

- **Competitive Advantages and IS**

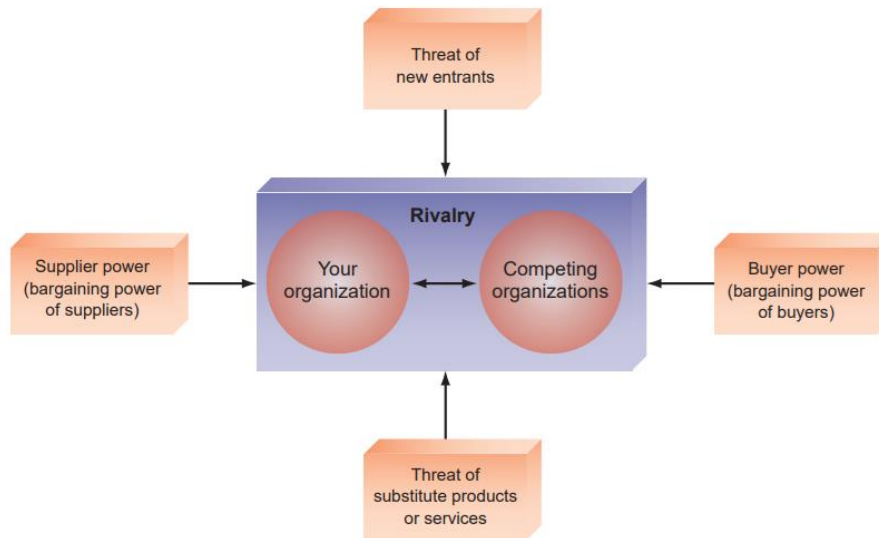


FIGURE 2.3 Porter's Competitive Forces Model.

A competitive strategy is a statement that identifies a business's approach to compete, its goals, and the plans and policies that will be required to carry out those goals (Porter, 1985).

- A strategy, in general, can apply to a desired outcome, such as gaining market share. A competitive strategy focuses on achieving a desired outcome when competitors want to prevent you from reaching your goal. Therefore, when you create a competitive strategy, you must plan your own moves, but you must also anticipate and counter your competitors' moves.
- Through its competitive strategy, an organization seeks a competitive advantage in an industry. That is, it seeks to outperform its competitors in a critical measure such as cost, quality, and time-to-market. Competitive advantage helps a company function profitably with a market and generate larger-than-average profits. Competitive advantage is increasingly important in today's business environment, as you will note throughout the text.



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- In general, the core business of companies has remained the same. That is, information technologies simply offer tools that can enhance an organization's success through its traditional sources of competitive advantage, such as low cost, excellent customer service, and superior supply chain management. Strategic information systems (SISs) provide a competitive advantage by helping an organization implement its strategic goals and improve its performance and productivity.

- Any information system that helps an organization either achieve a competitive advantage or reduce a competitive disadvantage, qualifies as a strategic information system

Porter's Competitive Forces Model The best-known framework for analyzing competitiveness is Michael Porter's competitive forces model (Porter, 1985). Companies use Porter's model to develop strategies to increase their competitive edge. Porter's model also demonstrates how IT can make a company more competitive. Porter's model identifies five major forces that can endanger or enhance a company's position in a given industry. Figure 2.3 highlights these forces. Although the Web has changed the nature of competition, it has not changed Porter's five fundamental forces.

In fact, what makes these forces so valuable as analytical tools is that they have not changed for centuries. Every competitive organization, no matter how large or small, or what business it is in, is driven by these forces. This observation applies even to organizations that you might not consider competitive, such as local governments

- . Although local governments are not for-profit enterprises, they compete for businesses to locate in their districts, for funding from higher levels of government, for employees, and for many other things. Significantly, Porter (2001) concludes that the overall impact of the Web is to increase competition, which generally diminishes a firm's profitability. Let's examine Porter's five forces and the ways that the Web influences them.