

CHAPTER 2

**COMPETING WITH
INFORMATION TECHNOLOGY**

STRATEGIC IT

- a major role of information systems applications in business is to provide effective support of a company's strategies for gaining competitive advantage. This strategic role of information systems involves using information technology to develop products, services, and capabilities that give a company major advantages over the competitive forces it faces in the global marketplace
- This role is accomplished through a strategic information architecture : the collection of strategic information systems that supports or shapes the competitive position and strategies of a business enterprise

Competitive Forces and Strategies

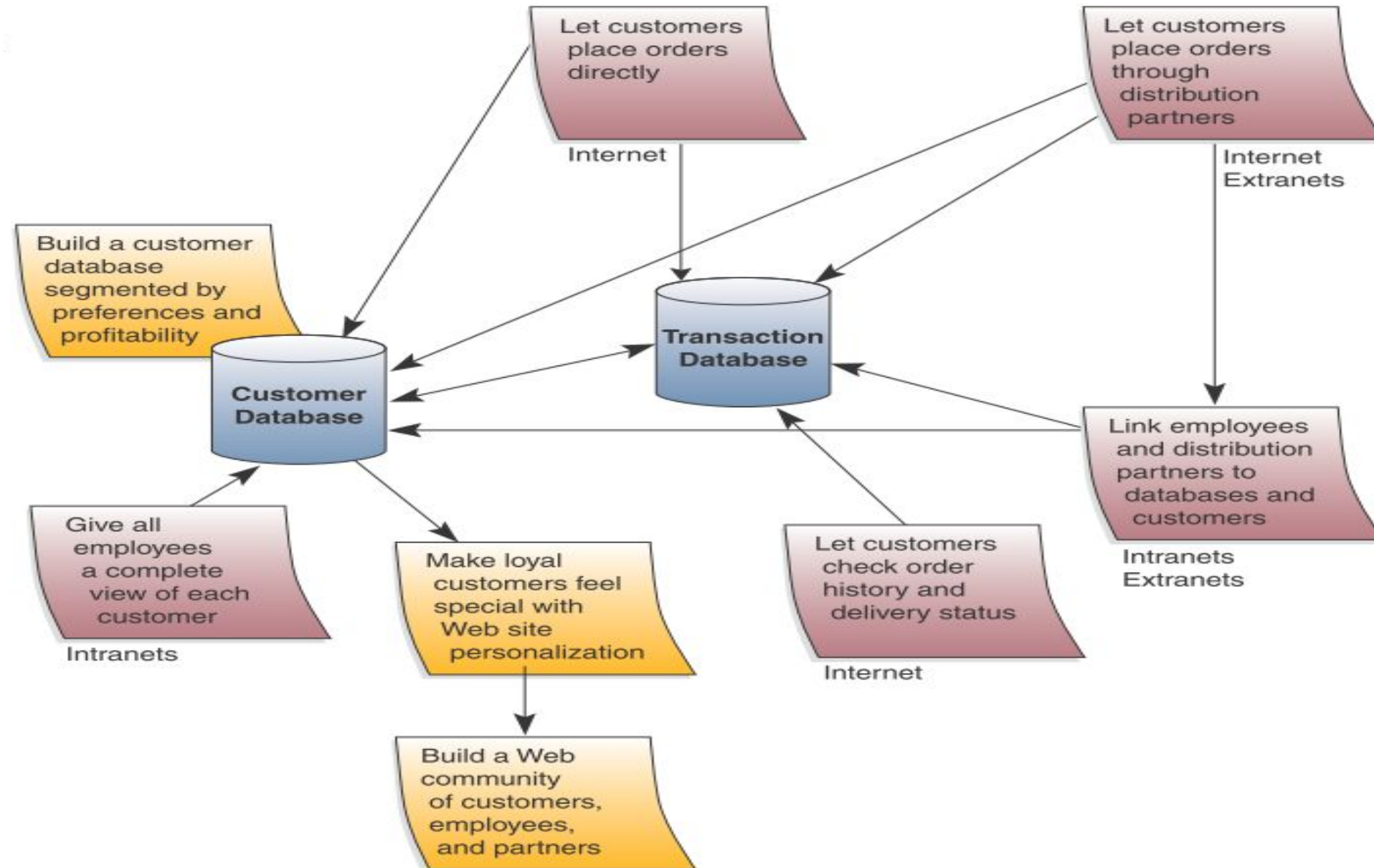
- **COMPETITIVE STRATEGIES :**

- **Cost Leadership Strategy.** Becoming a low-cost producer of products and services in the industry
- **Differentiation Strategy.** Developing ways to differentiate a firm's products and services from those of its competitors
- **Innovation Strategy.** Finding new ways of doing business. This strategy may involve developing unique products and services
- **Growth Strategies.** Significantly expanding a company's capacity to produce goods and services
- **Alliance Strategies.** Establishing new business linkages and alliances with customers, suppliers, competitors, consultants, and other companies.

Competitive Forces

1. the rivalry of competitors within its industry ,
2. the threat of new entrants into an industry and its markets
3. the threat posed by substitute products that might capture market share
4. the bargaining power of customers
5. the bargaining power of suppliers

BUILDING A CUSTOMER-FOCUSED BUSINESS



STRATEGIC USES OF IT

- REENGINEERING BUSINESS PROCESSES (BPR): is a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, speed, and service.
- BPR combines a strategy of promoting business innovation with a strategy of making major improvements to business processes so that a company can become a much stronger and more successful competitor in the marketplace.

Reengineering Order Management

- Customer relationship management systems using corporate intranets and the Internet.
- Supplier-managed inventory systems using the Internet and extranets.
- Cross-functional ERP software for integrating manufacturing, distribution, finance, and human resource processes.
- Customer-accessible e-commerce Web sites for order entry, status checking, payment, and service.
- Customer, product, and order status databases accessed via intranets and extranets by employees and suppliers.

BECOMING AN AGILE COMPANY

- **To be an agile company, a business must use four basic strategies:**
 - The business must ensure that customers perceive the products or services
 - Company cooperates with customers, suppliers, other companies, and even with its competitors
 - Company organizes so that it thrives on change and uncertainty
 - Company leverages the impact of its people and the knowledge they possess

CREATING A VIRTUAL COMPANY

- can be one of the most important strategic uses of information technology. A virtual company (also called a virtual corporation or virtual organization) is an organization that uses information technology to link people, organizations, assets, and ideas.

Strategies of Virtual Companies

- Share infrastructure and risk with alliance partners.
- Link complementary core competencies.
- Reduce concept-to-cash time through sharing.
- Increase facilities and market coverage.
- Gain access to new markets and share market or customer loyalty.
- Migrate from selling products to selling solutions.

BUILDING A KNOWLEDGE-CREATING COMPANY

- **Knowledge-creating companies** exploit two kinds of knowledge.
1. One is explicit knowledge , which is the data, documents, and things written down or stored on computers.
 2. The other kind is tacit knowledge, or the “how-tos” of knowledge, which resides in workers. Tacit knowledge can often represent some of the most important information within an organization.

KNOWLEDGE MANAGEMENT SYSTEMS

- Knowledge management has thus become one of the major strategic uses of information technology. Many companies are building knowledge management systems (KMS) to manage organizational learning and business know-how.
- **The goal** of such systems is to help knowledge workers create, organize, and make available important business knowledge, wherever and whenever it's needed in an organization