

Organizational Strategy, Competitive Advantage, and Information Systems

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

- 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.

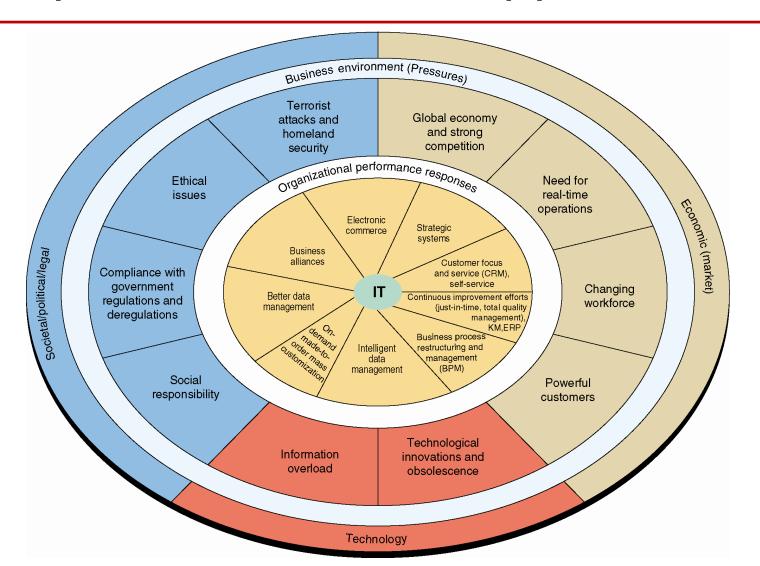
Business Pressures, Organizational Responses, and IT Support

- 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

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

Organizational Responses

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

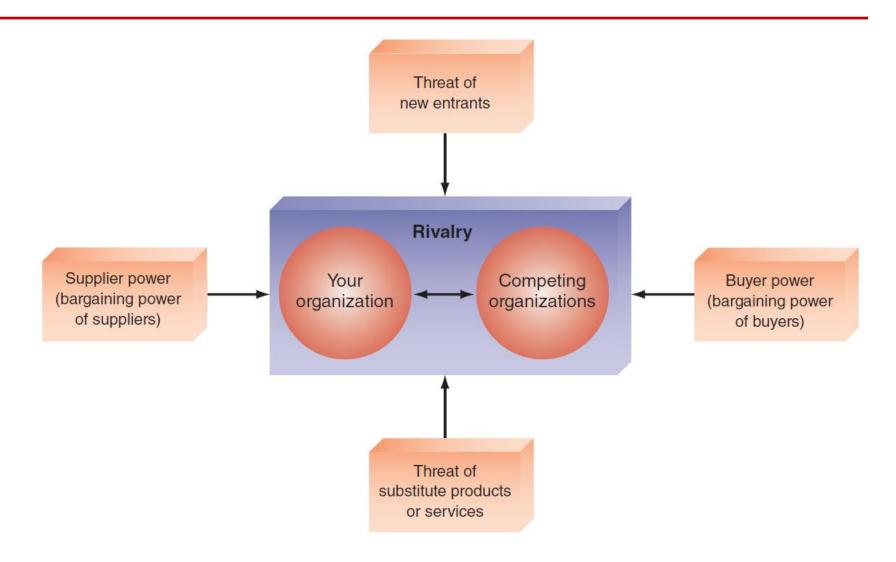
2.2 Competitive Advantage and Strategic IS's

- Porter's Competitive Forces Model
- Porter's Value Chain Model
- Strategies for Competitive Advantage
- Business Information Technology Alignment

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

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

—————————————————————————————————————	Administration and management		Legal, accounting, finance management			Electronic scheduling and message systems; collaborative workflow intranet	
	Human resource management		Personnel, recruiting, training, career development			Workforce planning systems; employee benefits intranet	
	Product and technology development		Product and process design, production engineering, research and development			Computer-aided design systems; product development extranet with partners	
	Procurement		Supplier management, funding, subcontracting, specification			E-commerce Web portal for suppliers	
	Inbound logistics	logistics Operation		S Outbound logistics		ting and sales	Customer service
	supply schedules	Manufacturing; packaging; production control; quality control; maintenance		Finishing goods; order handling; dispatch; delivery; invoicing	Customer management; order taking; promotion; sales analysis; market research		Warranty; maintenance; education and training; upgrades
	warehousing systems			Automated shipment scheduling systems; online point of sale and order processing	Computerized ordering systems; targeted marketing		Customer relationship management systems

FIRM ADDS VALUE

Primary Activities

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

Support Activities

- The Firm's Infrastructure
- Human Resources Management
- Product and Technology Development
- Procurement

Strategies for Competitive Advantage

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

Business-Information Technology Alignment

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

Figure 2.4: Strategies for Competitive Advantage

Cost Leader

I can sell at a lower cost than you can.

Innovation

I'm doing something new and you can't catch up.

Differentiation

I am better because I am different.

Operational Effectiveness

I can do the same thing more efficiently than you can.

Customer Oriented

I treat my customers better than you do.

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.

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.

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.