

The Value of an IT Strategy

And How Much Effort Should You Spend on It

Mark Flynn, 1 September, 2010

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The Issues

The purpose of this Advisory Note is to discuss the value that a documented IT Strategy has for the business as well as for IT. We have structured this paper in a Q&A format based on questions that our clients have asked us in the past. After reading this paper, you should:

- Have an understanding of the benefits of an IT Strategy
- Be able to decide what form your IT Strategy should take

Key Recommendations

- A documented IT Strategy has value and should be considered as a key way of facilitating a common IT / business understanding
- Don't spend too much time developing an IT Strategy or it risks becoming obsolete before it is finished
- Ensure that the IT Strategy is high level or at least has an executive summary which is easily digestible to non-IT literate business management
- Make sure that the IT Strategy is refreshed on a regular basis or else it will become less and less relevant to the organization over time

The Value of an IT Strategy

Does an Organization need a Formal Documented IT Strategy?

The simple answer to this is no. There are many examples of organizations that do not have a formal IT Strategy and they survive and even thrive. However, our view is that organizations who thrive without an IT Strategy tend to have an informal IT Strategy which, although is not documented, is understood by both the business and IT. Such organizations tend to have a very business focused CIO or IT management and the level of communication between the business and IT is very high. However, in general, we do recommend having a documented IT Strategy as the informal approach has limitations when key staff leave, and it is also very difficult to deliver a coherent message to the rest of the organization.

How Long Should it Take to Develop an IT Strategy?

At a maximum it should take between 4 and 16 weeks to complete an IT Strategy for most organizations (very complex organizations with different lines of business which are not related will take longer but in effect these are multiple IT strategies). Any longer than this and the process risks being overtaken by events and inevitably the organization's enthusiasm wanes if it takes a long time to develop the IT Strategy. In some organizations we see IT Strategy development taking six months or more; however we normally find that these IT strategies contain a high level of technical detail and as such are more than what we would consider a typical IT Strategy.

How Detailed Should an IT Strategy Be?

The strategy document should be relatively high level (or at least it should have a high level executive summary) and it should be easily digestible by both IT and business people. The strategy needs to contain key principals and plans rather than a high level of detail. While a strategy may initiate further detailed projects (e.g. Enterprise Architecture definitions, business process modelling, detailed technical standards etc.), detail within the strategy itself can be counter productive and potentially will turn the IT Strategy into shelfware.

How Long a Period Should the IT Strategy Cover?

There is no set answer to this question. It materially depends on the level of change within the organization. We would typically recommend that organizations have a short formal review of their IT Strategy once every 12 months and a major refresh every three to five years (depending on the level of change).

What Should Be in an IT Strategy?

Again there is no set answer to this. Typically we see:

- An assessment of the business strategy
- An evaluation of the current IT technology and organization
- A gap analysis between the current state and what is needed to support the business strategy
- Strategy principles to address the gaps
- A description of the business value that the IT Strategy will bring
- High level plan of how the principles will be implemented and the gaps closed, including the mix of insource and outsource

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Does the Business Have to be Involved in the Development of the IT Strategy?

The clear answer to this is: Yes! IT Strategy needs to be aligned to the business to provide the maximum business value. While it is possible to assess what the business strategy is (without business input), this has its own dangers. Without business input the strategy tends to be a list of technical standards which have limited value, if they do not align to the business (which cannot be guaranteed without business input). Such “IT Strategies” cannot be used to fully show the value of the IT organization to the business, and are no more than technical strategies.

How Widely Should the IT Strategy Be Communicated?

Once the strategy has been approved it should be disseminated throughout the entire organization. The exception being where there are IT organization impacts which can impact employees’ roles. Such impacts need to be managed with the HR function or a change management body.

We know of one organization who kept its IT Strategy a closely guarded secret between the senior management of the organization. This is in our opinion a total waste, makes the strategy almost impossible to implement, and causes resentment and confusion in the IT organization.

Additionally, where there is a heavy dependence on third parties (e.g. outsource partners), then such third parties may have a valuable contribution to the IT Strategy, and at a minimum should be aware of and aligned to the strategy.

Should We Seek External Assistance to Develop the IT Strategy?

Not every organization needs external assistance to develop their IT Strategy. There are three primary reasons that organizations seek assistance:

- The first is **expertise**: if you are not developing such strategies on a regular basis, it is easy to miss out on key steps and issues.
- The Second is **research and knowledge**: many organizations do not have the time and ongoing resources to track the latest industry, business and IT trends and to assess their impact on the organization.
- Thirdly and perhaps most importantly, is the issue of **buy-in and acceptance** of the developed IT Strategy: an IT Strategy that is developed with the assistance of an independent third party – following a structured process – can help gain the acceptance of business and IT staff alike and make it more likely to be implemented.

These three factors vary from organization to organization.

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In Brief

The development of an IT Strategy can bring value to an organization but only if the strategy is developed with the close involvement of the business (or operational units) and communicated widely throughout the organization. An IT Strategy should be completed in a relatively short period of time and it should be updated on a regular basis to ensure that it remains relevant.