

## CHAPTER 3

### STRATEGIC PLANNING

In this chapter strategic planning is presented. Firstly, company's profile and company's organisation are shown and then organisational business strategies are considered. Next the SWOT Analysis is used as a tool to analyse company's environment to develop Information System Strategies and objectives.

According to Wetherbe's a four-stage model of IT planning mentioned in 2.2.2.1 IT Planning Methodologies, Chapter 2, The model consists of four major activities; Strategic Planning, Information Requirement Analysis, Resource Allocation, and Project Planning as shown in Figure 3.1.

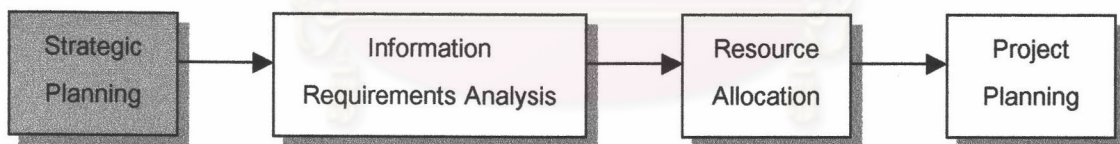


Figure 3.1 Strategic Planning (the first stage of a basic four-stage model of IT planning)  
(Turban et al., 2002)

In this chapter, the first stage of IT planning, strategic planning, is presented. The target of strategic planning is to identify Information System application that is suitable with current environment and restrictions of organisation. The strategic planning develops Information System strategies and objectives based on organisational business strategies to ensure that the company is investing in the right Information System and it is compliant with business requirements.

It is important to study organisational business strategies before the company develops Information System strategies and objectives. To better understand business strategies, company profile and organisation are shown and then company's Vision, Mission, Objectives, and Strategies are presented.

### 3.1 Company Profile

The AAA Group was established to create a domestic source of cement to reduce Thailand's dependence on imports of this critical construction material and to add value to domestic natural resources. Over the ensuing nine decades, AAA Group has grown right along with the Thai economy and evolved to include basic industries vital to national development. Since its founding, AAA Group has diversified to meet the needs of Thailand's growing economy, establishing and participating in new industries as technology and market demand warranted.

At present, AAA Group has 6 core businesses focused in paper and packaging, petrochemicals, cement, building products, ceramics, and distributions, which include international trading. In addition, it also sets up the other two holding companies, AAA's Holding Co., Ltd., and AAA's Property Co., Ltd., which manages the Group's investments, and industrial land and other real estate respectively. Under the 6 core businesses, the AAA Group consists of approximately 80 major companies and employs around 25,000 people, handling more than 64,000 product items in total.

AAA Company is one of the companies in a distribution business of AAA Group Company Distribution. As most prestigious international trading companies, it develops the growth of Thai industries and the export of Thai products.

In addition, AAA's business is focused mainly on cement, construction materials, sanitary wares & fittings, ceramic tiles, wooden products, pulp & paper, and coal & mineral products. AAA Company gains the advantage of access to quality and

price in these production categories, being part of the AAA Group. However, the company is a leading trader of a large variety of products from other companies outside the Group as well.

### 3.2 AAA Company's Organisation

AAA Company is composed of 3 major divisions; Over Sea Division, Business Division, and Finance and Accounting Division.

□ **Oversea Division**

This division includes Oversea Traffic, and Oversea Branches (11 branches).

□ **Business Division**

This division includes Cement, Building Product, Steel Product, Plastic & Chemical, Industrial Products, Aluminum, Pup & Paper, Energy, General Merchandise, and International Sourcing.

□ **Finance and Accounting Division**

This division includes Finance, Accounting, System Control & Reporting, and Trade Service.

In addition, MD office has controlled E-Commerce department, ISO department and Human Resource department. The details of AAA Company's organisation were shown in the following figure.

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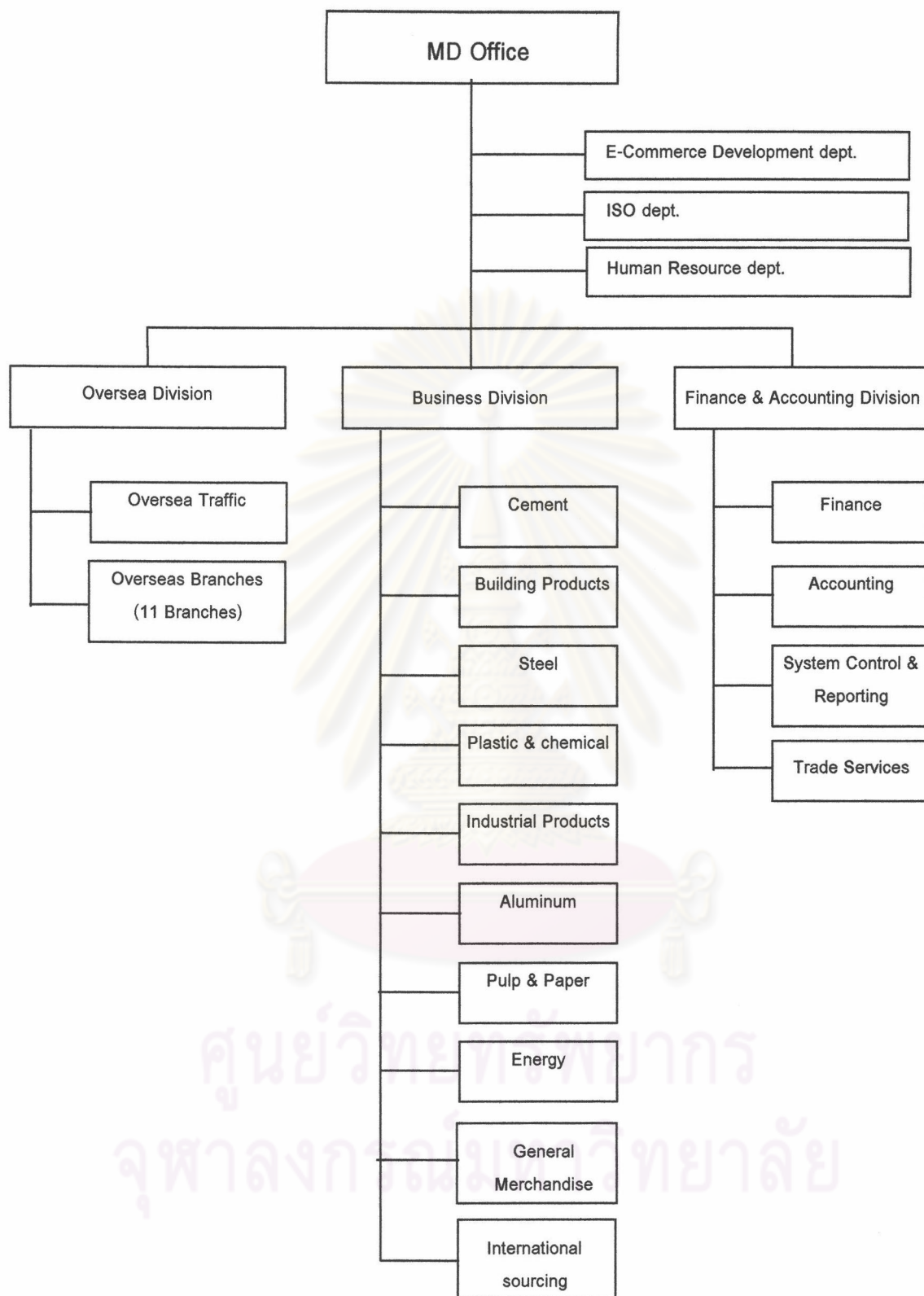


Figure 3.2: AAA's Organisation

### 3.3 Organisational Business Strategies

The organisational business strategies should be studied before the company identifies Information System application. The company vision, mission, objective, and company strategy are shown as follows.

#### 3.3.1 Company's Vision

AAA' s vision is to be the most trusted and integrated trading solution Provider Company for industrial businesses with the strongest distribution network in ASEAN.

#### 3.3.2 Company's Missions

The company's mission (M) consists of the following items.

M1: Enhance competitive advantages and explore business opportunities as a solution provider for long term growth in profit and sales

M2: Develop customer relationship management to obtain loyal customers and valued suppliers

M3: Enhance brand equity, good reputation, and high credibility between customers and suppliers

M4: Build and retain high loyal, competent and trustworthy employees

M5: Achieve high level of efficiency by being knowledge-based organisation and taking advantages of information technology.

#### 3.3.3 Company's Objectives

AAA 's objectives are to command a significant role in trading and distribution of AAA Group's products worldwide, as well as to become a major distributor of other quality products from leading suppliers to domestic and oversea markets.

### 3.3.4 Company's Strategies

According to the company's mission, AAA's strategies are performed in the following items.

M1: Enhance competitive advantages and explore business opportunities as a solution provider for long- term growth in profit and sales

- S1: Develop new sources of revenue; Home improvement, Thai SME general merchandise, freight forwarding business, new markets
- S2: Increase sales and margin from existing core products; Cement, Building Materials, Steel, Paper, Petrochemical products, Food products, and Energy Products
- S3: Enhance competitive advantage through overseas subsidiaries

M2: Develop customer relationship management to obtain loyal customers and valued suppliers

- S1: Establish the customer relationships management program
- S2: Provide trade solutions; offering one-stop services and setting up customer service center
- S3: Increase Two-way trade business

M3: Enhance brand equity, good reputation, and high credibility among customers and suppliers

- S1: Develop corporate identity and house brand recognition by integrated marketing communication (IMC) programs; public relations, events and exhibition, advertising, and personal selling and relationships
- S2: Offer reliable products and services

M4: Build and retain high loyal, competent and trustworthy employees

S1: Provide “proud to work at SCT environment and employee loyalty”

S2: Listen to employee voice and reduce job stress

S3: Design and implement performance-based evaluation (BSC) and reward

M5: Achieve high level of efficiency by being knowledge-based organisation and taking advantages of information technology

S1: Manage the organisation knowledge by utilising IT

S2: Develop business information system to provide effective information for decision-making

S3: Reduce work lead time

According to above business's strategies of AAA Company, obviously, information system is one of key factors that can bring the company to reach its mission. Especially, Mission 5 that the company wants to achieve high level of efficiency by being knowledge-base organisation and taking advantages of Information System. Information System also can manage the organisation knowledge, can provide effective information for business decision-making, and can reduce work lead-time that shows Information System can support all three strategies under Mission 5. In addition, Information System can support CRM (Customer Relationship Management) program of Strategies 1 under Mission 2 because CRM want Information that concerns with customer behaviors; for example, how many tons of bagged cement customer A buys from company in last quarter of this year? What are top ten customers that buy products from the company? This information makes the company know which customers the company should specially treat and which product the company should expand or reduce the production.

Information System also indirectly supports other missions and strategies; such as, it can enhance competitive advantages, brand equity, good reputation and it build and retain high loyal, competent, and trust worthy employees.

After organisational business strategies are studied, apparently the company wants an Information System to respond the business requirements and support the missions and strategies of the company. Then the company should study environment and restrictions to develop Information System strategies and objective. There are a lot of tools to analyse environment. In this thesis, SWOT Analysis is selected to analyse environments of AAA Company.

### 3.4 SWOT Analysis

Johnson and Scholes (1993) suggests that SWOT (Strengths, Weakness, Opportunities, and Threats) Analysis could be a very useful way to provide a mechanism for systematically thinking through the extent to which the organisation can deal with its environment. SWOT analysis requires an understanding of both the environment and the resource capabilities of the organisation. The list of major strengths and weakness of an organisation as well as potential opportunities and threats, although somewhat crude, have proved in practical application to be a helpful to formulation of strategy. They provide an insight to the current situations of the organisation. Then the strategy that is relevant to these situations can be developed.

SWOT Analysis is used to analyse the environment of the company before Information System Strategies and objectives is developed.

#### Strengths:

- Good employees: AAA Company has many good education background employees that can understand and support the activities of the organisation. They are ready to accept changing and investing of IT project in the company.



- ❑ Good leader: Top management of AAA company have wide – vision and understand the important of IT against business development and competitiveness and they have supported all of IT projects.
- ❑ Good consultants: AAA company has IT-ONE, sister company of AAA as IT service provider for all companies in AAA group to provide all information of investing in IT project and support technical services and suggestions.

**Weaknesses:**

- ❑ Lack of analytical tools: The company lacks of analytical tools to analyse and interpret sales and purchasing data for business decision-making
- ❑ Long lead-time to prepare report: The employees and managers spend a lot of time to prepare daily, weekly, and monthly reports because of using existing system, SAP, and Microsoft Excel; for example, using Microsoft Excel have to re-create every time when employees want different formats of report and using SAP system takes long time to generate the reports as it is operation system not analytical system.
- ❑ The existing system is not flexible: SAP can't generate various reports to serve users' requirements because it is operational processing system not analytic processing system. It provides only standard report.
- ❑ Lack of central database: The company lacks of central database that each department can share information across the organisation.
- ❑ Lack of database to keep organisation knowledge: The company lacks of data base system to keep and collect the important information and any organisation knowledge so it loses organisation knowledge when the employees resign and move to other positions.
- ❑ The existing system can't generate the reports that provide completed information: SAP can create reports that provide only specific data. It can't generate reports that provide data of sales side and purchase side in one report so the employees and managers have to combine data from sales

side report and purchase side report and put into Microsoft Excel file first before they can analyse and interpret the data for business decision-making; for example, SAP can generate report of sales volume by customer A and purchase volume by supplier B but it can't generate report of sales volume by customer A that is purchased from supplier B.

#### Opportunities:

- ❑ Investing in an information system is one of company's strategies: AAA company has a mission to implement IT project so the company is given supporting both budget and human resource by top management to develop the Information System.
- ❑ Mother company, AAA group, just allocated some budgets for investing in IT project.
- ❑ The company has already the efficient data source: existing system of the company, SAP, is operational processing system that can be very good data source for new Information System. So the company is not need to invest huge money to build another database to support data to new information system.

#### Threats:

- ❑ Constraints of budget and timeliness: AAA company was allocated a budget from the mother company for investing in new Information System only 10,000,000 Baht so the scope of project should be circumspectly considered. In addition, this budget must be used up before June 2003.

From SWOT Analysis, the main problems of the company are lack of analytical tools to provide effective information for business decision-making and existing system cannot provide the variously flexible reports to satisfy employees and managers. The lead-time for preparing the reports is quite long. In addition, there is the restriction of

budget and timeliness so Information System that is selected should not be too big project and it should be finished within restricted time and budget.

A Data Mart is the most suitable Information System that can bring the company to reach its mission and strategies and solve the recent problems. It also can be implemented only in some part of business area in first stage and extended to other areas in future so the budget can be easier controlled and managed. In case of AAA Company, purchasing and sales area are implemented and then it will be extended to cover financial, accounting, and other areas in near future. The Information System strategies and objectives are shown below.

### **3.5 Information System Strategy and Objectives**

#### **3.5.1 Information System Strategy**

The information system strategy should be fitted with the organizational strategies and environment. The information system strategy of AAA is “ developing the Data Mart that provide effective information for business decision-making and planning”.

#### **3.5.2 The Objective of Data Mart**

The objective of data mart is to provide employees and management the information that is interpreted and analysed from existing data sources; such as, SAP and EXCEL files (non-SAP) with easy access to use. It helps users to reduce lead-time in creating the reports and it provides the various formats and completed data of report that can serve all business requirements. It also keeps organization knowledge and centralizes the information across all departments.