

Chapter 2

e-Business Strategy

Program

- What is an e-business strategy?
- Strategic positioning
- Three levels of e-business strategy
- The changing competitive agenda
- The strategic planning process
- Strategic alignment
- Consequences: theoretical foundations
- Implementation

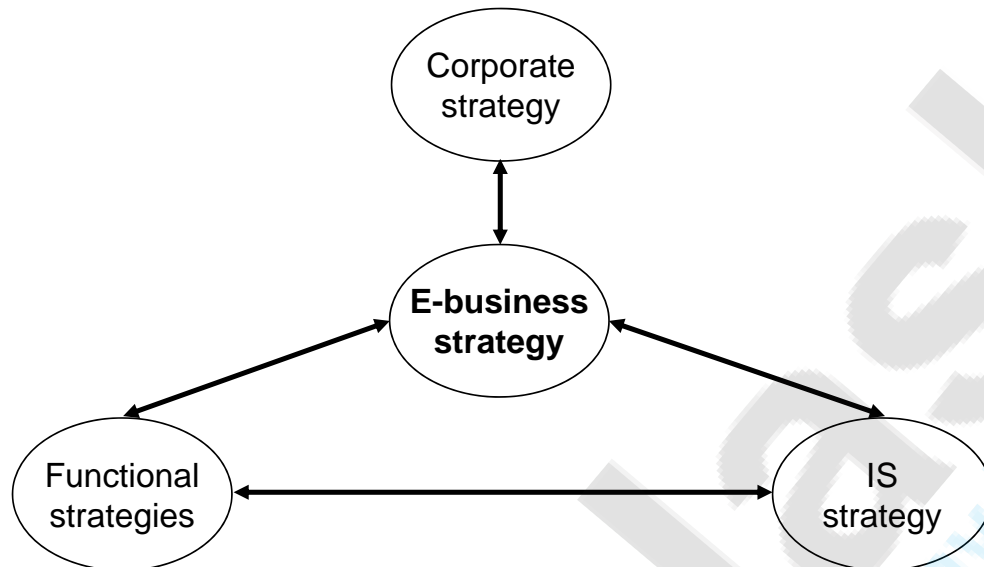
What is e-business strategy?

“The set of plans and objectives by which applications of internal and external electronically mediated communication contribute to the corporate strategy”

Two Forms of Strategy

- Achieving higher-level goals
 - A strategy is developed in order to achieve a goal like implementing an organizational change, of a large software package
- A strategy related to plans concerning the long term position of the firm
 - A strategic planning that has to do with the external positioning of the firm in its competitive environment

Relationship between e-business and other organization strategies



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Strategic positioning

- A company must start with the right goals;
- A company's strategy must enable it to deliver a value proposition, or set of benefits, different from those that its competitors offer;
- Company strategy needs to be reflected in a distinctive value chain;
- Robust company strategies involve trade-offs;
- Company strategy defines how all the elements of what a company does fit together;
- Company strategy involves continuity of direction.

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Three Levels of e-Business Strategy

- The *supply chain* or *industry value chain* level;
- The *line of business* or (strategic) *Business Unit* level;
- The *corporate* or *enterprise* level for each firm that encompasses a collection of business units.

The supply chain or industry value chain level

- This analysis gives an impetus to insight in upstream and downstream data and information flows.
- Important issues
 - Who are the direct customers?
 - What is the value proposal to those customers?
 - Who are the suppliers?
 - How does the firm add value to those suppliers?
 - Etc.....

The line of business or (strategic) Business Unit level (1)

This is the level where the competitive strategy in a particular market for a particular product and so the strategic positioning is developed

The Line of Business or (Strategic) Business Unit level (2)

Four generic strategies for achieving a profitable business:

- Differentiation; a strategy that refers to all the ways producers can make their products unique and distinguish them from those of competitors;
- Cost; this strategy that means that a company primarily competes with low costs;
- Scope; a strategy to compete in market world-wide, rather than merely in local, regional or national markets;
- Focus; a strategy to compete within a narrow market segment or product segment.

The corporate or enterprise level for each firm that encompasses a collection of business units

This level addresses the problem of synergy through a firm-wide available common IT infrastructure.

Commonality of E-business is basically needed for two reasons:

- From an efficiency point of view; having different applications for the same functionality in different lines of business is needlessly costly;
- From an effectiveness point of view; there is a need for cross line of Business communication and share-ability of data.

Changing competitive agenda

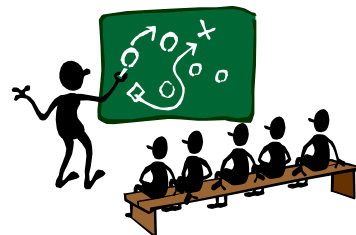
- In every business agenda change is a top level priority
 - From a supplier driven economy to a consumer driven economy
 - From mass production and mass distribution to customization and customer-driven planning
 - From a producer focus to a consumer focus

Types of Strategic Systems

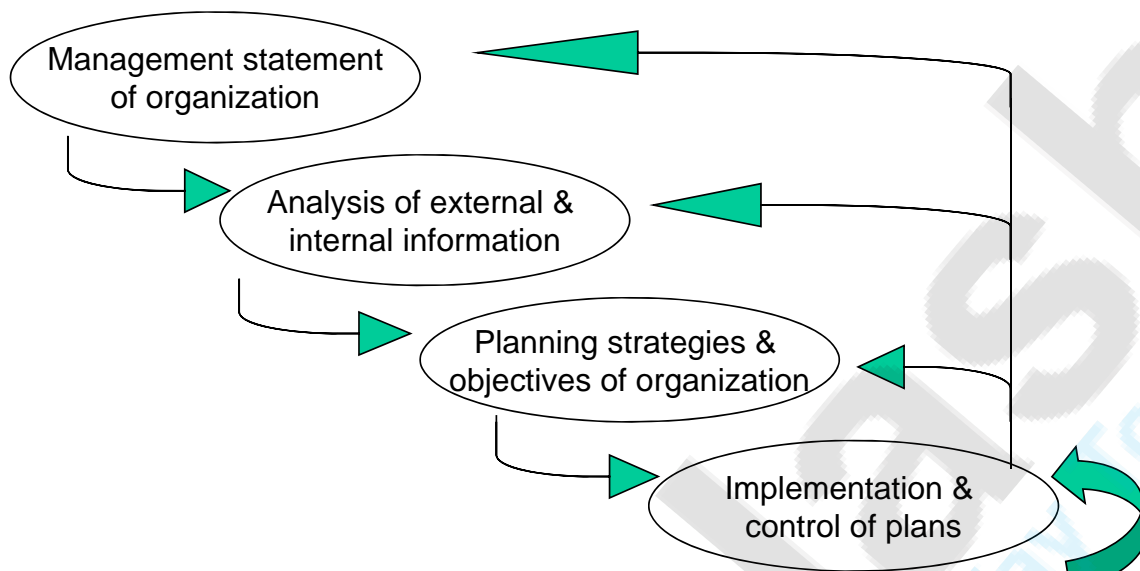
- Systems that link the company with customers and suppliers and change the nature of the relationship;
- Systems that lead to more effective integration of internal processes of the organization;
- Systems that enable the organizations to bring new or improved information based products and services to the market;
- Systems that provide the executives with high quality information to support the development and implementation of strategy.

The strategic planning process

- Most strategic planning methodologies are based on:
 - *Situation*; where a company is right now and how did it get there;
 - *Target*; where does a company want to be;
 - *Path*; how can it get there.



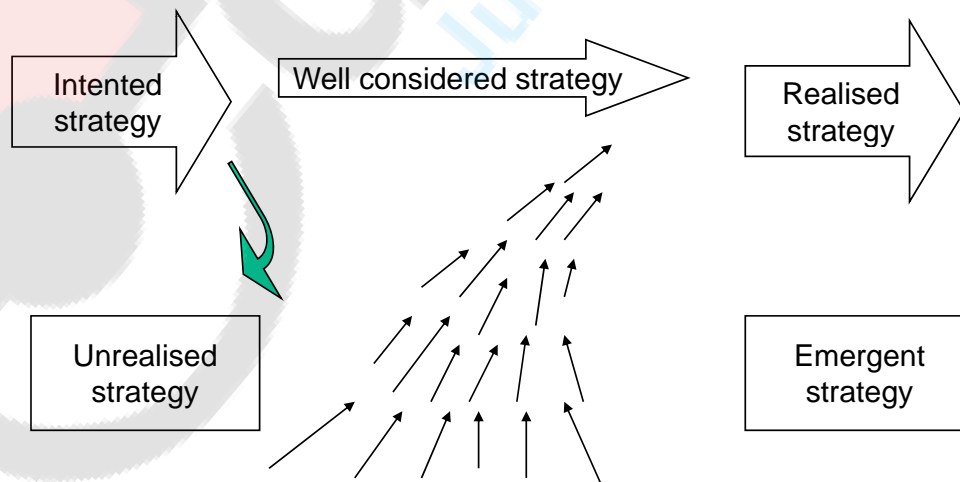
The strategic planning process



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Forms of Strategy



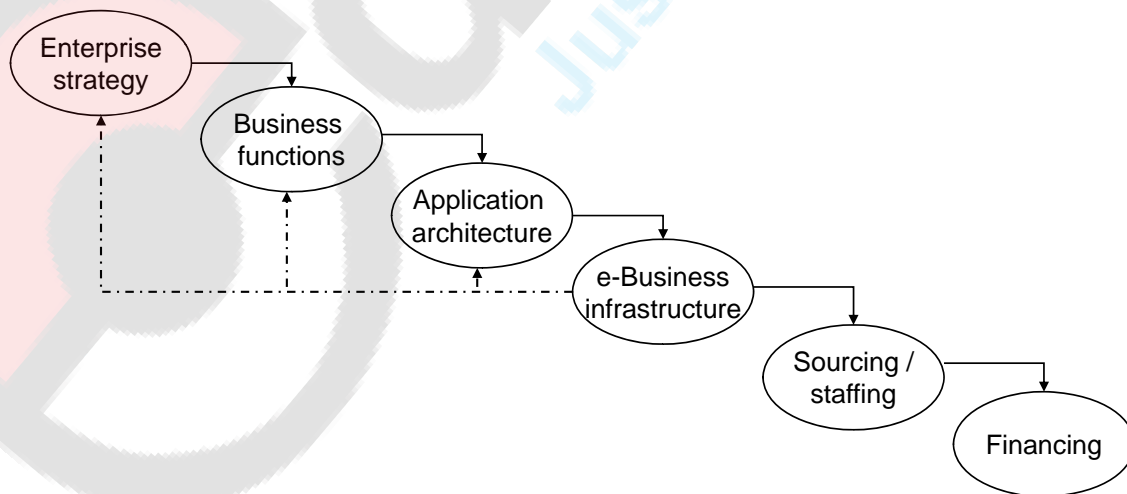
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Strategic alignment

Alignment between business and IT is not only feasible to design and build a technically sophisticated (inter-organizational) infrastructure for e-Business, but also to formulate business strategies that complement and support this infrastructure.

IT supporting e-business strategic objectives

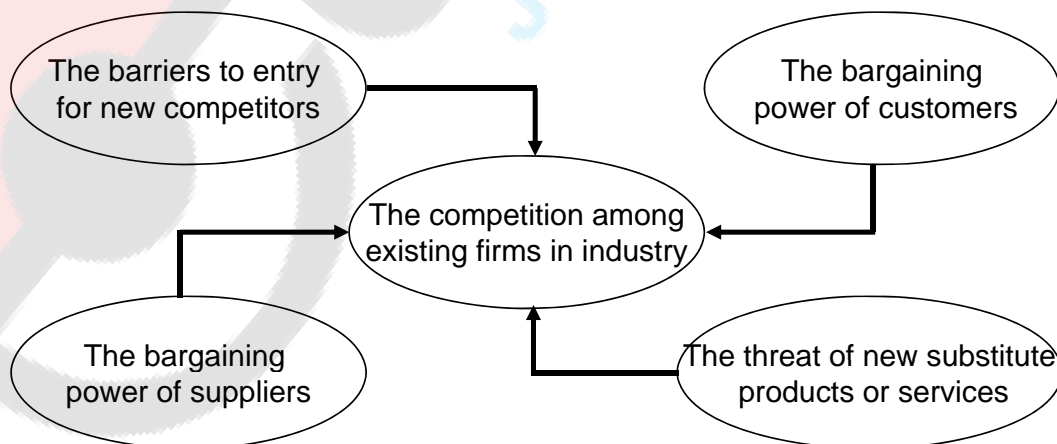


The Consequences of e-Business

- When analyzing the business effects of E-business consider the next approaches:
 - The theory of competitive strategy;
 - The resource based view;
 - The theory of transaction costs;

Theory of competitive strategy

Porters five forces model of competition:



The resource-based view

The resource-based view considers internal resources and competencies and sources of potential competitive advantage, instead of looking at the environment and making strategy plan accordingly.

Transaction Cost Economics

- Transaction cost economics theory provides a theoretical framework for discussion of market structures and addresses the question why necessary resources are obtained either true the market or through internal production.
- Two key issues concerning firms are:
 - Which activities should a firm keep within its boundaries and activities should it outsource?
 - In which should a firm manage its relationship with its customers, suppliers and other business partners?

Implementation of e-Business Strategies

- Top down and bottom up
- Program Management
 - Organization
 - Policies
 - Plans
 - Communication
 - Alignment
- Change Agency

