

IT STRATEGY

HOW YOUR ENTERPRISE CAN BENEFIT FROM AN IT STRATEGY

Strategic Support

There is only one reason to have an IT strategy: when it is useful to the continuing successful operation of the enterprise.

If an IT strategy doesn't meet this criteria, it is a waste of resources and has no business being developed, distributed, or discussed. Unfortunately, many IT strategies fail this test and wind up as collections of loose-leaf binders on shelves. Binders that are never opened or referred to again, and are only updated once a year to meet audit requirements for a strategic plan.

For a strategy to be useful, it needs to be easy to understand, easy to communicate, and easy for people to adapt to their own efforts. This is especially true of IT, where it is so easy to lapse into jargon and acronyms. This means that a strategy should be set forth in language that can be understood by colleagues, employees, suppliers, and customers.

A useful IT strategy for an enterprise cannot be developed in a vacuum, and, should only be developed in concert with, and in support of, the overall strategy of the enterprise. Nor should the enterprise strategy be developed without IT considerations.

(Note: we are using IT to refer to all resources associated with information technology—computers, PCs, telecommunications, systems development staff, etc.)

Interaction between technology and business strategy is not the issue. The issue is the balance between IT's benefits and costs. If IT becomes too dominant and costly it will harm the enterprise. Conversely, ignoring IT's potential will almost inevitably lead to missed opportunities.

It should be noted that a strategy does not need to address all of the complexities, trade-offs, considerations, and alternatives that exist. It is impossible to allow for all possible eventualities, and overly complex plans and statements can confuse the very people who are expected to execute the strategy.

Also, specificity and detail are all too often mistaken for insight, leading to an inability to react in a timely manner. The original strategic plan for the Edsel was five large volumes and weighed 20 pounds.

The usefulness of an IT strategy can be summarized into two areas:

- Improving focus on enterprise objectives
- Providing a framework for management of IT resources

Improving Focus on Enterprise Objectives

Developing an IT strategy forces internal discussion on corporate goals and objectives, both short- and long-term. As a tool, IT should be used differently depending upon the enterprise's objectives. The following matrix provides brief examples of what "differently" can mean. Since the intent of this document is to provide an overview and a starting point, the explanations are brief. Additional and expanded commentary is available.

Enterprise	Role of IT	Technology Drivers	Constraints
Mature Stable	Supportive Utilitarian Cooperative	Existing art Reliability	Organizational Cost
Competitive Turmoil	Weapon	Leading edge considerations	Growth Functionality
Turnaround (loss situation)	Reengineering tool	Existing art	Costs Margins

No enterprise precisely fits this matrix, but we believe it illustrates the crucial point that by defining your enterprise you define the role, drivers, and constraints within which you want IT to function. This provides a focus for the IT staff and an understanding throughout the rest of the enterprise as to how IT should be used.

When answered, the following questions will provide IT direction and focus:

- What are our business objectives and strategies?
- Will we (our enterprise) remain viable? What about our industry?
- What changes do we need to adapt to?
- Does everyone understand our goals and objectives? Does everyone need to?

The answers force IT decisions to relate to business goals. If the goal is to maintain presence and improve impact, IT should focus on providing a stable, cost-effective operating base. There may be no need to use 'bleeding edge' technology.

Conversely, if the business is under attack by competitors, then executives need to try new and different approaches. Shaving margins on existing operations by 1% is not going to make the difference in this situation.

This focus on objectives defines the IT role within an enterprise, and starts to build the framework for use and control of the IT resources.

An IT Resource Management Framework

Given the proportion of the budget IT typically represents, it is imperative to have a framework within which to decide how its resources should be allocated, and to what purposes. For now, assume that you have defined your goals and objectives, and developed the direction and objectives for IT.

Consider these questions:

- How much should I spend on IT?

- How should it be allocated? More people? More equipment?
- Do we need to upgrade our systems? Hardware platforms?
- If we are going to change, what is the transition cost? Plan?
- Should I approve this LAN request?

If the objectives of your IT function are clear, these questions will be easily answered.

For example, if the organization is in a stable and mature industry, the focus of the IT department should be to provide a stable, reliable, cost-effective operating base. The risk/reward payoffs of leading-edge technologies should be avoided. Efforts should be made to simplify the operating environment, as there is little advantage in supporting many technologies. The use of standard packages, widely implemented technologies, and standard skills should be encouraged.

On the other hand, if the enterprise is in a time of extreme competitiveness every effort should be made to explore uses of IT that provide significant differences in function or cost, or both.

The following matrix provides a summary of the considerations that are important in differing enterprises, with differing characteristics.

Enterprise	Considerations
Mature Stable	Cost constraints, explore existing packages, outsourcing; meet basic functionality; organizational stability; measured, controlled response and implementation
Competitive Turmoil	Explore new functionality, technologies, rapid marketplace response and impact
Turnaround (loss situation)	Define minimum requirements; use available technology; rapid implementation

Too many organizations are perverting their business missions to work for their technology. International Resource Management can help ensure that your technology works for you.

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To learn more about how IRM can help your enterprise develop an effective IT strategy:

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