Chapter 7: IT Strategy for IT Companies

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Introduction

- IT companies are companies that have IT as a part of their business objectives.
- Strategies in IT and non-IT companies are different and the difference lies in the way IT is positioned.
- IT companies are categorized into: -
    - Project companies : produce products based on information technology.
    - Product companies : undertake projects based on customer requirements.
    - IT consulting companies
    - IT service companies
- Different types of IT companies
    - Have different business outcomes and life cycles,
    - Approach business in different ways,
    - Need different business strategies, and so on.
- IT is the mean, source, tool and outcome of an IT company, where it also acts as a driver, objective and strategic weapon too.

IT Product Company

- Among the 5 phases of product cycle, the first phase is always an incubation period during the business idea matures.
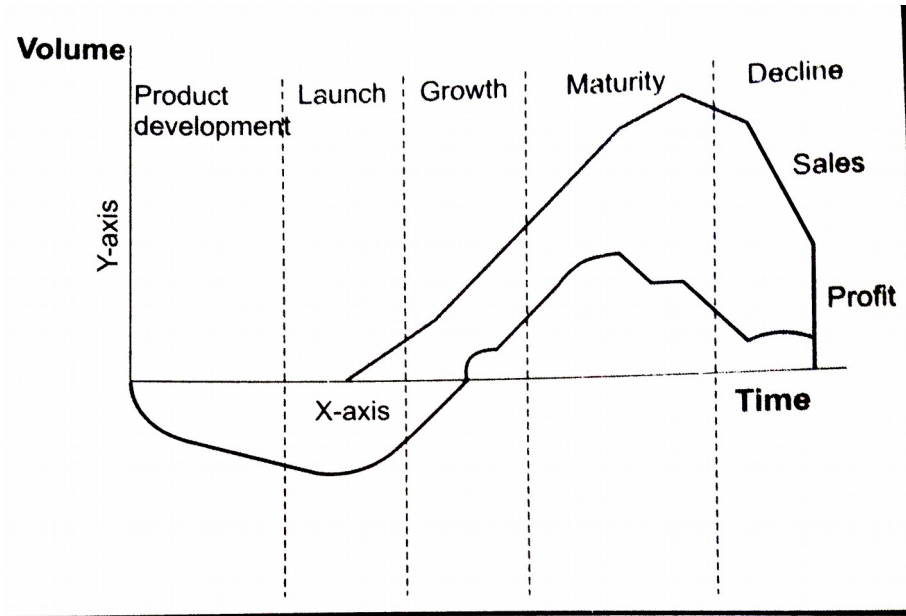
- When product matures, process innovation starts, and when process matures, service innovation begins.
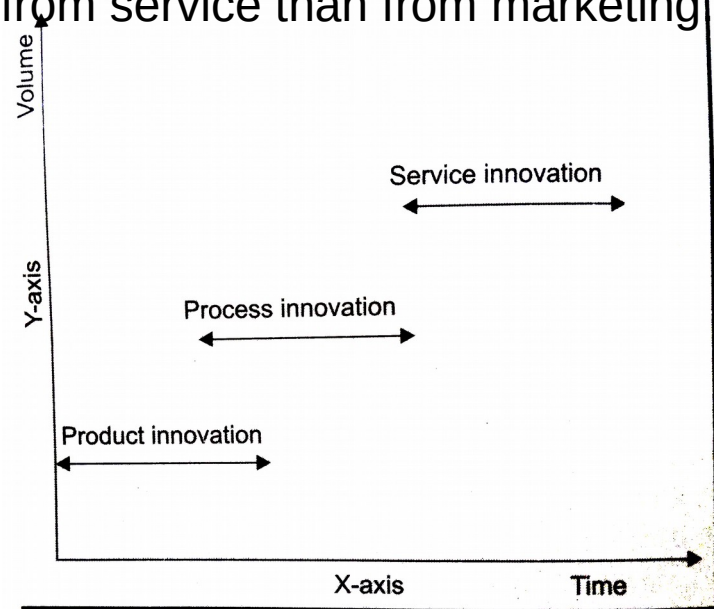- Company starts making more profit from service than from marketing


Figure 4.1 Product life cycle

Figure 4.2 Product process and service innovation

Product Company : Business Dimensions

- The Business model dimensions are: -
  - Customer,
  - Technology & Knowledge,
  - Revenue & Profit
- 3 main drivers are: -
  - Customer
  - Delivery model
  - Revenue model
- IT strategy impacts the customer dimension by the way a product is positioned, technology interface provided etc.
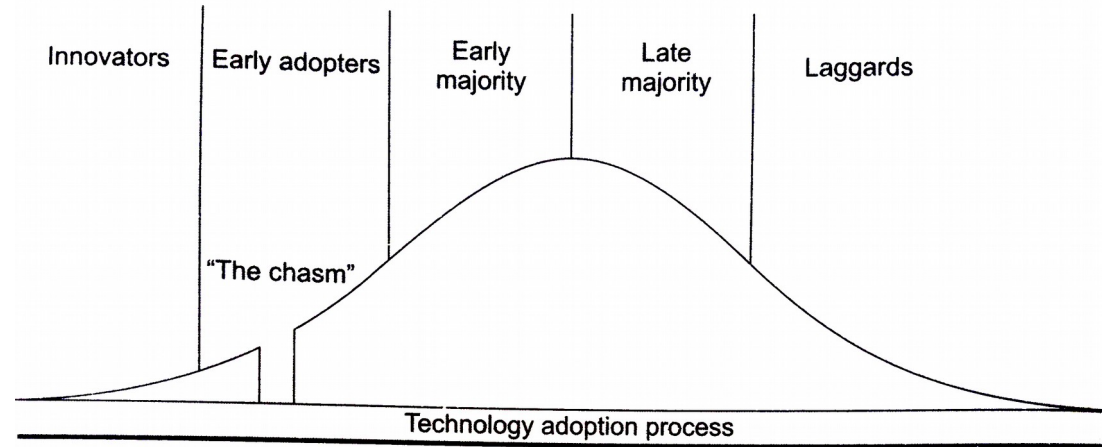- IT also drives revenue, availability of information and knowledge.
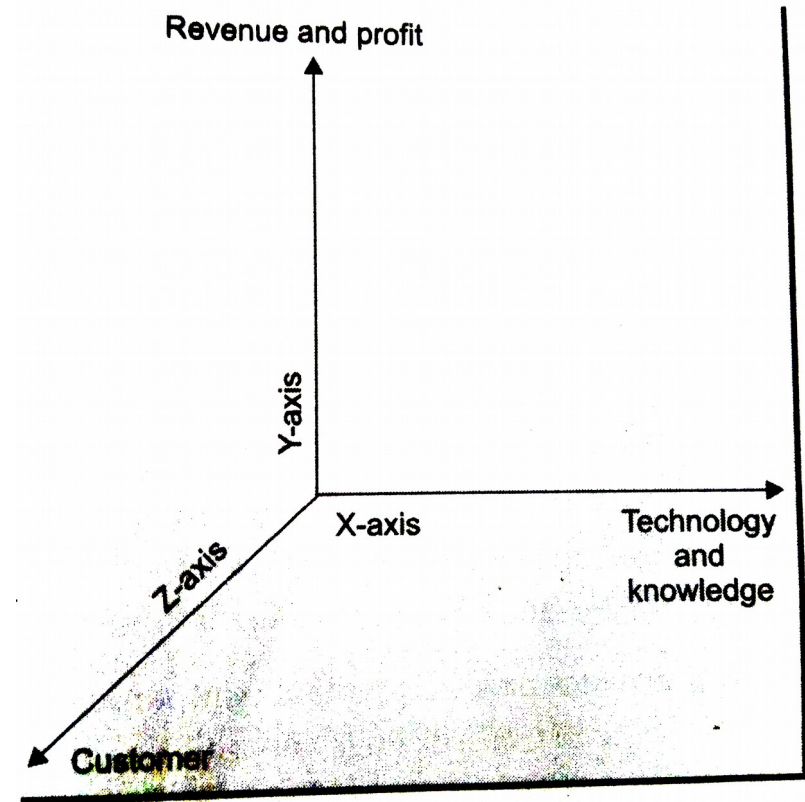
Figure 4.3   Business model dimensions

Product Company : Characteristics

- Incubation
- Innovation
- Uncertainty
- Different phases
- Product culture

- Excellence in a domain
- Understanding exact need of customer
- Specialization in a particular area
- Skilled employees

Product Company : Strategic Aspects

- Propose a new product in market differently with innovation, quality and marketing.
- According to Moore (2002) a new value proposition is disruptive as it is either entirely a new product or attacks as already existing value proposition.
- A new IT product has to go through technology adoption life cycles and these phase come across numerous chasms.
- To overcome such hurdles, company need a good marketing strategy and technological maturity.

Innovators | Early adopters | Early majority | Late majority | Laggards

"The chasm"

Technology adoption process

Figure 4.4   Technology adoption process

Product Company : Strategic Aspects (contd.)

- Initial customers are innovators and enthusiasts are ready to accept new technology

- Visionary customers understand merits of technology and want to take the lead.

- Pragmatic and practical customers want the products proven by the market; they wish to ensure that there is not risk involved.

- Conservative customers are ones with very low risk profiles.

- Laggard sceptic people act after re-assuring themselves about the technology.

**Figure 4.5** Changes in customers as technology matures
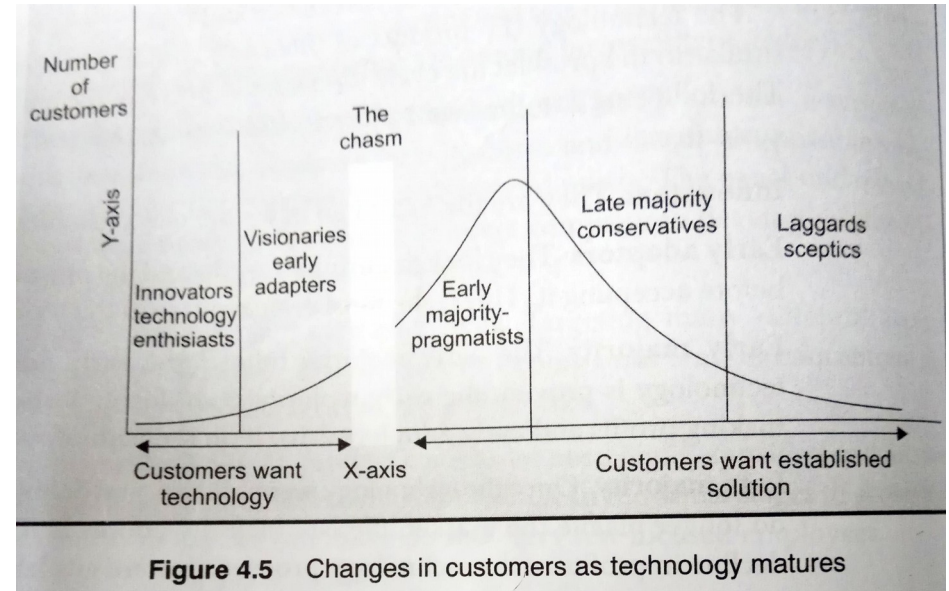
Project Company Characteristics

- Incubation: short time
- Innovation : Process-oriented
- Uncertainty: Less amount
- Different phases : Short period
- Process culture

- Excellence in a domain : less
- Understanding need of customer : less exact
- Specialization in a particular area : not mandatory
- Big team of semi-skilled employees

IT Strategies for Product Company

- IT functional strategy
- IT development strategy
- IT business strategy
- IT knowledge strategy
- IT distribution strategy
- IT learning strategy
- IT competitive strategy

Figure 4.7   IT Strategy framework
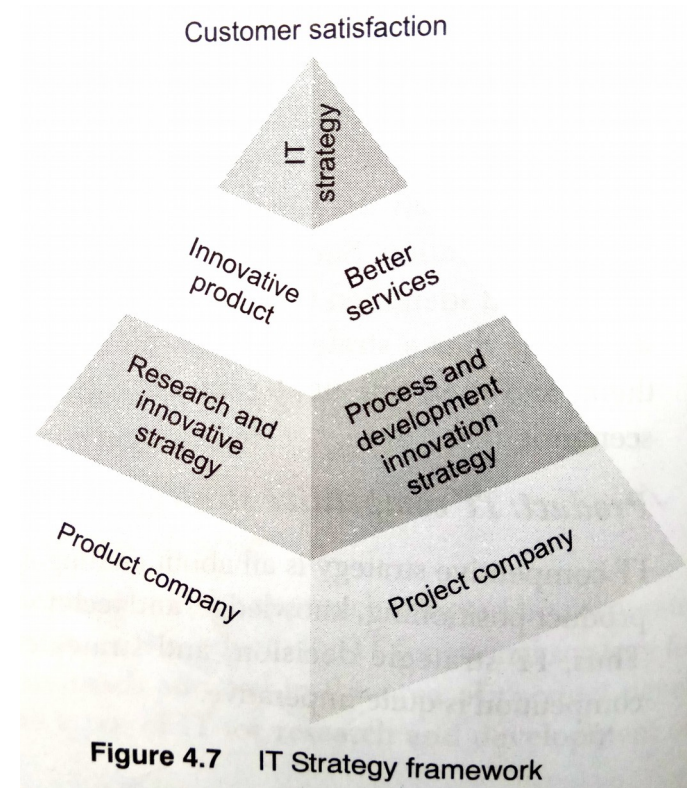
IT Strategy Development

- Stage 1: Defining
- Stage 2: Planning
- Stage 3: Measurement
- Stage 4: Learning
- Stage 5: Execution
- Once IT strategy is developed, it is involved in various steps like: -
  - Product planning step
  - Product development step
  - Identifying internal and external interfaces

IT Strategy Drivers

- What the customer wants?
- Service orientation
- Technical positioning of the product
- Risks
- Flexibility and adjustment in dynamic environment
- Innovation
- Sustainability
- Quality
- Technology appropriateness
- Knowledge management requirements

Start-up Company

- Innovation is at the heart of the Start-up companies
- Factors that drives innovation are: -
  - Disruptive technology, innovation, risk (diversified approach)
  - Pace of execution, speed response to rapid change, and adaptation to the new environment
  - Agility and flexibility
  - Knowing the customer requirements and inventing the new product or interfaces with them.
  - Understanding and properly valuing the innovation

Project Life Cycle and Strategies

- Project life cycle and revenue models of projects are different from product life cycle.
- IT products start generating revenues much earlier than IT projects.
- Growth of product companies are faster than product companies.
- The customer behaviour and technology requirements are also different.
- Project company strategies can be divided into
  - Short term strategies
  - Long term strategies
- Project company strategies are
  - Customer specific
  - Project specific
- Project life cycle is collection of various phases and strategy plays a role in each phase.

Figure 4.12 Project-related management activities

Integration
Software architecture
Requirement engineering
Configuration management
Standards
Software development process
Software product management
Best practices
Management strategies and techniques
Software quality assurance
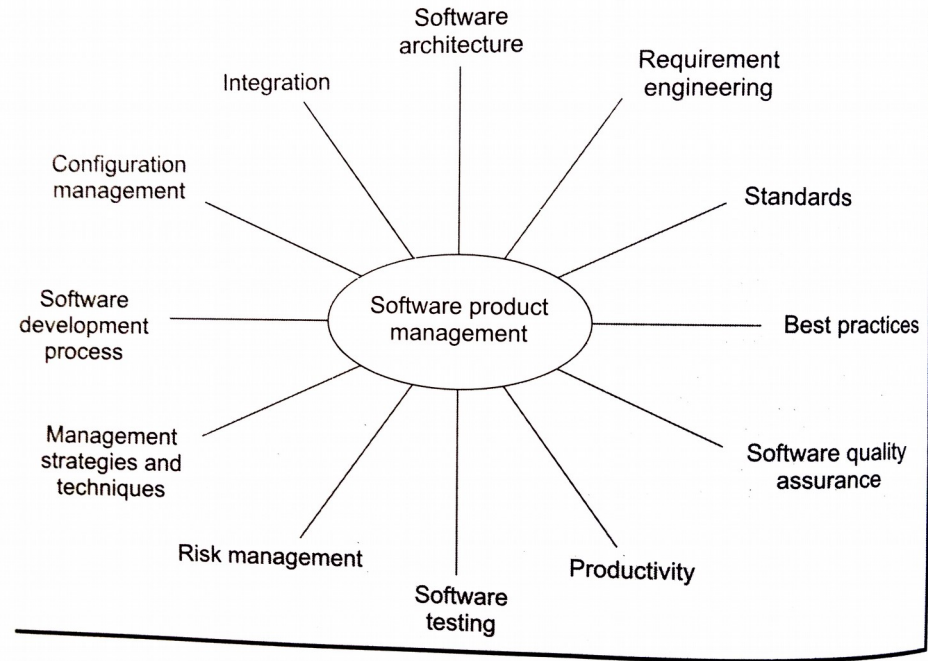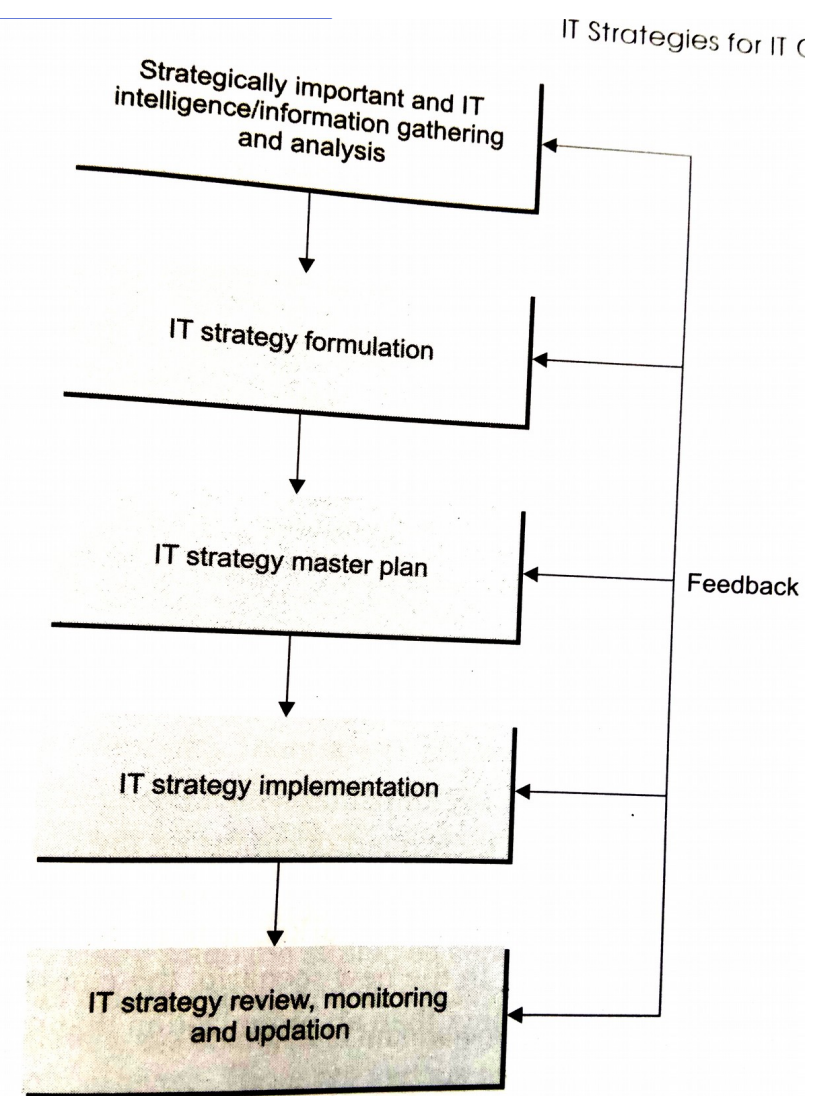Risk management
Productivity
Software testing

Figure 4.13 Software management activities

IT Strategy Implementation

- Formulation
- Strategy master plan
- Implementation of a plan
- IT strategy review and updating

Figure 4.16   IT strategy implementation steps

Compiled from

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