

Selected Reading V

Alignment of Business and Knowledge Management Strategies

El-Sayed Abou-Zeid
Concordia University, Canada

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 ac-

cepted 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 alignment 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

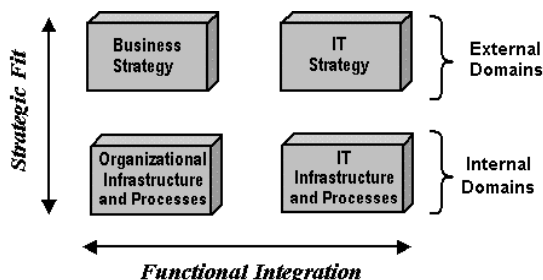
The KM strategic alignment model is based on the theoretical construct developed by Henderson and Venkatraman (1993). In their model business success is viewed as the result of the synergy

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).

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



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 knowledge requires the alignment of knowledge strategies with business strategies". Since strategy, whether business (B)-strategy or knowledge (K)-strategy, can be seen as a balancing act between the *external domain* (opportunities/threats) and the *internal domain* (capabilities/arrangements) of the firm (strengths and weaknesses) (Henderson & Venkatraman, 1993; Zack, 1999), the external and internal domains of K strategy have first to be defined.

K-Strategy External Domain

In the case of K-strategy, the *external domain* involves three dimensions: *K-scope* (what the firm must know), *K-systemic competencies* (what are the critical characteristics of the required knowledge) and *K-governance* (how to obtain the required K-competencies). The first dimension, K-scope, deals with the specific domains of knowledge that are critical to the firm's survival and advancement strategies. Survival strategies aim at securing current enterprise profitability, while advancement strategies aim for future profitability (von Krogh et al., 2000).

Determining the K-scope can be achieved by constructing a business (B-) domain/ Knowledge (K-) thing matrix that documents the current and required state of organizational knowledge concerning some or all business domains. The first group of elements that constitute this matrix includes the list of B-domains (B_j). The second group of elements includes the K-things (K_j) that describe the current state of knowledge associated

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