

# IS6640

## Lecture 2

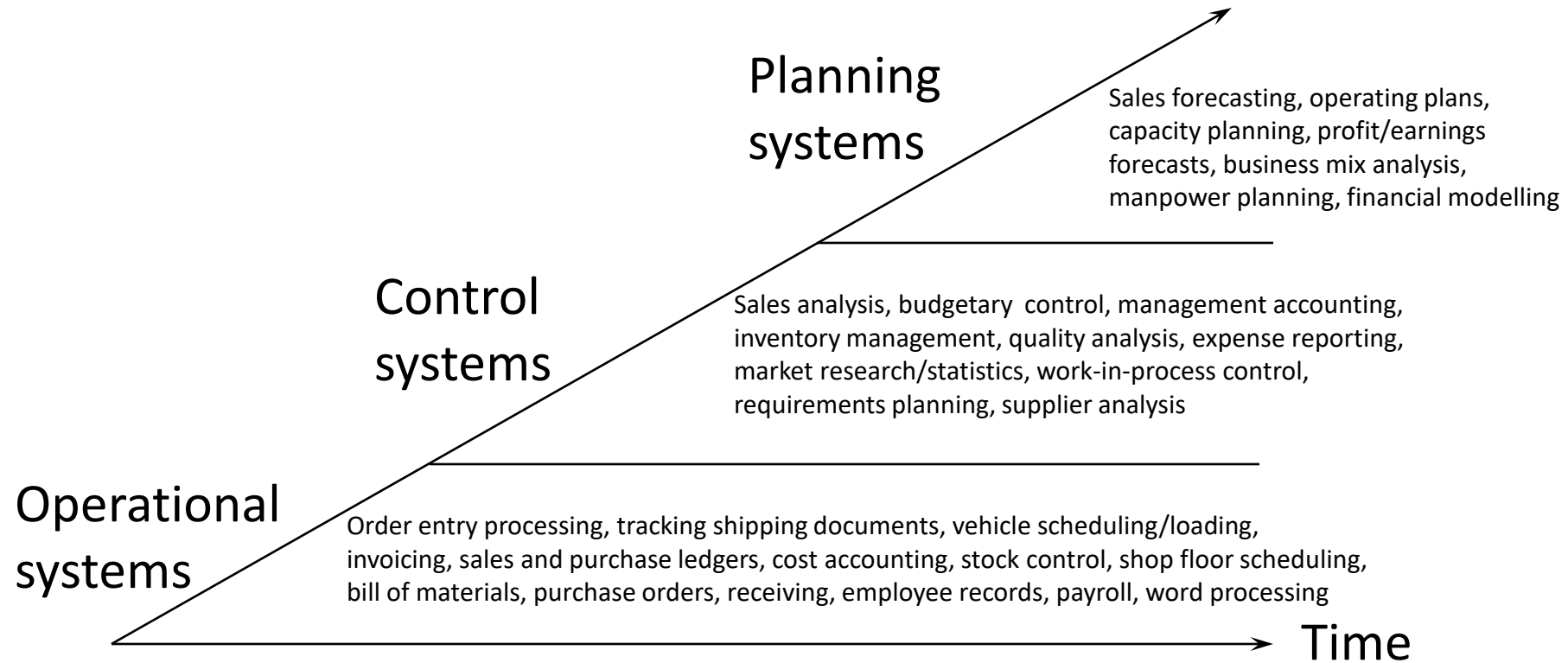
### Business Strategy

# 1. Role of IS in Organizations

- Early views of IS in organizations
- Lessons from DP and MIS eras
- The new SIS era
- Types of SIS
- Success factors of SIS
- Planning implications in the SIS era
- Applications portfolio in the SIS era
- IT & Business Advantage

# Early Views of IS in Organizations

Anthony's (1965) framework



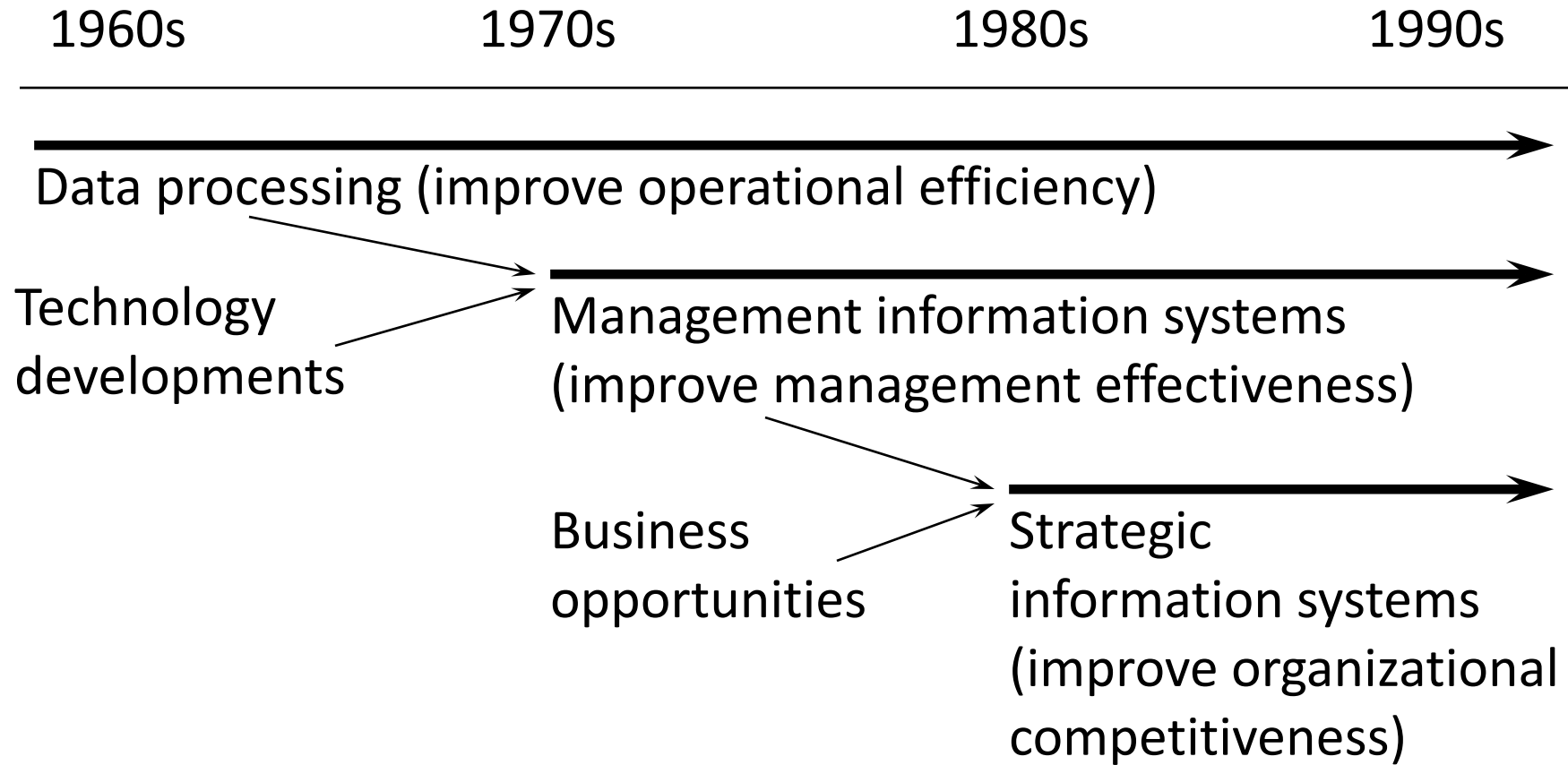
# Lessons from DP Era

- Need to understand the process of developing complete IS
- More thorough requirements and data analysis
- More appropriate justification of investments
- Less creative, more structured approaches to programming, testing, and documentation
- Extended project management to coordinate user and DP functions
- Need to plan the inter-related set of IS required by the organization

# Lessons from MIS Era

- Justification of IS investments not simply a matter of financial analysis
- Databases require large restructuring projects and heavy user involvement
- IS resource needs to move from a production to a service orientation
- Need for organizational policies, not just DP methodologies
- PCs enable better MIS to be developed, provided users and IS people focus on information needs

# The New SIS Era





# Types of SIS

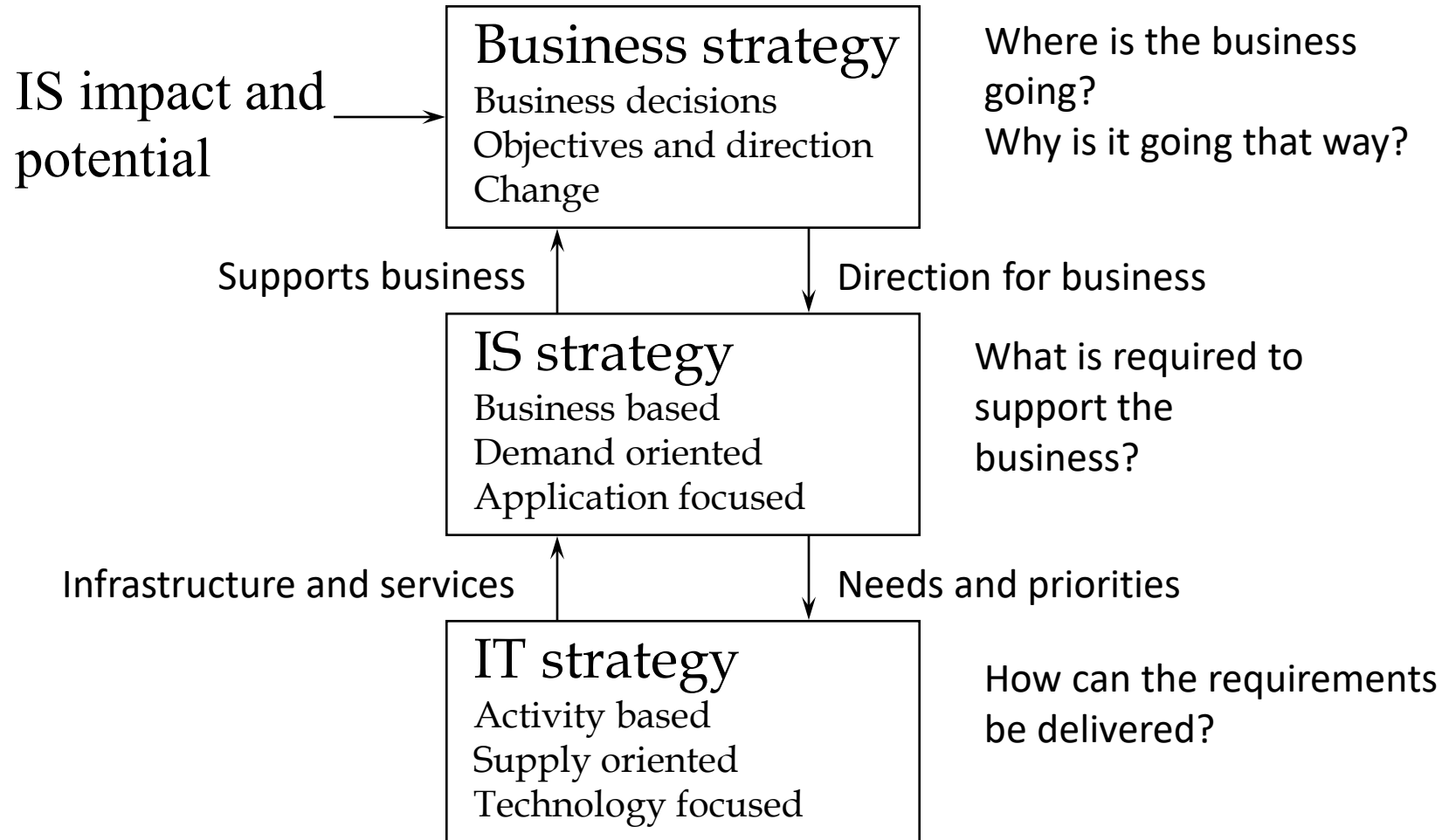
- Those that link the organization to its customers or suppliers to share information
- Those that effectively integrate the use of information in the organization value chain
- Those that enable the organization to develop new or enhanced products or services based on information
- Those that provide managers with better information for strategy development
- Examples: [Networked Trade Platform](#) - [Tradenet](#) (Trade Development Board of Singapore), SABRE ([American Airlines](#)), and [Valuelink](#) ([Baxter Healthcare](#))

# Class Discussion

- What is it about the JIT of Walmart that makes it an SIS?
- In other words, which aspects of Walmart's JIT make it strategic?



# Planning Implications in the SIS Era



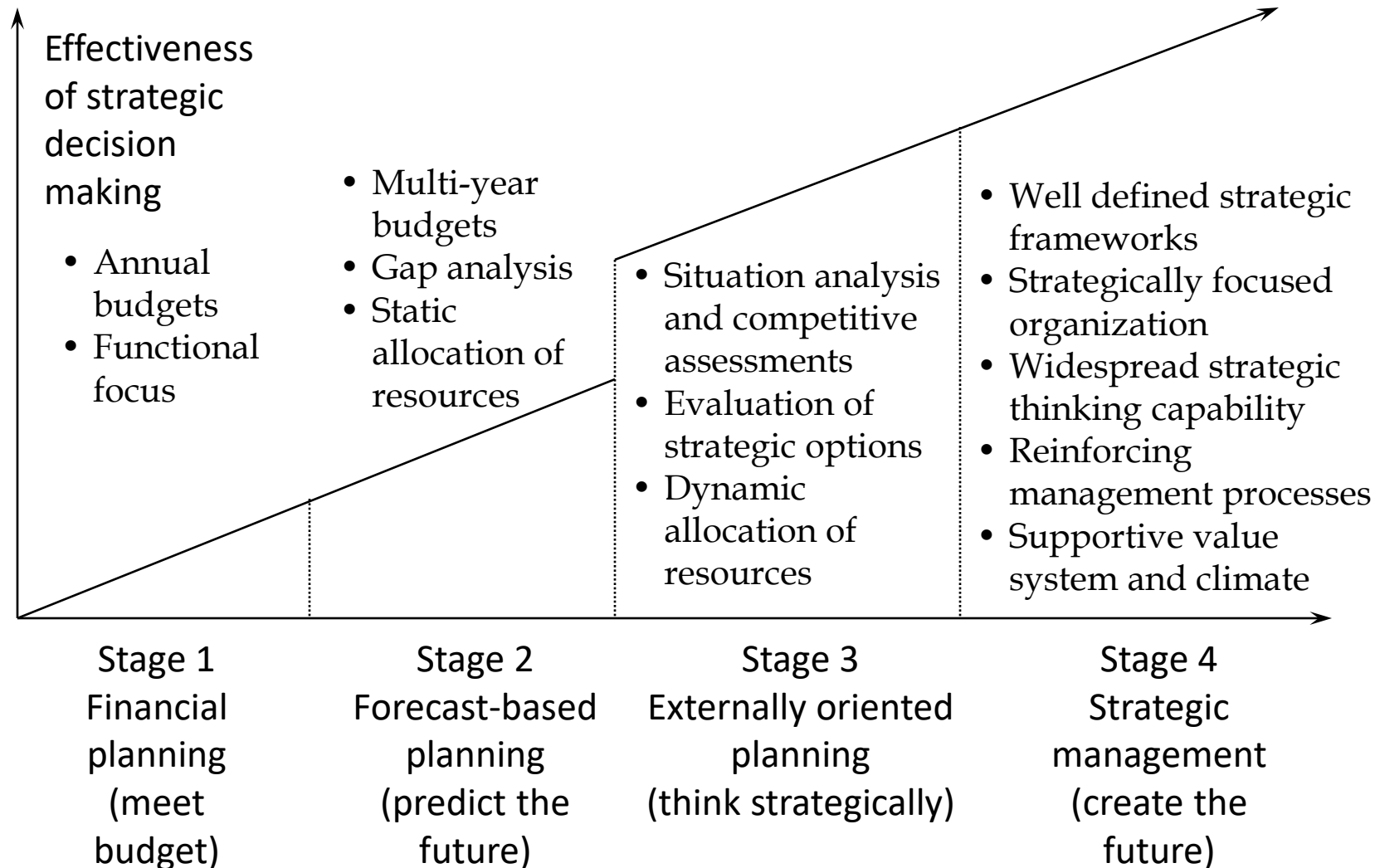
# IT and Business Advantage

- Information Technology (IT) has been a source of opportunity and uncertainty, of advantage and risk
- Dual Objectives:
  - Help business executives recognize the potential of technology in creating business advantage
  - Help IT executives assume the leadership positions, to define and execute both technology and business strategy.

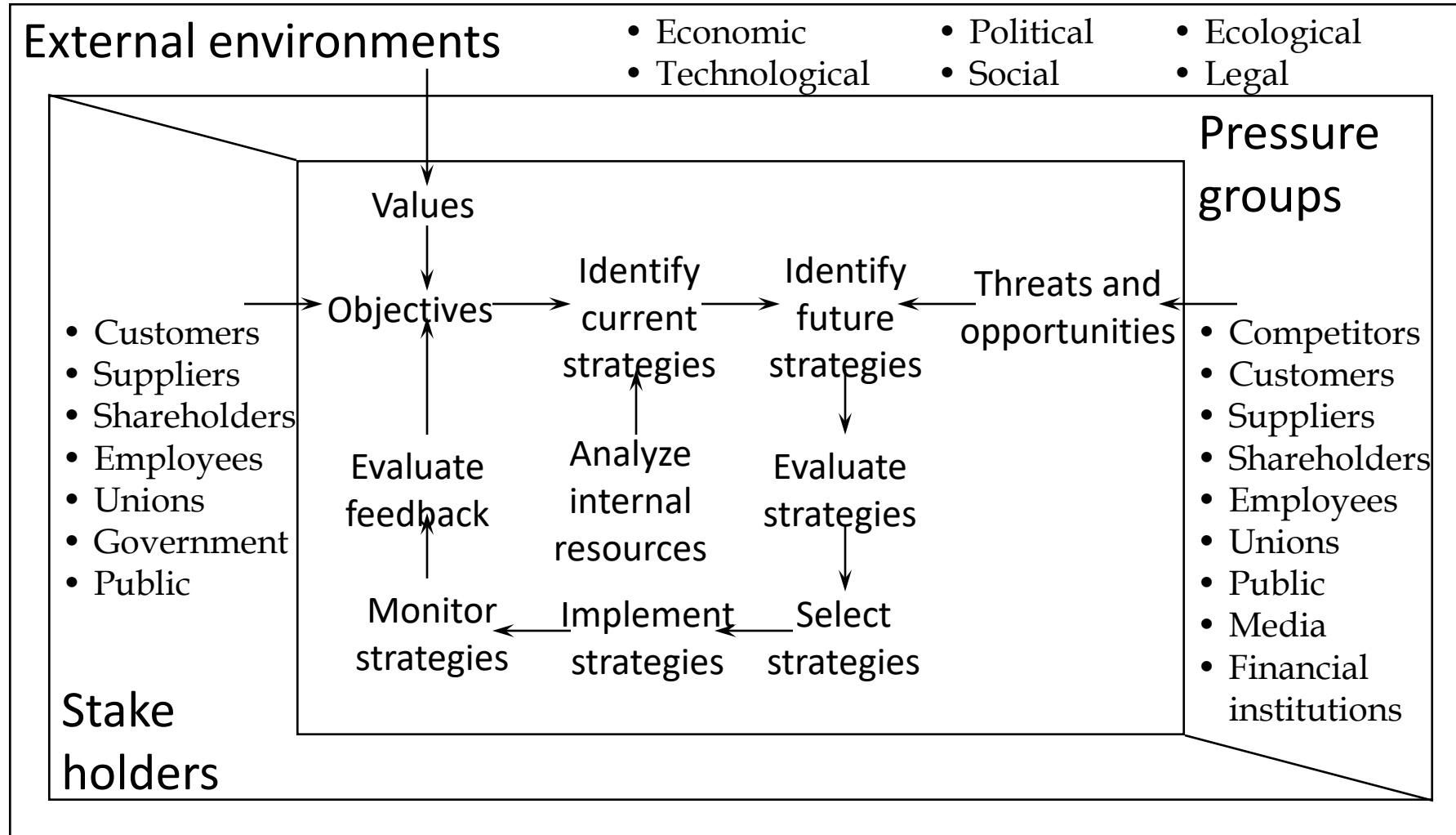
## 2. Business Planning Issues

- Evolution of business planning
- Framework for business planning
- Inputs to business planning
- Definition of business strategy
- Process of business planning
- Techniques for business planning
- Product portfolio and life cycle
- Competitive forces in industry
- Competitive strategy and scope

# Evolution of Business Planning



# Framework for Business Planning





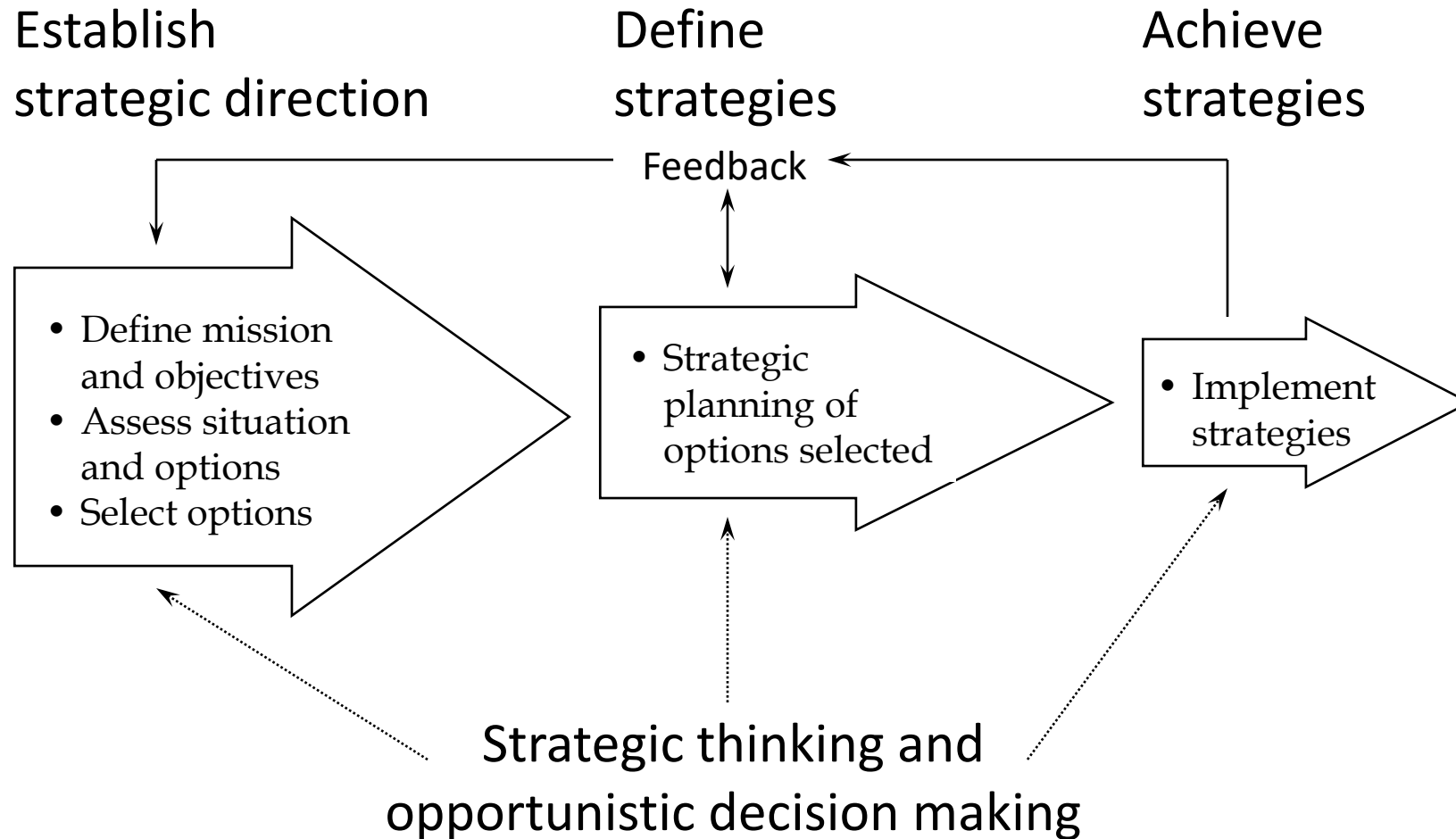
# Inputs to Business Planning

- External environments - Sources of important signals to organizations
- Pressure groups - Demand recognition and rapid management response
- Stakeholders - Demand fair share of created wealth
- Business planning is usually carried out for each strategic business unit
  - A unit that sells a distinct set of products or services, serves a specific set of customers, and competes with a well-defined set of competitors

# Definition of Business Strategy

- Definition of business strategy
  - An integrated set of actions aimed at increasing the long-term well-being and strength of the organization relative to its competitors
- Strategic planning - systematic, comprehensive analysis to develop a plan of action
- Strategic thinking - creative, entrepreneurial insight into the ways the organization could develop
- Opportunistic decision making - effective reaction to unexpected threats and opportunities

# Process of Business Planning

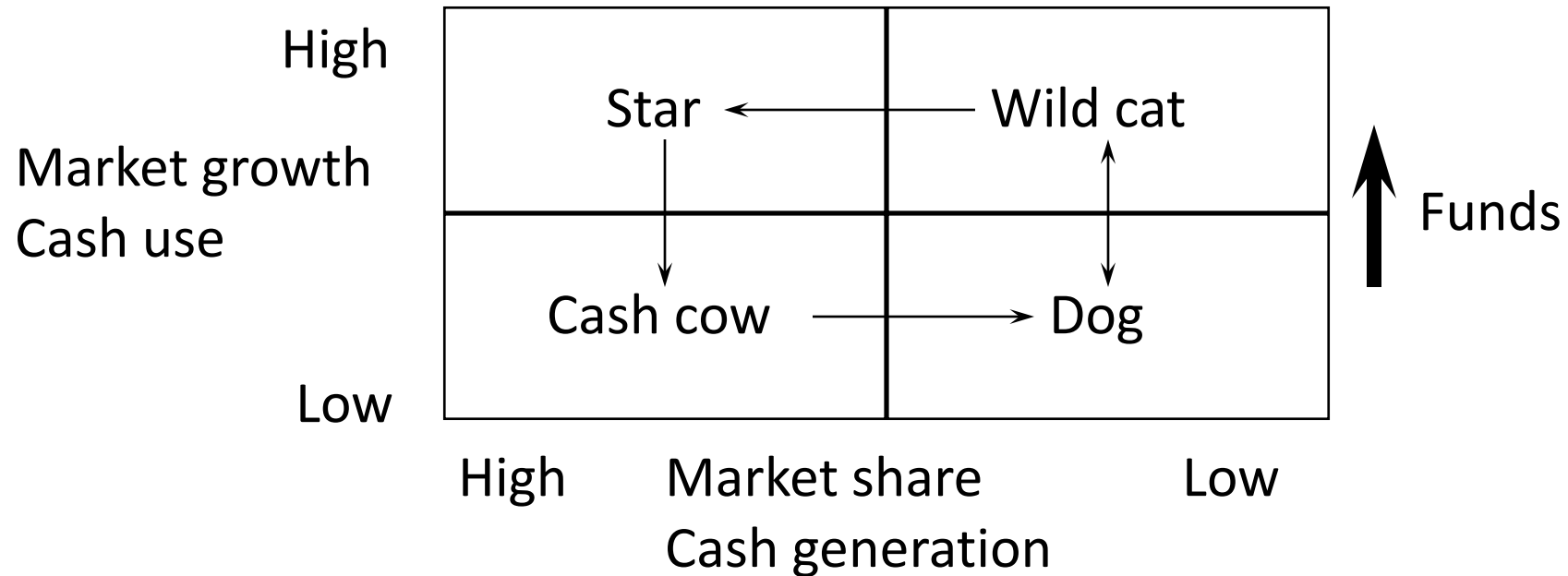




# Techniques for Business Planning

- Quantitative Techniques
  - Generally tactical and operational in nature
  - Examples are Delphi, time series analysis, market survey, net present value, return on investment, and risk analysis, Big data analytics, Machine Learning/AI
  - Assumes that all variables can be determined or measured and assigned values
- Qualitative Techniques
  - Generally strategic in nature
  - Examples are product portfolio and life cycle (Boston Consulting Group), competitive forces in industry (Porter), competitive strategy and scope (Porter), value chain and system (Porter), and critical success factors (Rockart)
  - Usage depends on creativity and experience rather than precise guidelines

# Product Portfolio and Life Cycle



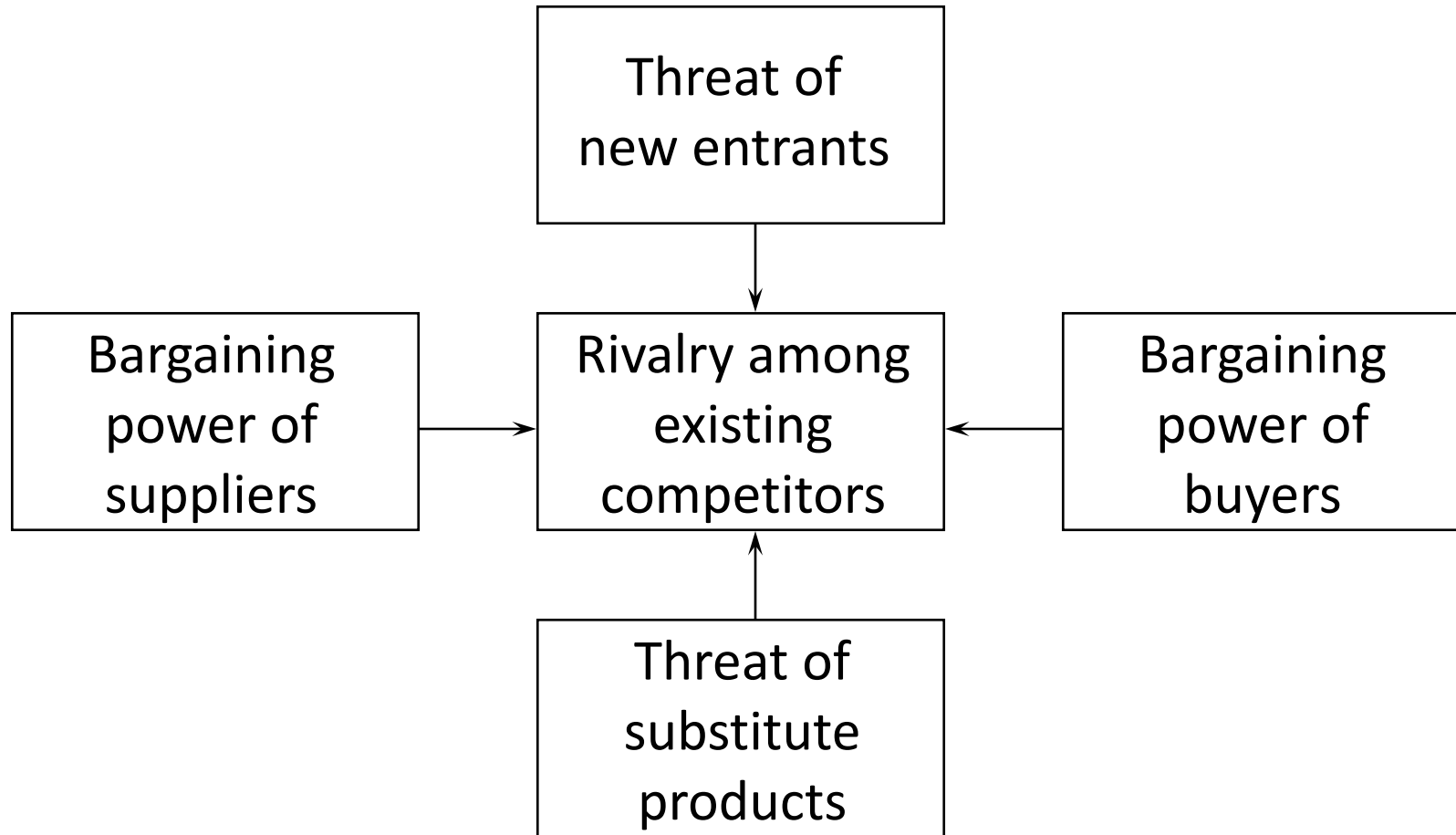
- Manage products as a portfolio
- Manage products according to markets conditions
- Re-invest cash inflows into future products

# Product Portfolio and Life Cycle

Emerging products	Growth products	Mature products	Declining products
Wild cat (demand unknown)	Star (demand > supply)	Cash cow (demand = supply)	Dog (demand < supply)
Product specification	Product enhancement	Product variations	Product inventory reduction
Customer requirements	Customer service	Customer segmentation	Customer base reduction
Market research and forecasting	Market promotion to expand customer base	Market pricing flexibility to target specific customers	Market decline and overhead rationalization

Time →

# Michael Porter's Competitive Forces in Industry

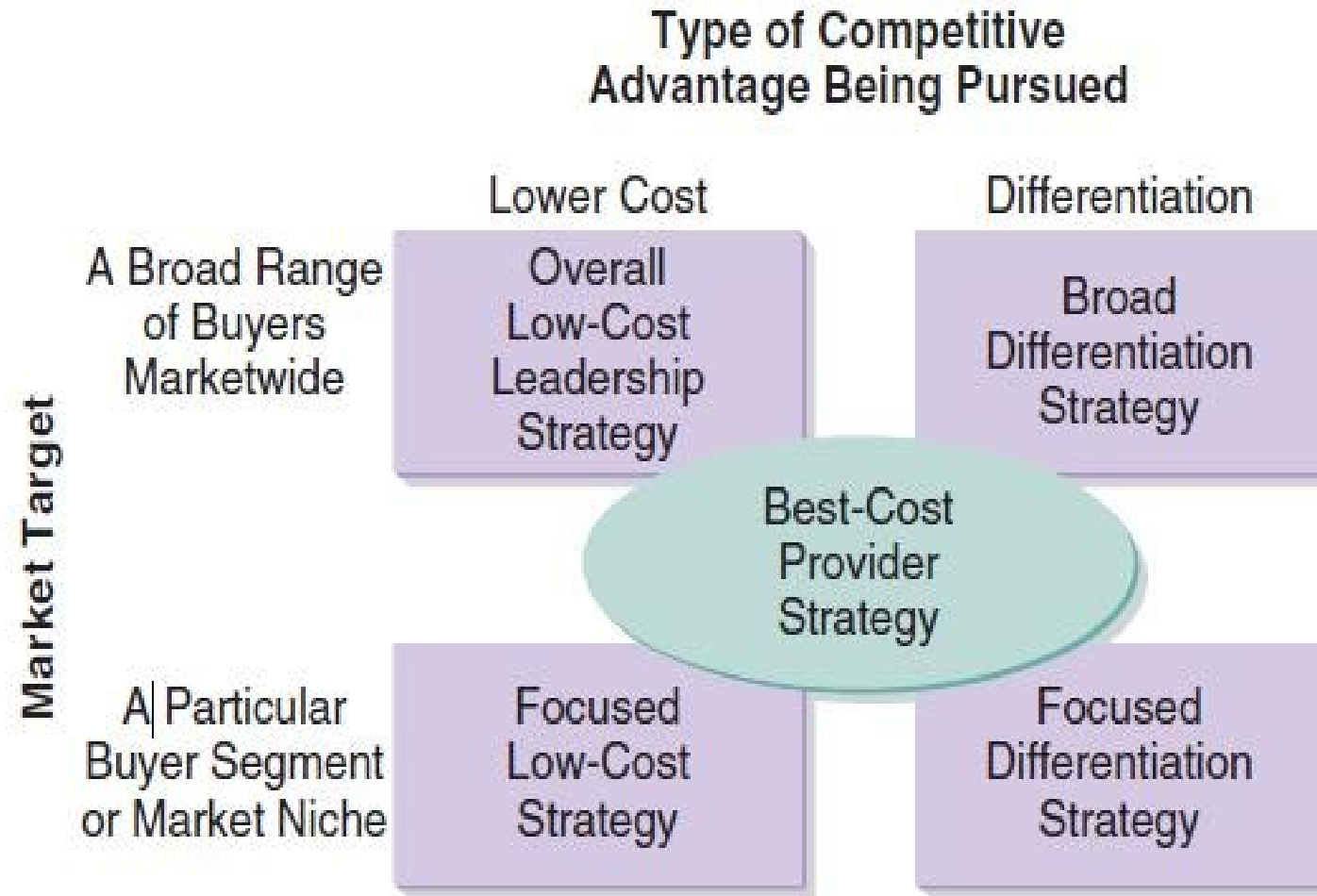


<https://hbr.org/video/2226587624001/the-five-competitive-forces-that-shape-strategy>

# Generic Competitive Strategy and Scope

- Low cost (broad scope) strategy
  - Emphasize efficiency, control, and measurement
  - Need sustained capital investments, process engineering skills, and intense supervision of labor
- Differentiation (broad scope) strategy
  - Emphasize innovation, creativity, and coordination
  - Need strong marketing abilities, product engineering skills, strong research capabilities, and strong cooperation from distribution channels
- Niche (narrow scope) strategy
  - Emphases similar to those for low cost or differentiation strategy but within a market segment
  - Needs similar to those for low cost or differentiation strategy but within a market segment

# Broad Framework for Competitive Advantage



# Competitive Strategy and Scope

Broad scope (industry wide)	<p>Overall cost leadership</p> <p>Example: General Tire uses tele-marketing to solicit routine orders from existing customers so that distribution costs can be reduced</p>	<p>Differentiation (value added)</p> <p>Example: American Express helps corporate customers to analyze travel costs incurred by their employees in categories required by them</p>
Narrow scope (selected market)	<p>Cost based focus (niche)</p> <p>Example: Caesar's Palace analyzes data on gambling customers and reduce costs of complimentary services by offering them only to high rollers</p>	<p>Differentiation based focus</p> <p>Example: BMW links its dealer car option selection system to its operations system so that the delivery date of each car can be precisely determined</p>
	Low cost strategy	Differentiation strategy



# Generic Strategies (Complementary) – Achieving Competitive Advantage

- Growth strategy
  - Increase market share, acquire more customers, or sell more products
- Alliance strategy
  - Partnerships, alliances, joint ventures, or virtual companies.
- Innovation strategy
  - Introduce new products and services, put new features in existing products and services, or develop new ways to produce them.
- Entry-barriers strategy
  - Create barriers to entry ~~ Diamond



# Class Discussion

- Think of a company that uses each of the generic strategy
- Discuss how this company succeeds in the strategy within the context of its industry and its competitors



# Tactics for Competitiveness

- Being the first to enter a market (first mover advantage)
- Best-made product
- Superior customer service
- Lower costs than rivals
- Proprietary manufacturing technology
- Shorter development/test lead times
- Well-known brand name
- More value for the money

# Class Discussion

- For each tactic, think of a company(ies) and products that use the tactic.
- Discuss the extent that the company has been effective in using the tactic for the product(s) under consideration.

# Sources of Competitive Advantage

