

Information systems strategy and IT Governance – ITC4212

Aligning information systems with business strategy: The case of LANKA RETAIL PLC

Background

LankaRetail PLC is one of Sri Lanka's leading retail and distribution companies, operating over 120 outlets across the island. With rapid expansion and increasing competition from both local and international retailers, the company is under pressure to improve efficiency, strengthen customer relationships, and innovate in its product and service offerings.

To remain competitive, the Board of Directors has decided that the company must adopt a clear business strategy and redesign its Information Systems (IS) environment to support that strategy. After a strategic review, three possible strategic directions have been identified:

Strategic Option 1: Operational Excellence

In this approach, LankaRetail would focus on delivering products and services at the lowest possible cost, ensuring highly efficient operations, standardized processes, and minimal waste.

Key Characteristics

- Streamlined internal processes
- High levels of automation
- Cost leadership and low pricing
- Efficient supply chain and inventory management

IS Implications

- Centralized IS organization with strong technical expertise
- Emphasis on performance management and system availability
- Technologies such as ERP for costing, pricing, and supply chain
- Conservative technology deployment focused on stability
- IS metrics around uptime, cost reduction, transaction speed

Strategic Option 2: Customer Intimacy

This strategy emphasizes deep understanding of customer needs, personalized service, and long-term customer engagement.

Key Characteristics

- Customer satisfaction as a priority
- Personalized marketing, loyalty programs, targeted promotions
- Segment-based service delivery

IS Implications

- IS teams organized around customer-facing functions
- Business analysts play a major role in translating customer needs
- Technologies such as CRM, customer databases, order-tracking systems
- IS processes include service-level management and customer satisfaction management
- Metrics based on customer satisfaction, retention, service response time

Strategic Option 3: Product Leadership

This strategy focuses on innovation, creativity, and rapid introduction of new products and services.

Key Characteristics

- Future-oriented, innovative culture
- Rapid experimentation and risk-taking
- Agile development of new concepts and offerings

IS Implications

- Flexible, loosely structured IS department
- Strong emphasis on system development and prototyping
- Use of technologies such as product data management, engineering systems, knowledge management platforms
- Metrics measure time-to-market and innovation cycle time

Current Challenge

LankaRetail's existing IS environment is fragmented, outdated, and misaligned with business demands. Each department uses its own systems with limited integration. Customer complaints about delivery delays, pricing inaccuracies, and poor service have increased. At the same time, competitors are using digital technologies to attract and retain customers.

The CEO has asked for a comprehensive analysis of how the company's IS function should be redesigned based on one chosen strategy. The management team is evaluating all three options, but a final decision has not yet been made. The company seeks expert guidance on:

- What IS capabilities are needed under each strategic option?
- How IS organization, processes, technology, and performance metrics should be adjusted?
- What risks and trade-offs exist when choosing or combining strategies?

You have been appointed as an IS Strategy Consultant to evaluate the three options and provide clear recommendations.

Questions

Section A – Understanding Concepts

1. Explain why alignment between Business Strategy and IS Strategy is critical for organizations like LankaRetail.
2. Using your own words, compare the three strategic environments: Operational Excellence, Customer Intimacy, and Product Leadership.

Section B – Application

3. If LankaRetail chooses Operational Excellence, identify:
 - a. Key IS capabilities required
 - b. Technologies that should be prioritized
 - c. IS processes that become most important
4. What problems may occur if LankaRetail attempts to pursue all three strategies simultaneously? Provide examples.

Section C - Strategic Recommendation

5. Assume the company adopts **Customer Intimacy**. Develop a suitable IS Strategy that includes:
 - IS organization structure
 - Key IS processes
 - Required technologies
 - Performance metrics
6. Which single strategy (Operational Excellence, Customer Intimacy, or Product Leadership) do you recommend LankaRetail adopt? Justify your answer using evidence from the case.