Curing IT Strategy

WHY DO YOU THINK YOUR CEO NEVER CALLS TO OFFER SINCERE THANKS FOR YOUR WORK ON IT STRATEGY?
Why do you think your CEO never calls to offer sincere thanks for your work on IT strategy?

Any ideas?

Is it because your team simply didn’t put in the hours? Or because they came to invalid conclusions? Or did you forget something critical?

It’s not for any of these reasons. Your CEO never read the IT strategy document. Not even the Executive Summary you carefully crafted. It wasn’t framed in a way which was meaningful or digestible to the board. Your IT strategy is ill, and it needs a cure.

In the meantime, can you really expect the full support of the business when it comes to implementation? It’s pretty unlikely, unless all you’ve done is reiterate established ideas, and if that’s the case then what value have you really added?
At CGI, we don’t believe in mainstream IT strategy. Even using that phrase can sometimes set organisations on a dangerous path towards investments which may bring little or no business benefit, despite their intuitive appeal.

That danger originates in our profession’s ingrained impression that IT is somehow different, and therefore warrants its own strategy, written along different premises to that of the wider business.

We need to stop thinking that way, and remember IT’s purpose. For most organisations, technology is primarily an internal investment which must pay back by enabling the organisation to meet its business goals. More on this later.
A CHRONIC PROBLEM

But how did we get here?

Conventional “IT strategy” is the natural consequence of outdated IT thinking.

Decades ago computers were only used to automate human tasks, making those tasks faster and cheaper to execute. Computers were an operational efficiency measure - nothing more - and because they were largely unintelligible to anyone outside the Data Processing department, only the experts could be expected to know how to maximise that efficiency. Those experts crafted a new discipline called “IT strategy” which usually resulted in a long-term plan of technical upgrades and enhancements, with precious little alignment to business direction.

This restricted view went largely unnoticed in the 80s and 90s when business strategy was also largely focused on efficiency. The Japanese led the charge towards ever-improving prices and quality... and the rest of the world followed.

Nowadays strategic thinking has moved on, and most companies plan how they’ll reach and sustain a well-differentiated market position.

Critically, IT can play its part here too. Technology can be used to reach customers in new ways, speed time-to-market, broaden product portfolios, and even support entirely new business models (think Apple, Facebook, Amazon, but also Tesco, GSK, Barclays). Today’s IT has the potential to bring more value in the front-office than in the back-office.

Unfortunately the dominant IT thinking hasn’t moved quickly enough. Instead efforts have remained focused on optimisation, with ever more sophisticated models for governance, procurement and systems architecture. A paper by Peppard and others expresses this phenomenon succinctly: “organisations are too preoccupied with manipulating the denominator – reducing spend, and are failing to focus on how deploying IT can create business value.”

As a result most long-range IT planning is still founded on trying to do things cheaper, faster or more reliably, so most IT strategy still fails to demonstrate proper alignment with business direction. It’s great for the CIO to save 20% on IT costs over five years, but if IT represents just 3% of total expenditure, then it may not be the real priority. CIOs and other IT leaders must discover what really is important, then bring their plans in line. Only then can they credibly claim to make a strategic contribution in the eyes of the wider organisation.

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Think for a moment about the last IT strategy activity you were involved with. Did any of the following apply?

- An IT strategy lead was appointed, reporting to the IT department.
- There was no stable business strategy at first, so IT boldly led the way, carving out its own strategic path.
- In time the business strategy began to emerge. But it kept changing, so IT didn’t feel able to use it as foundation for IT planning.
- Some things in the IT world seemed certain, like the need for an ERP upgrade in 18 months, or the savings achievable with server virtualisation. They got good coverage in the IT strategy document.
- The document also gave nods to contemporary CIO trends like social media, sustainability and cloud.
- Indicative IT savings were produced, but revenue, time-to-market and customer experience metrics could not be estimated.

If those sound familiar then you’ve had a fairly typical experience. But we know much more can be achieved.
So let’s reinvent IT strategy. But before we do that, let’s be sure we understand business strategy...

Business strategy is the process of establishing one or more future business models which define what an organisation will provide, to whom, and how to produce it, all with lasting competitive advantage.

In competitive industries the business strategy needs frequent adjustment in response to the best new ideas, and to compensate for changing pressures from competition, customers, suppliers, new entrants and substitute products (Porter’s Five Forces).

Strategic activity is usually progressed using some variation on the following steps:

1. Understand your company’s situation and the challenges it faces, and frame that information in simple terms (“Where are we?”)

2. Develop positioning options and recommendations (“Where are we going?”)

3. Plan out the steps to reach the new position (“How will we get there?”)
Michael Porter’s Harvard Business Review article “What is Strategy?” suggests using Activity System Maps to model the positioning options of step 2, and this is something we wholeheartedly endorse. These maps depict the specific combination of business activities which will make the future business unique, but also demonstrate the need for those activities to complement each other (see figure below for a typical example).

Beware that the best strategic option is rarely easy or obvious. If it were, then competitors could copy or outflank you. So careful analysis and managed creative thinking are both essential. It helps to work with real-world data and analysis, so consider what products, customer segments and channels show most potential, what other companies are in doing in your sector and elsewhere, and what other needs your customers have.

One final point: Different organisations adopt very different approaches to strategic planning depending on their situation and industry. A water utility operates in a predictable environment, with just one product line, and with rainfall the only major variable. It can exert little influence on the market, and will tend towards highly-structured strategic planning. But a life sciences company is quite different. In fast-moving sectors one company’s R&D investment can shape an entire market. It’s important to react quickly to unexpected forces here, so an overly-structured strategy could be a handicap, and a much more flexible style will probably be adopted.

Where does all this leave our efforts in IT strategy?
In light of these considerations, our IT strategy advisors have started recommending that IT leaders should:

1. Drop the idea of IT strategy altogether, and instead talk about the IT enablers of business strategy. By playing-down the idea of a separate IT strategy, CIOs can demonstrate their role in the wider business, and stand a better chance of engaging with and influencing the boardroom strategy.

2. Not limit their contributions to technology. Having established a seat at the strategy table, IT leaders’ must begin by seeking to understand and influence the business direction, and only then bring their IT-enabled ideas.

3. Use the best of their people to make the best strategic contributions. To engage them, you should seek-out a simple picture of the evolving strategy which the wider IT team can digest and hope to enhance. Business strategy is often not committed to paper, so it might be necessary to create this picture for yourself. You might use the Activity System Map notation shown earlier.

4. Have your team adopt the strategic thinking style used by the wider organisation. It may be structured (and therefore natural for many IT natives) or it may be highly-unstructured (more challenging for analytical people to adopt). Coach your contributors accordingly.

5. Identify where major new technologies (and especially disruptive technologies) could bring unique opportunities for the business to add, remove or transform activities in support of the strategic direction. Consider if existing IT capabilities could be reused or new capabilities could be introduced, to make major improvements to customer experience, channel effectiveness, sales, product diversity, supply chains, etc.

6. Explore how IT could help with the strategic planning process itself. Any good strategy depends on insights derived from data. What could corporate and public data sources tell your company about your markets, both now and in the future?

7. Separate IT efficiency planning away from strategy, and seek to consolidate it with other company-wide operational efficiency planning. Strategy and efficiency demand different thinking, and are motivated by different forces. Ultimately they should consolidate into a single portfolio, but it’s not as urgent as you think.
A HEALTHY FUTURE

We hope we’ve persuaded you that CIOs garner greater respect by blending their strategic thinking into that of the wider business.

Critically, IT has no intrinsic value. It’s just one of many internal investments risked in the hope of financial return. So why should it have its own unaligned strategic direction?

If IT is special then it’s only because it evolves faster than many other types of investment (think of company cars, photocopiers, office buildings). That pace of change is no reason for a fundamentally different approach, but it gives CIOs increasing relevance in the boardroom – something everyone should see as a healthy development.

For further reading:


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