ABSTRACT

Information Technology (IT) is one of the essential building blocks of modern organizations. Increasingly, IT is being used by innovative organization to facilitate the re-engineering of their business processes and in some instances to radically change the way in which they conduct business. Therefore, IT is no longer a technical problem but a business issues. IT strategy should be created to serve as a tool to implement an organization's business strategy and provide the company strategic advantage.

The main purpose of this dissertation is to explore the issues surrounding IT strategy formulation and implementation especially in term of merging in banking industry that currently happened in Malaysia due to the economic crisis. It firstly examines the relationship between IT and business with special reference in financial service sector. It has been argued that lack of awareness of the IT development and its potential role in business has become one of the main factors that contribute to failure of IT project. Following the description on IT potential related to business, a study on the connection between IT and strategy is undertaken. The study begins by analyzing the recognition of the strategic importance of IT by the management, followed by showing reasons why IT had become increasingly strategic and important to the organization mainly in the merging process. The role played by IT strategy in different level of strategy in an organization is reviewed, with the focused on business strategy level. The formulation of IT strategy requires management to make a strategic decision. The rational normative model of decision-making process is discussed and the comments on the rationality obtained from number of scholars are presented. As is true with all strategies, implementation is of the essence. Unless IT strategy can be successfully implemented, company will not able to gain benefits from IT and it will surely be an expensive failure. Implementation involves change. In order to implement successfully, one need to manage change effectively. Finally a case study would be developed on a local anchor bank to explore the empirical work on the strategic management of their IT system.