

IT Strategy in Action (McKeen/Smith)

Chapter 2 Developing IT Strategy for Business Value

- 1) Only recently, has IT been expected to play a leading role in delivering top-line value and business transformation.

Answer: TRUE

Page Ref: 14

Skill: Easy

AACSB: Use of IT

- 2) It is not often that managers confuse a business model with a strategy because business models and strategies are interchangeable.

Answer: FALSE

Page Ref: 18

Skill: Hard

AACSB: Reflective Thinking

- 3) It can be assumed that IT strategy will naturally drive business strategy.

Answer: FALSE

Page Ref: 14

Skill: Easy

AACSB: Use of IT

- 4) The capabilities of new technologies should always shape the strategic direction of a firm.

Answer: FALSE

Page Ref: 14

Skill: Moderate

AACSB: Use of IT

- 5) If IT is to deliver business value, IT strategy does not necessarily need to be closely linked with sound business strategy.

Answer: FALSE

Page Ref: 14

Skill: Moderate

AACSB: Use of IT

- 6) Poor alignment between IT and the business remains a perennial problem.

Answer: TRUE

Page Ref: 14

Skill: Moderate

AACSB: Use of IT

- 7) Business and IT Strategies do not necessarily need to co-evolve to create new organizational capabilities.

Answer: FALSE

Page Ref: 15

Skill: Moderate

AACSB: Use of IT

- 8) The function of IT is to understand the business's strategy and devise a plan or strategy to support it.

Answer: TRUE

Page Ref: 15

Skill: Moderate

AACSB: Use of IT

- 9) The contribution to business strategy by IT is rarely inhibited by an IT managers' limited understanding of business strategy.
Answer: FALSE
Page Ref: 16
Skill: Hard
AACSB: Use of IT
- 10) Most *formal* IT plans are focused on supporting enterprise strategy rather than the more tactical and tangible line of business needs or opportunities for operational integration.
Answer: TRUE
Page Ref: 16
Skill: Hard
AACSB: Use of IT
- 11) Most CIOs sit on the executive team and take part in all business strategy discussions.
Answer: TRUE
Page Ref: 17
Skill: Easy
AACSB: Use of IT
- 12) CIOs are valued for their insights into the application of technology and not necessarily business opportunities.
Answer: FALSE
Page Ref: 17
Skill: Moderate
AACSB: Reflective Thinking
- 13) Most organizations have become very effective at developing strategy or at effectively integrating business and IT strategies.
Answer: FALSE
Page Ref: 17
Skill: Hard
AACSB: Use of IT
- 14) IT strategy development must become more dynamic and focused on developing strategic *capabilities* that will support a variety of changing business objectives.
Answer: TRUE
Page Ref: 17
Skill: Moderate
AACSB: Use of IT
- 15) Only when the value model is clear can strategies be developed to articulate how a company will deliver that value in a *unique* way that others cannot easily duplicate.
Answer: FALSE
Page Ref: 18
Skill: Hard
AACSB: Use of IT
- 16) The most important element of IT strategy is determining which technology to implement.
Answer: FALSE
Page Ref: 19
Skill: Moderate
AACSB: Use of IT

- 17) The biggest challenge to developing effective IT strategy is the fact that technology can be used in so many different ways.

Answer: TRUE

Page Ref: 19

Skill: Easy

AACSB: Use of IT

- 18) Utility and basic IT support costs eat up 20 percent of most organizational technology budgets.

Answer: FALSE

Page Ref: 19

Skill: Moderate

AACSB: Use of IT

- 19) It can be considered a management mistake to consider technology projects to be solely the responsibility of IT.

Answer: TRUE

Page Ref: 16

Skill: Moderate

AACSB: Use of IT

- 20) The development of integrated, cross-functional systems has increased the importance of technology strategy but not corporate strategy.

Answer: FALSE

Page Ref: 16

Skill: Moderate

AACSB: Use of IT

- 21) The development of integrated, cross-functional systems has:

- A) increased the importance of technology strategy but not corporate strategy.
- B) increased the importance of corporate strategy but not technology strategy.
- C) increased the importance of corporate and technology strategy that cross traditional lines of business.
- D) increased the importance of value models.

Answer: C

Page Ref: 16

Skill: Hard

AACSB: Use of IT

- 22) Strategy development should be:

- A) a two-way process between the business and IT.
- B) a two-way process between the business and its customers.
- C) a two-way process between the business and its partners.
- D) a two way process between the business and finance.
- E) Both B and C.

Answer: A

Page Ref: 14

Skill: Moderate

AACSB: Use of IT

23) A strategy is an approach to:

- A) doing business.
- B) finding new markets.
- C) evaluating existing markets and competitors.
- D) exploring opportunities.
- E) All of the above

Answer: E

Page Ref: 15

Skill: Hard

AACSB: Reflective Thinking

24) A _____ explains how the different pieces of a business fit together.

- A) business strategy
- B) value model
- C) business plan
- D) business model

Answer: D

Page Ref: 18

Skill: Hard

AACSB: Use of IT

25) _____ give both business and IT leaders a broad yet focused topic of interest that challenges them to move beyond current operations.

- A) Business plans
- B) Themes
- C) Value Models
- D) Strategies

Answer: B

Page Ref: 18

Skill: Moderate

AACSB: Use of IT

26) The type of IT Strategy initiative which addresses hardware, software and communications issues is called a/an:

- A) Infrastructure initiative.
- B) Opportunity leverage initiative.
- C) Business opportunities initiative.
- D) Business enabling initiative.
- E) Business improvement initiative.

Answer: A

Page Ref: 19

Skill: Easy

AACSB: Use of IT

- 27) The type of IT Strategy initiative that allows a company to use their ability to leverage others' ideas to their strategic advantage is called a/an:
- A) Infrastructure initiative.
 - B) Opportunity leverage initiative.
 - C) Business opportunities initiative.
 - D) Business enabling initiative.
 - E) Business improvement initiative.

Answer: B

Page Ref: 19

Skill: Moderate

AACSB: Use of IT

- 28) The type of IT Strategy initiative that features small-scale, experimental initiatives designed to test the viability of new concepts or technologies is called a/an:
- A) Infrastructure initiative.
 - B) Opportunity leverage initiative.
 - C) Business opportunities initiative.
 - D) Business enabling initiative.
 - E) Business improvement initiative.

Answer: C

Page Ref: 19

Skill: Moderate

AACSB: Use of IT

- 29) The type of IT Strategy initiative that features projects designed to extend or transform how a company does business is called a/an:
- A) Infrastructure initiative.
 - B) Opportunity leverage initiative.
 - C) Business opportunities initiative.
 - D) Business enabling initiative.
 - E) Business improvement initiative.

Answer: D

Page Ref: 20

Skill: Hard

AACSB: Use of IT

- 30) The type of IT Strategy initiative that stresses relatively low-risk investments with a tangible short-to-medium term payback is called a/an:
- A) Infrastructure initiative.
 - B) Opportunity leverage initiative.
 - C) Business opportunities initiative.
 - D) Business enabling initiative.
 - E) Business improvement initiative.

Answer: E

Page Ref: 19

Skill: Hard

AACSB: Use of IT

- 31) The type of IT Strategy initiative that typically does not receive funding by traditional methods because of the high-risk nature of the project is called a/an:
- A) Infrastructure initiative.
 - B) Opportunity leverage initiative.
 - C) Business opportunities initiative.
 - D) Business enabling initiative.
 - E) Business improvement initiative.

Answer: B

Page Ref: 20

Skill: Hard

AACSB: Use of IT

- 32) Typically IT strategy stresses only those initiatives with strong:
- A) return on investment.
 - B) technology application.
 - C) business cases.
 - D) business opportunity.

Answer: C

Page Ref: 21

Skill: Hard

AACSB: Use of IT

- 33) The IT strategy development process the allows the creation of an overall approach to IT in the company is known as:
- A) a "rolling" planning/budget cycle.
 - B) an enterprise architecture.
 - C) prioritization.
 - D) funding different "buckets".

Answer: B

Page Ref: 21

Skill: Moderate

AACSB: Use of IT

- 34) The IT strategy development process that can lead to an overrepresentation of business improvement projects in the IT portfolio is called:
- A) a "rolling" planning/budget cycle.
 - B) an enterprise architecture.
 - C) prioritization.
 - D) funding different "buckets".

Answer: C

Page Ref: 22

Skill: Hard

AACSB: Use of IT

- 35) The IT strategy development process that can inhibit strategic investments in general capabilities and business opportunities is:
- A) a "rolling" planning/budget cycle.
 - B) an enterprise architecture.
 - C) prioritization.
 - D) funding different "buckets".

Answer: C

Page Ref: 22

Skill: Hard

- 36) While it is unlikely that strategy development will ever become a completely formalized process, in most organizations, there is a clear need to add more:

- A) structure.
- B) budgeting.
- C) prioritization.
- D) planning.

Answer: A

Page Ref: 23

Skill: Hard

AACSB: Reflective Thinking

- 37) IT leaders are now making significant strides in articulating IT strategy and linking it more effectively with:

- A) business opportunity.
- B) business enabling.
- C) business improvement.
- D) business strategy.

Answer: D

Page Ref: 23

Skill: Hard

AACSB: Use of IT

- 38) The biggest challenges for CIOs are:

- A) organizational barriers.
- B) planning and budgets.
- C) supportive governance structures.
- D) managerial control systems.

Answer: B

Page Ref: 23

Skill: Hard

AACSB: Use of IT

- 39) Deciding how to make the trade-offs between the different types of IT work is the essence of effective:

- A) planning.
- B) budgeting.
- C) strategy.
- D) prioritization.

Answer: C

Page Ref: 24

Skill: Moderate

AACSB: Use of IT

- 40) Effective _____ is vital for organizations.

- A) planning
- B) prioritization
- C) strategy development
- D) budgeting

Answer: C

Page Ref: 24

Skill: Easy

AACSB: Use of IT

41) What are the organizational challenges to effective strategic alignment?

Answer: If strategy-development processes are not compatible, or take place at different times or involve different levels of the business, it is unlikely that the business and IT will be working toward the same goals at the same time. Alignment of individual business units can lead to initiatives that suboptimize the effectiveness of corporate strategies.

Page Ref: 14

Skill: Moderate

AACSB: Use of IT

42) List and describe the five types of initiatives involved with implementing a strategic IT program.

Answer: Business improvement. These projects are probably the easiest to agree on because they stress relatively low-risk investments with a tangible short-to-medium term payback. These are often reengineering initiatives to help organizations streamline their processes and save substantial amounts of money by eliminating unnecessary or duplicate activities or empowering customers/suppliers to self-manage transactions with a company. Easy to justify with a business case, these types of projects have traditionally formed the bulk of IT's discretionary spending.

Business enabling. These projects extend or transform how a company does business. As a result, they are more focused on the top-line or revenue-growing aspects of an enterprise. Often the return on these types of projects is less clear, and as a result, it has been harder to get them on the IT priority list. Yet many of these initiatives represent the foundations on which future business strategy will be built.

Business opportunities. These are small-scale, experimental initiatives designed to test the viability of new concepts or technologies. These types of projects have not received funding by traditional methods because of their high-risk nature. There is a growing recognition of the potential value of strategic experiments in helping companies to learn about and prepare for the future.

Opportunity leverage. An often neglected but important type of IT project is one that operationalizes, scales up, or leverages successful strategic experiments or prototypes. Coming up with a new strategic or technological idea needs a different set of skills than is required to take full advantage of it in the marketplace. Some companies actually use their ability to leverage others' ideas to their strategic advantage.

Infrastructure. This final type of IT initiative is one that often falls between the cracks when business and IT strategies are developed. It is clear that the hardware, software, middleware, communications, and data available will affect an organization's capacity to build new capabilities and respond to change. Research also shows that leading companies have a framework for making targeted investments in their IT infrastructure that will further their overall strategic direction.

Page Ref: 19

Skill: Hard

AACSB: Use of IT

43) What are some of the problems facing IT managers when they develop IT strategy?

Answer: Strategic alignment is only one problem facing IT managers when they develop IT strategy. Strategy development and delivery of business strategy become problems when managers develop IT strategy without cooperation from other business units. Organizations face many cultural and technical challenges as they begin to evolve a more formal IT strategy—development process.

Page Ref: 15

Skill: Moderate

AACSB: Use of IT

44) How has the impact of IT grown in companies?

Answer: IT strategy is finally getting the attention it deserves in the business. Most organizations are still at the earliest stages of learning how to develop an effective IT strategy and synchronize it with an overall business strategy. Getting the balance right between the many different ways IT can be used to affect a business is a constant challenge for leaders. The IT strategy—development process must be aligned with the business strategy of the organization, because IT is a critical success factor in business strategy.

Page Ref: 24

Skill: Moderate

AACSB: Reflective Thinking

45) What are some challenges for Chief Information Officers?

Answer: Recognition of a need and the ability to put effective solutions into place. IT leaders are now making significant strides in articulating IT strategy and linking it more effectively with business strategy. Important organizational barriers can exist that often inhibit strategy development. A supportive governance structure is frequently lacking. Similarly, current managerial control systems and incentives are often designed to reward thinking that is aligned to a line of business, not to the greater organizational good. Enterprisewide funding models are also lacking. Traditional planning and budgetary practices are a further challenge.

Page Ref: 23

Skill: Moderate

AACSB: Reflective Thinking

46) How has business strategy changed in the last decade with regard to IT strategy? What are the effects?

Answer: Instead of looking for ways to be different, most business strategy had become a relentless race to compete on efficiencies with IT as the primary means of doing so. However, in many industries, companies' improved information-processing capabilities have been used to drive down transaction costs to near zero. Such low transaction costs threaten traditional value propositions and can drastically shave profit margins. This disruption to traditional business models of the last decade has been lead by technology enabled approaches to delivering products and services that can revolutionize the delivery of products and services of an entire industry.

Page Ref: 16

Skill: Hard

AACSB: Use of IT

47) How has globalization affected the development of both business and IT strategy?

Answer: Globalization is altering the world economic playing field. As countries and companies become more deeply interrelated, instability is amplified adding uncertainty to both domestic and global markets. Flexibility, speed, and innovation are, therefore, becoming Issues in domestic markets as global competitors can respond as quick to opportunities as domestic competitors. Business and IT strategy can no longer ignore foreign competition and must include both domestic and foreign competitors when seeking to improve competitive advantage.

Page Ref: 16

Skill: Hard

AACSB: Reflective Thinking

48) List and describe three processes companies use to develop IT strategy.

Answer: **"Rolling" planning and budget cycles.** IT plans and budgets need attention more frequently than once a year. By reviewing It budgets more often, business and technology opportunities may be realized.

An enterprise architecture. This is an integrated blueprint for the development of the enterprise—both the business and IT.

Account or relationship managers. Appointing IT/account managers with a deep and rich understanding of the business to work with key lines of business. These managers help business leaders to observe their environments systematically and identify new opportunities for which IT could be effective.

Prioritization. Avoiding the Justification of certain types of initiatives using the traditional business case method of prioritization. This has led to an overrepresentation of business improvement projects in the IT portfolio and has inhibited more strategic investments in general capabilities and business opportunities. This problem is leading some companies to adopt multiple approaches to justifying IT projects

Page Ref: 22

Skill: Moderate

AACSB: Use of IT

49) List and describe the four critical success factors for effective IT strategy development.

Answer: Revisit the business model.

The worlds of business and IT have traditionally been isolated from each other which can lead to misaligned and sometimes conflicting strategies. IT that must translate their ideas and concepts into business language. Similarly, it is essential that all managers thoroughly understand how their business as a whole works.

Have strategic themes

IT strategy used to be about individual projects. Now IT strategy is about carefully crafted *programs and projects* that focus on developing specific business capabilities. Each program consists of many smaller, interrelated business and IT initiatives cutting across several functional areas. These are designed to be adapted, reconfigured, accelerated, or canceled as the strategic program evolves. Themes give both business and IT leaders a broad yet focused topic of interest that challenges them to move beyond current operations.

Get the right people involved.

One of the most important distinguishing factors between companies that get high business value from their IT investment and those that don't is that senior managers in high-performing companies take a leadership role in IT decision making. Getting the right people involved also means getting business managers and other key stakeholders involved in strategy as well.

Work in partnership with the business.

Successful strategy demands a true partnership between IT and the business. Strategy decisions are best made with input from both business and IT.

Page Ref: 18

Skill: Moderate

AACSB: Use of IT

- 50) Should business and IT strategies complement and support each other relative to the business environment? Why?

Answer: Strategy development should be a two-way process between the business and IT. Poor alignment of business and IT strategy can lead to many organizational challenges. If the business and IT strategy-development processes are not compatible or involved different levels of the business, it is unlikely that the business and IT will be working toward the same goals at the same time . Aligning with individual business units can lead to initiatives that suboptimize the effectiveness of corporate strategies.

Page Ref: 14

Skill: Moderate

AACSB: Use of IT