



Chapter III

IS/IT Strategy Work

Strategy can be defined simply as principles, a broad based formula, 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, decisions that are more specific 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 vs. 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.

After having presented strategic planning in general, the Y model for strategy work is discussed and applied later in this chapter. The model provides a coherent systematic procedure for development of an IS/IT strategy.

Strategic Planning

Often, strategy development is equated with strategic planning procedures. They represent the design approach to managing strategy. Such procedures may take the form of highly systematized, step-by-step, chronological procedures involving many different parts of the organization. For example, the annual strategic planning cycle in a company may follow a procedure like this:

1. *May*. Broad strategic direction.
2. *June*. Review of current strategy.
3. *August*. Goals for business units.
4. *September*. Strategies for business units.
5. *October*. Board meeting to agree strategic plan.
6. *November*. Board meeting to agree operational plan and budget.

Some of the key concepts in strategic planning are future thinking, controlling the future, decision-making, integrated decision-making and a formalized procedure to produce an articulated result in the form of an integrated process of decisions. Strategic planning is the process of deciding on the projects that the organization will undertake and the approximate amount of resources that will be allocated to each program over the next several years.

Planning represents the extent to which decision-makers look into the future and use formal planning methodologies. Planning is something we do in advance of taking action; it is anticipatory decision-making. We make decisions before action is required. The

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