Lesson Proper for Week 17

Organizational Planning

This fundamental planning process consists of (1) team building, modeling, and consensus, (2) evaluating what an organization has accomplished and the resources they have acquired, (3) analyzing their business, economic, political, and societal environments, (4) anticipating and evaluating the impact of future developments, (5) building a shared vision and deciding on what goals they want to achieve, and (6) deciding what actions to take to achieve their goals.

The result of this planning process is what we call a *plan*, which formally articulates the actions we feel are necessary to achieve our goals. Thus, a plan is an action statement. Plans 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.

Strategic planning deals with the development of an organization's mission, goals, strategies, and policies. Corporations may begin the process by developing a shared vision using a variety of techniques, including team building, scenario modeling, and consensus creating exercises. *Tactical planning* involves setting of objectives and the development of procedures, rules, schedules, and budgets. *Operational planning* is planning done on a short-term basis to implement and control day-to-day operations. Typical examples are project planning and production scheduling.

SWOT Analysis

SWOT analysis (strengths, weaknesses, opportunities, and threats) is used to evaluate the impact that each possible strategic opportunity can have on a company and its use of information technology. A company's strength are its core competencies and resources in which it is one of the market or industry leaders. Weaknesses are areas of substandard business performance compared to others in the industry or market segments.

Business and Models and Planning

A business model is a valuable planning tool because it focuses attention on how all the essential components of a business fit into a complete system. Done properly, it forces entrepreneurs and managers to think rigorously and systematically about the value and viability of the business initiatives they are planning. Then the strategic planning process can be used to develop unique business strategies that capitalize on a firm's business model to help it gain competitive advantages in its industry and the markets it wants to dominate.

Business / IT Planning

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**. Developing business strategies that support a company's business vision. For example, using information technology to create innovative e- business systems that focus on customer and business value. We will discuss this process in more detail shortly.

·   **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.

Information Technology Architecture

The **information technology architecture** that is created by the strategic business/IT planning process is a conceptual design, or blueprint, that includes the following major components:

·   **Technology platform**. The Internet, intranets, extranets, and other networks, computer systems, system software, and integrated enterprise application software provide a computing and communications infrastructure, or platform, that supports the strategic use of information technology for e-business, e-commerce, and other business/IT applications.

·   **Data resources**. Many types of operational and specialized databases, including data warehouses and Internet/intranet databases store and provide data and information for business processes and decision support.

·   **Applications architecture**. Business applications of information technology are designed as an integrated architecture of enterprise systems that support strategic business initiatives, as well as cross-functional business processes.

·   **IT Organization**. The organizational structure of the IS function within a company and the distribution of IS specialists are designed to meet the changing strategies of a business. The form of the IT organization depends on the managerial philosophy and business/IT strategies formulated during the strategic planning process.

Balanced Scorecard

BSC is a strategic management system that forces managers to focus on the important performance metrics that drive success. It balances a financial perspective with customer, internal process, and learning and growth perspectives. The system consists of four processes: (1) translating the vision into operational goals; (2) communicating the vision and linking it to individual performance; (3) business planning; (4) feedback and learning and adjusting the strategy accordingly.

The **scorecard** seeks to measure a business from the following perspectives:

·   **Financial perspective** – measures reflecting financial performance; for example, number of debtors, cash flow, or return on investment. The financial performance of an organization is fundamental to its success. Even **nonprofit organizations** must make the books balance. Financial figures suffer from two major drawbacks:

o   They are historical. While they tell us, what has happened to the organization, they may not tell us what is currently happening or be a good indicator of future performance.

o   It is common for the current market value of an organization to exceed the market value of its assets. Tobin's q measures the ratio of the value of a company's assets to its market value. The excess value can be thought of as intangible assets. These figures are not measured by normal financial reporting.

·   **Customer perspective** – measures having a direct impact on customers; for example, time taken to process a phone call, results of customer surveys, number of complaints, or competitive rankings.

·   **Business process perspective** – measures reflecting the performance of key business processes; for example, time spent prospecting, number of units that required rework, or process cost.

·   **Learning and growth perspective** – measures describing the company's learning curve; for example, number of employee suggestions or total hours spent on staff training.

Identifying Business/IT Strategies

Internet technologies and e-business and e-commerce applications can be used strategically for competitive advantage, as this text repeatedly demonstrates, However, in order to optimize this strategic impact, a company must continually assess the strategic value of such applications.

Cost and Efficiency Improvements. This quadrant represents a low amount of internal company, customer, and competitor connectivity and use of IT via the Internet and other networks. So, one recommended strategy would be to focus on improving efficiency and lowering costs by using the Internet and the World Wide Web as a fast, low-cost way to communicate and interact with customers, suppliers, and business partners. The use of e-mail, chat systems, discussion groups, and a company website are typical examples.

·   **Performance Improvement in Business Effectiveness**. Here a company has a high degree of internal connectivity and pressures to substantially improve its business processes, but external connectivity by customers and competitors is still low. A strategy of making major improvements in business effectiveness is recommended. For example, widespread internal use of Internet-based technologies like intranets and extranets can substantially improve information sharing and collaboration within the business and with its trading partners.

·   **Global Market Penetration**. A company that enters this quadrant of the matrix must capitalize on a high degree of customer and competitor connectivity and use of IT. Developing e-business and e-commerce applications to optimize interaction with customers and build market share is recommended. For example, e-commerce websites with value-added information services and extensive online customer support would be one way to implement such a strategy.

·   **Product and Service Transformation**. Here a company and its customers, suppliers, and competitors are extensively networked. Internet-based technologies, including e-commerce websites and e-business intranets and extranets, must now be implemented throughout the company's operations and business relationships. This enables a company to develop and deploy new Internet-based products and services that strategically reposition it in the marketplace. Using the Internet for electronic commerce transaction processing with customers at company websites and e-commerce auctions and exchanges for suppliers are typical examples of such strategic e-business applications.

e-Business Strategy Examples

·   **Market creator**. Use the Internet to define a new market by identifying a unique customer need. This model requires you to be among the first to market and to remain ahead of competition by continuously innovating. Examples: Amazon.com and E*TRADE.

·   **Channel reconfiguration**. Use the Internet as a new channel to directly access customers, make sales, and fulfill orders. This model supplements, rather than replaces, physical distribution and marketing channels. Example: Cisco and Dell.

·   **Transaction intermediary**. Use the Internet to process purchases. This transactional model includes the end-to-end process of searching, comparing, selecting, and paying online. Examples: Microsoft Expedia and eBay.

·   **Infomediary**. Use the Internet to reduce the search cost. Offer the customer a unified process for collecting information necessary to make a large purchase. Examples: HomeAdvisor and Auto-by-Tel.

·   **Self-service innovator**. Use the Internet to provide a comprehensive suite of services that the customer's employees can use directly. Self-service affords employees a direct, personalized relationship. Examples: Employease and Healtheon.

·   **Supply chain innovator**. Use the Internet to streamline the interactions among all parties in the supply chain to improve operating efficiency. Examples: McKesson and Ingram Micro.

·   **Channel mastery**. Use the Internet as a sales and service channel. This model supplements, rather than replaces, the existing physical business offices and call centers. Example: Charles Schwab.

Business Application Planning

The **business application planning** process begins after the strategic phase of business/IT planning has occurred. Then, the business case for investing in proposed e-business development projects is evaluated by company executives and business unit managers based on the strategic business priorities that they decide are most desirable or necessary at that point in time. Finally, business application planning involves developing and implementing business applications of IT, and managing their development projects.

Business/IT Architecture Planning

E-business architecture planning combines contemporary strategic planning methods like SWOT analysis and alternative planning scenarios with more recent business modeling and application development methodologies like component-based development.Then application developers use business process engineering methods to define how strategic business requirements are to be implemented, using organizational, process, and data models to create new internal and interenterprise e-business processes among a company's customers, suppliers, and other business partners.

Component-based e-business and e-commerce applications are then developed to implement the new business processes using application software and data components stored in a *repository* of reusable business models and application components. Of course, the business process engineering and component-based application development activities are supported by a company's technology infrastructure, which includes all the resources of its IT architecture, as well as the necessary component development technologies. So, e-business architecture planning links strategy development to business modeling and component development methodologies in order to produce the strategic e-business applications needed by a company.