CHAPTER 2

Organizational Strategy, Competitive Advantage, & Information Systems

1. Business Pressures, Organizational Responses, and Information Technology Support

2. Competitive Advantage and Strategic Information Systems

>>>

1. Identify effective IT responses to different kinds of business pressures.

2. Describe the strategies that organizations typically adopt to counter Porter's five competitive forces.

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- **GrubHub Seamless**

  1. Look ahead in this chapter. Which one of Porter's strategies for competitive advantage is GrubHub Seamless pursuing? Explain your answer.

  2. Propose additional applications that GS could develop to gain a competitive advantage in the marketplace.
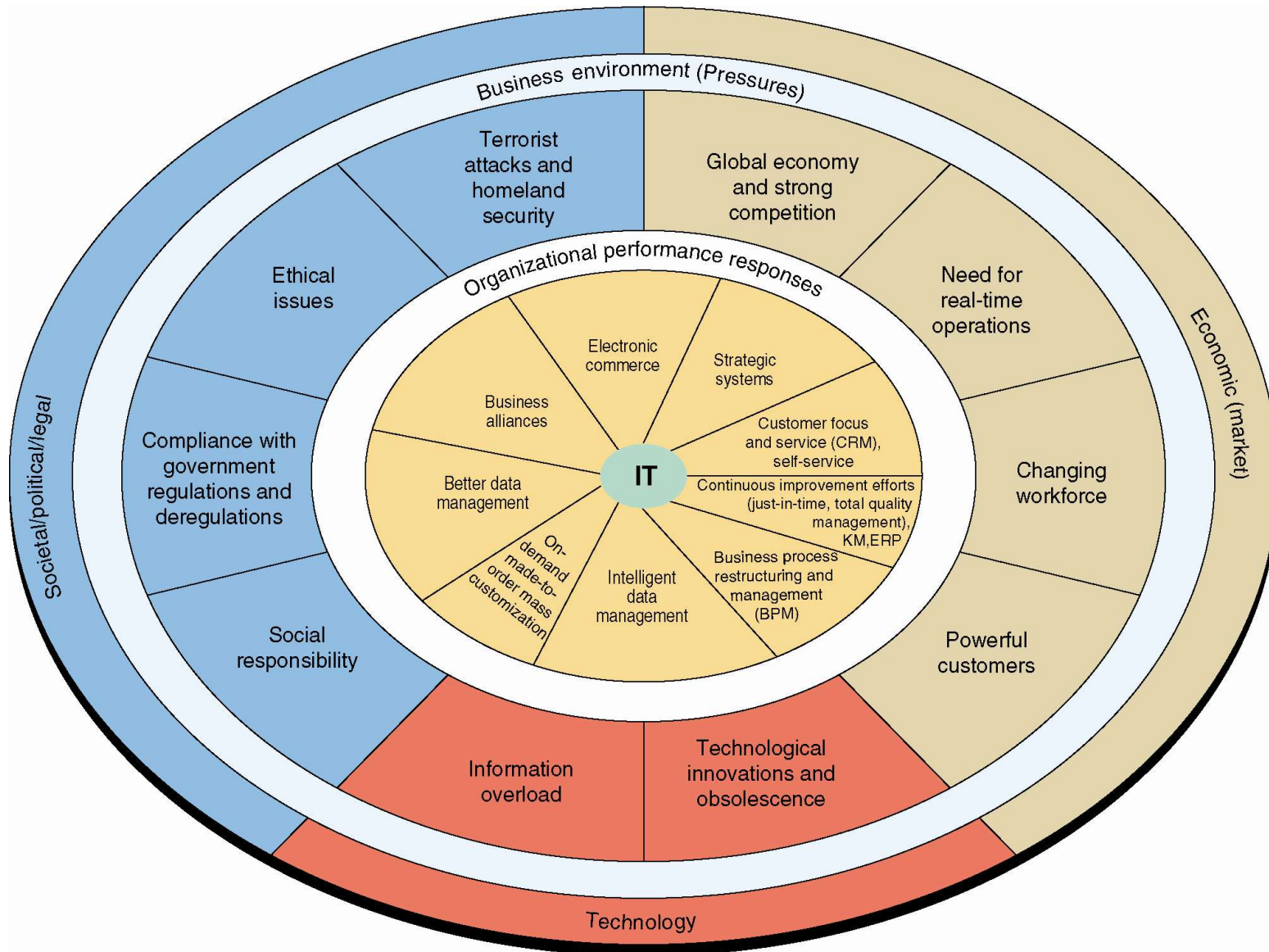

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2.1 Business Pressures, Organizational Responses, and IT Support

- Competitive Advantage
- Business Environment
- Business Pressures
- Organizational Responses

Business Pressures

- Market Pressures
- Technology Pressures
- Societal/Political/Legal Pressures

Figure 2.1: Business Pressures, Organizational Performance & Responses, and IT Support

Business environment (Pressures)

Terrorist attacks and homeland security

Global economy and strong competition

Ethical issues

Need for real-time operations

Organizational performance responses

Electronic commerce

Strategic systems

Business alliances

Customer focus and service (CRM), self-service

Compliance with government regulations and deregulations

Better data management

IT

Continuous improvement efforts (just-in-time, total quality management), KM, ERP

Changing workforce

On-demand made-to-order mass customization

Intelligent data management

Business process restructuring and management (BPM)

Social responsibility

Powerful customers

Societal/political/legal

Economic (market)

Information overload

Technological innovations and obsolescence

Technology

Market Pressures

- Globalization
- Changing Nature of the Workforce
- Powerful Customers

Globalization

- Thomas Friedman – The World is Flat
  - Globalization 1.0
  - Globalization 2.0
  - Globalization 3.0
- Ten Flatteners

Thomas Freidman: Ten Flatteners

1. Fall of the Berlin Wall on November 9, 1989
2. Netscape goes public on August 9, 1995
3. Development of workflow software
4. Uploading
5. Outsourcing
6. Offshoring
7. Supply chaining
8. Insourcing
9. Informing
10. The Steroids

Technology Pressures

- Technological Innovation and Obsolescence
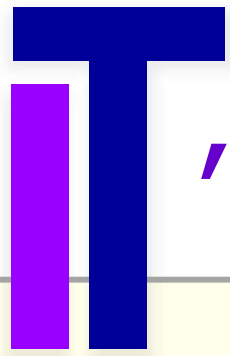- Information Overload
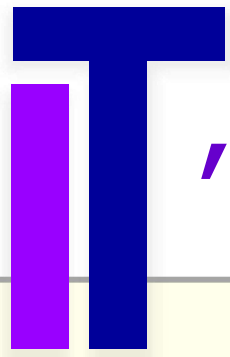
- **"Bring Your Own Device" Can Cause Problems**

  1. What are the advantages of allowing employees to use any mobile device to connect to the corporate network? The disadvantages?

  2. Why is it necessary to be able to erase corporate data when a mobile device is lost or stolen?

Societal/Political/Legal Pressures

- Social Responsibility
- Compliance with Government Regulations
- Protection Against Terrorist Attacks
- Ethical Issues

Social Responsibility

- IT Assists "Go Green" Efforts in Three Areas:
    1. Facilities design and management
    2. Carbon management
    3. International and U.S. environmental laws
- Digital Divide

IT'S ABOUT BUSINESS 2.2

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- **Solar-Powered Tablets in Ethiopia**

  1. What advantages could result from increasing the literacy of 100 million children around the world? Be specific.

  2. In this experiment, the tablets were not connected to the Internet. Discuss the advantages and disadvantages to the children if the tablets were connected.

Organizational Responses

- Strategic Systems
- Customer Focus
- Make-to-Order and Mass Customization
- E-Business and E-Commerce
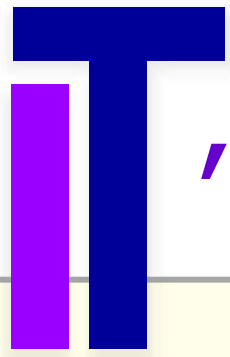
- **The Weather Channel**
    1. Identify several reasons (not discussed in the case) why accurate weather predictions are so important. Can an accurate weather prediction be considered a competitive advantage for an organization that receives this information? Why or why not? Support your answer with specific examples.
    2. Will Dark Sky, Sky Motion, and WeatherSphere have a lasting competitive advantage over The Weather Channel? Why or why not? Support your answer.

2.2 Competitive Advantage and Strategic IS's

- Porter's Competitive Forces Model
- Porter's Value Chain Model
- Strategies for Competitive Advantage
- Business – Information Technology Alignment

Porter's Five Forces Model

1. The threat of new competitors
2. The bargaining power of suppliers
3. The bargaining power of customers (buyers)
4. The threat of substitute products or services
5. The rivalry among existing firms in the industry

Porter's Value Chain Model

- Value Chain
- Two Categories of Organization Activities in the Value Chain
  - Primary Activities
  - Support Activities

Figure 2.2: Porter's Competitive Forces Model
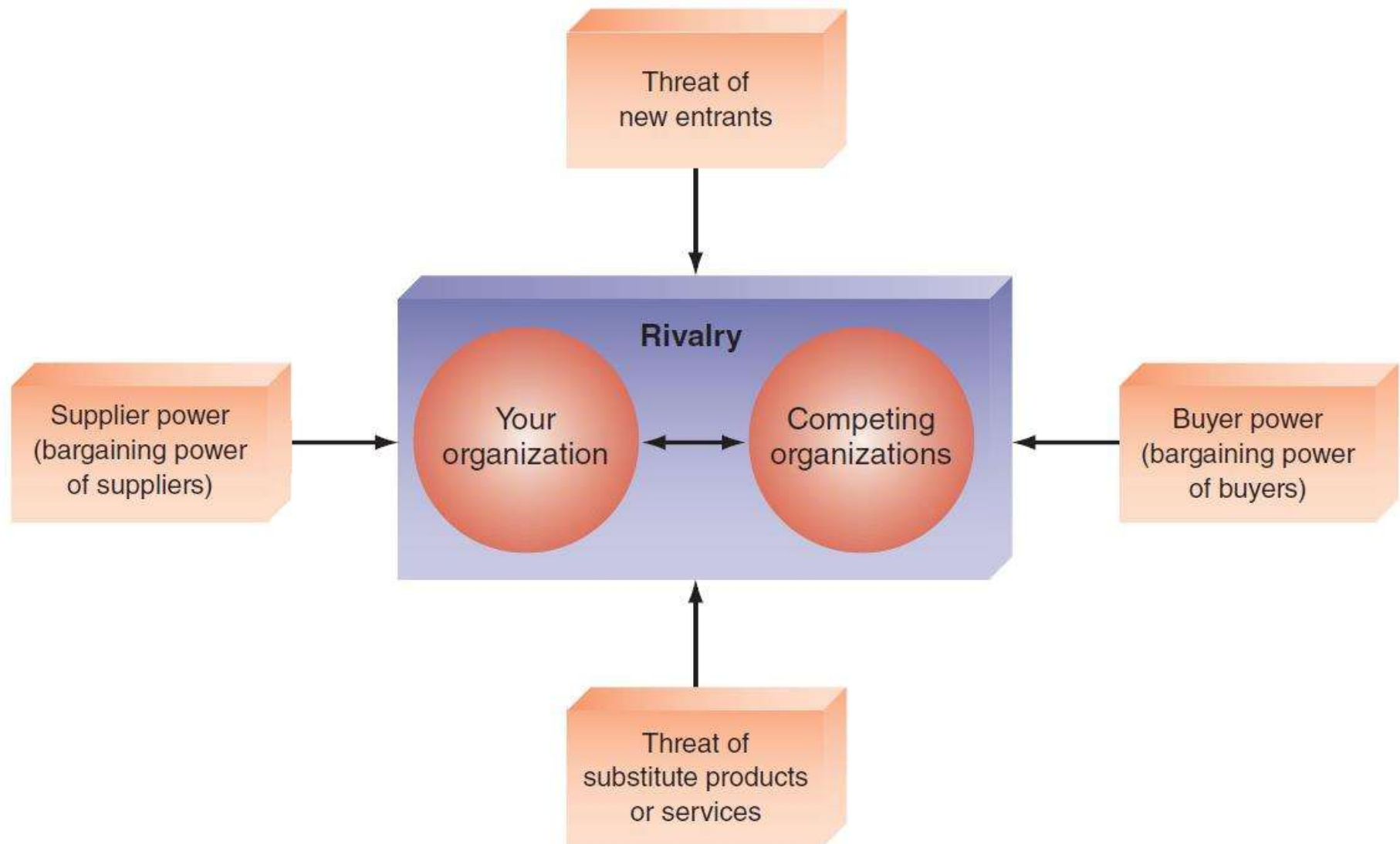
Primary Activities

- Inbound logistics
- Operations
- Outbound logistics
- Marketing and sales
- Services

Support Activities

- The Firm's Infrastructure
- Human Resources Management
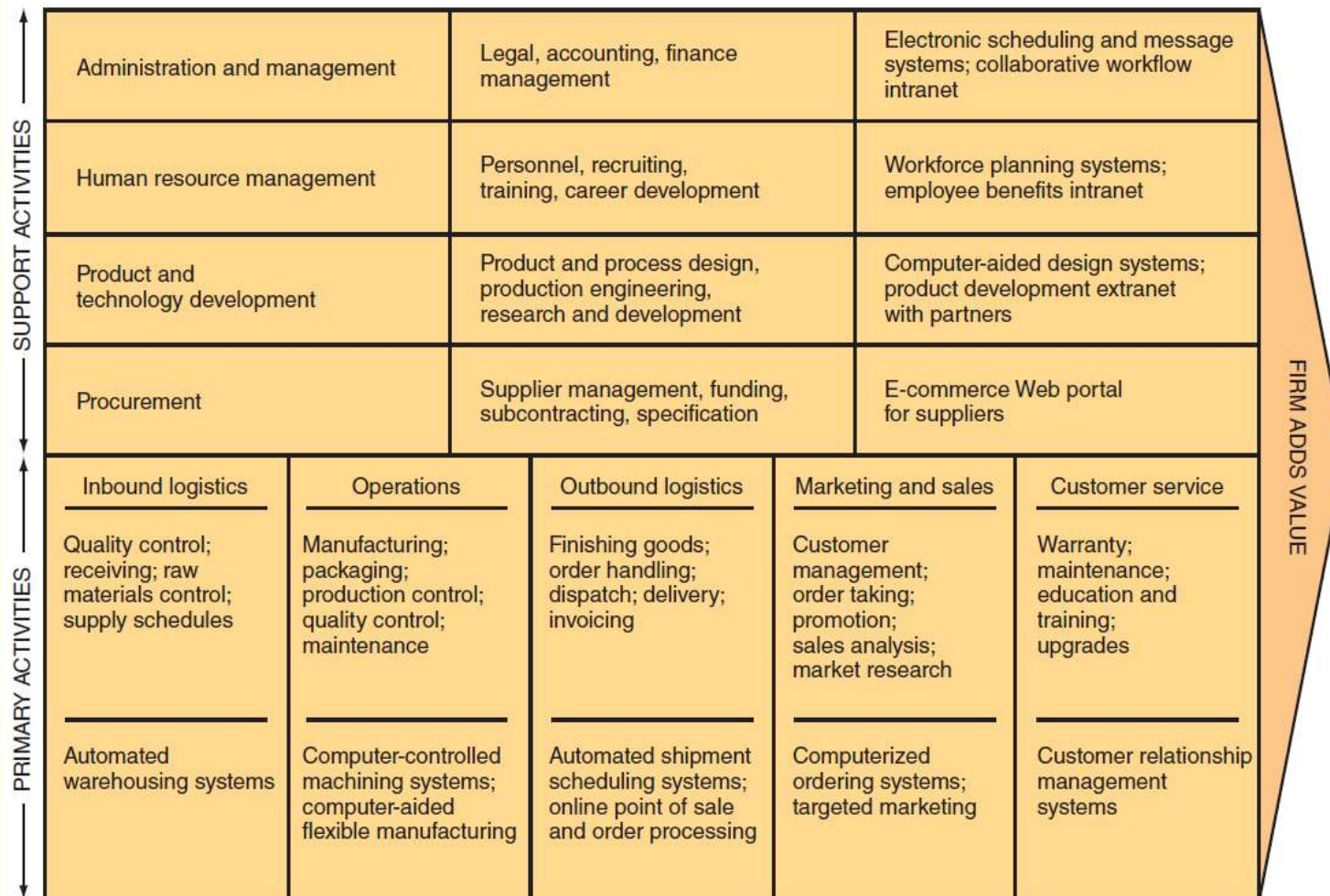- Product and Technology Development
- Procurement

Figure 2.3: Porter's Value Chain Model

SUPPORT ACTIVITIES		
Administration and management	Legal, accounting, finance management	Electronic scheduling and message systems; collaborative workflow intranet
Human resource management	Personnel, recruiting, training, career development	Workforce planning systems; employee benefits intranet
Product and technology development	Product and process design, production engineering, research and development	Computer-aided design systems; product development extranet with partners
Procurement	Supplier management, funding, subcontracting, specification	E-commerce Web portal for suppliers

PRIMARY ACTIVITIES

Inbound logistics	Operations	Outbound logistics	Marketing and sales	Customer service
Quality control; receiving; raw materials control; supply schedules	Manufacturing; packaging; production control; quality control; maintenance	Finishing goods; order handling; dispatch; delivery; invoicing	Customer management; order taking; promotion; sales analysis; market research	Warranty; maintenance; education and training; upgrades
Automated warehousing systems	Computer-controlled machining systems; computer-aided flexible manufacturing	Automated shipment scheduling systems; online point of sale and order processing	Computerized ordering systems; targeted marketing	Customer relationship management systems

FIRM ADDS VALUE

Strategies for Competitive Advantage

1. Cost leadership strategy
2. Differentiation strategy
3. Innovation strategy
4. Organizational effectiveness strategy
5. Customer orientation strategy

Business-Information Technology Alignment

- Business–Information Technology Alignment
- Six Characteristics of Excellent Business-IT Alignment:

Figure 2.4: Strategies for Competitive Advantage

Cost Leader

I can sell at a lower cost than you can.

Differentiation

I am better because I am different.

Innovation

I'm doing something new and you can't catch up.

Operational Effectiveness

I can do the same thing more efficiently than you can.

Customer Oriented

I treat my customers better than you do.

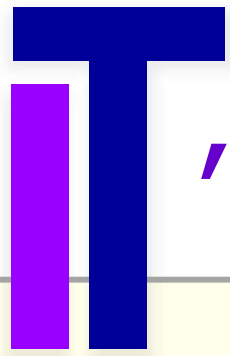# Six Characteristics of Excellent Business-IT Alignment

1. Organizations view IT as an engine of innovation that continually transforms the business, often creating new revenue streams.

2. Organizations view their internal & external customers & their customer service function as supremely important.

Six Characteristics of Excellent Business-IT Alignment (continued)

3. Organizations rotate business & IT professionals across departments and job functions.

4. Organizations provide overarching goals that are completely clear to each IT and business employee.

Six Characteristics of Excellent Business-IT Alignment (continued)

5. Organizations ensure that IT employees understand how the company makes (or loses) money.

6. Organizations create a vibrant and inclusive company culture.

- **The University of Pittsburgh Medical Center Makes Effective Use of IT**

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1. Describe the strategic advantages that IT provides to UPMC.

2. Which of Porter's competitive strategies is UPMC employing? Support your answer.

3. Describe how UPMC illustrates effective business–IT alignment.