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## 1. INTRODUCTION

The strategic management process is about going from A to B more effectively and efficiently while also enjoying and learning from the route. A portion of the trip is spent on strategy, while the remainder is spent on execution. A sound strategy determines "how" you travel the path you've chosen, while excellent execution ensures you're checking in along the route. This procedure typically takes between three and four months. However, no two organizations are similar, and you may choose to accelerate or pause your procedure. Move at a speed that is comfortable for you and your team and make the most of this resource. For a more in-depth look at each step of planning, a link to the thorough How-To Guide is included at the top of each phase.

Strategic planning is a systematic, flexible, and continuous process for defining or reaffirming an organization's primary purpose, visualizing the future in the context of the organization's internal and external business environment, establishing clear strategic directions, fostering organizational commitment, and formulating strategies to overcome obstacles and capitalize on future opportunities. Strategic planning is a critical management tool for focusing an organization's efforts, enhancing overall performance, and ensuring long-term viability. While strategic planning cannot deliver outcomes on its own, a well-planned and implemented strategic planning process provides several advantages to the business, its patients, and the broader community.

Clarity of strategic directions gained via the strategic planning process is critical, even more so when several improvement and innovation programs compete for scarce organizational resources. Strategic planning may be accomplished effectively at a variety of organizational levels; it can be focused on a single division, department, unit, or specialized function, or it might span many departments or the whole company. While strategic planning at any level of the company may seem onerous, it helps organizational leaders to build a cohesive, integrated, and complete roadmap for action in pursuit of operational, clinical, research, and academic success. Setting and achieving multiple strategic goals and objectives within an inherently complex and uncertain system requires consistency, cross-functional integration of action plans, alignment, and seamless coordination among departments, teams, and other stakeholders both inside and outside the organization.

The strategic planning process and the choices that arise have important implications not just for the organization's future, but also for day-to-day operations. When achieving strategic objectives necessitates large-scale organizational change, strategic planning must depend on visionary leaders who are intimately familiar with the change process in a complex organization. Effective leaders must be results-oriented, express a sense of urgency, eliminate impediments, display their commitment to their people visibly, create open communication, and consistently reaffirm the common vision, goal, and core values via their actions. Simultaneously, organizational structures, systems, and procedures must be properly planned and implemented to support change activities.

## 2. OBJECTIVES AND HOMEWORK

A strategic strategy is not the same as a business plan. A business plan is used to define short- or medium-term objectives and the activities required to accomplish them. A strategic plan, on the other hand, is often focused on mid- to long-term objectives and discusses the fundamental tactics for accomplishing them.

The aim of strategic planning is to establish broad company objectives and to devise a strategy to accomplish them. It entails taking a step back from day-to-day operations and determining the direction and goals of your firm.

Making the choice to expand a firm entails accepting the risks associated with expansion. Spending time determining the precise direction you want to take your company - and the path to get there - should assist you in managing those risks and taking control of the development process.

As your firm grows in size and complexity, the strategy creation process must become more sophisticated. To do this, you may choose to begin collecting and analyzing a broader variety of data about your organization - both about how it runs and about the state of the markets in which you already operate and intend to expand.

Strategic planning is the process of establishing the direction in which you wish to take your firm. By contrast, the business plan's aim is to outline the road that will lead you in the desired destination.

Effective strategy creation necessitates a change in emphasis away from immediate issues and toward your company's larger and longer-term commercial opportunities.

## **A. CONCEPTUALIZATION OF STRATEGIC INFORMATION SYSTEMS PLANNING (SISP)**

### **Strategic information systems planning**

Strategic information systems planning is the process of selecting a portfolio of computer-based applications that will aid a company in carrying out its business strategies and achieving its business objectives. Carrying it out is a significant problem for many IT and business professionals. Despite their relevance, the lack of a theory of strategic information systems planning impedes study in this field.

An input-process-output model serves as the starting point for developing such a theory. The following are the constructs included in the final version of a theory:

- The surrounding environment,
- The interior environment,
- Resource allocation,
- The process of planning,
- A strategy for information dissemination,
- The information plan's execution, and
- The information strategy's congruence with the organization's business plan.

The constructs are causally related to one another. Hypotheses serve as a visual representation of the connections. Both scholars and practitioners may benefit from the idea.

### **➤ Strategic Planning Process**

Strategic planning is a critical function of a management. Effective planning enables a corporation to meet critical objectives and enables teams to operate more efficiently. Understanding the different stages of the planning process is critical for successful planning. This article will outline the phases involved in the strategic planning process that a manager must follow in order to be a successful manager.

The planning process's main objective is to assist businesses in establishing objectives and developing an executable strategy to accomplish those goals. Strategic planning may occur at any level of a

business. There may be a plan in place that encompasses the organization's objectives, but there may also be plans developed and implemented by individual managers and their teams.

Strategic planning is critical to a business's long-term success. A corporation that has a strategic plan in place may more effectively direct its efforts and resources toward reaching a goal.

➤ **Understand the need for a strategic plan**

The first, and arguably most critical, step in the planning process is recognizing the need of a plan. In terms of management, this implies that you must be familiar with the industrial context in which your organization works in order to find growth prospects. Additionally, you must be familiar with the business's internal procedures in order to recognize when an issue has to be resolved.

After identifying opportunities, you may begin considering steps that will enable you to capitalize on those prospects. For instance, the government may be soliciting bids from enterprises in your sector. If you are aware of this, you may devise a strategy to assist your organization in bidding.

➤ **Set goals**

The second phase in the strategic planning process is to establish objectives. Depending on their purpose, goals may be established for both specific departments and the whole firm. Using the government bid example again, a company-wide aim may be to obtain the bid. Meanwhile, a department's objective might aim to boost certain performance indicators, such as sales or customer happiness.

While an organization's objectives might be broad, while defining departmental goals, you must be comprehensive and explicit so that your team members understand what they need to perform. While growing profits may be a company aim, individual departments may need more specific goals, such as "We will create an additional \$5,000 in revenue by April 24."

Goals are critical to the strategic planning process because they enable managers to steer their teams more effectively. They provide workers with a single goal to strive towards, which helps to concentrate their everyday efforts.

➤ **Develop assumptions or premises**

When creating a company strategy, keep the future in mind. Naturally, since the future is unknown, your strategy must be predicated on some assumptions or premises.

A forecast is a typical sort of premise in which specific predictions regarding the future are made. If the company's objective is to expand earnings, management must estimate whether the industry can sustain the rise.

You will need to create both internal and exterior premises as part of the strategic planning process. Internal premises are determined by the internal operations of the business and other variables. Several instances of internal premises include the following:

- The resources that you anticipate having accessible
- Corporate policies that you will either need to enact or will be required to apply
- How management levels will interact with the plan

External premises are anything outside of the business that might have an effect on the strategy and capacity to accomplish established goals. External premises include the following:

- Political and social context
- Advancements in technology
- Other companies' competition

When attempting to accomplish an organizational objective, it is critical that all managers operate under the same premises and agree on them.

➤ **Research different ways to achieve objectives**

Typically, there are multiple distinct paths to achieving a goal. You'll need to invest time in researching numerous strategies your team might use to accomplish a certain target. Conducting research on alternative methods of accomplishing a goal is critical since it provides managers with some leeway when guiding their employees. Certain managers may favour novel approaches to accomplishing objectives, while others may prefer more conventional techniques.

When evaluating alternative methods for accomplishing goals, the purpose should be to restrict the field of possibilities to a few viable ones. As previously said, there are likely innumerable choices for reaching the established objectives, and if you do not reduce the options, it will be difficult for your managers to pick an effective solution.

Once you've chosen a few possible paths to your objectives, it's important to thoroughly investigate each one to determine which is the greatest alternative. You should carefully analyze the advantages and disadvantages of each option, especially in relation to your business's established objectives. Consider that you are creating a financial strategy for your business. You would need to analyze both the risks and potential profits associated with each feasible option. Additionally, you would need to assess each alternative you choose to see whether it will assist you in achieving your end target effectively.

➤ **Choose your plan of action**

After you've defined your objectives, built your premises, and found or analyzed alternative alternatives for achieving your objectives, you may decide on a path of action. In an ideal world, the strategic strategy you adopt will be the most lucrative. Prior to deciding on a course of action, there are a few points to consider:

Avoid implementing a strategy that might end up costing the firm money. This is something to consider in both the short and long term.

Ensure that you choose the strategy with the fewest possible negative repercussions. Each of the options available to you will have some negatives, but some will have more than others. Compare the many approaches to achieving your objective and pick the one with the best possibility of success.

Choose a flexible course of action. While carrying out your strategy, you may run across difficulties that you did not expect. If your strategy is adaptable, you should have an easier time overcoming these challenges than if your plan is rigid. For instance, if your firm is bidding on a government contract and the government implements a new policy, you may need to modify your proposal to comply with the new policy.

When deciding on a course of action, you should rely heavily on empirical data, such as quantitative analysis. Having said that, your expertise as a manager may also assist you in determining the best strategy for achieving your specified goals. Using your own experience, you may discover that one of the strategies under consideration is one you have saw performed in the past and know to be beneficial.

Additionally, you may combine aspects of many strategic plans. For instance, if two financial plans are being compared, one may have a more effective strategy for boosting profits, while the other may contain an excellent strategy for protecting the organization from unforeseen losses. You may combine these two components to form a more robust strategy.

➤ **Develop a supporting plan**

Once you've decided which plan to adopt, you may also need to build a backup plan to assist you in implementing the main plan. Secondary plans will differ according to your objectives, so keep them in mind while you create this supplementary strategy.

If your company's goal is to introduce a new product, your primary plan may involve activities such as doing market research, devising a marketing strategy, and arranging for manufacture. The secondary plan will include all of the actions necessary to support the primary plan's execution.

For instance, you may need to increase your product research team, which may require you to hire more staff as part of your secondary strategy. Similarly, you may need to recruit a product research team if your business does not already have one or expand your production capabilities if your present facilities are insufficient to manufacture the new product. Regardless of the objective, training staff is a regular component of a secondary plan. Whether you're attempting to introduce a new product or raise sales of an existing one, your personnel will almost certainly need more training before the firm can accomplish these goals.

➤ **Implement the strategic plan**

The last stage of the strategic planning process is to put the strategy into action. Depending on the goals you've established, this may be the most time-consuming phase in the planning process. When it's time to put a plan into action, managers rely on their skill set and experiences to ensure that everything goes successfully.

If the organizational aim is extremely complicated, managers must devote sufficient effort to ensuring that team members understand their roles and how they fit into the greater picture. To ensure the project's success, all team members must be informed and collaborate.

The instruments required to carry out the strategy will vary according to the conditions. For example, if your strategy involves implementing a new corporate policy, execution will need meeting with the legal department to ensure that the policy is written legally and is effective.

## **B. NATURE OF STRATEGIC PLANNING**

Organizations exist to make a positive difference in society. An organization is a collective business, a collection of persons who contribute to society in ways other than personal gain. It may dissolve if it is unable to continue its contribution to society, particularly via value generation. When an American automotive manufacturer ceases to produce high-quality vehicles, buyers go elsewhere, possibly to a Japanese automobile manufacturer. If a manufacturer in the United States receives an excessive number of international automobile purchases, the firm may go bankrupt. If a church does not provide enough services to its members, it will lose its congregation. And if a university's academic offerings deteriorate, students will transfer to other institutions.

Thus, when an organization ceases to deliver helpful services or goods to its stakeholders, society regards the organization's continued existence as unnecessary. Strategic planning is concerned with the big picture of how companies serve society, while strategy is concerned with how firms make deliberate

and methodical choices regarding goods, services, customers, and human resources that are critical to both the company and society.



Thomas J. Peters and Robert H. Waterman, Jr. note in their seminal book *In Search of Excellence* that the best firms' managers are adept at planning, utilizing the best information their firms can generate: "Show us a company without a strong fact base, a quantitative picture of its customers, markets, and competitors, and we'll show you one where priorities are set through the most Byzantine of political manoeuvring." Peters and Waterman are not supporting quantitative analysis; rather, they are describing a trend of successful research combined with inventive management among the finest organizations in America. Indeed, they remark that many collapsing organizations have placed an excessive emphasis on detached, analytical decision-making at the price of curiosity and creativity.

Numerous lessons are conveyed by this and comparable research. To begin, intuition alone is insufficient to plan in a complex society. Second, analytical research is critical for managers to improve their capacity to make sound strategic choices. Thirdly, strategic planning is a synthesis of painstaking study and management acumen that enables improved decision-making. Additionally, the approach is forward-looking, requiring managers to pursue viable course of action now to ensure the organization's future.

### **Necessity, Requirements, Strategy Evaluation Framework**

Once the criteria for strategy implementation are met, the organization's next task is strategic! assessment.

The strategy assessment phase of the strategic management process is the last stage in which managers attempt to ensure that the strategic option is executed appropriately and is reaching the organization's goals.

Indeed, managers conduct strategy evaluations to assess the progress of strategy implementation, to identify any deviations in real performance from the selected strategy that has been implemented, and to take relevant steps to make the plan work.

Strategy assessment is one kind of strategy implementation. Effective strategy assessment involves a computerized information system capable of giving managers with rapid feedback and enabling them to act on the data immediately.

In reality, strategy assessment during (and/or after) implementation necessitates the use of a control system; both are vital components of the organization's monitoring system.



Both techniques assist managers in monitoring the status of a strategic strategy. The cornerstone of strategy evaluation is monitoring current performance and projecting future developments.

### ❖ **Necessity of Strategic Evaluation and Control Systems**

Managers may discover this information with the use of strategy assessment and control systems.

whether strategy implementers are making decisions in accordance with organizational policies; whether sufficient resources have been allocated and are being used prudently; whether external events are unfolding as anticipated; whether long- and short-term goals are being met; and whether strategy implementers are on track. The assessment procedure notifies implementers of any unexpected occurrences associated with the aforementioned concerns. As a result, they might take corrective action to go back on course, modify the track, or alter other critical components of strategy.

Strategy managers must constantly analyze and monitor the progress of the strategic activities being taken to achieve the strategy.

The systematic review gives sufficient data to ascertain any differences between actual and planned actions. Managers may then take necessary action based on this facts.

We will explore the importance of strategy assessment in the following sections:

#### ➤ **Obtaining data in order to take appropriate action**

Receipt of data with the purpose of taking remedial action

Organizations are compelled to analyze their strategic activities more thoroughly in dynamic situations. Internal and external forces affecting the business environment evolve at a breakneck pace. These modifications have an effect on the execution of the strategy.

Regular review of the strategy's implementation gives pertinent data for remedial action.

#### ➤ **Maintaining a running total**

Regular review of strategic activities taken in the course of implementing competitive strategies enables progress to be tracked.

Managers may use evaluation results/information to ascertain the current state of affairs when it comes to strategy execution. If development is sluggish, they may take immediate action.

#### ➤ **Vulnerabilities detection**

Nobody can guarantee that a specific approach will succeed or is the most prudent course of action. As such, key faults in the plan should be identified.

The strategy managers assess the plan's effectiveness via a study of past performance and future prospects. If they discover a fault in the strategy's implementation, they take measures to correct it.

#### ➤ **Positivity in managers**

Establishment of a mechanism for assessment. traps managers in a systematic trap, compelling them to overlook/ignore the critical nature of analyzing the effect of changes in their organizations' settings.

It serves as a reminder to them not to be satisfied with their current accomplishments. It instills in them the notion that success now does not imply future prosperity.

#### ➤ **Developing a committed attitude**

When all managers and workers are engaged in the process of continuous strategy evaluation, they develop a commitment to the organization advancing gradually toward its goals.

Adjustments or revisions to the vision, mission, or goals strategies, as well as the strategies' execution methodologies, may be necessary. If corrective measures or changes are not undertaken effectively or on time, the company risks experiencing catastrophic repercussions.

### Effective Strategic Evaluation Systems Must Meet the Following Requirements

To be effective and successful, a strategy-evaluation system must fulfill a number of criteria. These are the prerequisites of a successful evaluation system.

The following sections address the critical criteria for an excellent strategy assessment system:

#### ➤ **Economical**

The assessment of strategy actions must be cost effective. If they are not cost efficient, waste will occur; thus, a balance must be maintained in acquiring information; neither too much nor too little. Often, too much data and too many controls cause more damage than good.

#### ➤ **Meaningful**

The actions for strategy assessment must be significant in that they must be directly connected to the goals for which the strategy was established.

#### ➤ **Supplying pertinent data**

The data gathered throughout the review process must be of use. Managers cannot make decisions based on redundant information.

### **Information dissemination in a timely manner**

The strategy-evaluation system should be set up in such a manner that it can deliver timely information to the appropriate management. Inadequate information transmission may imply 'no information,' since they cannot be exploited when they were heeded.

### **Providing an accurate account of what occurred**

The strategy-evaluation activities should be capable of providing an accurate picture of how the strategy is being implemented inside the company.

### **Being aimed towards the correct individuals**

The strategy-evaluation system should be aimed at the appropriate individuals who are really responsible for data-driven decision-making. As such, it should seek to assist rather than only provide information for the sake of delivering information.

### **Extensive and comprehensive**

The strategy assessment method should be comprehensive and thorough in big businesses. This is necessary due to the fact that having several departments/divisions need excellent coordination.

### **Strategy Evaluation Framework: 3 Activities of Strategy Evaluation**

3 activities of strategy evaluation are:

#### ➤ **Examining the strategic pillars**

A strategy's foundations are built on internal strengths and weaknesses, as well as external opportunities and dangers. The opportunities, challenges, strengths, and vulnerabilities identified above are likely to stay relevant for an extended period of time.

Thus, when implementing a strategy takes a long time (some plans may take several years to complete), the strategy's foundations (i.e., SWOT analysis) should be reassessed.

A review would reveal how competitors have reacted to the firm's strategies, how competitors' strategies have changed in response to (our) company's strategies, whether strengths and weaknesses have changed, whether new opportunities or threats have surfaced, and most importantly, whether the previously identified opportunities, threats, strengths, and weaknesses are still the same as they were at the time of the SWOT analysis, and numerous other issues. A review of the strategy's foundations helps managers to ascertain the true causes of bad outcomes.

It is possible that an unsuccessful strategy was adopted or that the plan was executed badly, or that abrupt changes in external circumstances (such as changes in demand, changes in technology, new government rules, or competitive activities) prevented the organization from attaining its goals. The evaluation assists in identifying these modifications.

#### ➤ **Measuring organizational performance**

The second component, or activity, of the strategy-evaluation framework is performance measurement.

Managers must compare planned actions to actual progress toward accomplishing stated goals. That is, actual outcomes are contrasted to the results anticipated.

Then, if there are any deviations, they are discovered. Individual performance is also evaluated. The progress made in achieving the initial goals is assessed.

#### ➤ **Taking corrective actions**

If there are no substantial variations between the anticipated result and the actual outcomes, corrective steps are not essential.

Managers will continue to outline a path of action in this circumstance but will take corrective action only when major deviations arise.

Actions must be made in response to the nature of the deviation and its causes. It may be essential to issue directives on goals, the strategy itself, the organization's structure, the human resources dedicated to strategy implementation, policies, resource allocation, and system rewording, among other things.

### **Formal Planning**

Planning is critical for an organization's success and effectiveness, not only for organizations, but also for people. It is the most fundamental of all management duties. It entails the selection of missions and goals, as well as the activities necessary to accomplish them. As a result, every organization places a higher premium on planning.

Planning as a process entails determining a future path of action, that is, why, what, how, and when to take action. These are associated with many facets of the planning process.

Terry defines planning in terms of future course of action, stating that "planning is the process of selecting and relating facts, as well as making and using assumptions about the future, in order to visualize and formalize proposed activities believed to be necessary to achieve the desired result."

McFarland defines planning as "an executive action notion that encapsulates the abilities to anticipate, influence, and regulate the nature and direction of change."

According to Peter Drucker, planning is the continuous process of making present entrepreneurial decisions systematically and with the best possible knowledge of their future consequences, organizing the efforts required to carry out these decisions systematically, and measuring the results of these decisions against the expectation via organized systematic feedback.

According to Koontz and O'Donnell, "planning is the process of determining in advance what to do, how to do it, when to do it, and who will do it." Planning connects the dots between where we are and where we want to go.

According to Theo Haimann, "planning is the function that establishes what should be done in advance." It entails determining the enterprise's goals, as well as the policies, programs, processes, and other methods by which these objectives will be accomplished."

### **Types of Planning:**

The process of planning may be classified into different categories on the following basis:

#### **Nature of Planning:**

##### ➤ **Formal planning.**

When reduced to writing, planning becomes official. When the number of activities is enormous, it is beneficial to have a written plan since it will aid in maintaining proper management.

The phrase "formal" refers to anything that is official and recognized. Any planning may be done in an official capacity and then followed through on or executed. Formal planning is the process of establishing the goals and objectives of planning. It is the activity that determines what should be done in advance.

##### ➤ **Informal Planning:**

An informal plan is one that is not written down but is created in the manager's thinking. Informal planning is helpful when the number of activities is limited and tasks must be completed quickly.

#### **Duration of Planning:**

The phrase "short term planning" refers to planning that spans less than two years. It must be written in a way that is compatible with long-term objectives. This kind of planning is referred to as tactical planning. Short-term plans are focused with the near future; they are limited by available resources and focus on the business's present activities.

These plans may include those for inventory planning and management, personnel training, and work procedures, among others.

#### **Advantages:**

- It can be easily adjustable.
- Changes can be made and incorporated.
- Easy to Gauge.
- Only little resources required.

#### **Disadvantages:**

- Very short period-left over things will be more.
- Difficult to mobilize the resources.
- Communication cycle will not be completed.

### **Long-Term Planning:**

Long-term planning often spans more than five years but is most commonly between five and fifteen years. It is concerned with the organization's larger technical and competitive characteristics, as well as resource allocation over a somewhat long time period. Strategic planning is considered long-term planning.

Short-term planning is for a period of one year, whereas long-term planning is for a period of five to fifteen years. Between these two extremes, there may be medium-term goals. Typically, medium-term plans span two to five years. These may contain a strategy for material acquisition, manufacturing, labor, and overhead expenditures, among others.

### **Advantages:**

- Sufficient time to plan and implement.
- Effective control.
- Adjustment and changes may be made gradually.
- Periodic evaluation is possible.
- Thrust areas can be identified easily.
- Weakness can be spotted and rectified then and there.

### **Disadvantages:**

- Prediction is difficult.
- Full of uncertainties.
- Objectives and Targets may not be achieved in full.
- More resources required.

### **Levels of Management:**

- **Strategic Planning:**

Strategic planning is the process of defining the organization's overarching goals and the policies and strategies that will be used to accomplish them. It is run by the senior management, which consists of the chief executive officer, president, vice presidents, and general manager, among others. It is a long-range planning exercise that may last up to ten years.

It entails a comprehensive assessment of an organization's skills, strengths, and shortcomings, as well as an impartial assessment of its dynamic environment. Additionally, planning establishes the company's strategy for reaching these objectives.

- **Intermediate Planning:**

Intermediate planning is considered by middle management, which comprises functional managers, department heads, and product line managers. Additionally, they are responsible for refining the senior management's strategic initiatives.

Middle management will do an analysis of existing resources and will decide the most effective and efficient combination of human, financial, and material variables. They hone the broad strategic ideas into more manageable and achievable goals.

- **Operational Planning:**

Operational planning is concerned only with present actions. It ensures the continued operation of the firm. Lower management is responsible for these plans, which are carried out by unit supervisors, foremen, and others. These are short-term plans ranging from one week to one year in duration.

These are more explicit and specify how a certain task should be accomplished optimally. The majority of operational plans are segmented into functional areas such as manufacturing, finance, marketing, and people.

Thus, although planning at all levels is critical, since all levels are linked into one, strategic planning deserves deeper scrutiny because it sets the organization's direction.

**Use:**

- **Standing Plan:**

A standing plan is a kind of plan that is intended to be reused again. Standing plans often comprise objectives, policies, processes, techniques, regulations, and strategies. It's mechanical in nature. It enables CEOs to alleviate some of their administrative burdens. A standing plan, sometimes referred to as a regular plan, is one that is established in advance. Generally, a standing or normal plan is lengthy.

- **Single Use Plan:**

Single use plan is one, which defines a course of action for a single set of conditions and is used up once the particular aim is attained. They may include programs, budgets, projects and timetables. It is sometimes termed particular planning. Single use plan is short range.

### **Formal strategic planning**

Formal strategic planning (hence referred to as FSP) is the most advanced kind of planning. This indicates that a firm's strategic planning process includes clear systematic methods for eliciting the engagement and commitment of the plan's primary stakeholders. At both the corporate and subordinate levels, planning has a substantial strategic component. In this sense, a corporate plan is a document that takes a holistic view of the organization and is not just a collection of subordinate plans.

Formal strategic planning requires a defined method for defining the firm's long-term goals, processes for developing and accessing alternative strategies, and a mechanism for monitoring the plan's implementation outcomes.

In the simplest words, strategic planning is the process through which companies make strategies to accomplish their overall, long-term objectives.

This method is distinct from project planning, which is used to define and allocate work to specific projects, or strategy mapping, which assists you in defining your purpose, vision, and objectives.

The strategic planning process is more comprehensive; it assists you in developing a roadmap for which strategic goals to prioritize and which activities will be less beneficial to the firm. The phases in the strategic planning process are given below.

- **Strategic planning process steps**

This phase of preparation lays the groundwork for the remainder of the job. You must first establish your current location in order to decide where you need to go and how you will get there.

Include the appropriate stakeholders from the start, taking into account both internal and external sources. Identify critical strategic concerns by speaking with leaders at your firm, gathering consumer insights, and compiling industry and market data to get a comprehensive picture of your market position and customer perceptions.

Additionally, it might be beneficial to evaluate or write your company's purpose and vision statements to provide yourself and your team with a clear picture of what success looks like for your organization. Additionally, you should analyze your company's basic principles to remind yourself how your organization will accomplish these goals.

To begin, analyze industry and market data, including consumer insights and current/future demand, to identify critical challenges. Create a list of your company's internal strengths and shortcomings, as well as external possibilities (ways your firm might expand to meet unmet market demands) and dangers (your competition).

Utilize a SWOT analysis as a foundation for your first analysis. You may easily classify your results as Strengths, Weaknesses, Opportunities, and Threats (SWOT) to define your present position with input from executives, customers, and external market data.



PEST analysis is an alternative to SWOT analysis. PEST, which stands for Political, Economic, Sociocultural, and Technological, is a strategic tool for identifying dangers and possibilities for your organization.

As you integrate this data, your distinct strategic position in the industry will become evident, and you can begin defining a few key strategic goals. Frequently, these targets are defined over a three- to five-year period.

**Prioritize your objectives**

After determining your present market position, it's necessary to establish objectives that will assist you in achieving your goals. Your goals should be consistent with the purpose and vision of your organization.

Prioritize your goals by asking critical questions such as the following:

- Which of these measures will have the biggest effect on attaining our company's mission/vision and strengthening our market position?
- Which effect metrics are more important (e.g., client acquisition vs. revenue)?
- What will the competition's response be?
- Which efforts need immediate attention?
- What actions will be required to achieve our objectives?
- How will we track our progress and evaluate whether we've met our objectives?

Objectives should be specific and quantifiable in order to assist you in achieving the long-term strategic objectives and activities defined in step one. Among the possible aims include upgrading website content, increasing email open rates, and generating new leads.

SMART objectives are beneficial for establishing a timeframe and identifying the resources required to accomplish the goals, as well as establishing key performance indicators (KPIs) to quantify your progress.

### **Develop a plan**

Now is the time to develop a strategic strategy for achieving your objectives. This phase entails deciding the techniques required to accomplish your goals, as well as establishing a timeframe and communicating clearly about roles and duties.

Strategy mapping is a useful technique for visualizing the whole of your strategy. From the top down, strategy maps simplify the process of visualizing company operations and identifying areas for change.

Truly strategic decisions often include a trade-off in terms of opportunity cost. For instance, your business may opt to provide less funds to customer service in order to invest more in developing an intuitive user experience.

Prepare to utilize your values, mission statement, and stated priorities to say "no" to activities that will not help you achieve your long-term strategic objectives.

### **Execute and manage the plan**

Once you've developed a strategy, it's time to put it into action. To begin, inform the organization about the strategy by distributing pertinent paperwork. After then, the real job starts.

By mapping your processes, you may convert your broad strategy into a detailed plan. Utilize KPI dashboards to communicate team roles clearly. This detailed method demonstrates the completion process and assigns responsibility at each stage.

Establish frequent evaluations with individual contributors and their supervisors and establish check-in points to ensure progress is being made.

### **Review and revise the plan**

The third step of the plan review and revision allows you to reassess your goals and make course corrections based on previous successes or failures.



Determine the KPIs your team has met and how you can continue to fulfill them on a quarterly basis, changing your strategy as required. It is critical to assess your goals and strategic position on a yearly basis to ensure that you remain on course for long-term success.

Balanced scorecards help you keep track of your progress and execute strategic objectives by providing a holistic view of your business's performance.

Over time, you may discover that your purpose and vision need modification. An annual assessment is an excellent opportunity to examine such modifications, develop a new strategy, and re-implement.

### **Master the strategic planning process steps**

As you continue to apply the strategic planning process, consistently repeating each phase, you will begin to see tangible progress toward reaching your company's goal.

Rather of constantly putting out fires, responding to the competition, or concentrating on the newest hot-button endeavour, you'll be able to retain a long-term perspective and make choices that will keep you on track for years to come.

### **Benefits of Strategic Planning**

While the strategic planning process might be lengthy, it is beneficial for all parties involved. As a small company owner, you'll have a clearer picture of the aims and objectives you want to achieve, as well as a road to get there. For your staff, the procedure might result in increased productivity, which contributes to the business's success.

### **Communicating Your Strategic Plan**

Your staff should be included in the strategic planning process. Your staff are directly engaged in daily operations and may give you with a unique perspective on the business. Employees may communicate to you what they believe is and is not working in the firm now, which can guide your future planning.

Along with your workers, it's good to solicit feedback from others outside of your organization. Vendors, like your workers, have a distinct viewpoint on your sector. Discuss the business with them and elicit their opinions on how they believe the business environment will develop in the future.

The Small Business Administration of the United States suggests that the strategic planning process remain fluid. When you meet with your staff and anybody else, keep in mind that the talks should foster fresh ideas and perspectives.

### **Increase Productivity**

By including workers in the strategic planning process, you can instil a feeling of responsibility in them, which may result in increased productivity. Whether they were involved in the process or were told of the business's aims and objectives after the strategic plan was developed, they will be more motivated to assist you in achieving those goals.

### **Identifying Strengths and Weaknesses**

You will study and analyze your whole company as part of the strategic planning process. You'll assess your business's strengths and weaknesses. By recognizing your firm's present strengths and shortcomings, the process enables you and your workers to improve in the future and build a more resilient business via risk mitigation.

While you may have an idea of where your company thrives and where it might improve, don't forget to include your staff. They may inform you of something of which you were unaware.

### **Establishing the Business's Direction and Promoting a Proactive Environment**

By the time the strategic planning process is complete, you and your workers should have a clear vision for the future path of the organization. These talks and the planning process themselves help position the firm for future success.

Strategic planning provides you and your organization with time to consider how to expand in the next years and how to meet new possibilities and obstacles. Consider the difficulties or troubles your firm may have in four or five years and prepare properly to avoid a stumbling block down the line.

### **What Makes Strategic Planning Successful**

Successful strategy planning requires collaboration between you and your staff, as well as between you and your suppliers and other external stakeholders. The more you include your workers in strategic planning, the more they will comprehend the company strategy you are pursuing.

Additionally, strategic planning must be adaptable. While having goals and objectives for your organization is vital, you must also be adaptable to changes.

When strategic planning is effective, everyone in your firm understands the direction and objectives of the business. Each person is aware of the factors that contribute to the business's strength and the areas that need improvement. And it's more probable that each individual wants to contribute to the development and success of the organization.

### **When Should Strategic Planning Be Done?**

When it comes to strategic planning, the sooner the better. It does not have to be done in the initial few days or weeks of the firm's existence; you may choose to stay in business for a few months to have a better understanding of what works and what does not.

However, even if you've been in company for a lengthy period of time, it's never too late to begin strategic planning. It's never a terrible time to reflect on your company's present state and where you want to go in the following five to ten years. When you're ready, assemble your team and organize frequent strategic planning sessions.

### **Where Do Strategic Plans Become Ineffective?**

Strategic planning is a continuous process. Even if you complete a first round of strategic planning and establish your business's first strategic plan, the process is not complete. The strategy must be carried out.

Additionally, strategic plans might fail if the aims and objectives established are implausible. Every company owner wants to see their enterprise expand and flourish but setting an unrealistic growth rate may be discouraging for both you and your staff.

An effective strategic strategy requires dedication. Your whole team's emphasis should be on the company and executing the strategic strategy. If the strategic plan is not employed on a regular basis or as the business's foundation, you and your staff may lose sight of the company's direction and objectives.

### **Reviewing and Updating Your Strategic Plan**

A strategic plan should be seen as a dynamic document. Spend time developing a strategic strategy rather than storing it on a shelf to gather dust. Adhere to it. Additionally, your strategy plan should be updated on a frequent basis. How often you should update your strategic plan is determined on the nature of your firm.

If your organization operates in a fast-paced sector and is susceptible to external forces altering, you should evaluate and update your strategic plan more often. For instance, if your organization is in the rapidly changing technology area, you'll definitely want to review your strategic plan every quarter.

At the absolute least, you should do an annual assessment of your strategic strategy. When you do a strategic plan review, you examine the assumptions established and the state of your firm in reference to those assumptions. What you believed would be obstacles and hazards to your company a year ago may no longer be the case.

Make no apprehensions about altering any aspect of the strategy plan. Indeed, although just 77 percent of small company owners feel somewhat or very confident in their ability to execute their plan, 95 percent fall short of fulfilling all of their objectives. Maintaining an updated strategy might assist you in staying on track with your objectives. Additionally, if external variables have a greater influence on your organization than you anticipated, you may need to adjust your objectives or goals.

Regular reviews provide an excellent chance to reconnect with your staff. Your workers contributed to the development of the business's strategic plan, and they are just as engaged in its success as you are. Provide them with an overview of the business's present state. Consult them to see if their perceptions of the company have improved or if they continue to have worries or if any of their original concerns have changed.

Following your assessment of the strategic plan, communicate any adjustments to your staff. Even if you made no adjustments, this is an excellent time to communicate to the rest of your organization your assessment of the business's current state and to reaffirm that everything is proceeding as planned. Additionally, you may motivate your personnel to work diligently to attain the strategic plan's goals and objectives.

## **C. STRATEGIC ALIGNMENT BETWEEN BUSINESS INFORMATION & TECHNOLOGY**

### **STRATEGY**

The term "strategy" derives from the Greek word "stratēgos," which combines the words stratus (meaning army) and ago (meaning leading/moving).

A strategy is a course of action taken by management in order to accomplish one or more of the organization's objectives. Additionally, strategy may be described as "A broad direction established for the organization and its many components in order to attain a desired condition in the future." The strategy is the product of a thorough strategic planning process".

A strategy is concerned with integrating organizational operations and with using and distributing finite resources within the organizational environment in order to accomplish current goals. While developing a strategy, it is critical to keep in mind that no choice is made in a vacuum and that every action taken by a business will almost certainly elicit a response from those impacted, whether rivals, customers, workers, or suppliers.

Additionally, strategy may be characterized as an awareness of one's objectives, the unpredictability of events, and the necessity to consider the probable or real actions of others. Strategy is the blueprint for an organization's actions; it describes the business the firm will do, the sort of economic and human organization it wishes to be, and the contribution it intends to make to its shareholders, customers, and society at large.

## **FEATURES OF STRATEGY**

Strategy is critical since forecasting the future is impossible. Without perfect foresight, businesses must be prepared to cope with the unpredictable occurrences that make up their business environment.

Strategy is concerned with long-term developments rather than ordinary operations, i.e. the likelihood of future innovations or new goods, new manufacturing processes, or new markets.

A strategy is developed by considering the likely behavior of consumers and rivals. Employee-related strategies will predict employee behavior.

A strategy is an organization's well-defined road plan. It establishes an organization's overarching purpose, vision, and direction. A strategy's aim is to maximize an organization's strengths while minimizing the rivals' strengths.

In a nutshell, strategy connects "where we are" with "where we aspire to go."

## **Relationship Between Information Technology and Business**

Since the early 1990s, information and communication technology has advanced at a breakneck pace, radically altering the way contemporary organizations operate. Additionally, it has increased the number of individuals who can work from home.

### **➤ Uses of IT in Business**

As of October 2010, information technology is employed in practically every facet of business. Even the tiniest companies rely on computers to generate letters and invoices and to maintain records, but IT is also used for technical design, research, data analysis, and strategic planning, as well as for ordering things, processing payments, and communicating.

Computers enable organizations to save significant amounts of time. Instant communication allows for the transmission of information, video conferencing eliminates the need for travel to business meetings, and papers may be altered and edited extremely fast. Additionally, they minimize expenses by allowing businesses to lower employee numbers and manufacture their own marketing materials. As of October 2010, a relatively new concept is the use of social networking sites for corporate promotion.

The most apparent disadvantages are the danger of personal information being taken by hackers and the possibility of computer infections caused by viruses. There is a decrease in social engagement, both internally and with customers since business is handled over the telephone rather than in person. Additionally, workers are subjected to information overload as a result of emails and "spam."

## **The Role of Technology in Business Communication**

Information and communication technology (ICT) enables businesses to communicate effectively, which is critical for keeping competitive in both domestic and international markets. American companies spent \$296.3 billion on ICT equipment in 2008, according to the United States Census Bureau's ICT study.

ICT include electronic mail, telecommunications, and the Internet, as well as the usage of computers, telephones, fax machines, and copiers, as well as a range of mobile communication devices. Additionally, the phrase encompasses electronic papers and other forms of material, as well as video communication, software, and external hard drives.

To compete on a worldwide scale, businesses utilize websites to give ordering information and product listings online, as well as to facilitate financial transactions with clients. Additionally, websites enable businesses to get vital input on client demands and suggestions for development. Businesses increase accessibility via almost immediate communications through e-mail, faxes, and telecoms devices.

To leverage the advantages of ICT in business communications, organizations must invest in the necessary infrastructure and staff training to develop skilled personnel capable of monitoring and evaluating feedback, as well as comprehending the usage of e-commerce and software.

### **Positive Effects of Computers in Business**

Computers have been ubiquitous in the workplace, from early mainframe servers to iPads. They aid organizations in communicating internally and internationally, managing their personnel, running their manufacturing lines, and tracking their consumers. Businesses have justified their computer expenditures by demonstrating the benefits to revenue, strategic and operational flexibility, staff productivity, and organizational learning.

Computers boost the profitability of businesses. Businesses may minimize their cost structure by automating data processing, invoicing, payroll, and a variety of other activities. Computers are at the heart of new distribution channels such as online retailers, which have created new market possibilities around the globe. Increased sales and cost savings often result in increased profits, which is why firms continue to invest in computers. According to a research conducted by MIT senior scientist Andrew McAfee, information technology spending per employee has increased even as computer prices have decreased.

Computers provide more operational and strategic flexibility. Computers enable organizations to be more agile. Internet access, high-speed data transfer, and robust databases have enabled senior management to strategically outsource major aspects of their activities to other countries. Enterprise resource planning solutions consolidate data from operational processes like as production and payroll, enabling managers to make real-time people, marketing, and production resource allocation choices. Computers have sped up the time required to bring new products to market: businesses can simulate new concepts using software and hardware simulation tools, conduct online focus groups to determine market appeal, make rapid product design adjustments, and launch new products to keep up with competitor product offerings.

Computers boost employee productivity. Employees are able to do more in a shorter period of time. Computers enable employees to focus more on value-added tasks and less on routine tasks. From software spreadsheet calculations to high-speed data communications to databases for storing and accessing massive amounts of data, computers enable employees to focus more on value-added tasks and less on routine tasks. This also indicates that employees will have a more fascinating work experience, as validated by a 2002 Human Resources and Skills Development Canada survey of Canadian workers. Employees who like their work experience tend to stay longer and work more for their companies.

Computers help organizations learn more effectively. The primary contribution in this regard has been networking technology, which connect computers across geographical boundaries. Employees globally

may exchange data, collaborate on projects, and learn from one another in real time through corporate blogs, virtual meetings, and social media. There is no need to transport trainers from one continent to another to teach salespeople on a new product since material can be uploaded online and accessed 24 hours a day. This saves time and money while also improving employee development and corporate learning.

### **The Importance of Electronic Communication in Workplace Collaboration**

The Information Age was ushered in by advancements in electronic communications technology, a time period characterized by near-instantaneous information transfer. The digital world enables the simultaneous transmission of information to a huge number of individuals through interfaces such as email, instant messaging, and chat rooms. Electronic communication has become a must for many firms in order to participate in contemporary trade. Because electronic commerce enables large-scale worldwide cooperation, it has created several possibilities.

#### ➤ **Rapid Transmission**

Electronic communication enables the flow of commodities, money, and ideas at a quick pace. This removes the need for workers to share ideas physically, by mail, in person, or over the phone. This also occurs on a bigger scale — sending a dozen email messages saves the worker the time required to make 12 phone calls or write 12 memoranda. To remain competitive, contemporary workplaces must operate at the same pace as competitors, using technology such as the Internet and electronic communication.

#### ➤ **Collaboration on Information**

Many firms see information as a valuable commodity. Certain characteristics, such as accuracy, accessibility, applicability, and rarity, increase the value of information. Additionally, information that may be utilized to assist workers in making decisions is useful. The capacity to disseminate this information rapidly increases the data's value. Employees who do research and discuss their findings are able to make better informed judgments more quickly than employees who communicate through non-electronic means.

#### ➤ **General Information Systems**

Electronic communication is used to gather, process, store, retrieve, and disseminate data in information systems. These solutions assist staff in being more organized and collaborating. An office information system is made up of physical components, referred to as hardware, and applications that provide graphical user interfaces, referred to as software. Databases are computer files that hold information about a business, its employees, and its research. Networks are made up of computers that are linked by hardware and software. Networks are useful tools for sharing and collaborating on information in the workplace.

#### ➤ **Functions of Workplace Electronic Communication**

Communications networks are required in certain instances, such as e-commerce, to join the market. In other instances, the business utilizes electronic communication to stay current with or gain an edge over rivals. A well-run communications system increases workplace efficiency by facilitating communication and assisting decision-making by giving simple access to pertinent information. Electronic communication is used by certain businesses to assist with administrative tasks such as scheduling, transaction processing, and monitoring employee time sheets. Electronic communication may also aid in cross-departmental cooperation by connecting planning areas like as development, marketing, and strategy.

## **The Disadvantages of Email for Business**

Businesses use email for communication, data sharing, and cooperation on a global scale. Email has shown to be an efficient method of enhancing corporate productivity and data dependability. However, the ease with which email may be used and the associated reduction in formality can result in unprofessional conversations and data overload. Additionally, using email for business purposes exposes your computer network to possible viruses and malware sent through email attachments.

### **➤ Reduced Management Personnel**

Employees at all levels of the organization may send emails to any other employee. This ease of communication circumvents the established line of command and interferes with the usual evaluation procedures for human resource-related concerns. This informality may sometimes be inconvenient for CEOs who need to concentrate on high-level prospects rather than day-to-day personnel matters.

### **➤ Accuracy**

The ease with which emails may be sent might result in a deterioration in the accuracy of information. As a more casual medium, senders generally reply rapidly to messages and do not scrutinize the content. Additionally, employees may feel pushed to react to demands swiftly and accurately. When messages are sent with incorrect information, it might be difficult to rectify the issue owing to the quick spread of email.

### **➤ Competition**

Email has the potential to promote corporate competitiveness. Customers may submit sales quotations to rivals in order to get cheaper pricing. If customers obtain a cheaper price, they may choose a rival or return with a lower price request. Additionally, email enables your consumers to engage with offshore organizations that provide lower-priced services owing to lower salaries and a lower cost of living in underdeveloped countries.

### **➤ Professionalism**

Email might result in a loss of professionalism. When employees communicate by email, they often use a less official tone, which might look disrespectful to present and prospective customers. Creative formatting through text and colour changes may look childish and out of step with your company's identity.

### **➤ Expanded Employment**

Email has the potential to raise the need for jobs. Additional customer service representatives may be required to respond to consumer emails, and additional executive assistants may be required to assist busy executives in sorting and responding to email contacts.

### **➤ Overload of Information**

Emails have a tendency to overwhelm receivers with information. The ease with which communications may be copied across an organization might inundate staff with undesirable or superfluous material to evaluate. Overloading on information reduces productivity.

### **➤ Security**

Data security may be challenging to manage, given the ease with which sensitive information can be transferred over email. Viruses sent through email attachments may undermine computer networks by causing system damage and data loss.

### **The Importance of Computers in Business Administration**

Computers enhance every area of the contemporary workplace. From tiny firms to major organizations, business administration use technology to promote productivity, decrease downtime, and increase revenue. Ascertain that your organization is efficiently using computers in order to realize the advantages of technology. Provide your staff with the training, information, and support they need to make the most of your business's technology.

#### ➤ **Business Communications Simplified**

Among the several benefits of computers in business is that they enable workers to interact more efficiently with one another and with external stakeholders like as customers, partners, investors, and prospects. Rather of writing information by hand, business administration experts might communicate using apps and computers.

There are a variety of communication technologies available to assist firms in communicating effectively:

- Email.
- Programs for instant chatting, such as Skype.
- Apps for team communication, such as Slack.
- Zoom is a video conferencing tool.
- Programs for project management, such as Teamwork.

Businesses may accelerate the pace at which people interact and eliminate physical impediments to communication by using communication technologies.

#### ➤ **Business Management Applications of Computers**

The primary reason a computer is necessary in company administration is to boost productivity. Employees may perform more quickly and effectively by using technology. This enables firms to reach milestones and deadlines faster, hence lowering overhead costs.

For instance, a business administration specialist can swiftly respond to employee inquiries online while juggling other tasks like as budgeting and financial management. By doing more jobs concurrently, a corporation may boost productivity and assure the smooth functioning of its processes.

#### ➤ **Data and Files Organization and Analysis**

Computers allow businesses to arrange their data more efficiently. The days of enormous rooms crammed with filing cabinets housing a company's paperwork are over. While some firms continue to use paper files, the majority choose to keep them digital. This enables employees to easily arrange and get the information they want with a few mouse clicks.

Computers can aid in data analysis by automating the process. Employees can make greater use of technology to decipher complicated spreadsheets. For instance, Microsoft Excel can assist organizations in visualizing their data via charts and graphs, allowing them to quickly identify patterns and anomalies. This enables the enterprise to make better educated business choices.



➤ **Human Error Reduction**

In corporate management, computer programs assist in reducing human mistake. Simple errors such as incorrect spelling and grammar may be detected using word processing software such as Microsoft Word. This assists firms in projecting a more professional image to their consumers and partners.

For example, if a business is preparing an important paper for investors, it is crucial that the content supplied is factually accurate and properly curated. By using computer technology, the firm can wow investors rather than distracting them with faults.

➤ **Relationship Management with Customers and Vendors**

When examining the impact that computers have had on customer and partner relationship management, the use of a computer in company administration is critical. Customers and partners may quickly send an email or message to the firm with a query. They may get a response within seconds. Customer service requires a high level of responsiveness, which technology facilitates.

The use of technology enables collaboration with business partners located in various geographic regions. Numerous firms source products and services from suppliers and manufacturers located across the globe. Using computer technology to connect and interact with them helps businesses to enhance product quality, expand into new markets, increase customer happiness, and grow their company.

**The Advantages of Computers in the Office**

The development of computers transformed several sectors, including office employment. Computers have aided office employees in increasing their efficiency and accuracy by offering a variety of software and communication services that aid in the execution of job duties. Computers have become an integral element of practically every office, with the majority of offices being unable to operate without them.

➤ **Communication**

Internal and external communication is significantly simplified when computers are used in conjunction with e-mail and internal messaging systems. Workplace personnel can communicate quickly and efficiently across the office, since the majority of office setups have an alert system on individual computers when a message or e-mail is received. The Internet also significantly improves communication choices, with Skype and other similar messaging and communication tools enabling easy and inexpensive national or international video and voice conferencing.

➤ **Storage of Data**

Computers' data storage and retrieval capabilities continue to increase as technology advances. Files are readily accessible through search tools, and hard drives may store massive amounts of data. For offices with large databases, such as governments, charities, or other membership-based organizations, this data storage and retrieval function offers unmatched benefits over traditional paper file storage, including ease and speed of information retrieval, ease of changing data records, and ease of tracking changes to customer, member, or citizenry records.

➤ **Networking**

File sharing is one of the primary advantages of networking computers in an office setting, according to the Spam Laws Web site. Office networking, or the establishment of an office intranet, entails the construction of a shared file database available to all users. This also applies to software and computer administration, considerably reducing expenses for workplaces by allowing them to buy a single

networkable software package rather than many copies for individual PCs. Additionally, networking enables shared access to printers, fax machines, and copiers.

➤ **Productivity**

Computers dramatically increase productivity in an office setting. According to the Reference for Business Web site, computers in the workplace boost productivity not just in areas such as word processing, data management, and information access, but also in the generation, collation, and eventual storage of information. However, the amount of time most office employees spend at a computer has resulted in a multitude of repetitive strain injuries to the eyes, wrists, and hands.

**Disadvantages and Advantages in Technology in the Workplace**

Technology has gone a long way from the days of the Stone Age when man began to manufacture blades from stones to help him in his labor. The workplace has experienced numerous dramatic changes since then and it is impossible to envision man functioning without the help of technology. The rising technology discoveries in the workplace have harmful and beneficial implications. The advantages that technology affords man needs expertise on how to seamlessly transit from one technological advance to another with minimum negative impacts.

➤ **Job Loss**

One of the downsides of technology in the workplace and possibly the most significant is the loss of employment. Employers worldwide continue to seek reduction of the cost of manufacturing and at the same time enhance their profits. Advanced technology provides an answer to this endeavour via labor-displacing technologies. Automated Teller Machines take the role of bank tellers while automated airline kiosks take the place of ticket agents. As a consequence of them, many jobs are lost as technology diminishes or eliminates the need for human resource

➤ **Crime**

The development of crime in the workplace is another disadvantage associated to the use of technology, particularly when it comes to the exploitation of computer technology to perpetrate crimes such as Internet hackings and theft of money via unauthorized access of credit card details. Invasion of the privacy of workers also occurs in the workplace using computer-based technologies. The theft of personal information and data from computer hard drives for illicit gain or manipulation is another crime that has developed owing to the use of technology in the workplace.

➤ **Communication**

One of the benefits of adopting technology in the office is improved and quicker communication. Communication through high-tech devices such as mobile phones and computer technologies such as e-mails provides a rapid exchange of information. Rapid receiving and dissemination of information contributes to workplace efficiency.

➤ **Profits**

Modern technology decreases the cost of manufacturing, particularly when it replaces human labor; this results in increased profitability. When you use labor-displacing technology, you avoid having to pay staff a monthly wage and benefits. This results in a decrease in your cost of manufacturing while increasing your profit margins.

## **Types of Technology in a Business Environment**

Businesses operate differently now, both in and out of the office, as a result of advancements in computer, information, and communication technologies. Businesses today utilize a range of mobile devices, software, and apps that workers may use for marketing and networking, as well as research and development, in order to promote their products and services.

### ➤ **Internet**

Perhaps more than any other aspect, the Internet has altered the way businesses operate. The majority of businesses now have websites, which enable them to reach a far bigger audience and recruit consumers and staff from across the globe. Additionally, companies are increasingly leveraging social media platforms such as Facebook, LinkedIn, and Twitter to interact directly with consumers about news and updates. These websites are interactive, which enables businesses to gain quick input from consumers on new items, hence expediting the research and development process. Additionally, email, video conferencing, and online chat rooms have facilitated organizations' globalization by allowing them to communicate quickly and efficiently with customers and co-workers regardless of their location.

### ➤ **Cellular Devices**

The Internet resources mentioned above are not limited to workplace computers. Numerous businesses equip their staff with additional mobile devices such as laptops, tablet computers, personal digital assistants, and smart phones. These gadgets are portable and allow employees to remain connected and informed about their job at all times. Additionally, they enable workers to have a "mobile office," enabling them to work from any place and reside in an area other than where the firm is physically situated. Additionally, the majority of mobile devices have a vast variety of programs, including productivity tools, GPS-enabled locators, and other organizational applications that enable workers to download, write, share, and even print documents remotely from their device.

### ➤ **Software**

Businesses utilize a variety of different types of software, depending on their industry. Numerous businesses, on the other hand, might profit from a variety of different sorts of software and apps. For instance, when implemented, Voice Via Internet Protocol (VoIP) software enables organizations to make phone calls and have conferences over the Internet rather than through the conventional analog transmission. The majority of business software is meant to make certain processes simpler, quicker, and more cost efficient, such as budgeting, accounting, and communication. Additionally, they assist with more sophisticated duties such as translation for businesses expanding into the global marketplace, website design, and online service monitoring and management.

## **D. INFORMATION TECHNOLOGY & BUSINESS**

### **The Five Forces of Technology Adoption**

Porter's Five Forces is a business analysis model that explains how different sectors may maintain varying degrees of profitability. In 1980, Michael E. Porter released the model in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors." <sup>1</sup> The Five Forces model is often used to examine a company's industry structure and business strategy. Porter outlined five unavoidable factors that shape every market and business on the planet, with some qualifications. The five forces are widely used to assess an industry's or market's competitiveness, attractiveness, and profitability.

Porter's five forces are as follows:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products

➤ **Competition in the Industry**

The first of the five factors is competition, which is defined as the number of rivals and their capacity to undercut a business. The greater the number of rivals and the more comparable goods and services they provide, the weaker a company's position. Suppliers and customers will seek out the competitors of a business if they can provide a better deal or cheaper rates. On the other hand, when competitive competition is minimal, a business has more leverage to increase prices and negotiate conditions of transactions in order to increase sales and profits

➤ **Potential of New Entrants into an Industry**

The force of new entrants into a market also has an effect on a company's power. The less time and money a rival must invest to join and compete effectively in a company's market, the more an established company's position may be considerably undermined. A sector with high entry barriers benefits existing businesses by allowing them to charge higher prices and negotiate better conditions.

➤ **Power of Suppliers**

The next component in the five forces model is the ease with which suppliers may increase the cost of inputs. It is influenced by the number of providers of critical inputs to an item or service, the uniqueness of these components, and the cost of switching suppliers. The fewer suppliers an industry has, the more reliant a business will be on a single source. As a consequence, the supplier gains leverage and has the ability to increase input prices and pursue other trade advantages. On the other hand, when a corporation has a large number of suppliers or low switching costs between competitor suppliers, it may reduce its input costs and increase profits.

➤ **Power of Customers**

Customer capacity to influence price reductions or their amount of power is one of the five factors. It is influenced by the number of buyers or customers a business has, the importance of each client, and the expense of acquiring new consumers or markets for the business's product. With a smaller and stronger client base, each customer has greater bargaining power when it comes to negotiating cheaper rates and better offers. A business with a large number of smaller, independent consumers will find it simpler to raise prices in order to boost profitability.

➤ **Substitute Threat**

The last of the five forces is concerned with replacements. Substitute goods and services are a danger since they may be utilized in lieu of a company's products or services. Businesses that manufacture products or services with no near alternatives will have a greater ability to raise prices and lock in advantageous conditions. When close replacements are available, consumers might opt out of purchasing a company's goods, eroding the company's influence.

Understanding Porter's Five Forces and how they relate to a particular sector enables a corporation to adapt its business plan in order to make the best use of its resources and maximize revenues for its investors.

## **Information Technology in Production**

Managers often ask which IT advances will benefit their organization's productivity the most. Inventory management systems and radio frequency identification both contribute to cost reduction and improved asset management, especially inventory management. Cloud computing and enterprise resource planning solutions facilitate communication between workers and management, hence streamlining production processes and reducing storage requirements.

### ➤ **Radio Frequency Identification**

A radio frequency identification system consists of tags, a reader, and a computer and software infrastructure that enables an organization to track inventories and ongoing work. It contributes to cost savings in manufacturing by preventing theft, misplacing infrequently used commodities, and maintaining more accurate records of work in progress. As technology advances and costs fall, an increasing number of businesses seek to exploit it for non-traditional purposes. Toll facilities use RFID technology to enable passengers to pay without stopping, hence removing the need for several tollbooth operators. Inventory counts at the end of the month and year need fewer employees and are more precise. Credit card firms have already started to use the technology to enable consumers to swiftly purchase products with the waving of a little card.

### ➤ **Enterprise Resource Planning System**

ERP systems combine all departments and sub-divisions within an enterprise. In manufacturing, an ERP system may assist in cost management by using modules that generate employee schedules, assist with raw material ordering, and monitor workflow and quality control. It may be directly connected to modules on the supply chain side of production that monitor inventory counts and assist in maintaining an exact amount of inventory and raw materials on hand without going overboard.

### ➤ **Inventory Management Software**

Inventory management software, which is often comprised of bar code labels, a tiny tracking device, and the software programs themselves, may assist in the creation of sales orders, purchase orders, payment processing, and inventory monitoring. This sort of information technology helps minimize theft and inventory misplacement while streamlining the paper path connected with making client orders. It also assists in the same way with the vendor and buying side of manufacturing. The tracking device, which is typically a tiny portable radar gun, enables the receiving person to scan the inventory upon receipt and communicate it to the software programs.

### ➤ **Cloud Computing**

Cloud computing is a relatively new technology that enables organizations to increase their capacity for data storage. It saves money since it enables IT workers to use a variety of resources from a variety of applications without totally rebuilding the company's infrastructure. Additionally, it aids in streamlining production and cost savings by reducing the need for extra servers to maintain or boost the pace of computer systems.

## **How Information Gives Competitive Advantage**

Our economy is undergoing an information revolution. No business is immune to its consequences. Significant cost reductions in the acquisition, processing, and transmission of information are transforming the way we conduct business.

The majority of general managers are aware that a change is underway, and few doubt its significance. As executives devote an increasing amount of time and financial money to information technology and its impacts, they are becoming more conscious that technology cannot remain the sole domain of EDP or IT departments. As they see their competitors use information to gain a competitive edge, these executives grasp the need of being personally engaged in the administration of new technologies. However, in the face of fast change, they are at a loss on how.

This essay intends to assist general managers in responding to the information revolution's difficulties. How will technological advancements influence competitiveness and sources of competitive advantage? What methods should a business use to capitalize on the technology? What are the repercussions of activities made by competitors? Which of the several investment possibilities in information technology are the most pressing?

To address these concerns, managers must first recognize that information technology encompasses more than computers. Today, information technology must be thought broadly to embrace both the information created and used by organizations and a diverse range of more convergent and connected technologies used to process the information. Apart from computers, data recognition devices, communication technologies, industrial automation, and other hardware and services are also involved.

Competition is being impacted by the information revolution in three critical ways:

- It modifies the structure of industries and, as a result, the laws of competition.
- It generates competitive advantage by providing businesses with fresh opportunities to outperform their competitors.
- It generates whole new companies, often from inside an organization's current activities.

We examine why information technology has gained strategic importance and how it affects all enterprises. We then discuss how new technology has altered the competitive landscape and how clever businesses have capitalized on this shift. Finally, we offer a technique that managers may use to determine the importance of information technology in their businesses and to assist identify investment priorities for leveraging technology to their benefit.

### ➤ **Strategic Significance**

The way businesses function is changing as a result of information technology. It has a significant impact on the whole process through which businesses generate their goods. Additionally, technology is altering the product itself: the full mix of physical things, services, and information that businesses deliver to their customers in order to generate value.

The "value chain" is a critical concept that emphasizes the significance of information technology in competitiveness.

This idea categorizes a firm's operations according to the technologically and economically diverse activities that it engages in in order to do business. These are referred to as "value activities." The value that a business provides is quantifiable in terms of the price that consumers are prepared to pay for a product or service. Profitability exists when the value created by a firm surpasses the cost of doing the value-creating activities. To establish a competitive edge over competitors, a business must either do these operations at a cheaper cost or conduct them differently, resulting in differentiation and a higher price (more value).

The value-adding operations of a business are classified into nine broad groups (see Exhibit I). The primary operations encompass the actual manufacture of the product, its marketing and distribution to

customers, as well as its maintenance and service after the sale. Support activities offer the inputs and infrastructure necessary to carry out primary activities. Each task requires a mix of bought supplies, human resources, and a variety of technology. The whole chain is supported by the firm's infrastructure, which includes services such as general administration, legal work, and accounting. Within each of these broad categories, a business will engage in a variety of distinct activities, depending on the nature of the firm. For instance, service usually include tasks such as installation, repair, adjustment, updating, and inventory management of spare components.

➤ **Exhibit I The value chain**

The value chain of a business is a network of interdependent activities that are linked by links. When the manner in which one activity is carried out has an influence on the cost or efficacy of other operations, linkages exist. Connections often result in trade-offs while doing distinct actions that should be optimized. This optimization process may need trade-offs. For instance, a more expensive product design and raw materials may help lower after-sale service expenses. To obtain competitive advantage, a business must resolve such trade-offs in line with its strategy.

Additionally, linkages need coordination of operations. On-time delivery necessitates that operations, outbound logistics, and service activities (such as installation) work in unison. Effective coordination enables on-time delivery without the need of expensive inventories. Due to the difficulties opponents have identifying and resolving trade-offs across organizational boundaries, careful management of links is often a major source of competitive advantage.

The value chain of a business operating in a given sector is entwined with a wider stream of activity dubbed the "value system" (see Exhibit II). The value system also comprises the value chains of suppliers that give inputs to the company's value chain (such as raw materials, components, and acquired services). On its path to the end consumer, the company's product often crosses through the value chains of its channels. Finally, the product becomes a bought input into its purchasers' value chains, where it is used to complete one or more buyer activities.

➤ **Exhibit II The value system**

Not only do linkages connect value-creating activities inside a business, but they also establish interdependence between its value chain and those of its suppliers and distributors. A business may gain a competitive edge by maximizing or coordinating these external connections. For instance, a candy company may be able to save processing stages by convincing suppliers to offer chocolate in liquid form rather than melded bars. The supplier's just-in-time delivery may have the same impact. However, the cost reductions associated with synchronizing suppliers and channels extend far beyond logistics and order processing. The firm, its suppliers, and distribution channels may all profit from improved awareness and exploitation of these connections.

Competitive advantage, whether in terms of cost or distinctiveness, is determined by the value chain of a business. The cost position of a business indicates the aggregate cost of doing all of its value-adding operations in comparison to competitors. Each value creation activity includes cost drivers that define the possible sources of cost advantage. Similarly, a business's capacity to distinguish itself is a reflection of how each value action contributes to the fulfillment of consumer demands. Diversification occurs via a variety of activities inside a business, not only its actual product or service. Customer requirements, in turn, are contingent not just on the product's influence on the buyer, but also on the company's other operations (for example, logistics or after-sale services).

Companies often vary in their competitive scope or the range of their activities in the pursuit of competitive advantage. The competitive landscape is divided into four distinct dimensions: segment scope, vertical scope (degree of vertical integration), regional scope, and industry scope (or the range of related industries in which the company competes).

Competitive scope is an extremely effective method for establishing a competitive edge. A broad scope enables the organization to capitalize on the interconnections across value chains servicing distinct industry groups, geographic regions, and associated industries. For instance, two business units may collaborate to market their goods via a single sales force, or the units may coordinate the acquisition of similar components. Competing on a national or global scale with a well-coordinated plan might provide a competitive edge over local or domestic competitors. By adopting a wide vertical scope, a business may capitalize on the potential advantages of executing more operations in-house rather than outsourcing.

On the other side, by narrowing the scope, a corporation may be able to adapt the value chain to a certain target group, resulting in cheaper costs or distinctiveness. A restricted scope provides a competitive advantage by personalizing the value chain to better satisfy certain product types, customers, or geographic locations. If the target segment has unique requirements, broad-scope competitors will fall short.

### **Transforming the value chain**

At every step along the value chain, information technology is redefining the way value activities are done and the nature of the connections between them. Additionally, it is changing the competitive landscape and redefining how goods satisfy customer expectations. These fundamental impacts explain why information technology has developed strategic relevance and distinguishes itself from the many other technologies used by enterprises.

Each value-adding action consists of both a physical and a data-processing component. The physical component encompasses all physical tasks necessary to complete the activity. The information-processing component consists of the actions necessary to collect, modify, and convey the data needed to conduct the activity.

Each value-adding action generates and utilizes some type of information. For instance, a logistics operation makes use of information such as scheduling commitments, transportation prices, and manufacturing schedules to assure timely and cost-effective delivery. A service activity utilizes information about service requests to schedule calls and place orders for components, as well as generating data about product failures that a business may use to change product designs and production procedures.

Physical and information-processing components of an activity might be extremely basic or highly complicated. Different tasks need a unique combination of the two components. For example, metal stamping needs more physical processing than information processing; insurance claims processing demands the polar opposite.

For the majority of industrial history, technical advancements primarily impacted the physical aspect of company. Companies gained a competitive edge during the Industrial Revolution by replacing machinery for human labor. At the time, information processing was mostly accomplished by human labor.



Now, the rate of technological advancement has slowed to a crawl. Information technology is evolving at a quicker rate than physical processing technologies. The costs of storing, manipulating, and transmitting information are reducing fast, while the limitations of what is possible in information processing are growing. During the Industrial Revolution, the train reduced travel time between Boston, Massachusetts, and Concord, New Hampshire, by a factor of 30 from five days to four hours. However, advancements in information technology are far more significant. Computer power is at least 8,000 times less expensive than manual information processing was 30 years ago. Between 1958 and 1980, the time required to perform a single electronic operation decreased by an order of magnitude of 80 million. According to Department of Defense research, the mistake rate for bar coding data is 1 in 3,000,000, compared to 1 error in 300 human data entry.

This technology change is rapidly increasing the boundaries of what businesses can achieve, outpacing managers' ability to seek new prospects. The information revolution has impacted all nine value-added activity categories, from permitting computer-aided design in technology creation to automating warehouses (see Exhibit III). In information processing, new technology allows machines to take the place of human labour. Computers have supplanted paper ledgers and rules of thumb.

➤ **Exhibit III Information Technology permeates the value chain**

Initially, businesses primarily employed information technology for accounting and record-keeping purposes. Computers automated repetitious clerical tasks such as order processing in these applications. Today, information technology pervades the value chain, providing optimization and control activities as well as more executive-level duties. General Electric, for example, provides telephone help to consumers by using a data store that contains the collected expertise and (often intuitive) knowledge of its appliance service experts.

As a business conducts its operations, information technology generates more data and enables it to acquire or capture previously unavailable information. Additionally, such technology enables a more extensive examination and use of the enlarged data. The number of factors that a business can study and regulate has exploded. For example, Hunt-Wesson built a computer model to assist it in analyzing distribution center growth and relocation concerns. The model enables the organization to assess a far greater number of variables, scenarios, and alternative tactics than was previously conceivable. Similarly, information technology aided Sulzer Brothers' engineers in ways that manual calculations alone could not.

The physical processing component of activities is likewise being transformed by information technology. In production, computer-controlled machine tools are quicker, more precise, and more adaptable than earlier, manually driven equipment. Schlumberger has invented an electronic gadget that enables engineers to monitor the angle of a drill bit, the temperature of a rock, and other factors during oil well drilling. As a consequence, drilling time is decreased and some well-logging procedures are removed. On the West Coast, some fishermen are already identifying good fishing sites using weather satellite data on ocean temperatures. This approach significantly saves the time and expense of steaming for fisherman.

Not only does information technology influence how individual operations are carried out, but it also significantly improves a firm's capacity to exploit connections between activities, both inside and outside the organization, through new information flows. Technology is establishing new connections across operations, allowing businesses to better coordinate their actions with those of their consumers and suppliers. For instance, McKesson, the nation's biggest medication distributor, gives terminals to its pharmacy clients. Because the organization makes ordering, receiving, and preparing invoicing so

simple, consumers are eager to put greater quantities. Simultaneously, McKesson has optimized its order processing.

Finally, new technology has a significant impact on the competitive landscape. Businesses may now coordinate value-adding operations in remote geographic regions using information technology. (For instance, Boeing engineers collaborate with overseas vendors on designs online.) Additionally, information technology is fostering the establishment of many new business ties, broadening the range of sectors in which a firm must fight for a competitive edge.

The influence of information technology is so ubiquitous that it presents executives with a difficult problem: too much information. This issue generates new applications for information technology.

### **Adapting the product**

Historically, the majority of items have had both a physical and an information component. The latter, roughly defined, is everything a buyer has to know in order to acquire the product and utilize it effectively. That is, a product has information on its properties, as well as instructions on how to use and maintain it. For example, in the case of consumer appliances, quick, accessible information on maintenance and servicing methods is a critical buying requirement.

Historically, the physical component of a product has been more significant than the information component. However, modern technology enables the provision of far more information with the physical object. For instance, General Electric's appliance service data base provides a customer hotline, which helps distinguish GE's service assistance from those of its competitors. Similarly, several railroads and trucking firms provide real-time information on the location of shippers' freight, which facilitates coordination between shippers and railroads. Additionally, new technology is enabling an increasing number of things to be offered without any physical component at all. Compustat's clients have access to financial data filed with the Securities and Exchange Commission, and a slew of firms have popped up to analyze the energy use of buildings.

Numerous items also handle data as part of their routine operation. For example, a dishwasher needs a control system that guides the unit's numerous components through the washing cycle and shows the results to the user. The advancement of information technology is improving product performance and making it simpler to increase the information content of a product. Automobile electronic control, for example, is becoming increasingly apparent in the form of dashboard displays, talking dashboards, and diagnostic alerts.

Unmistakably, there is a tendency toward increasing the amount of information included in items. This component, when paired with changes in organizations' value chains, demonstrates the information technology industry's growing strategic importance. There are no longer mature industries; rather, mature business practices exist.

### **The direction and speed of change**

While there is a clear trend toward increased information intensity in businesses and goods, the role and relevance of technology varies by sector. Banking and insurance, for example, have traditionally required a high level of knowledge. Naturally, these sectors were among the first and most enthusiastic adopters of data processing. On the other hand, despite more information processing in these sectors, physical processing will continue to dominate in those that generate, example, cement.

Exhibit IV illustrates the variations in the function and intensity of information across sectors by relating information intensity throughout the value chain to information content in the product. Banking and

newspaper businesses both use a high level of information technology in their products and processes. The oil refining business makes extensive use of information throughout the refining process, yet the product dimension contains very little information.

➤ **Exhibit IV Matrix of information intensity**

Due to the declining cost and increasing capacity of new technology, it seems as if many businesses are heading toward a greater level of information content in both products and processes. It should be stressed that technology will continue to advance at a breakneck pace. Hardware costs will continue to decline, and managers will continue to deploy technology to even the lowest levels of the organization. The cost of building software, which is now a significant limitation, will decrease as more readily customized packages become available. The information technology applications that businesses are using now are merely the beginning.

Not only are goods and processes being transformed by information technology, but also the whole essence of competitiveness. Regardless of the increased usage of information technology, industries will always vary in their Exhibit IV position and rate of change.

**Changing the Competitive Environment**

We discover that information technology is altering the laws of competition in three ways after studying a diverse variety of businesses. To begin, information technology advancements are reshaping industrial structures. Second, information technology is becoming an increasingly crucial lever for businesses to use in order to gain a competitive edge. The pursuit of competitive advantage via information technology often has a spillover effect on industry structure, as rivals copy the leader's strategic breakthroughs. Finally, the information revolution is resulting in the emergence of whole new industries. These three impacts are crucial for assessing the influence of information technology on a specific sector and developing successful strategic solutions.

**Industry structure change**

Five competing factors jointly impact an industry's profitability: buyer power, supplier power, threat of new entrants, danger of alternative goods, and rivalry among current rivals (see Exhibit V). The five factors' combined strength varies by industry, as does average profitability. Each of the five factors' strengths may also fluctuate, enhancing or diminishing an industry's desirability.

➤ **Exhibit V Factors affecting an industry's appeal**

Each of the five competitive factors, and hence the industry's appeal, may be altered by information technology. Many sectors are being unfrozen by technology, generating a need and opportunity for transformation. For instance:

- Buyers' power rises as a result of information technology advancements in companies that assemble bought components. Automated material bills and vendor quote files assist purchasers in evaluating material sources and making or buying choices.
- Barriers to entry have increased as a result of information technologies that require significant expenditures in complicated software. For instance, banks competing in cash management services for corporate clients increasingly need sophisticated software to provide online account information to consumers. Additionally, these institutions may need to invest in upgraded computer technology and other infrastructure.

- By making it faster, simpler, and cheaper to add increased features into goods, flexible computer-aided design and production systems have affected the danger of replacement in a wide variety of businesses.

Automation of order processing and invoicing has enhanced competition in a number of distribution businesses. The new technology increases fixed expenses while also displacing employees. As a consequence, distributors often face increased competition for additional volume.

Airlines, financial services, distribution, and information providers have all suffered these consequences so far (see Exhibit IV's top right-hand corner). For other instances, see the insert, "Information Technology and Industry Structure."

Because information technology influences the ties between businesses and their suppliers, channels, and customers, it has had a disproportionately large effect on negotiating relationships between suppliers and buyers. Cross-company information systems are becoming more prevalent. In several instances, the boundaries of industries have shifted.

Buyer-supplier matching systems are gaining traction. Xerox electronically distributes production data to suppliers to assist them in delivering goods. Westinghouse Electric Supply Company and American Hospital Supply have provided terminals to its clients to expedite order submission. Several solutions, for example, increase the cost of switching partners due to the disruption and retraining needed. These methods tend to strengthen the bonds between businesses and their consumers and suppliers.

With potentially substantial repercussions, information technology is redefining the interplay between size, automation, and flexibility. Automation is no longer dependent on large-scale manufacturing. As a consequence, entrance barriers are decreasing across a variety of businesses.

Simultaneously, automation does not always imply inflexibility. General Electric, for example, rebuilt its Erie locomotive plant as a large-scale but adaptable factory, using computers to record all design and production data. Without requiring human alterations to the machines, ten different kinds of motor frames may be accommodated. BMW can now create bespoke automobiles (each with its own specialized gearbox, transmission system, interior, and other characteristics) on a standard assembly line after the installation of a "smart" production system. Automation and flexibility are accomplished together, altering the competitive landscape.

Flexibility in executing several value-adding activities, along with dropping product design costs, has created an avalanche of chances for customization and serving narrow market niches. Not only can computer-aided design lower the cost of creating new items, but it also significantly reduces the cost of changing or adding functionality to current products. Costs associated with segmenting items are decreasing, changing the structure of industrial competitiveness once more.

While managers may utilize information technology to enhance their industry's structure, it also has the ability to destroy it. For instance, information technology today enable the airline sector to routinely adjust tariffs and charge a variety of various fares between any two sites. Simultaneously, technology makes flight and ticket schedules more accessible and enables travel agencies and people to easily browse for the best fare. As a consequence, the fare structure is more affordable than it could otherwise be. By eliminating human connection and turning service into a commodity, information technology has devalued a number of professional service businesses. Managers must carefully consider the structural implications of new technologies in order to maximize their benefits or plan for their downsides.

## Developing a competitive edge

In every business, information technology has a significant impact on its competitive advantage, whether in terms of cost or distinction. Technology either impacts value-adding operations directly or enables businesses to obtain a competitive edge by capitalizing on changes in competitive scope.

Cost reduction. As previously said, information technology has the ability to affect a company's expenses at any point along the value chain. Historically, technology's influence on cost was limited to operations with a high degree of repetitive information processing. However, these constraints no longer exist. Even operations such as assembly, which are primarily concerned with physical processing, now have a significant information processing component.

For instance, Canon developed a low-cost copier assembly process around an automated components selection and material management system. Assembly workers carry bins carrying all of the components required for a certain copier. Canon's success with this approach is due to the software that manages inventories and selection of replacement components. Typically, in insurance brokerage, a contract is underwritten by a group of insurance firms. Costs associated with documenting each company's involvement are considerable. Now, a computer model can optimize (and often minimize) the number of insurers per contract, cutting the overall cost of the broker. Automated pattern drawers, fabric cutters, and systems for transporting material to the final sewing station have saved manufacturing worker time by up to 50% in the garment industry. For further instances, see the insert, "Aim: A Competitive Edge."

Apart from directly affecting costs, information technology often modifies the cost drivers of operations, therefore improving (or eroding) a company's relative cost position. For instance, Louisiana Oil & Tire has converted all 10 of its salesmen into telemarketers. As a consequence, sales expenditures have decreased by 10% while revenue has doubled. However, the change has shifted the focus of the cost of selling away from regional size and toward national scale.

**Differentiation enhancement:** Information technology has had a similarly substantial effect on differentiation efforts. As previously stated, a company's and its product's position in the buyer's value chain is the primary determinant of distinction. Customization of items is now feasible because to advancements in information technology. Sulzer Brothers, for example, expanded the number of cylinder diameter sizes available for new low-speed marine diesel engines from five to eight via automation. Shipowners may now choose an engine that is more closely tailored to their demands, recouping considerable fuel savings in the process. Similarly, Digital Equipment's artificial intelligence technology, XCON, develops unique computer setups using decision criteria. This significantly decreases order fulfillment time and improves accuracy improving Digital's reputation as a quality supplier.

By including more information in the actual product package provided to the customer, new technology has an impact on a business's capacity to distinguish itself. For instance, a magazine distributor may offer merchants a more efficient method of processing credits for unsold articles than rivals. Similarly, integrating information systems inside physical products is a growingly effective approach to differentiate them from rival items.

**Adapting the competitive landscape:** The link between competitive scope and competitive advantage may be altered by information technology. The technology enhances a business's capacity to coordinate its operations on a regional, national, and global scale. It has the potential to unleash the competitive advantage-generating potential of a greater geographic reach. Take the newspaper sector for example. Dow Jones, publisher of the Wall Street Journal, invented the page transmission technology that enables

them to generate a genuinely national newspaper by connecting its 17 printing units throughout the United States. Such advancements in communication technology have also enabled the development of a worldwide strategy. Dow Jones launched the Asian Wall Street Journal and the Wall Street Journal-European Edition, sharing a large portion of the editorial content and printing the publications in facilities located across the globe.

The digital revolution is bringing previously distinct sectors together. A significant example is the fusion of computer and telecommunications technology. This convergence has a significant impact on the structural characteristics of both sectors. For instance, AT&T is utilizing its telecoms position as a springboard to enter the computer business. IBM, which recently purchased Rolm, a maker of telecommunications equipment, is now entering the fray from the other direction. Additionally, information technology is at the heart of growing interconnections in financial services, where the banking, insurance, and brokerage industries are merging, as well as in office equipment, where previously distinct functions such as typing, photocopying, and data and voice communications can now be combined.

Broad-line businesses are increasingly capable of segmenting their products in ways that were previously only possible for specialized businesses. Intermodal Transportation Services, Inc. of Cincinnati has transformed its pricing method in the trucking sector. Previously, each local office established pricing manually. Intermodal currently connects its offices through microcomputers to a central pricing calculation facility. The new technology enables the corporation to implement a new pricing strategy that provides savings to national clients that place orders around the country. Intermodal is adapting its value chain in previously unthinkable ways to huge national clients.

As information technology spreads, the opportunity to exploit a new competitive landscape will only grow. However, the advantages of scope (and the establishment of links) may be realized only when the organization's information technology is capable of communicating. Completely decentralized organizational architecture and information technology application will exclude these options, since information technology deployed in different regions of a business would be incompatible.

### **New business establishments**

The information revolution is spawning three separate new sectors. To begin, it enables the technical feasibility of new firms. For instance, contemporary photography and telecommunications technologies combine to provide innovative facsimile services such as Federal Express's Zapmail. Similarly, improvements in microelectronics enabled the development of personal computing. Merrill Lynch's Cash Management Account, for example, necessitated the development of new information technology in order to consolidate many financial products into one.

Second, information technology may also result in the emergence of new enterprises by generating demand for new items. Western Union's EasyLink service is an example of a complex, high-speed data communications network that enables personal computers, word processors, and other electronic devices to communicate with one another and with telex machines worldwide. This service was unnecessary prior to the proliferation of information technology, which created a market for it.

Thirdly, information technology enables the emergence of new enterprises inside existing ones. A business that incorporates information processing into its value chain may have surplus capacity or capabilities that may be sold outside. Sears used its expertise in credit card account processing and its vast size to provide comparable services to others. It provides Phillips Petroleum with credit authorization and transaction processing services and Mellon Bank with retail remittance processing

services. Similarly, A.O. Smith, a maker of automobile components, acquired data communications competence to support its conventional operations. When a bank consortium sought a contractor to oversee the operation of a network of automated teller machines, A.O. Smith was selected. Eastman Kodak has announced the addition of long-distance telephone and data transfer capabilities to its internal telecommunications infrastructure. Where the information technology utilized in a company's value chain is scale-sensitive, the company's total competitive advantage may be increased by expanding the size of information processing while decreasing expenses. By selling excess capacity to other parties, it generates fresh money.

Additionally, businesses are increasingly capable of creating and selling information that is a by-product of their activities. National Benefit Life apparently joined with American Can in order to get data on American Can's nine million direct-mail retailing clients. The widespread usage of bar-code scanners in supermarket retail has transformed supermarkets into market research laboratories. Retailers may place an advertisement in the morning newspaper and get the results by early afternoon. Additionally, they may sell this data to market research firms and food processors.

### **1. Competing in the Information Age**

Senior executives may take five actions to capitalize on the possibilities presented by the information revolution.

Evaluate the volume of information. The first duty for a corporation is to assess the present and future information intensity of its goods and activities. To assist managers in doing this, we have established certain measurements of information technology's potential relevance.

Information technology is extremely likely to play a key role in an industry that has one or more of the following characteristics:

Possibility of a high information density throughout the value chain a large number of direct suppliers or customers, a product that requires a great deal of information to sell, a product line with numerous distinct product varieties, a product composed of numerous parts, a large number of steps in a company's manufacturing process, and a lengthy cycle time from initial order to delivered product.

Potentially high information intensity in the product a product that is primarily informational in nature, a product whose operation requires significant information processing, a product whose use requires the buyer to process a great deal of information, a product that requires unusually high training costs, a product that has numerous alternative uses or is sold to a buyer with a high information intensity in their own business.

These may aid in identifying high-priority business units for information technology investment. Consider the scope of information technology when making priority selections; it encompasses more than simply computing.

### **2. Determine the role of information technology in industry structure.**

Managers must forecast the expected influence of information technology on the structure of their industry. They must consider the impact of information technology on each of the five competitive forces. Not only is each factor likely to alter, but so may industry boundaries. There is a possibility that a new definition of the industry will be required.

Numerous businesses have some influence on the kind and speed of change in the industry structure. Through strong expenditures in information technology, businesses have fundamentally transformed the

competitive landscape in many sectors, compelling other businesses to follow. Citibank, with its automated teller machines and transaction processing; American Airlines, with its computerized reservations system; and USA Today, with its newspaper page transmission to decentralized printing plants, are all pioneers in transforming industry structure through the use of information technology. A business should grasp how structural change is compelling it to adapt and search for opportunities to lead industry transformation.

### **3. Identify and rank the ways in which information technology might create competitive advantage.**

As a starting point, one must assume that technology will touch every activity throughout the value chain. Equally significant is the opportunity of establishing new connections between activities. Managers may identify the value activities that are most likely to be impacted in terms of cost and difference by doing an in-depth analysis. Obviously, operations that account for a major share of cost or are crucial to distinctiveness get the most examination, especially if they involve extensive information processing. Additionally, operations that have vital connections to other activities both within and outside the firm are critical. Executives must assess such operations for opportunities to use information technology to achieve a sustained competitive edge.

Along with a thorough examination of its value chain, a business should assess how information technology may enable a shift in competitive scope. Can information technology assist the business in reaching new segments? Will the adaptability of information technology enable broad-line rivals to encroach in sectors formerly dominated by specialised competitors? Will information technology give the impetus for global expansion? Can managers use information technology to capitalize on cross-industry relationships? Or, alternatively, can technology assist a business in achieving a competitive edge by limiting its scope?

Additionally, a reassessment of the company's product may be necessary:

- Is it possible for the manufacturer to provide more information with the product?
- Is it possible for the business to include information technology?

### **4. Investigate how information technology might spawn new businesses. Managers should consider opportunities to create new businesses from existing ones.**

Diversification using information technology is becoming an increasingly essential strategy for company diversification. For example, Lockheed joined the data base industry as a means of using its excess computer capacity.

Identifying possibilities to start new enterprises entails responding to questions such as the following:

What information is created (or may be generated) in the course of operations that the corporation could sell?

What internal information-processing capability is required to launch a new business?

Is it possible to develop new things connected to the company's product using information technology?

### **5. Develop a plan for taking advantage of information technology.**

The first four phases should result in the development of a strategy for capitalizing on the information revolution. This action plan should prioritize the essential strategic expenditures in hardware and software, as well as in new product development activities that reflect products' rising information



content. Organizational adjustments that reflect the importance of technology in connecting internal and external operations are likely to be essential.

Information technology management cannot be the exclusive domain of the EDP department. Businesses must increasingly use information technology with an advanced grasp of the needs for competitive advantage. Organizations must decentralize responsibilities for system development. Simultaneously, general managers must be engaged to guarantee that cross-functional collaborations, made more viable by information technology, are used.

These developments do not negate the need of a central information-technology function. Rather of exercising control over information technology, an IS manager should coordinate the architecture and standards governing the organization's many applications, as well as providing support and mentoring in system development. Unless the different information technology applications inside a business are compatible with one another, several advantages may be lost.

Information technology may aid in the process of plan implementation. Reporting systems may be used to monitor progress toward achievement of milestones and success criteria. Businesses may use information systems to assess their operations better accurately and to inspire management to effectively execute plans.

The significance of the information revolution is unquestionable. The issue is not whether information technology will have a material influence on a business's competitive position; rather, it is when and how this impact will occur. Businesses that foresee the potential of information technology will exert control over occurrences. Businesses who fail to adapt will be compelled to accept changes initiated by others, putting them at a competitive disadvantage.

### **Strategic Alignment Model**

The Strategic Alignment Model (SAM) establishes a solid but adaptable information technology (IT) framework and roadmap for allowing the achievement of business objectives and delivering value for a company. This concept asserts that corporate information technology investments, activities, services, and initiatives should contribute to the creation or leveraging of business value in order to accomplish company objectives and enhance the 'customer experience.

Strategic alignment connects an organization's business and information technology structures and resources in order to adjust continually to changes in the permitted business environment inside the strategic enterprise framework.

This approach enables increased performance by optimizing the cohesive contributions of people, processes, and technologies toward the achievement of quantifiable goals and objectives, thereby minimizing waste, increasing productivity, increasing profitability, and resource misallocation to unplanned or unspecified uses.

In today's environment, it is critical for businesses to ensure that the IT supporting their business model is not just aligned, but also interwoven into the fabric of their corporate architecture. Aligning business and information technology strategies is not fresh in management science; it has been used effectively as a structured strategic technique since the 1970s.

Strategic alignment must be considered as an ongoing process, not a one-time event, with essential updates and enhancements. When all of a firm's IT strategic objectives are fully aligned with the business divisions' plans, it is said to be materially aligned.

While strategy alignment efforts are inherently intangible, soft, and difficult to quantify, their commercial value can and should be quantified using the same financial standards as any hard asset. The objective of determining company value production is not only to confirm the corporate return on investment, but to pinpoint the precise drivers of business performance and optimize effort for a greater return on investment in future strategic projects.

Successful implementation of SAM may significantly enhance an organization's performance by enabling more efficient and effective financial management of the business and IT expenditures, more efficient and effective technology-driven processes, shorter reaction times, and more efficient supply chains. These circumstances are feasible because all business units participating inside the SAM are committed to achieving shared objectives in accordance with the enterprise's information technology plans and ambitions.

Henderson and Venkatraman's strategic alignment model (SAM) is one of the most often mentioned strategic alignment models (Chan and Reich, 2007a). SAM is divided into two major components: strategic alignment and functional integration. The term "strategic fit" refers to the alignment of internal and external domains (see figure below). Functional integration is a term that refers to two distinct types of integration between business and information technology sectors. The first form is referred to as strategic integration, and it refers to the connection between business and IT strategies.

The second category is referred to as operational integration, and it is concerned with the connection between organizational infrastructure and processes, as well as IT infrastructure and processes (Henderson and Venkatraman 1993). SAM is a conceptual model that has been used to comprehend strategic alignment in terms of four components, namely business strategy, information technology strategy, organizational infrastructure, and information technology infrastructure, as well as their interdependence.

The cross-domain alignment of corporate strategy, information systems architecture, and operations exemplifies a traditional linking concept that is widespread today. The second sort of alignment between information technology strategy and organizational infrastructure and procedures displays an attitude toward work environment automation. To establish a relationship between business strategy and information technology infrastructures and processes, it is necessary to specify work processes, responsibilities, and authority structures in order to understand how information technology goods and services will affect business strategy.

That is, the company strategy must be deconstructed into work processes in order to establish the IT infrastructure and processes needs. Automation-based cross-domain alignment reflects the possibility that developing technologies may disrupt or transform organizational processes.

## **E. INTERPLAY OF STRATEGIC MANAGEMENT & INFORMATION TECHNOLOGY**

### **Investing Activities: Meaning, Components, Why It Matters**

Investing activities are those that contribute to the growth of a firm and the long-term profitability of the enterprise. It entails the acquisition and disposition of long-term assets and other business investments. By adding a new machine, for example, the business can increase its output. Similarly, acquisitions improve a company's efficiency or revenue. Investing activities are one of three categories in the cash flow statement of the financial statement.

The last two are operational and funding activities.

Operating operations are concerned with how businesses generate revenue via the provision of products and services. Investment operations are concerned with the expansion of a firm and the generation of more revenue in the future. Investment might take the form of new machine purchases or acquisitions, both of which need cash. And financing such investments, for example, through the issuance of shares or bonds, is a component of financing activities that generates cash flow.

Investing in fixed assets is one kind of investing activity. The term "fixed assets" refers to a variety of physical assets used to support operational tasks. Fixed assets include real estate, buildings, machinery, equipment, vehicles, and computers. They provide economic advantages that last longer than a year. As a result, the corporation includes it in the section on non-current assets.

Capital expenditures on fixed assets are monetary outflows. For instance, a business must spend money to acquire a machine.

However, asset purchases frequently require a sizable nominal investment. As a result, businesses choose to purchase them on credit. When the corporation makes payments, it records cash withdrawals, which show in the investment activity column.

The polar opposite of purchasing fixed assets is selling them. It symbolizes cash inflows; the corporation obtains money as a result of the transaction.

### **Why are investing activities important**

Investment activities are critical to the future development of a corporation. Businesses anticipate increased revenue and profit margins as a result of investment. Profitability increases are obviously enticing to stock investors, resulting in a rise in stock prices. For creditors or banks, more profit indicates increased cash flow, which means the business has a greater potential to repay debts.

To expand output, businesses must invest in new machinery or construct new facilities. It's all quite expensive. As a result, the negative cash flow generated by investment operations is one of the best indicators that organizations are investing in capital assets. Their revenue will continue to rise in the future.

### **Cash Flow from Investing Activities**

Cash flow from investing activities (CFI) is one of the cash flow statement's parts that summarizes the amount of cash earned or spent on different investment-related activities over a certain time period. Investing operations include the acquisition of tangible assets, the placement of securities, and the selling of securities or tangible assets.

Negative cash flow is often symptomatic of a business's lackluster performance. Negative cash flow from investment operations, on the other hand, might be the result of large capital being spent in the long-term health of the business, such as research and development.

Before delving into the various sorts of positive and negative cash flows generated by investing operations, it's critical to understand where a company's investment activity fits within its financial statements. The balance sheet, income statement, and cash flow statement are the three primary financial statements.

The balance sheet summarizes a business's assets, liabilities, and owner's equity as of a certain date. The income statement summarizes a company's revenues and costs over a certain time period. The cash flow statement connects the income statement and balance sheet by indicating how much cash is earned or spent on operating, investing, and financing activities over a certain time period.

## ➤ Types of Cash Flow

The cash flow statement summarizes the cash utilized in operations, which includes working capital, borrowing, and investment. The cash flow statement is divided into three sections—labelled activities.

### ➤ Operating Cash Flow

Operating activities include all expenditures and cash sources associated with a business's day-to-day operations. This section details all funds spent or earned by the corporation on its goods or services, including:

- Revenues generated by the selling of products and services
- Interest charges
- Paid salaries and wages
- Suppliers are compensated for inventories or items required for manufacturing.
- Payments of income taxes
- Financing Cash Flow

Cash earned or spent on financing activities reflects the company's net cash flows used to finance operations. Among the financing activities are the following:

- Dividend payments
- Repurchases of stock
- Bond offerings—a source of revenue
- Capital Gains from Investing

Cash flows from investing activities represent the cash utilized to acquire non-current assets—or long-term assets—that will generate value in the future.

Investing is a critical component of growth and wealth accumulation. A change in property, plant, and equipment (PPE), a significant balance sheet line item, is called an investment activity. When investors and analysts want to discover how much a firm spends on PPE, they may examine the cash flow statement's investment section for the sources and uses of capital.

Capital expenditures (CapEx), which is also included in this section, is a widely used metric for capital investment used in stock valuation. A rise in capital expenditures indicates that the business is making an investment in future operations. Capital expenditures, on the other hand, imply a drop in cash flow. Typically, businesses that incur considerable capital expenditures are growing.

The following are a few instances of cash flows generated by investment operations, along with their respective cash flow characteristics.

- Purchase of fixed assets—negative cash flow
- Acquisition of assets such as stocks or securities—negative cash flow
- Negative cash flow from lending money
- Sale of fixed assets—positive cash flow
- Sale of investment securities—positive cash flow
- Loan and insurance revenues collection—cash flow positive

Cash flow from investing activities is the cash created (or spent) on non-current assets that are expected to provide future profits. This might involve capital expenditures, lending money, and the sale of investment instruments. Additionally, expenditures on property, plant, and equipment come under this

category due to their long-term nature. The cash flow statement shows the cash flow generated by investment operations.

Consider Google's potential net yearly cash flow from investment operations. The corporation spent \$30 billion on capital expenditures last year, the bulk of which were on fixed assets. Additionally, it acquired assets worth \$5 billion and spent \$1 billion on acquisitions. Additionally, the corporation achieved a \$3 billion positive cash flow from the sale of investments. To arrive at the yearly number of -\$33 billion for cash flow from investment operations, the total of these components would be combined together.

Cash flow from investment activities is important because it demonstrates how a business allocates cash over time. For example, a firm may invest in fixed assets such as real estate, plant, and equipment in order to expand. While this indicates a short-term negative cash flow from investment operations, it may actually help the firm produce cash flow in the long run. Additionally, a business may opt to invest capital in short-term marketable securities in order to increase profit.

### **Firm Performance**

Successful businesses are critical to the development of emerging countries. Numerous economists see them as an engine that drives their economic, social, and political growth. To thrive in a competitive business climate, every company must function under performance-based criteria.

Nowadays, company performance has established itself as a critical term in strategic management research, typically serving as a dependent variable. While it is a widely used concept in academic literature, there is no agreement on its definition and measurement. However, in the absence of a widely accepted operational definition of company performance, alternative interpretations will inevitably be proposed by various individuals based on their own perspectives. This notion may be described in an abstract or broad manner, with fewer or more specific details.

### **Firm Performance: From the 50s to the End of the Last Decade of the Twentieth Century**

In the 1950s, firm performance was equated to organizational efficiency, which refers to the degree to which an organization, as a social structure with limited resources and methods, accomplishes its objectives without requiring excessive effort from its members. The performance criteria include productivity, adaptability, and interorganizational conflicts (Georgopoulos & Tannenbaum, 1957).

Later in the 1960s and 1970s, corporations started to experiment with novel methods of performance evaluation. At the time, performance was described as an organization's capacity to exploit its environment in order to get access to and use scarce resources (Yuchtman & Seashore, 1967).

Price (1968) equates performance with organizational success and proposes the following criteria for evaluation: productivity, compliance, and institutionalization. Moh (1972) specifies the following performance criteria: productivity, adaptability, and flexibility. Harrison (1974) defines performance as the end result of an effort evaluation.

In compared to other scholars during the same era, Lupton (1977) handled the concept of organizational performance with the utmost attention and clarity. According to Lupton, a successful organization has a high rate of production and high levels of motivation and satisfaction among its members, while low or non-existent rates of turnover, costs, and labor unrest. According to Katz and Kahn (1978), an organization's effectiveness and efficiency were comparable, and both were critical components of the organization's overall success, which may be measured by maximizing total returns of all sorts. In the 1980s, a firm's success was determined by its capacity to provide value to its customers (Porter, 1986).

Robbins (1987) defined performance as an organization's capacity to examine both its means and aims as a social system. Cherrington (1989) defined performance as a notion of an organization's success or effectiveness, as well as an indicator of the organizational style in which it performs effectively to accomplish its objectives.

Throughout the subsequent decade, Adam (1994) saw organizational effectiveness as inextricably linked to the quality of workers' performance. He believed that in order to ensure high-quality organizational performance, it is critical to expose company employees to new and up-to-date knowledge and skills on a regular basis. This would enable them to stay current with market changes and, ultimately, improve the quality of organizational performance. Cohen (1994) draws a distinction between performance and efficiency, focusing on the outcomes achieved by an entity in proportion to the resources consumed.

Bourguignon (1997) equates performance with a "activity," with a particular "behavior" (in a dynamic sense, meaning "to perform"), rather than just as a "outcome" (in terms of a static view).

According to Harrison and Freeman (1999), a successful organization with a high quality of performance is one that satisfies the needs of its stakeholders.

### **Firm Performance Measurement System**

Establishing a standard for measuring a firm's performance facilitates comparisons across time periods.

Since the 1980s, when the first literature on Performance Measurement (PM) appeared, PM research has grown in sophistication. Historically, small businesses operated in a straightforward manner, with the primary emphasis on cash flow.

Several researchers, such as Pursell (1980), focused their emphasis on the PM of the whole business unit (usually the plant or division level) and attempted to analyze the performance standards, criteria, and metrics.

However, the business world has changed dramatically over the last several decades, with the advent of national and worldwide awards, improvement efforts, organizational responsibilities, job maturity, external expectations, increasing rivalry, and enhanced technology.

These developments have exposed businesses to fierce competition as product quality has improved, flexibility and dependability have increased, product diversity has expanded, and the necessity of innovation has increased (Fry, Karwan, & Baker, 1993).

These contrasting perspectives on PM have resulted in disparate definitions, and there is little consensus on its primary components and qualities (Dumond, 1994).

According to Lebas (1995), humans may develop simple numerical conceptions from complicated reality via measurement in order to facilitate communication and action. The assessment of the prerequisites for effective management simplifies this complicated reality.

Atkinson et al. (1997) assert that a performance measuring system must fundamentally accomplish four tasks:

- Assist the business in determining if it is getting the required level of contribution from workers and suppliers.
- Assist the business in determining if each stakeholder group is assisting the business in achieving its primary goals;

- Assist the business in developing and executing procedures that contribute to the achievement of strategic goals;
- Assist the organization in assessing and monitoring strategic planning in compliance with key stakeholder agreements.

According to Ghalayini and Noble (1996), globalization ushered in a new strategy, shifting the strategic emphasis away from cheap manufacturing costs and toward quality, flexibility, and delivery. This demonstrated that old notions were quite constrained and susceptible to new models.

Performance measurement may provide vital data that enables management to monitor performance, report progress, increase motivation and communication, and detect issues (Waggoner, Neely & Kennerley, 1999).

Developing an optimal strategy for controlling and monitoring corporate performance is a difficult task. Additionally, it has been the subject of several conversations led by professionals from consulting organizations, corporate executives, and academia. More specifically, there is a tension between the use of old and new performance metrics.

Ittner and Larcker (2003) highlight the errors organizations make when attempting to quantify non-financial performance:

- **Inadequate Alignment of Measurements with Strategy:** A significant difficulty for businesses is determining which non-financial measurements they should adopt.
- **Verify the Measurements:** Businesses fail to validate the model, which results in the measurement of several items, the majority of which are useless.
- **Inability to establish appropriate objectives and metrics.**
- **Invalid Measures:** Many businesses use metrics that lack statistical validity.

According to Tangen (2004), many businesses continue to depend on conventional quantitative financial performance evaluation tools.

Man (2006) identified four kinds of performance measures: financial, non-financial, tangible, and intangible. According to Gimbert et al. (2010), a performance measurement system is a clear and well-defined set of measures (financial or non-financial) that assists an organization's decision-making process via the collection, processing, and analysis of quantified performance data.

As a result of the above, it is clear that the primary objective of performance measurement is to determine whether or not the organization's plan is being implemented.

### **Common Models of Firm Performance Measurement the Balanced Scorecard**

Robert Kaplan and David Norton established the Balanced Scorecard (BSC) model in the early 1990's. It is a technique for articulating, developing, and executing a firm's vision and strategy via predefined objectives and a defined set of financial and nonfinancial performance metrics.

The implementation of BSC entails the assignment of objectives, indicators, and strategic actions to particular perspectives (Horvath et al., 2004). The Balanced Scorecard system converts the organization's goal and strategy into a collection of performance indicators that serves as a blueprint for the performance measurement system.

The model below illustrates an organization's success from four different perspectives: financial, customer, innovation and learning, and internal procedures.

**Financial Perspective (How do we see shareholders?):** Financial resource control is critical for a business's success. The majority of corporations prioritize financial outcomes above all other considerations.

**Customer Perspective (How do customers perceive us?):** Understanding what customers want in terms of quality, pricing, and distribution, as well as what they want from the company in the future.

**Internal Processes Perspective (What must we excel at?):** Understanding how internal processes function is critical for the company to accomplish its objectives and to know how to offer the desired value to the goods or services purchased by consumers.

**Perspective on Innovation and Learning (Can we continue to improve and generate value?):** All of the organization's accomplishments from a customer, internal process, and financial standpoint are inextricably related to its capacity to educate and grow its human resources and innovation system.

### **The Performance Prism**

The Performance Prism (PP) was created by a group of seasoned performance assessment consultants and researchers (Neely, Adams, & Kennerley, 2002). They proposed a complete measuring system that tackles the most critical business challenges and can be used to a broad range of organizations (commercial and non-profit) (Neely, Adams & Crowe, 2001).

The performance prism is a second-generation prime mover system (Michaela et al., 2012). It is a technique used by management teams to sway their thinking while establishing the strategic questions that must be posed. Additionally, it is composed of five interconnected perspectives:

**Satisfaction of Stakeholders:** Who are the stakeholders and what do they desire and require?

**Capabilities:** What competencies does the company need in order to operate the processes effectively? (The collection of people, procedures, technology, and infrastructure that enables the firm's business operations to be executed in the present and future)

**Procedures:** What are the processes that must be in place to ensure the effectiveness of our strategies?

**Strategies:** What strategies are necessary to guarantee that our stakeholders' demands and requirements are met?

**Contribution from Stakeholders:** What do we want and need from stakeholders in order to protect and enhance our capabilities?

### **Strategic Management**

Strategic management is the process of allocating resources within an organization in order to accomplish its goals and objectives.

Strategic management is the process of establishing goals, processes, and objectives with the purpose of increasing the competitiveness of a business or organization. Typically, strategic management focuses on the most efficient use of personnel and resources to accomplish these objectives. Strategic management often include strategy appraisal, internal organization analysis, and strategy implementation throughout the firm.

Setting goals, examining the competitive environment, studying the internal organization, reviewing strategies, and ensuring that management implements the plans throughout the company are all part of strategic management.



There are various schools of thinking on strategic management. A prescriptive approach to strategic management defines the process for developing strategies, while a descriptive approach focuses on the implementation of strategies.

### ➤ **Example of Strategic Management**

For instance, a for-profit technical college may seek to improve new student enrolment and graduation rates among enrolled students during the following three years. The intention is to establish the institution as the greatest value for money among the region's five for-profit technical schools, with the goal of boosting income.

Strategic management in this context is ensuring that the school has the resources necessary to build high-tech classrooms and recruit the best skilled teachers. Additionally, the institution engages in marketing and recruiting efforts, as well as student retention methods. On a periodic basis, the college's leadership evaluates whether its objectives have been met.

Strategic management is critical in business since it enables a corporation to identify opportunities for operational improvement. They may often follow an analytical approach that identifies possible hazards and possibilities, or they might simply adhere to broad standards. A company's structure may dictate whether it takes a prescriptive or descriptive approach to strategic management. A prescriptive model establishes guidelines for the formulation and implementation of strategies. In contrast, a descriptive approach illustrates the process through which a business may establish these strategies.

### **Stakeholder Theory**

Freeman Strategic Management is a movement based on the "Stakeholder Theory," according to which management assesses and determines those organizational stakeholders critical to the enterprise's performance. Customers, suppliers, workers, communities, shareholders, and managers, according to Freeman's thesis, are critical stakeholders for corporate success. Two fundamental principles, the "principle of corporate legitimacy" and the "stakeholder fiduciary principle", state that stakeholders should benefit from and participate in the decision-making process or management, with the manager acting as an agent for the benefit and survival of the corporation.

### **Balanced Scorecard System**

Scorecard that is balanced Strategic management is a process that ensures that corporate actions are consistent with the enterprise's vision and strategy. The system ensures that goals are being met in accordance with the company's plans and enhances internal and external communication. By giving management with daily directions, this technique enables a corporation to manage its strategy actively rather than passively. Management may use this framework to determine tasks that need to be completed, as well as how and what elements to monitor. The system examines the corporation via four lenses – learning and growth, business processes, customers, and finance – in order to collect and analyze data from each lens.

### **Effective Strategic Management**

Trends may be described as a broad direction toward which something moves or as anything that is fashionable or stylish. The most successful strategic management concepts are ones that have been proven beneficial through time, rather than those that are trendy. By definition, trends are things that do not stand the test of time. To create a successful organization, strategic management must be a broad philosophy that enables management to adapt to and overcome changing customer needs and demands,

government regulation and laws, markets, business and technological innovations, economies, and geopolitically-driven economic events.

### **Benefits of strategic management**

Strategic management is widely believed to offer both financial and nonmonetary advantages. A strategic management process assists an organization and its leadership in considering and planning for the future, which is a primary role of the board of directors. Strategic management establishes the organization's and workers' course of action. In contrast to one-off strategic plans, good strategic management plans, monitors, and tests an organization's operations continually, resulting in increased operational efficiency, market share, and profitability.

### **Strategic management concepts**

Strategic management is founded on an organization's unambiguous grasp of its goal, its future vision, and the principles that will drive its activities. The process requires a commitment to strategic planning, a subset of corporate management concerned with an organization's capacity to define both short- and long-term objectives. Additionally, strategic planning include the formulation of strategic choices, actions, and resource allocation necessary to accomplish those objectives.

Having a structured method for managing an institution's strategy enables companies to make rational choices and rapidly generate new objectives in response to rapidly changing technological, market, and economic situations. Thus, strategic management may assist a business in gaining a competitive edge, increasing market share, and planning for the future.

### **Five stages of strategic management process**

There are several schools of thought about how to conduct strategic management, and academics and practitioners have established a variety of frameworks to assist the process. In general, the procedure is divided into five stages:

- valuating the existing strategic direction of the firm;
- Recognizing and assessing strengths and shortcomings on an internal and external level;
- Establishing action strategies;
- Putting action plans into effect; and
- Assessing the performance of action plans and making necessary adjustments when intended outcomes are not achieved.

Effective communication, data collecting, and organizational culture all play a role in the strategic management process much more so in big, complicated organizations. Inadequate communication and a poor corporate culture may result in an organization's strategic management plan and the operations of its many business divisions and departments being uncoordinated. Thus, strategy management entails the analysis of cross-functional business choices prior to their implementation to ensure they are consistent with strategic objectives.

### **Types of strategic management strategies**

Over time, the sorts of strategic management plans have evolved. Strategic management as a contemporary subject dates all the way back to the 1950s and 1960s. Among the field's leading philosophers is Peter Drucker, who is frequently referred regarded as the "founding father" of management studies.

Among his major contributions was the concept that the objective of a company is to develop a customer, and the customer's desires dictate the nature of the firm. The primary responsibility of management is to allocate resources and enable personnel to respond effectively to changing consumer demands and preferences.

In the 1980s, a Harvard Business School professor named Theodore Levitt devised a customer-centric approach. This method was in contrast to the prior focus on manufacturing, in which generating a high-quality product secured success.

Distinctive competency, a phrase coined in 1957 by sociology and law researcher Philip Selznick, centered strategic management theory on the concept of core competences and competitive advantage. This facilitated the development of frameworks for evaluating an organization's strengths and weaknesses in respect to the dangers and opportunities in its external environment. (Refer to the SWOT analysis.)

Henry Mintzberg, a Canadian management scientist, observed that the strategic management process may be more dynamic and unpredictable than management theorists believed. "The area of strategic management cannot afford to depend on a single definition of strategy," he claimed in his 1987 article, "The Strategy Concept I: Five Ps for Strategy." Rather than that, he offered five distinct definitions of strategy and their interconnections:

- **Strategy** is defined as a deliberate line of action used to cope with a circumstance.
- **Ploy:** A strategy in the form of a move intended to outsmart a rival, which may also be included in a plan.
- **Pattern:** Strategy derived from behavioral consistency, whether intentional or not, and which may exist independently of a plan.
- **Position:** Strategy as a mediating force or matchmaker between the organization and its environment, compatible with any or all of the Ps.
- **Strategy** as an idea or entrenched way of viewing the world, e.g., aggressive pacesetter vs. late mover that is consistent with any or all of the P

## SWOT analysis

is one of the frameworks for strategic management that firms use to develop and test their company strategy. A SWOT analysis examines and contrasts an organization's strengths and weaknesses to the external opportunities and dangers that exist in its environment. The SWOT analysis identifies internal, external, and other elements that may affect an organization's aims and objectives.

The SWOT analysis enables executives to identify whether the organization's resources and capabilities will be effective in the competitive environment in which it must operate and to fine-tune the strategies necessary to maintain success in this setting.

## Balanced scorecard in strategic management

The balanced scorecard is a management method that converts strategic objectives into a set of performance targets that are assessed, monitored, and adjusted as required to ensure the strategic objectives are fulfilled.

The balanced scorecard approach to performance includes a four-pronged strategy. It integrates conventional financial analyses, such as operational income, revenue growth, and return on investment. Additionally, it entails a customer analysis, which includes customer satisfaction and retention; an

internal analysis, which includes the relationship between business processes and strategic objectives; and a learning and growth analysis, which includes employee satisfaction and retention, as well as the performance of an organization's information services.

### **Value of organizational culture**

Organizational culture has the potential to decide a business's success or failure and is a critical factor that strategic leaders must examine throughout the strategic management process. Culture has a significant role in how individuals in an organization define goals, carry out activities, and arrange resources. A strong corporate culture enables leaders and managers to more easily encourage people to carry out their jobs in accordance with the defined strategy. Where lower-level managers and workers are expected to participate in decision-making and strategy development, the strategic management process should facilitate their participation.

It is critical to develop tactics that are culturally compatible with the company. If a strategy does not fit the organization's culture, it will impede the plan's capacity to achieve its desired goals.

### **Integration**

Integration is the process of combining disparate components into a unified system that works as a whole. In the context of information technology, integration refers to the end result of a process that aims to connect various, frequently disparate, subsystems so that the data contained in each becomes part of a larger, more comprehensive system that, ideally, shares data quickly and easily when necessary. This often necessitates that businesses develop a unique application architecture or framework to integrate new or existing hardware, software, and other communications.

Integration becomes more difficult as the number of systems involved increases, and businesses often prefer to outsource part or all aspects of the new system's development to external contractors. Specific tasks associated with IT system integration include project planning and management, the design and implementation of application programming interfaces, Web services, and any other activity that ensures the free flow of data or information delivery.

The primary impediments to integration are inherent challenges in connecting a collection of disparate current systems that may be manufactured by a variety of different vendors. Other integration obstacles include a lack of a coherent or unifying data structure connecting all of the disparate systems, an unwieldy framework of disparate applications and support systems, the disparate systems' sheer age, and the actual delivery of information to critical business units that require it. These integration difficulties impair overall process efficiency by preventing timely communication between business units due to inefficient data transmission across platforms.

Due to the difficulty of achieving complete integration all at once, it is usual to utilize a strategy of short-term, ad-hoc aims that gradually progress toward full integration by connecting separate subsystems when appropriate. These connections are often made between the components of each system's process and control layers in order to facilitate the free flow of data across systems. As more systems are connected, further business management and control layers may be added until all systems share data.

Businesses try to connect customer relationship management (CRM) systems with other company components in order to expedite marketing and sales operations by organizing and updating customer information in the goal of improving customer relationships and increasing revenue and growth. A primary purpose of CRM integration with other, smaller systems is to eliminate manual data input and

save staff time by eliminating duplicate, superfluous, or laborious daily tasks. For instance, a business may combine its website with its marketing automation software to automatically import client information into the CRM system. Each action a prospect does on the website may be tracked and a new record can be produced in the system automatically.

Additionally, CRM integration may be used to integrate email systems with a CRM, automatically entering basic customer information from emails into the CRM to ease follow-up contacts and maintain a record of interactions. Integration with other CRM systems is critical for product development, as businesses must ensure that their goods are compatible with a variety of current products in order to cater to the client and optimize their reach and applicability. This often entails modifying the new product's programming code to align it with the current product's code in order to facilitate integration. Integration also refers to the process of combining independently created components or subsystems and resolving issues arising from their interactions throughout product development.

Oftentimes, businesses may attempt to integrate their CRM system with their old enterprise resource planning (ERP) or accounting systems in order to connect financial data to aid in customer service. While certain integration touch points may be handled by the software packages' default functionality, some setup is required. Custom functionality may be required, based on the business's requirements and the system's restrictions.

### **Organizational Integration**

When corporate objectives are linked with external and internal factors, organizational integration occurs. Internally, organizational alignment fosters cooperation and teamwork across all functional areas of the business. Organizational integration helps a firm withstand external forces such as its goal or business model, inputs and outputs, the economy, technology, political issues, social factors, and stakeholders.

Identifying the degree of organizational integration allows for the evaluation of a business's performance and the identification of areas for improvement. TACSO's integrated organization model offers an effective foundation for accomplishing successful integration.

### **External Influences on Organizational Integration**

Economic circumstances, politics, legislation, and sociocultural changes are all significant external variables affecting company. Examples of external integration include an energy firm that supplies power to an area. The energy provider may face scrutiny for using energy sources deemed damaging to the environment by environmentalists. Additionally, the government may impose limitations or encourage the adoption of certain energy sources. Owners, workers, suppliers, and consumers all have expectations, including profitability and safe energy production. To be viable, the energy company's internal and external aspects must be integrated organizationally.

### **Organization Aligns Internal Integration**

To accomplish organizational integration, the energy company's strategy, culture, staff skills, technology, structure, and management style must all be aligned with the company's purpose of generating energy in an environmentally friendly way. Alignment is ensuring that everyone in the business is working toward the same objectives, from the CEO to the newest entry-level employee. Additionally, it entails giving stakeholders with insight and openness into decision-making.

This process includes training staff, educating stakeholders via public relations, and maintaining communication and verification mechanisms. Stevens Institute of Technology places a premium on alignment and integration as critical business requirements.

### **How to Achieve Organizational Integration**

In the energy firm example, if field employees are not completely supportive of renewable energy installation, they may become slack about safety and compliance. If even one of the company's management, production, or marketing functions is not aligned with its strategy, the organization is not integrated.

While the energy industry is a case in point, the same organizational integration ideas apply to other sectors and small firms. Organizational integration refers to a firm's responsiveness to events occurring beyond its boundaries and may apply to both a pizza shop or carpet installation company and a huge organization. MarketCues highlights the importance of organizational integration as a significant transformation accelerator.

### **Information Technology Investment**

IT Investment, or Information Technology Investment, is a term that refers to the spending of information technology resources to support mission performance and management. This might comprise a project or series of projects for the creation, modernization, augmentation, or maintenance of a single information technology asset or a collection of linked information technology assets, as well as their future operation in a production environment. These investments must have a specified life cycle with beginning and ending dates, with the end date being the end of the investment's current anticipated useful life, consistent with the investment's most recent alternatives analysis, if applicable.

### **Philosophies of Information Technology Investment**

There are many schools of thought on how a company owner should spend his or her money on IT. While it is becoming clearer that investing in technology is necessary for every organization to succeed, it is ultimately how you spend it that counts. The following are three information technology investment philosophies and their implications for your business's future.

**Depreciating Asset:** a reactive strategy to your technological investment. Technology initiatives are constantly put on hold due to management's inability to manage both them and the day-to-day activities that generate income.

These businesses always fail because they have been only focused on survival and are unable to compete with even the simplest of rivals who have worked out how to maintain their technology in a way that does not detract from their total productivity.

**Cost Center:** The information technology department serves as a cost center.

Management is ready to spend in technology as long as the end result is that personnel can do their duties (without regard for productivity) and the firm is not exposed to significant security risks. While this seems to make sense, there is no way to know how these individual expenditures are influencing the overall health of your infrastructure.

The fact is that management continues to invest heavily in IT infrastructure, but primarily to PREVENT a loss of production or a big disaster, with little attention given to how to enhance your systems in order to achieve corporate objectives. While this firm is unlikely to lose to the depreciating asset company, it

is vying for crumbs at the table and has no realistic prospect of ever competing outside of its existing client base.

Appreciating Investment: the choice to use technology to assist in the operation of the firm. A team is formed to give the business with a competitive edge in the marketplace. The competitive advantage is that this team is efficient enough at fulfilling IT department duties (day-to-day support, security, and stability) that management may concentrate on revenue-generating parts of the organization.

They give critical data about technology to assist in making more informed decisions and prioritizing the initiatives that will have the greatest effect throughout the organization. They've implemented a Project Management System that establishes specific, measurable deliverables for each project and allows all stakeholders to track progress through each step of the process. Investing in IT infrastructure aims to maximize the system's efficiency and profitability. These are the businesses that thrive.

### **The Impact of Information Technology Investment Announcements on the Market Value of the Firm**

Determining whether investments in information technology (IT) have an effect on corporate performance has been and continues to be a key challenge for academics and practitioners of information systems.

According to financial theory, managers should make investment choices that maximize the firm's value. We give empirical data on the influence of IT investment announcements on company market value using an event-study technique for a sample of 97 IT investments in the banking and manufacturing sectors from 1981 to 1988.

We find no evidence of excess returns during the announcement period for either the complete sample or any of the industry subsamples. However, cross-sectional data demonstrates that the market responds differently to announcements of creative IT investments compared to subsequent, or noninnovative, IT expenditures.

Innovative information technology investments provide value to the company, but non-innovative investments do not. Additionally, the market's response to announcements of innovative and non-innovative IT investments is industry-neutral. These findings demonstrate that, on average, information technology investments have a negative net present value (NPV); they are worth exactly what they cost. However, innovative IT investments boost the firm's worth.

## **F. SYSTEM STRATEGIES PLANNING**

The word "collusion" is often used in the literature to refer to any sort of coordination or agreement among competing enterprises with the goal of enhancing profits over the non-cooperative equilibrium, resulting in a deadweight loss. Collusion, in other terms, is a combined profit maximization technique implemented by rival companies that may hurt customers. To achieve and maintain a collusive equilibrium over time, rivals must establish a framework that allows them

- ❖ To agree on a "common policy,"
- ❖ Monitor adherence to this common policy, and
- ❖ Enforce the common policy by penalizing any deviations.

Collusion is a non-competitive, secret, and often unlawful agreement between rivals which aims to upset the market's equilibrium. The act of collusion includes persons or firms who would ordinarily compete

against one another, but who collude to work together to acquire an unfair market advantage. The colluding parties may jointly opt to affect the market supply of an item or agree to a set pricing level which would enable the partners maximize their profits at the cost of other rivals. It is frequent among duopolies.

Collusion fraud occurs when two or more individuals collaborate to deceive another participant in a digital commercial transaction that comprises numerous participant groups. This sort of fraud is rising in importance as more digital firms transition to become platforms that serve more than just one function.

For example, an online e-commerce provider's digital platform lets a customer to pick things from a seller of their choosing and have it delivered. A single commercial transaction on such platform provides online processing, payment, preparing items, logistics, and delivery. Completing these operations demand services from many suppliers specialized in different areas, which at times pulls the processes beyond the platform's control.

Economists usually distinguish between two forms of collusion, explicit and tacit.

- ❖ Explicit collusion refers to anti-competitive behavior that is supported by explicit agreements, whether written or oral. Firms can obtain an explicit collusive outcome by interacting directly and agreeing on the ideal level of pricing or production.
- ❖ Tacit collusion, on the other hand, refers to kinds of anti-competitive coordination that can be created without the necessity for an express agreement, but that rivals can sustain by acknowledging their mutual dependency. The non-competitive outcome is attained in a tacitly collusive atmosphere by each participant selecting its own profit-maximizing strategy independently of its competitors. This is most common in transparent marketplaces with a small number of market participants, when businesses can gain from their combined market power without engaging in any explicit communication.

Collusion can take several forms across different market types. In each instance, groups together acquire an unfair advantage. One of the most popular means of collaborating is price fixing. Price fixing happens when there are a limited number of enterprises, generally referred to as an oligopoly, in a given supply marketplace.

This small number of enterprises sell the same product and create an agreement to fix the pricing level. Prices may be forced decreased to drive out smaller rivals or may have an inflated level to promote the interest of the group at a cost to the consumer. Overall, price fixing can eliminate or restrict competition while also leading to even greater obstacles for future entrants. Collusion may also emerge if corporations coordinate their advertising campaigns.

In this situation, the collaborating firms may desire to limit the consumers' awareness of a product or service for an extra benefit. In the financial business, collective cooperation via the use of insider knowledge may also be a sort of collusion. Colluding organizations may have the ability to acquire many benefits through the sharing of secret or preliminary knowledge with one another. This financial cooperation can allow the participants to make and exit deals before the disclosed knowledge is publicly known.

#### ➤ Factors That Deter Collusion

In the United States, collusion is a prohibited behavior which severely deters its usage. Antitrust laws try to discourage collaboration between firms. Thus, it is tough to coordinate and implement an



agreement to conspire. Further, in businesses which have rigorous monitoring, it is difficult for corporations to join in collusion.

Defection is another significant deterrent of cooperation. A corporation which first agrees to take part in a collusion agreement may defect and harm the earnings of the remaining members. Additionally, the company that faults may act as a whistle-blower and disclose the conspiracy to the relevant authorities.

As reported by Fortune, in 2015, a New York appeals court upheld a 2013 judgment against computer juggernaut Apple. The global technology giant challenged the lower court's judgment that the corporation had illegally coordinated with five of the top book publishers on the price of eBooks. The New York appeals court concluded in favour of the plaintiffs. The company's aims were to promote Apple's new iPad and to prevent Amazon from undercutting its title pricing of eBooks. The case led to a \$450 million settlement in which Apple reimbursed consumers twice their losses.

### Collusion in the workplace

In contrast, collusion includes more than one party utilizing its authority for its own profit. As a result of an accident, a firm's financial and reputational harm escalates. A corrupt employee operating alone would not be able to determine the culprits and the amount of their misbehaviour as readily as a person working for the firm.

Governments can deter collaboration by introducing leniency initiatives. Detecting collusion is the first step. Fines are higher. A personal duty must be enforced on CEOs. A screening of questionable pricing behavior is undertaken. Encouraging enforcement with a higher budget. The mergers and acquisitions act.

Combinations, conspiracies or agreements between suppliers may lead to raising or fixing of prices and restricting output to gain profits via collusion. The context is as follows. It should be observed, however, that collusion and a cartel have very similar economic consequences, and the words are frequently used somewhat interchangeably. Media combining is the process of making fresh copies of different media in a single area. They contain averages, replacements, linear combinations, and cetera. They can be used to destroy various video fingerprinting technologies.

#### ➤ Collusion in computer

It occurs when rivals strike a non-competitive, secret agreement that upsets the equilibrium of the market and can sometimes be unlawful. Collusion is the act of coordinating the efforts of competitors to achieve an unfair edge in the market, rather than competing directly against one another.

DDoS attacks seek to overwhelm systems and prevent users from being able to utilize the services. Cloud computing platforms are particularly vulnerable to these assaults owing to the fact that many users may be harmed by only one cloud server flooding. A distinct obligation for each portion of a work is known as segregation of responsibilities, a method aimed to avoid fraud by ensuring sure two individuals are in control of it. Segregation of duties, for example, would be a preventative control. Diversified roles ensure that errors or inappropriate actions are less likely to occur.

### Organization memory

Historically, the notions of Organizational Memory (OM) followed the concepts connected to human memory, which shows that human memory has been used as a metaphor to refer to the organizational memory, even if indirectly. Given the difficulties establishing a model for human memory, it was

assumed that the same issue arose in the depiction of organizational memory, since, in principle, it should perform functions similar to human memory.

Researchers of organizational memory suggest that organizations need to know what they previously know, to employ this information in the current decisions and so project the future. In addition, some scholars suggest that information about the past may be kept by organizations in numerous ways.

When researchers of the organization science have accepted the term memory, they imported the same concepts connected to the idea of human memory and applied them to organizations. However, these definitions and consequences should be articulated so that it is feasible to comprehend if in reality they apply to organizations. Thus, the "memory" remains one of the core ideas in the theory of information processing. However, the grasp of these notions is still incipient, notably in theories of organizations.

The hard issue is the adoption of the notions of human memory for the research of organizational memory. This is why, despite their core structures are entirely different, which are attempting to examine whether the same traits exist in both. The use of metaphors helps the researcher to construct a bridge between two diverse notions in nature, but comparable in their functioning.

Thus, its importance is closely related to the development of systems capable of capturing what should be archived, to classify stored knowledge representations, to necessary tools that facilitate the connection of these contents to human knowledge, tend to favour the creation of new knowledge, to facilitate the process of knowledge sharing and also to allow for the recovery of knowledge representations for decision and human action support.

The borders and the center of the organizational memory structure proposed by Walsh and Ungson represent:

- ❖ Information Acquisition : actions that relate to information on decisions and solved problems, and constitute the basis of organizational memory over time
- ❖ Information Retention : The information and decisions can be stored in different locations, such as: individuals, adopted procedures, protocols, furniture arrangements, technological devices, etc. Pondy and Mitroff simplified the explanation and argued that the possibilities for storage of information are similar to "brains and paper"
- ❖ Information Retrieval : in the day-to-day organizations, a lot of information used by individuals in their analyses are retrieved from organizational memory. Such retrieval can occur in a controlled manner, or automatically.

It should be mentioned, that in the model of Walsh and Ungson, in the structure of organizational memory, the retention of knowledge is a function of (Memory Containers): Individuals, Culture, Transformation, Organizational Structure and Ecology. Although the writers talk about information, it is vital to underline that the persons, culture, structure, change, ecology and information are turned into knowledge, shared knowledge and knowledge representations. The authors ascribe various features relating to information and retained judgments

Walsh and Ungson describe organizational memory as "the knowledge held by the past of an organization that might impact the present decisions of the organizations". However, because it was a foundational work, which is still recognized as a classic by the writers, who mentioned it over 300 papers, it is thus inevitable that the model has been target of considerable criticism.

Zwass and Stein enhance the notion of organizational memory by integrating the efficacy factor. The authors suggest that organizational memory is the method in which the information obtained in the past may impact the business actions of the present, thereby resulting in a greater or lower degree of organizational performance.

Systems and information technologies are commonly employed instruments by modern businesses for this aim. For Stein and Zwass the fundamental organizational memory consists of cognitive elements (memory content); the authors describe organizational memory as a process based on the acquisition, retention, maintenance and restoration

### ➤ **IT Governance**

IT governance is described as the processes that assure an organization's effective and efficient use of information technology in order to achieve its goals. IT demand governance is the process by which companies assure the proper evaluation, selection, prioritizing, and funding of competing IT expenditures, as well as the oversight of their execution and the extraction of (measurable) business benefits. ITDG is a business investment decision-making and supervision procedure that falls within the purview of business management. IT supply-side governance is essentially the duty of the CIO and is concerned with ensuring that the IT organization works in an effective, efficient, and compliant manner.

### ➤ **Information system governance.**

Information Systems Governance (ISG) is a collection of rules that allows executives and stakeholders to select how they will govern information systems. The initial goal of this study is to offer a collection of meta-rules that address various elements of ISG and are instantiated in each firm context. The second goal is to present two alternative ISG models that implement the set of rules in distinct ways.

The traditional perspective of ISG emphasizes hierarchical and centralized control, with minimal flexibility to accommodate businesses that are continuously evolving. Heterarchical structures are becoming more common in ISG procedures (agility, transversally, decentralization...). However, if left unchecked, hierarchy can result in the creation of anarchic phenomena like as instability, increasing disputes, and resource waste.

Approaching ISG via rule implementation can aid in the regulation of heterarchical formations. We define an ISG as a collection of rules in the first section of our study, drawing on Elinor Ostrom's work and her IAD (Institutional Analysis and Development) paradigm. In the second section, we build each sort of rule first from a hierarchical perspective, then from a heterarchical perspective. Aside from its theoretical contribution, the suggested set of regulations can assist CIOs participating in ISG improvement. It may also be utilized to conduct an organizational study of a company's ISG's heterarchical practices.

### ➤ **Integrated Governance**

Most, if not all, organizations private or public, small or big, commercial or not-for-profit want to achieve long-term success. Good governance is more than merely safeguarding stakeholders' interests or satisfying regulators' mandates. Instead, excellent governance promotes the creation of long-term value in enterprises and society. Integrated governance assists a company in achieving long-term success.

The whole organizational cycle of strategy planning, resource use, value generation, accountability, and assurance is influenced by good governance. A holistic approach guarantees that excellent governance is "baked in" and interwoven into all elements of an organization, rather than "bolted on." Professor Mervyn King, chair of the King Committee on Corporate Governance in South Africa and of the

Worldwide Integrated Reporting Council, and an international authority on corporate governance, emphasized the necessity for governance integration into an organization in an interview with IFAC. "You've all heard of 'the tone at the top,'" he continued. I discuss the tone in the beginning, the music in the middle, and the rhythm of the feet at the end. Professor King believes that "the board and top management must ensure that the entire business has bought into the new strategy and is moving in the same direction."

As a result, integrated governance is described as a holistic strategy adopted by the governing body to integrate governance into the numerous drivers of an organization's long-term performance. One facet of integrated governance contained in the IFAC Sustainability Framework is the incorporation of sustainability concerns into an organization in order to ensure long-term success.

### ➤ **Sustainable Success**

Sustainable success is described as the combination of a company's economic, environmental, and social performance that defines total stakeholder value and allows the business to flourish and prosper in the long run. The notion that, in addition to economic performance, environmental and social performance are essential to an organization's sustainability necessitates ongoing commitment from the organization's leadership as well as strong and integrated governance practices at all levels.

Furthermore, shareholders and other stakeholders should be more concerned with an organization's long-term prospects, including holding the board and leadership accountable for overall sustainable performance rather than just short-term financial results.

Economic, environmental, and social concerns must all be considered when creating sustainable value, not only because various stakeholders have diverse interests, but also because these elements are interrelated. Environmental and social elements can also influence or decide an organization's economic worth. Responsible leaders should steer their organizations' plans, operations, and stakeholder communications in the direction of long-term economic, environmental, and social success.

### ➤ **Corporate governance**

Corporate governance is defined as "a toolset that enables management and the board to cope with the issues of operating a business more effectively." Corporate governance ensures that firms have adequate decision-making procedures and controls in place to guarantee that all stakeholders' interests are balanced.

Corporate governance is the set of rules, procedures, and processes that guide and regulate a company. Corporate governance is balancing the interests of a company's numerous stakeholders, which include shareholders, top management executives, consumers, suppliers, financiers, the government, and the community.

Corporate governance involves almost every aspect of management, from action plans and internal controls to performance assessment and corporate transparency, because it also serves as a framework for achieving a company's goals.

Governance is the collection of rules, regulations, policies, and resolutions put in place to govern company action. Proxy advisers and shareholders are essential stakeholders who have an indirect impact on governance, but they are not instances of governance in and of themselves. The board of directors plays an important role in governance, and its decisions can have a significant impact on equity valuation.

Corporate governance is crucial to investors because it demonstrates a company's direction and business integrity. Good corporate governance helps organizations create confidence with investors and the community. As a result, corporate governance promotes financial viability by providing market players with a long-term investment opportunity.

Communicating a company's corporate governance is an important aspect of community and investor relations. On Apple Inc.'s investor relations site, for example, the firm outlines its corporate leadership, its executive team, its board of directors and its corporate governance, including its committee charters and governance documents, such as bylaws, stock ownership guidelines, and articles of incorporation.

Most businesses aspire for excellent corporate governance. Many shareholders believe that a company's profitability is insufficient; it must also demonstrate good corporate citizenship via environmental awareness, ethical behavior, and solid corporate governance standards. Good corporate governance establishes a visible system of rules and regulations with matched incentives for shareholders, directors, and executives.

### ➤ **Corporate Governance and the Board of Directors**

The primary direct stakeholder affecting corporate governance is the board of directors. Directors are chosen by shareholders or appointed by other board members to represent the company's shareholders.

The board of directors is in charge of making critical decisions such as corporate officer nominations, executive salary, and dividend policy. In other cases, board responsibilities go beyond financial efficiency, for as when shareholder votes direct that specific ethical or environmental issues be emphasized.

Boards are frequently made up of both internal and outside members. Insiders include key stockholders, entrepreneurs, and executives. Independent directors lack the insider links of insiders, yet they are picked for their experience managing or overseeing other significant corporations. Independents are regarded as beneficial to governance since they diffuse the concentration of power and assist in aligning shareholder interests with those of insiders.

The board of directors is responsible for ensuring that the company's corporate governance rules include corporate strategy, risk management, accountability, transparency, and ethical business practices.

Corporate governance is crucial because it establishes a set of rules and policies that regulate how a business runs and how it aligns the interests of all its stakeholders. Good corporate governance promotes ethical business practices, which in turn promotes financial viability.

Corporate governance refers to the guiding principles that a corporation implements to direct all of its activities, from remuneration to risk management to employee treatment to reporting unfair practices to the organization's impact on the environment, and more.

A corporation with strong, transparent corporate governance makes ethical decisions that benefit all of its stakeholders, allowing the company to position itself as an appealing alternative to investors if its financials are likewise solid. Poor corporate governance results in a breakdown of a company, often resulting in scandals and bankruptcy.

Good governance guarantees that political, social, and economic agendas are founded on wide consensus in society, and that the poorest and most vulnerable people's opinions are heard in decisions about development resource allocation. Governance is supported by three pillars: economic, political, and administrative.

## **Collusion**

Collusion is an anti-competitive, covert, and sometimes criminal agreement between competitors with the intent of disrupting the market's equilibrium. Collusion occurs when individuals or businesses that would normally compete against one another agree to cooperate together in order to achieve an unfair market advantage. The colluding parties may decide collectively to affect the market supply of an item or to agree on a certain price level that would benefit the partners' profits at the expense of other rivals. It is very prevalent in duopolies.

### **Types of Collusion Explained**

Collusion may take on a variety of shapes across a variety of market segments. In each circumstance, groups gain an unfair advantage collectively. Price fixing is one of the most prevalent forms of collusion. When a small group of enterprises, generally referred to as an oligopoly, dominate a given supply market, price fixing develops.

This small group of enterprises sell the same product and collaborate to establish the price. Prices may be slashed to push out smaller rivals or maintained at an inflated level to protect the group's interests at the expense of the consumer. In general, price fixing may result in the elimination or reduction of competition while simultaneously raising the barriers to entry for new entrants.

Collusion may also occur when businesses coordinate their advertising strategies. In this situation, the cooperating firms may aim to further profit themselves by limiting customers' understanding of a product or service.

Collaborative partnership via the use of insider knowledge is also a form of collusion in the financial business. Through the exchange of confidential or preliminary knowledge, colluding organizations may acquire many benefits. Financial collusion enables participants to make and exit deals before the shared knowledge becomes public.

### **Factors That Deter Collusion**

Collusion is a prohibited activity in the United States, which strongly deters its usage. Antitrust laws are intended to prohibit corporate collaboration. As a result, it is difficult to coordinate and carry out an agreement to conspire. Additionally, collusion is harder for businesses to engage in in areas that are highly regulated.

Another important disincentive to collaboration is defection. A corporation that originally agrees to participate in a collusion agreement may defect, undermining the remaining members' profitability. Additionally, the corporation that is deficient may act as a whistle-blower and inform the proper authorities about the collaboration.

### **Indicators of Collusion**

Numerous signs point to the possibility of collaboration. One example is when a group of suppliers sets prices uniformly high or low. Another sign is when providers refuse to sell into one another's territory, essentially establishing regional monopolies. Another sign is when some suppliers consistently decline to participate in competitive bidding scenarios, allowing the remaining bidder to offer at an abnormally high price.

- **Collusion Examples**

Examples of collusion include the following:

- Numerous high-tech enterprises have agreed not to recruit one other's personnel, significantly lowering labor costs.
- Several high-end watchmakers have agreed to limit their production in order to maintain premium pricing.
- Numerous airlines have agreed not to operate routes in one other's markets, effectively limiting supply and maintaining high fares.
- Numerous investment banks opt not to bid on particular client transactions, decreasing the number of offers and maintaining high pricing.

## **Organizational Memory**

Organizational memory is the information collected from previous experiences that is stored inside the organization and may be utilized to make choices. This essay delves into the nuances of organizational memory and the influence it has on companies. By examining current research on the antecedents and consequences of organizational memory, we recommend that future research should focus on memory's antecedents, the level at which memory occurs, and the performance implications of memory. Additionally, we develop the idea of 'global shared memory,' which reflects recent advances in the storing of information beyond organizational borders.

Organizational memory is the information gained from previous experiences that is stored inside the organization and may be used to make choices (Walsh and Ungson 1991; Olivera 2000; Argote 2012). The temporal processes through which information is received, evaluated, and preserved in organizational memory represent a complicated phenomenon that goes far beyond the acquisition and storage of data. Internalized as organizational knowledge, information must be kept and easily accessible for usage. As a result, an organization may not keep all information.

Actors make their selections based on the value of the information and the availability of organizational capacities necessary for its retention. Additionally, organizations need specialized storage and retrieval mechanisms to enable easy access to and presentation of information as usable knowledge at the precise time a choice is taken.

## **The Importance of Organizational Memory**

The term "organizational memory" refers to a group's collective capacity for amassing, storing, and retrieving information and data. Human memory is all about our capacity for acquiring, storing, and retrieving information. However, organizational memory transcends the individual. In other terms, it is a term used to refer to businesses and other organizations.

An organization is any collection of individuals who work together to accomplish a shared purpose. They plan their actions in advance.

Consider for a minute the critical role memory plays in every element of your life: in relationships, at work, or while developing a recipe for something you like cooking. Whatever you do, memory assists you in making better choices and avoiding issues. The same holds true for organizations. For decades, large industry has recognized the value of what is referred to as "Organizational Memory," and non-profits recognize this value as well.

Organizational Memory is described as "the collected body of data, information, and knowledge generated throughout the life of a single company."

## **Organizational memory repositories**

Three steps comprise the corporate memory process. The phases are critical to the learning process of the organization. Acquisition, retention, and retrieval are the three primary steps.

- **Acquisition**

The organizational memory stores collected knowledge about previous choices. However, businesses, for example, do not centrally keep this data. They keep it in a number of different retention facilities.

Each time an employee makes a choice, they also consider the ramifications of that decision. They then incorporate part of the resulting data into the corporate memory.

- **Retention**

Organizations save knowledge about their prior experiences in five distinct repositories. Individuals, Culture, Transformations, Structures, and External Activities comprise these categories.

Culture refers to an organization's structures and language. We develop joint interpretations with them.

The term "transformations" refers to the organization's codified processes and procedures. Indeed, these systems serve as a reflection of the organization's prior experiences. They are endowed with wisdom. Structures connect individuals to one another and to their surroundings.

External activities are the environment in which the company operates and where data may be maintained. For instance, rivals, ex-employees, and public authorities.

- **Retrieval**

In terms of retrieval, Knowledge Management Tools states the following:

"This might be manual or automated. The latter refers to the natural and mostly painless process of accessing organizational memory, which is often performed as part of a predefined sequence of actions."

"Controlled refers to a concerted effort to get access to stored information."

Humans access and use prior experiences in order to prevent repeating the same errors. Additionally, we access and use prior experiences in order to capitalize on important information. Organizations behave similarly.

However, unlike human memory, corporate memory does not reside in a single repository. It pervades the organization. Indeed, it dwells outside of it.

Individuals retrieve information or data in a variety of ways. For instance, if we have recorded it, we may retrieve it from electronic records.

However, Knowledge Management Tools states the following on cultural memory:

"[We get access to it] through comprehending and/or using the working environment's standards and procedures."

The primary goal of the vast majority, if not all, organizations, private or public, small or big, commercial or non-profit, is to achieve long-term success. Good governance is not only about safeguarding stakeholders' interests or meeting regulatory obligations. Rather than that, excellent governance promotes the creation of long-term value in enterprises and society. Integrated governance contributes to an organization's long-term success.



## ➤ Sustainable success

Sustainable success may be described as the combination of an organization's economic, environmental, and social performance that defines the organization's entire stakeholder value and enables it to flourish and prosper over time. The belief that, in addition to economic success, environmental and social performance are critical to an organization's sustainability necessitates an ongoing commitment from the organization's leadership and strong and integrated governance processes at all levels.

Additionally, shareholders and other stakeholders should be more concerned with an organization's long-term prospects, including holding the board and leadership responsible for the organization's entire sustainable success, rather than merely short-term financial outcomes.

Not only does sustainable value creation take economic, environmental, and social concerns into account because various stakeholders have varying interests, but also because these elements are interrelated. Environmental and social elements may also influence or decide an organization's economic worth. Responsible leaders should drive their organization's strategy, operations, and stakeholder interactions with the goal of ensuring economic, environmental, and social sustainability.

## Integrated governance

Whatever the size of your organization, as soon as you want integration, you should establish a governance and plan for it before selecting technology and adding more functionality. It is critical for both you and our Enfo specialists that the appropriate integrations be developed in the appropriate manner, at the appropriate cost, and with the appropriate level of quality and performance.

In today's quickly changing business climate, we think that business development and information technology must work together on agile projects that include integration as a natural component. To do this without incurring technological debt or sacrificing quality, you need a plan outlining your company's goals and a governance structure to guarantee that you reach them.

Creating an integration strategy map enables you to identify and accomplish future objectives. Several critical components of designing your integration strategy's map include the following:

**Long-term objectives:** Where should your future integrations take place? How should your operations be structured to assist you in achieving your objectives? On which automations should you concentrate your efforts?

**Business value:** How should your integrations add quantifiable value to your business?

**Technologies:** How should you integrate new technologies? Not just underutilized new present technology, but also anticipated future technologies.

## Governance process – making it easy to do integration the right way

Without methods for enabling the plan and avoiding technological debt, having a strategy is of limited benefit. Should you embrace DevOps or maintain a distinct operations unit from development? Your integration governance should be consistent with your IT governance, which in turn should be consistent with your organization's overall governance. We are prepared to assist you in the following ways:

- Recognize the cost reductions associated with adopting adequate integration governance
- Develop a governance model that maximizes the effectiveness of your company and framework, and

- Adapt your governance model to the unique characteristics of your business and external environment.

### **Integration governance at a glance**

What message does this cycle convey? It demonstrates the critical importance of considering many of the most prevalent subprocesses inside integration processes. We will ensure that your integration plan conforms with your governance and can be maintained in the long term with the assistance of our integration governance specialists.

We collaborate with you to discover the subprocesses that are appropriate to your business. We examine your company's obligations; should an IT steering committee and an architectural review board (ARB) be established - or should duty be delegated to a few select colleagues, depending on the size of the company? Should collaboration be encouraged? Additionally, we identify organizational concepts such as policies and procedures, as well as the control mechanisms that keep your company running smoothly, such as gates, checkpoints, catalogs, reference architecture, and change management.

With control mechanisms in place, we assist you in identifying the most appropriate measurement solutions for your goals, including solution design, development, and testing, as well as runtime. Finally, communication, including methods, duties, and objectives, is critical to the success of any integration governance approach.

Effective governance has an impact on the whole organizational cycle, including strategy development, resource allocation, value generation, accountability, and assurance. This comprehensive approach guarantees that good governance is not "bolted on," but "baked in," and interwoven into all elements of a company.

Professor Mervyn King, head of the King Committee on Corporate Governance in South Africa and the International Integrated Reporting Council, and an internationally recognized expert on corporate governance, emphasized the need of governance integration in an interview with IFAC. "You have all heard of 'the tone at the top,'" he said. I discuss tone at the top, tune in the center, and foot beat at the bottom."

Professor King asserts that "the board and senior management must ensure that the whole business embraces the new strategy and is moving in the same direction." Thus, integrated governance is described as the governing body's comprehensive approach to integrating governance into the many drivers of an organization's sustained performance. Integrating sustainability factors into an organization in order to achieve long-term success is one aspect of integrated governance covered in the IFAC Sustainability Framework 2.0, which demonstrates how business leaders and professional accountants can incorporate sustainability considerations into their organization's strategy, operations, and reporting.

The ultimate goal of governance is to guarantee long-term success and value development for stakeholders. Integrating governance is the vehicle for accomplishing this goal. Clarifying and encouraging governance integration must be done in the context of a broader knowledge of the factors that contribute to long-term success.

### **Integrating Governance into the Organization's Drivers of Sustainable Success**

Governance is still often seen as a compliance exercise, most frequently in less successful firms, rather as a way of promoting an organization's sustainable performance.

While adhering to governance compliance rules is necessary, it alone does not guarantee success. Successful companies have a governance structure and culture that go beyond regulatory compliance and actively promote the organization's performance improvement activities. Governance should be ingrained in an organization's DNA.

### **Driver one: Customer and Stakeholder focus**

Customer focus and market alignment are necessary prerequisites for long-term success. Successful firms begin by creating value for their consumers, which ultimately results in shareholder value generation. They can only generate value in a sustainable manner if they also fulfill the expectations of all stakeholders.

A customer and stakeholder-centric approach entails ensuring that the company as a whole, not just front-line workers, prioritizes customer and key stakeholder awareness. Similarly, in the public and non-profit sectors, sustainable performance is inextricably related to achieving stakeholder expectations and providing high-quality service to consumers, clients, and society.

When making significant choices, IFAC's governance guidelines urges companies to consider the interests of all stakeholders. It demonstrates that, whereas multiple interests may seem to be at odds in the near term, they may eventually unite. For instance, environmental organizations' goals may collide with the short-term shareholder interest in profit maximization. In the long run, however, recognizing and tackling environmental challenges may help a firm gain a competitive edge, therefore benefiting all stakeholders.

Regardless of an organization's size, structure, or sector, a customer and stakeholder focus can be aided by (a) implementing effective customer and stakeholder relationship management; (b) establishing a customer and stakeholder relations or engagement program; and (c) ensuring that all functions, including finance and accounting, are geared toward supporting customer- and stakeholder-focused decisions.

### **Driver two: Effective leadership and Strategy**

Sustaining organizational success requires strong leadership, which facilitates the development of cohesive and focused strategy and execution.

Above all, successful and ethical leadership and corporate strategy should prioritize long-term value development. This indicates that in decision-making processes, the long-term repercussions of actions should be considered, including their influence on customers, operations, workers, and the organization's reputation, as well as its social and environmental consequences. Successful firms have leaders that have a firm grasp of the following:

- Consumer and stakeholder demands, as well as societal expectations;
- The capability of the company to produce the needed goods and services; and
- The possibilities and risks that arise as a result of the competitive environment in which it operates

Effective leadership and strategy require that both the governing body and senior management comprehend the organization's business model, operational environment, and processes for generating and optimizing sustained organizational success. Effective leaders create a clear vision and strategy for the company and implement critical performance enablers, as well as organizational structures and procedures, that guarantee the organization meets its goals and objectives.

Leadership that sets the proper tone at the top, including the development and maintenance of strong corporate values, is also a critical governance problem related to the organization's long-term performance. Effective leaders codify their principles in a code of conduct and then implant them across the business.

### **Driver three: Integrated governance and Risk and control**

Successful firms have robust governance processes that ensure that everyone in the company understands the risks the organization is willing to take and those it is not. Successful firms do this by integrating strong governance structures and procedures with performance-driven risk management and internal control systems.

They demonstrate that good governance is about more than compliance by encouraging entrepreneurial and responsible management, which results in increased investor and stakeholder trust.

To support successful governance structures, sustainable companies place a premium on structure and procedure, as well as culture, competencies, and systems.

Individual or ineffective governance, risk management, and internal control mechanisms often result in increased expenses and suboptimal performance. Examples of businesses with insufficiently integrated governance, risk management, and internal control, as well as methods to address them, include the following:

- Adopting a compliance-only mindset when it comes to formal roles and responsibilities, fraud prevention and detection, and compliance with applicable laws and regulations, while ignoring the critical need to address both the conformance and performance aspects of governance as two sides of the same coin. Integrating governance into the drivers of sustainable success means, among other things, allocating enough effort and attention to governance's performance aspect.
- Viewing risk exclusively negatively and oblivious to the fact that firms must take risks in quest of greater returns. Effective risk management helps a company to capitalize on opportunities and take on greater risk while maintaining control and therefore enhancing its long-term viability.
- Internal control systems that are too focused on financial reporting. Controlling financial reporting is critical for detecting and preventing fraud and may be a primary focus of corporate authorities. Effective control systems, on the other hand, should be connected to broader organizational risks in order to assist an organization in capitalizing on opportunities and managing strategic and operational challenges.
- With respect to risk management as a distinct function or process. Risk supervision is the responsibility of governing bodies, and senior management is accountable for risk management and oversight throughout the business. Line managers should manage risk as part of their tasks and responsibilities, in accordance with the governing body's risk management strategy and internal control procedures.

In 2011, the IFAC Professional Accountants in Business (PAIB) Committee conducted the Global Survey on Risk Management and Internal Control to determine what efforts could be made to enhance firms' risk management and internal control procedures. The results of a survey of over 600 respondents from all over the world and all types of organizations indicated that (a) greater awareness of the benefits of risk management and internal control systems should be created, and (b) risk management and internal control systems should be more tightly integrated into organizations' overall governance, strategy, and operations.

Strong risk management and internal control systems are critical for enhancing an organization's governance and should be completely incorporated into the organization's governance structures and procedures at all levels and across all activities. This also entails incorporating sustainability concerns into the governance, risk management, and internal control systems of the firm.

An enterprise-wide governance, risk management, and internal control system that is properly integrated:

- Combines and connects planning, risk management, policies/procedures, culture, competence, internal audit, financial management, monitoring, and reporting activities and processes; and
- Assists executives/managers in advancing an organization in a cohesive, integrated, and aligned way in order to increase performance while working effectively, efficiently, ethically, legally, and within specified risk-taking limitations.

#### **Driver four: Innovation and adaptability**

Successful firms adapt to changing market needs, or even influence them in certain situations. They are always innovating and adapting their goods and services, as well as their structure, processes, and systems, to changing conditions. Capacity development for sustainable goods and services, as well as supporting processes and systems, demands an investment in creative capabilities and a supportive corporate culture. Organizational sustainability needs continual innovation and adaptation.

Innovation may be incremental, allowing for continual development in products/services and delivery systems, or disruptive, altering the market's structure and competitive pressures. All businesses must be able to adapt quickly to changing conditions. It entails remaining informed about the competitive environment and the impact of innovations and trends on a firm and its client base.

A smaller firm may find it simpler to innovate and adapt since there are fewer people to influence and convince, and many smaller companies are intrinsically more flexible and distinguish themselves via product innovation and specialized market targeting. However, as the organization increases in size, it will need a concerted effort to maintain these advantages and to be vigilant to environmental changes.

#### **Driver five: Financial management**

Successful businesses have a solid financial management foundation that underpins their choices and actions, since all decisions and activities have financial implications, whether direct or indirect. Financial strategy and navigation must support both long-term economic sustainability and short-term financial and operational performance.

Effective financial management also requires financial leadership and proficiency in areas such as tax and treasury, cost and profitability optimization, capital management, and project assessment.

A sustainable firm will have a well-developed financial management system that is integrated into all organizational levels of planning and control, including risk and control management. For smaller organizations, resilience and sustainability are primarily about managing cash flow; interacting with the bank or other sources of finance; providing useful, timely information and analysis to manage the business; and ensuring that the correct, relevant information is considered when making decisions.

#### **Driver six: People and Talent management**

Successful firms have governance policies that attract and retain bright individuals and drive them to achieve greater success.

They usually see human resources and talent management as strategic assets and a critical value driver for their long-term success. They develop people and teams to increase awareness of the company and its surroundings, possibilities and hazards, and the ways in which individual activities contribute to the achievement of the business's goals.

People and talent management are also critical success elements in developing the finance department in order to better serve the requirements of the business as a whole and to guarantee finance professionals maintain competence. Assembling financial departments with the appropriate people, skills, motivation, and empowerment is critical for navigating through unpredictable times.

Smaller businesses depend largely on essential personnel, especially their professional accountant (s). Thus, succession planning or, at the at least, understanding how to limit the risk of an early departure of key individuals disrupting company continuity is vital.

### **Driver seven: operational excellence**

Successful organizations are disciplined in establishing and maintaining effective and efficient structures and processes for managing resources, operations, and performance. This is accomplished by identifying the drivers of stakeholder value and aligning individual and organizational goals, objectives, and rewards with these drivers. They guarantee that performance measurement and reporting systems accurately reflect progress toward strategic and operational goals.

Additionally, sustainable firms have supporting information management and technology in place to facilitate the collection and analysis of relevant financial and non-financial ESG performance data. This business data gives insight into the critical factors that contribute to long-term performance and enables a more precise alignment of outcomes responsibility, as well as incentives and recognitions.

### **Driver eight: Effective and Transparent communication**

Successful firms often engage their internal and external stakeholders, including as customers, workers, shareholders, creditors, and regulators, in a methodical and well-planned manner. Effective and transparent communication enables organizational leaders to offer a consistent explanation of their company in order to assist stakeholders in evaluating organizational success.

Successful firms convey their operational philosophy and rules on a consistent basis.

- Their efforts toward financial, social, and environmental sustainability;
- Their goals;
- Their risk management practices;
- The trade-offs they make between short- and long-term plans;
- How they have performed in practice in comparison to those criteria; and
- How they intend to close any gaps between their aims and actual results.

This information is critical for stakeholders who must make educated judgments about an organization's ability to produce and sustain value.

Effective stakeholder involvement entails managing stakeholder expectations without jeopardizing the organization's survival. According to Evaluating and Improving Governance in Organizations principle L, "the governing body should guarantee that reasonable information requests from stakeholders are addressed."

To ensure that external stakeholders obtain valuable information, good governance requires the governing body to monitor an organization's disclosures, including financial and non-financial reporting.

Additionally, greater internal communication may result in more effective and transparent decision-making inside the firm.

Numerous firms' expanded economic, environmental, and social footprints increase the need for accountability or ESG information from diverse stakeholder groups. Additionally, companies are getting increasingly complicated not just internally, but also in terms of compliance with increasingly complex laws and regulations.

This impairs their capacity to report and communicate in a succinct and comprehensible manner. These advancements have resulted in an increase in the volume, complexity, and emphasis on compliance of business reports.

To address these concerns, existing reports should be broadened into more linked and holistic business reports that combine an organization's different economic, environmental, and social components into a single coherent explanation.

The International Integrated Reporting Framework, which the International Integrated Reporting Council is currently developing, will assist organizations in this endeavour.

## **G. INTEGRATION OF INFORMATION TECHNOLOGY & BUSINESS-LEVEL STRATEGY**

Information technology important to company success because it directly influences the mechanisms via which businesses produce and capture value to earn a profit: IT is therefore crucial to a firm's business-level strategy. Much of the present research on the IT/strategy link, however, mistakenly characterizes IT as just a functional level strategy.

This pervasive under-appreciation of the business-level significance of IT implies a need for major retheorizing of its position in strategy and its intricate and interconnected interaction with the processes through which organizations earn profit. Using a complete framework of possible profit mechanisms, we show that although IT operations remain fundamental to the functional-level strategies of the company, they also play numerous key roles in business strategy, with substantial performance consequences.

IT influences industry structure and the collection of business-level strategic choices and value-creation opportunities that a firm may pursue.

Along with complementing organizational changes, IT both increases the firm's present (ordinary) skills and allows new (dynamic) capabilities, including the flexibility to focus on fast changing possibilities or to quit losing ventures while salvaging considerable asset value. Such digitally attributed skills also decide how much of this value, once produced, can be collected by the business and how much will be squandered via competition or through the influence of value chain partners, the governance of which itself depends on IT. We analyze these business-level strategic responsibilities of IT and suggest many startling consequences and future research areas in the converging information systems and strategy fields.

### **IT Integration**

IT integration, also known as systems integration, is the process of connecting data, applications, APIs, and devices throughout your IT organization in order to make it more effective, productive, and flexible. When talking business transformation, integration is critical because it helps everything in IT function together. Fundamental changes in how you do business to adapt as the market moves. Integration not

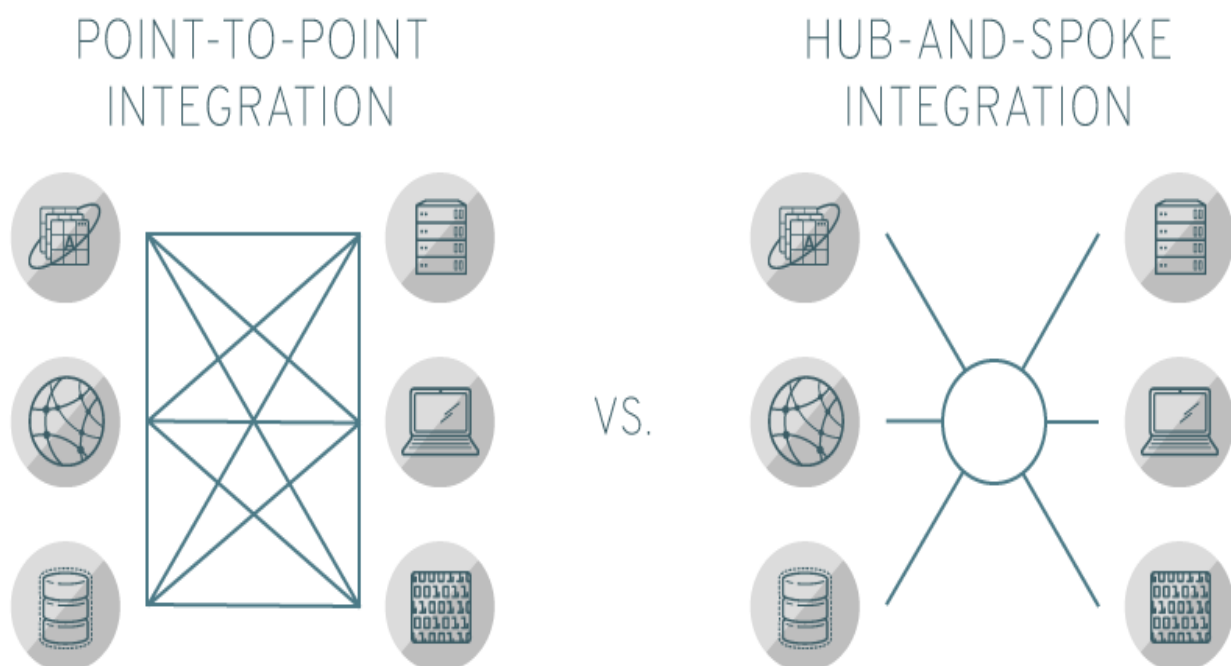
only links, but it also provides value by providing new functionality by linking the functions of diverse systems. Apache Kafka, for example, is an open source platform that allows you to link data streams with your applications so that they may act on data in real-time.

IT integration is not the same as continuous integration (CI), a developer method that involves merging working copies of code into a common central repository numerous times per day. The purpose of continuous integration (CI) is to automate build and verification processes so that errors may be identified early, resulting in speedier development.

➤ **A brief history of integration**

As IT systems matured and evolved, they began to drift apart from one another. The solutions of one vendor did not communicate with those of another. The next thing you knew, you'd amassed a whole IT stack that was only linked by the fact that you owned it all. So there had to be a method to arrange this technical "spaghetti" in order to avoid duplicating efforts, particularly when it comes to implementing and acting on business logic.

➤ **Enterprise application integration**



Enterprise application integration (EAI), which includes technology, tooling, and a framework that facilitates real-time, message-based connectivity across apps, provided a solution to all of this disjointed sprawl. Changes or settings incorporated within the various programs cause these alerts. EAI was implemented in two ways: point-to-point and hub-and-spoke.

Because of the point-to-point paradigm, each application had to be modified in order to communicate with the other apps and components of your IT. This is entirely customizable for each IT asset and each asset to which it links. This is also exceedingly time-consuming and, consequently, error-prone job. To make matters even more complicated, as your infrastructure and apps evolve, this architecture can become exceedingly difficult to manage over time.



To address this, the hub-and-spoke paradigm is used, in which the connections between apps and services are managed by a central broker the hub. The spokes that connect the hub to the apps and services can be separately managed. This allows the apps to be more focused, with all integrations handled by the hub and spokes.

The key disadvantage of this method is the centralized nature of the hub. It becomes the system's and your infrastructure's single point of failure. By design, all integrations in the EAI hub-and-spoke paradigm rely on the hub to work.

➤ **Competence-based strategic management**

This is a way of thinking about how organizations achieve high performance over long periods of time. Competence-based strategic management theory, which was developed in the early 1990s, describes how firms may generate sustained competitive advantage in a methodical and structural manner. The theory of competence-based strategic management is an integrative strategy theory that integrates economic, organizational, and behavioral problems in a dynamic, systemic, cognitive, and holistic framework. According to this idea, competency is defined as "the capacity to sustain the coordinated deployment of resources in ways that assist an organization achieve its goals" (creating and distributing value to customers and stakeholders). Other than strategic management, competence-based management may be found in human resource management.

Competence must involve the capacity to adjust to the changing nature of an organization's external environment as well as its internal operations. In the preceding definition of competence, the need of sustainability includes both types of dynamics. To be sustainable, a competency must adapt to the external environment's dynamics by allowing an organization to maintain its capacity to produce value in the marketplace as market preferences and available technology change. Sustainability also necessitates overcoming internal organizational dynamics that result in various forms of organizational entropy, such as a progressive loss of organizational focus, a narrowing and increasing rigidity in the patterns of activity that the organization can or does perform, and a progressive lowering of organizational expectations for performance, success, and the like.

The idea of organizational entropy matches the concept of entropy in thermodynamic principles. The fundamental aspect of the law of entropy is that systems automatically degenerate to lower levels of energy, which manifests as a loss of structure and information content. Continuous energy inputs are necessary merely to keep a system in its current condition of structure and information. Additional energy inputs are then required to expand the structure and information richness of a system. Similarly, in order to maintain or improve the order and structure in an organization's value-creation processes, managers must provide continuous inputs of energy and attention in the form of continuous inputs of energy and attention in the form of continuous inputs of energy and attention in the form of continuous inputs of energy and attention in the form of continuous

Competence must include the capacity to manage organizations' systemic natures and relationships with other organizations. This component of competence is addressed by the demand for resource coordination. In the first case, competency necessitates the capacity to manage an organization's own organization-specific resources, i.e. resources within the organization's limits and therefore directly under its control, in processes of producing value through product development and manifestation. Furthermore, competency entails accessing and organizing essential organization-addressable resources that exist outside of the organization's limits. Materials and component suppliers, distributors,

consultants, financial institutions, and consumers are all sources of critical organization-addressable resources.

Competence must involve the capacity to manage an organization's cognitive processes. This component of competence is addressed by the need of resource deployment allocating organizational resources to specified value creating activities. Managers are ultimately accountable for determining how a business will attempt to generate value in its chosen product markets. As a result, attaining organizational competence presents managers with a dual cognitive challenge. Managers must be able to determine and ensure that an organization's operations meet the minimum efficiency requirements required to carry out the organization's strategies, but they must also be able to define and select strategies that have the potential to create value in targeted markets when carried out efficiently. Managers, in other words, are accountable for the efficient and successful use of an organization's resources.

Competence must include the capacity to manage an organization's comprehensive character as an open system. The goal attainment criterion addresses the diversity of individual and institutional interests that coexist in and are serviced by every organization. To lead an organization in attaining objectives, managers must be able to set organizational goals that offer a satisfying degree of goal attainment for all individual and institutional suppliers of the company's critical resources. Thus, the concept of organizational competence acknowledges the existence of numerous stakeholders and the significance of satisfying the expectations of all providers of critical resources in order to continue an organization's value-creating activities.

➤ **Five modes of competence**

Each competency mode is the result of a certain level of interaction with an organization as an open system. In this discussion, the word mode of competence refers to an essential method in which an organization's competence is exhibited through certain types of activities and processes. Furthermore, as shown further below, each competence mode is the outcome of a particular type of organizational flexibility to adapt to changing and diverse external factors, such as evolving market needs, technological change, and competitive advancements in an industry. Its type of flexibility is further defined by the portfolio of strategic alternatives that each delivers to a business.

➤ **Competence mode I cognitive flexibility to imagine alternative strategic logics**

Competence mode I is derived from an organization's cognitive flexibility in conceiving of various methods of producing value in marketplaces. The root of this form of competence is, in essence, an organization's managers' collective corporate imagination in seeing realistic market prospects for the business to produce value. Competence mode I is determined by an organization's managers' ability to perceive market needs and identify specific market preferences that the organization may serve, to determine the characteristics of products and services that can satisfy those needs and preferences, to design supply chains and select appropriate distribution channels for realizing new products, and, finally, to define product offers that will be perceived by markets as having attractive net delivered cost.

➤ **Competence mode II: cognitive flexibility to imagine alternative management processes**

Competence mode II is the outcome of a second type of cognitive flexibility in managers, which allows them to imagine alternate management methods for applying strategic logics outlined by competence mode I. The managerial abilities underlying competence mode II include the ability to identify the types of resources (assets, knowledge, and capabilities) needed to carry out a given strategic logic, to create effective organizational designs (task allocation, decision making, and information flows) for the

processes that will use the required resources, and to define appropriate controls and incentives for monitoring and motivating the value-creating processes envisioned by.

➤ **Competence mode III: coordination flexibility to identify, configure and deploy resources**

Competence mode III stems from an organization's coordination flexibility in assembling chains of physical and intangible resources required to carry out the strategic logics for producing value through its product offerings. Coordination flexibility is determined by a firm's managers' ability to acquire or access, configure, and deploy chains of resources for leveraging product offers capable of creating value in the markets targeted by the firm. This ability is typically possessed by midlevel managers of larger firms, but also by top managers of smaller firms.

➤ **Competence mode IV: resource flexibility to be used in alternative operations.**

While competence mode III originates from an organization's capacity to create resource chains in support of product offerings, competence mode IV derives from an organization's resource chains' ability to be employed in different ways. In essence, the inherent resource flexibility of the resources that comprise an organization's accessible resource chains will confine the many ways in which the organization's available resource chains can be employed.

➤ **Competence mode V: operating flexibility in applying skills and capabilities to available resources**

While competence mode IV derives from the inherent flexibility of resources in a resource chain to be used in alternative processes, competence mode V derives from an organization's ability to use the flexibility of its firm specific and firm-addressable resources effectively and efficiently across a range of operating conditions.

➤ **Why business strategy is important**

In simple words, a business strategy is a written plan outlining how an organization intends to achieve its objectives. A business plan incorporates a number of important ideas that define how a firm will achieve these objectives. For example, it will teach how to deal with rivals, assess consumer demands and expectations, and examine the long-term growth and sustainability of their organization.

The importance of having a plan stems from the fact that it allows businesses to assess how they are performing, what their capabilities are, and if these skills can help them expand.

❖ **Business strategy**

Not every business does it right the first time. All organizations have innate vulnerabilities for a variety of reasons. A business plan attempts to address these flaws so that organizations do not misstep and incur undue consequences. Strategies consider these potential dangers and aid in the development of solutions to overcome them.

A well-defined business plan will provide guidance on how your company performs internally. Also, how you compare to your competitors and what you need to do to be relevant in the future.

A strategy can predict future trends and opportunities. It can investigate bigger market changes like as political, social, or technical changes, as well as customer changes, and devise techniques to allow your firm to adapt and grow in response to these future developments.

A company plan establishes a vision and a course of action for the entire organization. It is critical that everyone in a firm has clear goals and follows the organization's direction or mission. A strategy may give this vision and keep employees focused on the goals of their firm.

Finally, by developing a business plan, a firm may get a competitive edge while also learning more about themselves and where they are heading.

➤ **Business-level strategy**

In plain terms, business-level strategy is a structure, plan, or roadmap that enables a company to give value to its customers and create a competitive edge by making the greatest use of its core strengths.

The business-level approach you adopt will be critical in building your market position. In reality, it serves as the cornerstone for your overall company goals. A business-level strategy can take many forms, but it must always have three essential components:

- ❖ Customer satisfaction/happiness (providing value to the customers)
- ❖ Developing and maintaining a competitive advantage.
- ❖ Avoiding a competitive disadvantage.
- ❖ A strong ROI – making profits.

Business-level strategies investigate how organizations compete in a certain sector. Such strategies are developed by executives who decide if their source of competitive advantage is pricing or distinctiveness, and whether their scope of operations targets a large or small market.

Business level strategies are the combined set of movements and activities made with the goal of providing value to consumers and building a competitive advantage in the specific product or service market by leveraging the firm's core capabilities. It establishes the enterprise's market position in comparison to its competitors.

Business-Level Strategies are primarily concerned with organizations that have many businesses, each of which is referred to as a Strategic Business Unit (SBU).

It establishes how the company will compete in the market within each Line of Business, i.e. SBU. It also focuses on how the firm will compete successfully in each line of business, as well as how to efficiently manage the interests and operations of a certain unit.

So, these strategies are the courses of action chosen by a firm for each line of business or SBU independently, with the goal of achieving a competitive advantage in various lines of business that the firm now has in its portfolio.

The following challenges are addressed by business level strategies:

- ❖ Meeting the demands of the consumers
- ❖ Getting a leg up on the competition.
- ❖ Keeping a competitive advantage.

At this level, strategies are focused with confronting competition, defending market share, and earning a profit.

A business is considered to have a competitive edge if it is able to attract the target consumers as well as outlast the competitive pressures better than its competitors.

➤ **Business Level Strategies**

Effective Business-Level Strategies require building specific capabilities and putting them into action in



order to get an advantage over competitors. Michael Porter proposed three business-level solutions in 1998, which are detailed below:

➤ **Cost Leadership**

This approach emphasizes the production of standardized items at a low cost for price-sensitive consumers.

The wide mass market is typically the target of cost leadership strategy. And to that end, the company aims for cost savings in a variety of areas, including sourcing, manufacture, packaging, storage, and distribution of the product, all while generating overhead savings.

Firms frequently pursue forward, backward, and horizontal integration to achieve cost leadership.

Methods for Achieving Cost Leadership

- ❖ Forecasting the product or service's demand in a timely manner.
- ❖ To prevent waste, the firm's resources must be used effectively.
- ❖ Achieving economies of scale, resulting in cheaper per-unit costs.
- ❖ Investing in cutting-edge technologies to enable smarter working.
- ❖ Standardization of products for mass manufacturing, resulting in economies of scale.

## ➤ Differentiation

As the name implies, differentiation strategy strives to produce and provide consumers with industry-wide differentiated products and services in order to attract price-insensitive clients.

This strategy is likewise aimed at the wide mass market and includes the creation of a one-of-a-kind product. Unique implies distinct in terms of design, brand image, specs, customer service, technology employed, and so on.

Furthermore, this technique may or may not result in a competitive advantage, mostly because conventional goods meet the demands of the client or if competitors swiftly duplicate the product or service.

As a result, the strategy should be implemented following thorough market research and buyer research to determine their wants and preferences, as well as the addition of distinguishing qualities to the product.

### Differentiation Techniques

- ❖ Providing usefulness to clients that corresponds to their tastes and preferences.
- ❖ Boosting product performance.
- ❖ Product development
- ❖ Setting product prices based on distinct attributes of the product and client affordability.

## ➤ Focus

Firms utilize this method to create products and services that meet the needs of tiny customer groups. The approach is based on a section of the industry that is significant in size, has strong growth potential, and is unimportant to the success of competitors.

This is frequently used by small and medium-sized businesses. This method works only when customers have diverse tastes and rivals do not attempt to specialize on that specific sector.

### Methods for Increasing Focus

- ❖ Choosing a specialized niche, frequently shunned by cost leaders and differentiators.
- ❖ Exemplify your ability to cater to a certain niche.
- ❖ To fulfill certain niches, high-efficiency generation is used.
- ❖ Developing novel approaches to value chain management.

Business-Level Strategy depicts the decisions taken by the organization regarding how it intends to compete in the market.

The fundamental competences of the organization should be focused on the requirements and desires of the clients, with the goal of achieving remarkable returns. And, in order to achieve this, business-level strategies are critical.

Business level strategies attempt to build a competitive edge, identify reactions to changing market trends, and allocate resources within the SBU.

### ❖ Focused Differentiation

A company that employs this approach focuses on a very specialized niche/subset of the market that has a high potential for success. The primary goal is to get a competitive advantage by providing a product that is difficult to substitute or replace. Most crucially, the company focuses on "unattended" or deserted market sectors in order to get a competitive edge.

#### ❖ **Focus Low-Cost**

Focus Low-cost is similar to targeted distinctiveness. That is, while this model likewise concentrates on a certain specialty, the corporation also focuses on generating economies of scale.

Smaller businesses (those that cannot provide many items at the same time) typically choose this option. The goal is to give the most value to the consumer while reducing total expenses at all levels.

#### Tips for Implementing the Focus Strategy

- ✓ Choose a highly particular niche that has escaped the notice of market leaders, differentiators, or cost leaders.
- ✓ Resource use that is extremely efficient.
- ✓ Constant innovation and improvement are required to establish and sustain a competitive edge.

#### **Examples of Business Level Strategies**

##### **1. Amazon**

Amazon is a prime example of a cost-cutting method. This worldwide behemoth has virtually wiped away every rival or impediment in its path. Here's how:

- ❖ Amazon obtained economies of scale as the firm doesn't have any brick-and-mortar locations. They have warehouses and offer their products online.
- ❖ Through modern networking and computer technologies, the organization enhances operational efficiency.
- ❖ Amazon has automated the majority of its operations, including the purchasing and scheduling processes.

##### **2. Apple**

Apple Inc, a worldwide industry leader and one of the "Big Five" (tech corporations), is a prime example of product differentiation. With devices such as the iPad, iPod, Macintosh line computers, and the famous iPhone, Apple has achieved unprecedented renown and respect in the technology business. The corporation distinguished itself by virtue of;

- ❖ Its product designs are distinctive, beautiful, and simple.
- ❖ Product features that are both amazing and extremely useful.
- ❖ Different pricing approach; Apple sells its items at greater rates because it gives unrivalled value.

##### **3. Happy Socks**

Happy Socks, a Swedish eCommerce brand, has expanded its services to 90 countries. By providing distinctive qualities in its products, the corporation concentrates on a differentiation strategy (product

differentiation). In fact, every single item they release becomes a fashion trend. Aside from that, their excellent packaging is another point of differentiation.

#### 4. IKEA

In terms of the combined low-cost/differentiation approach, IKEA is a prime example of this business technique. The corporation puts a lot of money into automation, logistics, and its designers. IKEA provides products that are not available anywhere else, and at a cheap cost.

#### How to Implement business Level Strategy

Implementing a business-level plan necessitates extensive research and consists of several phases, which are as follows:

- **Determine and comprehend your market.** First and foremost, a company must select a target market and comprehend its characteristics. Is the company planning to focus on a narrow niche or a broad market? How does the market function? Is there enough room for expansion? What kinds of consumers does the company have to deal with?
- **Understand Your Customers' Requirements.** Once the organization has decided on a target market, it must have a deeper grasp of the demands of its target audience. The company's think tank must address a few questions, such as "What exactly do our consumers require?" Do they value quantity or quality? Are they willing to accept new ideas?
- **Brainstorm How to Meet Their Needs** Once you've decided Who and What you're going to serve, it's time to figure out how you're going to accomplish it. This phase requires you to make judgments on your vendors, distributors, suppliers, logistics, and so on.
- **Perform a competitor analysis.** Analyzing your competition is something you must do. What are they up to? How do they do it? What approach do they employ? What are their flaws? What are the industry gaps that you can fill? Where can you create your own competitive advantage?
- **Tasks should be assigned to the appropriate department.** Any organization can only flourish if its sections work well together. Senior management must combine many divisions and provide them projects with deadlines. Yes, it is vital to define distinct goals for each department, but it is also critical that all organizational departments collaborate.
- **On a regular basis, go through the outcomes.** Any business-level plan would be incomplete unless it was evaluated on a regular basis. A company must ensure that management, staff, and departments are carrying out their responsibilities. If something isn't operating as it should, look for flaws and repair them.

#### H. SWOT ANALYSIS

The term SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is a tactic used by organizations to objectively measure and evaluate their overall performance as well as that of rivals. All of these criteria assist business owners make better decisions for their organization, such as whether to expand into a new industry or rebrand. Internal elements such as your reputation, team, location, and intellectual property are included in the first two categories, strengths and weaknesses.



These concerns are not always permanent and might change over time. It is entirely within an organization's power to retain or modify them. So, if you want to see a good improvement, you'll need to put up the work and time to see it through.

External variables like as rivals, market trends, and material pricing impact opportunities and risks. Unfortunately, these are not under an organization's control, and so cannot be changed. However, in order to compete in the sector, firms must learn how to use these elements to their advantage and change their tactics accordingly.

➤ **Why do a SWOT analysis?**

As previously said, SWOT analysis is a time-consuming procedure that may assist all sorts of enterprises in drawing conclusions by allowing them to view the large picture clearly. Businesses can only build a sophisticated and strategic plan when they have collected useful data and knowledge.

Furthermore, a SWOT analysis encourages you to study your company in novel and intriguing ways in relation to its strengths and weaknesses. This readiness not only allows you to be ready for any obstacles that may arise in your organization, but it also provides a greater awareness of potential possibilities or dangers in your target market.

➤ **How to do a SWOT analysis**

SWOT analysis should be a collaborative and inclusive process, so gather your partners, stakeholders, and any other decision-makers who will bring their thoughts to the table before you begin. This manner, you'll ensure that you hear a variety of perspectives and perspectives that will improve your entire SWOT conversation.

We'll go through how to undertake a SWOT analysis for both your own organization and rivals in the sections below. Grab a white board, a sheet of paper, or another note-taking device for each one. Make four categories for each firm you'll be looking at. Label the sections with the following components: strengths, weaknesses, opportunities, and threats. Remember to leave out the bias while conducting this sort of analysis. The more honest you are, the better and more useful your results will be.

➤ **Steps on how to do a SWOT analysis**

We've used the example of a hypothetical massage therapist who is beginning a service business to get a better feel of what a thorough SWOT analysis may look like.

## **1. STRENGTHS**

Strengths are the major aspects that a firm does well, giving it a competitive advantage in their field and benefiting their consumers. For your own business, knowing your talents might help you harness these by making them greater.

Consider your rivals' strengths as a goal to strive towards. Consider, "How can I accomplish what they do, but better?" alternatively, how can I put my own spin on this concept that outwits theirs?

Here are a few questions to think about before you start your SWOT analysis:

- ❖ What are this company's competitive advantages in the industry?
- ❖ What features do they offer that are unique and valuable?
- ❖ What processes are they excelling in?

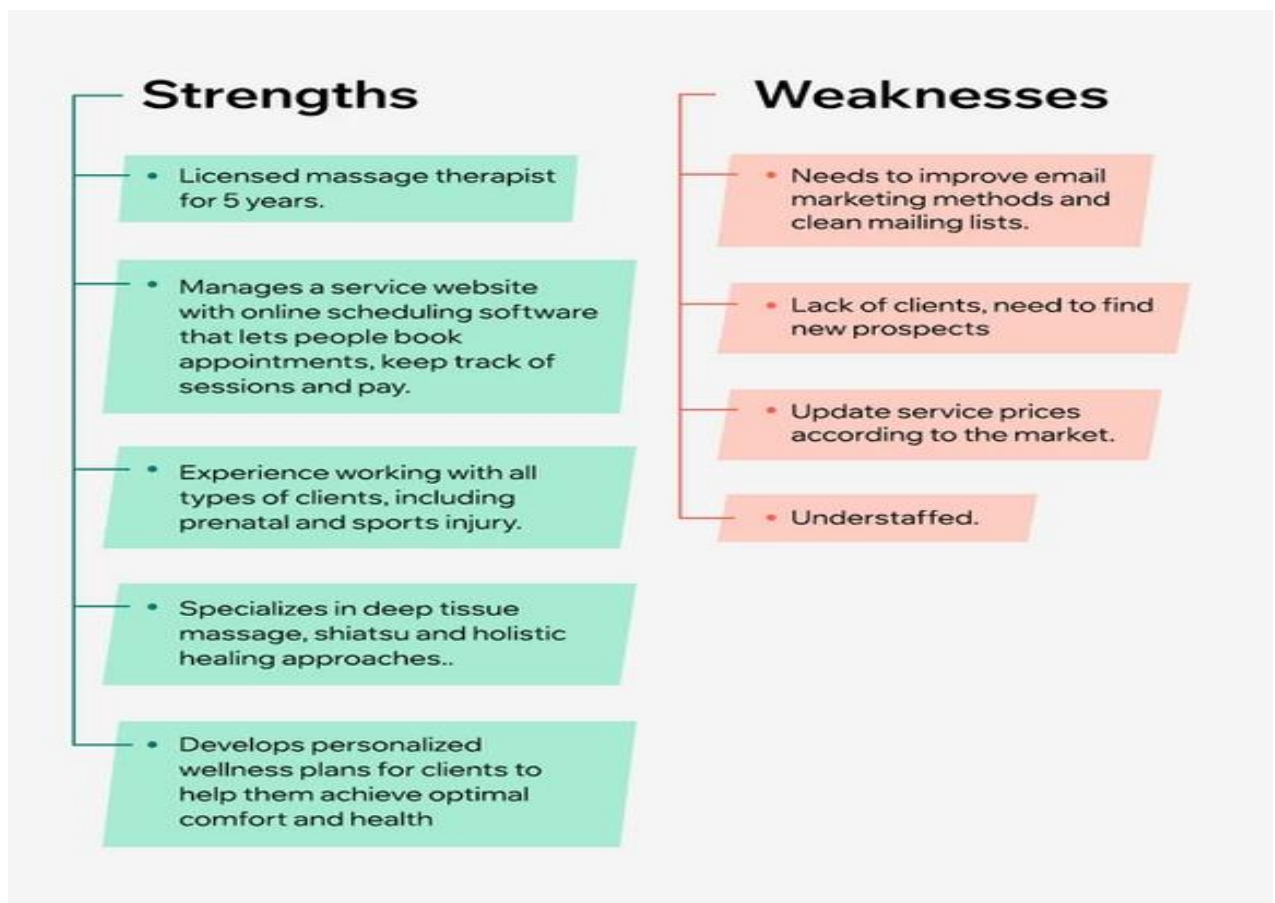
- ❖ What draws customers in?
- ❖ Are they a market leader? If so, how did they get here?
- ❖ Is the organization expanding and hiring new employees?
- ❖ What strong assets does the company have, i.e., intellectual property, stakeholders, buildings, etc.?

## 2. WEAKNESSES

These are the areas of an organization that might be improved. It's very crucial to be honest with yourself during this stage of a SWOT analysis. It may be difficult at first, but if you don't attract attention to a flaw, you won't be able to improve it.

Many of the things you discussed in the strengths section above may be addressed in this part as well, but in a different way. A strength, for example, may be "growing their firm and recruiting new people," but a weakness could be "losing personnel to competitors." Consider the following as alternatives to these kind of questions:

- ❖ What could this company do better?
- ❖ What processes could be improved?
- ❖ Is this company lacking an established reputation?
- ❖ What is this company struggling with compared to others in the industry?
- ❖ What do customers often complain about?
- ❖ Is the organization losing employees?
- ❖ What assets is the company lacking, from patents to funding to employee positions and more?



### 3. OPPORTUNITIES

It is all about embracing the moment when you own a business. Chances are you and your opponent have the same, if not very comparable, opportunities. Recognizing them is the first step and seizing them before your competitors is the second. Similarly, depending on the stage of growth you're in, you should do it at the moment that makes the most sense for your firm. Here are some more questions to consider while conducting a proper SWOT analysis:

- ❖ What is the latest trend, such as a green initiative to use recycled packaging or working with social media influencers for promotion?
- ❖ What are some upcoming events to take advantage of, such as a trade show, holiday or recent news release?
- ❖ Is there a loophole in your market, such as a cheaper supplier or opportunity to eliminate the agent?
- ❖ Is there an opportunity to expand to a larger building or better location?
- ❖ Could the business be sold soon? Or on the other hand, could this business buy smaller, local businesses to expand?

### 4. THREATS

These are external issues that can harm a company's reputation. Threats, like opportunities, are frequently comparable for both you and your competition. Some risks, though, might be specific to a company, such as a particularly severe public relations disaster caused by a disgruntled client. It is critical to understand how to reduce them and keep them from becoming greater problems in the future.

Although threats are listed last in the SWOT analysis, it may be a good idea to address them first. Threats, like a little fire, may occasionally inflict irreparable harm if you don't respond immediately.

Here are some examples of possible threats:

- ❖ Is a customer expressly unhappy with a particular product or service?
- ❖ Is the market fluctuating, i.e., are prices rising, are consumers purchasing alternatives, etc.?
- ❖ Are there new government regulations to watch out for?
- ❖ Will new technology become available in the near future that could make this business's products or services obsolete?
- ❖ Are consumers no longer expressing interest in these services?
- ❖ What is it that they are doing better? Do some market research to find out.

## Opportunities

- Take a marketing course to learn more about how to advertise in their industry.
- Create new services to target different audiences.
- Offer more treatment hours in the week.
- Incorporate alternative medicine and healing techniques into sessions.
- Sell products that are used during sessions, or create custom products.

## Threats

- Competitor massage therapists or massage clinics have developed a very good reputation in the local community.
- Rent for studio space is going up.
- Overcrowded work space.
- Poor cash flow.

SWOT analysis is particularly effective because, with a little thinking, it may help you find possibilities that you are well positioned to seize. Understanding your company's vulnerabilities allows you to handle and remove dangers that would otherwise catch you off guard.

By utilizing the SWOT framework to examine yourself and your competition, you can develop a plan that will help you differentiate yourself from your competitors and compete more effectively in your market.

A SWOT analysis will position you to capitalize on opportunities and develop successful plans. Having a clear and accurate image of your internal environment can assist you in identifying methods to better delight clients, fulfill your goals, and reinforce weaker areas that have an influence on your performance.

Analyzing your external environment can help you prepare for opportunities (e.g., changing demographics, announcement of a new residential development in the area, new trade agreement) and threats (e.g., new technologies, changing exchange rates, loss of a major employer in the community, new trade agreement) that will affect your business in the coming years.

Make the mistake of doing a SWOT analysis and then ignoring it when you construct your strategic strategy. Your strategy should include concrete steps to capitalize on your company's strengths in order to capitalize on the opportunities identified in your analysis.

Priority activities should be put into an action plan that includes a timeframe and indicates who is accountable for carrying them out.

## I. DECISION SUPPORT SYSTEMS

### ➤ Decision Making and Information Systems

One of the most important managerial duties is decision making. Informed choice making is effective decision making. Managers are kept up to date by information systems, oral communication, and maybe other means. This chapter examines decision making from the standpoint of a conventional rational model and two real-world options. The chapter also examines information systems for making choices at various levels of management, including Decision Support Systems (DSS), TPS, and MIS, which have already been extensively covered.

### ➤ **Decision Making and Management**

Making decisions is an important aspect of management. It is engaged in practically everything that managers do. A traditional list of administrative activities includes planning, organizing, staffing, delegating or directing, coordinating or regulating, reporting, and budgeting (note the acronym POSDCORB). Some of these responsibilities, such as planning and delegating or directing, are a direct application of decision making. Other duties usually result in choices. Organizing work in organizational departments and offices, for example, necessitates an analysis of the present work environment, followed by a decision on adjustments. Similarly, recruiting new workers and allocating employees to jobs (staffing duties) result in a management decision.

A decision is the act of choosing a choice. A decision maker must have two or more choices (options) and then choose (select) one of those to make a decision. Remember that a decision in a process diagram is represented by a question inserted in a diamond shape, followed by optional output steps resulting from various replies (choices). The decision diamond may be broken down to a complete procedure in more complex graphics.

The options may be carefully weighed in order to select the optimal one. This is an example of optimal, logical decision making. However, when decision makers are under pressure, they may have to settle for a good enough option rather than a flawless one. Even more divergence from rational decision making occurs when decision making is carried out over extended periods of time without presenting a clear judgment.

Every decision is made with a specific goal in mind. When a manager encounters an issue, they focus on it in order to find a solution. There must be some activity in between the initial point and the end point (a decision). They form a process when combined.

Here are some instances of problems that might spark a decision-making process: Supplies are depleted faster than expected, a job post becomes empty and must be replaced, a budget must be distributed amongst purchase requests, yearly bonuses must be granted, strategic goals must be created, and so on. Decisions appear to be applicable to day-to-day activities.

Once a choice has been made, the decision maker must guarantee that it will actually address the problem for which it was made. This involves extra processes such as monitoring decision impacts and changing the choice if they are not as planned. The issue-solving process is complete only when a choice truly solves the problem.

Data is used extensively in decision-making processes. In order to make good judgments, a manager may require a variety of reports, business papers, analysis, and direct contact. The extent of data coverage is determined by the degree of management and the problem being addressed. Furthermore, decision making need knowledge. Business knowledge, in particular, is a component of managerial competency. This knowledge is gained via real experience rather than theoretical study, and it facilitates effective informing of the manager. All IS types supporting management, which were mentioned before, assist in decision making.

### ➤ **Process of Rational Decision Making and Problem Solving**

Herbert Simon created a logical decision-making and problem-solving model with the goal of elevating this managerial responsibility to the level of science. This paradigm is depicted as a circular process. The approach begins with the identification of the problem. Competent managers are conversant with their organization's operations and are aware of possible problems. Still, they must do their study and learn about a potentially dangerous scenario as soon as the first warning signs appear. TPS and MIS play a crucial role at this juncture. Managers utilize these systems' reports and queries to identify possible problems that require management attention.

MIS exception reports are very useful during the problem identification stage since they are generated automatically when a major divergence from anticipated organizational performance occurs. For example, a processed food manufacturer may have had a dramatic reduction in sales in the previous quarter. This decline would cause a buying management information system (MIS) to generate an exception report. This data may be enough for a sales manager to see the reduction in sales as a concern. The MIS exception report also aids in detecting items with declining demand as well as their buyer (let us assume it is one single distributor company).

When a sales decline is identified as a concern, the manager-decision maker must delve further and refine the problem description. The manager assumes the role of an investigator, developing ideas regarding the cause of troubled sales, examining them, and filtering them out until the most valid explanation of the problem is reached. However, before proceeding, the management want to review historical data to see whether a reduction in sales of the problematic goods has ever occurred in the past. Such historical numbers may or may not be shown in the exception report.

If not, the MIS normally has this functionality. It generally presents the solution in graphical style for ease of understanding. Finding out that the present dip in sales is cyclical may be the end of the decision-making process because there is nothing that can be done in such scenario. Sales will eventually recover after the cyclical downturn is finished.

If the sales decline is not due to a cyclical occurrence, the manager looks to the leads from the MIS exception report – the underselling goods and their distributor. He might want to see if there is anything in the qualities of these items that might help him identify the problem more precisely. What, for example, are the constituents of those foods? An ad hoc query in a product database (part of a production TPS) would provide a response to the manager's enquiry.

He discovers that the items have higher fat and sugar contents. Is this a deterrent to customers? It could, but the management is unsure and wants the assistance of market research. Assume that this corporation lacks the skill of researching consumer markets, and that assistance must be obtained from other sources. As the environment scanning enters the decision process, the decision is escalated to higher management levels. Vice presidents of marketing and operations have been added to the decision-making team. A corporate business analyst is also called in. Fortunately, the business analyst is able to immediately discover a market research organization that has released data on patterns in processed food demand in the geographical regions of interest. With this assistance, the management team discovers that the items equivalent to their company's underperforming products have not seen a large decline in sales. As a result, they conclude that the market does not reject this type of product.

### ➤ **Rational decision making**

At the problem identification stage, rational decision making entails that all feasible perspectives be explored until the problem is perfectly identified. To do this, the decision-making team must broaden its

study within the organization to potentially relevant concerns such as production quality. Outside of the corporation, the inquiry would need to be expanded by concentrating on replacement items.

To keep things simple, let's assume that this inquiry concludes with a return to the first lead. The problem, according to the management team, is "distributor-related sales decrease." They are comforted when they learn from their sales MIS that sales of other items to the same distributor have changed dramatically in the past. With this conclusion, the first stage in logical decision making is complete.

The second phase in rational decision making is to identify alternative options. In our case, one approach may be to investigate with the distributor about the causes for the reduction in sales and renegotiate terms of trade such that the distributor accepts purchase quotas. The second approach may utilize a similar concept but specified more clearly - amending the contract with the distributor with formally stated liability for the distributor's underperformance, and maybe with awards for exceptional performance. Another option is to switch to a different distributor.

This approach entails looking for a comprehensive list of distributors operating in various geographical markets. Another alternative is to sell directly to stores rather than through the distributor. Additionally, several of these possibilities may be combined (e.g., renegotiating the terms of trade with the distributor and exploring the retail option at the same time). Nonetheless, this is not a complete list of options. The rational decision-making process presupposes that all legitimate solutions must be defined since only in this way can the final solution be truly the best alternative.

The examination of alternative options is the third phase in rational decision making. The management team weighs the choices' pros and disadvantages, or benefits and expenses. The majority of the analysis is financial in nature. For example, while the first choice in our example ("inquire and renegotiate terms of trade") is inexpensive, the rewards in terms of additional sales are doubtful.

Changing the contract with the distributor may cost more in terms of time and money (tangible costs), and the distributor may be reluctant to accept the change (which is an intangible cost). However, this strategy may provide the organization with greater control over sales, resulting in greater rewards. The distributor swapping option may be more expensive, but it may be more capable of fixing the problem. And so forth. Greater advantages cost more.

Our decision-making team employs the company's financial DSS when considering costs and advantages. Their system includes a data modelling module with formulae for processing numerical data. Consider spreadsheet software such as Excel for a minute (see more below). All of the solutions have been entered into the DSS by a financial analyst. Following a debate, the decision makers calculate the advantages and costs of each alternative and make quantitative estimates of these. The advantages are measured in terms of sales growth across specific time periods.

The DSS is also told to analyze the costs and advantages of each alternative, resulting in the creation of many scenarios. Assuming constant costs, one scenario improves benefits while the other diminishes benefits for the same situation.

Another set of situations maintains advantages while shifting expenses up and down. The DSS is tasked with evaluating the alternative options and ranking them in order of benefit/cost ratio. The technology returns the specified scenarios in a matter of seconds. It is now up to the decision-makers to assess each scenario and choose a winner. They may need to tweak certain values and run the DSS again before reaching at the universally agreed-upon result.

## Completing Problem Solving

Despite the fact that a choice has been taken, the greater problem is not yet solved. A decision is formally implemented so that it becomes a guideline for behavior. The manager-decision maker must then monitor the decision's impact. He anticipates that the choice will solve the issue for which it was made. This may or may not occur as intended. This monitoring is the fourth phase in the overall problem-solving process. If the intended outcomes of the choice are obtained, the decision maker does not need to act. However, if the choice does not generate the desired results, the decision maker must take another step toward modifying the decision.

In the above scenario, if sales do not rebound within the projected time frame, the decision makers must revise their choice (the solution). For example, if option one ("inquire with the distributor and renegotiate terms of trade") was chosen, the decision makers must return to the negotiating table with the distributor. The monitoring of real impacts resumes when the solution has been adjusted.

Several assumptions underpin the rational model of decision making and issue resolution. First, while identifying a problem, developing appropriate solutions, and assessing them, a decision maker is fully informed. Second, the model fails to take into consideration restrictions such as time and resources (human, material). While you should use the rational model whenever feasible, keep in mind that its assumptions are rarely met in practice. Because of this, the model's application is limited.

It is, for example, employed in more typical scenarios, such as IT purchases. When purchasing a certain piece of software or hardware, you may locate related goods and rank them based on features and cost elements. As a result, there will be a lengthy scoring table that clearly identifies the winner product. As a result, the rational model will undoubtedly be useful. However, keep in mind that its proper application necessitates an entire list of competing goods, a thorough description of features and cost components, and the creation of a score table for each piece of IT while developing an IS.

Such a large order appears to be difficult to accomplish, and some compromise appears to be required. As a result, even with this small situation, the rational model may not be fully applicable. As the next section will demonstrate, there are even more dramatic departures from the rational model in real-world organizations.

### ➤ **A decision support system (DSS)**

A decision support system (DSS) is a computerized software that helps an organization or business make decisions, make judgements, and plan courses of action. A DSS sifts through and analyses vast volumes of data, producing detailed information that may be utilized to solve issues and make decisions.

A decision support system (DSS) is a computerized software that helps an organization or business make decisions, make judgements, and plan courses of action. A DSS sifts through and analyses vast volumes of data, producing detailed information that may be utilized to solve issues and make decisions.

DSS is used when critical decisions concerning an organization's future must be made. If the food manufacturer in the preceding example does not arrest the decline in sales of specific items, the company's revenues may suffer in the long run. DSS provides support to higher-level management. In the instance of the food manufacturer, the issue was originally addressed by a mid-level manager, but it was then escalated up the hierarchy.

The decision-making committee then utilized a financial DSS to evaluate alternative remedies to the problem of underselling items. Another DSS mentioned in the case is a marketing DSS, which the corporation did not possess and hence had to rely on the services of a marketing research agency. Such a



DSS may be owned by producers who are directly associated with consumer markets. Because the majority of the data in this system comes from the organizational environment, feeding it with current, full, and accurate market data is a difficulty. Not every business can afford to respond to this challenge.

Problems to be solved with a DSS are less organized, which means they are more difficult to grasp and analyze than those delegated to MIS and TPS. This lack of structure is the result of looking at the big picture of an organization. Furthermore, a whole new component of the organizational environment is added. As a result, DSS data might come from both within and outside of a firm. A DSS provides important performance indicators for organizational sources. The status of cash flow in the firm as a whole, year-to-date summaries, year-to-date breakdowns of profits, expenditures, business hours, purchases and sales, and similar aggregated numbers are examples.

The important performance indicators are typically expressed visually in simple and appealing styles. The dashboard is one such format. It is similar to an automobile dashboard, with gauges showing safety (the green zone of the circular gauge), danger (the red zone), and neutrality (the yellow zone).

Any DSS also includes a drill-down feature that lets you to investigate what lies behind the aggregate data. To obtain more precise data, the user only needs to click on a certain number or button on the screen. The nature of environmental data differs according on the DSS domain. Figures on competitiveness, government laws, product development patterns, technological trends, and market analysis are some examples. Dashboards can also display environmental data.

Figure 4 depicts a model of DSS. It demonstrates that DSS does data modelling and mining. A DSS's core module provides support for these functionalities. The DSS, like any other information system, contains a user interface (as mentioned above, a dashboard) and certain databases (e.g., for environmental data). The diagram also depicts a connection between the DSS and MIS. A MIS's outputs are fed into a DSS via TPS databases. (Recall the notion of information system hierarchy that supports multiple levels of administration.)

### ➤ **Understanding a Decision Support System**

A decision support system collects and analyses data before synthesizing it to provide complete information reports. As an informative application, a DSS varies from a standard operations application, whose sole job is to gather data.

The DSS might be wholly automated or run entirely by people. In other circumstances, it may be a combination of the two. The ideal systems assess data and make decisions on behalf of the user. At the very least, they enable human users to make more informed judgments in less time.

Operations management and other planning departments in a business can use the DSS to aggregate information and data and synthesize it into actionable insight. In reality, mid- to upper-level management is the primary user of these technologies.

A DSS, for example, might be used to forecast a company's revenue for the next six months based on new product sales assumptions. This is not a simple calculation that can be done manually due to the enormous number of elements that surround expected income statistics. A DSS, on the other hand, may combine all of the various elements and provide an outcome and alternate outcomes depending on the company's previous product sales data and current variables.

### ➤ **Characteristics of a DSS**

The major goal of employing a DSS is to convey information to the client in an understandable manner. A DSS system is advantageous because it can be designed to create a variety of reports based on user parameters. The DSS, for example, can create and display information graphically, such as in a bar chart representing predicted revenue or as a written report.

Data analysis is no longer restricted to massive, unwieldy mainframe systems as technology advances. Because a DSS is simply a program, it can be installed on most computer systems, including desktops and laptops. Certain DSS programs can also be accessed through mobile devices.

The DSS's versatility is especially useful for customers that travel regularly. This allows them to be well-informed at all times, allowing them to make the best decisions for their company and consumers on the fly or even on the spot.

A decision support system (DSS) in an organization analyses and synthesizes massive volumes of data to aid in decision-making. It generates reports based on this data that may estimate income, sales, or inventory management. A DSS may provide a variety of various outputs based on the company's prior data and current inputs by integrating several factors.

Decision support systems are used in a wide range of industries, from health to agriculture. A medical professional may utilize a computerized decision support system for diagnostics and prescriptions to assist in the diagnosis of a patient. A decision support system can help a doctor diagnose a patient by combining physician inputs with prior electronic health information.

### ➤ **Benefits of a Decision Support System**

In general, decision support systems aid in making more informed judgments. Decision support systems are frequently used by senior and mid-level management to make actionable decisions or provide several alternative outcomes based on current and historical corporate data. Simultaneously, decision support systems may be utilized to provide reports for consumers that are readily consumable and can be customized based on user preferences.

### ➤ **Model-Driven DSS**

Model-driven DSS are computerized systems that employ accounting and financial methods, representational models, and/or optimization models to aid in decision-making.

Model-Driven DSS prioritize model access and manipulation, such as statistical, financial, optimization, and/or simulation models. The most basic level of functionality is provided by simple statistical and analytical tools. Some OLAP systems that allow complicated data analysis may be classed as hybrid DSS systems since they provide modelling, data retrieval, and data summarizing features. In general, model-driven DSS provide decision assistance through the use of complicated financial, simulation, optimization, or multi-criteria models. Model-driven DSS employ data and parameters supplied by decision makers to assist decision makers in assessing a scenario, but they are not often data demanding, which means that extremely large data bases are not typically required for model-driven DSS. Bonczek, Holsapple, and Whinston referred to early versions of Model-Driven DSS as Computationally Oriented DSS.

Many businesses use models to help them make decisions. Dresdner Bank, for example, makes credit and lending decisions using a model-driven DSS. OptiStop is used by USA Truck to produce optimal route and fuelling stop suggestions.

## MODEL DECISION

The Decision Model is a mental template for comprehending, organizing, and controlling the business logic underlying a business decision. 1 A collection of business rules portrayed as atomic elements of circumstances leading to conclusions is an informal definition of business logic. A more formal definition of business logic is "the process through which a company gets a conclusion from facts." Thus, business logic is a prescription for how business experts should assess data in order to reach a conclusion that has both meaning and value to the firm. As a result, a business decision is described as a conclusion reached by business logic that the firm is interested in managing.

As a result, business logic is intellectual in character since it conveys business thinking about how key choices should be made.

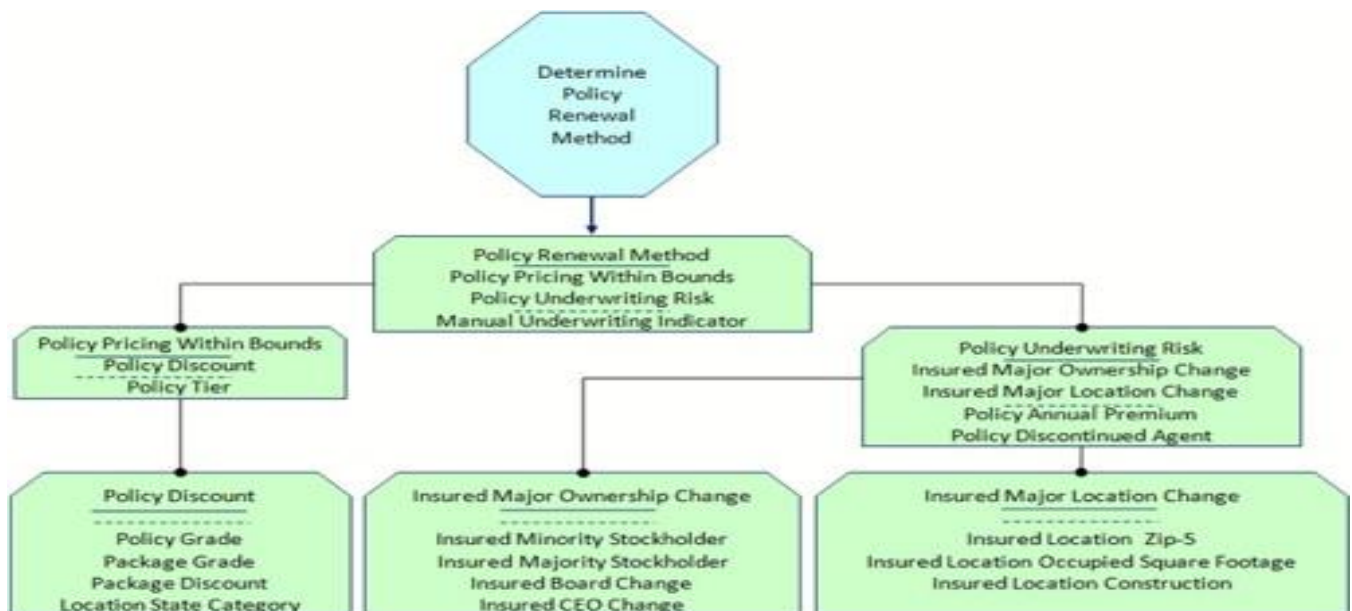
To make business logic real, it is usual practice to transform it into a visible, communicative form, which is frequently a collection of business rules or business statements. These come in a variety of formats, including free-form text, fill-in-the-blank templates, decision tables, decision trees, and phrases that adhere to specified syntax or grammar. In any case, it is these business rules or assertions (or, more precisely, their intended logic) that are modelled in a Decision Model structure in accordance with the Decision Model principles.

### ➤ The Decision Model as an Intellectual Template

The Decision Model, as an intellectual template, is a logical representation of business logic. It is not, by design, a physical representation of how that business logic would be implemented in specific technology. It isn't even a model for communicating that business logic through process manuals or training materials. Instead, it serves as a conceptual framework for the comprehensive and rigorous definition of that logic. If the objective is to automate it, a Decision Model may be converted into one or more target technologies using suitable design processes based on this complete and thorough specification. A Decision Model can be converted into whichever format is most readily accessed by people if the purpose is for humans to follow it.

### ➤ The Decision Model as a Model

The Decision Model is more than just a set of business rules or assertions. It is, rather, a model that represents the structural architecture of the logic expressed by those claims.



Unlike previous representations of business logic, the Decision Model is a one-of-a-kind model of business logic. It is not, for example, a model of how that business logic links to processes, use cases, information, or software models. It is not a notation that has been added to data models, fact models, process models, or any other type of model. Instead, it is an independent representation of business logic based on the idea that business logic has its own existence, regardless of how it is executed, where it is done within the company, and whether or not it is executed in automated systems. The Decision Model may be attached to any other type of model while remaining independent of it.

Having its own existence indicates that a business logic model has an identifiable structure that is distinct from the structure of other types of models. Furthermore, the Decision Model differs in its depiction of business logic since a Decision Model seeks to be:

- Simple to understand and manage
- Declarative in order to be unaffected by technological or processing constraints
- Optimal in terms of integrity, which means that its business logic is consistent within itself and fits with company goals.

The Decision Model, as a distinct model with these features, raises business logic to the status of a valuable organizational asset that would otherwise be illusive without such a representation.

### **Examples of Business Logic**

Earlier in this chapter, we defined business logic as the process through which a company obtains conclusions from information. The following are statements that can be used to draw inferences from facts:

- A person with a bad job history is someone who has not worked in the last five years.
- An individual with ten or more jobs in the last five years is regarded to have a bad work history.
- A person with a bad credit history, a huge mortgage, and a large number of other debts is regarded extremely likely to fail on a loan.
- A person with a poor credit history should not be approved for an unsecured loan.
- The proprietary formula A154 is used to calculate a person's credit rating.

First and foremost, each of these assertions is presented in the manner in which a businessperson may articulate it. None of them are stated in a terse, forced, artificial, or pseudocode manner. The terms are business-friendly and may be used as a jumping-off point. The objective is to uncover the intended business logic underlying the assertions and transfer it into a more rigorous form in a Decision Model. In fact, the Decision Model can produce a natural language statement that is more exact than the raw material from which it was formed.

For the time being, each of the above propositions is merely one business conclusion. That is, depending on facts, each assertion reaches a simple or complicated conclusion.

The first two assertions reach a conclusion regarding a person's employment history. The third one makes a determination on a person's chance of defaulting on a loan. The fourth concludes that an unsecured loan should be granted. And the fifth arrives to a decision regarding the value attributed to a person's credit rating. The conclusion in the fourth sentence appears to be an unconditional restriction since it outlines a circumstance that must never be true. The conclusion in the fifth sentence is the outcome of a computation since it supplies a precise formula. Regardless, each of these assertions comes

at a conclusion based on particular facts stated by company executives as input. capturing and refining business logic from circumstances to conclusions.

A Decision Model is a blueprint for how a company comes to fact-based conclusions that collectively constitute the desired business logic behind a business decision. Individual findings and their representation in a Decision Model are unaffected by whether they support complicated bespoke software, commercial software packages, or human-run procedures. In reality, regardless of the sort of automation or lack thereof, a Decision Model adheres to all Decision Model principles. In reality, it is better to create a Decision Model first and then decide whether it is best carried out by technology or by humans. If technology is the best match, the Decision Model can aid in picking the technology that best fits the features of the business reasoning underlying the decision.

## **UNDERSTANDING DECISION MAKING**

Making choices among various courses of action, which may sometimes involve inaction, is referred to as decision making. While it is possible to claim that management involves decision making, 50% of all decisions made by managers inside companies fail. As a result, enhancing your decision-making effectiveness is a key aspect of increasing your overall effectiveness at work. This chapter will teach you how to make decisions on your own or in groups while avoiding frequent decision-making pitfalls.

Individuals in organizations utilize the information they collect to make a variety of decisions. These decisions can have an impact on the lives of individuals and alter the trajectory of an organization. For example, the judgments taken by Enron executives and consulting companies resulted in a \$60 billion loss for investors, thousands of job losses, and the loss of all employee retirement assets. However, Sherron Watkins, a former Enron employee and now-famous whistle-blower, exposed the accounting flaws and attempted to effect reform. Similarly, corporations' decisions to trade in mortgage-backed securities are having a detrimental impact on the overall US economy. Each of these people made a choice, and each of them, as well as others, is now dealing with the repercussions of that choice.

Because many actions contain an ethical component, one of the most significant management issues is whether the judgments you make as an employee or manager are ethical. Here are some fundamental questions to ask oneself while evaluating the ethics of a decision.

- Is this a fair decision?
- Will this decision make me feel better or worse about myself?
- Is this choice in violation of any organizational rules?
- Is this decision in violation of any laws?
- How would I react if this choice was made public?

### **Types of Decisions**

Despite the far-reaching scope of the preceding example's judgments, not all actions have substantial implications or even need much consideration. For example, before you go to class, you make easy and regular decisions about what to dress, what to eat, and the route to take to and from home and school. You probably don't spend a lot of effort on these little decisions. These simple judgments are referred to as programmed decisions; they occur frequently enough that humans have developed an automated response to them. The decision rule is the automatic answer we employ to make these judgments. Many restaurants, for example, deal with client complaints on a daily basis. Because this is a reoccurring issue for eateries, it may be considered a pre-programmed choice. To address this issue, the restaurant may create a policy saying that every time a genuine customer complaint is received, the consumer shall

receive a free dessert, which indicates a decision rule. Making strategic, tactical, and operational decisions is an essential aspect of the P-O-L-C planning role (planning-organizing-leading-controlling)

Decisions that are distinctive and significant, on the other hand, need intentional thought, information collection, and thorough examination of options. These are referred to as nonprogrammed choices. For example, in 2005, McDonald's recognized the need to address rising customer concerns about items high in fat and calories. This is an unplanned choice since, for decades, fast-food customers were more concerned with the flavour and price of the meal than with its healthiness. In response, McDonald's started to provide healthier options, such as replacing apple slices for French fries in Happy Meals and eliminating the usage of trans fats. A crisis circumstance also represents a nonprogrammed decision for businesses.

For example, Nutrorim's leadership was faced with a difficult decision. They'd just released a new product called ChargeUp with Lipitrene, which was an upgraded version of their famous sports drink powder, ChargeUp. However, a state health official called to notify them that many cases of gastrointestinal distress had been recorded after customers ingested the new product. Nutrorim decided to immediately recall ChargeUp with Lipitrene. Two weeks later, it was evident that the gastrointestinal issues had nothing to do with ChargeUp with Lipitrene. However, the harm had already been done to the brand and the balance sheets. This regrettable judgment prompted Nutrorim to reconsider how choices were made under duress in order to acquire information and make educated decisions when time was of the importance.

Decision making may be divided into three types based on the level at which it occurs. Strategic decisions determine the direction of an organization. Tactical decisions are those that affect how things are done. Finally, operational choices are those made by personnel on a daily basis in order to manage the business. Consider the restaurant that frequently provides a complimentary dessert in response to a client complaint. The restaurant's owner made a deliberate choice to provide excellent customer service. The restaurant management introduced the free dessert policy as a means of dealing with customer concerns, which was a tactical choice. Furthermore, each day, the restaurant's waiters make unique judgements on whether each customer complaint received is credible enough to deserve a complimentary dessert.

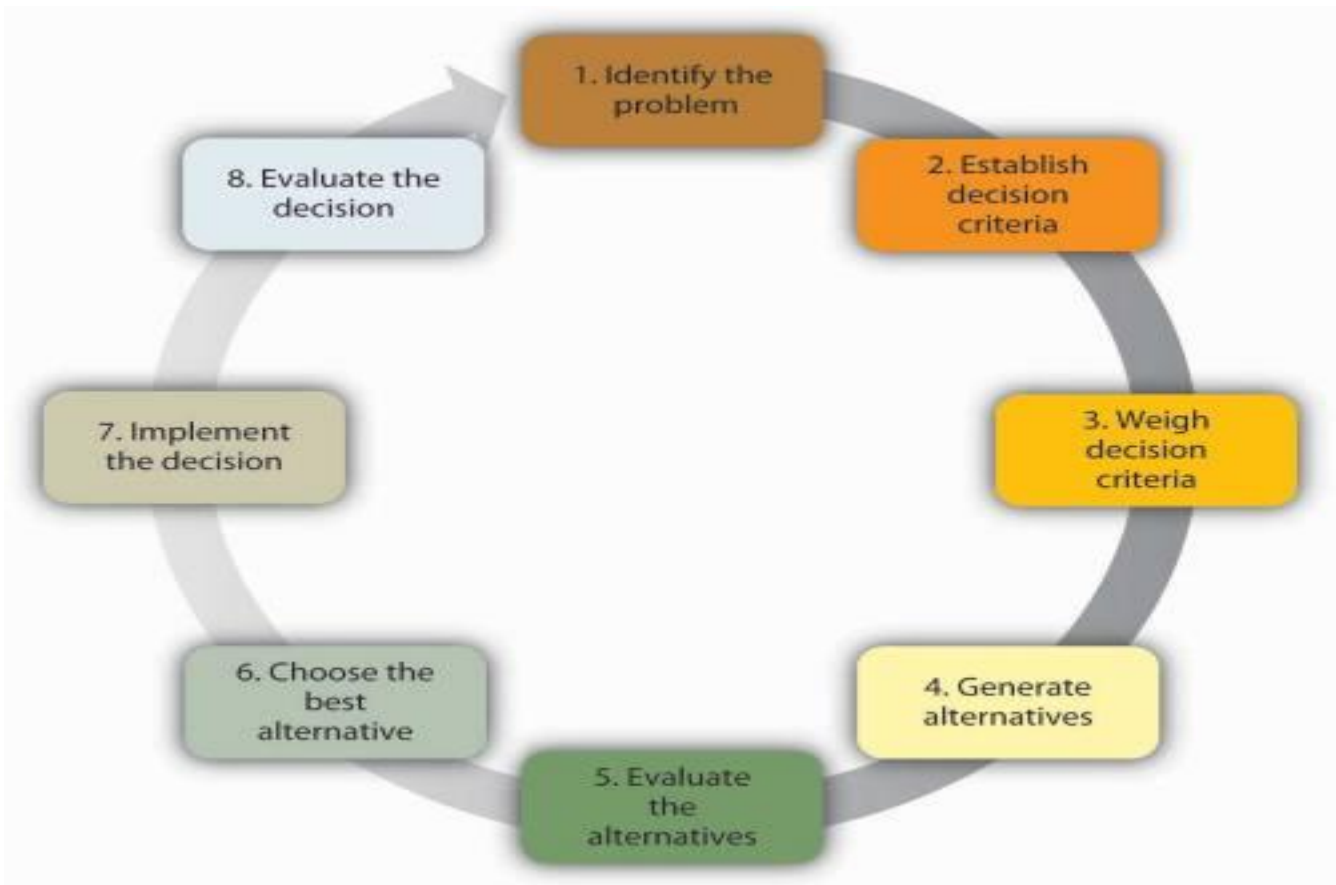
### **Making Rational Decisions**

The rational decision-making model outlines a sequence of processes that decision-makers should take if they want to optimize the quality of their outcomes. In other words, going through the formal phases of the rational decision-making model may make sense if you want to ensure you make the optimal option.

Assume your old, cumbersome automobile has broken down and you have enough money saved for a sizable down payment on a new vehicle. It is your first large purchase, and you want to make the proper decision. As a result, the first step has already been completed we know you want to acquire a new automobile. Step 2 will need you to determine which variables are essential to you. How many persons do you intend to transport? What importance do you place on fuel economy? Is safety a top priority? You only have a specific amount of money saved and don't want to go into too much debt, so price range is also a crucial consideration. You've recognized the choice criteria if you know you want to have room for at least five persons, obtain at least 20 miles per gallon, drive a car with a high safety rating, spend no more than \$22,000 on the purchase, and enjoy how it looks. These criteria will be applied to all prospective possibilities for acquiring your automobile.

Before we go any farther, you must decide in step 3 how essential each aspect is to your decision. If each is equally significant, there is no need to weight them; however, if you know that price and gas mileage are critical variables, you may weight them strongly while keeping the other criteria at a medium level of priority. Step 4 needs you to produce all possible outcomes for your selections. Then, in step 5, you must utilize this information to compare each possibility to the criteria you have created. You select the greatest alternative (step 6) and head out to purchase your new automobile.

The consequence of this decision will, of course, be tied to the next decision taken; here is where the evaluation in step 8 comes into play. For example, if you buy a car but have nothing but difficulties with it, you are unlikely to buy another automobile of the same make and model the following time!



While any of these processes might cause decision makers to deviate, research suggests that restricting the search for alternatives in the fourth step can be the most difficult and lead to failure. In fact, one study discovered that in 85 percent of the judgments investigated, no alternative generation occurred. Successful managers, on the other hand, are clear about what they want from the start of the decision-making process, set objectives for others to react to, conduct an unconstrained search for answers, include important individuals in the process, and avoid using their influence to promote their point of view.

Decision-makers may learn a lot from the rational decision-making paradigm. To begin, while making a decision, make sure that you create your decision criteria before searching for all possibilities. This will keep you from favouring one choice over another and adjusting your criteria appropriately. Assume you started looking for vehicles before deciding on your choice criterion. You may come across an automobile that you believe truly reflects your sense of style and form an emotional attachment to it. Then, because you adore this automobile, you may convince yourself that the fuel efficiency and creative braking system are the most crucial elements.

After you buy it, you may discover that it is too tiny for all of your friends to travel in the back seat while you and your brother sit in the front, which is something you should have considered! Setting criteria before searching for alternatives may help you avoid making such errors. Another advantage of the rational model is that it encourages decision makers to produce all possible options rather than just a few. You are more likely to make a more effective decision if you generate a big number of options that span a wide range of possibilities.

Despite its many advantages, you may have observed that this decision-making model has a number of incorrect assumptions. It implies that individuals understand what decision is being made, that they are aware of all available options, that they are free of perceptual biases, and that they desire to make the best decision possible. While the rational decision-making model is a useful tool for problem solving, it does not represent how decisions are typically made within companies, according to Nobel Prize-winning economist Herbert Simon. In fact, Simon contended that it wasn't even close!

Consider how you make major decisions in your life. We believe you seldom sit down and finish all eight phases of the rational decision-making paradigm. This approach, for example, claimed that we should consider all feasible options before making a choice, however this may be time intensive, and individuals are frequently under time constraints to make judgments. Furthermore, even if we had access to all of the information, comparing the benefits and negatives of each possibility and ranking them based on our preferences may be difficult. Anyone who has recently purchased a new laptop computer or mobile phone will speak to the difficulty of sorting through the many strengths and limitations of each brand, model, and support package available and arriving at the solution that best matches their needs.

In fact, having too much information available can lead to analysis paralysis, in which more and more time is spent obtaining information and thinking about it, but no conclusions are taken. A top executive at Hewlett-Packard confesses that his business suffered from this cycle of over-analysis for far too long, to the point that data collection resulted in "not making judgments, rather than us making decisions." Furthermore, you may not always be interested in making the best selection. In fact, having too much information available can lead to analysis paralysis, in which more and more time is spent obtaining information and thinking about it, but no conclusions are taken. A top executive at Hewlett-Packard confesses that his business suffered from this cycle of over-analysis for far too long, to the point that data collection resulted in "not making judgments, rather than us making decisions." Furthermore, you may not always be interested in making the best selection.

### **Making "Good Enough" Decisions**

The constrained rationality decision-making paradigm acknowledges the constraints of human decision-making processes. Individuals, according to this concept, intentionally reduce their options to a manageable set and select the best alternative without completing a comprehensive search for alternatives. The propensity to satisfice, which refers to adopting the first choice that fits your minimum requirements, is an important aspect of the limited rationality approach. Many college grads, for example, do not perform a national or worldwide search for possible job vacancies; instead, they narrow their search to a certain geographic region and prefer to accept the first offer in their selected location, even if it is not the perfect employment circumstance. Satisficing is similar to rational decision making, except instead of selecting the best option and maximizing the prospective outcome, the decision maker saves time and effort by accepting the first option that matches the minimal criteria.

### **Making Intuitive Decisions**



The intuitive decision-making model has evolved as a powerful decision-making tool. It refers to making decisions without using cognitive thought. Eighty-nine percent of managers polled said they utilized intuition to make choices at least occasionally, and 59 percent said they used it frequently. Given that managers frequently need to make decisions under time constraints, constraints, a great deal of uncertainty, highly visible and high-stakes outcomes, and changing conditions, it stands to reason that they would not have the time to formally work through all the steps of the rational decision-making model. When CEOs, financial analysts, and healthcare personnel are questioned about the key decisions they make, they seldom credit their success to chance.

To an outside observer, it may appear that they are speculating on the best course of action to pursue, but it turns out that they are systematically making judgments based on a different model than was previously assumed. According to research on life-or-death decisions made by fire chiefs, pilots, and nurses, these specialists do not pick from a list of well-considered options. They don't compare two or three possibilities and pick the best one. Instead, they just examine one choice at a time. According to the intuitive decision-making paradigm, professionals making judgments in a specific scenario examine the surroundings for signs to detect patterns. Once a pattern is identified, they may simulate a probable course of action and its consequence based on their prior experience.

These decision makers have an understanding of how well a certain solution could work based on their training, experience, and expertise. If they run the mental model and discover that the answer will not work, they modify it and retest it before putting it into action. If it is still not regarded a practical solution, it is eliminated as an alternative and a new concept is evaluated until a suitable solution is discovered. Once a feasible course of action has been selected, the decision maker implements the solution. The important element is that only one option is examined at a time. Because they lack past experience, novices are unable to make successful judgments in this manner.

### **Making Creative Decisions**

Creative choice making, in addition to rational decision making, bounded rationality models, and intuitive decision making, is an important aspect of becoming an effective decision maker. Creativity is defined as the development of novel, innovative ideas. With the flattening of companies and increasing rivalry across businesses, people and organizations are being pushed to be innovative in decisions ranging from cost-cutting to developing new business models. Please keep in mind that, while creativity is the initial stage in the innovation process, it is not the same as innovation. Innovation starts with fresh ideas, but it also requires pragmatic planning and execution.

In some aspects the five phases to creative decision making are comparable to the preceding decision-making frameworks. All of the models involve the stage of problem identification, which is when the necessity for problem solutions becomes obvious. It is impossible to fix an issue if you do not acknowledge it. Immersion is the stage at which the decision maker intentionally thinks about the situation and acquires knowledge. Having or obtaining competence in the topic being studied is essential for success in creative decision making. Then comes incubation. During incubation, the individual lays aside the problem and does not worry about it for a time. At this point, the brain is working on the problem subconsciously. Then there's lighting, or the insight moment, when the answer to the problem becomes clear to the individual, frequently when it's least expected. This is a "eureka" moment, comparable to the one experienced by the ancient Greek inventor Archimedes, who discovered a solution to a problem he was working on while taking a bath. Finally, the decision maker deliberately verifies the practicality of the solution and executes the choice during the verification and application step.

A NASA scientist outlines his decision-making process that resulted in a creative result as follows: He has been attempting to devise a better method of de-icing planes in order to make the procedure faster and safer. He had immersed himself in the literature after discovering the problem to grasp all of the choices, and he had worked on the problem for months attempting to find out a solution. It wasn't until he was seated outside a McDonald's with his grandkids that it hit him. His answer was inspired by the golden arches of the "M" in the McDonald's logo: he would design the de-icer like a sequence of M's! This was the stage of lighting. He was done with the problem when he tried and validated his inventive solution, except to remark on the outcome and process.



### How Do You Know If Your Decision-Making Process Is Creative?

To assess the extent of creativity in the decision-making process, researchers look at three aspects. The amount of ideas that a person can create is referred to as fluency. The degree to which thoughts differ from one another is referred to as flexibility. If you can produce multiple unique answers to an issue, your decision-making process is flexible. The uniqueness of a concept is referred to as its originality. Reed Hastings, the creator and CEO of Netflix, may be described as a creative individual. His decision-making process demonstrates at least two creative components.

We do not even know how many ideas he had over his career, but they were all rather diverse. After serving in the Peace Corps and teaching math in Africa, Hastings was accepted to Stanford University, where he obtained a master's degree in computer science. He built a successful debugging tool soon after starting employment at a software firm, which led to the establishment of the computer troubleshooting company Pure Software in 1991. In 1997, Hastings launched Netflix after a merger and subsequent sale of the resultant firm, which transformed the DVD rental sector through online rentals with no late fees. Hastings was elected to Microsoft's board of directors in 2007. As you can see, his concepts are unique and adaptable.



According to some experts, creativity is the result of three things interacting: (1) people's personality qualities (openness to experience, risk taking), (2) their attributes (expertise, imagination, motivation), and (3) the situation (encouragement from others, time pressure, and physical structures). Individuals who are open to experience, are less conscientious, more self-accepting, and more spontaneous, for example, tend to be more creative, according to study.

There are several strategies available to boost and develop creativity. "The greatest approach to have a good idea is to have a lot of ideas," remarked Linus Pauling, the Nobel laureate who popularized the concept that vitamin C may assist grow the immune system. Brainstorming is a common method for generating ideas. Brainstorming is a group practice of generating ideas that adheres to a set of criteria such as not criticizing ideas during the brainstorming process, the premise that no suggestion is too insane, and building on previous ideas (piggybacking). According to research, the quantity of ideas leads to greater idea quality in the end, therefore creating high idea quotas, where the group must achieve a certain number of ideas before they are done, is advised to reduce process loss and optimize the efficacy of brainstorming. Another distinguishing feature of brainstorming is that the more individuals involved in the process, the better the final outcome will be since the group will have a wider range of perspectives to draw from. Wildstorming is a type of brainstorming in which the group concentrates on ideas that are impossible and then imagines what would need to happen to make them possible.

### **Ideas for Enhancing Organizational Creativity**

We have shown that organizational innovation is critical to the success of companies. Here are some tips for increasing organizational creativity in teams.

#### ➤ **Team Composition (Organizing/Leading)**

- Diversify your staff to provide them with more input to work with and more opportunity to create functional conflict while avoiding personal conflict.
- Change the composition of your group to promote fresh ideas and interaction patterns.
- Leaderless teams can provide teams the opportunity to innovate without having to impress anybody right away.

#### ➤ **Team Process (Leading)**

- Engage in brainstorming to produce ideas; remember to establish a high objective for the amount of ideas that the group should generate; promote crazy thoughts; and take brainwriting pauses.
- To avoid several frequent group process errors, use the nominal group approach in person or virtually. Take into account anonymous input as well.
- Analogies can help you see issues and answers.

#### ➤ **Leadership (Leading)**

- Teams should be challenged such that they are engaged but not overwhelmed.
- Rather of telling individuals what goals to attain, let them select how to achieve them.
- Encourage and appreciate originality, even when it results in a mistake. However, put up methods for learning from mistakes as well.
- Demonstrate inventive conduct.

➤ **Culture (Organizing)**

- Implement organizational memory so that employees do not waste time on routine chores.
- Create a lively and amusing physical setting favorable to creativity—this is a place where ideas may bloom.
- Integrate innovative activity into the performance evaluation process.

The four decision-making models differ in terms of how experienced or driven a decision maker is to make a choice: rational, limited rationality, intuitive, and creative. Choosing the appropriate method will increase your productivity and capacity to do all P-O-L-C duties.

Decision Making Model	Use This Model When:
Rational	<ul style="list-style-type: none"> <li>• Information on alternatives can be gathered and quantified.</li> <li>• The decision is important.</li> <li>• You are trying to maximize your outcome.</li> </ul>
Bounded Rationality	<ul style="list-style-type: none"> <li>• The minimum criteria are clear.</li> <li>• You do not have or you are not willing to invest much time to making the decision.</li> <li>• You are not trying to maximize your outcome.</li> </ul>
Intuitive	<ul style="list-style-type: none"> <li>• Goals are unclear.</li> <li>• There is time pressure and analysis paralysis would be costly.</li> <li>• You have experience with the problem.</li> </ul>
Creative	<ul style="list-style-type: none"> <li>• Solutions to the problem are not clear.</li> <li>• New solutions need to be generated.</li> <li>• You have time to immerse yourself in the issues.</li> </ul>

Choosing between different courses of action, including inaction, is what decision making is all about. There are several decision kinds, ranging from automated, programmed decisions to more intense nonprogrammed decisions. Rational choice making, constrained rationality, intuitive decision making, and creative decision making are all examples of structured decision-making processes. Depending on the circumstances and the situation at hand, each of these can be beneficial.

**J. THE EVOLUTION OF DECISION MAKING: HOW LEADING ORGANIZATIONS ARE ADOPTING A DATA-DRIVEN CULTURE**

Leading firms are embracing a data-driven culture, resulting in a subtle but important shift in decision-making processes. Users' skill sets are evolving as a result of this growth, allowing them to incorporate analytics tools into their routine workflow to unearth strategic insights. And they are doing a better job of blending data with instincts. Companies that get the most out of analytics are learning how to find the perfect balance between employing analytics and their management intuition, as well as how to manage business rules alongside analytics.

The demand on enterprises to make correct and fast judgments has never been stronger in a quickly changing global business environment. The capacity to anticipate obstacles, spot opportunities, and react quickly is not only a competitive advantage, but also a survival essential.

People have long extolled the virtues of using data and insights from business intelligence (BI) and analytics to make better and more timely choices. It was thought that relying on data from these technologies would result in improved financial performance. A global survey of 646 executives, managers, and professionals from various industries and regions demonstrates a major, though subtle, shift in decision-making processes and the usage of analytics/BI technologies. Users are seeing this evolution:

➤ **Developing abilities**

With the ever-increasing speed of business, executives and business users are honing their skills so that they can integrate analytics tools into their routine workflow to find critical insights.



➤ **Balancing data with instincts**

These business users are not utilizing data on autopilot; they are learning how to strike the perfect balance between employing analytics and their managerial intuition, as well as how to manage business rules alongside analytics.

➤ **Forging new relationships**

As the use of analytics becomes more crucial for decision making, the most senior business users are developing new and deeper connections with analytics specialists, elevating them to the position of trusted internal consultant.

➤ **Developing best practices**

Leading analytics users employ a variety of tactics, which mature into best practices over time, to build a "analytics ecosystem" in their department or business.

In an increasingly competitive global economy, the requirement for more fast decision making is prevalent.

The demand on corporations and their workers to make better judgments faster has intensified. As a consequence of these pressures, an evolution in the establishment of a data-driven culture, often based on the use of analytics and business intelligence, is taking place. A succession of important developments investigated can be used to outline the evolution:

➤ **Time Pressure Increasing**

In an increasingly competitive global economy, the requirement for more fast decision making is prevalent.

➤ **Processes that are standardized**

Data is being used as the foundation and starting point for conversations in decision-making processes, which are becoming more standardized.

➤ **The Ascension of Analytics Leaders**

As part of a data-driven culture, mature analytics users have refined their decision-making processes and achieved superior financial performance.

➤ **Skill Expansion**

To satisfy the increased need for quicker and better decision making, business users are honing their abilities with analytics tools and incorporating them into the fabric of how they operate.

➤ **More Caution in Using Managerial Judgment**

While data is essential, decision-making procedures also require the incorporation of industry practices, expertise, and other types of management judgment.

### **Decision-Making Challenges**

While respondents' organizations generally acknowledge the need to improve decision-making capabilities, many do not have all of the necessary mechanisms in place to tackle the problem. One-fifth of respondents think their decision-making procedures are inconsistent or, at best, informal. Furthermore, firms with poor decision-making processes are considerably less likely to employ analytics in decision-making.

Many respondents expressed dissatisfaction with their companies' present decision-making processes. "The bulk of my peers depend on intuition or just agree with higher management because they believe they are there for a reason," a mining business executive explains. "I am typically alone when expressing concern, which is done not to condemn but to highlight areas of potential to develop." " He observed that an over-reliance on management intuition results in a rather chaotic decision-making process. "Decisions are frequently made to see whether the change works well, and if it doesn't, we can always go back to how it was or try something new," he adds. "We could get lucky with this technique, but the chance of a negative consequence is higher."

### **Analytics Leaders: A New Approach Begins to Emerge**

It is worth noting that the largest organizations, with annual revenues of \$5 billion or more, are the ones most likely to profit from speedier decision making using analytics. Surprisingly, among all the benefits

of adopting analytics, the most commonly mentioned result by respondents was speedier decision making.

Companies that have shifted to fact-based, evidence-based decision making that has been polished against management feelings are simply making better judgments than those that still make decisions based on gut feel. What these outstanding firms are doing differently is creating an analytics ecosystem that significantly increases the value of what analysts can offer, so executives understand all of the interconnections and relationships, as well as the historical foundations for their decisions. As a result, individuals can now make better and more strategic judgments than they could previously.

### **Analytics Is Changing Individuals and Organizations**

Another significant result is the shift in the role of decision-makers. The flood of data from social media, emails, videos, presentations, and other unconventional sources of information provides CEOs with unparalleled insight into their consumers and organizations, as well as the capacity to predict issues and find possibilities.

To fully capitalize on opportunities and address obstacles, leaders, managers, and professionals are developing new abilities to comprehend what data is relevant and to go deeper into the figures to make and evaluate assumptions and judgments. Simultaneously, they are developing new and deeper ties with analytics specialists, elevating them to the role of trusted inside consultant. As the need of timely decision making grows, analytics is enhancing and changing the way such judgments are made.

## **3. CONCLUSION**

Systems strategic planning is an essential component of small business operations. Small firms create strategic plans to establish where they have come from, where they are now, and where they will go in the future in terms of company performance. Strategic planning also assists a small firm in developing plans to address future business issues and capitalize on prospective possibilities.

Furthermore, it aids business organizations in evaluating the amount of resources they have and, as a result, deciding how to effectively distribute them for the advantage of business organizations.

Strategic planning is a management technique that is used to manage the business operations of a certain company organization. In this example, it was utilized to manage the future of the company organization and so put the firms in positions where they could successfully and efficiently fulfill their business goals and objectives (Marien, 1990).

Small firms benefit from strategic planning in terms of overall success. In this regard, it is worth noting that study findings indicate that the more complicated the strategic plan, the better the performance of a company organization.

However, it is critical to understand that strategic planning is not a guarantee that a corporate organization will improve its performance. The successful execution of a strategic plan necessitates enough resources as well as the understanding of the strategic plan's contents by all stakeholders.

The strategic planning process is not without flaws; it also has a number of drawbacks. The strategic planning process is detailed and can get difficult at times; therefore it may be left undone owing to a lack of incentive to complete the planning process. Furthermore, strategic planning is both financially and time-consuming.

This is one of the reasons why many organizations, particularly small enterprises, fail to engage in strategic planning. As a result, such small organizations may lack strong and effective plans for

addressing future business issues and capitalizing on positive possibilities that are anticipated to develop along the business process.

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