

# Chapter 5.1: IT Strategy

**TOPICS:** CORPORATE STRATEGY - COMPETITIVE ADVANTAGE - ALIGNING STRATEGIES



# Information Management

## Managing Information Management

- IT Strategy
- IT Governance
- IT Processes
- IT HR
- IT Controlling
- IT Security

## Management of the Information Economy

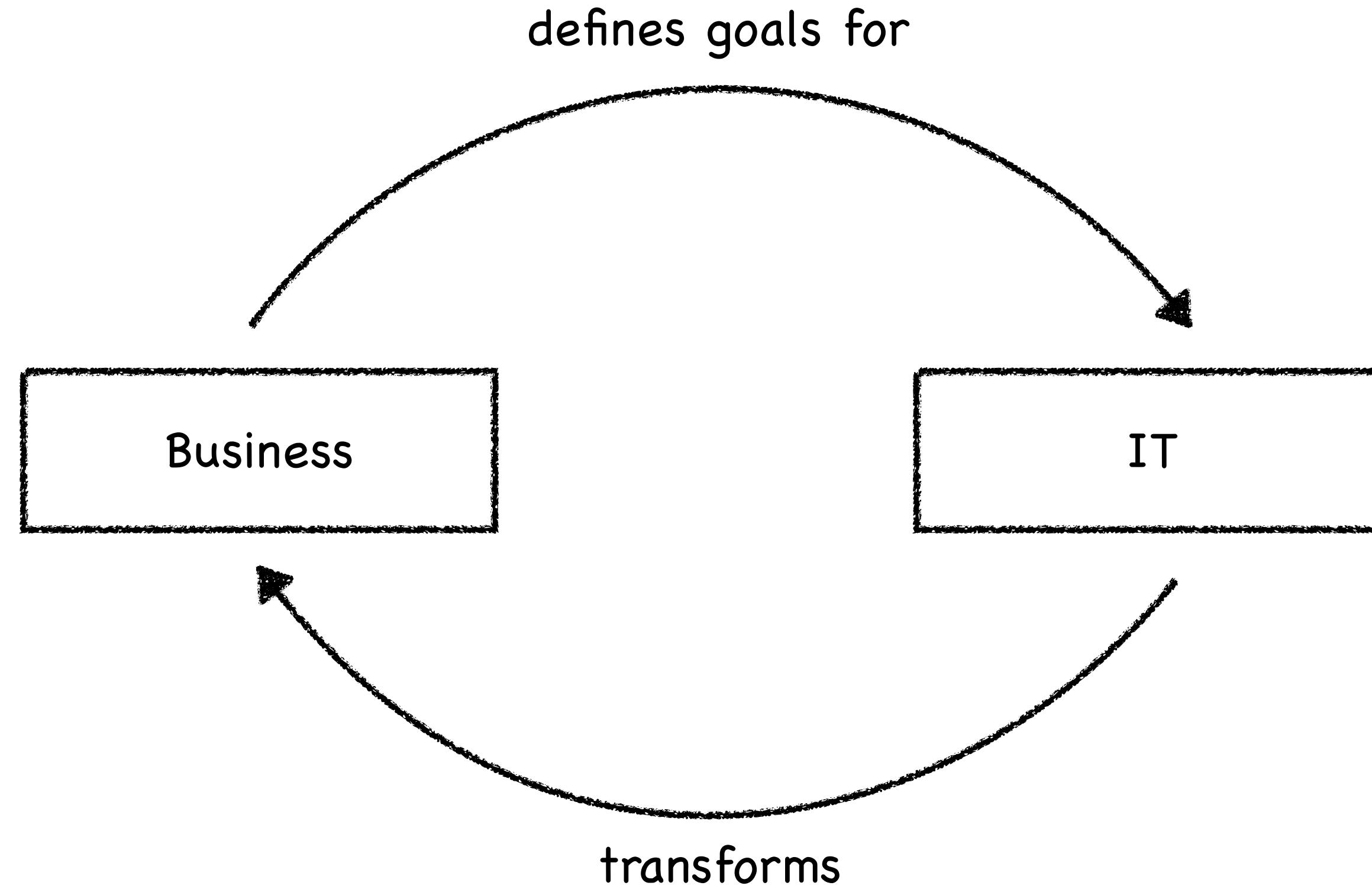
- Demand
- Supply
- Usage

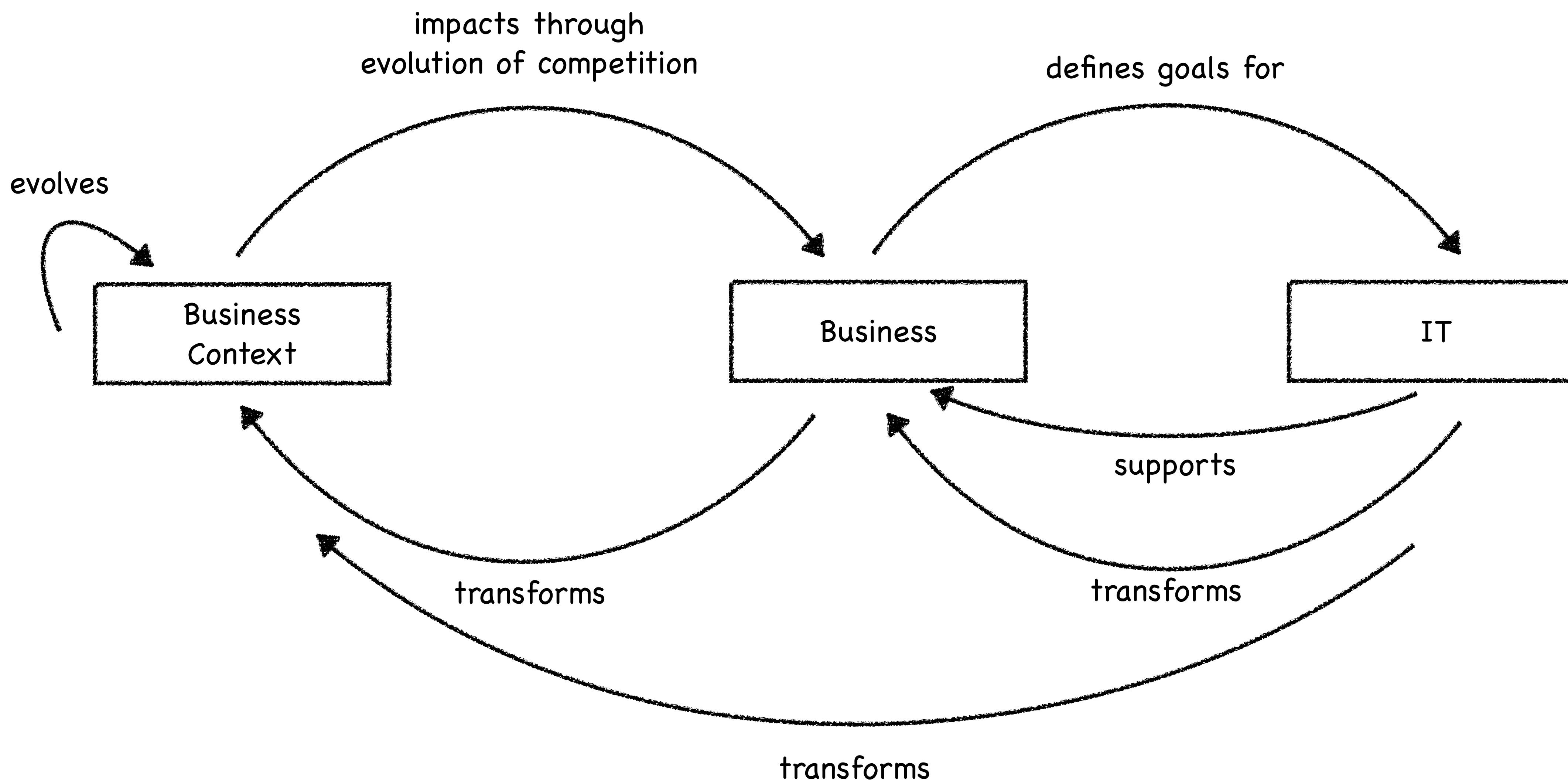
## Management of Information Systems

- Application Life Cycle and Landscape
- Data
- Processes

## Management of Information and Communication Technologies

- Storage
- Processing
- Communicating
- Tech Stacks





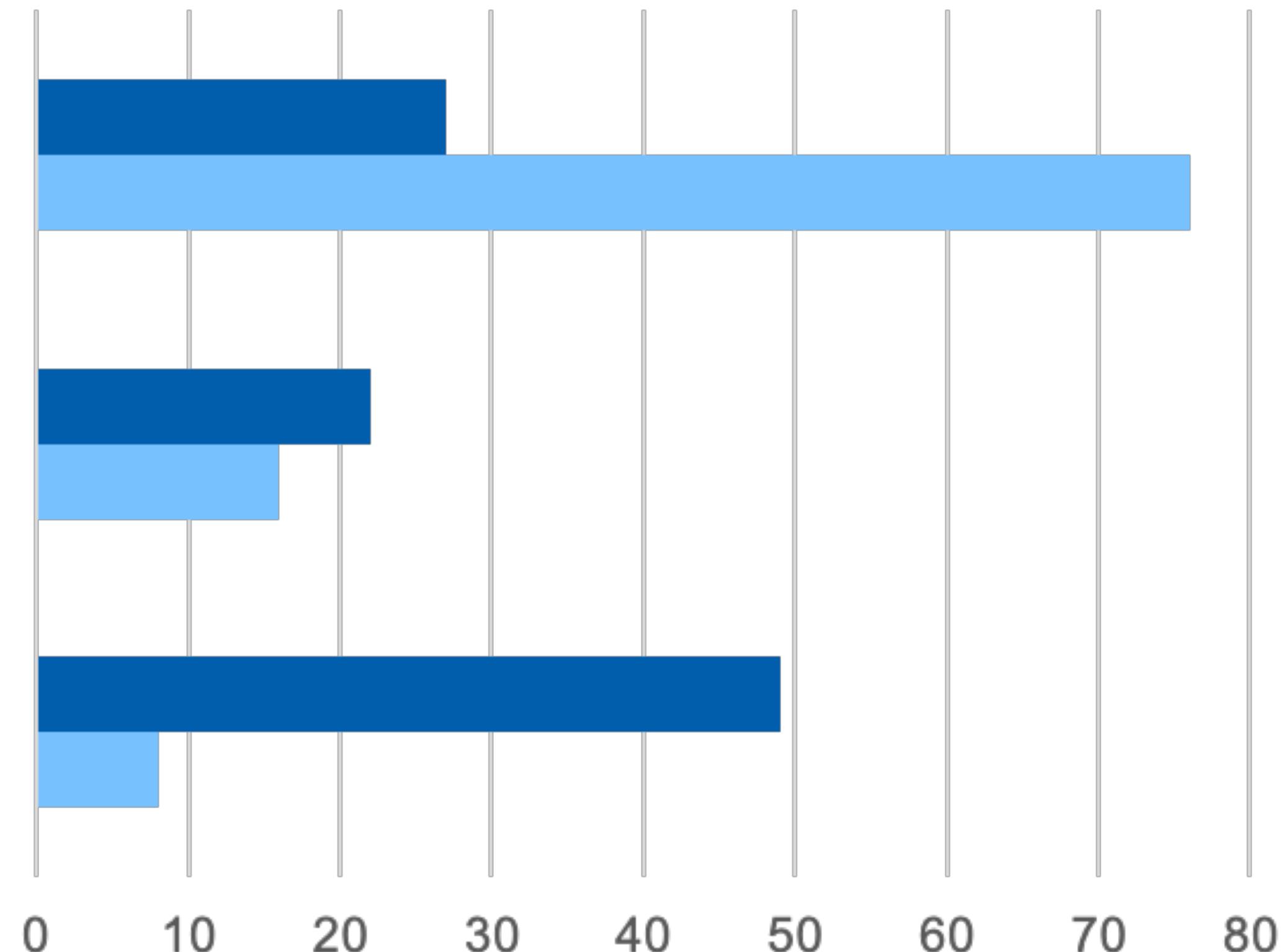
# Status Quo

**IT rarely acts as a true partner to business, but most executives believe it should.**

Partner (IT actively collaborates with business to shape overall strategy, which proactively leverages technology)

Consultant (IT provides input on plans for business, as part of regular discussions on supporting business objectives through technology)

Supplier (IT is treated and managed by business as a supplier of technology services)



■ IT's current role at respondents' organizations

■ Role IT should play at respondents' organizations to best support the business

% of respondents, n = 709, respondents  
who replied „do not know“ not shown

# Management of the Information Management asks three main questions

- Managerial tasks with regards to Information Management are always in the conflict between:
  - Strategic advantages through IT investments
  - Short-term IT cost control and reduction
- While IT has the potential to increase the value of companies, it does so often only indirectly.
- IT Management needs to find answers to the following questions:
  - ① Which IT services should be provided?
  - ② Who provides these IT services?
  - ③ Are the IT services provided correctly (i.e., efficiently and effectively)?

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# Definitions: Strategy

*Let's get some terms straight.*

## Strategy

- Plan of action to achieve a particular goal
- Short-term strategy: typically next 6 months
- Long-term strategy: typically 3 – 5 years

## Strategic Management:

“The process of

- examining both present and future environments,
- formulating the organization’s objectives, and
- making, implementing, and controlling decisions focused on achieving these objectives in the present and future environments.”

# **Basic Strategy 101**

## **Five Simplified Steps**

- ① Identify business strategy and goals.**
- ② Break goals down into concrete activities and processes.**
- ③ Identify metrics to measure progress towards these goals.**
- ④ Identify how IT can help progress for these activities.**
- ⑤ Measure actual performance.**

# Basic Strategy 101

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We know how to  
do this.  
(Balanced  
Scorecards, KPIs,  
OKRs, GQM, ...)

# Concrete IT Strategies can contain many chapters...

- Competitive analysis and forecasting
- Mission statement, goals and basic tasks
- Strengths and weaknesses of own computer-based ICT System and Technology available on the market
- Assessment of the future technology development
- Hardware and software policy
- Priority rules for IT projects
- Organizational developments in the company
- Guidelines / Standards / Norms
- Personnel development in IT
- ...

IT Strategy

Vision 2030

By ACME Corp.

Version 1.1  
Nov 29th, 2021

**How do we use IS to achieve  
competitive advantage?**

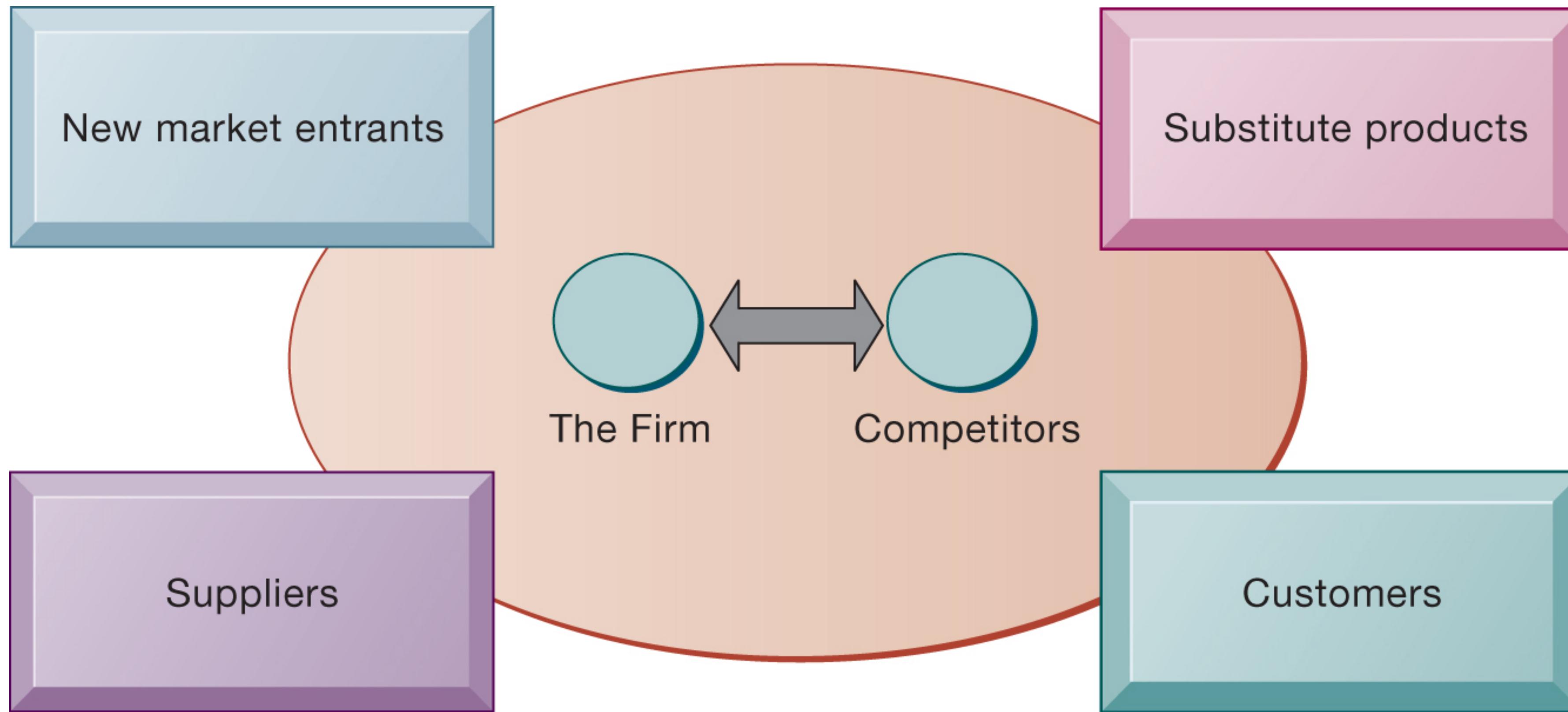
# Generic Company Strategies

- Market-based View
- Ressource-based View
- Knowledge-based View

# Generic Company Strategies

- Market-based View (MBV)
- Resource-based View (RBV)
- Synthesis of MBV+RBV

# MBV: Competitive Forces Model by Porter



Go to [www.menti.com](http://www.menti.com) and use the code 6904 4470

# MBV: Possible Generic Strategies by Porter

	Singularity from Customer's perspective	Cost Advantage
Industry wide	<b>Product Differentiation</b>	<b>Low-Cost Leadership</b>
Industry segment	<b>Focus on market niche</b>	

**Quiz:**  
What's the  
best strategy?



# MBV: Possible Generic Strategies by Porter

Strategy	Description
Low-cost leadership	Use information systems to produce products and services at a lower price than competitors while enhancing quality and level of service.
Product differentiation	Use information systems to differentiate products, and enable new services and products.
Focus on market niche	Use information systems to enable a focused strategy on a single market niche; specialize.
Customer and supplier intimacy	Use information systems to develop strong ties and loyalty with customers and suppliers.

# Generic Company Strategies

- Market-based View (MBV)
- **Resource-based View (RBV)**
- Synthesis of MBV+RBV

# Resource-based View (RBV)

## General principles of RBV:

- Our success depends on ourselves, not just the competition.

What is "depends on ourselves"?

- **Vision** (on C-level)
- **Capabilities** (middle management): Capability to adapt resources and competencies to changing environments, using the resources efficiently & effectively.
- **Resources** (product & project management): Fixed Assets, Human capital, money, Reputation incl. brands, Management-Team, Technology and Patents, (organizational culture), Organizational structure

# Resource-based View (RBV)

Advantages over competition through **development**, **nurturing** and **application** of company resources:

- Keep tangible resources (e.g. factories) up to date
- Develop intangible resources (e.g employee's skills, culture, creativity), capabilities, vision

Resources and Capabilities must be **VRIN** for a strategic advantage:

- **VRIN** = **V**aluable + **R**are + **I**nimitable + **N**on-Substitutional

# Generic Company Strategies

- Market-based View (MBV)
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- **Synthesis of MBV+RBV**

# SWOT Analyses



Wikipedia: Xhienne

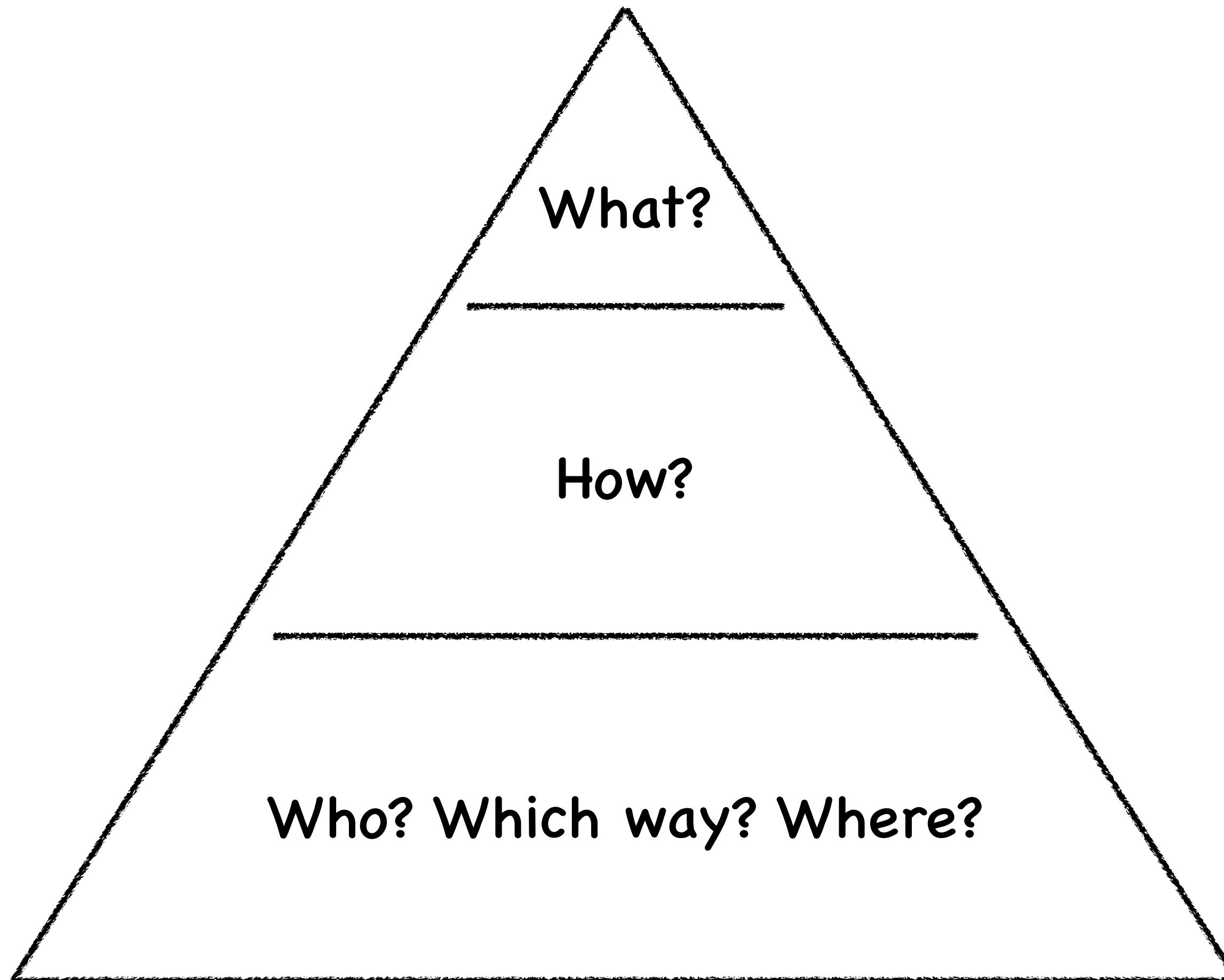
# Generic Company Strategies

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# How do we align Business and IT?

# Definitions: Strategy

***Let's get some terms straight.***



**IS Strategy:** Focuses on the system or business applications of IT and is primarily concerned with aligning them with business needs and using them to derive strategic benefits.

**IT Strategy:** Concerned with the various aspects of the technology such as architecture, technical standards, security levels, risk attitudes, and technology policies.

**IM Strategy:** Concerned with the structures and roles for the management of IS and IT, focuses on issues such as the relationship between specialist and users, management control, performance measurement processes, management responsibilities.

# Strategic Alignment

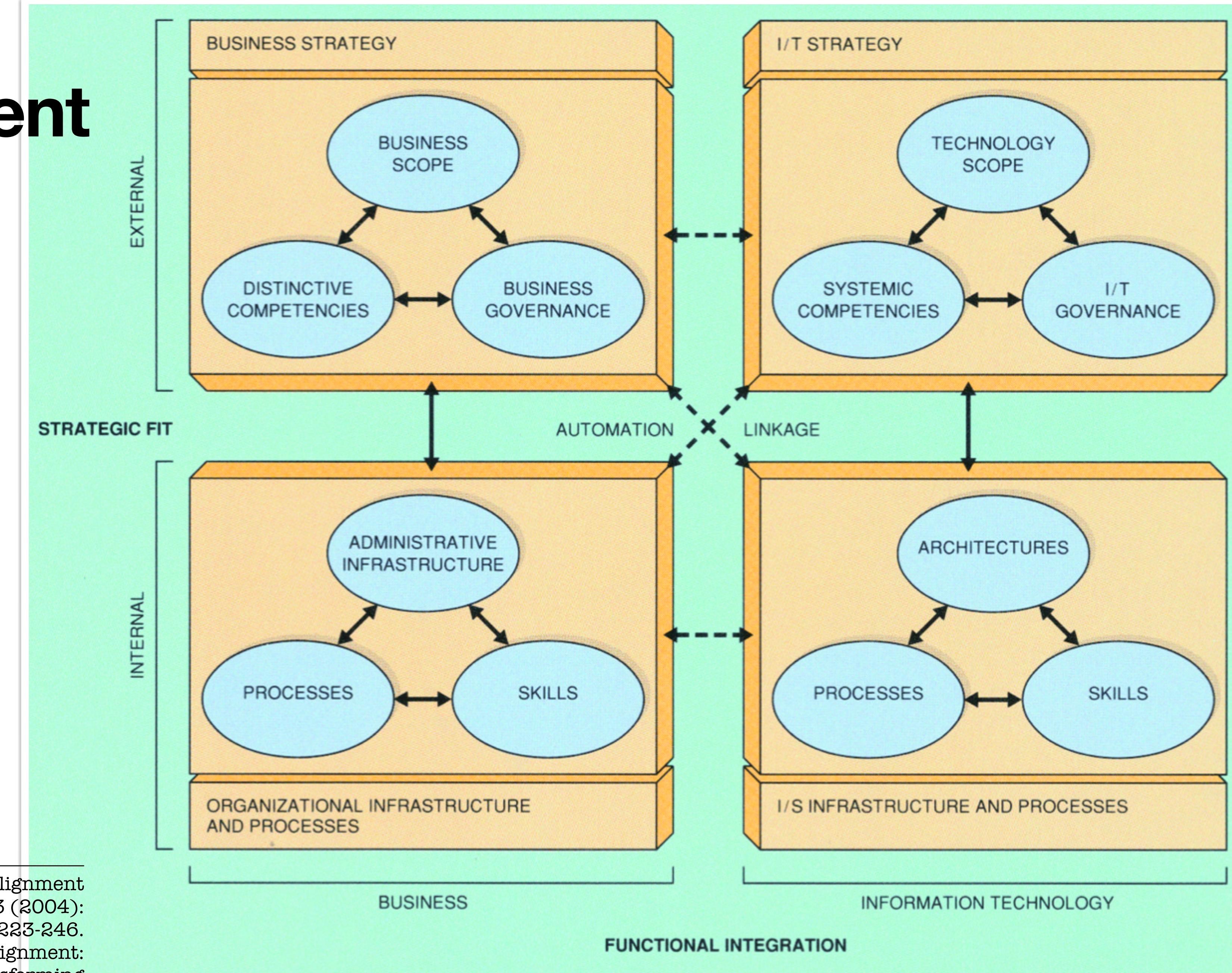
**Strategic fit** among many activities is fundamental not only to competitive advantage but also to the sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features.

Porter (1996)

**Strategic alignment** is the extent to which the business mission, objectives, and plans are supported by the IS mission, objectives, and plans.  
Reich and Benbasat, 2000; Sambamurthy and Zmud, 1999

**Alignment** is the degree of fit and integration among business strategy, IT strategy, business infrastructure, and IT infrastructure.  
Henderson and Venkatraman (1993)

# Strategic Alignment Model (SAM)

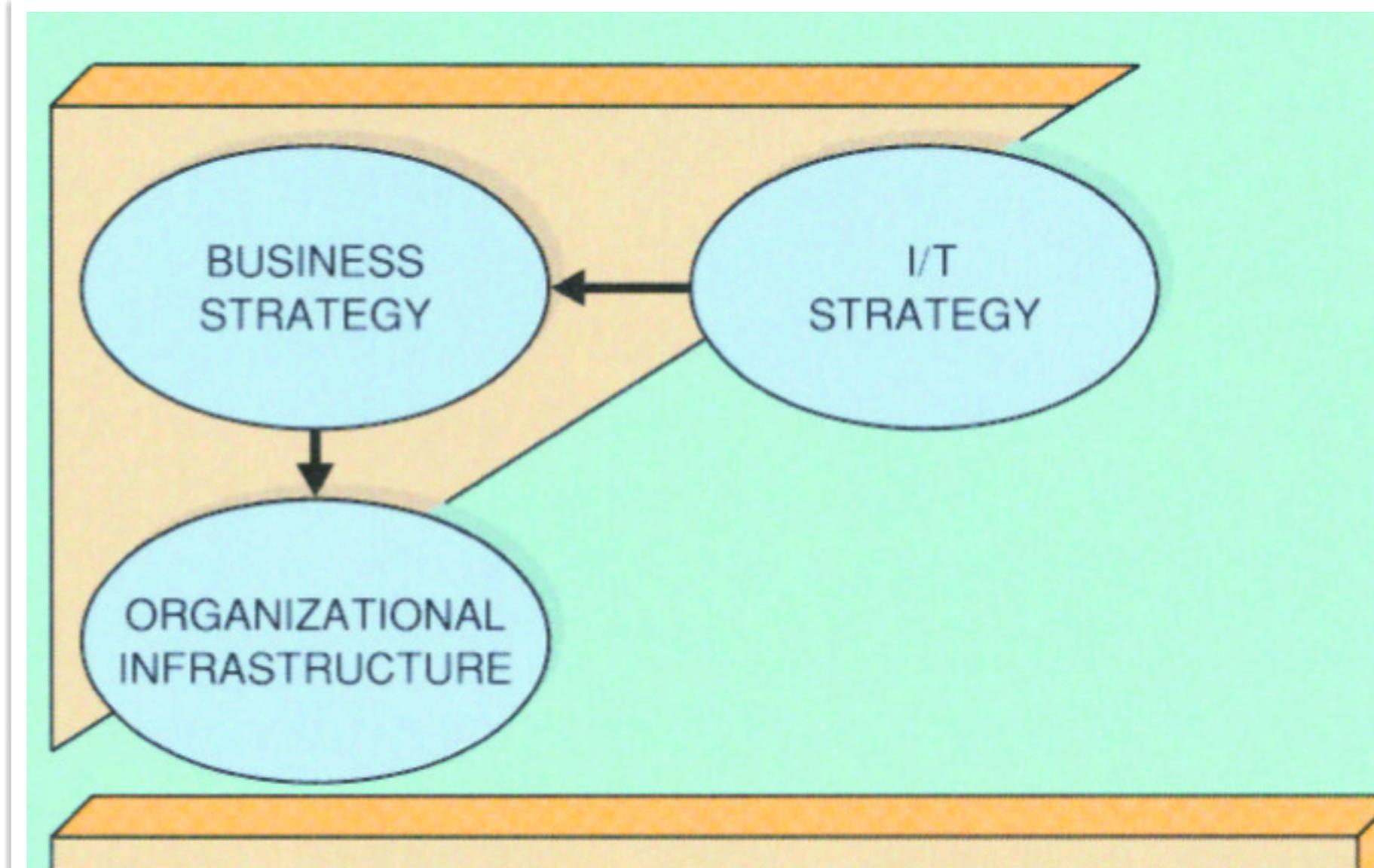


Avison, David, et al. "Using and validating the strategic alignment model." *The Journal of Strategic Information Systems* 13.3 (2004): 223-246.

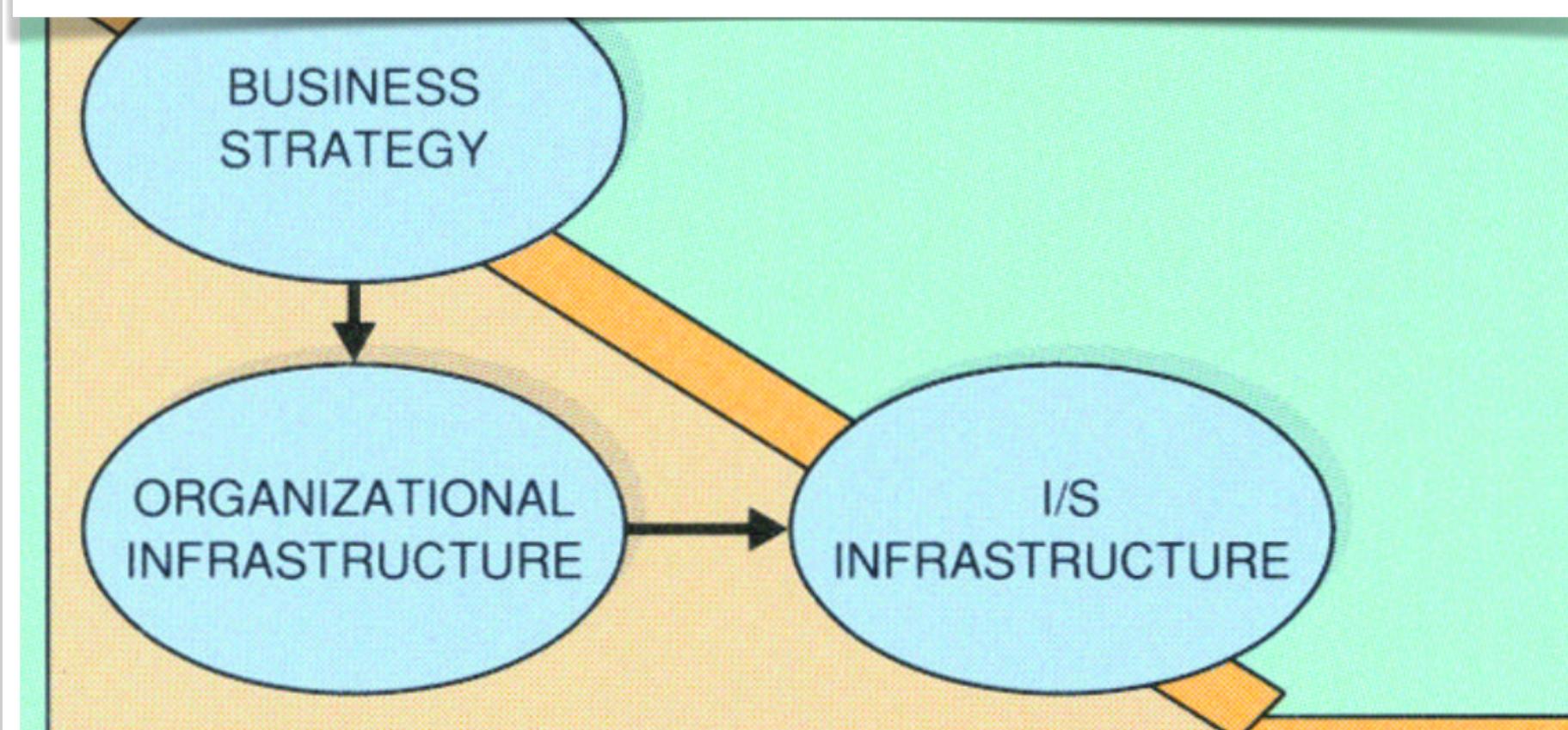
Henderson, J. C., & Venkatraman, N. (1993). Strategic Alignment: Leveraging Information technology for transforming organizations. *IBM Systems Journal*, 38(2&3), 472-484.

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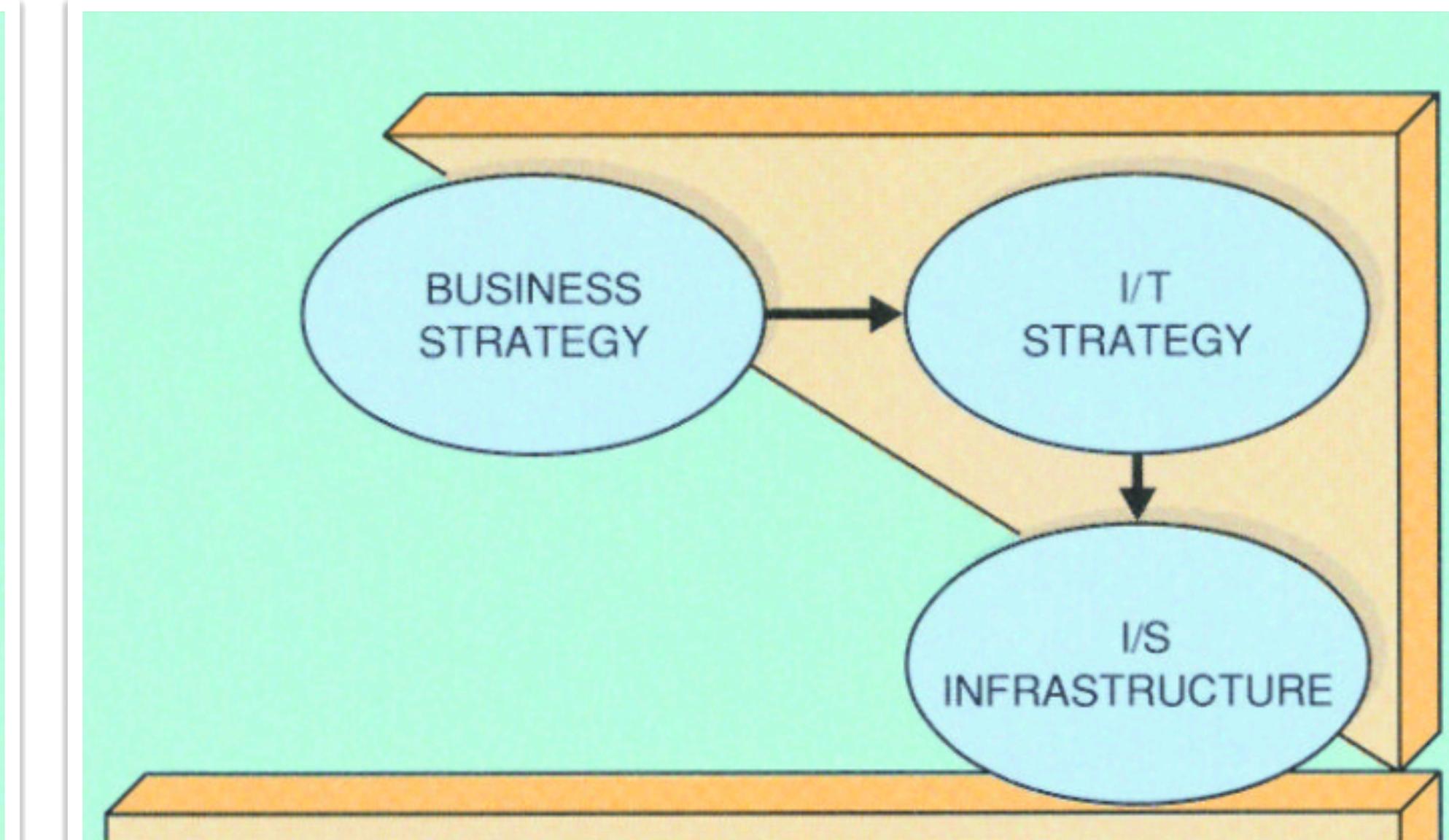
## Four dominant alignment perspectives



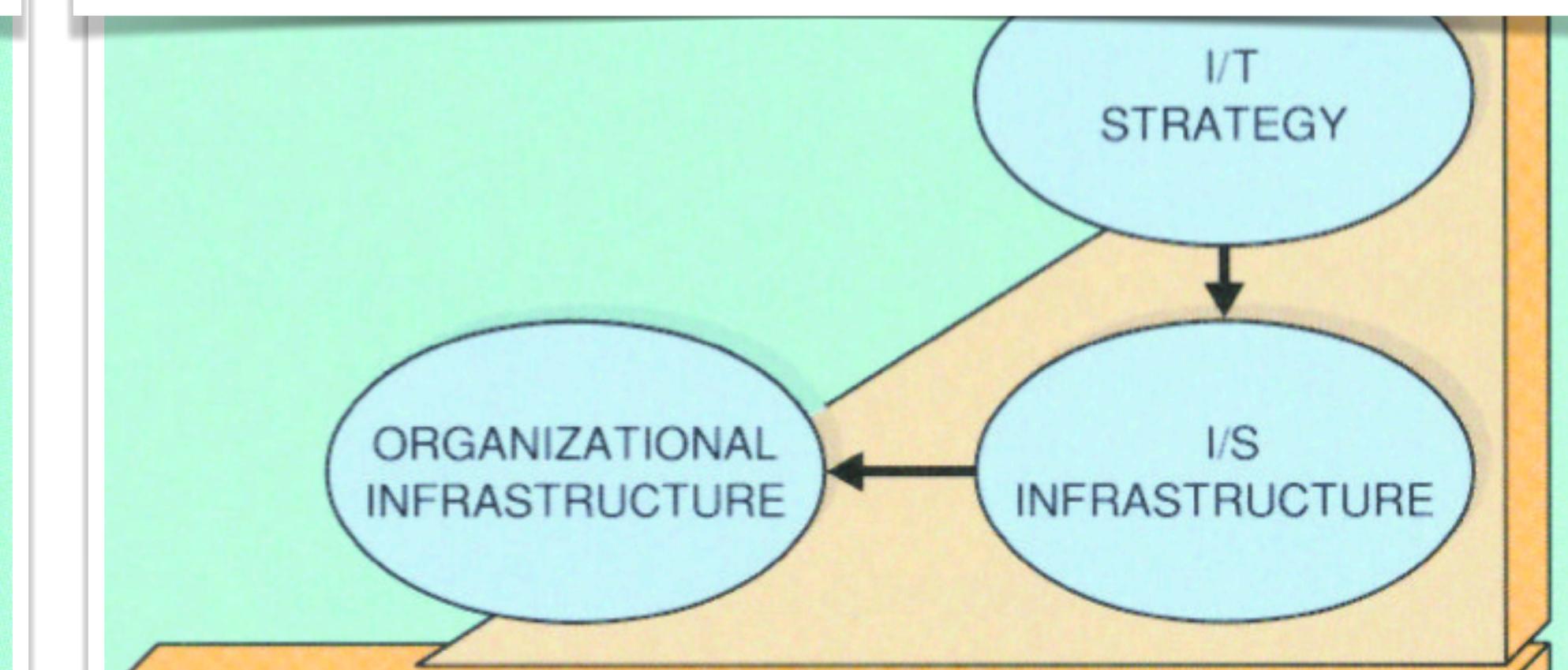
DRIVER:  
ROLE OF TOP MANAGEMENT: I/T STRATEGY  
ROLE OF I/S MANAGEMENT: BUSINESS VISIONARY  
PERFORMANCE CRITERIA: CATALYST  
PERFORMANCE CRITERIA: BUSINESS LEADERSHIP



DRIVER:  
ROLE OF TOP MANAGEMENT: BUSINESS STRATEGY  
ROLE OF I/S MANAGEMENT: STRATEGY FORMULATOR  
PERFORMANCE CRITERIA: STRATEGY IMPLEMENTOR  
PERFORMANCE CRITERIA: COST/SERVICE CENTER



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ROLE OF I/S MANAGEMENT: TECHNOLOGY VISIONARY  
PERFORMANCE CRITERIA: TECHNOLOGY ARCHITECT  
PERFORMANCE CRITERIA: TECHNOLOGY LEADERSHIP



DRIVER:  
ROLE OF TOP MANAGEMENT: I/T STRATEGY  
ROLE OF I/S MANAGEMENT: PRIORITIZER  
PERFORMANCE CRITERIA: EXECUTIVE LEADERSHIP  
PERFORMANCE CRITERIA: CUSTOMER SATISFACTION

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