-beyond/24753

Information Security Policy in Large Public Organizations: A Case Study Through ISO 27002

(2019). *Strategic IT Governance and Performance Frameworks in Large Organizations* (pp. 349-402).

www.irma-international.org/chapter/information-security-policy-in-large-public-organizations/219452

CIO Perspectives on Organizational Learning within the Context of IT Governance

Koen De Maere, Steven De Haes and Michael von Kutzschenbach (2017). *International Journal of IT/Business Alignment and Governance* (pp. 32-47).

www.irma-international.org/article/cio-perspectives-on-organizational-learning-within-the-context-of-it-governance/180693