

Chapter 6

IT Strategic Grid: A Longitudinal Multiple Case Study

Dalia Suša Vugec
University of Zagreb, Croatia

Mirjana Pejic-Bach
University of Zagreb, Croatia

Mario Spremić
University of Zagreb, Croatia

ABSTRACT

Information technology (IT) plays an important role within organizations and effects their sustainability and business success. In that sense, it is important to have a clear understanding and a vision of an IT strategy and its role within a company. Following the IT Strategic Grid framework, this chapter presents the results of the multiple longitudinal case study of four companies with different ownership structure from financial sector operating in Croatia. The chapter provides a deeper understanding of the role of IT within a company presenting the way and dynamics of business progress for two observed banks and two insurance companies over the five-year period. Moreover, the chapter identifies the benefits of having a clear and well-developed IT strategy.

INTRODUCTION

Information technology (IT) plays a very important role in today's global economy. Over the last few decades, focus of the business world has been shifted from industrial economy to information economy (Raghunathan et al., 1999; Li & Zhong, 2014; Stratonova, 2018). IT brings many changes to the needs and habits of the customers, increasing competitiveness in general (Zoroja, 2015; Bredmar, 2017). In that sense, companies need to be able to adapt quickly to the changes and new demands on the market. IT can facilitate this adoption process and be the source of the competitive advantage for the company, if it is managed and used properly. Moreover, IT can bring many benefits for the organization, like increase in productivity due to the better communication, better efficiency, etc. (Acevedo, n.d.; Sambhanthan et

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al., 2017; Williams et al., 2014). Therefore, it is highly important that members of the top management fully and clearly understand the potential and importance of IT. Also, it is important for the companies to invest in IT and to develop an IT strategy.

There is a number of authors researching the role and the usage of IT in business practice (e.g. Cumps et al., 2006; Yeon, 2007; Balocco, 2013; Turel & Bart, 2014; Jones et al., 2015; MacKechnie, 2018). However, within different companies, IT can have different kind of roles. For instance, there are companies which use IT in practice only as a support for their businesses in a way that IT is supporting operational efficiency as a main infrastructure, while there are also those companies which have developed an IT strategy and use IT as a vital part of their business processes (Neirotti & Paolucci, 2007; Mangalaraj et al., 2014). Also, MacKechnie (2018) argues that IT has a vital role in every business plan. One of the approaches towards studying the role of IT within the companies is the IT strategic grid framework. It is a framework proposed by McFarlan et al. (1983) which visualizes the relationships between IT strategy and business strategy throughout four quadrants, depending on the role IT has in observed organization.

Studies show that the most successful companies in the financial sector allocate up to 60% of their IT budget to change the current business model and to create business value through IT-based innovations delivered through the strategic mode of IT usage (McKinsey, 2011). This high level of investments into developing IT strategy confirms that the companies from financial sector understand the value of a good IT strategy and the benefits it can provide for the company's organizational performance. Nevertheless, only a small number of studies have been conducted in the area of IT strategy with the focus to financial sector, particularly banking and insurance companies.

Although IT Strategic Grid is a powerful business tool for assessing the current state of IT and business strategy alignment and broadly used among practitioners, the scientific literature on the topic is scarce, especially when it comes to the case studies. For the purpose of this study, an extensive literature review has been conducted by searching Web of Science, EconLit, JSTOR, Scopus and Emerald Insight databases using the different combinations of the following keywords: strategic grid, McFarlan, Information technology, IT, case study. The results revealed a rather small number of papers regarding the topic of Strategic Grid, and even smaller number of papers dealing with the case studies within the field. Hence, the existence of the knowledge gap has been confirmed.

In order to investigate the role of the IT within the companies from the financial sector, namely insurance and banking companies, this chapter provides deeper understanding of the importance of investigating in the development of IT strategy for those companies. Since the desk research we have conducted revealed that the literature on strategic use of IT in the companies from the financial sector is scarce, especially with case studies and in longer period, this chapter is focused on using the case study methodology and longitudinal approach for investigating the role of IT within the companies in banking and insurance sector, following the IT strategic grid framework. This chapter presents four case studies of companies operating in Croatia, where two of the selected companies are banks and two are insurance companies. Within the observed sectors, one company is subsidiary while the other one is a domestic company. A multiple case study methodology and longitudinal approach is used with the aim of providing more detailed and broad insight on the ways companies use the IT over the longer period. This chapter also aims to show how companies transfer from one IT strategic grid quadrant to another and what are the consequences of doing so.

This chapter's contribution is in approaching the topic of IT strategic grid through four real cases from business practice that are observed over a longer period. This way, the chapter provides a deeper understanding of the role of the IT in companies in financial sector through a longitudinal research.

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