

Chapter 3: IT and Strategy

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Introduction

- In Greek, “strategos” means “general in the army”.
- Strategy is the plan to gain advantage over the enemy in war. It could involve losing some of the battles, but the ultimate objective is to win the war.
- Strategy in business means
 - to create new opportunities,
 - To position the product, and
 - To beat competition
- IT is nowadays used as a strategic tool as well as a strategic partner of an organization.
- Effective use of information, knowledge building, and the use of all IT resources are some of the major aspects of IT strategy.

Strategy : Definition

- A plan, which when put into action, drives business, manages knowledge, and various initiatives in an organization. It positions products and leads you to success.
- The science and art of effective use of all possible forces of a nation or entity to execute approved plans optimally or as effectively as possible during different social and political situations including peace or war.
- The science and art of military command as applied to the overall planning and conduct of large-scale combat operations.

IT Management and IT Strategy

- IT management and IT strategies sit at the centre of many activities
- IT facilitates knowledge management and transaction across the organization viz.:
 - Knowledge workers and related transactions
 - Market and sales
 - Overall optimization of processes
 - Gathering, building, and processing the available knowledge
 - Building knowledge assets IT
 - Optimization of overall knowledge flow

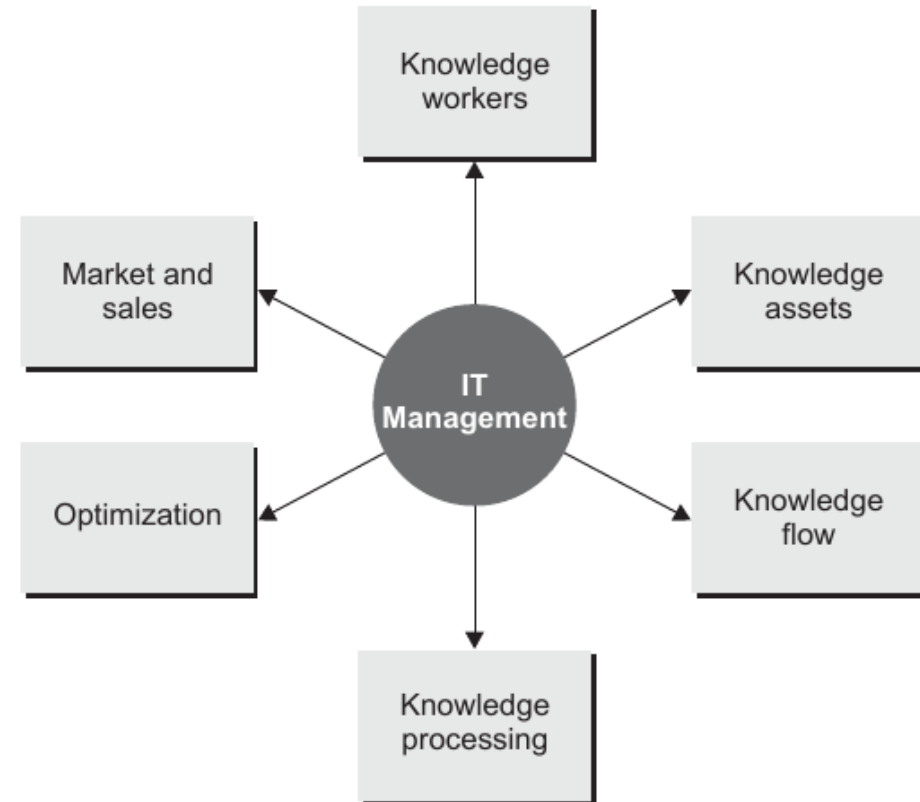


Figure 1.1 IT Management and Knowledge processing

Business and Strategy

- Achieving sustainable success requires
 - proper strategy,
 - proper technology, and,
 - a strategic balance between the technology and business.
- A strategy needs to be dynamic and agile.
- Quinn (1992) says that an effective business strategy should have: -
 - A clear and decisive statement of the primary goals or objectives to be achieved;
 - An analysis of the main policies guiding or limiting the company's actions; and
 - A description of the major programmes that will be used to accomplish the goals within the limits.
- The overall business strategy is made up of different strategies:
 - Marketing strategy,
 - Competitive strategy,
 - Knowledge management strategy, and
 - Technology strategy.

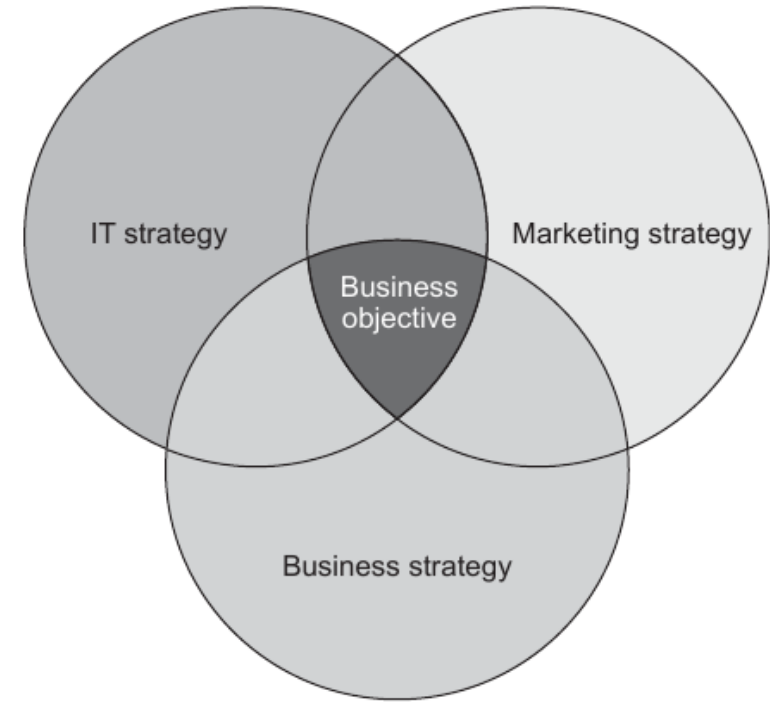


Figure 1.2 Relationship between IT strategy, Business strategy, and Marketing strategy to achieve business objective

Information Technology Strategy

- Definition:
 - The science or art of effective use of information and allied technologies, and IT resources of the organization to execute strategic plans optimally or as effectively as possible to achieve business objectives.
- IT strategy is about rethinking of information technology, the allied technology, and existing information technology resources to achieve the ultimate business objective.
- Driving forces of IT strategies are: -
 - (1) **Company** : Business is about the company and its resources and their optimal use to achieve the business goals,
 - (2) **Customer** : Customers are the most important part of the business, and
 - (3) **Competition** : Business is about building a sustainable competitive advantage over rivals.

Customer and Related Parameters

- Available customer segment
- His needs
- Customer pain points

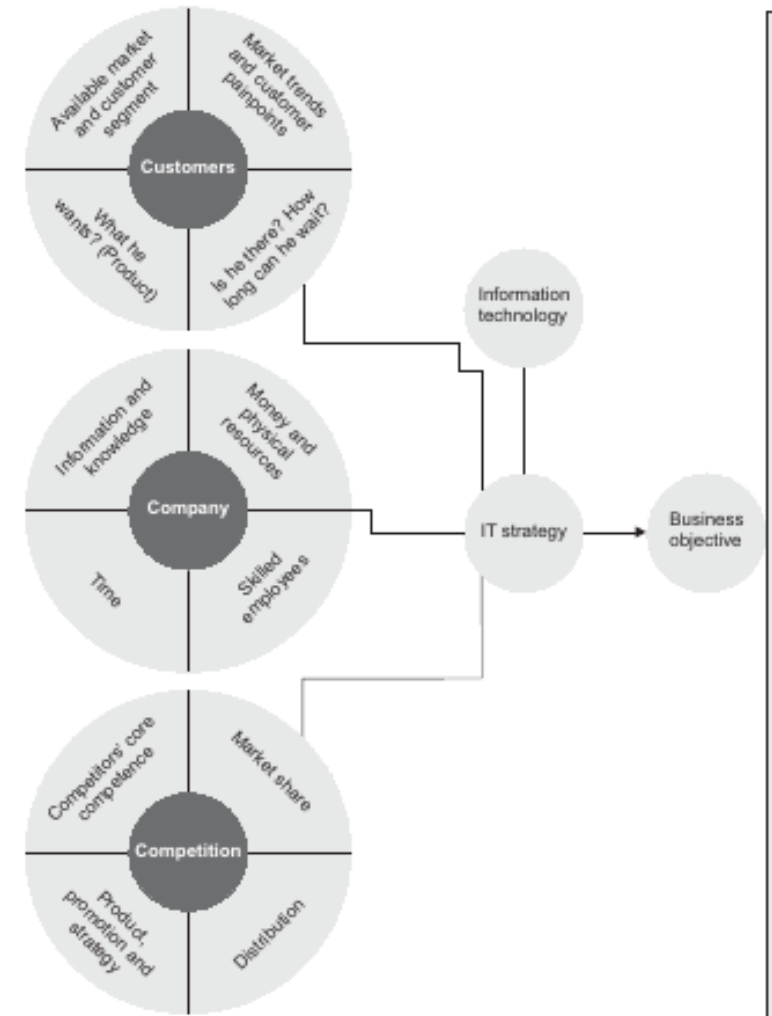


Figure 1.3 Relationship between company, customer, competition, and IT strategy

Company and Related Parameters

- The knowledge base of the company
- Resources and their skills
- Money and time

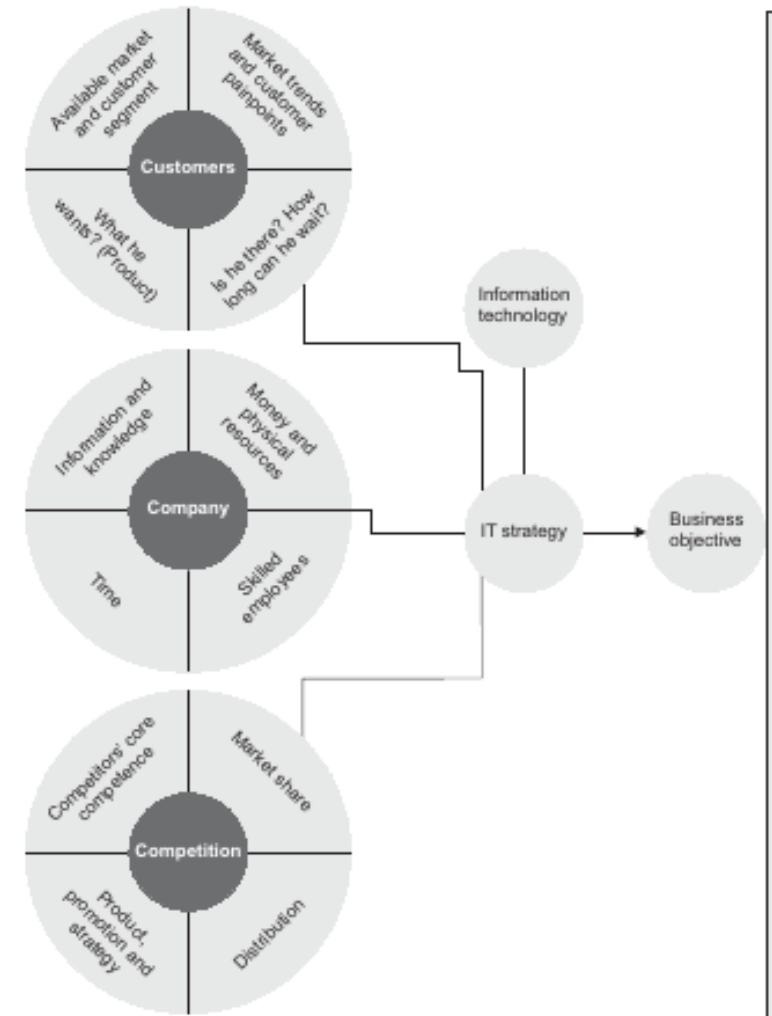


Figure 1.3 Relationship between company, customer, competition, and IT strategy

Competition and Related Parameters

- Core competitors
- Promotion strategies
- Market share

Now the IT strategy can be termed as

the effective use of IT and resources to help an organization fight competition, satisfy customer needs in the interest of the company, and position IT to achieve the business objectives.

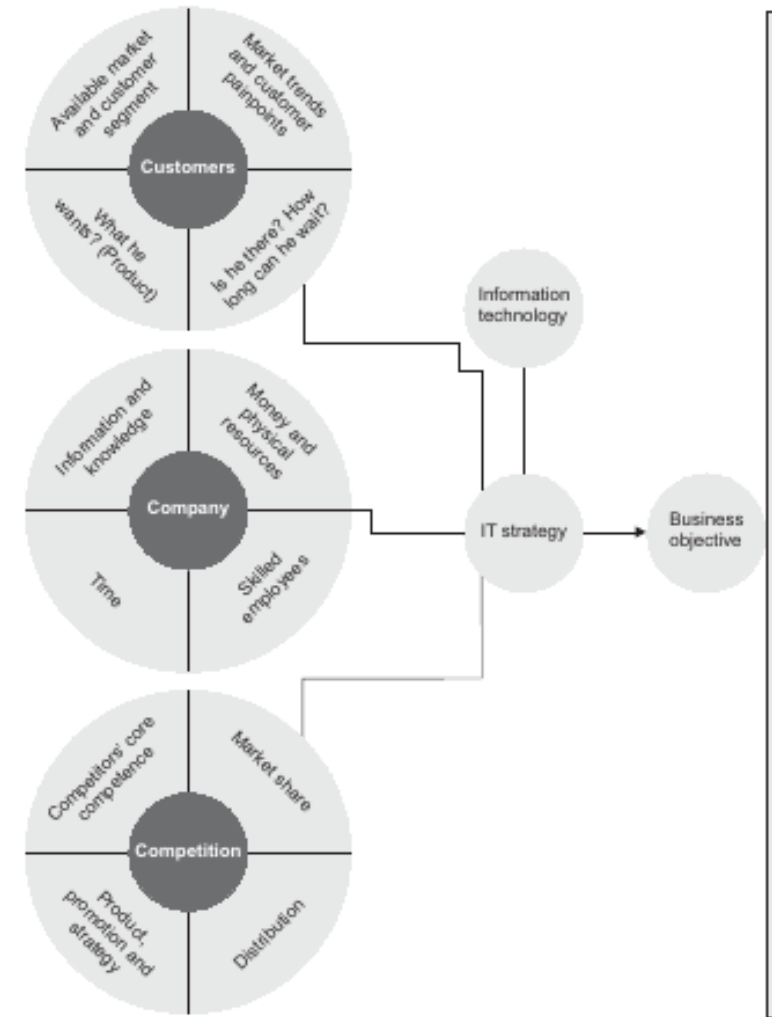


Figure 1.3 Relationship between company, customer, competition, and IT strategy

Strategies and Success

- Challenges to build a right IT Strategy
 - High expectation from IT
 - IT brings technological changes in organizations
 - Ongoing changes
 - IT managers often are too specialized and poor in leadership
 - Difficult to align IT with business objectives
 - Difficult to measure RoI (Return on Investment) in case of IT

Strategies and Success (contd.)

- Reasons of IT strategy failure
 - Misaligned with business objectives
 - Inappropriate
 - Not dynamic
 - Too common
 - Based on wrong figures
 - Unable to learn
 - Improper application / bad implementation
 - Delayed
 - Environment ignorant
 - Complicated
- Generic successful strategies may be categorized under 3 main heads: -
 - Gain leadership
 - Differentiate
 - Gain focus

Strategies and Success (contd.)

- Factors influencing IT Strategy
 - Customer needs
 - IT infrastructure
 - Business Impact
 - ROI on IT investment
 - Internal and external factors
 - Technological innovation and capabilities

Strategies and Success (contd.)

Relationship between IT and business:-

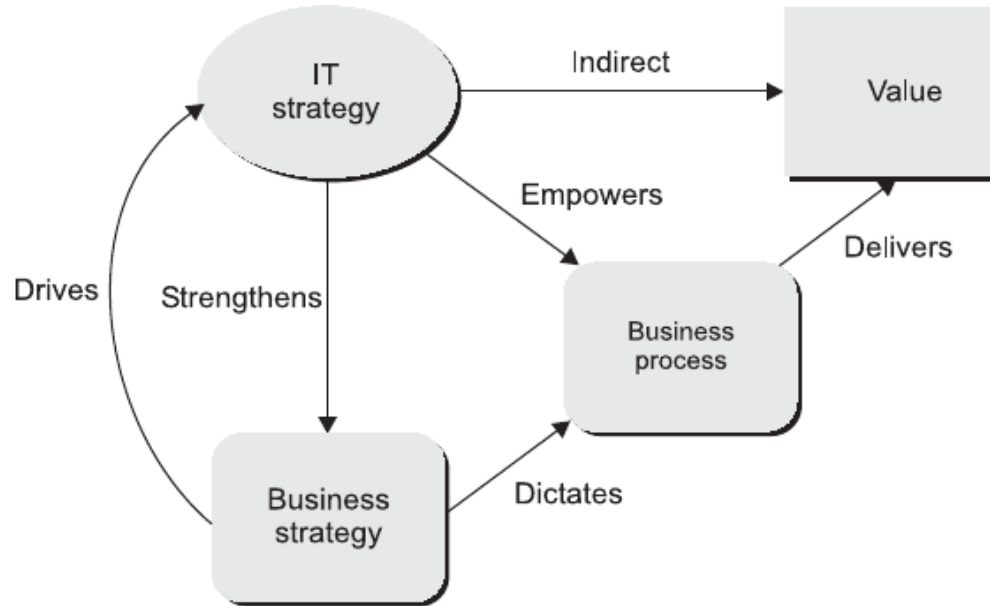


Figure 1.4 Role of IT in value creation and business strategy

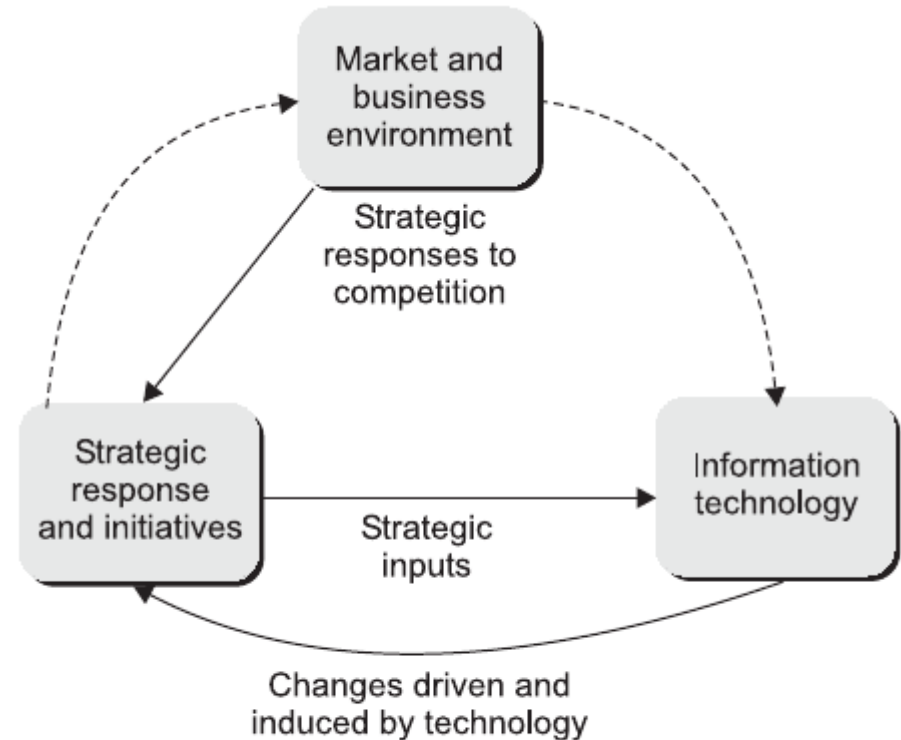


Figure 1.5 Cause and effect relationship between IT and strategic response

Strategy Design Parameters

- Marketing
- Knowledge management
- Customer segment
- Future and scope
- Resources
- Competitive environment
- Co-operative relations
- Innovation

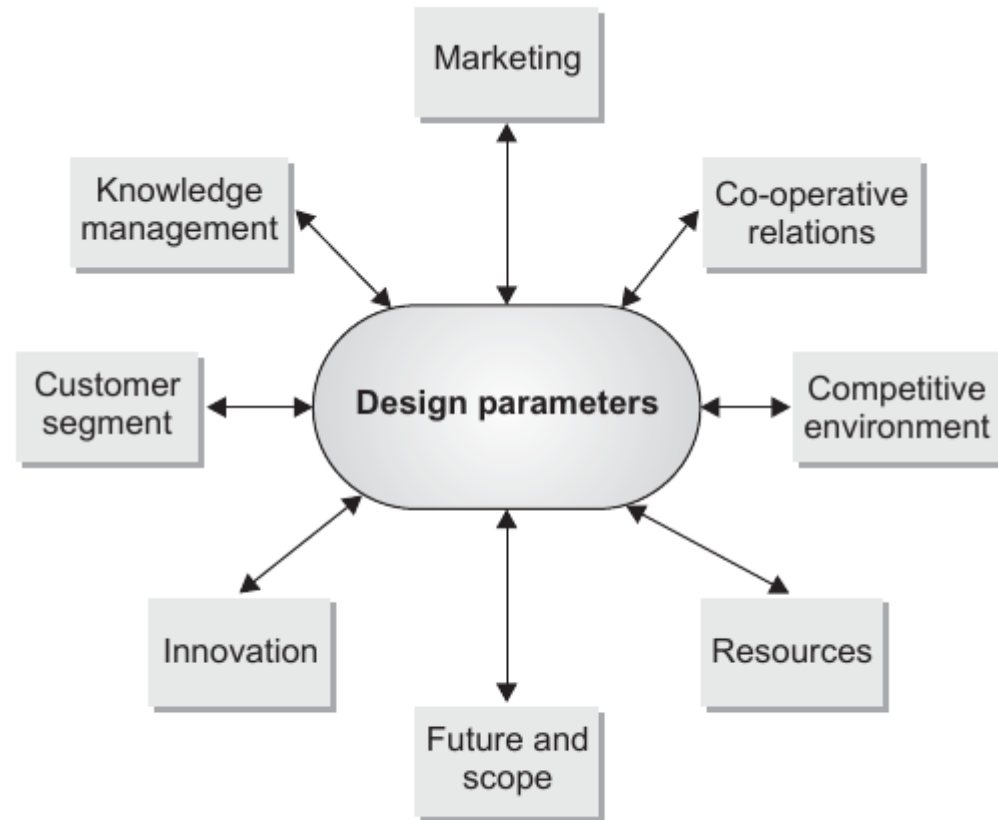


Figure 1.6 Dimensions of strategic positioning

Strategy Design Parameters (contd.)

- Besides enabling business strategy, IT strategy leverages IT to enrich new business strategies and helps drive the business by empowering it to achieve the business objectives.

Business strategy
IT strategies should
always be driven by
business

IT strategy
leverage IT to
enable new
business strategy

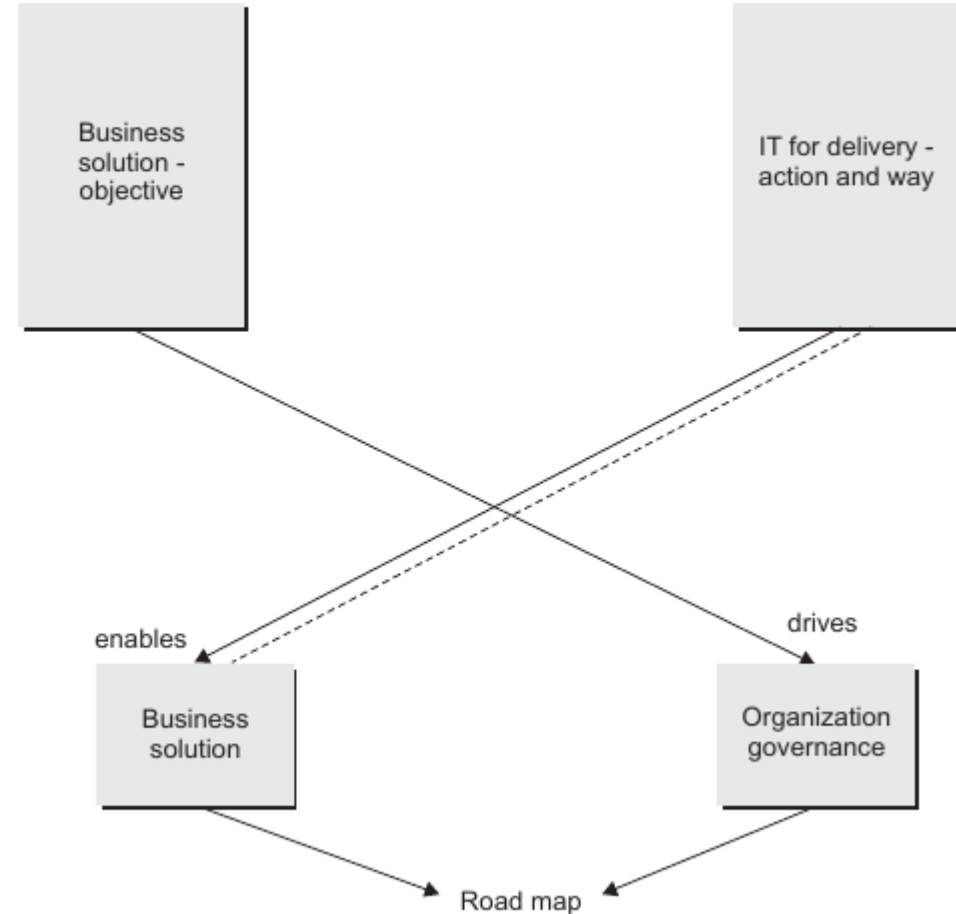


Figure 1.7 Relationship between Business strategy and IT strategy

Strategic Positioning

- IT is positioned as the information backbone and decision-making tool of many institutions/organizations.
- In 1988, Charles Wiseman added to the general framework the following five thrust areas:
 - Differentiation
 - Cost
 - Innovation
 - Growth
 - Alliances

IT allows better positioning of products and organizations, by providing organizations the knowledge required for such positioning.

Advanced technology shapes the products and services of the future by allowing information management and correcting positioning errors.

Strategic vs. Operating Plan

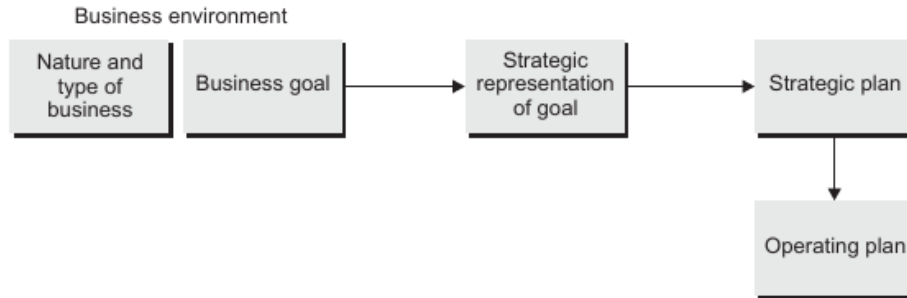


Figure 1.8 Relationship between a strategic plan and an operating plan

- The nature and type of business and business goals together help in describing the strategic representation of the goals.
- Strategic representation of goals is exemplified by various parameters e.g. : -
 - Strategic positioning
 - Strategic actions for the goal
 - Strategic initiatives
 - Goals from the perspective of strategic actions

Evolution of Strategy

- The process of evolution of a strategy includes:
 - Development of basic strategy
 - Deciding strategic sequence
 - Analysis and deployment of different strategic initiatives
 - Study of the environment and forces in the market
 - Study of the impact of strategic actions
 - Learning based on the impact of strategic actions
 - Re-tuning and finalizing the strategic sequence
 - Re-deciding the strategic sequence

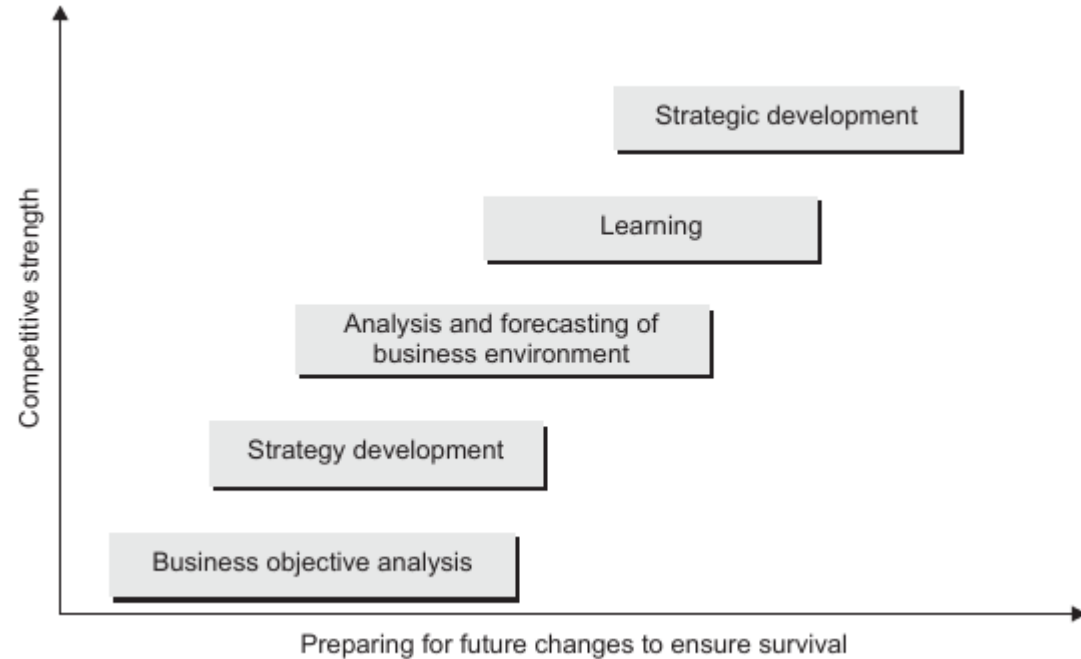


Fig. 1.9: Strategic Evolution on a Timescale

Basis of Successful Strategies

- Vision
- Re-inventing the business, market, and organization
- Looking at the big picture
- Reality
- Core competencies
- Charismatic leadership
- Shared vision, shared values, and shared processes
- Attention to details
- Mapping between organizational strengths and market opportunities

A strategy can be a combination of two strategies
e.g. differentiation + cost efficiency.

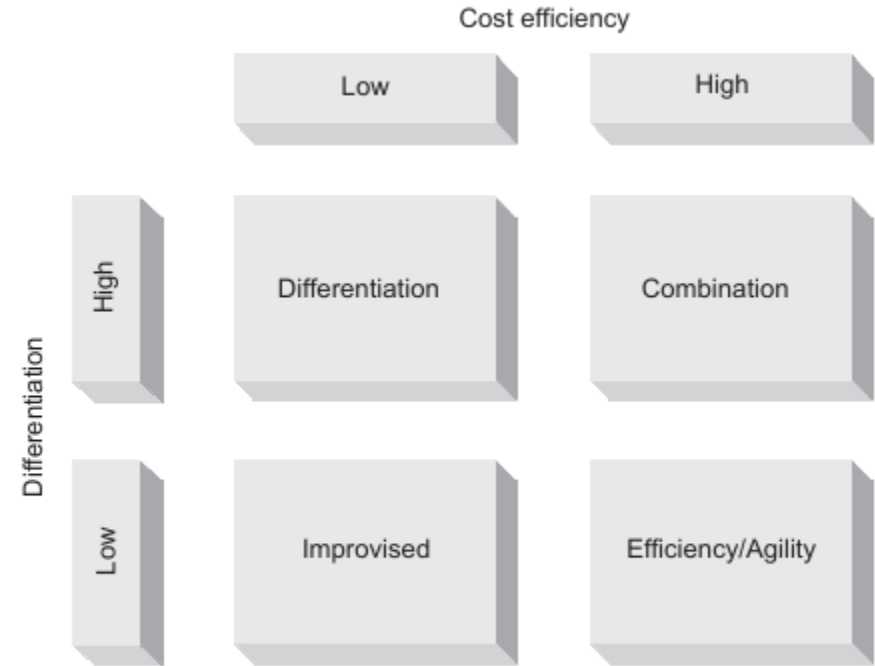


Figure 1.10 A combination of two strategies — differentiation and cost efficiency

Strategy Development

- There is a need for enabling conditions to develop strategies.
- Skills and willingness balanced with tasks result in commitment and insights that provide those conditions.
 - Skill and insight leads to the ability to adapt and spread new concepts,
 - Willingness and insight leads to the inclination and desire to spread these concepts.
 - Skill and commitment leads to the development of policies,
 - Willingness and commitment leads to the willingness for innovation.
- The most important aspect of this development is keeping it as simple as possible.

Strategic Sequence

- The overall strategy of a company may consist of a number of strategic moves.
- The strategic sequence deals with a set of strategic moves that follows a particular order.
- IT makes required information available for strategic decision-making.
- Once the overall business and IT strategy is formulated, there is a need to define strategic sequence and tactics associated with each state.
- Deciding the strategic sequence and prioritizing various moves are an important part of strategy formulation.



Figure 1.11 Strategies and their components

Development of a Strategy

- There are soft aspects for enabling conditions to develop any strategy.
- Strategy without alignment and willingness will not be effective.
- There is a need to balance willingness and ability, and insight and commitment.
- Employees at various altitudes and at various strategic positions in the organization should be made to understand and sign for the strategy.

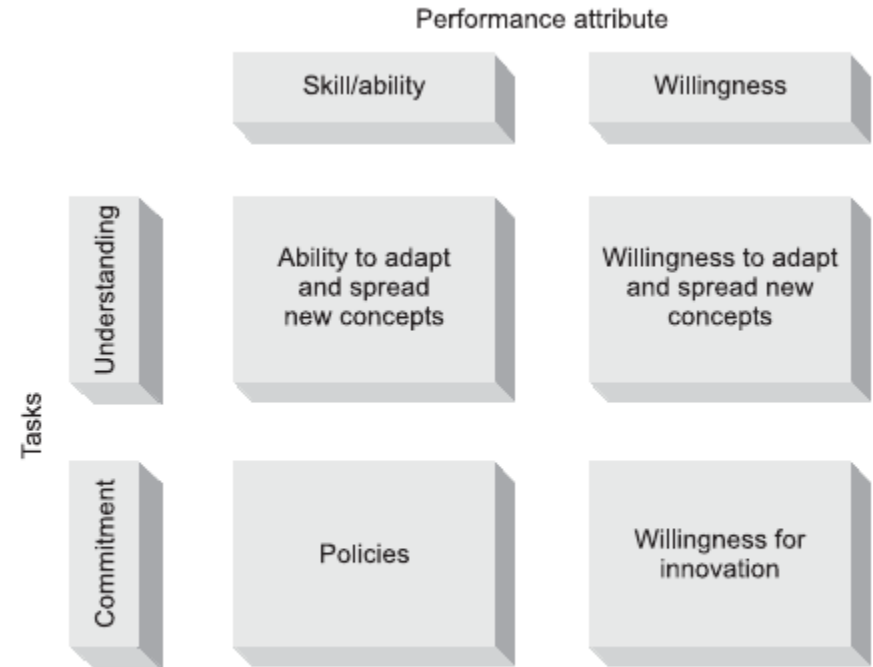


Figure 1.12 Performance and task attributes with reference to skill and will matrix

Strategic Development Framework

- A strategy development framework has three axes:
 - Who
 - How
 - Level of strategy
- Strategy is a three-legged stool and is the act of balancing innovation, positioning, and competition with business objectives sitting at the top.
- It can further be extended to IT strategy development framework.

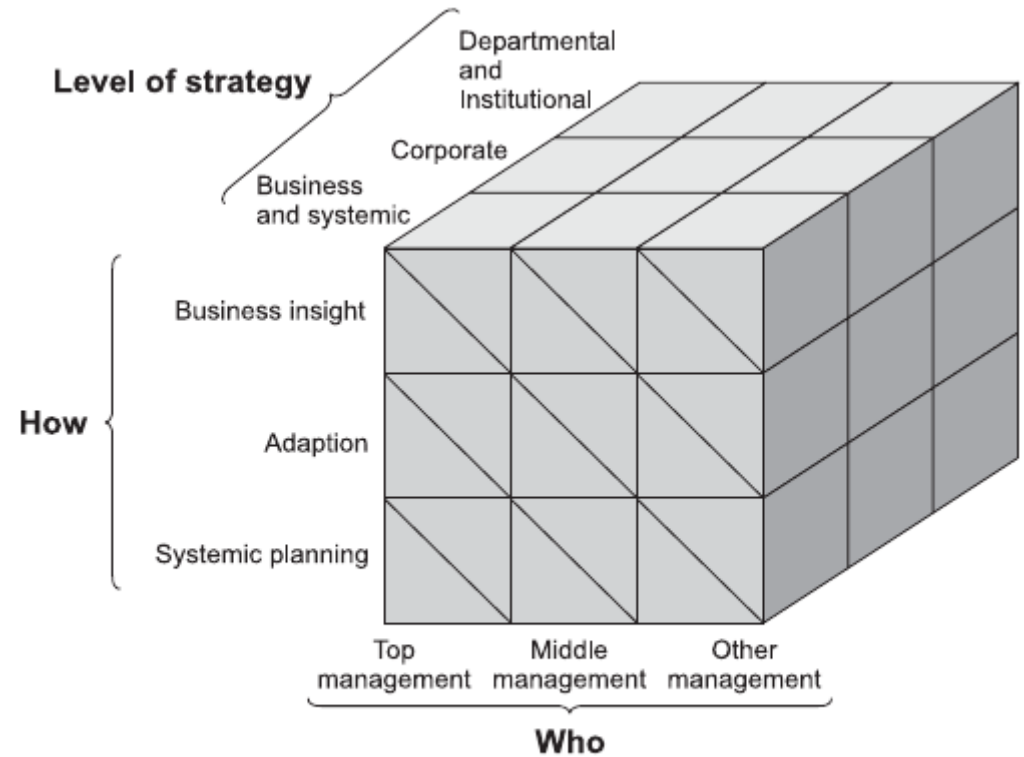


Figure 1.13 Strategy development framework

Strategy Implementation: Difficulties

- Agreement of all employees
- Disaster
- Changes in business environment
- Wrong reward systems
- Confusion between management and strategy
- Learning blockage

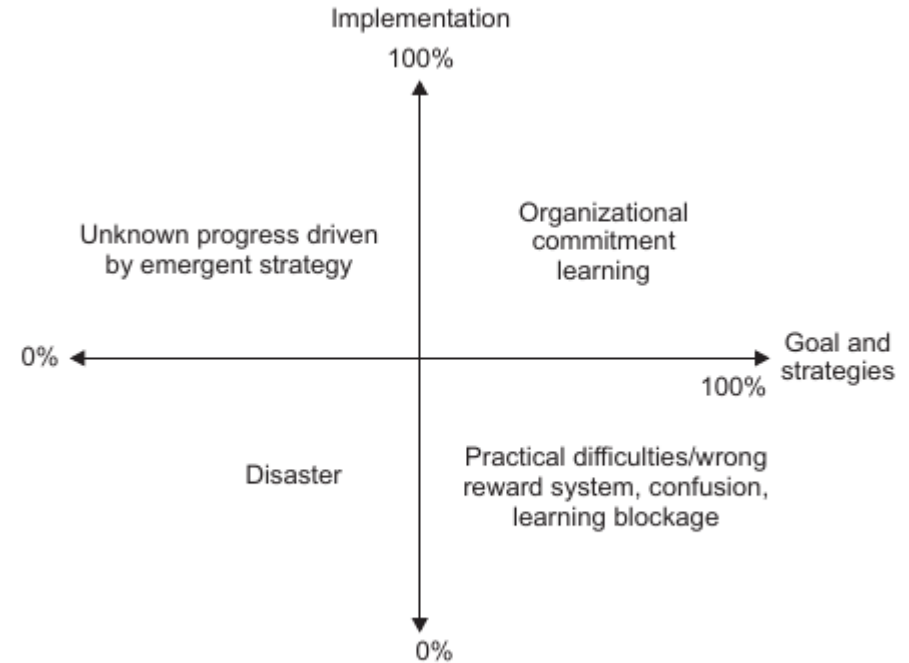


Figure 1.14 Strategy implementation difficulties

SWOT Analysis

- In SWOT analysis of a strategy, one of the factors can be information technology and there could be listing of strength, weakness, opportunity, and threats with reference to business strategy.
- But IT also drives various categories such as material, methods, and manpower.
- Further, there are knowledge management aspects of business that help in overcoming these obstacles.

	Strength	Weaknesses	Opportunities	Threats
Market				
Knowledge				
Manpower				
Methods				
Money				
Time				
Material				

Figure 1.15 SWOT matrix and parameters

Strategy Hierarchy

- Corporate strategy
- Product group strategy
- Site strategy
- Business unit strategy
- Manufacturing/Development/Project management strategies
- Implementation technology infrastructure strategy
- Resource management strategy
- Knowledge management strategy
- Competitive strategy
- Portfolio management strategy

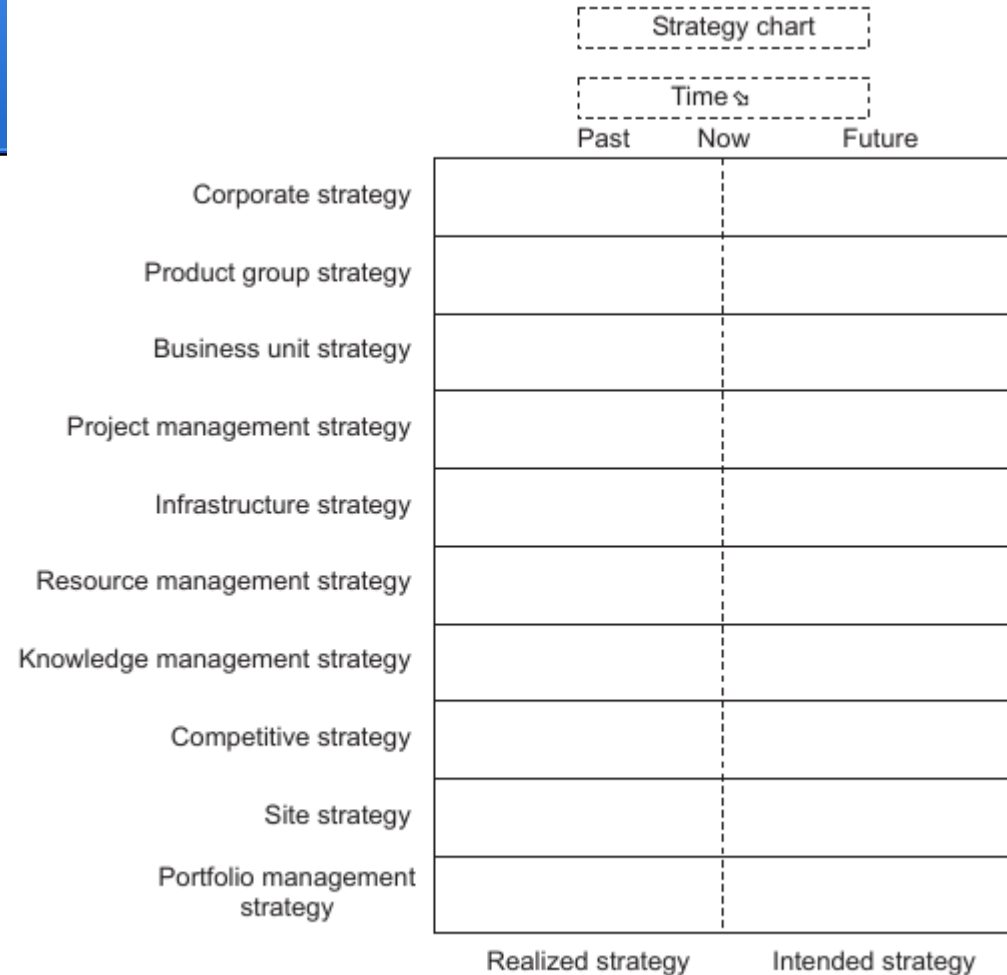


Figure 1.16 Strategy hierarchy chart

Strategic Planning and IT

- Phases in strategic development planning
 - 1. Financial and resource-based planning
 - 2. Forecast-based planning
 - 3. Externally-oriented planning
 - 4. Strategic management

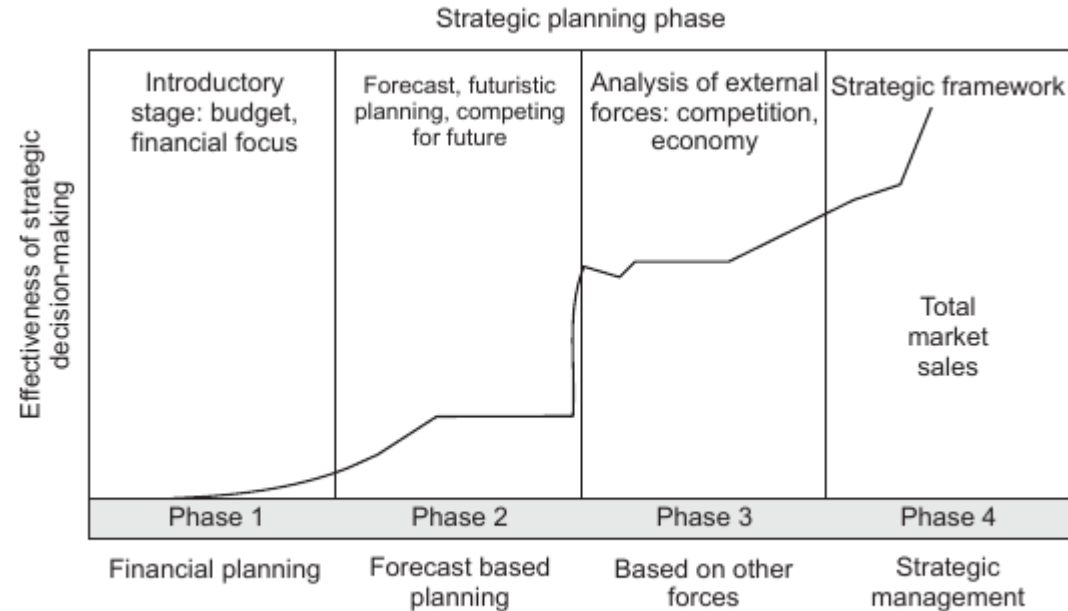


Figure 1.17 Major phases of strategic development planning

Types of IT Strategies

- Three categories
 - Based on types of companies
 - Based on Business objectives
 - Based on types of business
- A few types of IT strategies are : -
 - IT marketing strategy
 - IT competitive strategy
 - IT project strategy
 - IT product strategy
 - IT infrastructure strategy



Figure 1.18 Role of IT in driving business growth

Types of IT Strategies (contd.)

- IT strategy drives IT governance, which in turn drives programme management, development, quality, architecture, and sourcing.
- IT strategy makes the organization capable of prospering in a changing environment.



Figure 1.19 Various aspects of IT governance to the c

Context and Strategy

- Business context drives an IT strategy.
- In case the business is dynamic, it could lead to different sorts of issues.
- It acts as a major correcting factor in a business context.
- In case of a change in business context a need may arise to change or re-orient the IT strategy.
- Reality, survival, and perception are some of the important components of this strategy.

IT Strategy in Dynamic Business

- Knowledge is at the centre of all evolving organizations.
- IT strategy enables proper knowledge management in a business and helps business to succeed in such dynamic and evolving situations.
- Strategy is about learning, de-learning, and re-learning, to acquire or hold a winning position.
- The changing business environment will change external factors, even if the business objectives remain the same.
- IT strategy in such context is to “retain simplicity”, abrupt changes are not recommended.

Compiled from

- Parag Kulkarni & Pradip K Chande, IT Strategy for Business