Solutions to End of Chapter 2 Material

Answers to Discussion Questions

1. The CEO must ensure that the vision, mission, objectives, goals, and strategies of the organization are clearly communicated and understood so that everyone can help define the actions required to meet organizational goals, including capitalizing on new opportunities, fixing organizational weaknesses, and minimizing the impact of potential threats. Managers play a key role in framing IT and business opportunities and threats so others can understand them, and then evaluate and prioritize problems and solutions. Managers must lead the effort to pursue IT projects that best meet organizational needs.

2. The vision/mission statement communicates an organization's overarching aspirations and guides it through changing objectives, goals, and strategies. It forms a foundation for making decisions and taking action. The vision of the organization is a concise statement of what the organization intends to achieve in the future. The mission statement defines the organization's purpose for existing. These statements seldom change once they are formulated.

3. All levels and business units of an organization must be involved in internally assessing its strengths and weaknesses. Creating a historical perspective that summarizes the organization's development is one way to begin to conduct an internal assessment. Surveys of customers and suppliers are often used to identify strengths and weaknesses of organizational processes. Analysis of this data can reveal how well the organization is meeting current objectives, goals, and measures of performance. Where possible, internal processes of the organization can be compared to competitors in terms of speed, cost, and meeting customer expectations.

4. The most frequently used model for assessing the nature of industry competition is Michael Porter's Five Forces model. These forces include:

    - The threat of new competitors will raise the level of competition. New competitors are anxious to take market share from existing firms and will compete on the basis of price, quality, or customer service.

    - The threat of substitute products will force producers to lower their prices and thus lower the profitability of industry competitors.

- The bargaining power of buyers determines prices and long-term profitability. If buyers have strong bargaining power, they can demand lower prices.
- The bargaining power of suppliers can significantly affect the industry's profitability. If suppliers have strong bargaining power, they can demand higher prices for their goods and services.
- The degree of rivalry between competitors is high in industries with many equally sized competitors or little differentiation between products.

5. A threat is an indication of something impending that may negatively impact an organization. Threats are considered to occur in situations in which the organization has little control, such as a threat from a competitor or worldwide economic conditions. A weakness is a fault or defect that already exists within the organization. Typically, an organization can take action to eliminate its weaknesses. A strength is an existing strong attribute or inherent asset of the organization. An organization builds on its strengths. An opportunity presents a good chance for an organization to make an improvement of some type.

6. If an organization cannot identify any opportunities, it may mean that the industry in which it competes is dying or that its employees lack imagination and creativity. Either way, the organization is in serious trouble. If an organization cannot identify any threats, it lacks understanding of the industry and environment in which it competes. It is likely to be hit with an unexpected threat that has serious negative consequences for the organization.

7. An objective is a statement of a compelling business need that an organization must meet to achieve its vision and mission. A goal is a specific result that must be achieved to reach an objective. Several goals may be associated with a single objective. P&G has set a long-term objective of delivering a full decade of industry-leading revenue and profit growth. To achieve that objective, it has defined specific goals to achieve industry-leading numbers in three areas: sales growth, earnings-per-share growth, and free cash flow productivity.

8. Some organizations encourage their managers to set Big Hairy Audacious Goals (BHAGs) that require a breakthrough in the organization's products and services to achieve. There is a high risk that the attempt to reach such a goal may expend

considerable resources and yet still fail. Before setting a BHAG, senior management must be sure that the potential payoff is worth the attempt. They must be prepared to support the organization in meeting the BHAG. There also must be some consideration of how to minimize the negative impact if it becomes clear that the BHAG cannot be met.

9. A strategy describes specific actions an organization will take to achieve its vision, mission, objectives, and goals. Selecting a specific strategy focuses and coordinates an organization's resources and activities from the top down to accomplish its mission. During World War II, the Allied Forces vision/mission was to win the war. Its strategy was "first win in Europe."

10. The market options matrix identifies an organization's product and market options. The matrix suggests that an organization can grow by marketing new or existing products in new or existing markets.

11. The Boston Consulting Group developed the growth-share matrix to help organizations allocate their resources among various business units. The four groups are:

    Question marks—Business units or products with relatively low market share that operate in an arena with a high growth rate. These products require extensive investment but provide a relatively low return on investment because of the small market share. An organization should be prepared to either invest heavily in a question mark or invest nothing and let it die off. An organization cannot afford to invest in many question marks, so it must carefully choose the right business units and products to support.

    Stars—High-growth business units or products that compete in markets where they have attained a large market share. They need further investment to sustain rapid growth or to ward off attacks by competitors. Stars can turn into cash cows.

    Cash cows—Low-growth business units or products that provide a solid foundation for the company by generating steady streams of cash and profits. They are mature and require relatively little investment.

    Dogs—Businesses or products that present little opportunity for growth and hold only a small market share. Management must avoid investing in dogs and must try to liquidate any existing dogs. They must be especially wary of expensive "turnaround" plans wherein overly optimistic ideas are advanced to make major investments to salvage products or organizational units that have been losing money for years.

12. Measures are metrics that track progress in executing chosen strategies to attain an organization's objectives and goals. They help managers determine if a strategy's ultimate purpose is being achieved. Results, determined by how well the measures are met, provide a feedback loop. Depending on the difference between the actual and desired measures, there may be a need for adjustments in the objectives, goals, strategies, measures, and the projects being worked.

13. Each year, the senior management team defines objectives (O) for the organization, establishes numerical goals (G) that index each objective, sets strategies (S) on how to reach the goals, and defines measures (M) to assess how well the strategies are being executed. This highest-level OGSM is then deployed to the organization's business units and functional units, where managers translate the information into their own unit's objectives and goals as input to their own OGSM process. In this manner, the organization's high-level objectives, goals, strategies, and measures are clearly communicated to all employees so that everyone is "on the same page." The various organizational units can then develop more detailed plans that align with the firm's objectives, goals, and strategies. Planning by individual business units must consider cross-functional needs and resources.

14. An IT organization might work on a project to upgrade at least 25% of its laptop computer hardware to the current "state-of-art" technology as part of its OGSM. An IT organization might work on a project to enable the "books to be closed" within 2 days of the end of an accounting period to help the accounting/finance organization to meet its OGSM.

15. The quantifiable benefits of IT projects can be compared based on rate of return. However, the rate of return is based on *estimated* costs and benefits. One project may have a very wide range of estimates for costs and benefits making it a riskier project than another project with a very tight range of estimates. In addition, IT projects also often have intangible benefits such as projects that may raise the morale of employees, increase customer satisfaction, or enable the organization to meet legal requirements.

Tangible and intangible benefits as well as degree of risk must all be considered in choosing which project to work.

16. Project results that prompt an organization to reconsider its goals, strategies, or measures: An organization creates a Web site to augment its store sales with sales over the Internet and, after just three months, the number of visitors and dollar value of sales greatly exceeds the annual goals for this effort. Project results that might prompt an organization to cancel an active project: An organization decides to provide laptop computers to a selected group of its salespeople to use in sales presentations to customers but additional sales fail to be generated to justify the cost. Thus, the planned rollout of laptop computers to all salespeople is cancelled.

Action Memos

1. The CEO needs to execute a quick turnaround process for the firm. Show support for the creation of a strategic plan that will force management to review the existing vision/mission of the firm as well as reassess the strength, weaknesses, opportunities, and threats facing the organization.

2. By all means agree to meet with the new CIO at the earliest possible time. There is a definite disconnect between the IT and business strategy. You can not allow IT and company resources to be wasted working on things that are not contributing to the strategic goals of the organization. Tell the CIO that you expect him/her to clarify the connection between the IT and business strategy before you are willing to support the IT strategy.

Web-Based Case

Johnson & Johnson Credo

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities.

Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens - support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

An effective vision/mission statement consists of three components: a core ideology that identifies a few widely acceptable principles that guide how everyone makes decisions in the organization, 2) a mission statement that concisely defines the organization's fundamental purpose for existing, and 3) and a statement of a desirable future. For over 60 years this credo has guided the business decisions that Johnson & Johnson makes everyday, in spite of changing objectives, goals, and strategies. The credo also provides a statement of the firm's mission — meeting the needs of those who use its products and service. Some may argue this is a little broad and vague. The credo also describes how management would like to see the firm operate both now and in the future. The credo is really another name for the vision/mission of Johnson & Johnson. There is no need for management to develop another document to represent its vision/mission.

Case Study

The student should be able to research a company and the industry in which it competes using annual reports and articles from periodicals such as Business Week, Investor's Business Daily, and the Wall Street journal to define the organization's vision, mission, goals, strategies, and measures. These same sources can also provide information to enable the student to develop a strength, weaknesses, opportunities, and threats analysis.

The student can then identify at least two IT-related projects and state how each project would help the organization meet its vision, mission, goals, strategies, and measures as well as address issues uncovered in the SWOT analysis. The choice of which project to recommend depends on a number of factors including estimated cost and time to complete the project versus the benefits generated as well as the risk associated with successfully completing the project.