



## **Chapter V**

# **IT Architecture in Strategic Alliance Negotiations: A Case**

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## **ABSTRACT**

*In forming strategic alliances managers should consider information technological fit along with other business considerations among partners. The development of IT architecture for the new situation and its use in the negotiation process could potentially be rewarding for all the parties involved. This chapter uses a case study to describe the way in which the development of IT architecture for the proposed alliance between an information and communications technology (ICT) organisation and its partners helped in the negotiation process. A telecommunications organisation (TEL) intended to enter into the retail electricity distribution business in alliance with existing operators in the retail electricity industry so that TEL could improve its market position. An IT architecture for the new market situation was developed, which helped in understanding the future informational requirements and dependence of partners on each other.*

## **INTRODUCTION**

Competency of an appropriate IT architecture enables an organisation to reap the benefits of information technology (Feeny & Willcocks, 1998). Con-

ceiving and implementing the architecture, however, has not been easy for CIOs. Whenever an organisation changes its business strategy and operating procedures, perhaps because of a BPR or a strategic alliance, new information systems are required. How would the exact form and components of the entire IT be determined for optimizing business goals? How and to what extent does the existing IT/IS infrastructure satisfy the new systems requirements? It is incumbent upon the CIO to play a role in answering these questions.

IT architecture is instrumental to the achievement of business goals (Hay & Munoz, 1997). IT design activities can lead to an optimally re-designed system. Three critical design activities direct systems design towards meeting business needs: (1) strengthening the existing architecture relative to internal process changes, (2) redesigning IT architecture when major shifts take place due to BPR or strategic alliances, and (3) designing IT architecture anew for business start-up. Good methodology currently supports two of the above-mentioned situations: strengthening existing architecture and designing new IT architecture (Laudon & Laudon, 2000). Redesigning IT architecture relative to BPR or strategic alliance is more challenging and contextual rather than procedural (Nissen, 1998). Independent of dealing with the broad scope of an organisation's IT systems, IT architecture planning must regard strategic considerations—particularly in the negotiation phases of new alliances.

The case of a telecommunications company highlights major considerations in IT architecture planning that result from strategic alliances with new business partners. The telecommunication company (TEL) identified a new market opportunity as a result of changed market conditions. Originally a traditional telecommunications and information services concern, it had identified a new market opportunity within retail electricity distribution—the apparent result of market deregulation within the electricity industry. The company's own strengths in IT areas, its strong market position, and its experience in forming alliances with other business partners from the electricity industry emerged main considerations for the strategic move.

The formation of a strategic alliance enabled the transformation; there remained, however, many considerations to address prior to the strategic alliance and its subsequent IS metamorphosis. The architecture of the IS become a high priority of management because it would guide negotiations through alliance formation stages. Discussions centered around key elements for the proposed structure and how they would interact with the existing telecommunications business.

This scenario is equally applicable to other business situations. As a model, it suggests specific guidelines to practitioners who face similar situations. The chapter, then, presents a brief account of strategic alliance concepts and their relevance to IT architecture planning. Subsequently, I highlight pertinent research. Descriptions of the telecommunications company's operations and of

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