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

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Determining the Business Information Systems Strategy

Framework in Which the Tools and Techniques Can be Used Effectively

Main Factors Influencing Balance of Portfolio

◆External long term – external business environment

- State of the industry in terms of profitability, growth and structure
- Degree to which IS/IT is capable of changing the products, markets and interrelationships

Main Factors Influencing Balance of Portfolio (Cont.)

◆ External short term – external IS/IT environment

- Actual use of IS/IT by competitors and other industry players to gain relative advantage
- Opportunities created by IS/IT to change balance of competitive forces and influences

Main Factors Influencing Balance of Portfolio (Cont.)

◆ Internal long term - internal business environment

- How new IS/IT applications could more effectively support or enhance business strategy

- How new IS/IT applications could enable business to adopt more appropriate strategy to suit future business environment

Main Factors Influencing Balance of Portfolio (Cont.)

◆ Internal short term – current application portfolio

- Degree to which existing systems support chosen strategy and criticality of systems avoiding business disadvantage and/or sustaining existing advantages

- Existing approach to IS/IT management and appropriateness to business strategy

- IS/IT resources and competencies the organisation has/or can easily acquire

Strategic Planning Techniques and Their Relationships

Objective in Determining IT/IS Strategy

◆ Identify required applications & their priority

◆ Be able to deploy resources to achieve them successfully

◆ One end product is the *application portfolio*

Parts of the Application Portfolio

◆ Existing applications

– in place or in development

◆ Required applications

– Necessary to achieve business objectives & strategy within the planning horizon

◆ Potential applications

– Might prove valuable in the future if feasible to deliver and can produce demonstrated benefit

Identifying How IS/IT Could Impact the Strategy

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◆ Understanding the industry and potential impact of IS/IT on products and markets

◆ Interpreting business objectives

◆ Analyzing the industry (external) value chains and information flows

◆ Determine critical success factors

◆ Determine strategic potential

Key Business Issues in IS/IT Planning

◆ Business units & relationships

◆ Product & customer portfolios of business units and the contributions to revenues and profits, and demands on resources

◆ Competitive forces affecting business units and corporation - SWOT analysis

◆ Key competencies required to succeed - status of competency in each dimension: customer, product & operation

Examining Business Issues Leads to

◆ consideration of business strategy in established environment

◆ identification of ways IS/IT can impact products/services/economics and affect competitive forces

Interpreting Business Objectives

◆Business strategies products of number of considerations, what the organisation
  – *might do* based on environment it operates in or by moving into new environments
  – *wants to do* based on the values and views of senior executives and stakeholders
  – *must do* to survive in the current environment
  – *can do* based on its resources and capabilities

Alternative Objectives Structure

◆ *Permanent* – reflect mission and overall company goals and long-term intentions

◆ *Strategic* – which the company wants to achieve in medium-term

◆ *Tactical* - company and divisions can & must achieve in short-term to make strategic and permanent objectives achievable

Next Steps in Strategy Formation

◆ Analyzing the industry (external) value chains and information flows

◆ Determine Critical Success Factors

◆ Determine strategic potential

Establish The Relative Priorities for IS/IT Investment

Establish The Relative Priorities for IS/IT Investment

◆ Analyzing the Internal Value Chain and Organizational Relationships

◆ Identify critical business processes & activities based on CSFs

◆ Assess new options for investment

◆ Determine future applications portfolio

Analyzing the Internal Value Chain and Organizational Relationships

◆ Involves analysis of internal value chain to identify what business does and how it could be better carried out

◆ Analysis of organisation to show how it is structured to do it

◆ Value chain offers firmer foundation than current organisational structure or relationships model in terms of understanding and analysing key business processes and activities & identifying appropriate requirements

Analyzing the Internal Value Chain and Organizational Relationships (Cont.)

◆ Important to identify primary activities
  – those essential to value-adding processes & to describe key information requirements of each & links among them

◆ Opportunities for gaining advantage for IS/IT exist in both primary & support activities

◆ Disadvantage incurred more immediately due to failure of primary activities

Analyzing the Internal Value Chain and Organizational Relationships (Cont.)

◆ Analysis details how and how effectively business relates to trading partners

◆ IS can be used to:
- enhance efficiency,
- Enhance management's performance or
- add value to business in terms of external relationships and perceptions

Identify Critical Business Processes

◆ High-cost, low-value-adding activities offer only cost-reduction possibilities

◆ High-value-adding activities can be made more effective if improvement relates directly to CSFs

– If high-cost as well, cost reduction is possible

◆ If several activities are associated with a CSF, they need to be dealt with collectively in terms of value enhancement or cost reduction

◆ If an activity adds little value and has no CSFs, it may be time to eliminate the activity

Assessing New Options for Investment

◆ Assess in terms of whether and how they could provide specific advantages or reduce threats

◆ Assess in terms of whether and how, in the short term, they could contribute to existing business strategy by improving current operational & developmental processes

Assessing New Options for Investment (Cont.)

- ◆ What could IS/IT do for all firms in the industry in terms of changing business parameters & relationships?

- ◆ What could IS/IT do for the organization based on industry position?

- ◆ What options offer the most immediate benefit in terms of business objectives & strategy?

Determine Future Portfolio

◆ Brainstorm/creative sessions producing ideas that should be:

- high potential: needing more evaluation
- strategic: contributing directly to business strategy

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The End