

CGEIT Exam Prep

Review #1



Webinar URL: <http://tinyurl.com/cgeitPrep>
Dial IN: 641-715-3635 | CODE: 675-176#

Nov 27, 2009

1

What is Business Strategy?

- **Michael Porter Harvard Business Review article of same title (2000)**
 - Among Top 10 requested HBR articles
- **Business Strategy is defined by a triple:**
 1. Company's unique asset(s)
 2. How those assets will be leveraged to provide competitive advantage
 3. How that advantage will be sustained over time



2

What is IT Strategy?

- **In general must be defined differently than Business Strategy**
 - IT is not the raison d'être for a Company
 - Company exists to serve some market need, not to have an IT department
 - IT goals that are independent of the business strategy are 'operational' rather than strategic
 - Not the primary subject of alignment
- **When IT is aligned, IT strategy is derivative of business strategy**
 - IT strategy addresses 2 questions:
 - What IT must do to ensure the Company's ability to *leverage* the Company unique asset (core) in the market
 - What IT must do to facilitate *creating or sustaining* the Company's market advantage over time
 - Strategy for *any* of the Company's business units must address similar questions

3

Business Strategy

- **IT is aligned when**
 1. IT is effective in support of business strategy
 2. Business strategy takes advantage of opportunities provided by IT
 - CGEIT needs awareness of business strategy formation to better influence that process
- **Strategy Foundation**
 1. Mission, vision and values
 2. Environmental assessment (internal & external)
 3. Strategy formulation
 4. Destination statement
 5. Strategy map
 6. Objectives

4

Business Strategy Foundation

1. Mission, vision and values
 - What the organization does; why it exists
 - Where the organization wants to go / to be
 - Company beliefs & culture
2. Strategic assessment
 - PESTRAL; external influences on Company & market
 - Political; economic, social, technological, environmental, legal
 - 5 forces
 - Substitute products, entry of new competitors, competitive rivalry; consumer bargaining power; supplier bargaining power
 - SWOT; internal influences on Company
 - Strengths, weakness, opportunity, threats



5

Business Strategy Foundation

3. Destination statement
 - Identifies what will be achieved within specific timeframes
 - Action
 - Results
 - Timeframe
 - Method
 - Customers
 - Means
 - For example;

Will (action)	Expand
to (result)	Offices in top 10 California markets & be in top quartile of investment banks
by (timeframe)	2011
by (method)	Offering portfolio of green technology
For (customer)	High net worth clients wanting environmental contribution and tax write-off
Through (means)	Green expertise and favored political contacts



6

Business Strategy Foundation

4. Strategy map

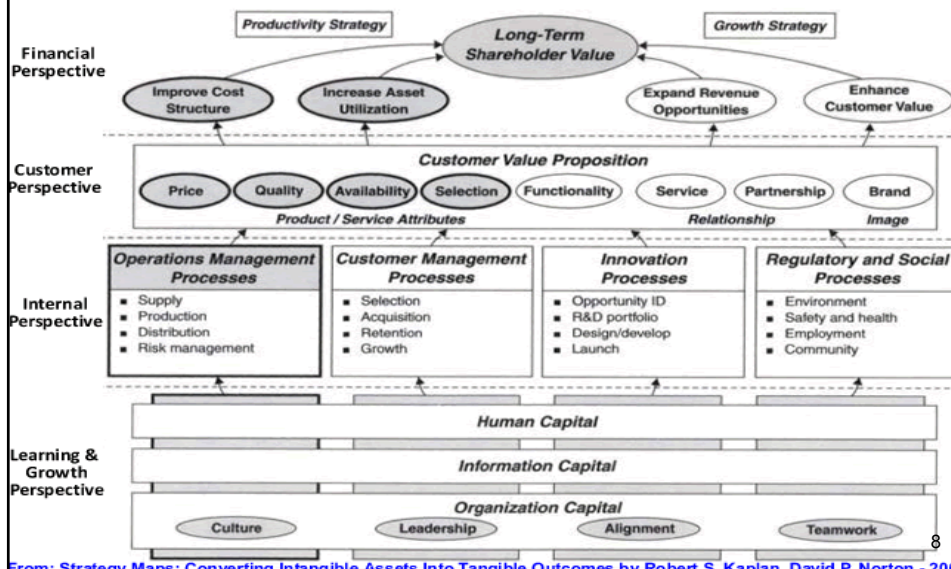
- Chain of goal statements that lead to successful execution of business strategy
- Emphasize cause and effect links
 - Represents Company understanding of its business
 - If we do X, market will respond with Z
 - If we have more A, we can more efficiently do B and lower product cost
 - Cause & effect relationships
 - Empirical or assumed
 - Correct (i.e. 'complete') or not ('incomplete')

5. Scorecard

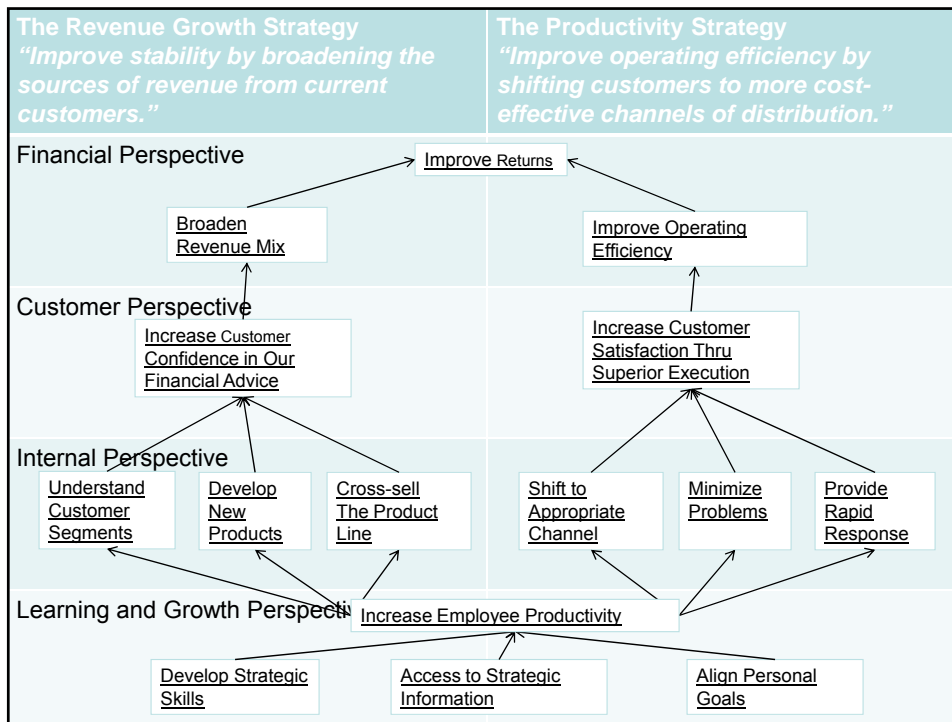
- Associate strategic measurements
 - Outcome measures (lag indicator)
 - Performance driver (lead indicator)
- Set targets

7

Strategy Map – Goal Categories



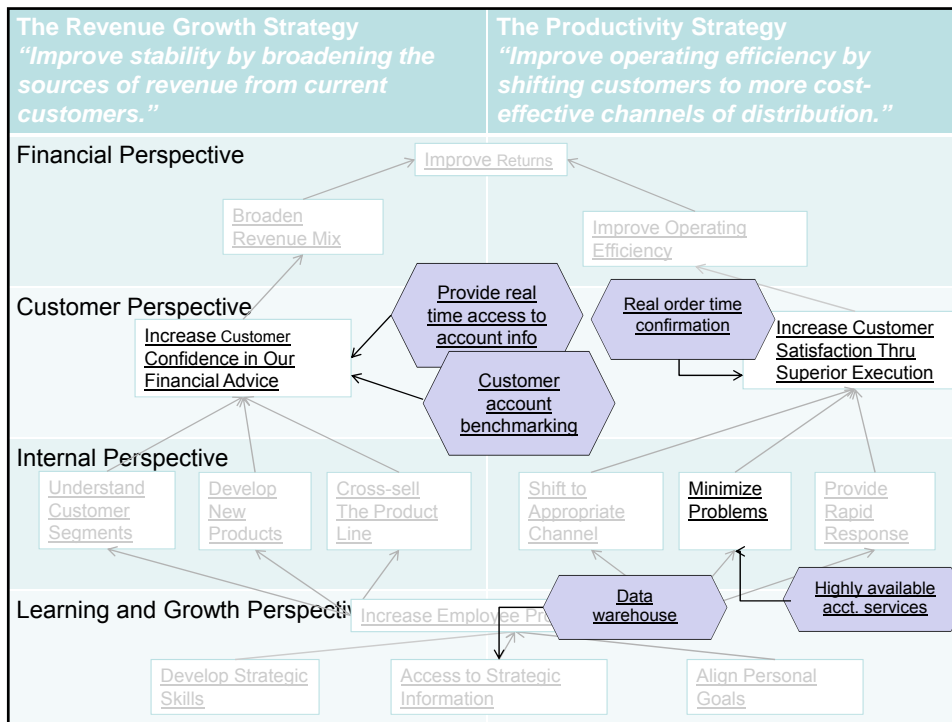
From: *Strategy Maps: Converting Intangible Assets Into Tangible Outcomes* by Robert S. Kaplan, David P. Norton - 2004



What is IT Strategy?

- Plan for IT's support of business strategy
 - Goal achievement that IT directly can influence
 - Goal achievement that IT only indirectly supports
- Direct support
- Indirect support
 - Business strategy provides a filter to prioritize requirements of independent business unit
 - Outcome measures provided by business unit goals





Balanced Scorecard Cascade

- *Alignment* is concerned with cause and effect relationship between IT BSC and Business BSC
 - IT performance -> IT goal -> Business objective
≠
 - IT performance -> IT goal ->IT objective
- Is the IT objective linked to a strategic business objective?
 - If not, then the IT objective is not strategic
 - Non-strategic objective should be given lower priority w/ respect to discretionary resources

IT BSC

Perspective	Objective	Metric	Target	Initiatives
Financial				
Customer	Increase Customer confidence in our financial advise	1. Timeliness Customer initiated transactions are completed within 2 secs of submit time 2. Quality % of publically available benchmarks available for portfolio comparison	VIP- 100% Mass Mkt 85% 100%	<ul style="list-style-type: none"> • Provide real time access to account info • Portfolio – benchmark comparisons

IT BSC

Perspective	Objective	Metric	Target	Initiatives
Internal	Reduce the effect of website process errors	Total number of errors reported Total time to fix a reported error	50% less 80% within 1 hr	
Learning & Growth	Improve access to strategic information	Depts have access to core customer & financial data for last 10 years Customer txn data is available within 10mins of txn completion	80% -2Q 100%-4Q VIP cust— 100% Mass mkt—85%	<ul style="list-style-type: none"> • Wireless lan • PDA upgrade • Data warehouse expansion • Data warehouse expansion • Website redesign