

Chapter

6

**Developing Business / IT
Strategies**

Learning Objectives

- Discuss the role of planning in the business use of information technology, using the scenario approach and planning for competitive advantage as examples
- Discuss the role of planning and business models in the development of business/IT strategies, architectures, and applications
- Identify several change management solutions for end user resistance to the implementation of new IT-based business strategies and applications

Chapter Highlight

- Introduction
- Planning for competitive advantage
- Business models and planning
- Business / IT architecture planning
- Identifying business / IT strategies
- Implementation challenges
- Implementation IT
- End user resistance & involvement
- Change management
- A change management process

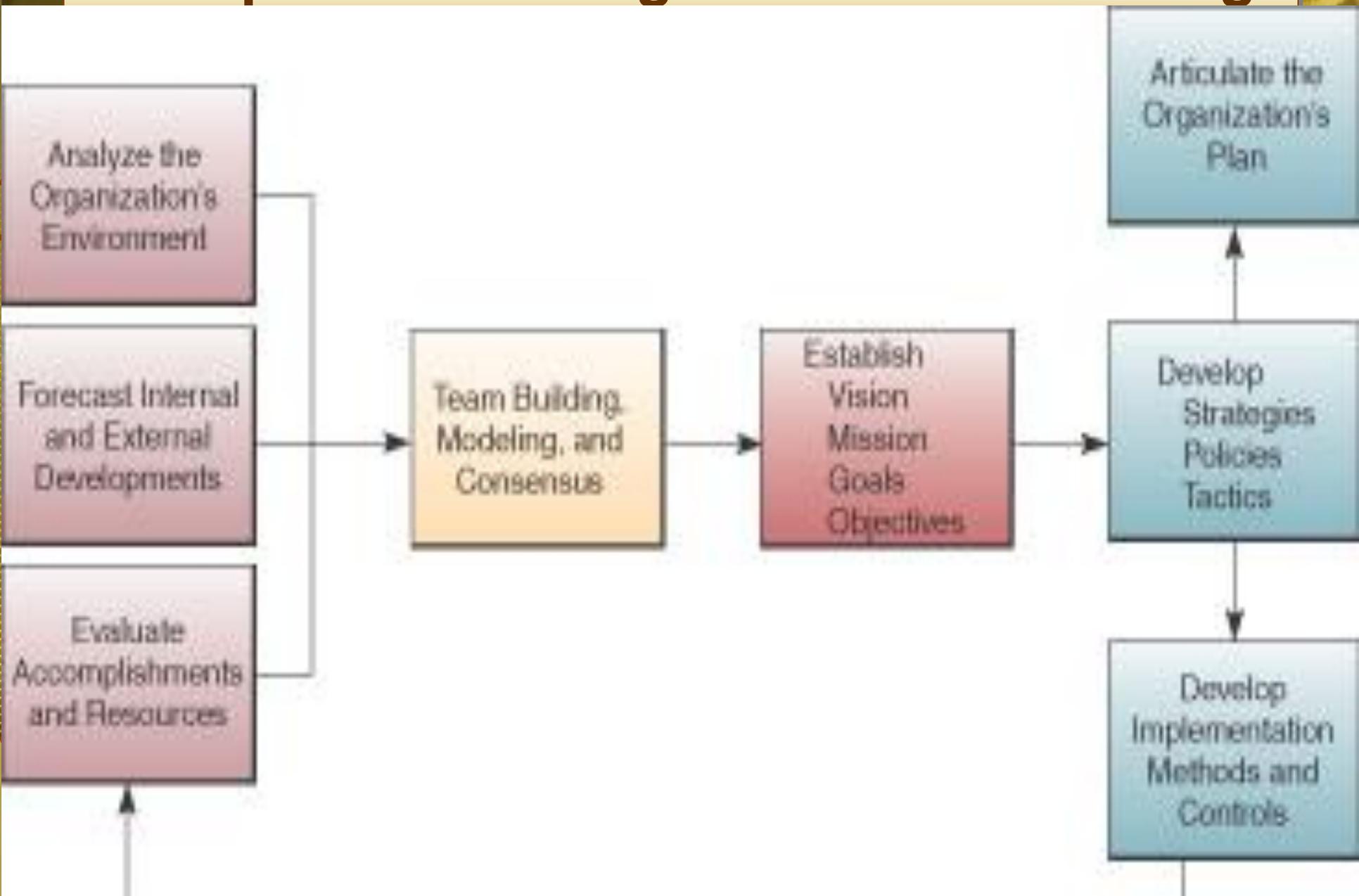
INTRODUCTION

- Information technology has created a seismic shift in the way companies do business
 - Just knowing the importance and structure of e-business is not enough
 - You must create and implement an action plan that allows you to make the transition from an old business design to a new e-business design

ORGANIZATIONAL PLANNING

- Figure 6.1 illustrates the components of an organizational planning process such as:
 - Team building, modeling and consensus
 - Evaluating what an organization has accomplished and the resources they have gain
 - Analyzing their business, economic, political and common environments
 - Anticipating and evaluating the impact of future developments
 - Building a shared vision and deciding on what goals they want to achieve
 - Deciding which actions to take to achieve their goal

Components of Organizational Planning



- The result of this process is what we call a plan, which formally articulates the actions we feel are necessary to achieve our goal. Thus,
 - A plan is an action statement
 - Plan lead to actions
 - Actions produce results and part of planning is learning from results
 - In this context, the planning process is followed by implementation, which is monitored by control measures, which provide feedback for planning.

Planning

- **Strategic Planning**
 - Deals with the development of an organization's mission, goals, strategies, and policies
 - Begins with strategic visioning questions
- **Tactical Planning**
 - The setting of objectives and the development of procedures, rules, schedules, and budgets
- **Operational Planning**
 - Done on a short-term basis to implement and control day-to-day operations

- **The Scenario Approach**

- Gaining in popularity as a less formal, but more realistic, strategic planning methodology
 - Teams of managers and planners participate
 - Business scenarios are created and evaluated
 - Alternative scenarios are then created

Planning for Competitive Advantage

- Planning for competitive advantage is especially important in today's competitive business arena and complex information technology environment.
- Strategic business/IT planning
 - Involves evaluating the potential benefits and risks of using IT-based strategies and technologies for competitive advantage
- The following models can help generate ideas for the strategic use of IT to support initiatives
 - Competitive forces(competitors, customers, suppliers, new entrants and substitutes)
 - Competitive strategies (cost leadership, differentiation. Growth, innovation and alliances)

- Value chain
 - Basic business activities
 - These models can be used in a strategic planning process to help generate ideas for the strategic use of IT to support new e-business initiatives.

- **SWOT Analysis**

- Is used to evaluate the impact that each possible strategic opportunity can have on a company and its use of IT.
- **Strengths:** a company's core competencies and resources
- **Weaknesses:** areas of substandard business performance compared to others

- **Opportunities:** potential for new business markets or innovative breakthroughs that might expand current markets
- **Threats:** anything that has the potential for business and market losses

BUSINESS MODELS AND PLANNING

- A business model is a conceptual framework that express the underlying economic logic and system that prove how a business can deliver value to customers at an appropriate cost and make money.
- Business model answers vital questions about the fundamental components of a business
 - Who are our customers?
 - What do our customers value?
 - How much will it cost to deliver that value?
 - How do we make money in this business?

BUSINESS / IT ARCHITECTURE PLANNING

- The business/IT planning process, which focuses on discovering innovative approaches to satisfying a company's customer value and business value goals.
- This planning process leads to development of strategies and business models for new e-business and e-commerce platforms, processes, products and services.
- Then a company can develop IT strategies and an IT architecture that supports building and implementing its newly planned business applications.

- The business / IT planning process has three major components:
 - Strategic development
 - Resource management
 - Technology architecture

- **Strategic development**

- Developing business strategies that support a company's business vision, for example, using IT to create innovative e-business systems that focus on customer and business value.

- **Resource management**

- Developing strategic plans for managing or outsourcing a company's IT resources, including IS personnel, hardware, software, data and network resources.

- Technology architecture
 - Making strategic IT choices that reflect an information technology architecture designed to support a company's e-business and other business / IT initiatives.

IDENTIFYING BUSINESS / IT STRATEGIES

- Internet technologies and e-business and e-commerce applications can be used strategically for competitive advantage.
- However, in order to optimize this strategic impact, a company must continually assess the strategic value of such applications:
 - Cost and efficiency improvements
 - Performance improvement in business effectiveness
 - Global market penetration
 - Product and service transformation

- **Cost and Efficiency Improvements**

- Use the Internet as a fast, low-cost way to communicate and interact with others
- Use of e-mail, chat systems, discussion groups, and company websites

- **Performance Improvement in Effectiveness**

- Major improvements in business effectiveness recommended
- Increase use of Internet-based technologies, such as intranets and extranets

- **Global Market Penetration**
 - Capitalize on a high degree of customer and competitor connectivity and use of IT
 - Use e-commerce websites with value-added information services and extensive online customer support
- **Product and Service Transformation**
 - Develop and deploy new Internet-based products and services that strategically reposition it in the marketplace

IMPLEMENTATION CHALLENGES

- Implementation is an important managerial responsibility.
- Implementation is doing what you planned to do.
- You can view implementation as a process that carries out the plans for changes in business / IT strategies and applications that were developed in the planning process.

IMPLEMENTING INFORMATION TECHNOLOGY

- Many businesses have undergone multiple major reorganization since the early 1980s
 - Business process reengineering
 - Installation and upgrades of an ERP (enterprise resource planning) system
 - Upgrading legacy systems to be Y2K compliant
 - Creating shared service centers
 - Contract manufacturing
- E-business is the latest organizational change

END USER RESISTANCE AND INVOLVEMENT

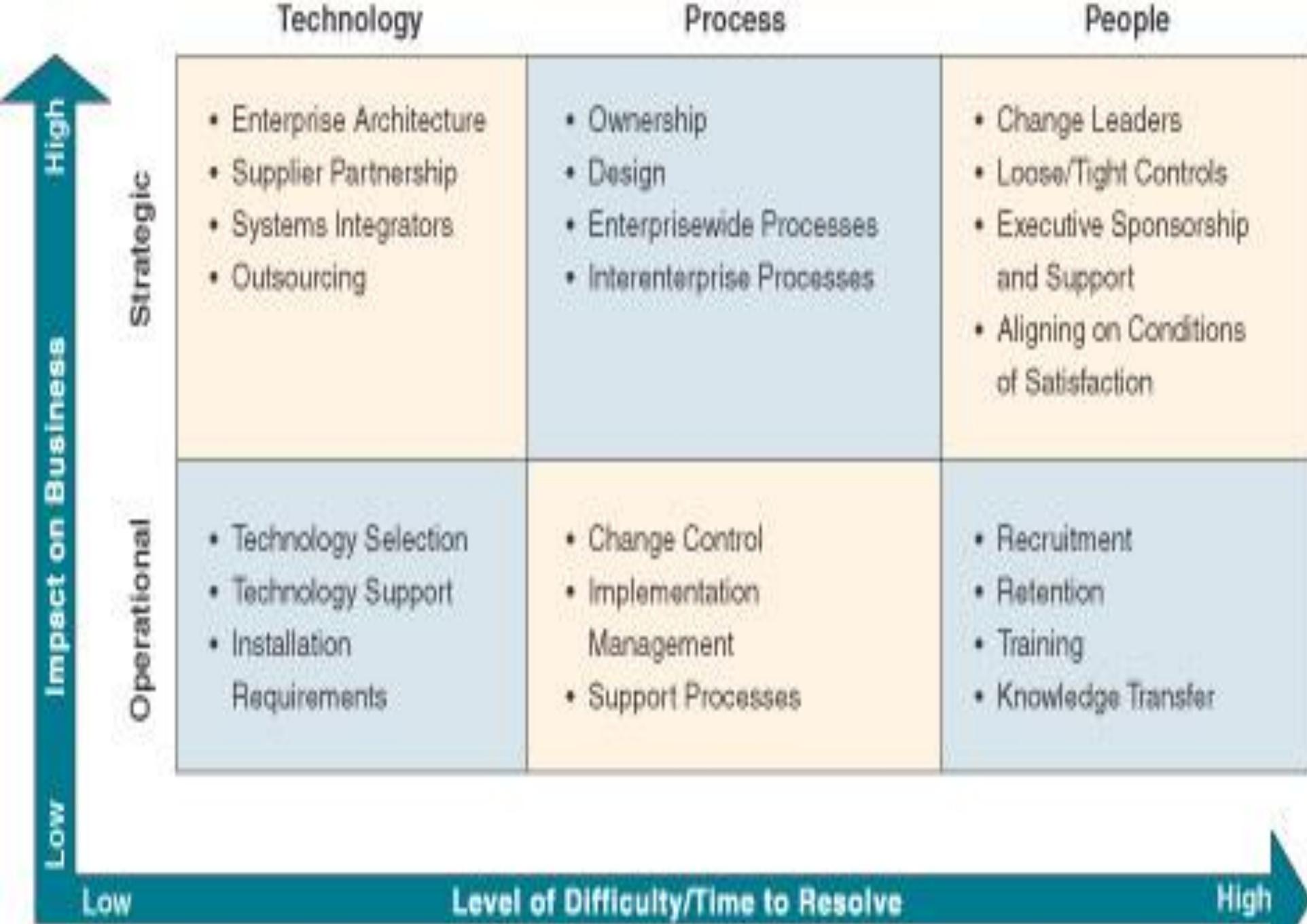
- Any way of doing things generates some resistance from the people affected
- CRM projects have a history of failure
 - Up to 75 percent of CRM projects fail to meet their objectives
 - This is often due to sales force automation problems and unaddressed cultural issues
 - Sales staffs are often resistant to, or fearful of, using CRM systems

Keys to Solving End User Resistance

- Keys to solving end user resistance problems
 - Education and training
 - End-user involvement in organizational changes and system development
 - Requiring involvement and commitment of top management and all stakeholders
- Systems that inconvenience or frustrate users cannot be effective, no matter how technically elegant or efficient

CHANGE MANAGEMENT

- People factors have the highest level of difficulty and the longest time to resolve of any dimension of change management
- Figure 6.2 illustrates some of the key dimensions of change management and the level of difficulty and business impact involved.



- Implementing a new e-business application may involve
 - Developing an action plan
 - Assigning managers as change sponsors
 - Developing employee change teams
 - Encouraging open communications and feedback about organizational changes

- Key tactics recommended by change experts
 - Involve as many people as possible in e-business planning and application development
 - Make constant change an expected part of the culture
 - Tell everyone as much as possible about everything, as often as possible, in person
 - Make liberal use of financial incentives and recognition
 - Work within the company culture, not around it

A Change Management Process

