

## **Chapter 2**

### **IT Strategy**

#### **True-False Questions**

1. An alignment enabler is an organizational factor that should be minimized because it can hinder achieving IT-business alignment.

**Answer:** False

**Reference:** p. 25

2. Weak economic growth is an example of one of the top six inhibitors to achieving IT-business alignment.

**Answer:** False

**Reference:** p. 25

3. A mission statement is a concise, measurable statement of where the company wants to go and what it aspires to be.

**Answer:** False

**Reference:** p. 27

4. A purpose of strategic objectives is to articulate how the vision will be accomplished over an identified time period.

**Answer:** True

**Reference:** p. 29

5. An IT mission statement is a concise statement of why the IT group exists and the purpose and function it provides for the company.

**Answer:** True

**Reference:** p. 30

6. The IT strategy formulation process is best described as a sequence of activities that transforms the current alignment state to the envisioned future alignment state.

**Answer:** True

**Reference:** p. 40

7. The typical role of champion is to obtain funding and other resources needed to implement the vision.

**Answer:** False

**Reference:** p. 42-43

8. The “To-Be” state refers to the current state of the firm in terms of the components of the Strategic Alignment Model.

**Answer:** False

**Reference:** p. 43

9. The SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation.

**Answer:** True

**Reference:** p.44

10. An objective of the Ansoff's Product/Market Matrix is to help identify growth strategies for an organization.

**Answer:** True

**Reference:** p. 46

11. The primary objective of the Ansoff's Product/Market Matrix is to identify external environmental threats to an organization.

**Answer:** False

**Reference:** p. 46

12. An objective of the market penetration strategy of Ansoff's Product/Market Matrix model is to define new markets with innovative new products.

**Answer:** False

**Reference:** p. 46

13. Rivalry between existing firms is usually the strongest of the external environment threats.

**Answer:** True

**Reference:** p. 49

14. The threat of substitute products pertains to the likelihood of a customer being able to use a completely different product obtained from a company outside the industry.

**Answer:** True

**Reference:** p. 51

15. Commitment of senior business management is an essential component for the successful implementation of an aligned IT strategy.

**Answer:** True

**Reference:** p. 54

### Multiple Choice Questions

16. Each of the following is an enabler of IT-business alignment **except**:

- a. senior executive support for IT.
- b. IT management lacks leadership.
- c. IT understands the business.
- d. well-prioritized IT projects.

**Answer:** b

**Reference:** p. 25

17. Each of the following represents a key element in the formulation of strategy **except**:
- a. strategy.
  - b. inhibitors.
  - c. mission.
  - d. vision.

**Answer:** b

**Reference:** p. 27

18. Which of the following is the best example of a strategic objective?÷
- a. Support worldwide information requirements and business objectives.
  - b. Provide competitive advantage to the company.
  - c. We will drive or enable business strategies to ensure that our contributions provide the highest value to the corporation.
  - d. Become #1 or #2 in every market we serve.

**Answer:** a

**Reference:** p. 29

19. According to Schein, each of the following is a sub-culture of management **except**:
- a. executive culture.
  - b. engineering culture.
  - c. operator culture.
  - d. knowledge culture.

**Answer:** d

**Reference:** p. 34

20. According to the Strategic Alignment Model, each of the following components is concerned with the external domain of IT strategy **except**:
- a. scope of the firm's technology.
  - b. systemic competencies.
  - c. IT processes.
  - d. IT governanceinfrastructure.

**Answer:** c

**Reference:** p. 37-38

21. Each of the following is a component of the Strategic Alignment Model **except**:
- a. IT governance.
  - b. administrative structure.
  - c. financial structure.
  - d. business governance.

**Answer:** c

**Reference:** p. 39

22. Which of the following is **not** a component of IT Strategy within the Strategic Alignment Model?

- a. Technology scope
- b. IT governance
- c. Systemic competencies
- d. Skills

**Answer:** d

**Reference:** p. 39

23. Each of the following is a key component of the IT Strategy Formulation Process **except**:

- a. systems analysis and design.
- b. strategy alternatives analysis.
- c. periodic review.
- d. "As-Is" State of the organization.

**Answer:** a

**Reference:** p. 41

24. Each of the following is a component of the SWOT model **except**:

- a. Strengths.
- b. Weaknesses.
- c. Organizations.
- d. Threats.

**Answer:** c

**Reference:** p. 44-49

25. Each of the following is a market positioning strategy of the Ansoff Product/Market Matrix **except**:

- a. diversification.
- b. market penetration.
- c. product development.
- d. best products.

**Answer:** d

**Reference:** p. 46

26. The component of the Delta model which would use IT strategies such as integrated Supply Chain Management and Customer Relationship Management or collaborative planning and forecasting using Web technologies best describes:

- a. system lock-in.
- b. customer solutions.
- c. best products.
- d. product economics.

**Answer:** b

**Reference:** p. 47

27. Which of the following frameworks addresses IT strategy by application prioritization and application portfolio management?÷

- a. Framework for assessing the strategic importance of an IT system-
- b. Corporate goals for IT-
- c. Seven sources of innovation-
- d. Balanced scorecard-

**Answer:** a

**Reference:** p. 49

28. Which of the following frameworks addresses IT strategy by examining the focus of IT in organizations relative to strategic goals and effectiveness?÷

- a. Framework for assessing the strategic importance of an IT system-
- b. Corporate goals for IT-
- c. Seven sources of innovation-
- d. Balanced scorecard-

**Answer:** b

**Reference:** p. 49

29. According to Porter's Five Competitive Forces model, all of the following are considered external environmental forces **except**:

- a. power of suppliers.
- b. diversification of product/market.
- c. substitute products/services.
- d. power of buyers.

**Answer:** b

**Reference:** p. 49-5150

30. Which of the following is least likely to be used as a technique for evaluating alternative IT strategies?÷

- a. sScenario planning
- b. bBalanced scorecard
- c. eCost and benefit analysis
- d. gGap analysis

**Answer:** b

**Reference:** p. 53

## Fill In the Blanks

31. **Strategies** are business decisions taken at particular points in time by different people in response to sets of perceived environmental factors

**Reference:** p. 26

32. A **vision statement** is a concise, measurable statement of where the company wants to go and what it aspires to be.

**Reference:** p. 27

33. The three key elements of the formulation of strategy are vision, strategy, and **mission**.

**Reference:** p. 27

34. A(n) **IT mission statement** is a concise statement of why the IT group exists and the purpose and function it provides for the company.

**Reference:** p. 30

35. The phenomenon whereby the pervasiveness of IT in manufacturing and services has made the market value of physical products and processes less important than the knowledge and information embedded in them is referred to as **dematerialization**.

**Reference:** p. 31

36. **Process innovation** refers to the radical design of new processes that include new approaches to work, new organizational structures, and new relationships with customers, suppliers, partners, and employees.

**Reference:** p. 32

37. The role that information technology takes when the IT strategy becomes the business strategy is best described as **transformation driver**.

**Reference:** p. 33

38. In its formulation of an IT strategy, IT management needs to be concerned with both the **external** and internal domains of strategic alignment.

**Reference:** p. 38

39. In the Strategic Alignment Model, the linkage between the internal domains of business and IT such that the capabilities of the IT infrastructure support the requirements and expectations of the business' organizational structure and processes is called **operational integration**.

**Reference:** p. 40

40. In the Strategic Alignment Model, the linkage between the IT strategy domain and the business strategy domains is called **strategic integration**.

**Reference:** p. 40

41. The ***IT strategy formulation process*** can be described as a sequence of activities that transforms the current alignment state to the envisioned future alignment state.

**Reference:** p. 40

42. A ***champion*** describes a person—typically a senior business executive—who has the compelling vision of the “To Be” state of affairs.

**Reference:** p. 42

43. A ***sponsor*** describes a person—typically a business executive—who uses his/her organizational influence to obtain the resources needed to implement the vision.

**Reference:** p. 43

44. A primary objective of the ***SWOT analysis*** is to recommend strategies that ensure the best alignment between the external environment and internal situation.

**Reference:** p. 44

45. Critical success factors that provide a firm with a potential competitive edge best describes ***distinctive competencies***.

**Reference:** p. 44

## Essay Questions

46. *List and briefly describe five of the seven characteristics an effective vision statement should have.*

Imaginable: Conveys a picture of what the future will look like.

Desirable: Appeals to the long-term interests of employees, customers, stockholders, and others who have a stake in the enterprise.

Feasible: Comprises realistic, attainable goals.

Focused: Is clear enough to provide guidance in decision making.

Flexible: Is general enough to allow individual initiative and alternative responses in light of changing conditions.

Communicable: Is easy to communicate; can be successfully explained within five minutes.

Measurable: Stakeholders will clearly see that they have attained the goal.

**Reference:** p. 28

47. *List and briefly describe seven attributes of a sponsor or champion.*

Power: The organizational power to legitimize the change with targets.

Pain: A level of discomfort with the status quo that makes change attractive.

Vision: A clear definition of what change must occur.

Resources: A thorough understanding of the organizational resources (time, money, people) necessary for successful implementation and the ability and willingness to commit them.

The Long View: An in-depth understanding of the effect the change will have on the organization.

Sensitivity: The capacity to fully appreciate and empathize with the personal issues major change raises.

Scope: The capacity to understand thoroughly the size of the group to be affected by the change.

A Public Role: The ability and willingness to demonstrate the public support necessary to convey strong organizational commitment to the change

A Private Role: The ability and willingness to meet privately with key individuals or groups to convey strong personal support for the change.

Consequence Management Techniques: Preparation to reward promptly those who facilitate acceptance of the change or to express displeasure with those who inhibit it.

Monitoring Plans: The determination to ensure that monitoring procedures are established that will track both the transition's progress and problems.

Willingness to Sacrifice: The commitment to pursue the transition, knowing that a price will most often accompany the change.

Persistence: The capacity to demonstrate consistent support for the change and reject any short-term action that is inconsistent with long-term change goals.

**Reference:** p. 42



48. Briefly describe Porter's Industry Profitability Five Forces model, SWOT analysis, and Ansoff's *Product-Market Analysis* as methods to facilitate management's evaluation of strategy alternatives.

Porter's Five Forces model proposes that industry profitability is a function of five distinct external forces that shape competition, and not just a function of the traditional rivalry between firms. Identifying and understanding the five forces that influence competition within a firm's industry provides powerful insight regarding the strategic positioning a firm should consider in countering external threats. Porter's five threats are:

Rivalry between existing firms, risk of new entrants, power of buyers, power of suppliers, and threat of substitute products/services.

The SWOT analysis is a set of activities designed to generate a detailed analysis of the strengths, weaknesses, opportunities, and threats confronting the firm. The SWOT analysis identifies factors that may affect desired future outcomes for the company. The SWOT model is based on identifying the organization's internal strengths and weaknesses, and threats and opportunities of the external environment. These, along with considerations of company values and culture, lead to the creation, evaluation, and choice of an aligned IT strategy. The SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation.

Ansoff's Product Market analysis is a model that examines the competitive positioning of a firm based on the relationship between new and current products (or services) in new and current markets. The Ansoff Matrix is especially useful in examining growth strategies and becomes the starting point in the IT strategy planning process for examining strategic alternatives and the enabling impact of IT on these strategies.

**Reference:** p. 44-46

49. *Describe and discuss the IT Strategy Formulation Process.*

The IT strategy formulation process can be described as a sequence of activities that transforms the current alignment state to the envisioned future alignment state. The future alignment state has the required condition that it enables sustainable competitive advantage. In addition, the benefits obtained from this envisioned future state of strategic alignment must be amenable to measurement in business terms. The process of transforming the firm's state of strategic alignment—and the consequent formulation of IT strategy—is done through the following set of activities, which require the active commitment and participation of senior business and IT management in order to be effective:

**Obtaining An Executive Champion/Sponsor:** The first step in the formulation of a viable IT strategy is obtaining the sponsorship of a senior business executive for the effort.

**Forming the Team:** IT management should form a team of senior decision-makers from the corporate IT and (if applicable) business unit IT organizations as well as senior business management from the business units. Once formed, the team and the sponsor/champion must quickly establish a joint understanding and commitment to the goals and objectives of IT strategy formulation and its outcomes.

**Describing the “As-Is” State:** This activity describes the current state of the firm in terms of the components of the Strategic Alignment Model. The “As-Is” description of the firm needs to specify both the business strategy and organizational infrastructure and process domains as well as the domains that pertain to the IT organization (i.e., IT strategy and IT infrastructure and processes).

**“SWOT” Analysis:** This set of activities is designed to generate a detailed analysis of the strengths, weaknesses, opportunities, and threats confronting the firm. The SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation.

**Strategy Alternatives Analysis:** This step involves analyzing alternative strategies derived from applying various models such as Porter's Industry Profitability Five Forces model, SWOT analysis, and Ansoff's Product-Market Analysis and obtaining mutual agreement as to their priority and attractiveness.

**IT Strategy Implementation Planning:** This step involves the actual implementation of the prioritized strategies. It involves commitment and engagement of senior business management, the ability of organizations to adapt their IT and adoption of management practices which help facilitate IT-business alignment, and the adoption of effective measurement systems and criteria.

**Periodic Review:** All strategies need to be periodically reviewed to ensure that assumptions about external environment are still correct, that implementation plans are on schedule, that measurements are being captured and reported and that these measurements support ongoing IT-business alignment.

**Reference:** p. 40-55

50. *Describe how IT can be used as an enabler of business transformation. Give examples from industry.*

In its role as an *enabler of transformation*, IT's capabilities to interconnect people and processes, span organizational (and inter-organizational) boundaries, and quickly bridge geographical distances can help organizations explore new markets and customer segments, create new processes, and provide a critical supporting role in the implementation of business transformation strategies. An example of IT as an enabler of transformation is Federal Express' use of IT to track packages; supporting its revolutionary concept of airline hubbing for overnight package delivery. This process innovation redefined the small package delivery business and put the U.S. Postal Service at a severe competitive disadvantage. Another example of IT as a transformation enabler is *USA Today's* use of new communications technologies and graphics information management technologies to support what is now a national newspaper. *USA Today* transformed the processes involved with producing, printing, and distributing a daily newspaper to a national and international readership through the deployment of IT.

**Reference:** p. 34