Chapter XXI

Enterprise-Wide Strategic Information Systems Planning for Shanghai Bell Corporation

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EXECUTIVE SUMMARY

In response to increasing competition and technological advancement, Shanghai Bell Co., Ltd., a leading telecommunications enterprise located in Shanghai, China, carried out a major initiative to develop its next generation information technology/information systems (IT/IS) strategic plan. The initiative was prompted by limitations of its current enterprise application systems where the systems were neither able to keep up with the evolving needs due to organizational change nor satisfy the increasing demands for information sharing and data analysis. This case describes the environmental and organizational context of Shanghai Bell Corporation, and the problems and challenges it encountered in developing an enterprise-wide strategic IT/IS plan. The issues covered include alignment of IT strategy with evolving business needs, application of a methodology to develop the strategic IT/IS plan, and evaluation of strategic planning project success.
BACKGROUND

Shanghai Bell Co., Ltd. (herein referred to as Sbell), is a joint venture between China, the Belgian Fund for Development, and Alcatel. Founded in 1984, Sbell has become one of the pillar enterprises in China’s modern telecommunication and information industry. During the past few years, Sbell was ranked among China’s top ten foreign investment enterprises and China’s top 100 enterprises in the electronics and information industry. In 2001, Sbell employed more than 4,800 people with an average age of 29, among which 78 percent of them have university education, including 900 with postgraduate degrees. The main products of Sbell include switching, transmission, terminal, mobile and Internet systems. Figure 1 shows the statistics on the market share of Sbell in China in the year 2000. In 2000, the sales revenue of Shanghai Bell reached 10.8 billion RMB (1.3 billion USD), which is an increase of 17 percent over the previous year. Figure 2 shows the increasing trend in after-tax sales revenue at the headquarters from 1995 to 2000. By the end of 2000, Shanghai Bell has total assets of 17 billion RMB (2 billion USD) and in May 2001 was recognized by Fortune as one of the best foreign investment enterprises in China.

Urged by intense competition and the fast-changing, dynamic environment, Sbell carried out a significant organizational innovation at the end of 2000. The company initiated a series of changes to reengineer its previous hierarchical and highly centralized management structure to a flatter and more flexible one. Four major measures were taken to establish a new matrix organizational structure, which includes six business divisions and three platforms within the overall company (see Figure 3).

First, Sbell established six new independent business divisions — switching networks, mobile telecommunication networks, data communication networks, transmission networks, network applications, and multi-media terminals — to cover the key business core. Each division was given the authority to determine its own products and materials (within the broad company context) and has some degree of financial independence. The sovereignty and flexibility of these business divisions led to speedier response to the changing environment and a closer relationship with customers.

Figure 1. Market share in China (until year 2000)

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switching</td>
<td>Shanghai Bell 34%</td>
</tr>
<tr>
<td>Terminal (ISDN, NT)</td>
<td>Shanghai Bell 50%</td>
</tr>
<tr>
<td>Mobile</td>
<td>Shanghai Bell 12%</td>
</tr>
</tbody>
</table>

Source: Shanghai Bell Corporation

Figure 2 shows the increasing trend in after-tax sales revenue at the headquarters from 1995 to 2000.
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