

J. Ward and J. Peppard, Strategic Planning for Information Systems, Third Edition, John Willey, 2002.

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An Overview of Business Strategy Concepts and the IS/IT Strategy Implications

Introduction

- ◆ IS/IT Strategies must be within wider business strategy formulation
- ◆ IS/IT is not only a means of implementing chosen strategies; IS/IT can also be an enabler of new business strategies
- ◆ Involvement of the business management is vital

The Evolving Nature of Strategy and Strategic Planning in Organizations

Strategy and Strategic Planning in Organizations

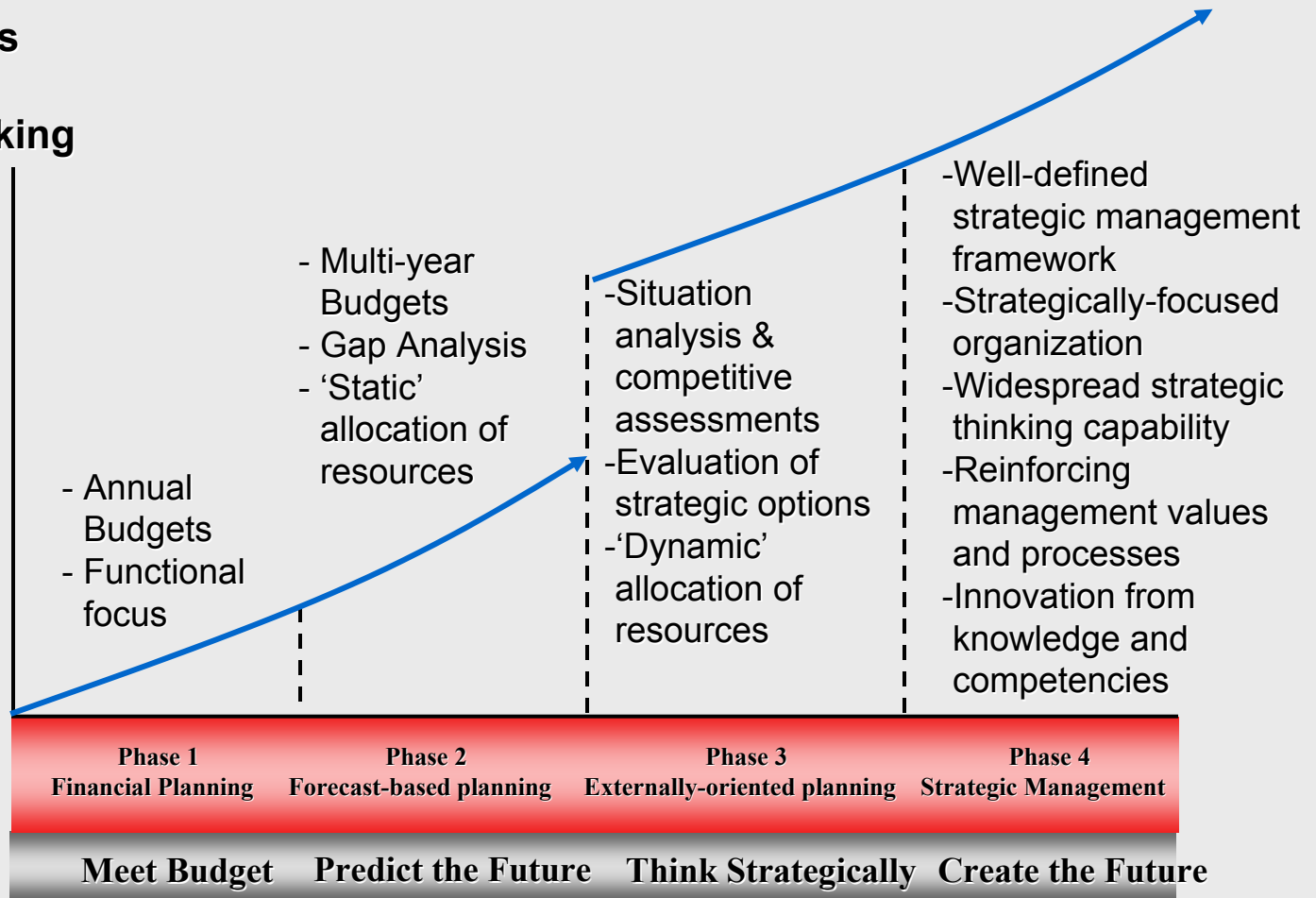
- ◆ The essence of business strategy lies in creating future competitive advantages faster than competitors
- ◆ 1940's: Formal Strategic Planning; Budgeting
- ◆ 1950's: Overall corporate strategy
- ◆ 1970's: Strategic Management

Strategy and Strategic Planning in Organizations (Cont.)

- ◆ In 1980, a model was developed to describe the increasing maturity of strategic planning in organisations.
- ◆ The model consists of 4 phases.

Strategic Management Maturity Model

Effectiveness
of strategic
decision making



Observations

- ◆ IS planning approach is often “behind” the business strategy approach
- ◆ Late 80s-early 90s, many organizations regressed down to maturity curve due to recession
- ◆ During the 1990’s, faster pace of changes created increased uncertainty, making forecasting more difficult
- ◆ Internet offers opportunities to create new strategies

Strategy Definition

- ◆ *Strategy: An integrated set of actions aimed at increasing the long-term well-being and strength of the enterprise relative to competitors.*

Strategic Processes

- ◆ Strategy is the product of three interrelated processes:
 - **Strategic Thinking** – creative insight into the ways the enterprise could develop
 - **Strategic Planning** – systematic analysis to develop a plan of action
 - **Opportunistic Decision Making** – effective reaction to unexpected threats and opportunities

The Strategic Framework

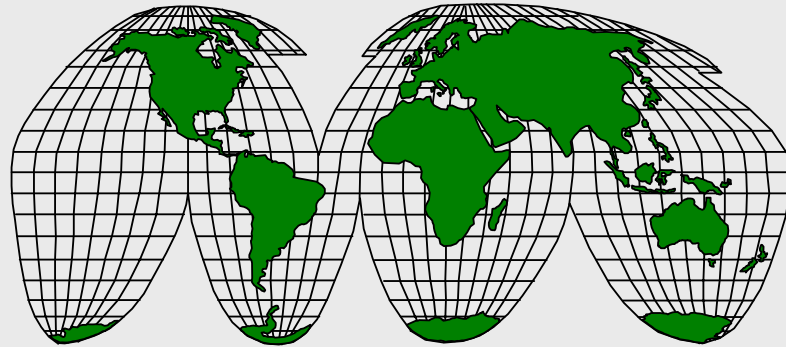
The Strategic Framework

- ◆ **The Strategic Framework** is a far broader context within which the techniques and tools of strategy formulation are applied.
- ◆ The Strategic Framework considers the factors involved in business strategic management.
- ◆ Any organization in stages 3 and 4 of the model will need to consider most aspects of this framework to succeed.

The Strategic Framework (Cont.)

- ◆ The framework considers the factors involved in business strategic management in three layers:
 - **External environment**
 - **Pressure groups and stakeholders**
 - **Internal business strategizing and planning**

External Environment



◆ Economic

- Swing to free-market economics, Internet's "new" economy, inflation rate

◆ Social

- Aging of Population, population living longer, population growth rate

◆ Political

- European Union and Others countries Laws, Labor laws, Import and Export laws

◆ Legal

- Data Protection or Privacy Act, e-commerce laws

◆ Ecological

- Green movement, Green Political

◆ Technological

- Changes in telecommunications, price of computers, XML

Pressure Groups and Stakeholders

◆ The enterprise functions are under direct influence of two sets of forces, Pressure Groups and Stakeholders

- Shareholders
- Competitors
- Customers
- Suppliers
- Government
- Employees
- Unions
- The Public
- Financial Institutions
- The Media



Business Strategy Formulation and Planning Processes

- ◆ Objectives
- ◆ Situation Analysis
- ◆ Future Strategies

Strategic Business Units

- ◆ In large businesses, strategizing & planning may be subdivided by Strategic Business Units (SBUs)
 - A unit that sells a distinct set of products or services, serves a specific set of customers and competes with a well-defined set of competitors

Objectives

- ◆ Measurable and attainable in a given time period
- ◆ Probably *should* be set (or a least *revised*) after the Situation Analysis stage
- ◆ Typically short term (1 year) but may (should) be a long term component
- ◆ Objectives are usually described by reference to profitability, growth, market share, new product development
- ◆ May be derived from Mission or Vision Statement
- ◆ Mission of organization is statement of its long-term aims but objectives will change year to year

Situation Analysis

◆ Inside (enterprise's strengths and weaknesses)

- Resources
- Financial health
- Employees & business competencies
- Physical assets & technology
- Research & development
- Organizational culture

◆ Outside

- Market segments & shares
- Position in product lifecycles
- Competitor strategy, strengths, weaknesses
- Future competitive actions

Future Strategies

- ◆ Once organization has a good understanding of what it is trying to achieve and exactly where it is, then it still has to identify future strategies
- ◆ These future possible strategies should be evaluated against number of criteria, such as:
 - Risks
 - Degree of Organizational needs
 - Organizational Structure

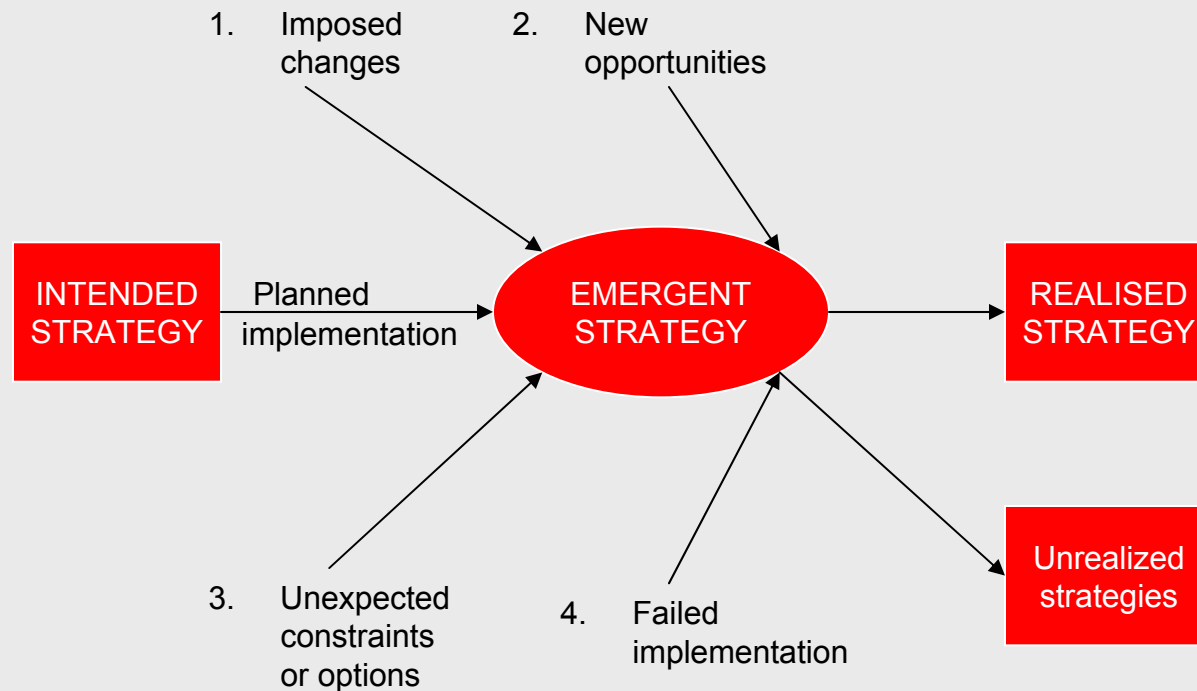
Characteristics of a Strategic Vision

- ◆ A roadmap of a company's future
 - Future technology-product-customer focus
 - Geographic and product markets to pursue
 - Capabilities to be developed
 - Kind of company that management is trying to create



Strategy Implementation

The Realities of Strategy Development



Mission vs. Strategic Visions

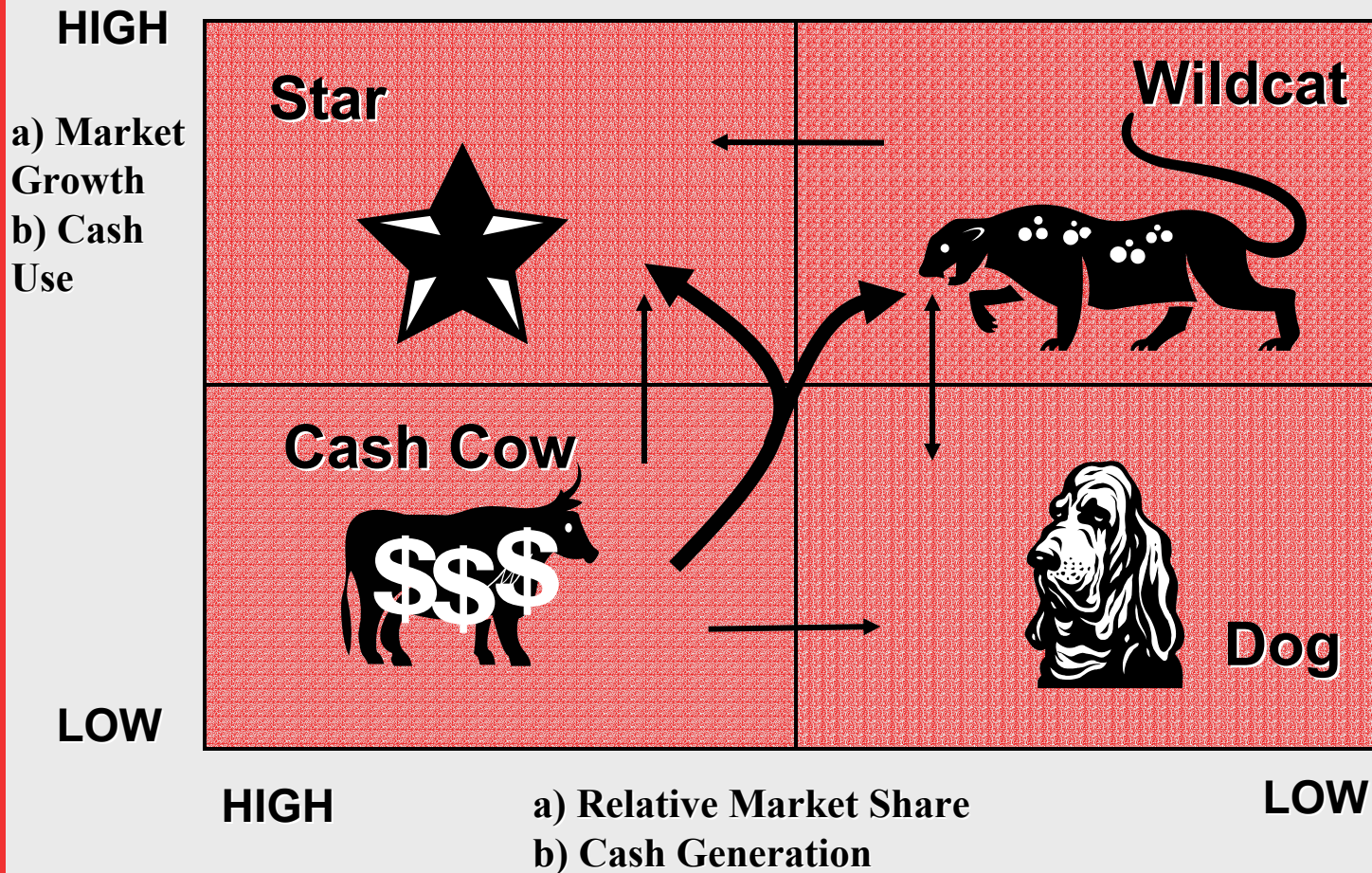
- ◆ A mission statement focuses on current business activities – “*who we are and what we do*”
- ◆ A strategic vision concerns a firm’s future business path – “*where we are going*”

Strategy Tools and Techniques

Product Life Cycle

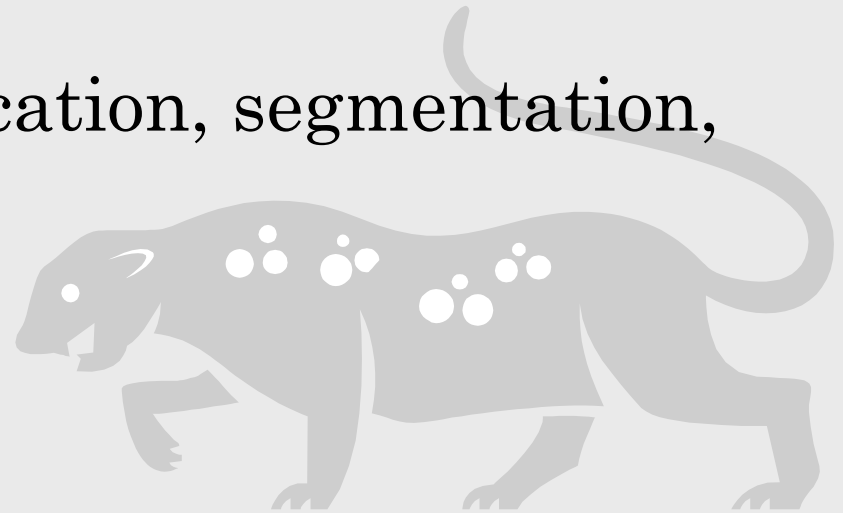
- ◆ Emerging
- ◆ Growth
- ◆ Mature
- ◆ Declining

Product Portfolio (Boston) Matrix



IS/IT Support for Wildcat Products

- ◆ Low market share, high growth market
- ◆ Focus on:
 - Product and/or process development
 - or*
 - Customer identification, segmentation, communication



IS/IT Support for Star Products

- ◆ High market share, high growth market
- ◆ Focus on:
 - Identifying customers & requirements
and/or
 - Business innovation to meet market requirements & differentiate



IS/IT Support for Cash Cow Products

- ◆ High market share, low growth market
- ◆ Focus on:
 - Keeping costs low
 - and*
 - Control of business relationships & activities



IS/IT Support for Dog Products

- ◆ Low market share, low growth market
- ◆ Focus on:
 - Reducing costs or securing customers to improve profit performance
 - Very little innovation as line may be discontinued



Long Term Success Strategy

- ◆ IT Roles for each type of strategy
- ◆ Be low cost producer of product or service
 - Identify lowest cost approaches to direct activities
 - Minimize indirect/overhead expense
 - Provide detailed cost reporting to management
- ◆ Differentiate product or services from competitors in terms of value as perceived by customers
 - Enable new things to be done or existing things to be done better

Industry Analysis

- ◆ How can IS/IT affect nature & value of product or service and its life cycle?
 - Electronic financial and business services, e.g. Banks
 - Online publishing, e.g. online journals
 - Recruitment services via Internet

Industry Analysis (Cont.)

- ◆ How can IT affect demand, extend markets geographically, or provide new distribution channels?
 - Direct financial services
 - Online marketing, e.g. Amazon
 - Auctions & financial markets

Industry Analysis (Cont.)

- ◆ How can IT affect the cost base of key processes or change the balance between flexibility & standardization?
 - Publishing, from preparation of materials by authors to the final printing process.
 - Automated warehousing/tracking
 - Document digitization, for back-office process

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The End