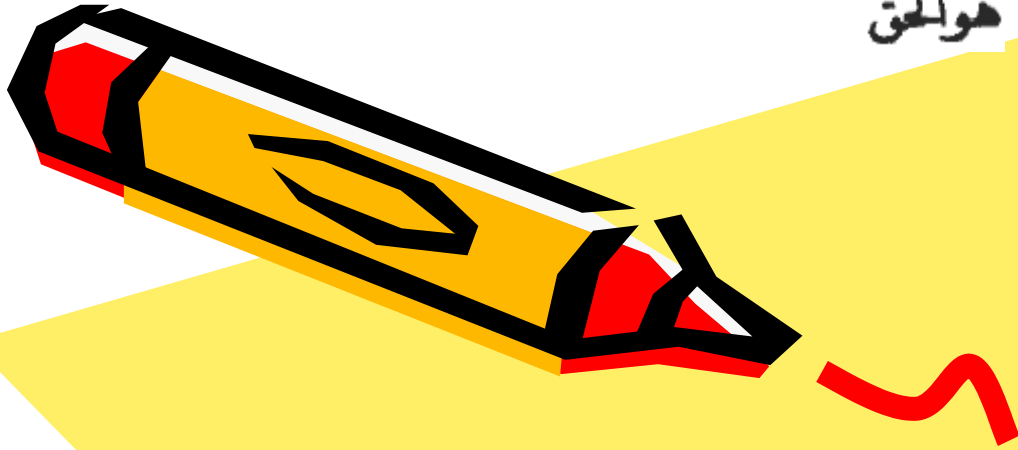
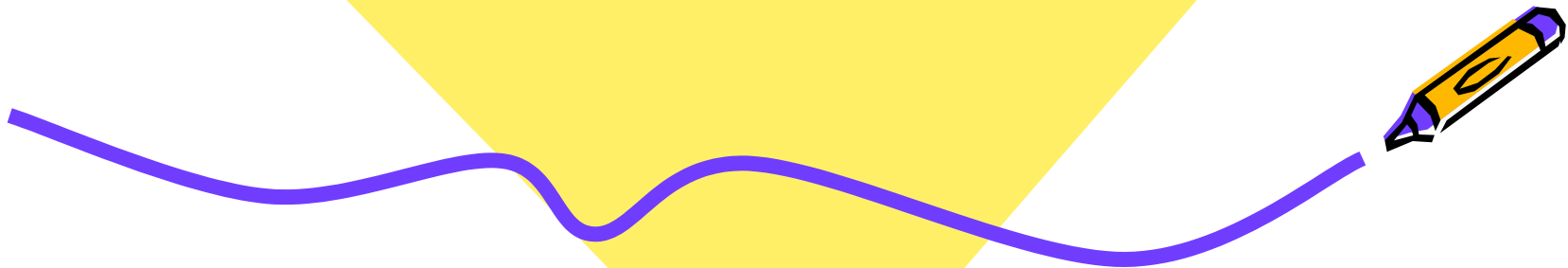


هو الحق



Strategic Management



Effectiveness of strategic decision making

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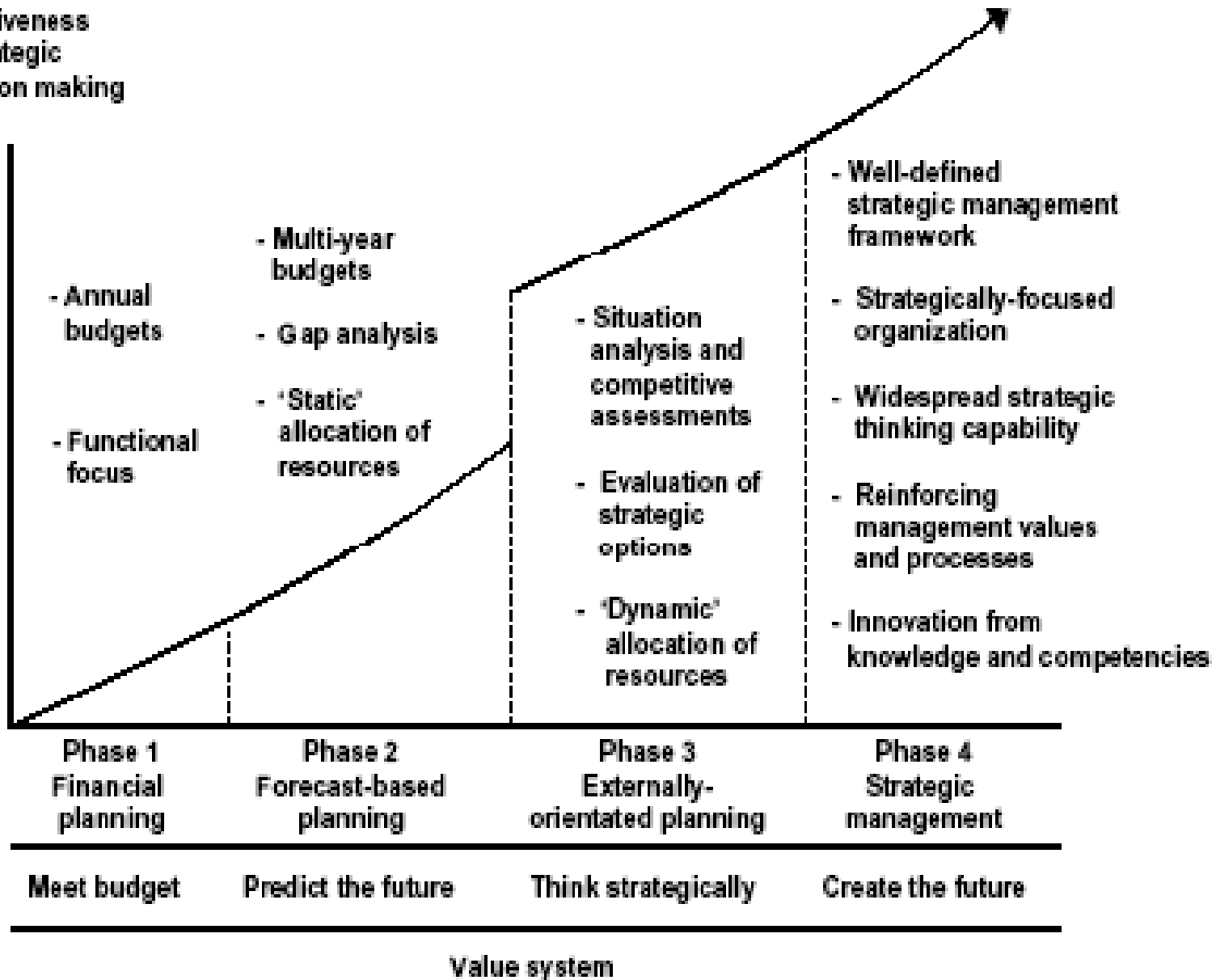
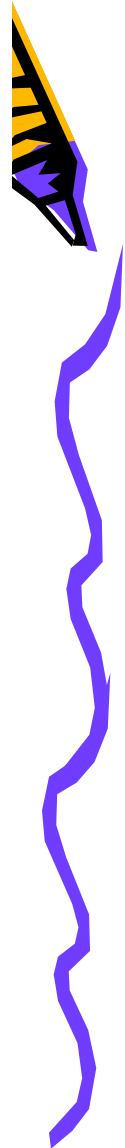


Figure 2.1 Evolution of strategic management maturity



Strategy versus Planning

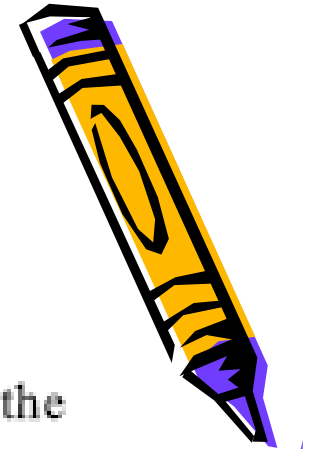
Recent debates around strategy and planning have highlighted a misconception and confusion that exists in many organizations regarding the two terms.⁵ Mintzberg⁶ asserts that 'strategic planning' is not 'strategic thinking'. He writes, 'when companies understand the difference between *planning* and *strategic thinking*, they can get back to what the strategy-making process should be: capturing what the manager learns from all sources (both the soft insights from his or her personal experiences and the experiences of others throughout the organisation and the hard data from market research and the like) and then synthesising that learning into a vision of the direction that the business should pursue.'

Similarly, Hamel⁷ asserts that planning is about programming not discovering, that strategy making must be democratic and is not the sole preserve of senior managers. He wryly poses the question of how often has the monarch led the uprising? Given the creative nature of the strategy process, he notes that you 'cannot see the end from the beginning', a situation that is similar when embarking on developing an IS/IT strategy.

Porter suggests many organizations have confused operational effectiveness with strategy. While not rejecting the need for operational effectiveness, he argues that it is a necessary but not a sufficient condition. Operational effectiveness means performing similar activities better than rivals perform them. In contrast, strategic positioning means performing different activities from rivals' or performing similar activities in different ways.



- *strategic thinking*—creative, entrepreneurial insight into the ways the enterprise could develop;
- *strategic planning*—systematic, comprehensive analysis to develop a plan of action;
- *opportunistic decision making*—effective reaction to unexpected threats and opportunities.

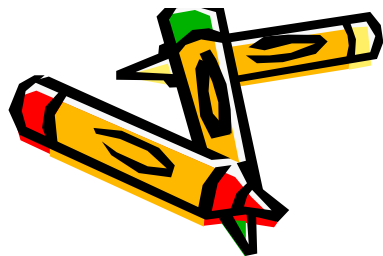
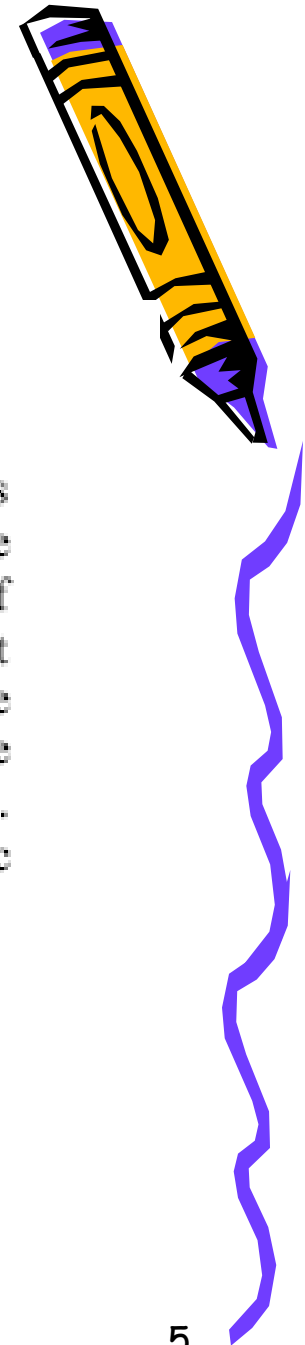


THE STRATEGIC FRAMEWORK

Many of the analysis techniques of strategy formulation are used to focus on a particular strategic issue such as the analysis of competitors, the strength of the existing portfolio of products or the relative merits of different courses of action. However, there exists a far broader context within which the techniques and tools are applied, described here as the 'strategic framework'. Any organization in Stages 3 and 4 of the above model will need to consider most aspects of this framework to succeed.

The framework considers the factors involved in business strategic management in three layers (see Figure 2.2):

- the external environment;
- pressure groups and stakeholders;
- internal business strategizing and planning.



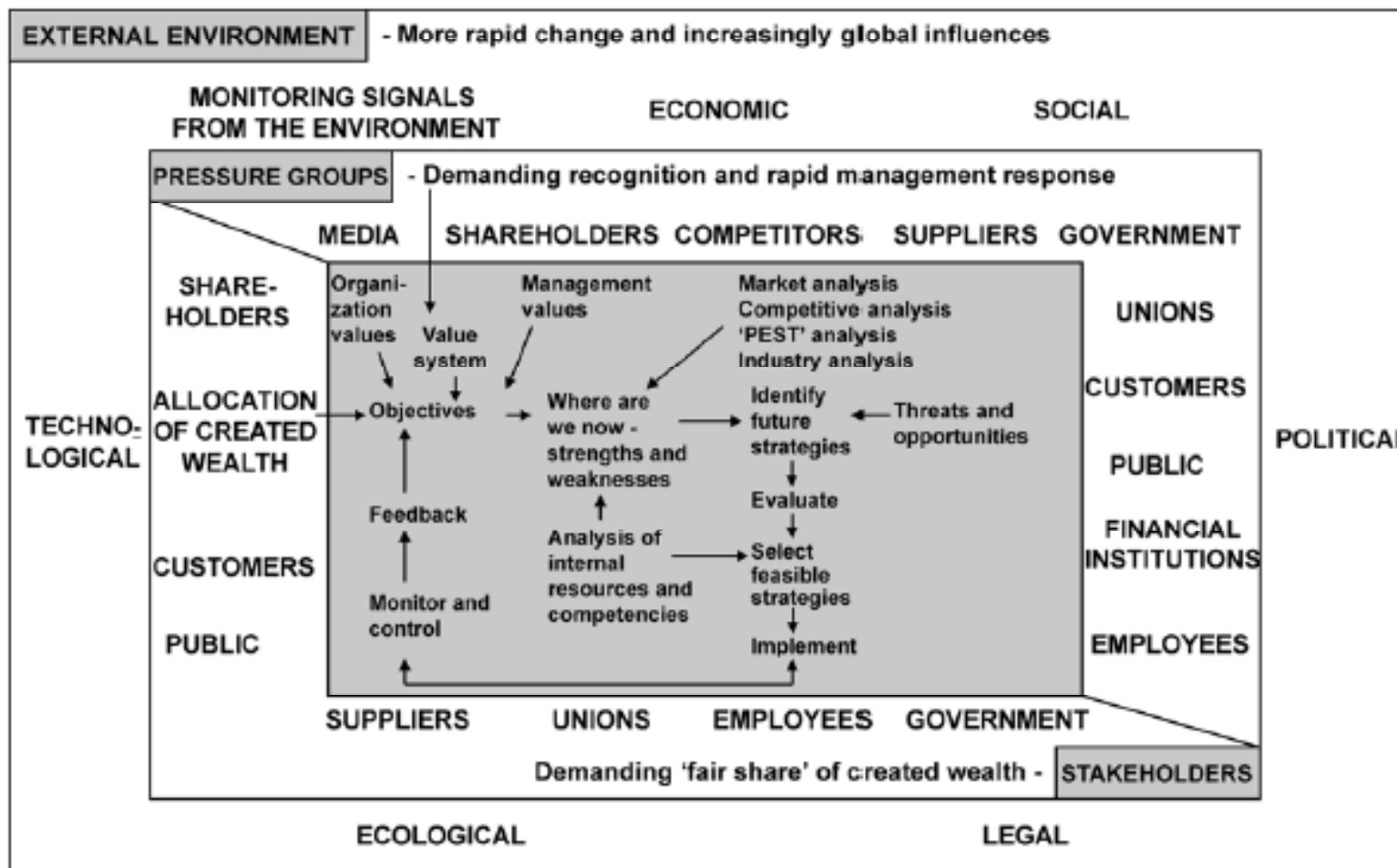
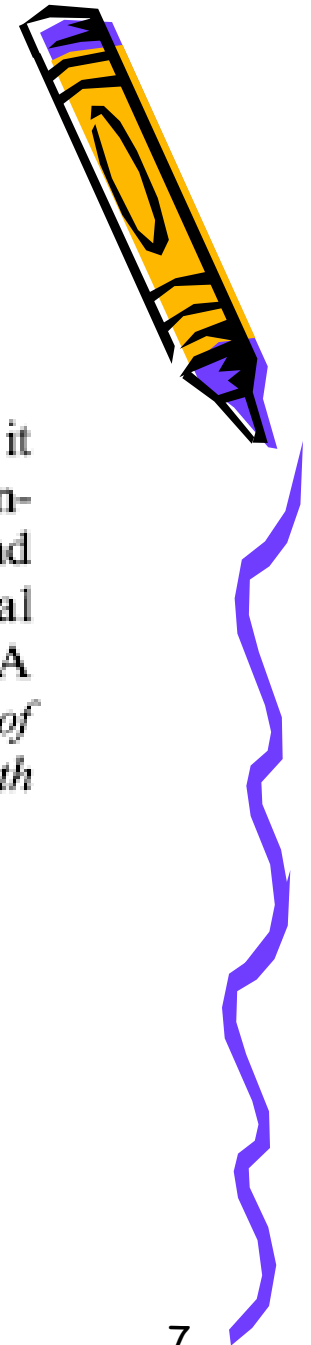


Figure 2.2 A strategic framework



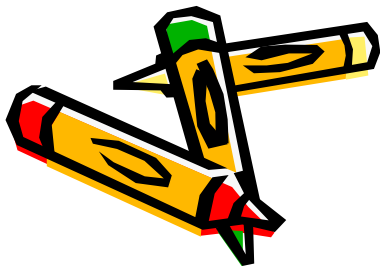
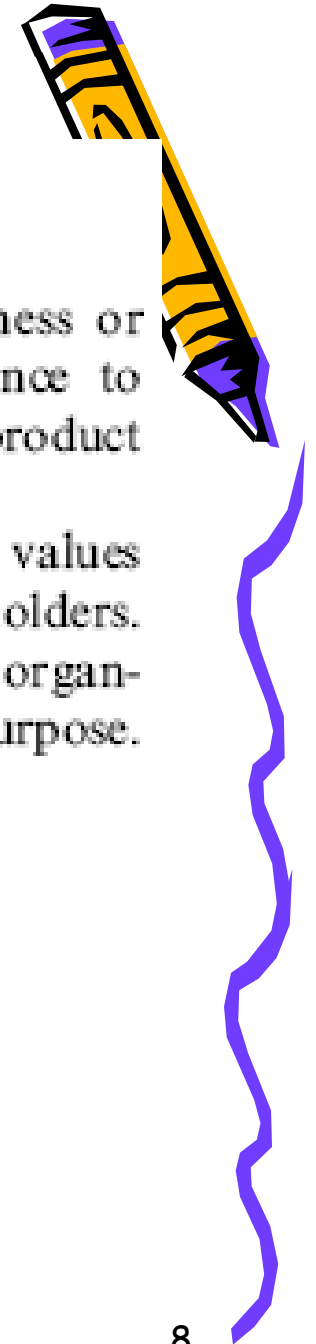
A key issue of any strategy process is to determine the scope. Should it cover the organization as a whole, or should the organization be considered in smaller, discrete parts where it may be more appropriate and easier to develop coherent strategies and plans? These organizational components are often called 'strategic business units' (SBUs). A business unit can be defined as: *a unit that sells a distinct set of products or services, serves a specific set of customers and competes with a well-defined set of competitors.*



Objectives

A key element in any business planning process is to set business or organization objectives. These are usually described by reference to profitability, growth, market share, customer satisfaction, new product development, employment, social responsibility, etc.

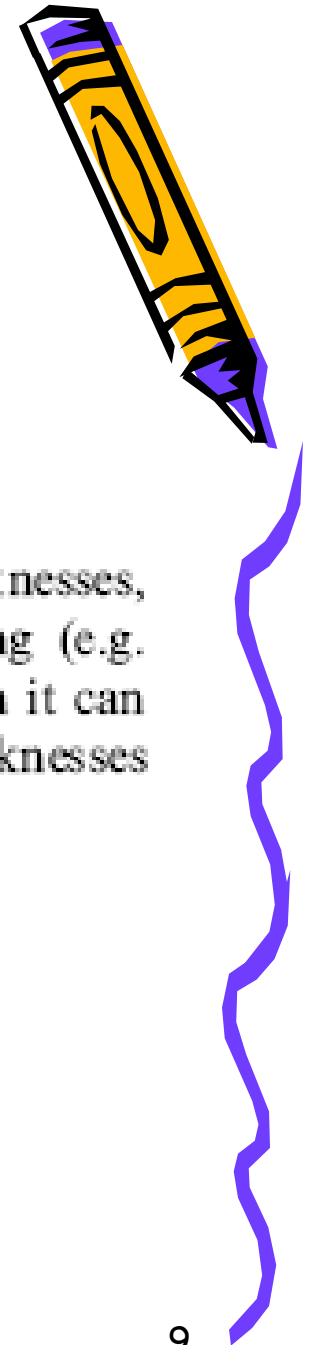
Objectives are not simply plucked out of the air, but reflect the values held by the organization, by management and by major stakeholders. These values are often expressed in terms of the 'mission' of the organization, which is usually a statement of its long-term aims and purpose.



Situation Analysis

'Where we are now' consists of two essential elements, one looking inside the organization and one looking outside. The first concerns the current strategy and an understanding of the enterprise's strengths and weaknesses. This involves a thorough analysis of:

This type of analysis is often called SWOT (Strengths, Weaknesses, Opportunities and Threats). Then, using more creative thinking (e.g. brainstorming sessions) the enterprise searches for ways in which it can use its strengths to exploit opportunities, while addressing its weaknesses and defending against threats.



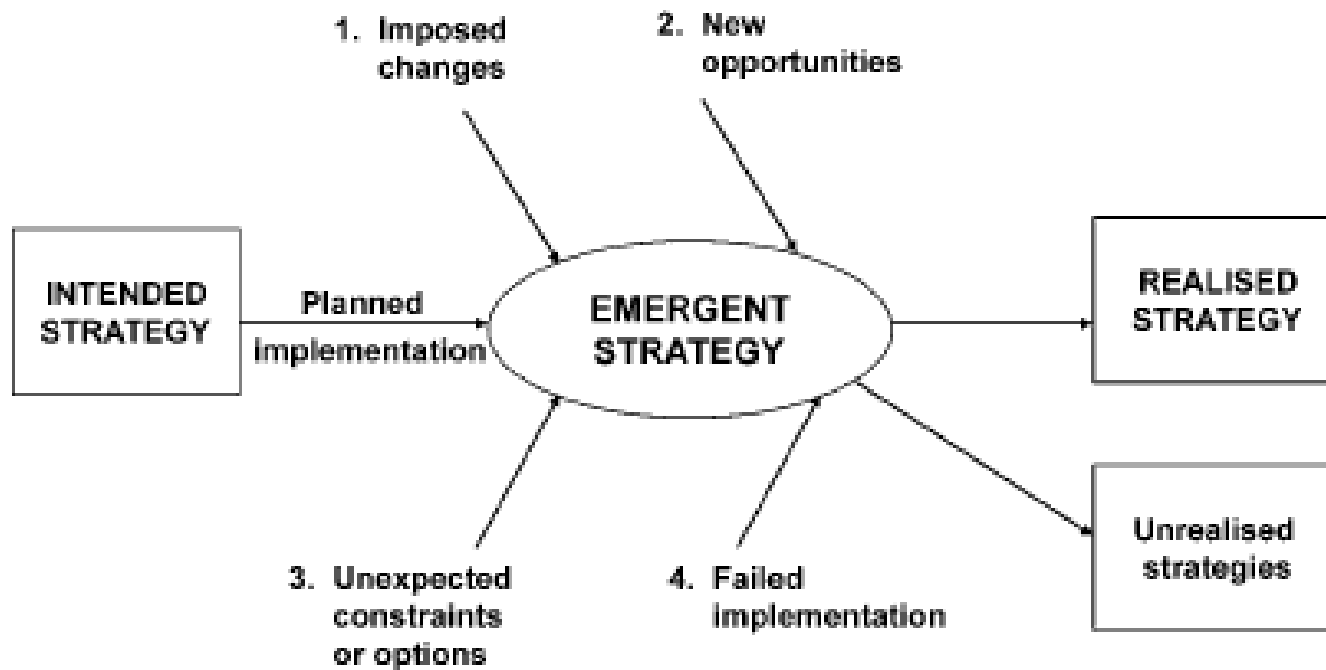
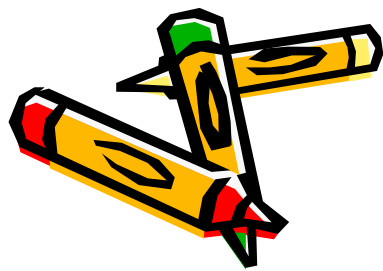
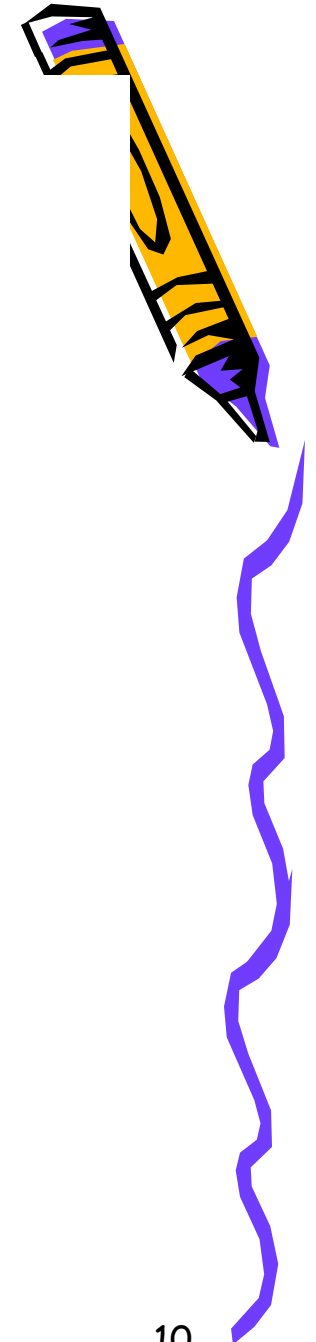


Figure 2.3 The realities of strategy development (source: G. Johnson and K. Scholes, Exploring Corporate Strategy, Prentice-Hall, Englewood Cliffs, New Jersey, 2002)



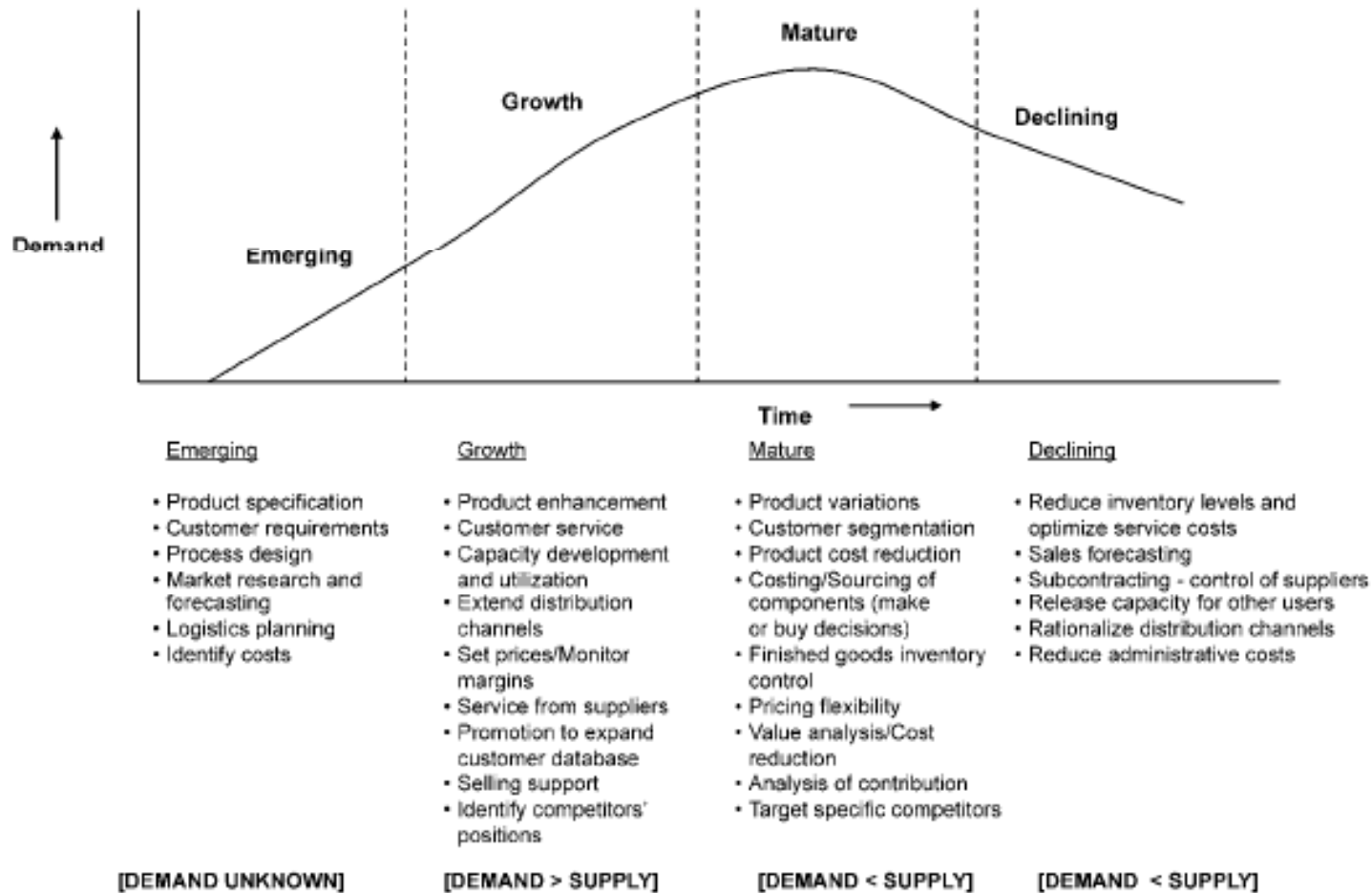
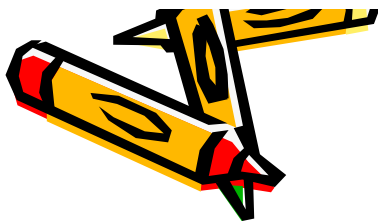


Figure 2.4 Industry and product life cycles—information and systems focus (source: derived from an analysis in J.M. Higgins, *Strategy Formulation, Implementation and Control*, Dryden Press, New York, 1985, pp. 130–135)



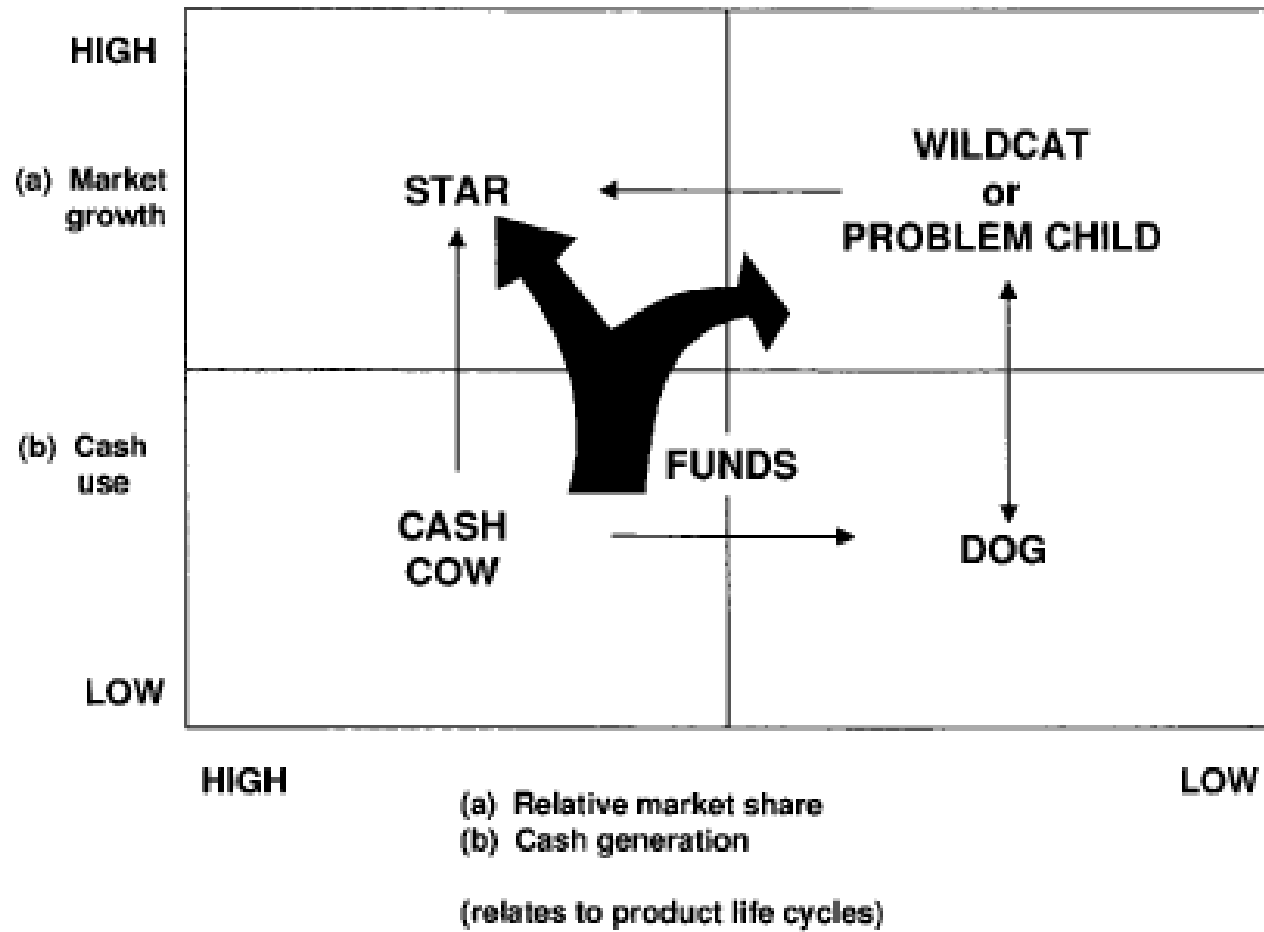
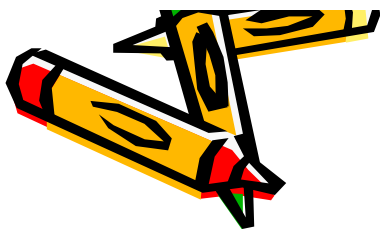
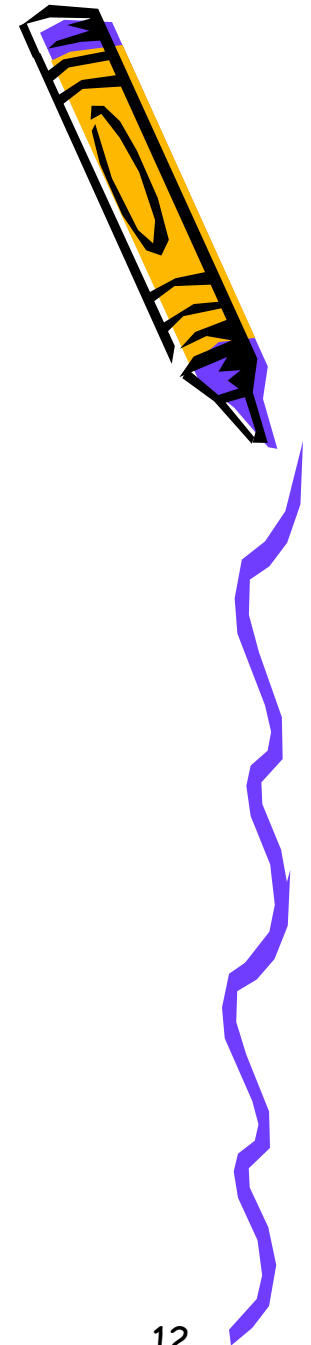


Figure 2.5 Product portfolio (source: Boston Consulting Group)



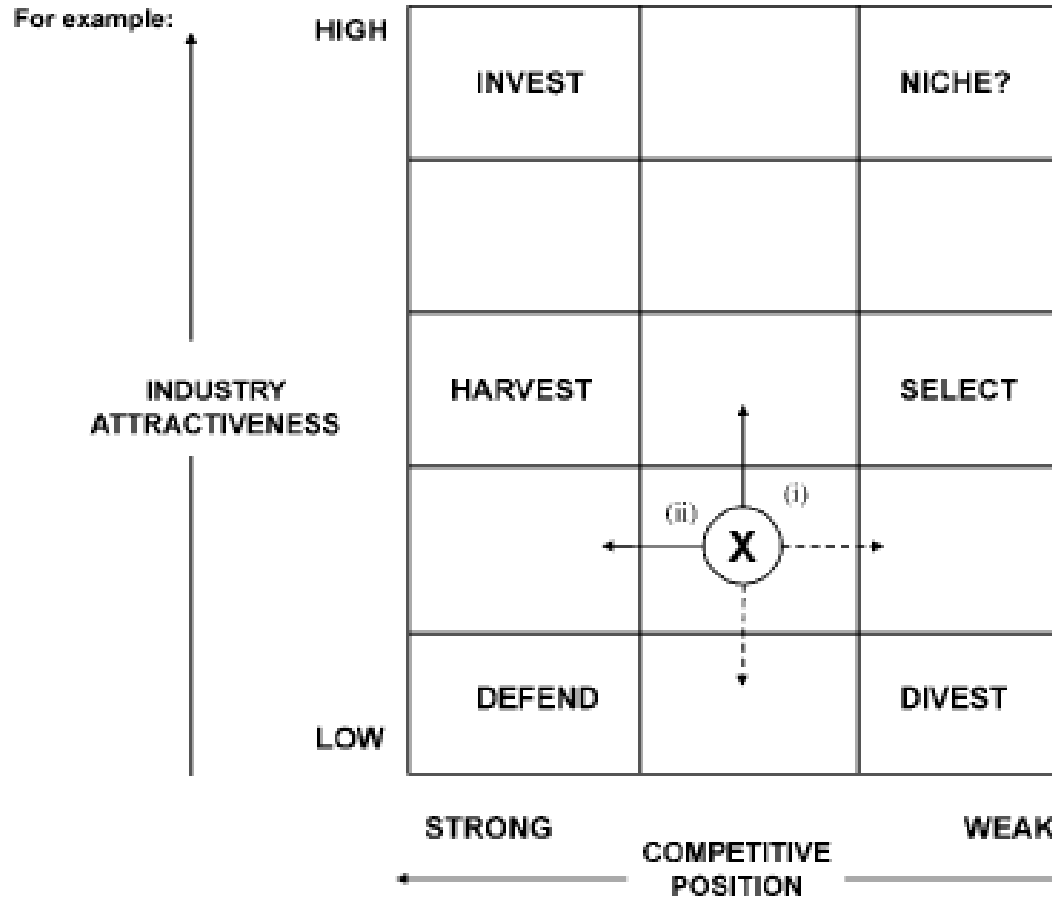
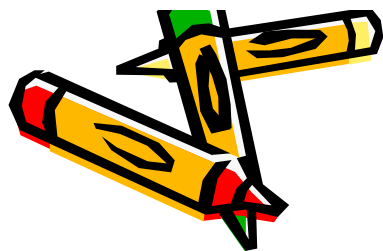
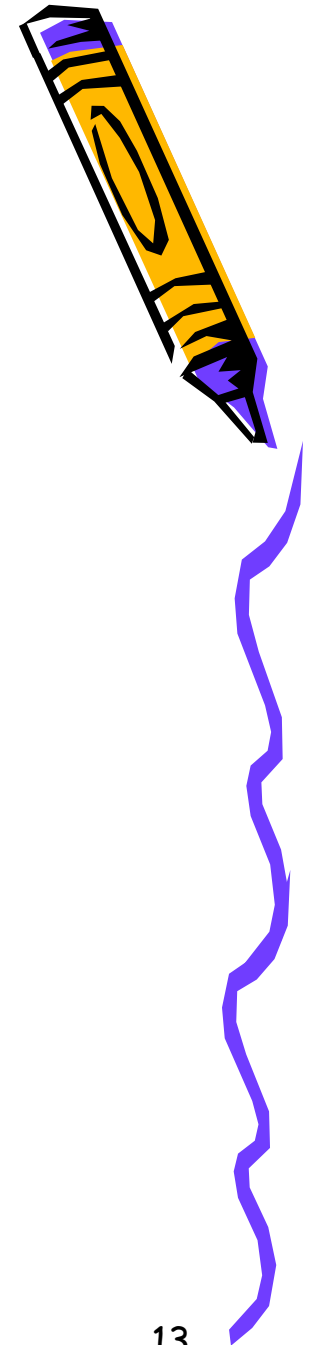


Figure 2.6 Policy/portfolio matrices



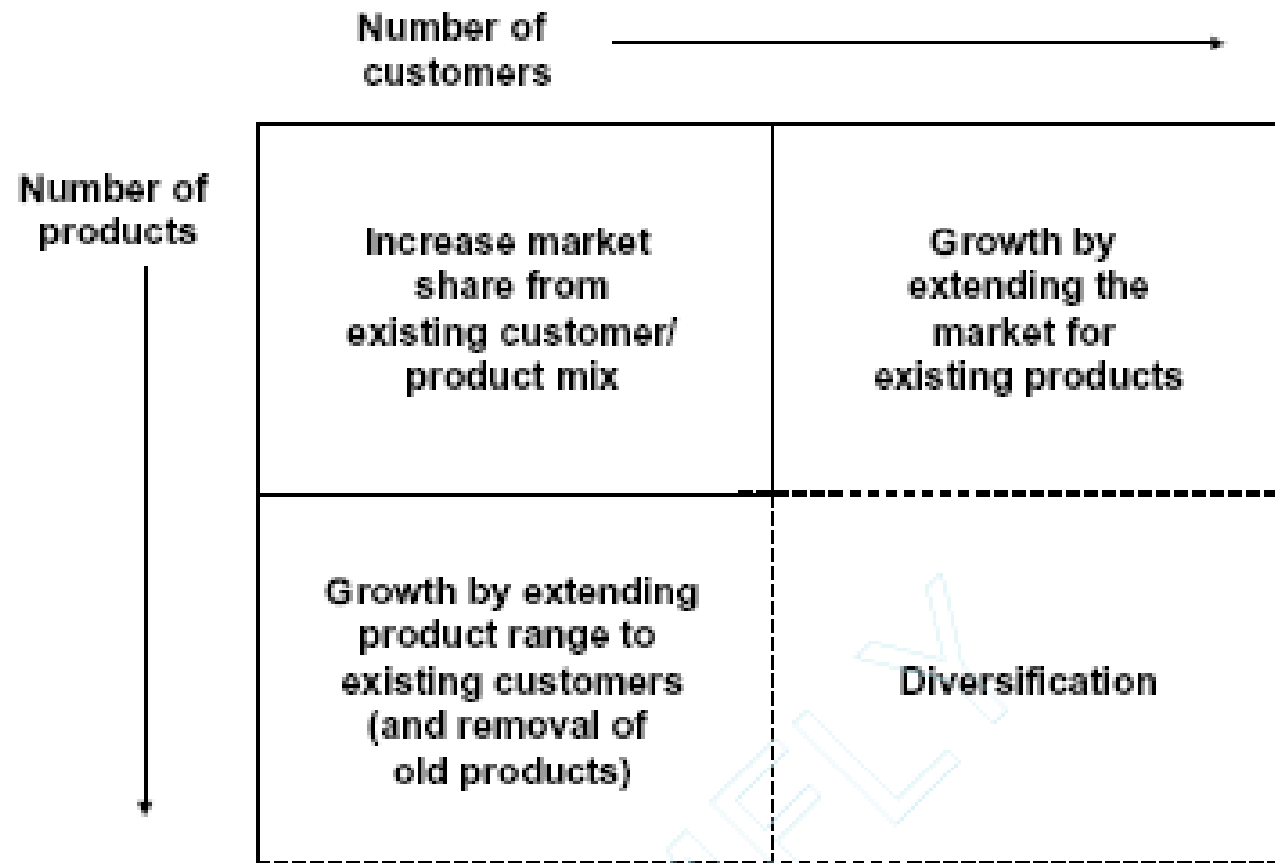


Figure 2.7 Dimensions of business growth

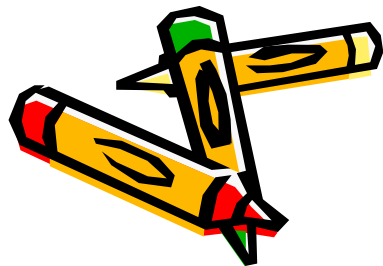
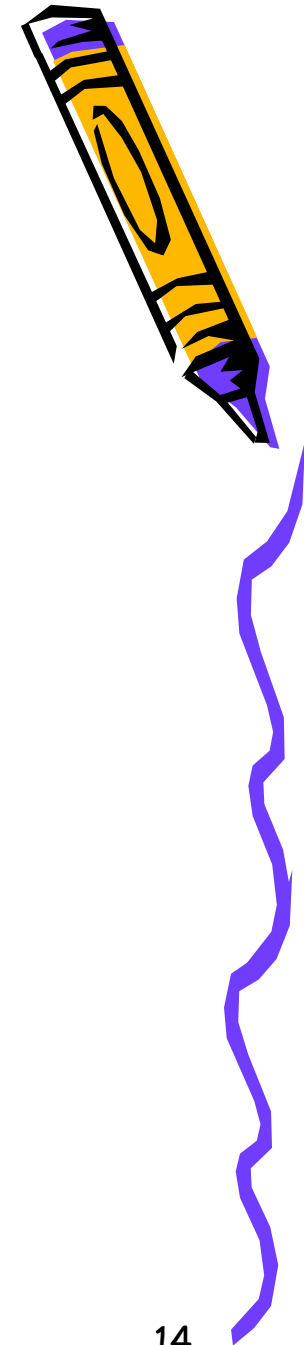




Figure 2.8 E-commerce in relation to industry competitive forces

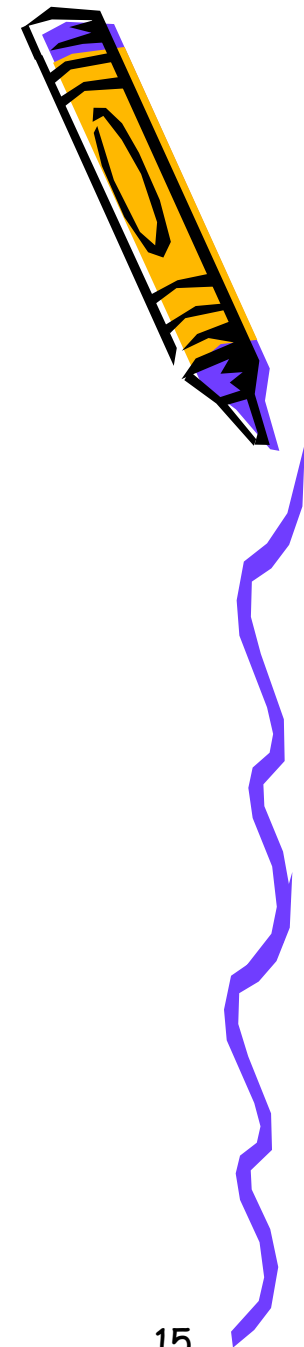


Table 2.1 Factors affecting the impact of competitive forces

New entrants will be inhibited by:

- capital requirements;
- patents and specialist skills required;
- distribution channels available;
- achieved/required economies of scale and resultant cost advantages;
- number and size of existing rivals and intensity of competition;
- differentiation and brand establishment/loyalty;
- access to raw materials/critical resources, etc.

Substitute products/services (implies achieving a higher priority for customer spend):

- customer awareness of needs and means of satisfaction;
- customer sensitivity to value for money and ability to compare;
- existing loyalty of customers—impact of ‘industry’ promotion;
- ability to differentiate products, etc.

Competitive rivalry will be intensified by:

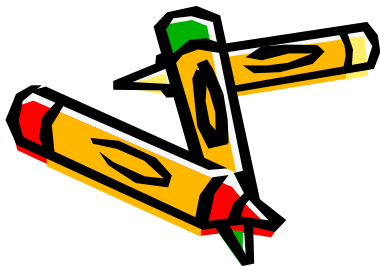
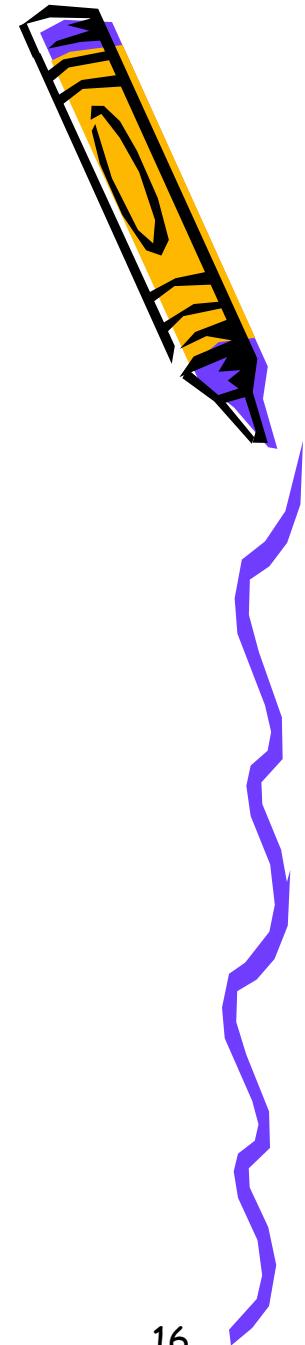
- market growth slow (or in decline);
- small number of similar sized competitors dominate;
- high fixed costs and/or high exit barriers for all rivals;
- overcapacity, and/or capacity increments are large units;
- commodity-like, undifferentiated products, etc.

Buyers' power will be increased by:

- concentrated/few buyers making high volume and/or high value of purchases;
- low switching costs across suppliers;
- price sensitive and many alternative sources of supply;
- weak brand identities, products not differentiated;
- buyers capable of backward integration due to low ‘entry’ costs, etc.

Suppliers' power will be increased by:

- few suppliers—high switching costs for rivals and suppliers deal with many small customers;
 - potential substitute supplier/resources not easily available;
 - supplied goods make up large part of firms' costs;
 - suppliers capable of forward integration or bypass to customers, etc.
-



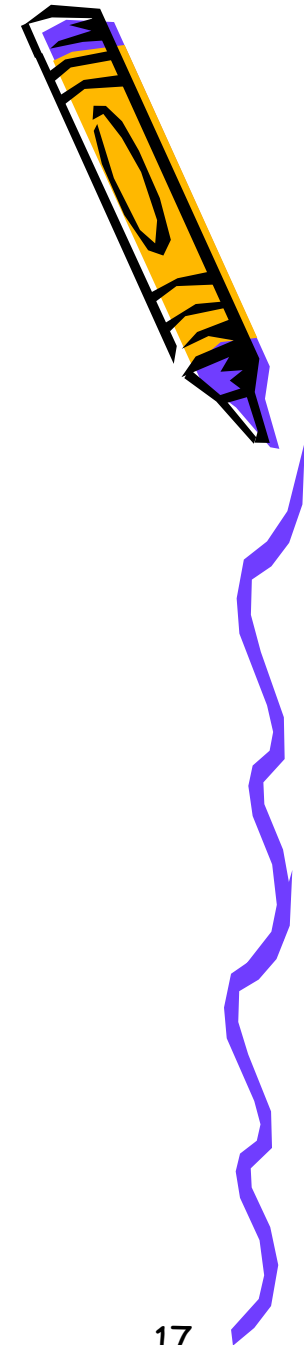
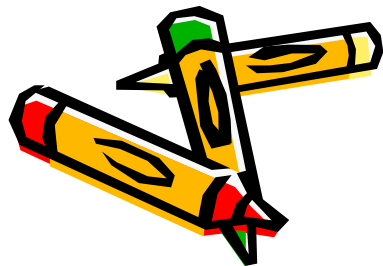
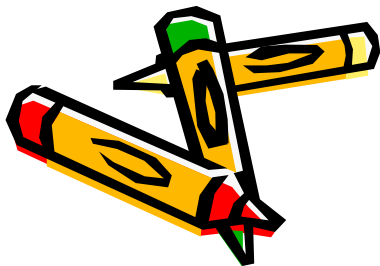
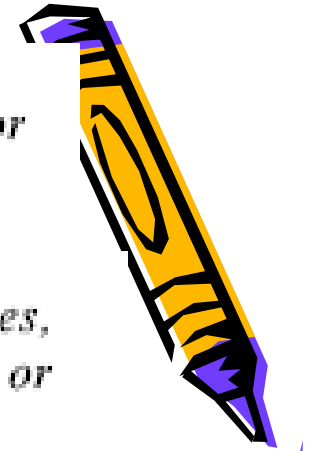


Table 2.2 *Characteristics of generic strategies*

<i>Generic strategy</i>	<i>Commonly required skills and resources</i>	<i>Common organizational requirements</i>
Overall cost leadership	Sustained capital investment and access to capital	Tight cost control, frequent, detailed control reports
	Process engineering skills	Structured organization and responsibilities
	Intense supervision of labour	Incentives based on meeting strict quantitative targets
Differentiation	Strong marketing abilities and creative flair	Strong coordination among functions in R&D, product development, and marketing
	Product-engineering skills	Subjective measurement and incentives instead of quantitative measures (market-based incentives)
	Strong capability in basic research	Amenities to attract highly-skilled labour or creative people
	Corporate reputation for quality or technological leadership	Looser, more trusting organizational relationships
	Strong cooperation from distribution channels	



1. *How can/could IS/IT affect the nature and value of the product or service and its life cycle?*
2. *How can/could IS/IT affect the demand for products and services, segment markets more effectively, extend them geographically, or provide new distribution channels to reach the market?*
3. *How can IS/IT affect the cost base of the key processes in the industry or change the balance in the trade-off between flexibility and standardization?*



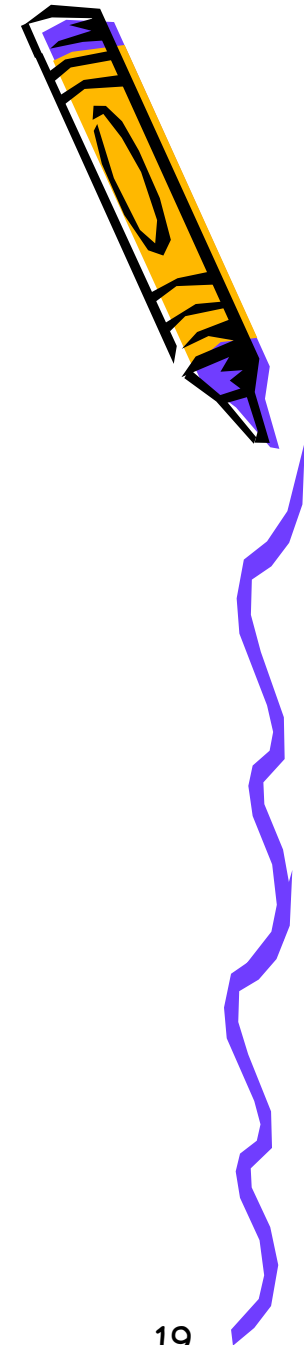


Table 2.3 The airline industry: how IS/IT has affected competitive forces

1. <i>How can IS/IT build barriers to entry?</i>	By increasing IT entry cost for reservation systems (£20m+) By tying in distribution channels (travel agencies) By sharing capacity and ticketing costs via alliances and integrated systems
2. <i>How can IS/IT build in switching costs for customers?</i>	By linking purchasing and remittance systems to reduce overheads of customer Discount/volume packages to discourage piecemeal purchase
3. <i>How can IS/IT change the basis of competition?</i>	Lower costs: optimize yield per aircraft Differentiate service: reconfiguring aircraft due to demand Niche/focus service into high yield sectors (e.g. business travel) Low-cost/low-price 'no frills' service with online direct booking, bypassing agents
4. <i>How can IS/IT change the balance of power in supplier/customer relationship?</i>	Agent is constantly aware of seat availability of competing airlines Airline can readily promote unsold capacity via chosen agents or direct to customers via online booking with variable pricing based on sales patterns
5. <i>How can IS/IT generate new products/services?</i>	Integrated travel package to high mileage business customers, bypassing agencies New routes/schedules to cater for demand

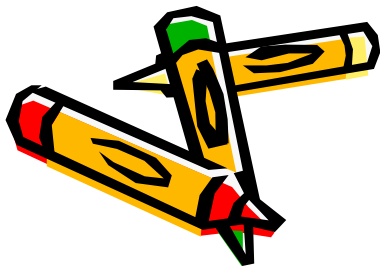
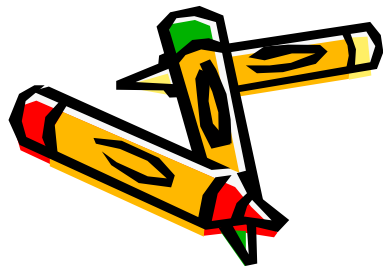
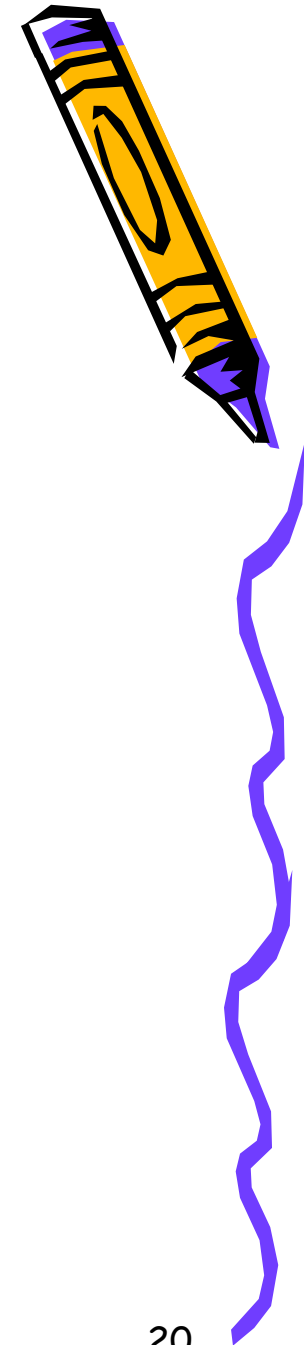


Table 2.4 *Impact of competitive forces and potential IS/IT opportunities (source: adapted from J. Cash, 'Interorganizational systems: An information society opportunity or threat?', The Information Society, Vol. 3, No. 3, 1988, 98-110)*

<i>Key force impacting the industry</i>	<i>Business implications</i>	<i>Potential IS/IT effects</i>
Threat of new entrants	Additional capacity Reduced prices New basis for competition	Provide entry barriers/ reduce access by: <ul style="list-style-type: none"> - exploiting existing economies of scale - differentiate products/services - control distribution channels - segment markets
Buyer power high	Forces prices down Demand higher quality Require service flexibility Encourage competition	Differentiate products/ services and improve price/performance Increase switching costs, of buyers Facilitate buyer product selection
Supplier power high	Raises prices/costs Reduced quality of supply Reduced availability	Supplier sourcing systems Extended quality control into suppliers Forward planning with supplier
Substitute products threatened	Limits potential market and profit Price ceilings	Improve price/performance Redefine products and services to increase value Redefine market segments
Intense competition from rivals	Price competition Product development Distribution and service critical Customer loyalty required	Improve price/performance Differentiate products and services in distribution channel and to consumer Get closer to the end-consumer—understand the requirements



The role of IS/IT in enabling and supporting each of the fundamental generic strategies—low cost and differentiation—will be considered first. The essential business characteristics of these two strategies were described in Table 2.2.



Figure 2.9 Forces that shape strategy

