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10/31/2021

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CIS 410

Midterm Exam Fall Term 2021

Answer the following questions **using as many text theories as often as possible**, where appropriate. You are to use no more than four pages per question. Please include a title page, with your name and appropriate year and term on it. Staple it in the top left corner.

1) Discuss the relationship between IT architecture, organizational structure, and the problem issues at Compaq and Burlington Northern. In what ways were the problem issues affected by this interaction? Given the culture of each company, how are their IT architectures respectively strategically positioned?

IT architecture is used to support the company's organizational structure and operations. Burlington Northern's issue was insufficient IT infrastructure. Burlington Northern had a classical organizational structure. A classical organization structure is according to Cash: "Since an organization's performance is dependent on all functions working together in a coordinated manner, the functional structure requires extensive information exchange among functions.".(Cash 110) and According to Morgan: "The whole thrust of classical management theory and its modern application is to suggest that organizations can or should be rational systems that operate in as efficient a manner as possible."(Morgan 22) This was Burlington Northern's goal to be focus differentiated so

they could separate themselves from the competition by being more efficient with the ARES IT infrastructure. The only issue with ARES is that it was unknown if the investment would have been worth it. according to Cash "software projects are notoriously difficult to plan and monitor; significant delays and cost overruns are common." (Cash 176) Also Fried says "chance, based on experience, to estimate with an accuracy of no better than plus or minus 50 percent. After a requirements specification is completed, the balance of the project can probably be estimated within a tolerance of plus or minus 30 percent." (Fried 361) Cash and Fried both talk about the difficulties of predicting new custom software development which the ARES system is. The issue with Burlington Northern's current architecture is that it is old and inefficient, and it was filled with many bottlenecks. According to Goldratt, a bottleneck is: "What you have learned is that the capacity of the plant is equal to the capacity of its bottlenecks," says Jonah." (Goldratt 164) Goldratt is saying that bottlenecks are limiting the total available production that Burlington Northern has. According to Cash:" The structure is also weak when the firm must respond rapidly to environmental change that requires coordination between departments. Where change (and hence uncertainty) is high, cross-functional coordination mechanisms can become overloaded."(Cash 110) and also Cash says: "General managers in each case modify organizational structure as a means to Improve organizational effectiveness in these changing environments."(Cash 88) Burlington Northern's environment is changing right now due to IT infrastructural innovation and its organizational structure has a great weakness with the unknown. Compaq on the other hand is doing fine with its current IT infrastructure. It is only struggling with implementing some controls other than that it is currently fine. The culture at Compaq is fantastic it is focused on doing the right thing and

doing what makes sense. The culture is also focused on communication and that has helped Compaq immensely. According to Morgan" The point is that culture, whether Japanese, Arabian, British, Canadian, Chinese, French, or American, shapes the character of organization. "(Morgan 122) Morgan is saying that culture shapes the character of an organization so a good culture makes a good organization. I think Compaq is better positioned because it is not making a risky decision like Burlington Northern is.

2) Consider the following two organizations – Wal Mart and Hulu. Given the models and theories, we have covered up to this point in the course, which company is better positioned for the near future? For the next 15 years? Why?

In the next 15 years, I believe that Walmart will be in a better position than Hulu. Let's look at each company's generic strategy first. Walmart's generic strategy is a cost focus generic strategy according to Ritika Tanwar: "The focus strategy has two variants. (a) In cost focus a firm seeks a cost advantage in its target segment (b) Differentiation focus a firm seeks differentiation in its target segment." (Tanwar 1) Walmart has a massive infrastructure in place so that they can keep their costs lower than competitors, and this separates them from the competition. Hulu uses a focused differentiation strategy where their videos available for streaming are different from the competition. Now let's look at porters five forces According to team FME: "This (porters five forces) is because it looks at the forces your competitors can exert on your market and how this could affect your organization and its long-term success" (Team FME 10) So porters five forces is a good way to determine a company's health in its current market. The first force is competitive rivalry according to team FME: "One of the keys to success for organizations is their ability to understand their competitors' actions and marketing strategies. The degree to which rivalry exists among competitors varies between industries and the market sectors within them" (team FME 13). Walmart has a lot of competitors in the brick-and-mortar store industry. Target, Kroger, and Meijer's just to name a few. Whilst this is concerning it does not hurt Walmart's health because it sets itself apart from the market by using a cost focus strategy. Hulu has many competitors such as Netflix,

Disney+, Prime video, HBOmax, and much more. This is an issue because Hulu is using a focused differentiation generic strategy. This is an issue because it is hard or will be even impossible for Hulu to differentiate from the competition in the long term especially because of the next force threat of new entrants. According to team FME threat of new entrants is:" The number of potential new entrants into a market varies considerably and is a key factor you need to quantify. Sectors that require high levels of investment and expertise are much harder for new organizations to break into and challenge the existing providers, which protects the profit levels of the existing players."(team FME 20) Walmart's current infrastructure has a high entry cost which turns it into a high entry barrier for potential new entrants. Hulu has some exclusive contracts for content that is exclusively streamed on Hulu, but it is just a website and application that end of the day isn't hard for someone to replicate. So, Hulu has a higher threat of new entrants than Walmart. The threat of substitutes is the next force and according to team FME: "Substitutes can be defined as those products or services that meet a particular consumer need but are available in another market. A substitute product is a product from another industry that offers benefits to the consumer similar to those of the product produced by the firms within the industry."(team FME 22) Since Walmart has cost differentiated substitute grocers are more expensive and less of a threat. Hulu has many substitutes, and it is a massive threat to the company's long-term existence. Netflix, Prime Video, HBO max, YouTube TV, and Disney+ are just a few substitutes to Hulu. Not to mention the greatest substitute: pirated streaming websites such as kiss cartoon. These websites are hosted in different countries so that they can't be prosecuted and host pirated material for anyone to stream as they wish. Even if Hulu differentiated itself with a great tv show that

was only on Hulu it could still be pirated and streamed illegally. The next force is the

bargaining power of suppliers according to team FME "Any organization needs raw

materials and this creates buyer-seller relationships between the market and the suppliers.

The distribution of power within such relationships varies, but if it lies with the supplier

then they can use this influence to dictate prices and availability". (team FME 25) Both

Walmart and Hulu depend on suppliers for their products. Hulu depends on companies to

make good shows and movies that it can license and stream on its platform. The supplier

has more power in this scenario too because of how many substitutes are out there.

Walmart's suppliers still have some bargaining power because Walmart depends on them

to stock its shelves full of products. I would say Hulu is more dependent though because

Walmart could always substitute its suppliers for new ones. The next force is the

bargaining power of customers "Your organization should also assess the extent to which

its customers or buyers have bargaining power. In a situation where customers have a

strong position, they can bring considerable pressure to the market and demand improved

quality and/or lower prices." (Team FME 27) Walmart's customers have some bargaining

power because they can always substitute Walmart's groceries for a competitor, but

Walmart's cost focus mitigates this threat. Hulu's customers have some power because

they can always change streaming services. Overall, I think Walmart is healthier

regarding Porter's 5 forces and this could mean that they have a better chance of

surviving the next 15 years. One last thought though is that according to team FME:

"Without regular updates, any knowledge gained from using Porter's model will quickly

be out of date as it was only designed to provide a snapshot of any particular market."

(Team FME 31) so only time will be able to tell which company will actually be the best positioned in upcoming years.

3) Combined with this exam Blackboard, there is a Powerpoint presentation (filename Colleague Core Competencies) from a large pharmaceutical outlining the annual results controls for the company's sales force, which is the sole determinant of their annual bonuses. You are a consultant asked to comment on the quality of the controls. What do you report to the senior management of the drug firm about this control set?

I think that these controls are ineffective in many regards not only are they confusing they don't follow any commonsense rules to set up controls. If you want people to follow your controls, then you must reward them according to Cash: "To what extent are rewards aligned with control systems? It is a truism to state that employees should be rewarded in proportion to their performance on the measures that truly matter." (Cash 152) Cash also says: "Hence, the manager needs to know if the measure is an accurate indicator of whether things are on track"(Cash 146) and Cash also says that controls must have: "Measures of performance (financial, nonfinancial) for defined entities (individuals, subunits, products, projects, competitors, etc.) Criteria for comparing measures against expectations or standards (yardsticks or benchmarks). Processes for obtaining and evaluating measures." (Cash 145) Midwest RBU does have a performance scale but it is super confusing why would you rate people 0-6 why not use 0%-100% or 0-10 why would you use a weird number like 6? There is also a lack of processes for figuring out how exactly to give a person these measures. Another thing to look at is if the measurements are helping in any way Cash also says: In order to know what variables should be measured,

managers need to know both what variables indicate desired outcomes and what variables contribute to these outcomes. (Cash 150) so we need to know what indicates the desired action and how it is measured in order to create any worthwhile controls.According to Cash:" Three ways in which managers exert control include: selection and assignment of people to tasks, specifying and rewarding appropriate actions, and identifying whether appropriate results were obtained"(Cash 144) Another question Cash has is: "

Are our performance measures compatible with our management philosophy and organization structure?" (Cash 151) This is a good question because we do not have the information to figure out if these measures will even help Midwest RBU in line with its organizational structure. Also in regards to organizational structure Cash says: "managers also exert control through organizational structure, by grouping activities, specifying reporting relationships and decision rights, establishing coordination mechanisms, and delimiting organizational boundaries."(Cash 144)To me, the main issue is that there isn't even a reward system for desired behavior. Why would employees strive to do better if they aren't going to be rewarded? Also, the main use of a control according to Cash is: "which are used by managers to evaluate whether present conditions are likely to lead to desirable outcomes." (Cash 145) I don't think these controls are helping Midwest RBU be more likely to have a desirable outcome which is the main reason controls are used by managers. I think RBU would be better off not using these controls and creating new user controls that will help them increase their chances to obtain a desirable outcome.

Sources:

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Tanwar, Ritika. "IOSR Journal of Business and Management (IOSR-JBM)." *IOSR Journal*, 2013, https://iosrjournals.org/iosr-jbm.html.

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