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Enterprise strategy management systems: current and next generation

Christian Wagner

*Department of Information Systems, City University of Hong Kong, 83 Tat Chee Avenue,
Kowloon, Hong Kong, China*

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Abstract

Strategic planning in the ‘post-net’ era creates new challenges for senior management, due to the need for faster speed of strategy planning and implementation, frequent, significant environmental changes, and more complex organizations. Enterprise strategy management (ESM) systems promise better planning support for senior management, but are still in their infancy. Present systems focus too much on quantitative aspects, and not enough on qualitative or process aspects of planning. The article reviews the landscape of strategic information systems for ESM, identifies their contributions, and derives the requirements for the next generation of ESM systems. It also reflects on IT opportunities beyond the next generation.

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Keywords: Enterprise strategy management; Strategic planning; Strategic information systems; Balanced scorecard; Post-net era

1. Background and introduction

1.1. Strategic planning challenges in the ‘post-net’ era

In the Spring of 2000, concerns grew among the senior management of a leading travel and tourism company in the United States. The company—one of the pioneers of electronic commerce—was losing valuation, while Internet startups were soaring. Major customers were not renewing their agreements, as competitor products threatened to erode the company’s market position and its dominant role in managing one of the industry’s supply chains. Not surprisingly, company management embarked on

E-mail address: iscw@cityu.edu.hk

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defining a new strategy. What was surprising was the speed of this undertaking: 3 months to formulate the strategy, and 6 months to implement it. For this e-commerce leader, rapid strategic transformation became the new (and successful) reality of managing in the 'post-net' era.

This situation illustrates the realities faced by many companies today. Enterprise strategy management (ESM) in the post-net era is fundamentally more challenging than it used to be just a few years ago. Three clearly identifiable factors contribute to today's complexity increases:

- Shorter planning and implementation cycles.
- Frequent and rapid environmental changes, possibly with discontinuities.
- Organization units that extend beyond a single company, such as supply chains or virtual organizations.

Shorter planning and implementation cycles have been brought about by several factors, including competitive pressures from start-ups (Kambil, 2000; Hamel, 1999; Watts, 2002) and the availability of real-time or almost real-time information to manage the business (Anderson, 2002). In order to compete with start-ups, established companies have to adopt start-up agility in creating and changing business models. Strategy implementation cycles for start-ups are driven by yearly (or even shorter) funding cycles, and the constant evolutionary process of new business idea funding through venture capital. Similarly, post-net companies with their integrated enterprise information systems and on-line research capability gather data at 'web speed' (Van Yoder, 2001). As a result, they create pressures for all established firms to target strategy formulation and revision in short cycles (Baum and Wally, 2003; Paul, 2000; Hackett, 1998), or even as an ongoing activity.

Environmental changes have always existed in the planners' realm. However, dotcom bubble and dotcom bust, as well as the recent worldwide economic uncertainties, are signs of changes that are frequent, impactful, and seemingly unpredictable. And while ex post most events will have had their precursors and indicators, ex ante, many are difficult to foresee or to gauge in their impact (Oliver, 2002).

Today's organizations are significantly *more complicated* than they used to be. They are more distributed and networked, as supply chains, virtual organizations, or co-opetitive arrangements (Hamel et al., 1989). Should a supply chain define a unique strategy for itself? How would this be aligned with the strategies for each individual company in the supply chain? We do not even know many of the questions yet, let alone have a good answer for them.

Taken together, these factors significantly raise the demands on strategic planning, as well as planning methodologies (Hitchin, 2002), highlighting the potential contribution of strategy planning tools, including software. Strategic planning cannot remain a one-off planning activity (sometimes referred to as a 'ritual') whose results remain in the heads of the planners (Hackett, 1998). Furthermore, future strategic planning exercises ignore the outcomes and findings from previous strategic planning activities.

In other words, strategic planning has to change from a sequence of planning events to a business process, one that is ideally well-structured, iterative, and whose outputs are

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