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The Relationship between Business Strategy and Information Technology Strategy

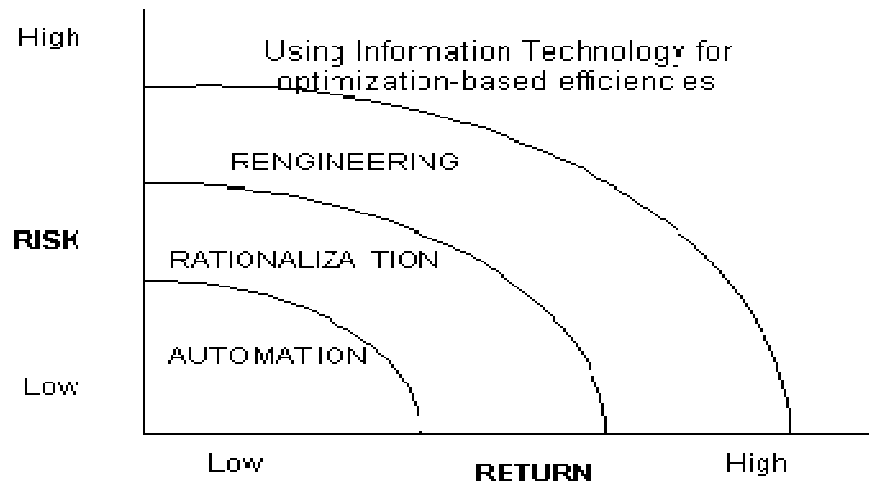
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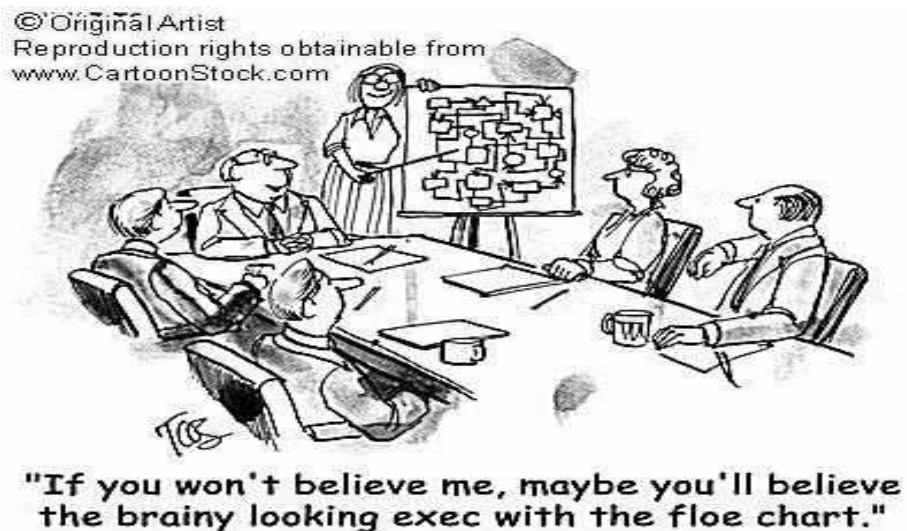


Ex. 0 – IT Risk Assessment (Malhotra)

" Strategic Information management (SIM) fits into a category of new, emerging, and embryonic ideas, including records and information management (RIM) and knowledge management (KM), that have themselves emerged recently as information professionals and the institutions where they work come to grips with the vast, unsettling implications of digital information technology. Many SIM proponents recognize that what really counts is people's creative use of information rather than the technology to create, transmit, and present that information. Better information management might have thwarted terrorists. Chief information officer must become strategic managers. It is the information rather than the information technology that really counts. Unexpected and unintended disclosure reinforces the need for strategic information management. More information should be focused on how to creatively link records management to information management.. " (Dearstyne)

Despite the IT technological advances that have come about during the last twenty years ushering in a new era of productivity for businesses worldwide, if a company's long-term strategic goal is to make money it is a good idea to prioritize business strategic thinking over IT strategy. When the opposite strategy is chosen and expensive re-engineering projects become the core focus it is more likely that a company will be seen as a cutting edge innovator but will suffer in short to medium term profitability.

IT strategy is merely a component of overall business strategy. From a corporate perspective, information technology is useless unless it is properly leveraged to bring about a determined result that is conducive towards making profits in the marketplace. When the strategic thinking is not grounded in business strategy but is overly influenced by IT strategy, it is more likely that a company will be seen as a cutting edge innovator but that it will ultimately suffer financially. This phenomenon where there IT strategy dictates overall business strategy is sometimes described as "IT myopia". Similar phenomena also occur in other business departments thus spurring "marketing myopia", "product myopia", etc.



Ex. 1 – Flow Chart (CartoonStock.com)

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The Goldman Industrial Group of Vermont, which underwent a huge IT overhaul like many of its competitors during the late 1990s, provides us with an interesting example of what can happen when a company takes on a very aggressive IT driven infrastructure overhaul project. Jack Lowry, the VP of IT of the company, aggressively pursued an IT strategy requiring millions of dollars aiming to create a sophisticated automated B2B exchange system involving his company's corporate network, computers at every junction of the production environment, the corporate web site, and a partner extranet. The overall goal of this endeavor was to minimize production cycles, thus saving the company and its customer's time, money, and to spur a new way of doing business where customers would seamlessly interact with Jack Lowry's creation. Inputting design parameters, tracking the status of projects, and accomplishing all other vendor client interactions that traditionally would be handled via phone, fax, in person, or directly on site were to be handled by the B2B system.

"The VP of IT at the Goldman Industrial Group of Vermont thought his suppliers would jump at the chance to collaborate electronically. Two years and millions of dollars later, he's still waiting for a partner.." (Worthen)

Unfortunately, although the 4 million dollar investment has had limited success in providing productivity savings around \$700,000 during the first 18 months, it did not achieve success in modifying the way Goldman Industrial Group interacted with its clients during production cycles.

" Lowry is still optimistic about the long-term potential of collaboration, and even without it he's already seen a return on Goldman's IT investment. He estimates saving \$700,000 because of reduced cycle times and increased sales through the e-commerce site in the first 18 months alone." (Worthen)

Jack Lowry's massive re-engineering project is definitely an example where IT strategic thinking seems to have trumped conservative business strategy. Although it may be looked at a good idea of what not to do, it would be unfair to label it as a failure just because customers are not using seventy percent of the functionality the system was designed for. Jack Lowry built what he promised relatively on schedule. It is reasonable to assume that in three to four years the four million dollar investment in this project will have been paid back by the production cycle efficiencies that it has been responsible for.



Ex. 2 – What We Do (CartoonStock.com)

At the time the dotcom revolution (1995-2000) was in full swing. During those years many entrepreneurs, investors, managers, and consumers thought that the traditional profit oriented rules in the business world had changed given that very unprofitable companies were being rewarded with stratospheric evaluations in Wall Street for merely being perceived as technology innovators. Many companies leveraged IPOs, mergers, and spin-offs under the umbrella of high stock evaluations into overnight empires.

Although Goldman Industrial Group was a private company it is reasonable to assume that if the dotcom era had gone on a few years longer, regardless of whether customers were automatically using the Lowry system or not, that they would have been in a position to financially profit from their newly acquired “innovator status”. Goldman Industrial Group probably chose an expensive rapid full deployment approach as opposed to a cheaper long-term phased approach under the understanding that in order to be perceived as an innovator and thus benefit from the related potential financial rewards it had to be perceived as a fast first-to-market mover.

“Some B2B exchange companies are getting the message and have repositioned themselves as enterprise software and services companies.” (Sawhney)

After the IT investment and stock market crashes brought about by an excessive belief in the operational business mentality of the dotcom years, where precedence was given to IT strategy over business strategy because it was financially imperative to do so, more companies are finding the proper balance in reconciling IT strategic goals within overall profit oriented business strategy.

“Lowry doesn't regret the decision to actively invest in collaborative technologies ahead of the curve. “It's not that you're a big player or a little player,” he says. “It's that you're a player or you're not.” (Worthen)

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**"So that's my presentation:
Could I have 100 million for the startup?"**

Ex. 4 – Startup Strategic/IT Plan (CartoonStock.com)

I am not sure whether Lowry really believes that, after everything that happened, a business enterprise being perceived as an innovator or as a “player” and losing money is better than making money following a more conservative Mantra. Lowry has definitely gained recognition for delivering an innovative system. It is likely that is in his personal financial interest to reinforce his image as an innovator or a “player” given that that would contribute to his steady employment at Goldman Industrial Group or to other lucrative opportunities elsewhere.

Despite the IT technological advances that have come about during the last twenty years ushering in a new era of productivity for businesses worldwide, if a company’s long-term strategic goal is to make money it is a good idea to prioritize business strategic thinking over IT strategy. When the opposite strategy is chosen and expensive re-engineering projects become the core focus it is more likely that a company will be seen as a cutting edge innovator but will suffer in short to medium term profitability.

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