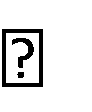
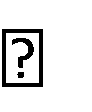
**The changing competitive Agenda: Business & Technology Drivers**

**Business Drivers:**

 Shift in economies from supply driven to demand driven

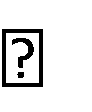
* Causes a shift in intent of service and quality programs, the impetus for product development & the structure of the organization itself
* One to One marketing
* Mass Customization

**Technological Drivers:**

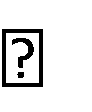
 Internet

* Pervasiveness
* Interactive Nature
* Virtual Nature

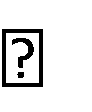
**Strategic Planning Process**

 The strategic planning process has the following steps:

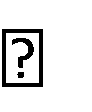
* The strategic planning process starts with the establishment of the organization’s mission statement.
  + The mission statement is a basic description of detailing the fundamental purpose of the organizations existence and encompasses strategy development, including determination of the organization’s vision and objectives.
  + It is developed at the highest level of the organizations management, and provides a general sense of direction for all decision making within the firm.

 Strategic Analysis

* + This involves situation analysis, internal resource assessment, and evaluation of stakeholder’s expectation.
  + It will include
    - Environmental Scanning
    - Industry or market research
    - Competitor Analysis
    - Analysis of Marketplace Structure
    - Relationships with trading partners and suppliers
    - Customer Marketing Research
  + Information is derived from the analysis of both internal and external factors.
  + Internal Factors:
    - Human resources
    - Material resources
    - Informational resources
    - Financial resources
    - Structure
    - Operational Style
    - Culture
  + External Factors:
    - Socio‐cultural forces
    - Technological forces
    - Legal and regulatory forces
    - Political forces
    - Economic forces
    - Competitive forces
  + Any realistic new plan will have to reflect the reality of both the external world and the internal dynamics of the corporation.

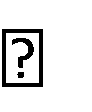
 Strategic Choice

* + It is based on the strategic analysis and consists of four parts:
    - Generation of strategic options
    - Highlighting possible courses of action
    - Evaluation of strategic options on their relative merits
    - Selection of strategy
  + Strategic choice results in Strategic Planning, which is concerned with the organizing and detailing of all the strategies that will be undertaken throughout theorganization.
  + Planning includes strategy specification and resource allocation.
  + It commences with corporate‐level planning that determines the overall direction for the organization.
  + This drives Division (or Strategic Business Unit) level planning which deals with groups of related products offered by the organization.
  + These plans in turn become the starting point for operating (or functional) level planning, which involves more local plans within specific departments of the organization.

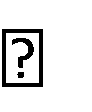
 Implementation

* + This relates to the actual tasks that must be executed in order to realize a plan and translates strategy into action.
  + It includes monitoring, adjustment, control as well as feedback.

**Strategic Alignment**

 In the 1980s the concept of alignment between business and IT was developed.

* According to this concept it is not only feasible to design and build a technically sophisticated infrastructure for e‐Business, but also to formulate business strategies that complement and support thisinfrastructure.

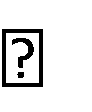
 One of the major issues regarding an enterprises investment in IT is whether this is in harmony with its strategic objectives.

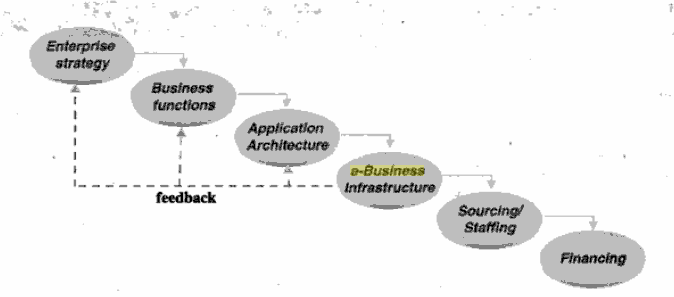
This state of harmony is referred to as alignment.



Alignment is complex, multifaceted and almost never completely achieved. It is about continuing to move in the right direction and better aligned than the competitors.

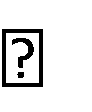
* Any e‐Business strategy should articulate an enterprise’s intention to use information technology based on business requirements.

 When formulating the IT strategy, the enterprise must consider:

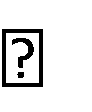
* + Business objectives and the competitiveenvironment
  + Current and future technologies and the costs, risks, and benefits they can bring to the business.
  + The capability of the IT organization and technology to deliver current and future levels of service to the business.
  + Cost of current IT, and whether this provides sufficient value to the business.
  + Lessons learned from past failures and successes.

**Consequences of e•Business**

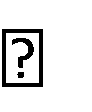
* As e‐Business is an information technology‐enabled organizational phenomenon with economic consequences, economic theories appear to be particularly useful for analyzing the businesseffects.

 Strategy is about finding the right (external) fit between organization and environment. Different schools of thought have approached this problem from different angles.

* When analyzing the business effects of an e‐Business, we will consider the following approaches:
  + The Theory of Competitive Strategy
  + The resource‐base view
  + The theory of transaction costs

 **Theory of Competitive Strategy**

* + The structural attractiveness of a firm is determined by five underlying forces of competition:
    - The bargaining power of the customers
    - The bargaining power of the suppliers
    - The barriers to entry for new competitors
    - The threat of new substitute products or services
    - The competition among existing firms in theindustry
  + In combination, these forces determine how the economic value created by any product, service technology or way of competing is divided between companies in an industry.
  + The bargaining power of customers for a firm could, for instance, depend on the degree of product differentiation, and the size of demand and supply. Switching costs are also very important: they answer the question of how much will it cost the customer to change to another supplier.
  + The bargaining power of suppliers is dependent on a variety of factors, such as relative size, number of suppliers, that can deliver a critical resource, and so on. The Internet causes another specific threat from the perspective of IT suppliers; they may bypass their customers and directly approach the end‐user.
  + The barriers to entry for new competitors depend on how difficult it is to join the industry. Economic and technological thresholds may prevent outside potential competitors to come in . Economies of scale, necessary capital, and specialized expertise are important factors in thisrespect.
  + The threat of substitute products depends on the question of whether other products can deliver added value for consumers instead of current products in the absence of switching costs. e.g. – The Internet is a serious threat to the Post Office.
  + The level of competition among existing firms in the industry will depend on various factors like type of market, existing competitive behavior, and so on.
* **The Resource‐Based View**
  + According to this theory of economic development, innovation is the source of value creation.
  + Several sources of innovation (hence, value creation) are identified:
    - The introduction of new goods or new production methods,
    - The creation of new markets,
    - The discovery of new supply sources,
    - And the reorganization of industries.
  + The resource‐based view (RBV), which builds on the theory of economic development’s perspective on value creation, regards a firm as a collection of resources and capabilities.
  + The RBV looks at available resources first to see how a position in the business environment can be acquired with them.
  + According to this view, a firm can build a strategic position by picking the right resources and building competencies that are unique and difficult to imitate.
  + Resources are considered the raw material for building competencies.
  + The RBV states that marshalling and uniquely combing a set of complementary and specialized resources and capabilities may lead to value creation.
  + A firm’s resources and competencies are valuable if, and only if, they reduce a firm’s costs or improve its revenues.
  + Core competencies of an organization encompass knowledge bases, skill sets, and service activities that can create a continuing competitive advantage.

 **Transaction Cost Economics**

* + Transaction Cost Economics attempt to explain firms’ choices between internalizing and buying goods and services from the market.
  + According to transaction cost theory, exchanges with external firms entail a variety of co‐ordination costs associated with various aspects of inter‐firm transactions.
  + The central question addressed by transaction cost economics is why firms internalize transactions that might otherwise be conducted in markets. Thus, two key issues concerning firms are:
    - Which activities should a firm manage within its boundaries, and which activities should it outsource?
    - In which way should a firm manage its relationship with its customers, suppliers and other business partners?
  + According to transaction cost economics, a firm has two options for organizing its economic activities: an internal hierarchical structure where it integrates the activity into its management structure, or a market‐like relationship with external firms.
  + Critical dimensions of transactions influencing the choice of the most effective governance form are:
    - Uncertainty
    - Exchange Frequency
    - Specificity of Assets enabling the exchange
  + Transaction costs include the costs of planning, adapting, executing and monitoring task completion.
  + Transaction cost Theory assumes that markets are not perfect, so lead to costs, like search and monitoring costs.
  + As internet technology is expected to significantly reduce transaction costs, this theory provides a basis for assessing the effects of the Internet on new and existing business models.