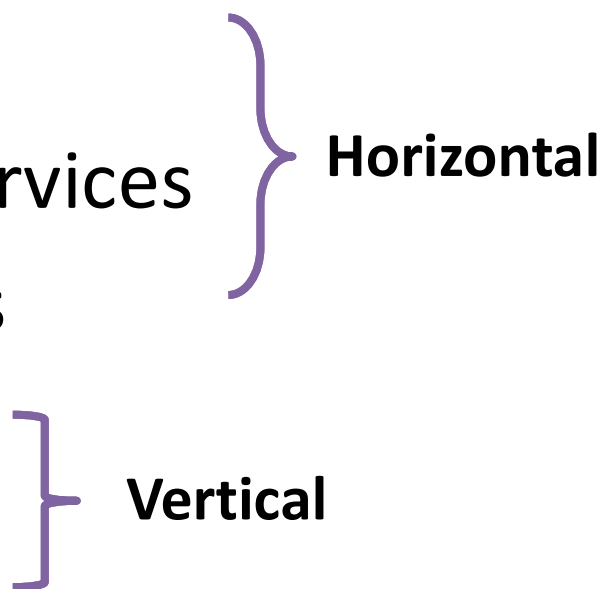


Digital Economy (3)

Recap of Porter's Five Forces

- Potential new entrants
 - Threat of substitute products or services
 - Rivalry among existing competitors
 - Power of suppliers
 - Power of buyers
- 
- Horizontal
- Vertical

>> IT for Firm's Strategic Positioning

- “Strategic” implies:
 - Distinguish your firm from competitors
 - Competitive edge/advantage
- Enhance operation by using IT to:
 - Perform different activities from competitors
 - Perform same activities as competitors, but in different ways

Competitive strategy

- Competitive strategy is about **being different**. It means deliberately choosing a different set of activities to deliver a unique mix of value

---- Michael Porter

Competitive strategy leads to competitive advantage, i.e., performing better than your competitors

- The ability to **consistently** outperform industry peers is called a **sustainable competitive advantage**

Resource-based View (RBV) of Competitive Advantage

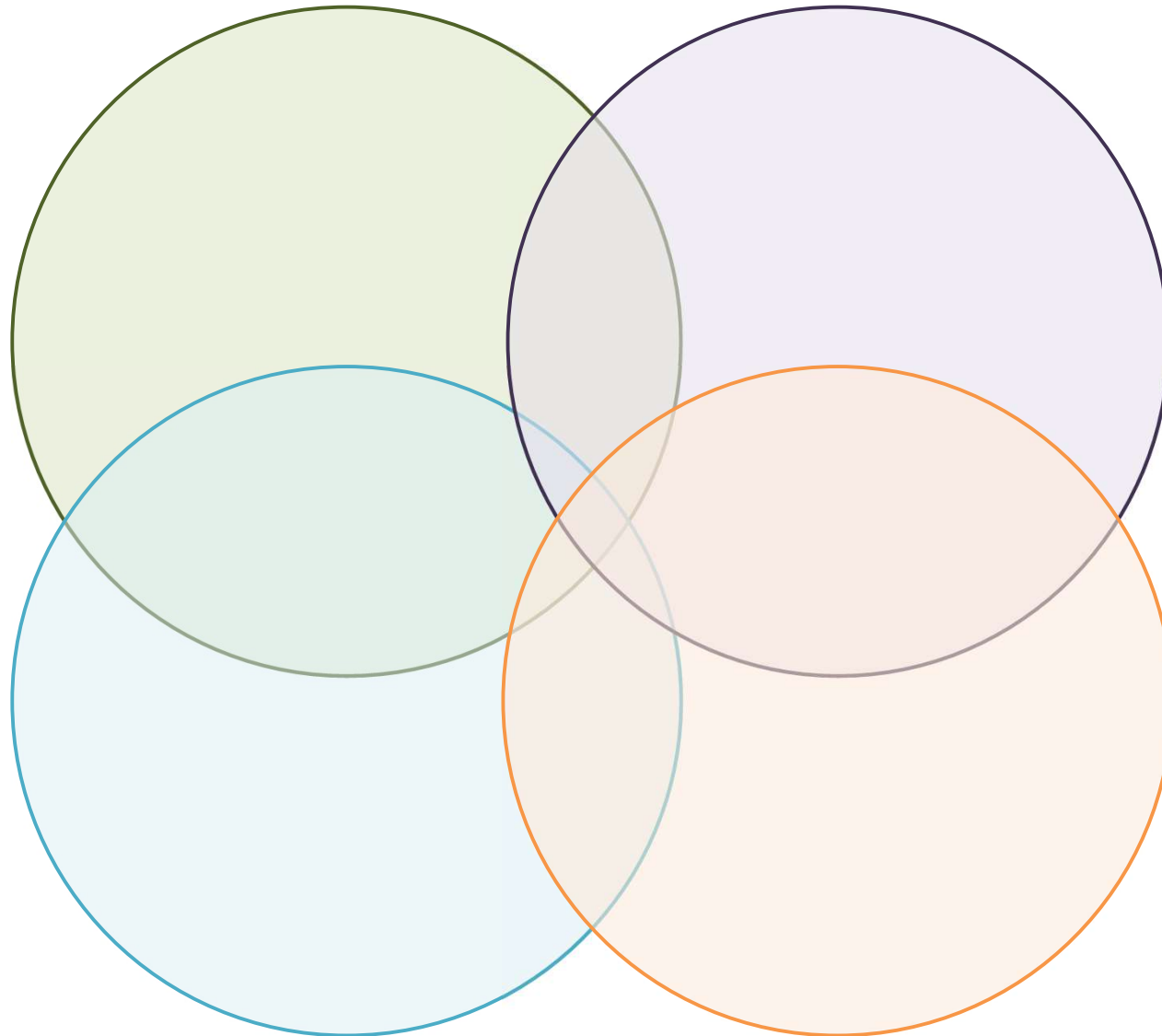
Resources must be...

1. Valuable
2. Rare
3. Imperfectly imitable
4. Nonsubstitutable

What is an example of a powerful resource?

***Resource adds value to
firm***

***Resource is unavailable to
competitors***



***Competitors cannot perfectly or
easily imitate the resource***

***Other resources are not
functional substitutes***

- What are some powerful resources?
 - Imitation-resistant value chain
 - Brand
 - Scale
 - Switching cost and data
 - Differentiation
 - Network effect
 - Patent (legal power)
 - ...

8 Great Ways to Create Competitive Advantage

What
you
sell

1. Develop a new product or service
2. Enhance products or services
3. Differentiate products or services

How
you
sell it

4. Lock in customers and buyers
5. Lock in suppliers
6. Raise barriers to market entry
7. Establish alliances
8. Reduce costs

Let's look at some companies that have
adopted sustainable competitive
advantage

Southwest (A HK Express Equivalent)

- **The goal:** to become the major short-haul carrier (under 600 miles) and to offer fares below those imposed by the "brand-name" carriers.
- **Strategies:**
 - single type of plane- Boeing 737
 - avoid hubs (Chicago: MDW vs ORD)
 - careful selection of new markets
 - not assign seats in advance
(first come first serve)
 -



- **The goal:** create a better everyday life for the many people.
- **Strategies:**
 - Self service
 - Low-cost, ready-to-assemble furniture
 - Display in room-like settings
 - Self transportation
 - Target customers
 -



Is technology alone a source of
sustainable competitive
advantage?

No! Because it's imitable!

- IT = hardware + 01010101110101+...

Identifying Strategic IT

Resource-based view of competitive advantage

- What type of IT is strategic?
- When and where can IT be strategic?

Competitive strategy

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What is an example of a powerful resource?

Porter's Value Chain Model



The value chain model is internally focused, showing how products or information flow through an organization

Understanding the Value Chain

- The Value Chain breaks functions down into primary and support functions
 - **Primary functions touch the product**
 - **Support functions do not**
- Improvement in ***any step*** has the potential to increase profitability

freshdirect®

Our food is fresh. Our customers are spoiled.



Inbound Logistics



Marketing



"We have a very dynamic business, where we've got new products, new prices, different promotions — and I never shut down the Web site."
Myles Trachtenberg, CTO, FreshDirect

Operations



Outbound Logistics



Technology R&D

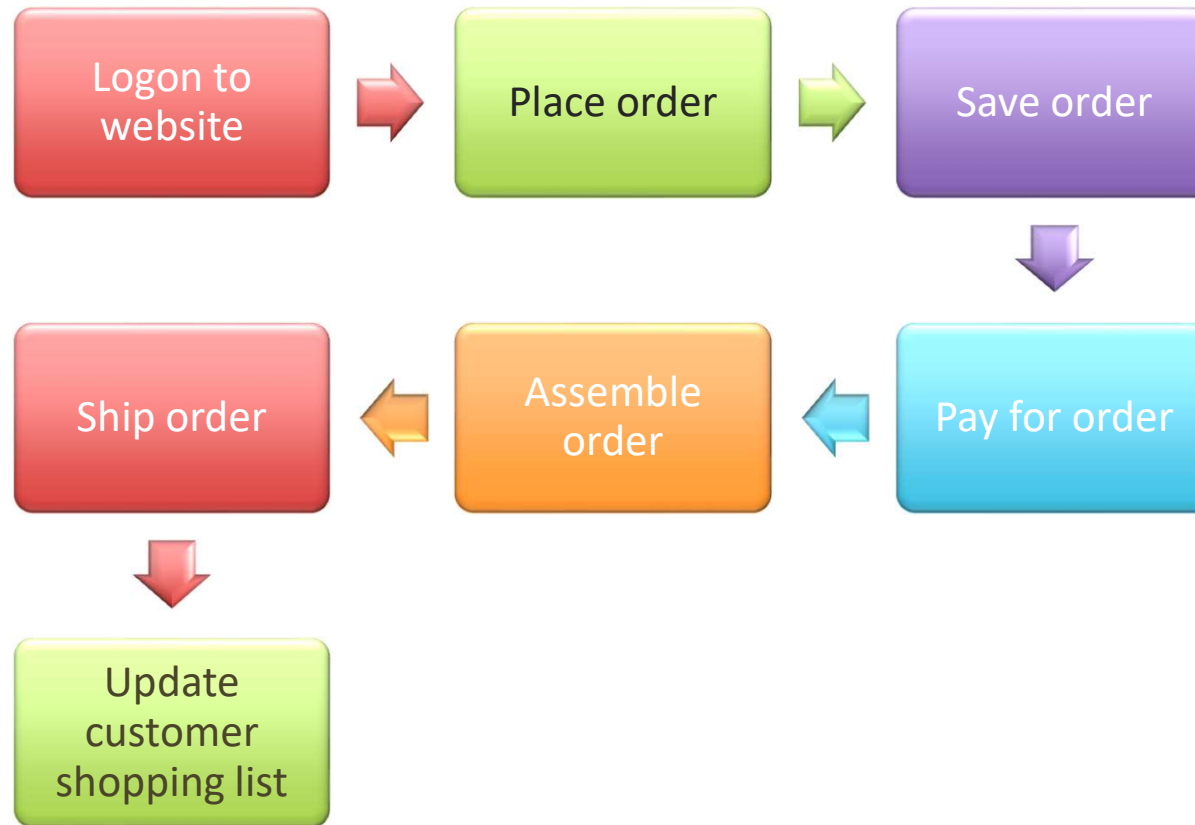


Service



Value Chain in Action

Sample Business Process Model



Operational Effectiveness (O.E.)

How does IT affect O.E.?

- Process innovation/improvement
 - Automation
 - Business process reengineering
 - Agile systems
 - Flexible to changing market condition



Greg Petro, Contributor

I write about how retailers can determine what customers really want.

RETAIL | 10/25/2012 @ 10:16AM | 28,332 views

The Future Of Fashion Retailing:

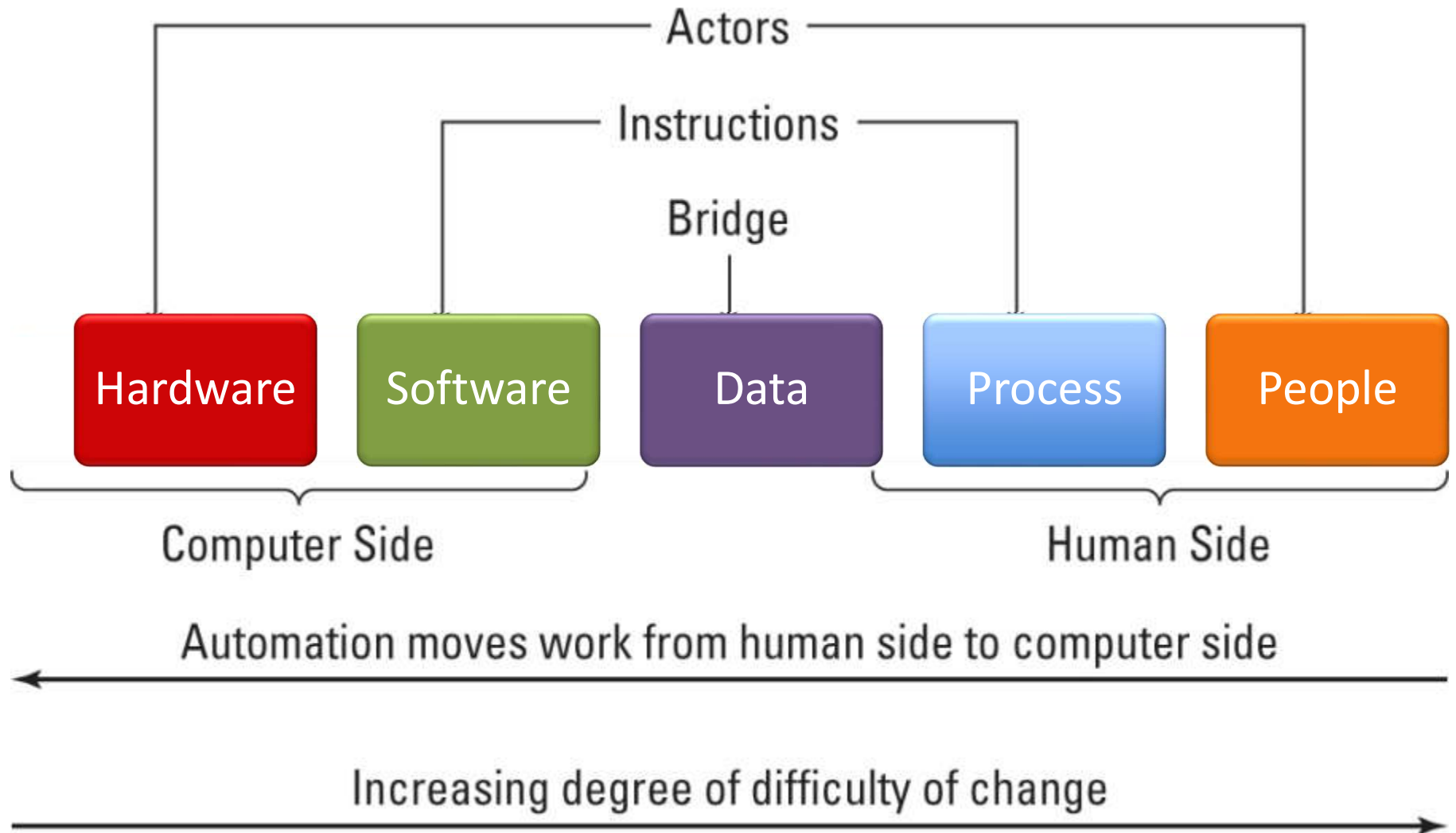
Zara was designed to be responsive from its inception. Rather than subcontracting manufacturing to Asia, Zara built 14 highly automated Spanish factories, where robots work around the clock cutting and dyeing fabrics and creating unfinished “gray goods,” the foundations of their final products. Like Uniqlo, Zara leverages automaker principles; these automated factories use a “just in time” inventory approach pioneered by [Toyota Motor Company](#).

fashions and build a supply chain to deliver technology-based, differentiated products, which appeal to the masses.



English: Zara Store, Pitt Street Mall, Sydney (Photo credit: Wikipedia)

5-Part Information System Model



Kroenke, *Experiencing MIS 2e*, p. 30

Organizational Strategy, IS & Competitive Advantage



5 Models for Analyzing Business



- Examine industry structure – Porter's 5 Forces Model
- Choose your competitive strategy
- Link the parts of the value chain – Porter's Value Chain Model
- Streamline business processes – any business process diagram
- Design information system – 5-Component IS Framework
 - Enable business processes
 - Improve value chain links to increase efficiency
 - Support competitive strategy
 - Influence industry structure

Strategic IT

What does strategic mean?

Firm's perspective

- Resource-based view of competitive advantage

Industry's perspective

- Porter's 5 forces

Resources

- BCG (2014) *“Asian Banks Must Rethink IT”*
(https://www.bcgperspectives.com/content/articles/information_technology_strategy_financial_institutions_asian_banks_rethink_it/)
- McKinsey (2016) “Disruptive trends that will transform the auto industry”
(http://www.mckinsey.com/insights/high_tech_telecoms_internet/Disruptive_trends_that_will_transform_the_auto_industry?cid=other-eml-alt-mip-mck-oth-1601)
- Porter’s Five Forces
 - <http://www.quickmba.com/strategy/porter.shtml>
 - http://www.mindtools.com/pages/article/newTMC_08.htm