

CHAPTER 2



Organizational Strategy, Competitive Advantage, and Information Systems

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1. Business Pressures, Organizational Responses, and Information Technology Support
 2. Competitive Advantage and Strategic Information Systems



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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.



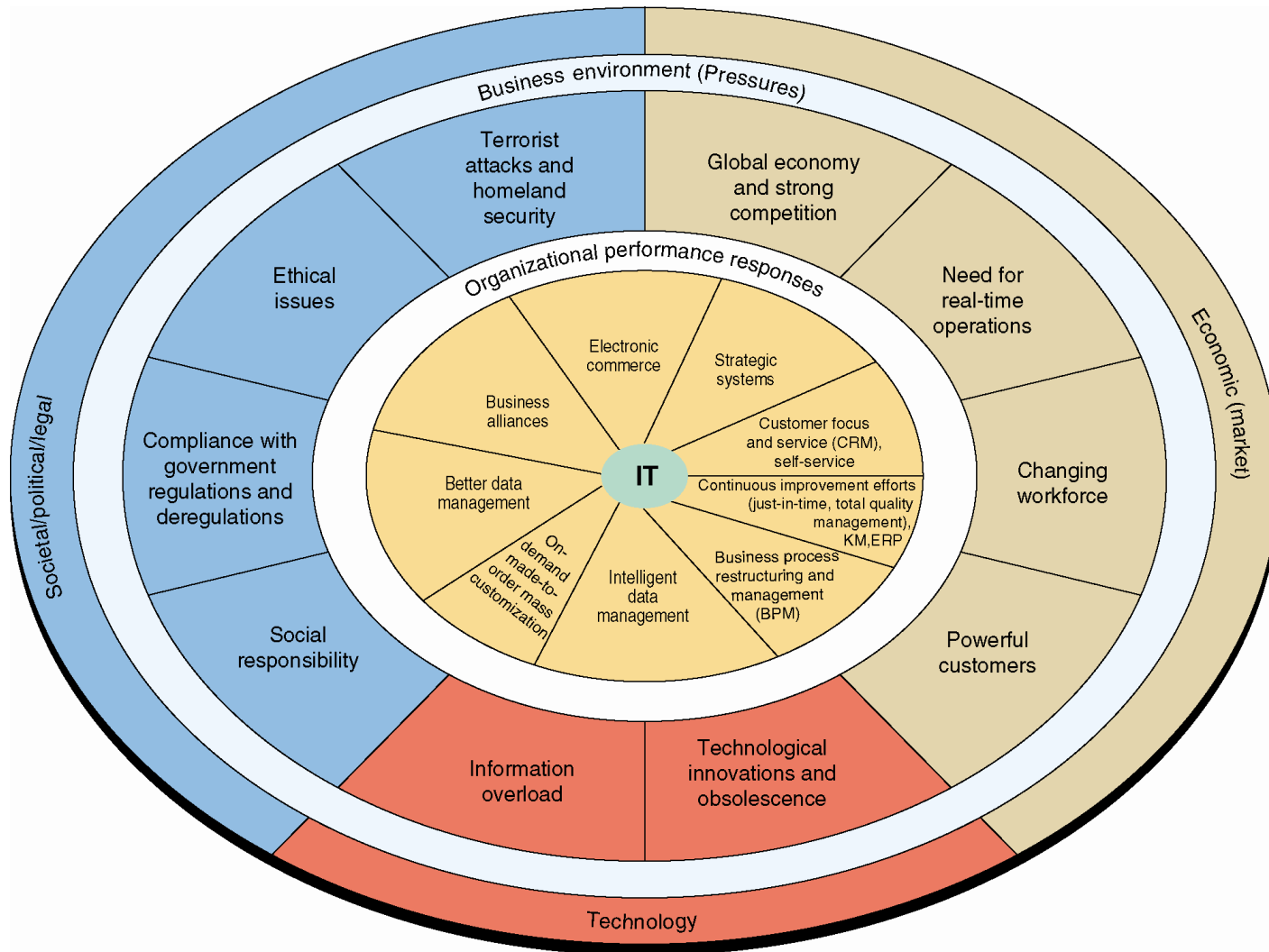
2.1 Business Pressures, Organizational Responses, and IT Support

- 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




Market Pressures

- Globalization
- Changing Nature of the Workforce
- Powerful Customers

Technology Pressures

- Technological Innovation and Obsolescence
- Information Overload

Societal/Political/Legal Pressures

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

- Strategic Systems
- Customer Focus
- Make-to-Order and Mass Customization
- E-Business and E-Commerce

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
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Porter's Five Forces Model


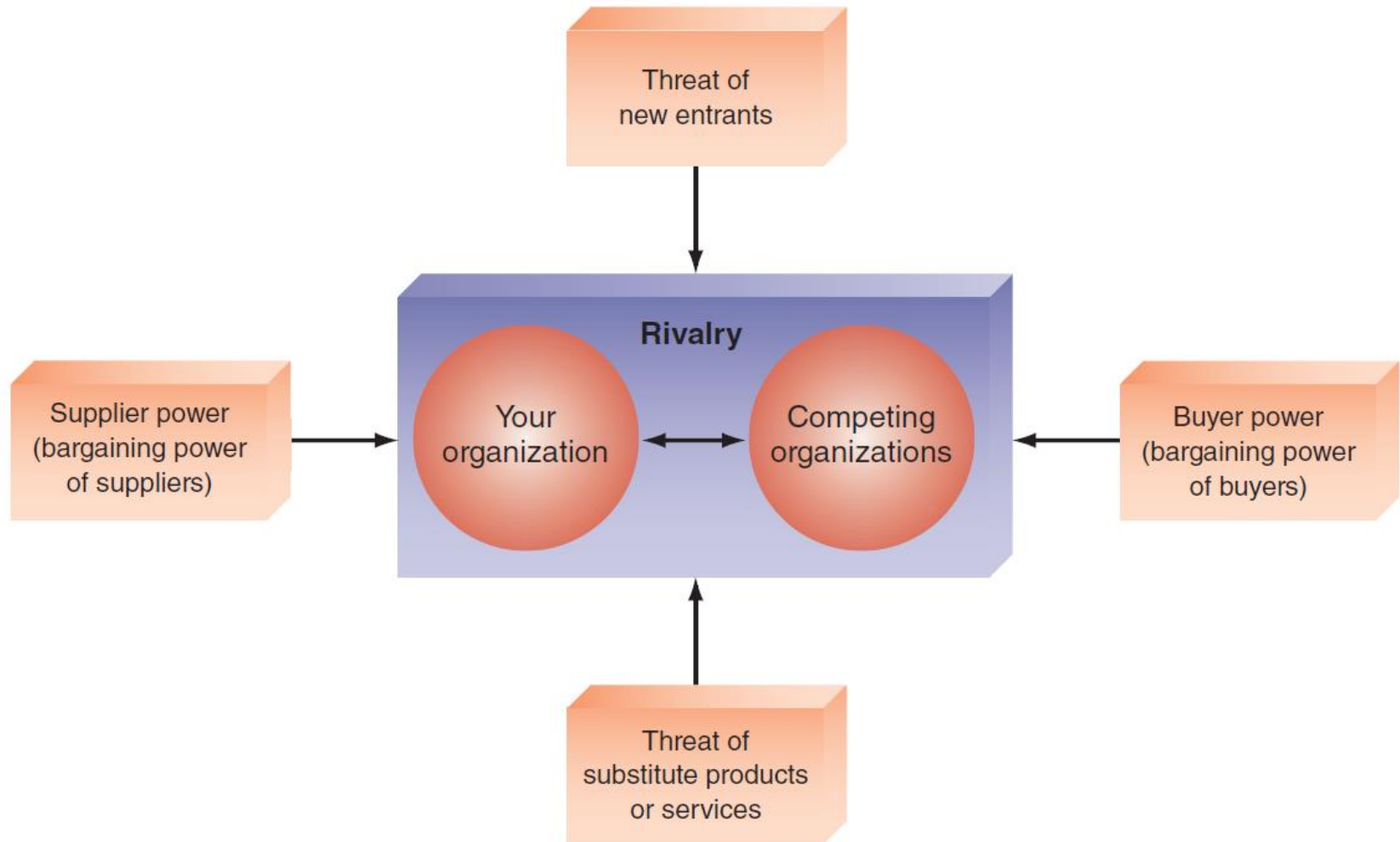
1. The threat of new competitors
 2. The bargaining power of suppliers
 3. The bargaining power of customers (buyers)
 4. The threat of substitute products or services
 5. The rivalry among existing firms in the industry
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Figure 2.2: Porter's Competitive Forces Model




Porter's Value Chain Model

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

Figure 2.3: Porter's Value Chain Model




Primary Activities

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

- The Firm's Infrastructure
 - Human Resources Management
 - Product and Technology Development
 - Procurement
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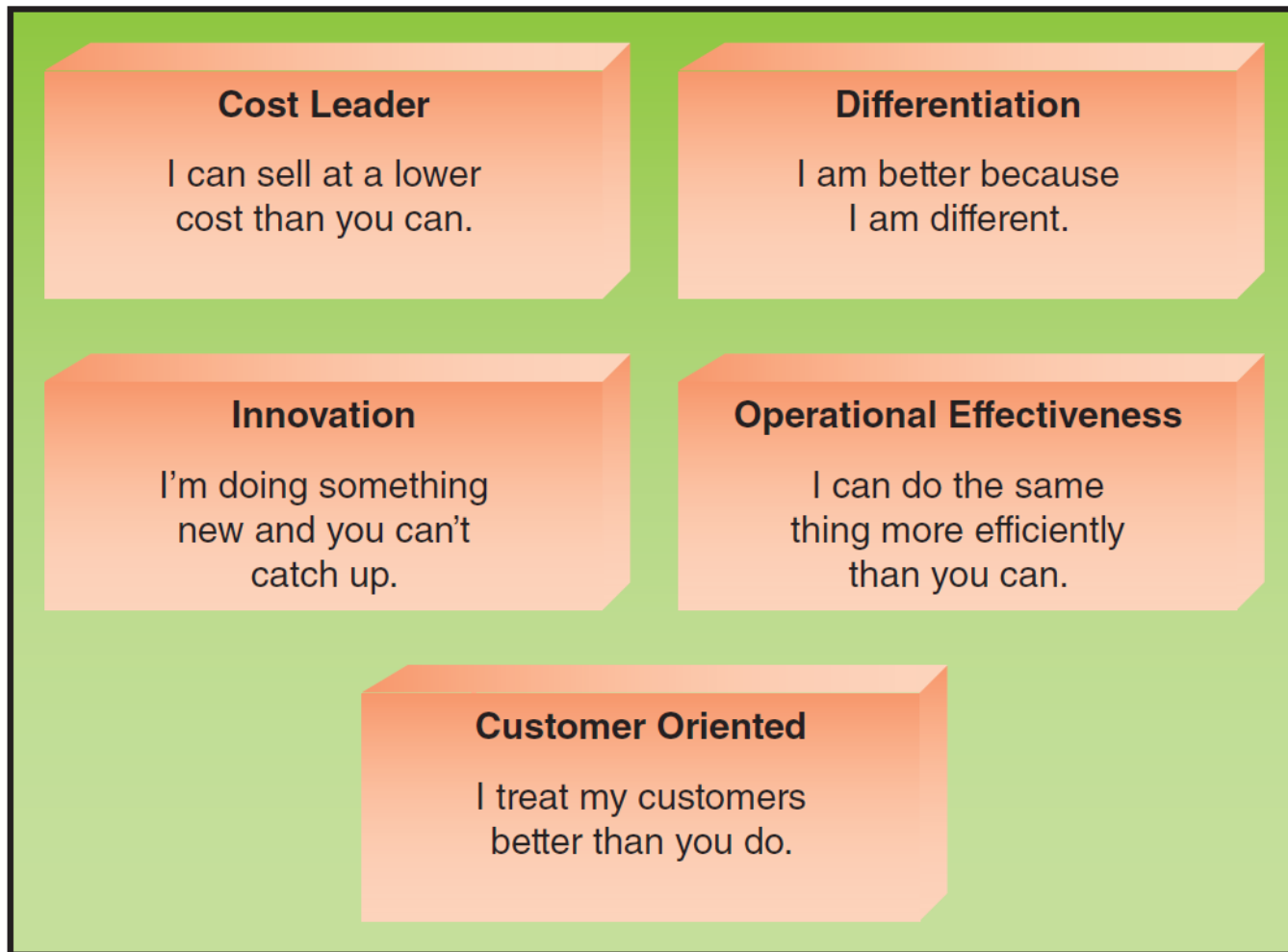
Strategies for Competitive Advantage

1. Cost leadership strategy
 2. Differentiation strategy
 3. Innovation strategy
 4. Organizational effectiveness strategy
 5. Customer orientation strategy
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Business-Information Technology Alignment

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


Figure 2.4: Strategies for Competitive Advantage



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.
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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.
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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.
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