

E-Business Strategy

Levels and types of strategy

Lecture Overview

Part 1:

- Strategies: types and levels
- E-business Strategy
- Toolkits for Strategy Analysis and Formulation
 - SWOT
 - Internal analysis:
 - Value Chain, Critical Success Factor, ICDT Models
 - External analysis:
 - PEST and Porter five forces

Lecture Overview

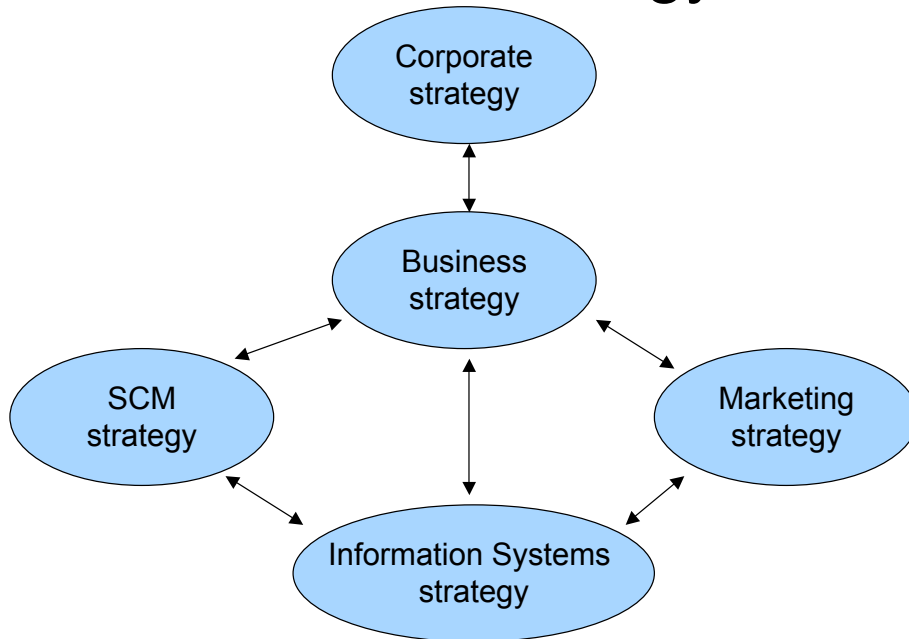
Part 2:

- Standard Methodology for E-business Strategy Analysis and Formulation
 - i.e. Stage models with a well-designed combination of toolkits for analysis and formulation.
 - General Stage Model
 - Specialized Stage Model
 - E-breakout methodology

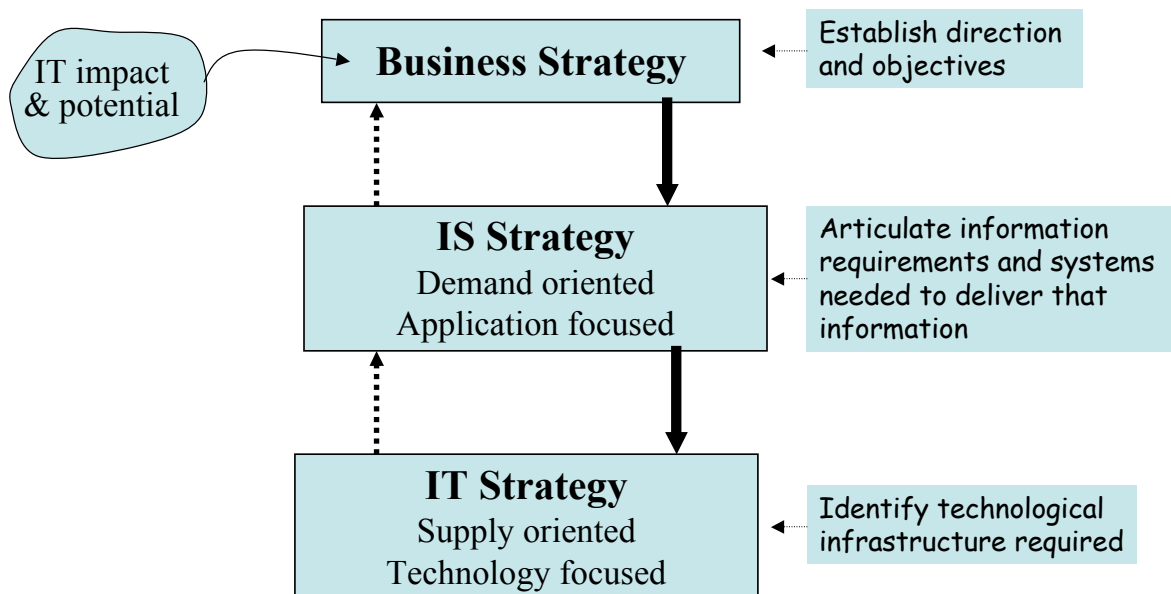
Main Issues in a Strategy

- Where is the business trying to get to in the long-term ? (direction)
- Which markets should a business compete in and what kind of activities are involved in such markets? (markets; scope)
- How can the business perform better than the competition in those markets? (Competitive advantage)
- What resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (resources)
- What environmental factors affect the businesses' ability to compete? (both micro and macro environment)
- What are the values and expectations of those who have power in and around the business? (stakeholders)

Levels of strategy

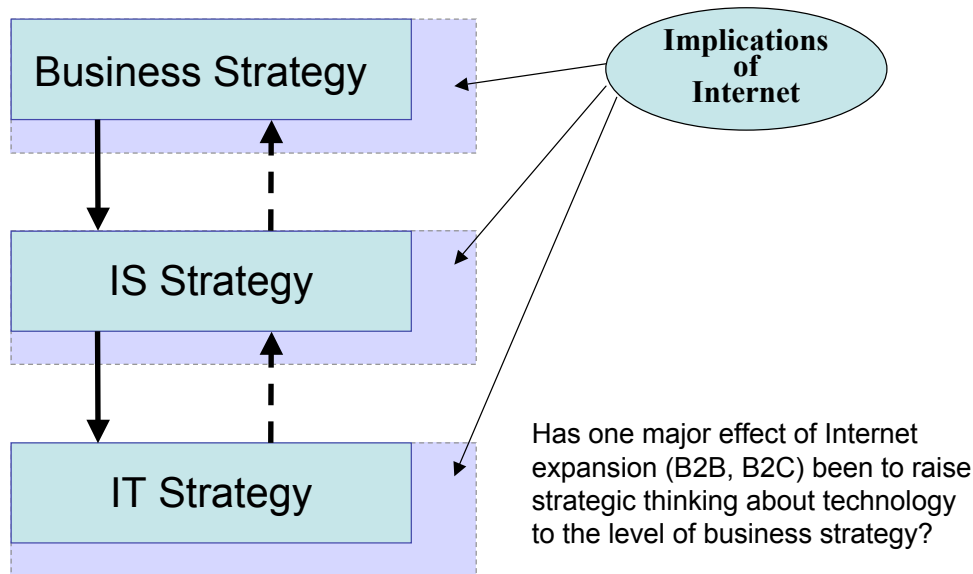


Business, IS, and IT strategies



(Ward & Peppard 2002)

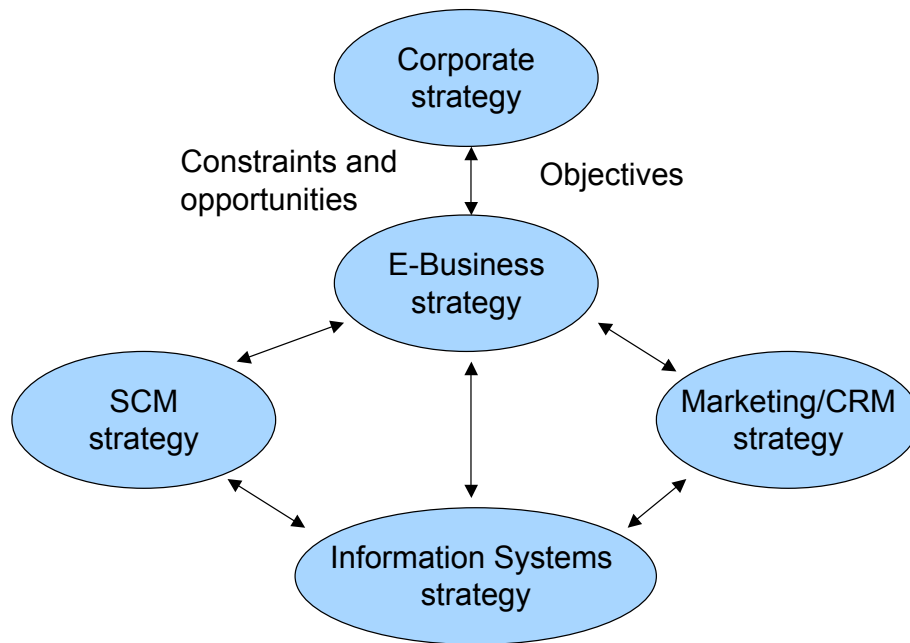
Impacts of Internet on planning



What is an E-business Strategy?

- The deployment of enterprise resources to capitalize on technologies for reaching specified objectives that ultimately improve performance and create sustainable competitive advantage.
- Corporate-level business strategies including information technology components (LANs, Internet, digital data, databases, and so forth) become e-business strategies.

Relationship between e-business strategy and other strategies

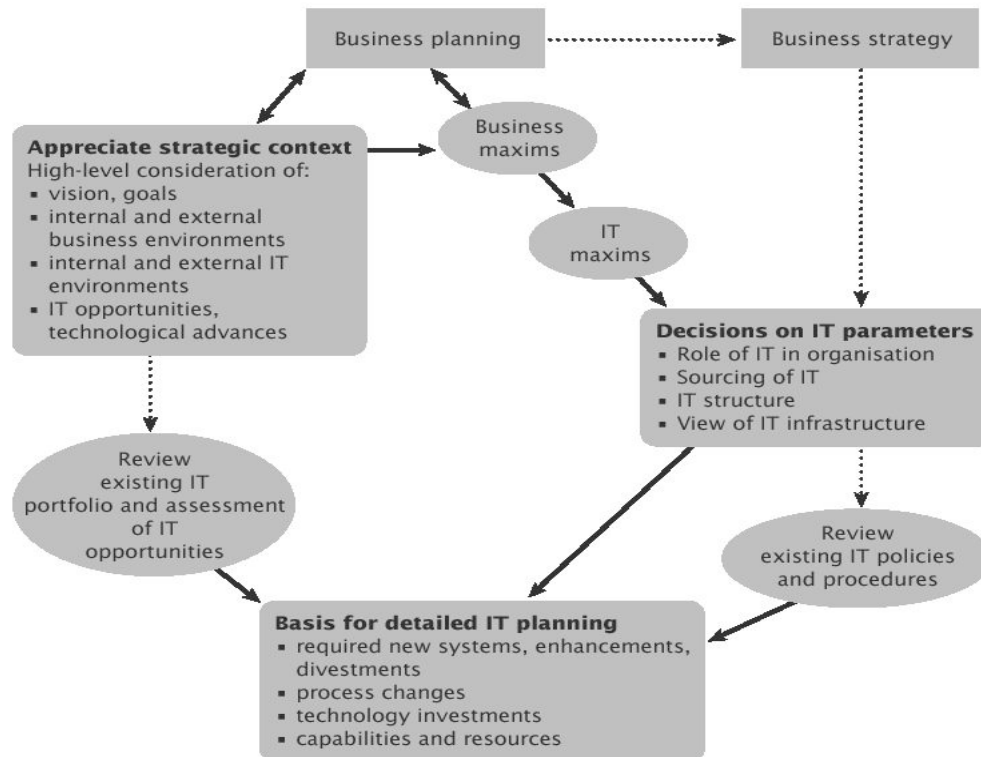


Three Levels of EBS Migration

	EXPERIMENTATION	INTEGRATION	TRANSFORMATION
E-BUSINESS STRATEGY	No e-business strategy	E-business strategy supports current (as is) corporate strategy	E-business strategy supports breakout corporate strategy
CORPORATE STRATEGY	e-business strategy not linked to corporate strategy	E-business strategy subservient to corporate strategy	E-business strategy is a driver of corporate strategy
SCOPE	Departmental/functional orientation	Cross-functional participation	Cross enterprise involvement (interconnected customers, suppliers and partners)
PAYOFFS	Unclear	Cost reduction, business support and enhancement of existing business practices, revenue enhancement	New revenue streams, new business lines, drastic improvements in customer service and customer satisfaction
LEVERS	Technological infrastructure and software applications	Business processes	People, intellectual capital and relationships, co-operation
ROLE OF INFORMATION	Secondary to technology	Supports process efficiency and effectiveness	Information asymmetries use to create business opportunities

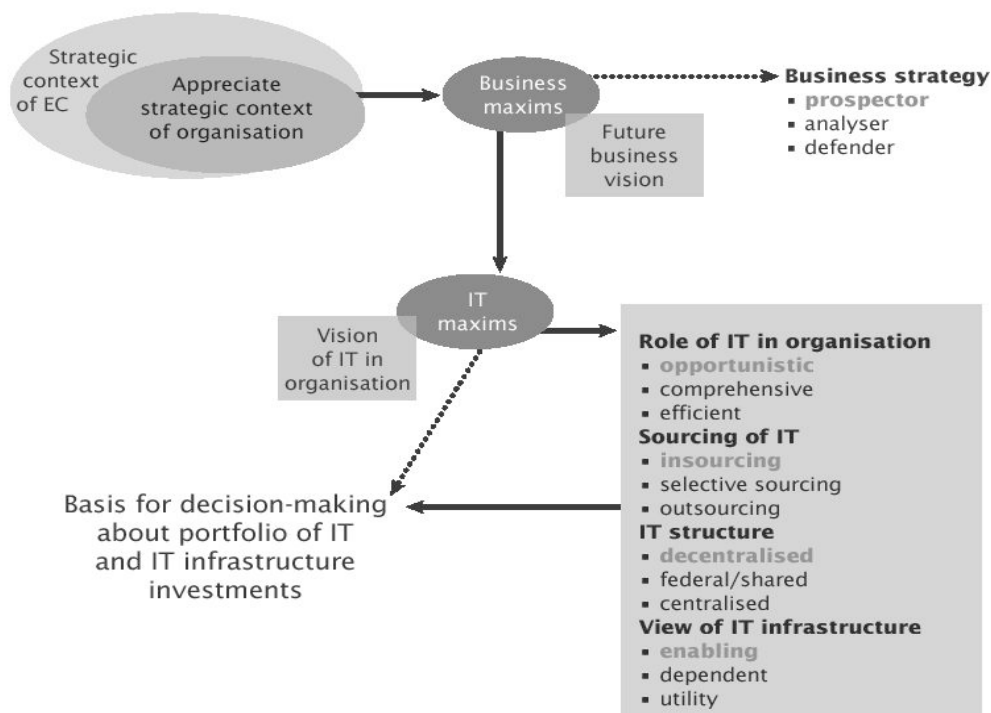
Adapted from Hackbarth and Kettinger, 2000

Framework for e-business strategy formulation



Source ▶ concepts from Hirschheim and Sabherwal 2001 and Broadbent and Weill 1997.

High level strategic visioning and thinking



Source ▶ concepts from Broadbent and Weill 1997 and Hirschheim and Sabherwal 2001.

Defining key parameters for IT

- Role of IS/IT
 - strategic enabler (opportunistic) or support?
- Sourcing of IS/IT
 - In-sourced, selectively sourced, or outsourced?
- Structure of IS/IT dept
 - Decentralised, federal, or centralised?
- View of IT infrastructure
 - Enabling or utility view? aligned with business strategy?

Complementary views of strategy

- View presented so far regards strategy as developed from understanding of nature of competition, industry and organisational structure and competitive response
- But strategy can be articulated based on understanding of internal resources, capabilities and competencies, and access to external resources etc., which can be harnessed as sources of competitive advantage
- Each perspective offers valuable insights into strategies that an organisation can adopt

Overview of Toolkits for Strategy Analysis and Formulation

- PEST Analysis** - a technique for understanding the "environment" in which a business operates
- Five Forces Analysis** - a technique for identifying the forces which affect the level of competition in an industry
- Market Segmentation** - a technique which seeks to identify similarities and differences between groups of customers or users
- Directional Policy Matrix** - a technique which summarises the competitive strength of a businesses operations in specific markets
- Competitor Analysis** - a wide range of techniques and analysis that seeks to summarise a businesses' overall competitive position
- Critical Success Factor Analysis** - a technique to identify those areas in which a business must outperform the competition in order to succeed
- SWOT Analysis** - a useful summary technique for summarising the key issues arising from an assessment of a businesses "internal" position and "external" environmental influences.

SWOT Analysis

- A useful tool: 'simple yet powerful'
 - Strengths – internal to organisation
 - Weaknesses – internal
 - Opportunities – external
 - Threats – external
- **Strengths, Weaknesses**
 - Analyse internal capabilities, skills
 - Look to exploit strengths for advantage
 - Consider weaknesses and minimise potential disadvantage
- **Opportunities, Threats**
 - External analysis to identify opportunities for exploitation, threats to be minimised or countered

Using SWOT Analysis

EXTERNAL FACTORS	INTERNAL FACTORS	Strengths (S)	Weaknesses (W)
Opportunities (O)		<u>SO Strategies</u> Use strengths to take advantage of opportunities	<u>WO Strategies</u> Seize opportunities that will overcome weaknesses
Threats (T)		<u>ST Strategies</u> Use strengths to avoid threats	<u>WT Strategies</u> Minimize weaknesses and avoid threats

External factors	Opportunity	Maxi-Mini • Inflexible pricing policy • Procurement systems poor, but opportunity afforded by B2B exchanges	Maxi-Maxi • Well established distributor network and extranet • Short cycle new product development • Good reporting and decision support facilities for control
	Threat	Mini-Mini • No transactional web site • No links to online intermediaries • No coordination of IS within overseas agents and distributors	Mini-Maxi • Good internal infrastructure but no IP-based network experience
		Weakness	Strength
		Internal factors	

Figure 5.8 SWOT analysis for The B2B Company

Portfolio Analysis

- McFarlane and McKenney's (1993) framework gives us an evaluation tool for system proposals
- Can be adapted for e-business strategy formulation (Ward and Griffith, 1996)
- The next slide shows a portfolio analysis for B2B case study

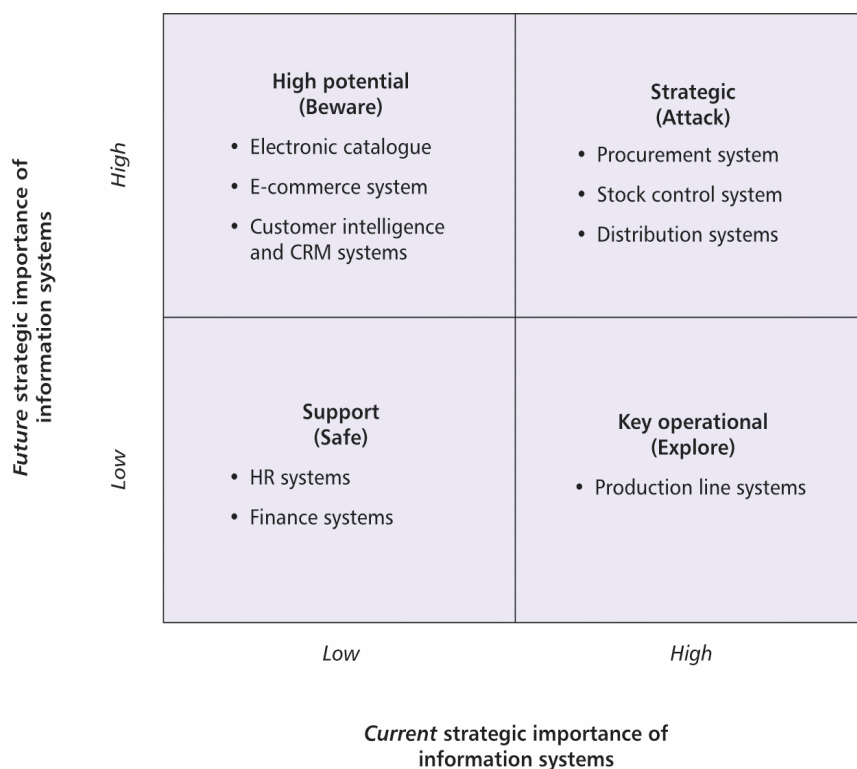
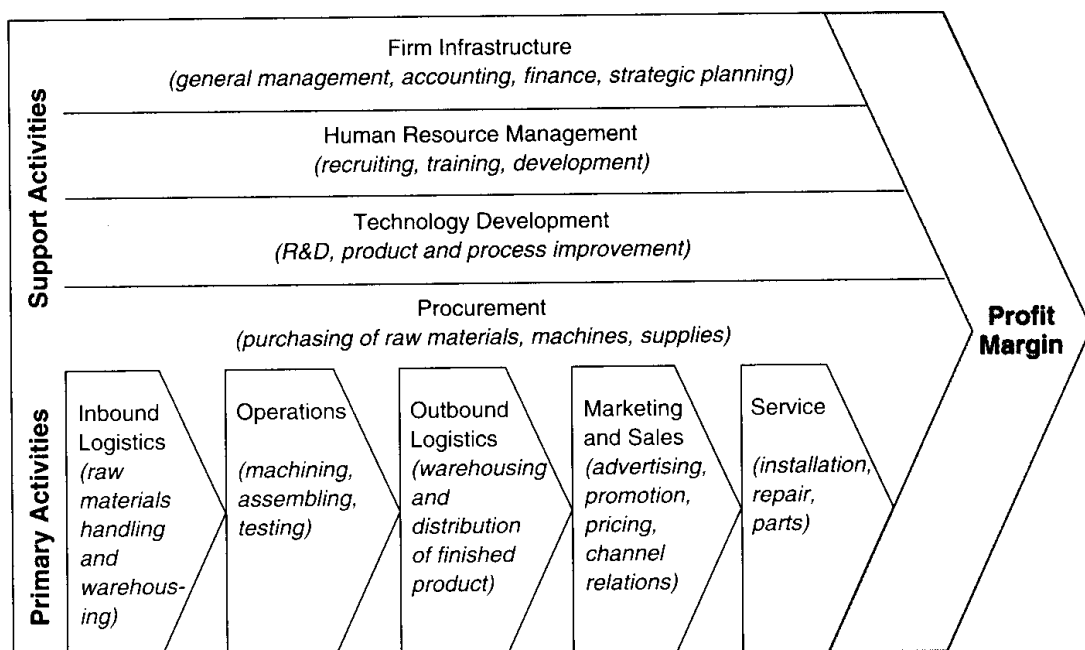


Figure 5.7 Summary applications portfolio analysis for The B2B Company

Value Chain Analysis

- Internal focus
- First published by **Michael Porter** in 1980
- Examines organisation in terms of primary activities (core business processes) and support activities
 - Distinguishes primary (value-creating) activities from secondary (support) activities
 - Inbound and outbound activities focus on supply chain interfaces
 - Sales and service focus on customer interface

Value Chain



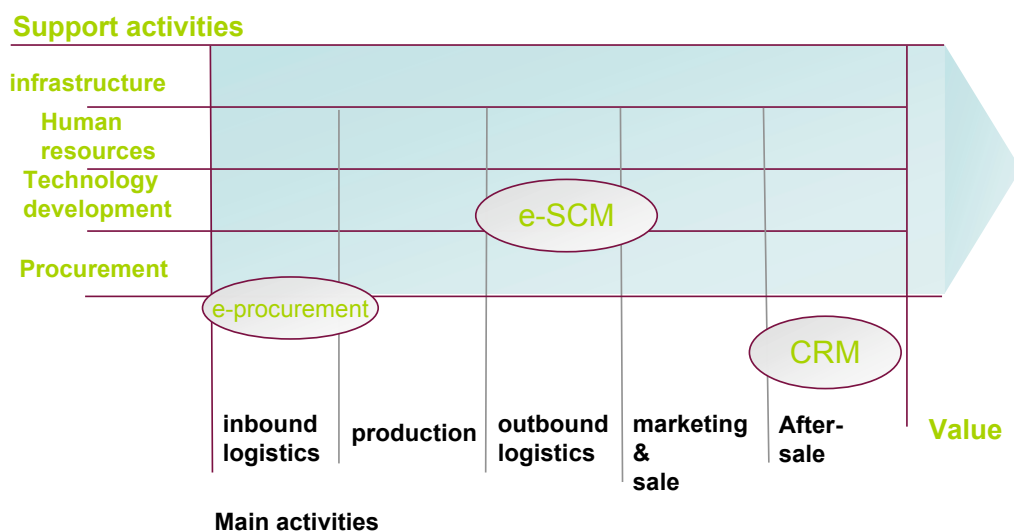
The Value Chain

The value chain is a model that describes a sequence of value adding activities of a single organization, connecting an organization's

- **supply side** (raw materials, inbound logistics, and production processes) with its **demand side** (outbound logistic, marketing and sales)
- **includes supporting activities** (firm infrastructure, human resource management, technology development, procurement) (Porter, 1985).

By analyzing the stages of a value chain it is possible to reengineer internal and external processes to improve efficiency and effectiveness.

Value chain & activities



Extracted from HEC