

The Role of ICT in Bridging the Gap Between Strategy to Execution

Narine Abazian
Head of Business Planning and Financial Analysis Division

ArmenTel
2 A.Aharonyan str., Yerevan 375014, Armenia
Tel: +37410 549724
Fax: +37410 285382
Email: narine.abazyan@armentel.com

Abstract

A strategic business plan is a tool helping the top management of a company to assess the economic viability of a strategy and its related development plans. It is a compulsory tool for justifying and setting the financing of future investments. A business plan based on a financial model simulating the future activities designed for reaching the strategic objectives. In order to develop the company strategy, we have to do overall analysis and from alternative variances to select the best one.

The Business Plan model is a computer tool, generally a spreadsheet, where all input data, calculation and output data are stored. It is a precious strategic information system for the whole company.

Nowadays Information Systems can be from data processing to Decision Support and Executive Information Systems. There are many computer packages: automated and manual for preparation Strategic Business Plan. These packages are used across all industries, including manufacturing, service, public sector and non-profit organizations.

In this article is presented the construction of Business Plan for telecommunication companies, using ICT. This is good example of strategic implication of Information Systems.

A Business Plan model can be used not only for companies, or for a specific project in a limited area, or for a specific range of services, mobile, e-business, etc, but can be used for a whole country, which is becoming more important in our knowledge-based society.

Keywords: Strategic Information System, ICT, Business Plan, Strategy Development, Strategy Execution.

Content

1. Introduction

2. Importance of Strategic Business plan for the company

2.1 Construction of Business Plan for telecommunication companies

3. The Role of ICT in preparation of the Company Strategic Business Plan Model

3.1 Module “Financial Projection and Evaluation”

4. The role of ICT in Execution of the Company Strategy

5. Conclusion

6. Reference

7. Appendix: Tables and figures

Figure 1. Relationship of Mission, Goals and Strategic Objectives

Figure 2. Scheme of the Development Strategic Business Plan

Figure 3. Business Plan Model Structure

Figure 4. Information Systems for the Company’s three managerial levels

Table 1. The link between Strategic Plan, Budget and Actual results

1. Introduction

We are the witnesses of fundamental transformation of modern world, as the industrial society that marked the 20th century rapidly gives way to the information society of the 21st century.

The first phase of World Summit on the Information Society (WSIS) had taken place in Geneva, in December 2003, with the aim to develop a common vision and understanding of the information society and to draw up a strategic plan of action for concerted development towards realizing this vision.

In the Declaration of Principles, adopted by WSIS, one of the key principles for building an inclusive Information society was defined the role of governments and all stakeholders in the promotion of ICTs for the development. It is concluded in Action plan, adopted by WSIS, that development of national e-strategies should be encouraged by all countries by 2005. At the same time, it is necessary to mention that the significant role was given to private sector.”The private sector and civil society, in dialogue with governments, have an important role to play in devising national e-strategies. The commitment of the private sector is important in developing and diffusing information and communication technologies (ICTs), for infrastructure content and applications. The private sector is not only a market player but also plays a role in wider sustainable development context.”

From this point of view, it is coming the importance of the development strategy for the companies harmonized with national e-strategies and effective implementation of this strategy.

A strategic business plan is a tool helping the top management of a company to assess the economic viability of a strategy and its related development plans. A business plan based on a financial model simulating the future activities designed for reaching the strategic objectives.

The business plan model is a computer tool, generally a spreadsheet, where all input data, calculation and output data are stored. It is a precious strategic information system for the whole company.

In this article it is presented the construction of Business Plan for telecommunication companies, using ICT (as an application tool). This is a good example of strategic implication of Information Systems. The Information Systems are used not only for strategy development, but also for strategy execution. Therefore, in this article it is introduced the role of ICT in Bridging the gap between Strategy to Execution.

2. Importance of Strategic Business plan for the company

A business plan supports the company to communicate its strategy with specific presentation to the Government, its shareholders, national and international partners and convince them about its overall viability and harmonization with national strategy.

In order to prepare an effective strategic plan, the management must first address the organization's mission, which means organization's basic function in society. The mission statement is likely to be formulated by the company's board of directors.

As defined in OECD principles of Corporate Governance the board should fulfil reviewing and guiding corporate strategy, business plans, major plans of action, annual budget.

After having established the organizations' mission and its goals within the mission, which is related to the expectations of the various stakeholders, the top management can translate them into objectives and strategy formulation.

In the Figure 1 it is presented the Relationship of Mission, Goals and Strategic Objectives.

The companies, which try to comply with the expectations of the various stakeholders and try to provide stakeholders value where possible, will be healthy companies in the long-term and create the maximum shareholders value.

Modern thinking indicates that a whole range of key performance indicators (KPI) is needed (financial and non-financial, qualitative and quantitative) to provide a full impression of how well or bad a business is going on.

There is an increasing tendency that many companies CEOs and Senior Managers are judged on the success of their companies' business strategies. Despite of the success existence of complex strategy formulation processes in many organizations, many corporate strategies fail to actually get implemented. Business Plan model can be not only the powerful tool for corporate strategy development, but also the tool for strategy implementation- planning how the strategy can be realized.

Business plan can take a number of different roles in any organization. The following main roles can be identified in many organizations:

- Harmonization of all planned activities of the company
- Selection of the best development scenarios from several alternative scenarios
- Strategic Information system
- Internal Communication System
- External Communication System
- Management control system
- Financial control System
- Project Management and control system in consistency with overall Business Plan

2.1 Construction of Business Plan for telecommunication companies

At first it is necessary to understand the strategic position of the company:

- Where we are and where do we want to go?
 - i) Current Situation
 - ii) SWOT (strengths, weaknesses, opportunities, threats) analysis

iii) Expectations of shareholders and other stakeholders (national and international organizations, vendors, banks, employees, etc)

- What are key threats from external environment?

i) Legal (Telecommunication Law, License, other regulations)

ii) Political (Stability, taxes, etc)

iii) Economic (State of the economy, inflation, exchange, interest rates, etc)

iv) Social (Changing values and life style)

v) Technological influences (Convergence of the telecommunication and information technologies, Growth of new services, Impact of competition and sharing of the market between competitors, Interconnection, tariff rebalancing)

- What constraints exist for our resources?

i) Marketing

ii) Technical, technological

iii) Operational

iv) Human resources

v) Financial

In the Figure 2 it is illustrated the scheme of the development Strategic Business Plan.

The strategic objectives are measurable targets that an organization sets to meet its goals. Strategic objectives can be quantitative, qualitative, financial and non-financial.

Example of Quantitative Strategic Objectives:

- Teledensity
- Satisfaction of the demand for basic services (waiting list)
- Satisfaction of the demand for new services (DSL, Next Generation Network)
- Reduction of faults number (ASR)
- Productivity of human resources
- Percentage of sales increase
- Percentage of reduction of low priority expenses
- Percentage of bad debts, etc

Example of Qualitative Strategic Objectives:

- Development of customer oriented mind among staff
- Rebalancing tariffs and set up cost-based tariffs
- Management modernization (Business Process Reengineering)
- Setting up a reliable performance report system, which is fully computerised
- Quality Management System, ISO certification, etc.

Financial strategic objectives can be:

- Turnover
- Profitability
- Liquidity

- Capital Structure
- ROCE (Return on capital employed), etc.

Non – financial strategic objectives can be:

- Market share
- The Universal Service Obligations
- Capacity utilization
- Labour turnover
- Improvement of the environmental, health and safety performance
- Management regulatory processes

The development plans are designed in order to reach the strategic objectives. The outputs of development plans are the inputs of Business plan. The business plan gives the opportunity to detect any inconsistency between the different elements of development plans and to secure harmonization of all development plans.

3. The Role of ICT in preparation of the Company Strategic Business Plan Model

In pre-computer era, the process of assembling the business plan from development plans was likely to be a time consuming, but essentially simple exercise. In the modern era, preparation of business plan in a large organization is much more complicated exercise, involving the large amount of data, their processing, rounds of adjustments, revisions and sensitivity analysis. The effective use of spreadsheet modelling facilitates sensitivity analysis.

In the business plan model the sensitivity analysis, analysis of risks and probabilities (most likely, optimistic, pessimistic) are used to give a more balanced view of the future.

Even, 5-7 years ago for preparation of Business plan it was used much paper works. Currently, the Business plan model is a set of spreadsheets with many independent modules, which are coordinated via e-mail, LAN, Intranet, Groupware Environment.

The mentioned independent modules are prepared based on Business plan model structure.

In the Figure 3 the Business plan model structure is presented.

The independent modules are:

- Module “ General data and Demand “
- Module “ Fixed Telephony Revenue”
- Module “ Mobile Telephony Revenue”
- Module “ Next Generation Network services Revenue”
- Module “ Capex – Fixed Telephony”
- Module “ Capex – Mobile Telephony”

- Module “ Capex – Information Systems”
- Module “ Opex”
- Module “ Staff”
- Module “ Financial Projection and Evaluation”

“ General data and demand” module, which consists of customer demand forecasts and general data, is constructed in a way, that all interrelated data which can be used in modules, are stored in there. So, all modules are not linked one to another, but are linked only to module “General data and demand”. This kind of approach, give the opportunity flexibly to add new modules, or to adjust existing modules, without damage to the system. As a result, the Business plan model can easily integrate the consequences of the new technologies and new services.

Already having Business plan model, it is necessary to collect the input data. The amount of data to handle between the development plans and the business plan is very large. There are powerful computer packages suggested by ITU for development plans (PLANITU, COSTITU, STAFFITU), which can be implemented in order to have input data for Business Plan. It is very important to have all data at the lowest level of desegregation as per categories. It will not only assist in precise projection, but it is also an excellent statistical data for the evaluation of the digital divide, gender divide (not only for the company, but also for the country) during business plan performance evaluation.

3.1 Module “Financial Projection and Evaluation”

Using appropriate modules, the responsible managers prepare the calculation of all projected revenues, capital expenses, operational expenses, staff cost. The ready modules are sent via e-mail to financial unit in order to process all information for “Financial Projection and Evaluation “ module.

This module is the “heart” of Business plan. It consists of:

- Projected Financial Statements
 - Balance Sheet
 - Income Statement
 - Cash Flow
- Most Important ratios
 - Profitability
 - Management Efficiency
 - Financial
 - Investment
- Most useful Financial Indicators
 - Internal Rate of Return (IRR)
 - Net Present Value (NPV)
 - Discounted Payback Period (DPP)
 - Discounted Cash Flow (DCF)
 - Economic Value Added (EVA)
- Sensitivity Analysis
- Risk Analysis

The Business plan goes hand-in-hand with an intensive utilization of ICT. It is obvious the importance of the role of ICT for processing all input data of the Business plan and to have the above mentioned information in the output.

4. The role of ICT in Execution of the Company Strategy

The control of strategy execution, the business plan and annual budget implementation have to be major concern of a Board of Directors.

Successful Strategy Execution Requires a skilled team of professionals, integrated strategy management process, tools, technologies and support.

The business plan is the corner stone of the financial and management control by providing a tool to investigate any deviation between actual results and forecasts, in order to keep the business in track with its strategic orientations and to reach objectives, which is necessary for strategy focused organizations.

In the Table 1 it is presented the link between Strategic Plan, Budget and Actual results.

The Strategic Plans are long-term plans, but they interconnected with short-term business plans and provide framework for preparation of the annual budget. The top management investigates the gaps between planned values contained in the business plans and actual values in the performance reports of the budget cycle, at the end of each month. The purpose of this is to have a responsive managerial system capable to react correctly to ensure appropriate decisions at the right time and at the right place. For strategy implementation it is very important to have accurate, relevant and timely information.

The use of extensive communications networks, accessible distributed databases help us to provide, store and send information more reliably, quickly and economically, as well as to have performance report accurate and in time. ICT helps us in:

- reduction of manual and paper-intensive forms
- more effective work processes
- greater transparency
- effective governance procedures to ensure the optimum use of the companies overall resources

Nowadays, Information systems can have four roles in companies: support, factory, turnaround, strategic. It means that, Information systems can be from data processing, Transaction Processing Systems(TPS) to Management, Decision Support, Executive Support and Strategic Management Information Systems (MIS, DSS, ESS, SMIS).

In the Figure 4 it is presented Information systems for the company's three managerial levels.

The role of ICT in bridging the gap between strategy to executions, this is the role of Strategic Management Information Systems (SMIS). SMIS is available to strategic management to use the information to improve business performance, to provide summarised information to assist in their decision-making.

5. Conclusion

This article helps to appreciate the strategic importance of Information and Communication Technologies for the companies.

The role of ICT in preparation of Business plan and its implementation is a good example, which shows that ICT can be used as an important tool for good governance.

Strategic Business Plan model can be used not only for companies, or for a specific project in a limited area, or for a specific range of services, mobile, e-business, etc, but can be used for a whole country, which is becoming more important in our knowledge-based society.

6. References

World Summit on the Information Society, Declaration of Principles, Geneva 2003

World Summit on the Information Society, Plan of Action, Geneva 2003

Martakos D., Kanellis P., *The Strategic Role of Information Systems*, 2002

Purcell S., *The Strategic Planning Process*, 2000

European Management Journal, April 1998, pp-190-203/ Kaplan R., *Implementation Corporate Strategy*.

Saadoun M., *Virtual Manufacturing*, Working paper, 2002

ITU / BDT workshop, Addis-Abeba, Ethiopia, 2002, C. Carrier, *Basic course on Business Planning*

ITU/ BDT workshop, Kiev, June 2003, N.Abazian, *Strategic Management and its Implementation*

ITU/ BDT workshop, Kiev, May 2004, N.Abazian, *Strategy Focused Organization*

ITU/ BDT workshop, Warsaw, 2002, J.C.Faure, *ITU Classification and Strategic Staffing*

Bridging the Gender Digital Divide, UNDP/UNIFEM, 2004

Trend and Status of Gender Perspectives in ICT, ITU, December 2004

OECD Principles of Corporate Governance, OECD, 2004

ICTs and Millennium Development Goals, World Telecommunication Development Report, ITU, December, 2003

7. Appendix: Tables and figures

Figure 1. Relationship of Mission, Goals and Strategic Objectives

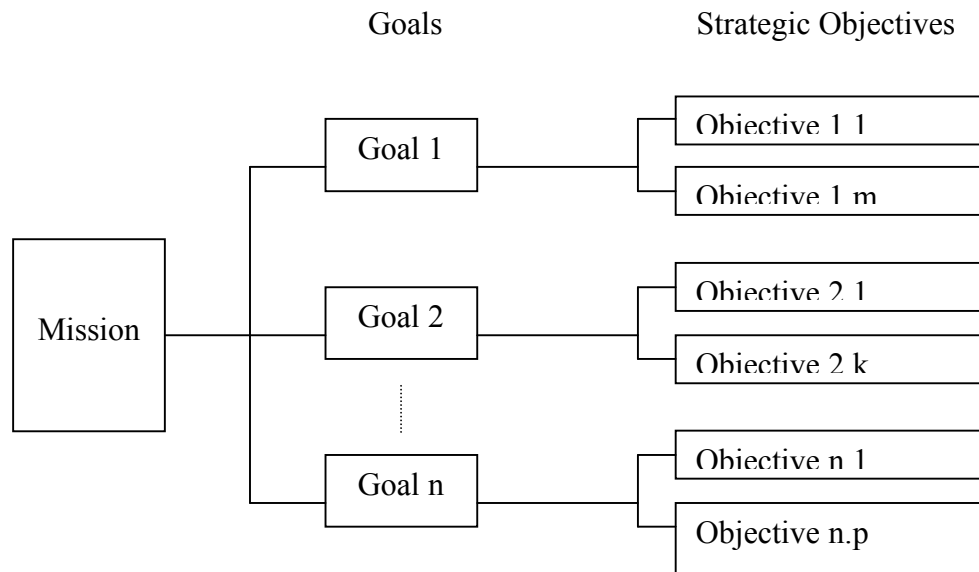


Figure 2. Scheme of the Development Strategic Business Plan

Main Factors of External Environment

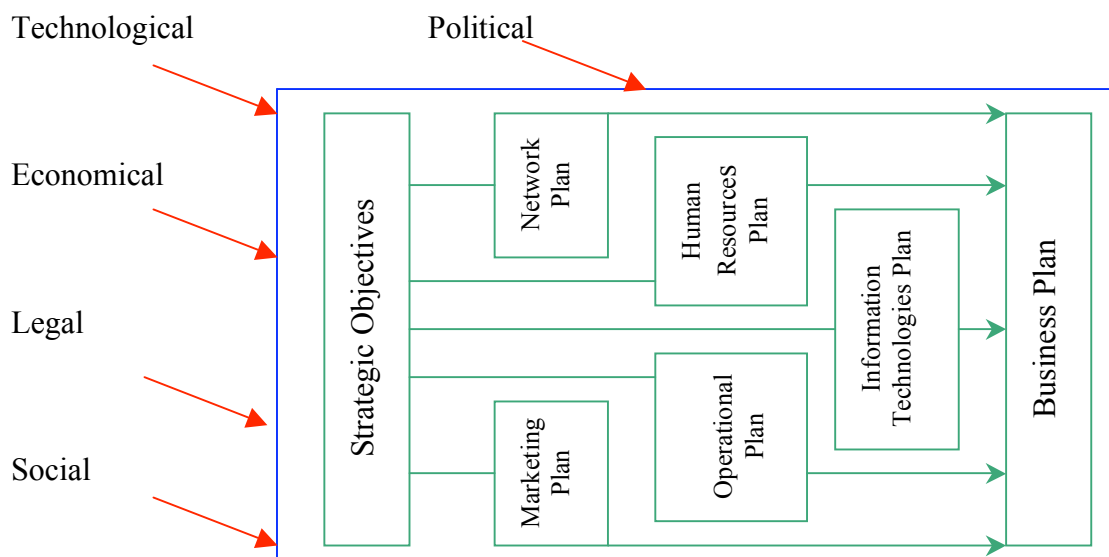


Figure 3. Business Plan Model Structure

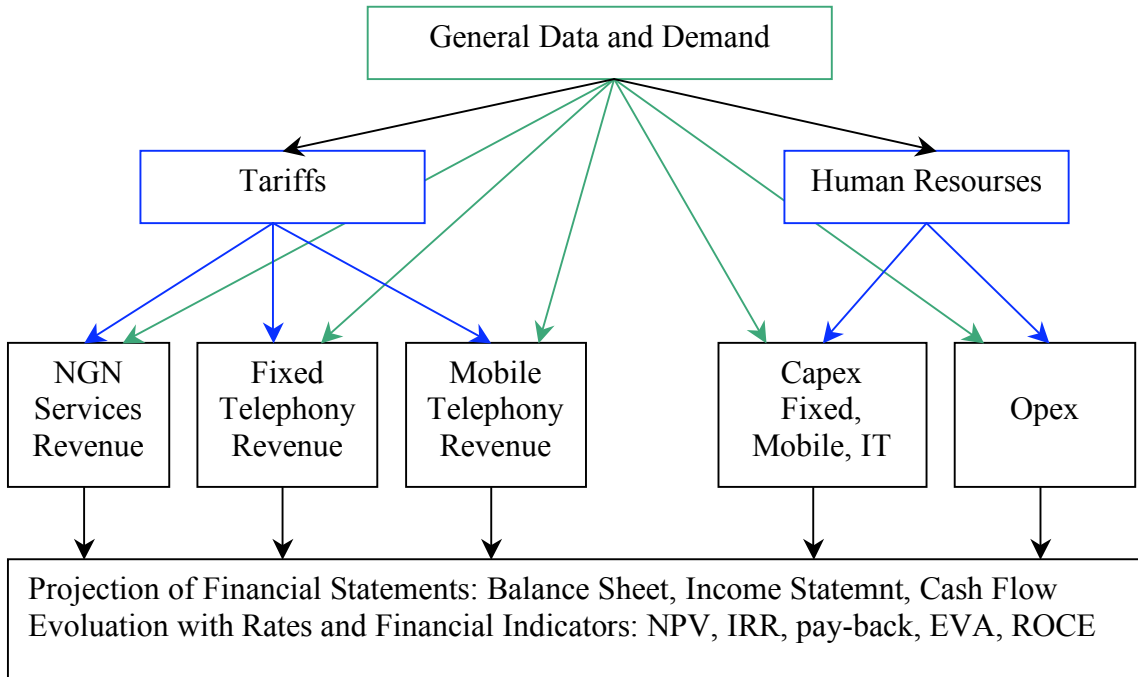


Figure 4. Information Systems for the Company's three managerial levels

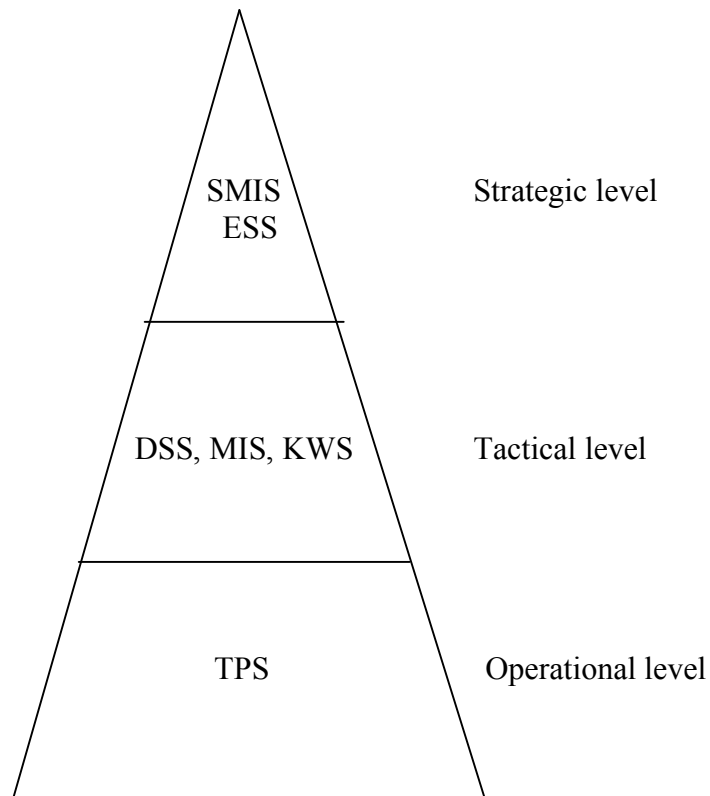


Table 1. The link between Strategic Plan, Budget and Actual results

<i>Strategic Plan</i>			<i>Budget '05</i>		<i>Actual Results</i>	
Objectives	Measures	Targets for	Initiatives	Amount	Performance	Variance
<ul style="list-style-type: none"> • New Revenue Opportunities 	<ul style="list-style-type: none"> • % of Revenue Increase 	<ul style="list-style-type: none"> • '05 % • '06 % • '07 % • '08 % • '09 % 	<ul style="list-style-type: none"> • Introduction of new services 	<ul style="list-style-type: none"> • \$XXX 	<ul style="list-style-type: none"> • \$XXX 	<ul style="list-style-type: none"> • 85%