

# Chapter IV

## Critical Success Factors of IT Strategy

### INTRODUCTION

As discussed in Chapter III, a successful IT strategy must align with the business, fully at every stage of the end-to-end strategic management process, from strategy setting and planning to detailed program execution and delivery. Most publications (Luftman & McLean, 2004) on business–IT alignment to date have been centered on one dimension of the alignment issues, for example, on strategic planning or organizational issues. In this chapter, we discuss the critical success factors of IT strategy holistically across four dimensions of the strategic management process from strategy formulation to planning to execution and to value delivery monitoring end-to-end because IT leaders have to manage alignment in all four dimensions in order to maximize the strategic value of information technology deployment.

The most basic requirement for the success is that IT must be regarded as being part of the business, devoid of the “us” vs. “them” chasm (separating IT from the business) found in most traditional organizations where IT is viewed as a subservient role performing basically a “back office” function.

This critical organizational culture requirement of “IT and business acting as one” is founded on the rigor and discipline of IT governance. IT governance is integral to corporate governance, subject to periodic governance compliance audit by is chapter will briefly describe this function as it applies to the end-to-end process of IT strategy. A more complete treatment will be covered in Chapter IX.

## IT AND BUSINESS AS ONE

IT is recognized as a critical business discipline because it is central to all business activities of modern enterprises in the creation of customer value. To create business value from IT, business needs to understand the role IT plays, not only in supporting the running of the business in such back-office functions as human resources (HR), finance, and inventory control but, more importantly, the special and competitively differentiated ways that IT plays in delivering products and services to the firm's end customers. The integral role that IT has enmeshed into all business functions today means that IT has become a central nervous system of the business. In particular, information is the bloodstream of business that flows through all business functions (processes) supported by the IT nervous system. Business value is created by each business function or process through dynamic consumption (processing) of input information and creation of new output information, which in turn will be "consumed" by another business function (process) as defined by the value configuration of the business (see Chapter 1)—information acting much like the bloodstream that flows through the human organs to make the human body (the firm) alive and productive. Thus, to be able to achieve a sustainable competitive advantage position in its chosen industry, the firm must treat IT and its management as a critical business discipline. IT and business must act as one integral *organism* much like *yin and yang* which complements each other to get the right balance to achieve the competitive advantage. Smaczny (2001), in his argument for IT being part of business strategy, refers to this tight integration of IT with business as *fusion*.

The *fundamental principle* of all the critical success factors of IT strategy is therefore IT and business *acting as one*. This requires each IT task to be *aligned* with and "*justified*" by the business function it is designed to contribute, for and based on which its business value is *measured*. This means the IS/IT strategy, organization, processes, infrastructure, applications, projects, budget, and metrics should all verify their alignment to the business goals, objectives, and strategies (Cassidy, 2006). The issue of business-IT alignment has been studied for over 10 years (Avison, Jones, Powell, & Wilson, 2004; Luftman & Papp, 1995). It is commonly reported in the literature (Avison et al., 2004) that alignment will allow enterprise to achieve competitive advantage through IT, achieve maximum return on IT investment, and provide direction and flexibility to respond to new business opportunities.

IT and business acting as one is easier said than done, however. In reality, not many enterprises have yet fully mastered the practice of the fundamental principle of IT and business acting as one. This is because of the bad old tradition of IT in the past (and even today for some enterprises) working (either being treated or wanted to be treated) as the *back-office techie guys* who seemed to do as they were told (or requested) by the business without having any concern for the end customers or indeed the business purpose of the tasks requested. In the past, IT saw themselves as the technical guys who would do whatever technical task is requested of them by the business. There was no need to understand the business, let alone the business strategy or points of differentiation. The "us-versus-them" working relationship or company culture has permeated between IT and business in most enterprises in the past, and indeed even today.

While this scenario may be an extreme example for today's enterprises, it is nonetheless still a common issue for most enterprises today that some degree of misalignment still exists between business and IT. The varying degrees of organizational misalignment

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