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
• 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
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
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?
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.
• 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.
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
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.
<table>
<thead>
<tr>
<th>Impact on Business</th>
<th>Technology</th>
<th>Process</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Enterprise Architecture, Supplier Partnership, Systems Integrators, Outsourcing</td>
<td>Ownership, Design, Enterprisewide Processes, Interenterprise Processes</td>
<td>Change Leaders, Loose/Tight Controls, Executive Sponsorship and Support, Aligning on Conditions of Satisfaction</td>
</tr>
<tr>
<td>Operational</td>
<td>Technology Selection, Technology Support, Installation Requirements</td>
<td>Change Control, Implementation Management, Support Processes</td>
<td>Recruitment, Retention, Training, Knowledge Transfer</td>
</tr>
</tbody>
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Level of Difficulty/Time to Resolve: Low to High
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

**Set Up**
- Create Change Vision
  - Understand Strategic Vision

**Analysis**
- Define Change Strategy
  - Assess Readiness for Change
  - Select Best Change Configuration
  - Establish Change Governance

**Definition**
- Develop Leadership
  - Create Leadership Resolve
  - Lead Change Program
  - Develop Leadership Capability

- Build Commitment
  - Build Teams
  - Manage Stakeholders
  - Communicate
  - Manage Resistance
  - Transfer Knowledge and Skills

- Manage People Performance
  - Establish Needs
  - Implement Performance Management
  - Implement People Practices

- Deliver Business Benefits
  - Build Business Case
  - Quantify Benefits
  - Sustain Benefits

- Develop Culture
  - Understand Current Culture
  - Design Target Culture
  - Implement Cultural Change

- Design Organization
  - Understand Current Organization
  - Design Target Organization
  - Implement Organizational Change