

Chapter XII

Business–Aligned IT Strategy Case Example: CLP Group, Hong Kong

INTRODUCTION

Motivation

This chapter is about the “*know-how*” part of IT strategy and management best practices. This case example aims to illustrate a successful practical application of IT strategy principles and concepts by using a proven best practice from the industry. It can therefore be used as a guiding example of how to effectively develop and execute a business-aligned IT strategy.

Kaplan and Norton’s (2004) strategy maps approach (described in Chapter V) has been chosen as the methodology for formulating the business–IT alignment strategy. To that end, the case study requires an in-depth study of the selected company’s business and IT strategies, from which a strategy map of the espoused business and IT strategies are “reconstructed” using the strategy maps principles. The reconstruction process follows the strategy maps methodology (Kaplan & Norton, 2004). The readers can thus adopt a similar approach to help them formulate or “reconstruct” their company’s business–IT alignment process and the resulting business-aligned IT strategy.

Methodology

IT strategies from several companies have been considered as candidates for this case example. The selection criteria for this case study are that the nominated companies must have:

1. Clear and successful application of key IT strategy and management principles and concepts
2. Evidence of formulation and execution of the IT strategy with at least two years track record to demonstrate alignment with the business strategy and where true business value has been delivered by the IT strategy
3. Tangible business value delivered by the IT strategy under study validated by the company's IT governance process
4. Consent given by the company's CIO¹:
 - To make available the firm's documentation of IT strategy and implementation results
 - To partake in in-depth interview by the author to validate the contents and rationale of the IT strategy, its explicit alignment with the business strategy, and the business value resulted from its implementation

The methodology for constructing this case example is as follows:

- a. Nomination of a company's IT strategy from peer recognition within a country
- b. Critical review by the author (Chew) of the nominated company's business and IT strategies documentations
- c. Interview by the author and discussion with the CIO of the nominated company
- d. Synthesis² of the case example by the author (Chew) in collaboration with the CIO (using the knowledge and documentations gained from above) using basic principles described in this book
- e. The case example produced is reviewed and validated by the CIO and approved by the company for publication

The company selected for the case example in this edition of the book is CLP Group,³ Hong Kong.

CLP GROUP COMPANY PROFILE

CLP is a fortune global 1000 company, listed on the Hong Kong Stock Exchange. It has been an electricity supplier since 1901. An Asia Pacific leading power utility supplier, CLP was voted Asia's Best Utility in the 2006 Euromoney Awards. CLP is the largest foreign power investor in China. It is the owner and operator of the largest vertically integrated electricity supply business in Hong Kong. According to the CLP Annual Report 2007, CLP achieved, in 2007, HK\$50.8 billion in revenue and HK\$10.6 billion in earnings. It achieves supply reliability of 99.99%, the best in its class. It generates over 17,000MW of total generating capacity in Asia. In Hong Kong, CLP has 19,880 km of transmission and distribution lines, with 2.26 million customers with a supply area of approximately 1,000 sq. km. covering 80% of Hong Kong's population and supplying 73% of the electricity demand (CLP Annual Report, 2006).

According to the CLP chairman, "since the mid 1990s, the CLP Group has steadily widened its activities beyond its original Hong Kong base. CLP has become one of the leading external investors in the electricity sectors of the Chinese mainland, Australia, India, Thailand, and Taiwan. During 2007, these investments contributed HK\$3.4 billion to overall CLP Group earnings" (CLP Chairman's Statement, Annual Report 2007).

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