

Formulating an Effective E-Business Strategy

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The Challenge:

**Making sure E-Business initiatives
generate significant business value
and increase the holistic value of
the enterprise to stakeholders**

Solution:

- **Plan for an effective solution using an integrated technique such as the *Balanced Scorecard* technique**
- **Restructure your supply chain from a pure physical one to one including a synchronized virtual space utilizing *Value Chain* analysis**

Balanced Scorecard Approach

Translating vision and strategy from four perspective:

■ Financial

- *to succeed financially, how should we appear to our shareholders?*

■ Customer

- *to achieve our vision, how should we appear to our customers?*

■ Internal Business Process

- *to satisfy our shareholders and customers, what business processes must we excel at?*

■ Learning and Growth

- *to achieve our vision, how will we sustain our ability to change and improve?*

Source: Kaplan and Norton, California Management Review, 1996

Aligning E-Business initiatives with strategy

To what extent will our E-Business efforts impact:

- Cost Reduction
- Productivity Improvement
- Asset Utilization
- Rapid Growth, Sustain, Harvest

- Market Share
- Account Share
- Customer Retention
- Customer Acquisition
- Customer Satisfaction
- Customer Profitability
- Product/Service Attributes
- Customer Relationship
- Image and Reputation

- Value Creation
 - Short term
 - Long term
- Process Capability
- Information Integration

- Employee Satisfaction
- Employee Retention
- Employee Training
- Employee Skills
- Gap with best-in-class

Balanced Scorecard Structure

For each of the following:

- Financial
- Customer
- Internal Business Processes
- Learning and Growth

Construct the following elements:

- Objectives
- Measures
- Targets
- Initiatives

Value Chain

an end-to-end collection of activities that has a clear reason for its existence - to deliver a result to customer or end user. This may be the external customer of the corporation, or it may be a user of the value stream within the corporation. The customer or user has certain desires, and the value stream consists of activities dedicated to satisfying those desires.

James Martin

Value Chain Activities

■ Primary

- inbound logistics
- operations
- outbound logistics
- sales
- marketing
- service

■ Support

- infrastructure
- human resources
- technology
- procurement

Source: Michael E. Porter, *Competitive Advantage*, 1985

Impact of E-Business on the Value Chain

- Increased productivity
- Elimination of paperwork
- Lead time reduction
- Inventory reduction
- Electronic transfer of funds
- Improved control of operations
- Reduction in clerical labor
- Increased accuracy
- Restructuring of the channel

Creating a Virtual Value Chain

An evolutionary process:

- Visibility - ability to “see” physical operations more effectively through information. Requires well designed and integrated Enterprise Resource Planning Systems (ERP)

- Mirroring Capability - substituting virtual activities for physical one. Creating a parallel value chain in the *marketspace*.

- New Customer Relationships - utilizing established EC capabilities to deliver value to customers.

- Moving up the Value Matrix - harnessing the value of *digital assets*.

E-Business Models

- Integration throughout the company - fully integrate web-based capabilities with current information management practices.
- The Subsidiary - form a new division or group focused on delivery of products and services via electronic means.
- The Partnership - setup a partnership with a web savvy service provider. The partner will take care of all technological infrastructure needs while working closely with your marketing and operations groups to develop concepts and deliver goods and services.
- The Transformation - completely change current focus from existing business delivery model and transform into an electronic based enterprise.

E-Business Capability Classification

■ Basic Presence

- Low Strategic
- Company Information/Brochure

■ Prospecting

- Medium Strategic
- Interactive Content
- Personalization
- Simple Search

■ Integration

- Interactive Marketing and Sales
- Online Community
- Customer Service Enabled
- Advanced Search
- Advanced Personalization

■ Transformation

- Supplier Integration
- Customer Integration
- Electronic Payments
- Secure Transactions
- Customer Service Q&A Search/Knowledgebase
- Online Community
- Advanced Personalization/Selling

E-Business capability will determine:

■ Basic Presence:

- Stake in ground

■ Prospecting:

- Exploration
- Retention
- Communication
- Acquisition

■ Integration:

- Channel Development
- Self-service capability
- Target Marketing
- Information Exchange
- Achieve Profitability

■ Transformation:

- Channel Exploration
- Displace Old Models
- Create New Cyber Models
- Improve Profitability

Key Components of an E-Business Computing Infrastructure

■ A storefront system:

- presents the buyer with product/service catalog
- an order processing mechanism
- customer service
- create a community network

■ A back-office system:

- accept, process, and record transactions
- tie-in with inventory and accounting
- tie-in with credit authorization
- tie-in with shipping and logistics
- tie-in with customer relationship management (CRM)

■ A payment gateway system:

- obtain, process, and settle credit card operations

Conclusions:

- Managers need to measure performance in an integrated fashion for all strategic initiatives.
- Using BSC as a planning tool for E-Business initiatives will improve E-Business success.
- E-Business initiatives will be changing our traditional value chain practices.
- We need to ensure E-Business efforts increase the value of our digital assets.
- Customer intimacy will become an increasing critical success factor to compete effectively in the new economy.