The Existence of Digital Strategies and Strategic Alignment

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We are currently in the midst of the development from an industrial society to a digital society. With the increased digitalization, the need of developing digital strategies becomes vital for companies to be able to keep up with the competition in today’s digital economy. The literature is not only talking about the need of having a digital strategy, but the importance of integrating or merging the digital strategy with the overall business strategy (Bharadwaj et al. 2013).

Introduction
Digitalization and digital technologies are changing companies’ ways of doing business, and Sweden has during the last few decades been through a technological revolution. Keeping up with this rapid technological change is especially challenging for small companies and the manufacturing industry (Näringsdepartementet 2015). Since the literature is talking about the importance of having a digital strategy and aligning it with the overall business strategy, but little is written about how companies actually are working with digital strategies in practice, there was a need of investigating this matter further. Thus, it became the focus of the project ‘Digital Strategies and Strategic Alignment: The Existence of Digital Strategies and Their Alignment with Business Strategies for Small and Medium-sized Swedish Manufacturing Firms’. Since SMEs in Sweden lag behind in their digital maturity but are vital for the economy, and since it is the small companies, and especially within the manufacturing industry, that faces great challenges in the technological development, those companies were investigated in the study.

Purpose
The purpose of the project was to describe and analyze the existence of digital strategies and their alignment with the overall business strategies for Swedish SMEs in the manufacturing industry.

Methodology
To fulfill and answer the purpose, a multiple case study was performed by having qualitative interviews with executives at manufacturing SMEs. Apart from this, a literature review was performed to provide relevant theories and frameworks to be used in the analysis of the study.

The criteria that needed to be satisfied to qualify as a case company in this study were set to be companies within the manufacturing industry, with under 250 employees, under 50 million euro in turnover and located within the Skåne region. To reach potential case companies, a list of potential companies was first created and relevant companies were contacted by email and phone. Interviews with six of these companies were held between mid-March and the beginning of April 2017.
Theory
Basic theoretical concepts about strategy, digital strategy and organizational structures were presented and the frameworks the Strategic Alignment Model by Henderson and Venkatraman (1993) and the Strategic Alignment Maturity Model by Luftman (2000) were described and used in the analysis to assess the case companies’ strategic alignment maturity.

The Strategic Alignment Model is based on the four dimensions of (1) Business strategy, (2) IT strategy, (3) Business infrastructure and processes and (4) IT infrastructure and processes, and the integration and alignment between the four. The developed model, The Strategic Alignment Maturity Model, by Luftman (2000) is further subdivided into six criteria; (1) communications maturity, (2) competency/value measurement maturity, (3) governance maturity, (4) partnership maturity, (5) scope & architecture maturity and (6) skills maturity. When the model is utilized, the six criteria are assessed individually and given a score between 1 and 5. The total Strategic Alignment Maturity level for a company is given by the average score from the six criteria.

Conclusions
The study showed that the investigated companies are not discussing digitalization to a large extent internally and are not explicitly working with digital strategies, with the exception of a digital marketing strategy at one of the firms. Instead of having digital strategies separated from the overall business strategies, the case companies generally see investments and decisions regarding digital technologies as part of their overall business strategies and as support in achieving their overall strategic goals.

When analyzing why the companies generally had a low focus on digitalization and did not work with explicit digital strategies, multiple factors and drivers were identified as potential reasons; the size of the company, the complexity of the product and production process, the composition of the value chain, the type of product and sales process and the use of the term digitalization. Further, the result of the strategic alignment assessment showed that the investigated companies generally have a low level of strategic alignment, slightly above level 2 (on a scale from 1 to 5) according to the theoretical model, which corresponds well with theory.

If companies are not using the term digitalization internally, and do not have formulated digital strategies, as was the case in the study, it is easy to say that they are not digitalized and thus also have a low level of strategic alignment. However, the case companies uses digital technologies to varying degrees in their respective organizations, and are making decisions when investing in them in line with their overall business strategies, implying a certain integration or alignment between digitally related decisions and overall business strategy. So, if companies are using currently sufficient digital technologies for their respective organizations and invest in them in accordance with their overall business strategies, do they have a high level of strategic alignment and are digitalized? According to the framework used, the
answer is no, but in practice, the answer might be yes.

The project also showed that the theoretical models were difficult to apply in practice. They were considered inflexible and theoretical and not well suited to use when assessing small companies. Also, they were not originally intended to measure the alignment between a digital strategy and the business strategy, but an IT strategy and the business strategy. Thus, besides the above presented results, the insights from the study can be used in order to better adopt the models for analyzing companies similar to the case companies in the study, as well as for assessing strategic alignment for digital strategies rather than IT strategies.

References

