



Chapter V

The Theory Behind the Economic Role of Managing the Strategic Alignment of Organizations While Creating New Markets

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ABSTRACT

Over the past couple of years, the Internet has taken off and organizations will soon reap economic benefits on it. E-commerce will therefore hopefully emerge as an efficient yet effective mode of creating new markets although most managers still doubt the economic impact and profitability it has. Enabled by global telecommunication networks and the convergence of computing, telecom, entertainment and publishing industries, e-commerce is supplanting (maybe replacing) traditional commerce. In the process, it is creating new economic opportunities for today's businesses, creating new market structures. Managers of tomorrow must therefore understand what e-commerce is; how the approach to this concept will be; and how it will affect the economic position of the organization.

These questions are asked: What is the return on investment (ROI) on e-commerce? What is the effect of e-commerce on the strategic alignment of the organization? In addition, what is the economic effect of the strategic alignment on the organization? This paper explains the economic impact of e-commerce and how it can be used to create new markets and to improve the strategic alignment of the organization.

INTRODUCTION

Over the past couple of years, the Internet has grown a lot and it is possible that organizations will soon reap economic benefits from using it. E-commerce, as one of the 'products' of the Internet will therefore hopefully emerge as an efficient yet effective mode of conducting global commerce although most managers still doubt the economic impact and profitability it has. Enabled by global telecommunication networks and the convergence of computing, telecom, entertainment and publishing industries, e-commerce is supplanting (and maybe replacing) traditional commerce. In the process, it is creating new economic opportunities and challenges for today's businesses, creating new market structures, and changing the alignment of the organization. All organizations increasingly must focus on their delivery speed while facing an increasing degree of uncertainty. How do organizations keep economic growth up while still delivering business value?

The establishment of linkage between business and IT objectives has also consistently been reported as one of the key concerns of IS managers (Reich & Benbasat, 1996). They argued that there is firstly a need to clarify the nature of the linkage construct (socially and intellectually) and secondly to report on a project that was developed to test the social dimension of this linkage. It is important that all executives are involved during the establishment of the economic and social linkage because it creates a better understanding of each other's long-term visions and their self-reported rating of the linkage and alignment. Based on the data they collected, Reich & Benbasat argued that understanding of current objectives and shared vision for the utilization of IT are proposed as promising potential measures for short- and long-term economic aspects of the reported social dimension of linkage and alignment.

Traditional processes and management concepts that focus on optimisation, efficiency, predictability, control, rigor and process improvement are not flexible enough to create the applications and infrastructure organizations need to achieve economic success in these competitive times. The organization needs to be adaptable and needs to focus less on what traditional e-commerce developers says

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