



Scrutiny International Multidisciplinary
Free Research Journal
(SIMFRJ)

IT strategy: A present business need

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Abstract

Information Technology (IT) is an important field of study in a number of areas. Due to the numerous advantages of IT, Organizations are trying to implement IT applications to support their businesses. Therefore, this research aims to provide a better and clearer understanding of IT Strategy within organization by reviewing and analyzing current IT literature. In this research, we have tried to propose an IT strategy template after the reviewing of literature. The proposed template of effective IT strategy is believed to provide organizations with a practical synopsis of the IT strategy, which will in turn assist them to be successful with IT institutionalization within these businesses.

Key words: organization, information technology

Introduction

The alignment between the Information Technology (IT) strategy and business strategy of organizations has been of major concern in the industry. The pervasive and dynamic nature of technology has further strengthened the importance of the alignment between the IT and business sides of an organization. Organizations need to create an IT strategy that is aligned with their business strategy to help define how IT would support their businesses.

The use of information technology as a competitive weapon has become a popular cliché, but there is still a marked lack of understanding of the issues that determine the influence of information technology on a particular organization and the process that will allow a smooth coordination of technology and corporate strategy. There is little disagreement about the strategic importance of information technology.

While several factors have been argued to influence and propel the organizational transformation process, a major force lies in the recent developments and capabilities offered by information technology. This is mainly due to the acceleration of power and capabilities of these technologies. Over last few years several different arguments have been offered to highlight the potential of IT to influence competitive characteristics as well as enable and shape business transformation, but there is systematic frameworks to conceptualize the

logic, scope and patterns of organizational transformation enabled by information technology (IT).

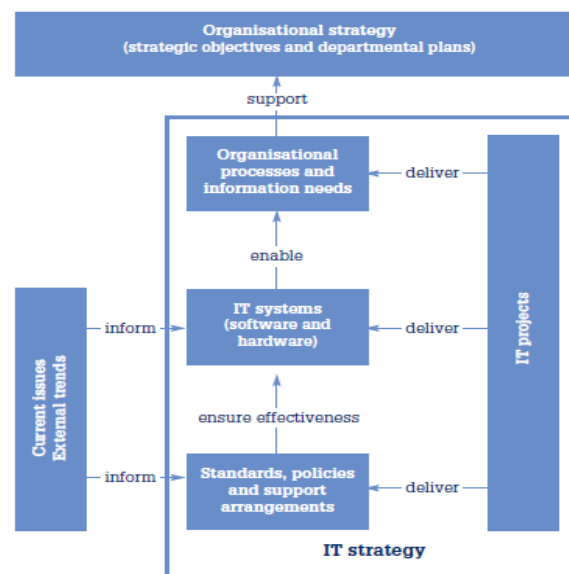
What is an IT strategy?

IT strategy is a comprehensive plan that information technology management professionals use to guide their organizations. IT strategy should cover all facets of technology management, including cost management, human capital management, hardware and software management, vendor management, risk management and all other considerations in the enterprise IT environment.

Many organizations choose to formalize their information technology strategy in a written document. The plan and its documentation should be flexible enough to change in response to new organizational circumstances and business priorities, budgetary constraints, available skill sets and core competencies, new technologies and a growing understanding of user needs and business objectives.

The key elements of an IT strategy and their relationships are illustrated below. In the end, the test of a good IT strategy is whether it helps managers, staff and others achieve the charity's aims more efficiently and more effectively. Therefore, you should be prepared to adapt the suggestions in this guide as you see fit, and above all use your judgment to focus your attention on the areas that are of most value to your organization.

Figure No. 1: IT strategy



Benefits of IT strategy

Some of the benefits of a properly aligned IT Strategy are:

1. It helps in making right investment choices in technology. This helps in avoiding wastage especially through the right allocation of resources to IT projects.
2. It helps in improving productivity and performance of the business.
3. It helps in assisting the business to be proactive to changes in the business or marketplace.

4. It provides the ability for the measurement of the contribution of IT to business.
5. Helps in acquiring the necessary skills that are needed for the business as a whole.
6. It helps the organization in achieving competitive advantage.
7. It helps in securing stakeholder confidence.

IT-Business alignment

How can IT know what the business wants when it does not know what they need? IT-business alignment helps to answer this question.

Van Grembergen defined IT and Business Alignment as “applying IT in an appropriate and timely way, in harmony with business strategies, goals and needs”.

Similarly, Tallon and Kraemer, defined alignment as “the extent to which the IS strategy supports, and is supported by, the business strategy”. IT and business alignment is about a two-way relationship between the IT and business sides of an organization. Alignment allows “accurate” decisions to be made on investment in technology.

Alignment’s importance has been well known and well documented since the late 1970's. Over the years, it persisted among the top-ranked concerns of business executives. Alignment seems to grow in importance as companies strive to link technology and business in light of dynamic business strategies and continuously evolving technologies (Luftman, 1999). Identifying an organization’s alignment maturity provides an excellent vehicle for understanding and improving the business-IT relationship.

Components of business IT alignment

Business strategy

1. Business Scope – Includes the markets, products, services, groups of customers/clients and locations where an enterprise competes as well as the competitors and potential competitors that affect the business environment.
2. Distinctive Competencies – The critical success factors and core competencies that provide a firm with a potential competitive edge. This includes brand, research, manufacturing and product development, cost and pricing structure, and sales and distribution channels.
3. Business Governance – How companies set the relationship between management, stockholders, and the board of directors. Also included are how the company is affected by government regulations, and how the firm manages its relationships and alliances with strategic partners.

Organization infrastructure and process

4. Administrative Structure – The way the firm organizes its businesses. Examples include central, decentral, matrix, horizontal, vertical, geographic, federal, and functional.
5. Processes - How the firm’s business activities (the work performed by employees) operate or flow. Major issues include value added activities and process improvement.

6. Skills – H/R considerations such as how to hire/fire, motivate, train/educate and culture.

IT strategy

7. Technology Scope - The important information applications and technologies
8. Systemic Competencies - Those capabilities (e.g., access to information that is important to the creation/achievement of a company's strategies) that distinguishes the IT services.
9. IT Governance - How the authority for resources, risk, conflict resolution, and responsibility for IT is shared among business partners, IT management, and service providers. Project selection and prioritization issues are included here.

IT infrastructure and processes

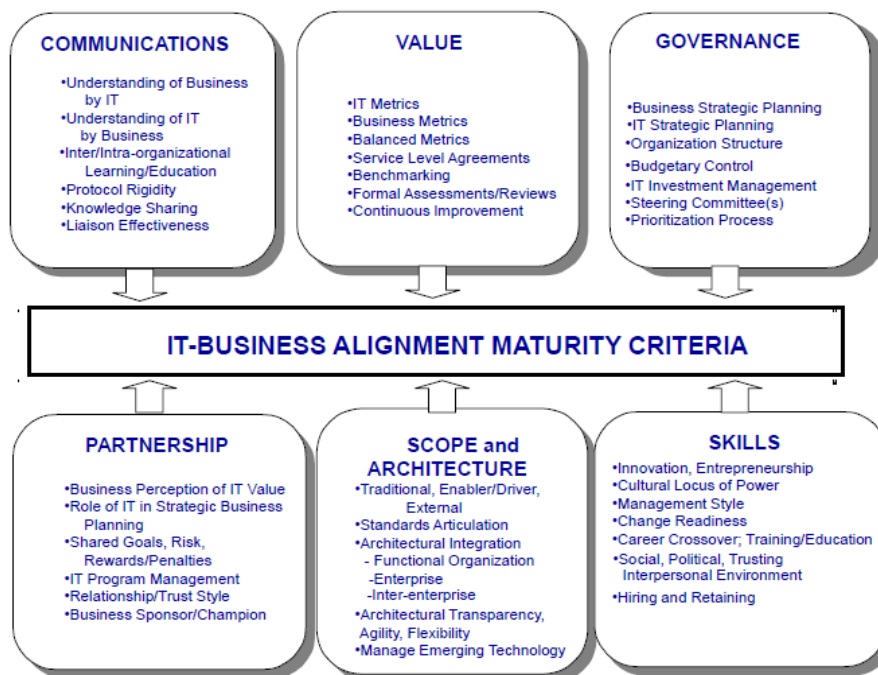
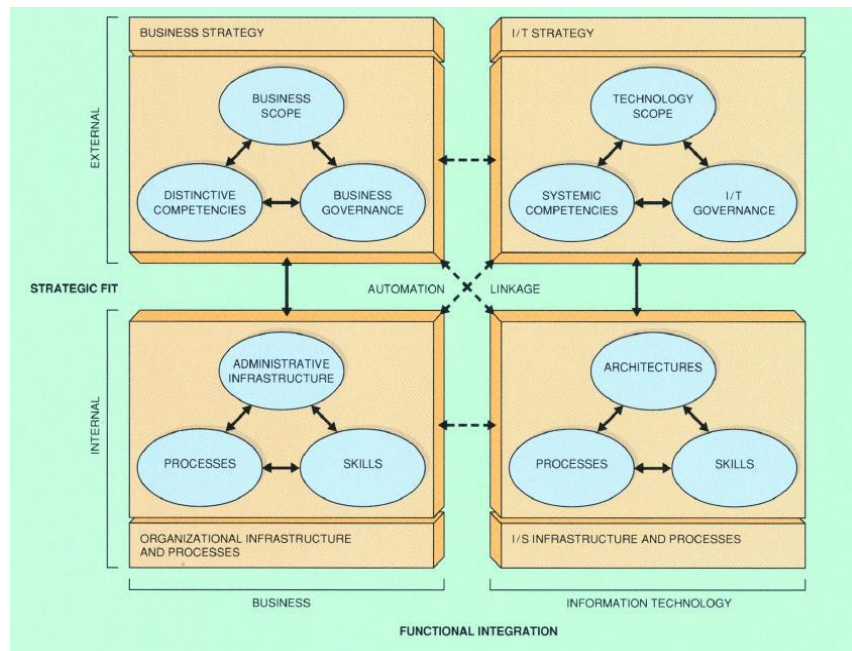
10. Architecture -The technology priorities, policies, and choices that allow applications, software, networks, hardware, and data management to be integrated into a cohesive platform.
11. Processes - Those practices and activities carried out to develop and maintain Skills – IT human resource considerations such as how to hire/fire, motivate and culture.

Alignment models

Henderson and Venkatraman proposed the Strategic Alignment Model. It was one of the earliest works in IT-business alignment and is often used as a reference for related works in IT-business alignment. The Strategic Alignment Model is divided into four domains each of which is linked together.

IT Strategy Template: Prototype

1. Executive Summary
2. Document Purpose
3. Business Context
4. Business Success
5. Business Capabilities
6. IT Contribution
 - 6.1 Principles
 - 6.2 Governance
 - 6.3 Financial Management
 - 6.4 Services
7. Human Resource
8. Metrics/Feedbacks
9. Risk and Challenges
10. Appendices
11. Glossary

Figure No. 2: Glossary: A general organizational glossary.

Overview of Template

1. **Executive Summary:** This point comprise of an easily understandable overview of IT directives in the organization. It must be small and to the point.
2. **Document Purpose:** It provide a detailed answer that what is the purpose of the document. It must make clear that what are the intentions of the IT strategy.

3. **Business Context:** This point is a detailed description of business related plans, requirements, objectives, future actions, risk analysis, long term plan, short term plan, stakeholder details, customer details and environment trend analysis
4. **Business Success:** How do we plan to achieve success? What will we gain by leveraging IT capabilities across the business.
5. **Business Capabilities:** The main issue is that whether the business is meeting its objectives and expectations. Is the enterprise architecture been well defined and fully understood? The present IT strength and weaknesses of the organization? What are the core capacities of business in which organization is lagging behind and how IT can help in filling these gaps.
6. **IT Contribution:**
 - a. **Principles:** A detailed description on what are the guiding principles that govern IT in the organization.
 - b. **Governance:** Who govern and organize IT? Who monitors the performance and review IT? How are the IT projects selected and it must include the decisions rights and communication paths to avoid ambiguity while communication. And also role of each stakeholder and every person of organization must be very clearly mentioned.
 - c. **Financial Management:** When there is a business idea, the first associated thought with it is the budget. Detailed budget description of each business objective before and after implementation of IT Strategy.
 - d. **Services:** Services provided by IT in order to achieve business imperatives across the organization. Services ranging from hardware, software and communication techniques.
7. **Human resource:** The most essential aspect of any business is the people involved. The employee, stakeholders, clients, IT staff, management staff all the people are important to make business a success. Since the IT strategy document will not be read by everyone, plans must be made within the organization to make staff aware about IT directions and also during the recruitment skill-set required must be very clear.
8. **Metrics/Feedback:** The component measure the performance of the IT strategy and if its efficiency. It describes the measurement plan of performance of IT and how the return of investment in IT is measured. This component is important since it keeps IT strategy constantly updated. It also states the IT review plan. For efficiency and effectiveness, it is recommended that the IT strategy is reviewed at least twice a year.
9. **Risk and Challenges:** This component describe two parts, firstly the risks that a organization may face, ranging from security risk, availability risk, performance risk, compliance risk, natural disasters, loss of company revenue etc. and second part is the challenges that might arise during the implementation of the IT Strategy.
10. **Appendices:** Documents related to the IT Strategy.

Conclusion

From the study of this research it can be seen that the process of aligning IT with an organization's corporate objectives is not a simple task. It requires an organization to be aware of factors that can affect IT alignment, and for the organization to ensure they are present or used not only according to a set of characteristics, but also according to inter-relationships and dependencies between certain factors. It is hoped that the template provided as the result of this research will provide organizations specially the startup companies which can't afford a CIO in the beginning with a better understanding of how they can align their IT with their corporate objectives, and provide the foundation for further research into this important area of business.

Reference

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