Unit 2

Strategic Design and Development of MIS

Strategic Management of the Business, Strategic design of MIS, Business Strategy Implementation, Development of Long Range Plans of MIS, Ascertaining the class of Information, Determining the Information Requirement, Development and Implementation of MIS, MIS: Development Process Model, case study.

Strategic Management of the Business

• It is the process of formulating, implementing and evaluating cross fictional decisions that will enable an organization to achieve its long term goals and objectives.

• The nature of these decision is strategic and very critical for a business.

• The focus of strategic management is on dealing with competitions and risk of emerging treats to business.

• It is the higher level of managerial decision making activity, formulated by top management, executed by organizations chief executive officers and the executive team. It provides overall direction to the business growth

• It is ongoing process

• It assesses the business and environment through SWOT analysis

• It assesses its competition, set goals and determine the strategies to meet all existing and potential competitors

• It then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by new strategy to meet changed circumstances, new technology, competitors, economic environment, social, financial or political environment.

• It is very complex process requires strong information support measure, monitor, track and controls the strategy operation and its performance

• All these requirements can be fulfill with MIS.

Strategic design of MIS:

• Strategic design of MIS: The design of MIS focusing exclusively on developing of business strategy, supporting its implementation, measuring its execution progress, monitoring and tracking its performance is called Strategic design of MIS.

Why Strategic design of MIS:

• Due to the new paradigm of Internet, all over the globe has undergone a radical change.

• Due to Internet collaboration and communication available for 24X7 hours a week, business become international. the world has become global village where everything is near visible, transparent fast in communication and knowledge spread.

• So the business enterprises is now digital firm where all processes and interaction across the world are IT enabled

• Business going Digital has increases the competition from all angles

• Michel Porter summaries this competition under five forces

Michel Porter five forces

• These forces are essentially threats to business

1) Rivalry among competitive firms
2) Potential entry of new competitors
3) Threat from new design
4) Potential Development of Substitute Products
5) Bargaining power of suppliers
6) Bargaining power of consumers

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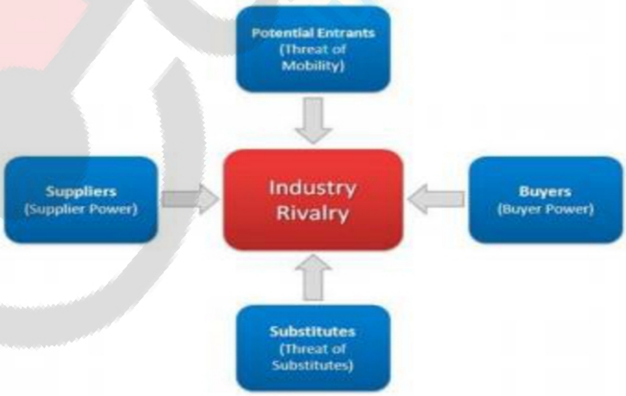

Michel Porter five forces

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1) Rivalry among competitive firms

It is the most powerful competitive force. The ongoing war between firms competing in the same industry for gaining customer share to increase revenues and profits.

The competition is more intense if firm pursue strategies that gives competitive advantage over the strategies pursued by rivals.

Examples In telecommunication industry firms are lowering their prices to increase consumer call ratio by minimize per minute profit margin but increasing overall company revenues.

2) Potential entry of new competitors

Potential entry of new competitors is also the factor to intense
The competition in the industry.

Larger the pool of new entrants result in more changes of intense competition.

Barriers to entry, however can restrict the firms from entering the market, more number of entry barriers will make it difficult for the new entrants to exploit the opportunity of new market.

3) Potential Development of Substitute Products:

Firms mostly monitoring the trends within the industry to track the strategies but competition not only arise within the similar industry but also in different industry.

Companies in other industry offer products with similar features and functionality or even better act as substitute for the products.

For Instance, the producers of eyeglasses and contact lenses are facing
Mounting competitive pressures from growing consumer interest in
laser surgery.

Newspaper are feeling competitive force of the general public turning to cable news channels for late-breaking news and using Internet sources to get information about sports results, stock quotes, and job opportunities.

4) Bargaining power of supplier:

It effects the intensity of competition especially if there are huge number of supplier, less availability of raw material and the cost of switching supplier or raw material is high.

These attributes in the industry gives power to the supplier to enforce term and conditions on manufacturers and charge high cost of raw material.

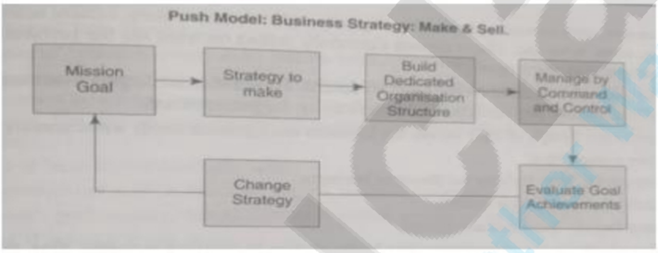
5) Bargaining Power of Consumers:

Consumers are the final user of the products, performance of the companies totally depend upon the consumers.

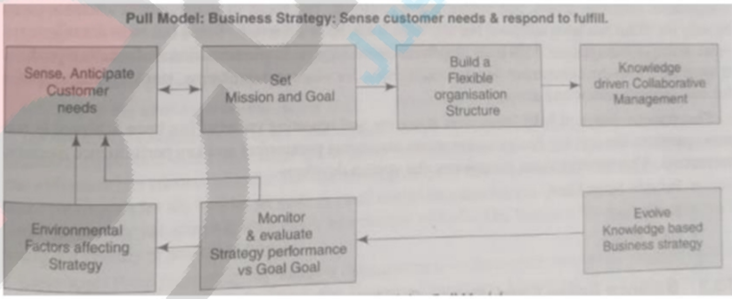
Bargaining power of consumers is more especially when they are huge in number and consumers purchase in large quantity.

Rivals firms offer discounts, warranty and services to switch the consumer from one brand to another in same industry.

For Example, P & G have online portal to ask the customer about their views and new ideas about the products of their desire



PUSH Model



PULL Model

It's the marketing strategy which includes negotiation about the product factors in many touch points and the marketer is who approaching the customer

A push promotional strategy involves taking the product directly to the customer via whatever means, ensuring the customer is aware of your brand at the point of purchase. "Taking the product to the customer"

Examples of push tactics

1) Trade show promotions to encourage retailer demand
2) Direct selling to customers in showrooms or face to face
3) Negotiation with retailers to stock your product
4) Efficient supply chain allowing retailers an efficient supply
5) Packaging design to encourage purchase
6) Point of sale displays

Two common approaches to push marketing are sales and trade promotions both rely on strong sales forces to motivate buying from their direct trade customers. These sales people go out to the buyers and try to persuade them of the value to the end customer, and therefore the value to them in Buying the solution.

Long-range Strategic Planning

Like any other business activity, planning also has a process and methodology. It goes without any extra emphasis that the corporate planning is a top management responsibility. It begins with deciding the social responsibility, and proceeds to spell out the business mission and goals, and the strategies to achieve them.

In the very beginning of the planning process, it is necessary to establish and communicate to all concerned, the social and economic responsibilities of the organisation. In order to discharge these es responsibilities, it is necessary to decide the purpose of the organisation for which it works. Any organisations call it a mission.

The mission or the aim of an organisation is a broad statement of the organisation's existence which sets the direction of the organisation and decides the scope and the boundaries of the business. The task after deciding the mission or the aim is to set the goal (s) for the organisation. The goal is more specific and has a time scale of three to five years. It is described in the quantitative terms in the form of a ratio, a norm or a level of certain business aspect such as the largest share, leader in the Indus try, dominant in certain product, quality, reach and distribution, etc. The goals become a reference for the top management in planning the business activities.

After determining the mission and the goals, the next task is to set various objectives for the organisation. The objectives are described n terms of business results to be achieved in a short duration of a year or two. The objectives are measurable and can be monitored with the help of business tools and

technologies. Objectives may be profitability, the sales, the quality standard, the capacity utilisation, etc. When achieved, the objectives will contribute to the accomplishment of the goals and subsequently the mission.
The next step in the planning process is to set targets for more detailed working and reference. The objective of the business is to be translated in term of functional and operational units for easy communication and decision-making. The targets may be monthly for the sales, production, inventory and so on. The targets will be the direct descendants of the objective(s). The success in achieving the goals and objectives is directly dependent on the management's business strategies. Business is like a war where two or more business competitors are set against each other to win and are constantly in search of a strategy to win.
The strategy means the manner in which the resources, such as the men, the material, the money and the know-how will be put to use over a period to achieve the goals. The resources of an organisation are deployed based on its goals and its business strategies but also the competition being faced by it. The game is of evolving strategies and counted. Strategies to win. The development of the strategy also considers the environmental factors such as the technology, the, markets, the life style, the work culture, the attitudes, the policies of the Government and so on. A strategy helps to meet the external forces affecting the business development effectively and further ensure that the goals and the objectives are achieved. The development of the strategy considers the strength of the organisation in deploying the resources and at the same time it compensates for the weaknesses The strategy formulation, therefore, is an unstructured exercise of a complex nature riddled

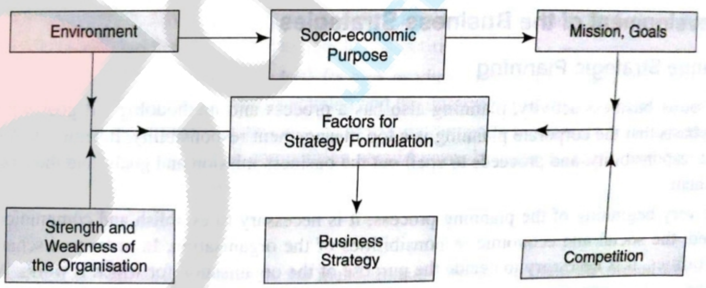


Fig. 3.1 *Strategy Formulation Model*

Pull Marketing
The goal of pull marketing is to get the customers to come to you, hence the term

Pull, where marketers are attempting to pull customers in. Common sales tactics used

For pull marketing include mass media promotions, word-of-mouth referrals and Advertised sales promotions. From a business perspective, pull marketing attempts to

Create brand loyalty and keep customers coming back, whereas push marketing is More concerned with short-term sales.

1) Examples of pull tactics
2) Advertising and mass media promotion
3) Word of mouth referrals
4) Customer relationship management
5) Sales promotions and discounts

- The paradigm shift in the way business conducted has rejected the "Push Model "and adopted "Pull model "of the business.
- MIS design of digital firm therefore has to be focusing on business strategy and hence it is term as "Strategic Design of MIS"
- Strategic Design of MIS focuses on business strategy and its execution through information support
- It generates information, knowledge and intelligence supporting decision to implement business strategy Strategic Design of MIS achieve the following:
- Ensures information support to strategic decision making
- To achieve set business operations and performance parameters targets
- Controls critical success factors which drive the business
- Manages mission critical applications efficiently and effectively
- Enables continuous monitoring and controlling of business performance and operations parameters
- Ensure through feed forward controls for ensuring the achievement of business performance
- Now business is competitive, customer driven, risk ridden and global, focus of management attention is not only on "what has been achieved but also how it has been achieve"
- MIS is also focus on strategy, its implementation and results it produces.
- Must have strong component devoted for strategy monitoring, tracking and evaluation for management review and actions
- The strategic design of MIS is focus on assessing and reporting on what has been achieved in business operation through key business operation measuring parameters and key performance measuring parameters
- After deriving these parameters system develops:

1) Balance score card

2) Score card
3) Dash card

Balance Score Card, Score Card and Dash Board

A new approach to strategic management was developed in nineties by Dr. Robert Kaplan and Dr. Davie Norton. They recognised some weaknesses and ambiguity in then prevailing traditional approach to stra-tegic management and thought of new approach termed as `Balance Score Card (BSC): Unlike the traditional approach which rely on accounting data. BSC takes a comprehensive balance view of four business aspects; Finance, Process. People and Customer. Hence, the new approach is termed as Balance Score Card. The view talks about objectives. Measures. Targets and initiatives in these four aspects of the business. The advantage of BSC is that it clarifies the organisation's vision and enables to think M terms of more clear strategy for action. BSC deals with internal business processes and their outcomes. And impact of outcomes on business performance. Kaplan and Norton called new approach as innovation as it destabilises traditional approach to strategic management based on measuring what has happened? And extrapolating into future. They agreed that this approach does not focus on capabilities and critical success factors and customer relationships, which are important in Information driven organisation working for competitive advantage. They advocated that approach now should be to create value through innovation by investing in customers. supply employees, processes and technology. BSC approach recommends view of organisation in four perspectives with setting clear vision and then for evolving effective competitive strategy

The perspectives are

- The learning and growth perspective
- The business process perspective
- The customer perspective
- The financial perspective

Traditionally the business plans were a combination of different project plans and financial plans. And, therefore, organisation performance indicators were also basically financial ratios and project progress indicators. The business model was the push model organisation, required to focus on internal operations and its impact on the balance sheet. Financial planning and control through financial tools of performance measurement were adequate to manage an organisation.

However, the environment of business has undergone a radical change during the last two decades. The competition has become global due to globalisation and liberalisation of world markets. The man-agreement has become 'Strategic Management' and planning has become Strategic Planning. New tools of strategic management like Total Quality Management (TQM), Business Process Re-engineering (BPR) has appeared on the scene. Profit and Profitability have given way to Value-added and Economic Value-added (EVA) and Market Value-added (MVA) analysis.

Financial measures using financial tools are inadequate for guiding and evaluating the performance and optional effectiveness of an organisation's business strategies. They are lagging indicators. The Balanced Scorecard complements financial measures of past performance with measures added using perspectives: Financial, Internal Processes, Customers and HR and growth.

How to develop measures of business operations parameters (BOP) and business performance parameters (BPP)

• Key results area (KRA's) of every business decides the fate of organization Business.

• Success and failure in these area directly impact organization business results.

• In each of these areas Critical Success Factors (CSF) contributes significantly To the successful operations and performance of KRA's.

• To assess results in KRA's and CSFs Key Performance Indicators (KPI's) are developed.

• Management of organization develop business strategies to ensure excellent Results in KRA's and through better management of CSF's

KPI's develop specially to measure the performance of KRA's, are extensively Used to make judgment on success or failure of business strategy.

MIS Specifically design focusing on KRA's, CSF's and KPIs is called " Strategic design of MIS"

For eg . Mall – big bazar page no 338 4th edition MIS W.S. Jawadekar

Strategic design of MIS

Objectives:

1. Provide a measures of BOP to evaluate business growth and trends Over a time expected from strategic implementation

1. Provide a measures of BPP to evaluate efficiency and effectiveness of Business

2. Highlight nonperforming areas of concern and attention

3. Bring attention to issues and problems inhibiting the performance

4. Support strategic, managerial, operational decision making Processes

5. Automate managerial decision making, where possible
6. Build knowledge and business intelligence to support strategic Formulation

- To measure overall trends and direction of business MIS includes Score Card and Dash Board
- Score Card reports position and trends of key indicative business Parameter on a time scale
- Dash boards system reports the position of key BPP on continuous Time scale as a watch dog on a performance