

Applying analytical tools in strategic management in ebusiness



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Applying at least five analytical tools in strategic management formulate a suitable E-business strategy for the company. Your proposed strategy should be based on your analysis, and supported by evaluation of your proposed approach, indicating its suitability for the organization, and also its relation to the company's business strategy.

Introduction

The company in view is basically an SBU of a larger organization, which consists of five privately owned companies. These companies involve:

Specialist software and

Electronics design company

Precision mechanical engineering Company

Defense and

Electronic systems manufacturing company

Some 150 years ago, when this company was founded its main area of work was service and support. Due to some difficulties the original company was closed down in 1980 and only this division was left. This service and support section was then sold to the London based company in 1990 and the owner relocated it to North East of England as per case study.

By 1995, this SBU merged many of its services and furthered its focus on production of scientific machinery and instrumentation. The General Manager of this company has a bright vision on future, which he proved by trying his hand in production of new and innovative products.

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The marketing and pricing decision making environment of the company was mainly centralized but the General Manger also encouraged creativity by flexible working environment with in the company.

First of all let's see what strategy is and why it is important?

Basics of Strategy:

Strategy decisions are different from other decisions taken for the company.

They are distinguished on three levels;

Scale: A strategic decision covers the whole circle. Strategy decisions are big decisions and concerns competitors, suppliers as well as customers.

Time-span: These decisions mostly impact the medium term and long term objectives of the company although there out come can also be seen in short term.

Dedication: This means resources commitment and investment that cannot be undone simply. This is done in the marketing of the company, operation changing etc. (Haberberg A. and Rieple, A. 2008)

A company's strategy refers to the when, how and why of its existence and working. It basically entails the efforts that the company's management put in to achieve its objectives that pertains to selection of type of clientele, market situation and market form, what competitive advantage to follow and how to perform successfully in long term with taking into the its implications in short term. (Thompson, A. A. and Strickland, A. J. 2003)

Strategic Analysis

Strategic analysis is very important for any company, whether operating on small or large scale. If an organization has a vision for long term existence then it has to follow the ground rules.

As taken from Business Dictionary, strategic development is an ongoing scheme of things done to have the grip on the environment by obtaining the knowledge in which it is existing and to put full focus on research and development process that also includes the organization itself in-order to form a strategy. (BNET Business Directory as cited in Downey, J. 2007)

Another view on strategic analysis is of Professor Les Worrall, he states that the organization must have the theoretical understanding of the environment in which it is working and also how it is interacting with the environment in-order to gain improved organizational effectiveness and efficiency so the resources can be astutely used and reused for the well being of the company. (Worrall, L. as cited in Downey, J. 2007)

There is one more point of view about strategic planning which is by Marhides and Williamson, They put emphasis on the fact that the firm have succeeded over a long term period of time are those who are into building their strategic assets faster and at low cost than their competitors. (Marhides, C. C. and Williamson, P. J. as cited in Thompson, A. A. and Strickland, A. J. 2003)

Although different ideologists have different view points but the gist of the whole can be summarized into following three points;

Collection of the data relevant to detection and assessment of the strategy
modus operandi

Defining elements of the internal and external environment

Analytical methods which can be employed by the company for analysis of
the current situation and future investigation

(Downey, J. 2007)

Analytical Tools

Now let's look at the tools used for the analytical assessment of the
company's environment and the environment it is interacting with;

SWOT Analysis

PEST Analysis

Porter's five forces analysis

Value chain Analysis

Early warning

By applying these tools to case study, we will be able to get the clearer
picture of the situation and then will be able to suggest different strategies
for the company's global and local existence.

Consideration

There are number considerations to be acknowledged when using analytical
tools for the company's analysis;

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Tool must be efficient enough to answer what the organization desires

The tool must be deployable and workable the expected benefits from the tool must be recognizable.

Its mode must be such that the people must first be informed of the tool working so that there are hindrances in the working.

There should be commitment on the senior management part so that the result and formulation can be effective.

Right use of the analytical tool will ensure the balanced and step by step approach.

(Downey, J. 2007)

1. SWOT Analysis:

Let's look at the SWOT analysis and its working and then its application on the case study.

SWOT analysis is a simple yet effective tool that helps to understand the strengths, weaknesses, threats and opportunities for a company that many be involved in the project or business activity. (Downey, J. 2007)

The objective of the environmental analysis or SWOT analysis is to provide the company with the judgments which are structured and in the form of a process. The strength and weaknesses of the company are controllable factors and internal to the company and Opportunities and threats make the

outer environment of the company and are uncontrollable. (Webster, M. 2010)

Strengths

The overall measures of the company are business driven and towards improvement.

Service and support is available through out the world

Ability to provide the manufacturing facilities for the full range of spares requirements of existing instruments

Large stock providing all the parts needed by the customers

In-house training for the customers in all aspects of machinery and instrumentation use.

They even accommodate the customers with budgetary constraints by tailor making the product/equipment needed.

Opportunities

Company is ready to produce new innovative products in the near future.

Setting up of the new agencies worldwide.

The company has good working relationship with sector manufacturers and developers thus enabling them to make strategic alliances with them.

Weaknesses

Cost-plus pricing strategy with minimum profit margins.

Centralized decision system

Threats

Technological advancements.

Low capital investment which in-turn account for budgetary constraints.

Much of the company's revenue is generated by the from service contracts on the base of the core product designed fifteen years ago. Most of the accessories are obsolete.

No e-business facilities as such available.

2. PEST Analysis:

PEST Analysis basically shows the analysis of the environment in which the company exists and which affect it greatly. It is concerned with the external environment. It is important because it views the political, economic, social and technological aspects of the environment.

(Kwame H. A. 2009)

This analysis shows how market is declining or growing in the desired sector.

It translates the prospective for the business, the situation of the business as relative to the competitors and in which direction the business should grow.

(Downey, J. 2007)

Let's apply the analysis on the case study;

Political Factors:

This includes government regulation such as laws on employment and tax structure. Most important factor is the political stability.

In this case study if the company wants to start its e-business then it must concentrate on the policies settled by the country on the e-business. Like if its following the employment laws or not like proper human resource department etc.

Economic Forces;

These are the forces which affect the purchasing power of the company and cost employing the capital.

In this case study the company has to face the inflation and interest rate when it will try to expand its operations and also try to produce the equipment by employing the state-of-the-art technology.

As, the company is keen on creativity and producing the products that will help them to gain the competitive advantage it needs to consider the cost of the capital that will then be employed.

Social Factors:

Social factors include the market size and preferences of the consumers.

From this perspective the company has an advantage of satisfying the customer needs. It is building relations with the customer by even trying to educate them to the use of its products.

They are trying to satisfy their customers and going to the length of sacrificing their own profit margins.

Other factors that the company will be facing in the near future will be the health issues related to their products, population growth etc.

Technological Forces:

This is very important for the company as it shows that whether the company is using the state-of-the-art technology or not.

In the case the company at present is using its base product for most of the business generation which is fifteen years old and the accessories with it are obsolete. It needs to follow the new trends in the technology that the competitors are employing.

Although, the company has employed new applications for the feedback and inquiry for the customers on their website but still it needs more facilities.

3. Porter's five forces analysis:

This analysis was developed by Michael E. Porter in 1979. This was designed to assess the competitive power of the company and situation of the business organization in the market.

When a company decides to expand then by applying the Porter's five force model it will be able to know whether to develop the new products or not or the move will be profitable or not.

(Wikipedia, 2011)

Let's discuss the factors in relation to the case study;

Supplier power

It includes the number of suppliers present and cost of switching from one to other. Also, the uniqueness of the product and the importance of the supplier can affect the company.

As the company has good working relations with the manufacturers and developers they are looking to build positive alliances with them.

Buyer Power:

Buyer impact on the products pricing is very important.

It depends upon the market size, importance of the individual buyer and also cost of switching from one supplier to the other for the buyer.

As the company is providing the full range of services and parts and spare to the customers and also training in the use of their products, the customers are satisfied for now. But in-order to create a long term relationship the company has to work on innovative products by using new technology.

Competitive Rivalry:

Now the competitive forces are also very important as they describe the market attractiveness. If there are many competitors who are offering the similar products they will put impact on the competition because the market will be divided.

They have a competitive advantage as they are the sole provider of the services, parts, accessories, upgrades and instruments for the company who initially sold the business.

Threat of Substitution:

In case if the substitutes are available in the market then there is always a threat of customers switching to the new venues. If the product of the competitors will be low priced and better then of course the customer will try to switch.

Threat of New entry:

If the market is booming it will attract new entrants. New entrants mean division of the profit that may affect the company very badly.

4. Value Chain analysis:

Activities with in the company add value to the product. So, it is very important to understand how the organizations create value for the customers. It is always profitable in the long run to conduct value chain analysis.

(Downey, J. 2007)

Raw

Material

Retailer

Primary manufacturing

Distributor

Fabrication

Typical value chain for a manufactured product

(Wheelen T. L. and Hunger, D. J. 2010)

It works on the theory that sole mission for the existence of the organizations is to create value for the customers.

First of all the behavior of the organization is divided into sets of actions and activities that add value. It is therefore, important for the organization to internal capabilities by identifying each activity.

This consists of three steps:

Separate the company's procedure into key and support activities;

In this case study, the company's base product was developed some fifteen years ago. The services and accessories are provided with it to the customers.

The company is even educating the customers on the use of its products.

It's after sales and upgrades service is also efficient.

Cost distribution to the activities thus performed;

A very important step as it provides the required insight into the capabilities of the company.

The company in the case study is operating on the cost-plus system. This is a flexible system where the margins can be reduced to accommodate the customers. (Downey, J. 2007)

Identification of the activities closer to the customer satisfaction and market success;

It is based on three points;

Company mission and vision

Now company's mission statement is an important document as provides the company with the path way to follow.

Company will take those actions and will get involved in those activities which are directly related to the mission statement of the company.

As, the company in the case study is widening its vision by getting involve into production of the innovative products as well by employing new technology to take the company on new heights.

Industry Type

Nature of the industry is very important.

Value System:

Value system includes the partnerships with upstream and downstream members of the chain, who provide the product to the end user.

In the case study the General manger has maintained affiliations and alliances with the partners and also working on the future good relations.

The company is strengthening its value chain.

(Downey, J. 2007)

5. Early warning systems:

This is another important analytical tool for the company's strategies. Its importance lies in the fact that it is used to predict the events as early as possible. It is mostly used to detect the early attack from the competitor or some business scenario becoming reality. (Downey, J. 2007)

It has seven components;

Market classification

Open Systems

Filtering

Prognostic astuteness

Communicating expertise

Eventuality forecast

Recurring practice

(Downey, J. 2007)

All of these points give the emphasis on the company's intelligence to pick the information about the industry, competition, opportunities and threats awaiting them. More over it also includes the contingency plans made to save the situation and making sure that the right people receive the right data for decision making with proper key signals.

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This is an ongoing system must never stop as it helps in the wellbeing of the company.

Conclusion and Recommendations:

E-commerce strategies for the future in view of the analytical tools:

It is a common fact now that the internet is becoming the essential part and fact of the everyday business and personal life of the consumers as well. All the companies are now forced to incorporate the opportunities provided by the internet to get competitive advantage.

It is consequently valuable to know what kind of business strategies can be affective while doing business in this era of information technology.

It is another consideration to see whether the brick and mortar companies are important then the click model or the combination of the two will work better.

(Thompson, A. A. and Strickland, A. J. 2003)

According to the case study the Company is keen on entering into E-business area as well. It has hired a new IT Director for the Company, who is MSc. in e-business and has twenty years of experience and very well versed in all aspects of ICT.

As this company already exists as Brick and Mortar Company the strategy suitable for it is the “ Brick and Click” which is an appealing middle ground.

Let’s see how this strategy works for our company;

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These combination strategies gives the customers choice for buying either online or stores. It is in-fact an important way to compete in the market.

The purely online companies can be competed by having a local office and online presence at the same time because customers feel safe when they know that the company has a local existence as well.

Also, online competitors fell short when the customers want to touch and feel the product first before buying.

The traditional business can enter the e-world at relatively low cost by setting up the web-store and systems for filling and delivering individual customer orders.

Firstly, the brick and click companies have an additional advantage of expending their global existence and giving the customers (potential or existing) another option of interacting with the company through Web site.

Secondly, the brick and click companies can use the same distribution systems for delivering the orders by picking the orders from the on-hand inventories and making deliveries.

(Thompson, A. A. and Strickland, A. J. 2003)

These strategies are very effective as customers prefer the order on online system as opposed waiting for the phone in line or sales people to call in.

Same goes for the Company under discussion. Also, it has the facility of Stock control system and host of other applications on the local area network and the email and other facilities on the wide area network.