

## Chapter 7 Plans and Strategies

### I. Strategic planning

#### Components of an IS strategy

- A clear statement of the IS objectives.
- An inventory and assessment of current organisational capabilities.
- An implementation plan.

A good implementation plan will help organisations to have better chances of achieving their objectives. A plan will be a map for the organisations to guide themselves from the current state to the desired states (i.e. toward their ultimate goals).

In order to develop a good implementation plan, you must understand clearly the internal and external environment of the firm. The plan must be appropriate to the conditions of each organisation.

An IS plan should include at least the following elements:

- A structure that gives *guidance on what to do and when to do it*.
- A definition of *techniques* to do what needs to be done.
- Advice on how to *manage the quality of the results*.
- *Tools to automate the process*.

#### Figure 7.1

**Organisational assessment:** define the *current* capabilities of the organisation i.e. *current state*.

**Strategic foundations:** consist of mission, future vision, and guiding principles. This step is to assess the organisation *future desired state*.

**Gap analysis:** identify what needs to be changed to move the organisation from its current state to the new desired state.

**Strategic goals:** broad statement about the where the organisation wants to be at some point in the future. These goals work towards achieving the overall mission of the organisation and help to achieve the vision of the future.

Progress in achieving these goals should be measurable so as to enable performance monitoring.

**Objectives:** represent specific courses of action that are bounded by and support the strategies. They contain a target and a performance measure.

*Strategic goals describe the end state to be achieved; strategies outline how to get there; and the objectives describe who does what and when.*

#### A strategic plan consists of the following steps

*Define* the objectives

*Structure* the plan

*Deploy:* prepare resources for implementation.

*Implementation:* Implementing action plan

*Take action:* provide additional support when necessary.

*Evaluate progress:* evaluate the success and failures of the projects; learn lessons for the new projects.

### II. Strategic Theory

#### Porter's Strategic Theory

Porter's view of 5 forces driving industry competitive

- Bargaining power of suppliers
- Bargaining power of buyers
- Threat of new entrants
- Threat of substitute products
- Rivalry among existing firms

#### Figure 7.2

In order to increase profits, firms have to increase the differences between the amount customers are willing to pay for the product and the cost of creating the products. There are two options:

- Lower cost: become more efficient than competitors

- Product differentiation: create better values of products and at the same time, commands a higher price for the product.

Under Porter's framework, enterprises can adopt one of these strategies:

**Figure 7.3**

**Product differentiation**

The degree to which buyers perceive products from alternative suppliers to be different. Product differentiation also serves as entry barrier.

**Creating Product Differentiation with 4 P's**

- Price: list, discounts, allowances, payment period, credit terms
- Product: quality, styles, features, options, brand name, packaging, sizes, services, warranties, returns
- Promotion: advertising, publicity, personal selling, sale promotion
- Place: channels, coverage, locations, inventory, transport

The relative importance of each strategy depends on circumstances i.e. external and internal environment of the firm.

**Value chains**

An enterprise is included in an industry value chain. An industry value chain includes:

- supplier value chains
- enterprise value chain
- distributor/retailer value chains
- buyer value chain

The success of the enterprise depends on how well it integrates and manages the entire industry value chain.

Industry value chain is influenced by:

- New technologies
- New or shifting buyers needs
- Change in industry segmentation
- Shifts in the costs or availability of factors of production
- Change in government regulations

Homework: Q2 , 4 , 5 , 7 , 9 , 10