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Chapter VI

Corporate Strategic Management

Introduction

Over the last several decades, strategy researchers have devoted attention to the question of how corporate elites (i.e., corporate executives and directors) affect corporate strategy. The CEO as a person in position shapes the scope of the firm, while the CIO as a person in another position shapes the scope of IT in the firm. Jensen and Zajac (2004) proposed and tested the notion that while differences in individual characteristics of corporate elites may imply different preferences for particular corporate strategies such as diversification and acquisitions, these basic preferences, when situated in different agency contexts (e.g., CIO, CEO), generate very different strategic outcomes.

Strategy can simply be defined as principles, a broad-based formula, to be applied in order to achieve a purpose. These principles are general guidelines guiding the daily work to reach business goals. Strategy is the pattern of resource allocation decisions made throughout the organization. These encapsulate both desired goals and beliefs about what are acceptable and, most critically, unacceptable means for achieving them.

While the business strategy is the broadest pattern of resource allocation decisions, more specific decisions are related to information systems and information technology. IS must be seen both in a business and an IT context. IS is in the middle

because IS supports the business while using IT. This will be discussed later in this book in terms of IT governance as strategic alignment.

Why is strategic IS/IT planning undertaken within business organizations? Hann and Weber (1996) see IS/IT planning as a set of activities directed toward achieving the following objectives:

1. Recognizing organizational opportunities and problems where IS/IT might be applied successfully.
2. Identifying the resources needed to allow IS/IT to be applied successfully to these opportunities and problems.
3. Developing strategies and procedures to allow IS/IT to be applied successfully to these opportunities and problems.
4. Establishing a basis for monitoring and bonding IT managers so their actions are more likely to be congruent with the goals of their superiors.
5. Resolving how the gains and losses from unforeseen circumstances will be distributed among senior management and the IT manager.
6. Determining the level of decision rights to be delegated to the IT manager.

Empirical studies of information systems/information technology planning practices in organizations indicate that wide variations exist. Hann and Weber (1996) found that organizations differ in terms of how much IS/IT planning they do, the planning methodologies they use, the personnel involved in planning, the strength of the linkage between IS/IT plans and corporate plans, the focus of IS/IT plans (e.g., strategic systems versus resource needs), and the way in which IS/IT plans are implemented.

It has been argued that the Internet renders strategic planning obsolete. In reality, it is more important than ever for companies to do strategic planning (Porter, 2001, p. 63):

> *Many have argued that the Internet renders strategy obsolete. In reality, the opposite is true. Because the Internet tends to weaken industry profitability without providing proprietary operational advantages, it is more important than ever for companies to distinguish themselves through strategy. The winners will be those that view the Internet as a complement to, not a cannibal of, traditional ways of competing.*

The Y model provides a coherent step-by-step procedure for development of an IS/IT strategy.

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