A Dynamic Strategic Planning Model in the Internet Era

Nancy Tsai
Management Information Science Department
California State University, Sacramento, USA
tsain@csus.edu

Abstract

Today, any business organization requires careful strategic planning to align the new e-business objectives with the other sales channels and divisions to avoid any conflict and achieve the overall business goals and visions. Therefore, a dynamic and integrated strategic planning model is proposed as a beneficial business management tool for the organization. The model attempts to not only coordinate the different sales channels and/or division, but also to focus efforts to compete more effectively for maximizing the profit or minimizing the cost within the organizational limited resource and other constraints in this Internet era.

Introduction

The combination of the inexpensive but powerful computer hardware and telecommunication technologies with the sophisticated software has created an environment for the birth and popularity of the Internet in the late 20th century named the information era. The connection and transaction between the business, its supplier and customer are only a click away for the entire universe through the usage of the Internet. Therefore, the Internet enables a business regardless its size and resource to establish an on line e-business by electronically delivering its product, service, and information to any organization and individual without the limitation of distance and time.

Consequently, it becomes necessarily for the traditional brick and mortar business organization to set up an e-business in addition to its existing physical outlets and other sales channel or methods in order to survive and gain competitive advantage in this global business environment. On the other hand, the business organization requires careful strategic planning to align the new e-business objectives with the other sales channels and divisions to avoid any conflict and achieve the overall business goals and vision.

This research project centers on the strategic planning issues for the organization using the Internet as one of the method to conduct business. First, some of the existing strategic planning approaches and researches in the literature will be examined. Second, a dynamic and integrated strategic planning model is proposed as a beneficial business management tool for the organization. The model attempts to not only coordinate the different sales channels and/or division, but also to focus efforts to compete more effectively for maximizing the profit or minimizing the cost within the organizational limited resource and other constraints in this information era.

Strategic Planning Methods

Numerous definitions and approaches for the strategic planning have been written and proposed to guide the business management decision making for the growing and prosperity either by the practitioners and/or academic researchers. The strategic planning methods in articles have a very close relationship to the economic and technological climate at the time of publication such as focusing competitive advantage, emphasizing customer, or stressing flexibility and speed etc.

Lippitt [4] has proposed a strategic planning method by employing a critical thinking framework that uses six priorities to help the organization guard against creating a strategic plan that is incomplete and too narrow in outlook. Theses six priorities are product leadership, customer focus, infrastructure development, quality, workforce advantage, and tracking the external environment.

Analyzing the product leadership priority requires investigation into (1) possible expansion of existing product or exploring synergies between existing products for a cost effective growth strategy; (2) reexamination of the feasibility of the past product idea due to the availability of the new technology; (3) process improvements for lower production or distribution costs to penetrate new markets and attract new customers; and (4) the new product in the new areas for a paradigm shift and profitable new line.

The customer focus relates to (1) customer by understanding who the customers are and what are important to them for cross-selling opportunities to open new markets and expand the existing products and services; (2) meeting the customer expectation for retaining the key customers: and (3) attracting the new customers by the references from the satisfied customer.

Infrastructure development ensures that the organization is capable of delivering what the customer wants through an internal systems perspective. Analysis should include (1) distribution channels; (2) potential alliances; (3) partners; (4) the reliability of the current delivering structure and system; (5) business process reengineering of the existing structure; and (6) the possibility of mergers or acquisitions to furnish skills and competencies.

Providing quality products and services, efficiency and return on investment are all attributes of a successful organization and must be considered in the planning process. The organization must strike a balance among these three elements, rather than focusing on only one of them. Having the best product on the market is of little value if the organization does not earn enough profit to stay in business. Using the technology to drive efficiencies in product planning, production and distribution can enable the healthy profits and ensure the customer satisfaction through delivering the excellent products at a fair price.

Workforce advantage includes (1) the awareness of current employees' skills, knowledge, and talents in order to acquire additional skills for future expansion; (2) an ongoing employee development plan for increasing in job related skills; and (3) the organization culture to reward and encourage high performing work for enhancing employee retention and eliminate many of the political barriers.

Tracking the external environment is vital to ensure the organization in the right positioned for the long haul. The last priority must (1) question assumptions to avoid expensive surprises of the organization's competitors; (2) watching for emerging technology, changing government regulation and market trends in order to take advantages of opportunities and mitigate dangers.

Tucker [7] takes a more focused view of the strategy formulation that stresses an understanding of the organization's customers. Understanding the customer needs can lead to the new applications for the existing products, or extensions of products to serve the new markets. This customer centric focus utilizes the existing expertise and products of an organization in ways to increase profitability for the organization. He presents six areas that include market position, customer outsourcing, customer needs, business model, product or service, and distribution channels to improve the organization customer centric strategy.

The market positioning is to explore the market that is not adequately covered either by the organization or by the competitors. There are two possible goals that can be achieved by the market positioning. The first one is to add new values to the existing products or services for the customer through increasing quality, providing service, and /or lowering the price. The other one is to enter a different market segment.

The customer outsourcing is to look opportunities in the service economy where the customer has a desire to pay someone else to do chores and tasks. The service organization should create a new choice that is cheap, fast and benefit customer by doing job fast with a lower price comparing to the existing competitors. Where the customer needs is to discover the alternative possibilities and/or anticipating emerging customer wants.

The business model is to quickly adopt or incorporate the changes of external environment into the organization business operations for surviving. The organization should redefine its product or service to add more value for enhancing customer satisfaction and higher profits for itself. Rethink the distribution channels for the products and services is to find a new method for delivery by understanding customer's needs and innovative thinking. The new technology such as the Internet can make the purchase or service request more convenient to the customer. This convenience is a form of added value that can increase customer's loyalty and result an increase in the revenue.

Collis and Montgomery [1] concentrate on the synergistic combination of three elements that include resource, business, and structure. They believe a successful strategy is driven by the nature of the organization's special resources such as assets, skills, and capabilities. The organization will prosper as long as its strategy seeks to use its resource and takes advantages of its skill and capability to form the competitive edge.

Not all resources are equally valuable in differing businesses. Every organization starts at a different point, operates in a different context, and has fundamentally different kinds of resources. The organization strategy will drive its structure as a result of the need to align resources to implement the strategy. As every organization has different resources and they will have different strategy and different structure.

Irvin et al. [3] propose a method to spread a synergistic and strategic planning process throughout the organization after many mergers and acquisitions with mixture of loyalties and conflicting cultures. The ultimate goal is to create organic growth across different business units and transform the culture in a holistic manner. The three principles to guide the effort include working at the intersections, focusing on the few strategies, and institutionalizing strategy from inside out.

Working at the intersections refers to the need to integrate strategy implementation, cultural transformation, and leadership development into strategic initiatives. Cross selling, internal partnerships, and shared product development require internal communication. That is the key to break down the cultural barriers and bring together disparate business units of the organization in order to decreasing cost, attracting new customer, and increasing sales.

The strategic initiatives should be few in number that is between three and five and focused on areas that will provide the most return on investment. Each initiative must provide opportunities for leadership and carry out at all levels of the organization. The purpose is to build expertise in strategic planning and implementation throughout the enterprise, rather than only reliance on a small group of top management.

Institutionalizing strategy from the inside out ensures the successful strategic initiatives are not one time event. The objective is to engage more people in the organization and generate more ideas for the possible future strategic initiatives. Specific initiatives are assigned to a cross functional team with members drawn from each business unit. The teams receive training in all aspect of the strategic planning and are responsible for the implementation of the initiatives. The purpose of the enhancing learning is to charge the team members to train their own staffs and push the knowledge out into the organization for melding the separate business units into a unified whole

Oliver [5] and Evans [2] emphasize speed and flexibility by creating many experimental programs and then support the successful ones in order to immediately capture opportunities. This school of thought is a reaction to the e-business of the Internet where new business can enter the marketplace quickly and easily from anywhere on the Earth to lure the customer away with lower price and better service.

The organization must be able to quickly adjust its strategies as well as its products in response to constant customer demand shifting, continuous changes in the technology, and the rapid emergence of new competitors. Traditional "five forces" [6] framework for the strategy process breaks down when a clear definition of the competition, supplier, and customer can vary from month to month. The emphasis of the strategy shifts from accuracy and control to innovation and the generation of new options.

The Proposed Strategic Planning Model

Today, the business climate has several distinctive features that are the dynamic, fast-moving and global competition due to the communication provided by the Internet. Consequently, a useful strategic planning model needs to accommodate the new business requirements by incorporating two traits in it that are flexibility, adaptability, and integration.

The flexibility enables the organization to quickly revise its existing strategies to response to impacts from the external competitive forces. The adaptability permits the organization to effectively restructure its strategies by embracing the new technology and environment to capture the emerging opportunities. The integration stresses the unification of individual divisions or branches in the organization to better utilize share its limited resources and enhance its bargaining power.

In addition, the strategic planning model still needs to carefully analyze the customer, coordinate with the supplier, and control the basic building blocks of a business such as cash flow, profit, and budget etc. The proposed strategic planning model that attempts to incorporate the above stated business and environment characteristics of the Internet era is presented below.

The initiation stage is the fact finding phase by the tactical management and the operational management of each division to gather the external information and internal information. The tactical management is responsible for the external information that includes the competitor, supplier, customer, market share, government regulation, technology, and economy (local, national, and international). The internal information associated with the relationship among divisions or products such as business mix, product blend, sales channel conflict, resource, finance, and cash flow are also gathered by the tactical management. The operational management is charged with the information related to the internal operation within the division that consists of product, sales, profit, capacity, process, and budget.

The integration stage is the information analysis phase by the tactical management of each division and some strategic management of the organization. The tactical management performs the cost/benefit analysis, return on the investment, SWOT (strengths, weaknesses, opportunities, and threats), or other methods on the data and fact gathered in the initiation stage to identify the individual division's (1) relative position in the related markets, (2) current core competencies, (3) customer relationship, (4) supply chain analysis, (5) culture, (6) capacity and efficiency, (7) association with the other division, (8) new high potential product, service, process, or sales channel, and (9) critical success factors.

A focus committee is formed that includes some members of the strategic management and one member of tactical management from each division. The focus committee is charged with generating a consolidated business report based on each division's fact finding reports. The first section of the consolidated business report identifies all conflicts and problems such as culture, product, service, process, structure, and sales among divisions. The second section contains several possible solutions to resolve the conflicts and problems and unify divisions for the organization as a whole unit. Finally, it should pin point the overall organization's (1) relative position in the related industries, (2) current core competencies, (3) supply chain management,(4) organization culture, (5) high potential new product, service, process, or sales channel, (6) financial model, (7) resource allocation, and (8) critical success factors.

The reorientation stage is the redesign strategic plan phase conducted by the strategic management of the organization. The business consolidated report becomes the foundation and reference for the strategic management to establish the proper and integrated direction for the entire organization. The strategic plan consists of (1) a clear statement of the organizational basic mission, vision, or purpose, (2) a set of goals to achieve the mission, vision, or purpose, (3) a group of measurable objectives or results for each goal, and (4) a series of strategies to meet objectives.

Moreover, the strategic management needs to establish an advisory board by inviting external academic or professional individuals with the solid knowledge in the area of related business, economy, and new technology, etc. The major responsibility of the advisory board is to share its expertise and experience to give the strategic plan an honest appraisal and a constructive critique. The assessment and evaluation of the advisory board serves as an important and unbiased revision input to once more improve the strength of the strategic plan for guiding the organization as a whole to survive and gain the competitive advantages for prosperity.

The final strategic plan is put into real practices by executing the strategies through a set of organization policies, guidelines, standards, and daily performance procedures in each division. It is important to conduct the impact analysis for the newly established strategic plan within six months after its implementation. It requires constantly monitoring not only the success or failure of this revised set of strategies using the measurable objectives, but also the changing business environment in order to quickly adjust the course of actions for flexibility and adoptability. Thus, this returns to the initiation stage and start another cycle for the revision of the strategic plan.

Conclusion

The Internet has brought a variety of new opportunities for the organization to conduct business electronically. On the other hand, it also creates a different business competing setting in terms of speed, size, time, distance, and location. The business organization is forced to incorporate these latest environmental developments into its strategic planning approach in order to survive or to obtain the benefits generated by the Internet.

A dynamic and integrated strategic planning model for the business organization is proposed with three features that are flexibility, adoptability, and integration to accommodate the business competing requirements created by the Internet. The model includes initiation stage, integration stage, and reorientation stage. Each stage generates input to impact the course of actions of the next stage. Therefore, these three stages are working in a continuously life cycle and iteration of every six to nine months.

Every level of management including strategic, tactical, and operational of all the division or sales channel are involved in the planning cycle. This creates a harmony working environment and unified culture not only vertically between different levels of management, but also horizontally among divisions to avoid conflicts. Moreover, an advisory board consisting of external experts reviews the new strategic plan and uncovers its shortages for more improvement.

Therefore, the proposed strategic model could constantly updates the strategic plan to the proper direction based on the existing internal measurable objectives, outside expertise, technology changes, and external environmental factors. This model will help the business organization to capture the opportunity and gain the competitive edge in the Internet information era.

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