CHAPTER ONE

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Information technology (IT) has played a critical role in now a day so called "information society" where the economy is service-oriented and most of the organization is information-intensive. Information is the lifeblood of organizations and industries in all categories are searching it difficult to exist without proper equally distribution information. It is also a main element in getting good performance of a business and the efficiency and effectiveness of management, and IT can even transform the uses of information to provide managers substantial benefits in business planning and decision-making (Sharratt & Memurdo [1], 1991).

The introduction of IT into organization is not just as simple and easy as bringing in another tool to support the company's operations. It can have a fundamental effect on the way business do, the way people perform work, and the way businesses compete. Too often, it is virtually impossible for an organization to compete unless its customers are given the level of service that is possible only with high-technology systems. In addition, businesses in a variety of industries are using IT to both "lock in" their customers and "lock out" competitors.

Changes are inevitable during the implementation and people are involved. As suggested by Earl (1989), IT has to be managed. It is too important to be left to the technologists and its management requires the extra dimension of leadership.

When technology drives competition, human being can't compete on technology development. It cannot be management's primary solution because it is every competitor's potential solution (Clark, 1989). What make an organization out front their competitors in their respective industry is to be more responsive to the external environment and more capable and flexible to

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adapt the changes. IT management has consequently become an issue of the greatest importance, not merely because of the costs associated with its planning, provision, operation and maintenance, but because of the opportunity cost associated with not having a smoothly functioning, flexible and genuinely supportive computing environment.

In order to realize the potential of IT and achieve the competitive edge, one need to treat IT as strategic resource and manage strategically as not only has IT become strategic; but also, doing something about it requires strategies for change (Earl, 1989). By treating IT as a strategic resource, the objective is not just to automate existing information flows and operations to increase efficiency but to give the business competitive advantage.

Competitive advantage gaining through IT is something to be achieved in a specific competitive situation by going for one or another of the company's goals. The real issue to be determined in advance of the implementation of IT is what the company's competitive response and positioning is to be, so that investment in technology is properly aligned with the business goals.

Many senior managers, however, have yet to be convinced of the importance of IT to their businesses. The complaint often heard is that a company has not only failed to obtain a sustained competitive advantage from the innovation implementation of IT, but that it may have failed to realize sufficient benefits even to cover the costs.

Development and management process of IT has become an exciting task for all management levels in the organization, particularly for senior management. Senior management needs to commit in the large scale IT investment and make a better choices in targeting new technologies for development. This can be implemented by understanding the technical knowledge and incorporate it to strategic intent. Managers must able to estimate the value and advantage of the company's own processes and methods and know how to match their potential technical capabilities with
opportunities to serve customer needs (Clark, 1989). The decision make by
the managers is strategically important to the long-term profitability and
growth of the organization as a whole.

In summary, technology cannot be separated from strategy. For instance, in
implementing flexible manufacturing technology, managers have to deal with
the particular characteristics of software and hardware in order to select one
that bring the most comprehensive benefits to the company. They have to
understand the equipment and technologies of communication and control.
Most important, they have to commit to a market strategy and a company
organization that fits a flexible manufacturing system's advantages.

Therefore, the whole development process of IT is not solely concern both the
"information" and "technology", but a wider concept on IT need to be
considered. From the author's point of view, in order to exploit the present
opportunities of IT and future potential of IT, the most crucial element is the
"fit" between the IT and business goals i.e. IT is use to support business by
acting as a means of delivering goods and services and generates new
business opportunities. Strategy is use to ensure this alignment through better
understanding the importance and potential of IT for its competitive position.
The emphasis is on ways in which corporate technology efforts can be
organized to fit and support company strategy.

The purpose of this dissertation is to explore the process of IT strategy
formulation and implementation, and how to manage on IT especially in
merging process. It also attempts to discover the factors that can lead to
successful implementation and the achievement of competitive advantage.

Much has been written on the topic regarding the competitive impact of IT on
business i.e. focused on the usage of IT instead of IT strategies. Therefore,
the emphasis of this dissertation will be focused on the analytical and
administrative approaches for conceptualizing and managing the emerging
connection between strategic management and IT especially in merging process.

There are basically four (4) basic domains i.e. (1) Information technology, (2) Business strategy; (3) IT strategy formulation; and (4) IT strategy implementation.

The above issues will be reviewed chapter by chapter. Chapter 2 of literature review begins with examine the relationship between IT and business with special reference in financial services sector. IT is promoted as an agent of change, which can delivery competitive advantage in terms of better quality products, enhanced control, reduced costs, increased flexibility etc. Whether believed or not, the value of IT has attested to all industries with more prevail in the financial service industry due to the constantly mutate and evolve in the financial products and services.

Subsequently, the strategy literature in business world and its connection with technology will be explored.

Then, the administrative approach between the strategic management and IT will be further explored. For example, the IT strategy formulation process will be analyzed and has been recognized its place in strategic management by many authors. Strategy formation process involved the decision making process in the formation of strategy to achieve the organization’s objective by linking the IT with business strategy.

The potential of IT will not be utilized by an organization unless it has been successfully implemented. More often, the failure of IT project is in the stage of implementation. This is mainly due to in this stage, changes involved. Therefore, management of change plays a critical role of the success or failure of strategy implementation as explored later.
In Chapter 3, the research methodology has been explained from selection to implemented and analyzed.

In Chapter 4, the IT and banking relationship would be explored.

In Chapter 5, research result will be developed by selected one of the major banks in Malaysia; that is Public Bank as a guide.

After discussed the above chapters, the conclusions and recommendation will be presented in Chapter 6, the main theme of the research project will be summarized. Finally, the future trends in technologies and its impact on business will also discuss in this chapter.