

# Information System

## ITEC-522

### First Semester Third Year

### Information Technology

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**Week #7**

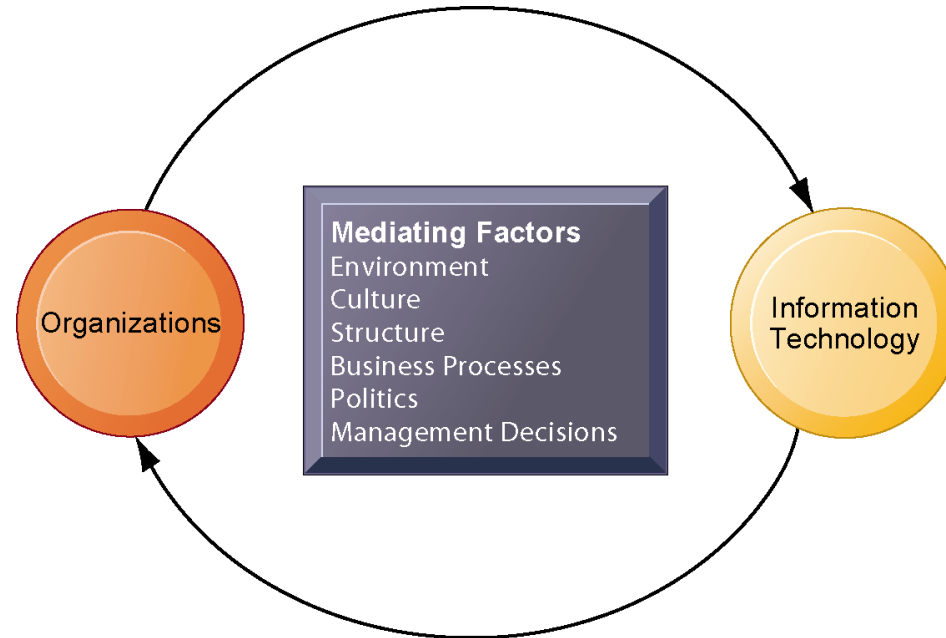


# **Information Systems, Organizations, and Strategy**

## **Information technology and organizations influence one another**

- **Complex relationship influenced by organization's structure, business processes, politics, culture, environment, and management decisions.**

# The Two-Way Relationship Between Organizations and Information Technology

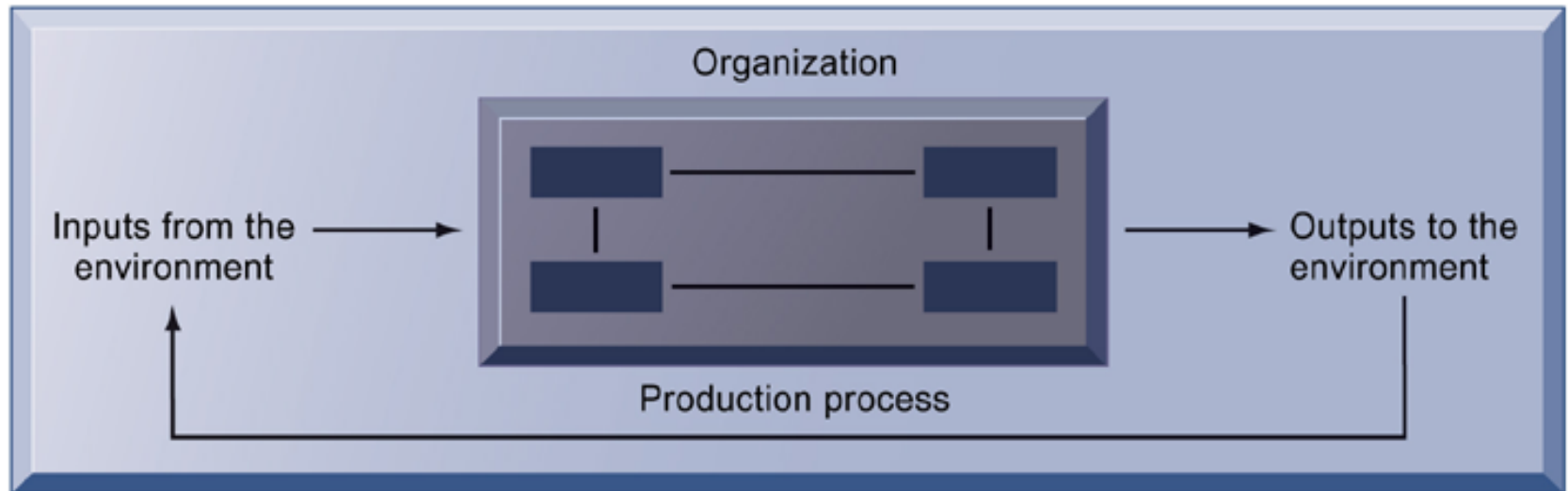


This complex two-way relationship is mediated by many factors, not the least of which are the decisions made—or not made—by managers. Other factors mediating the relationship include the organizational culture, structure, politics, business processes, and environment.

## • What is an organization?

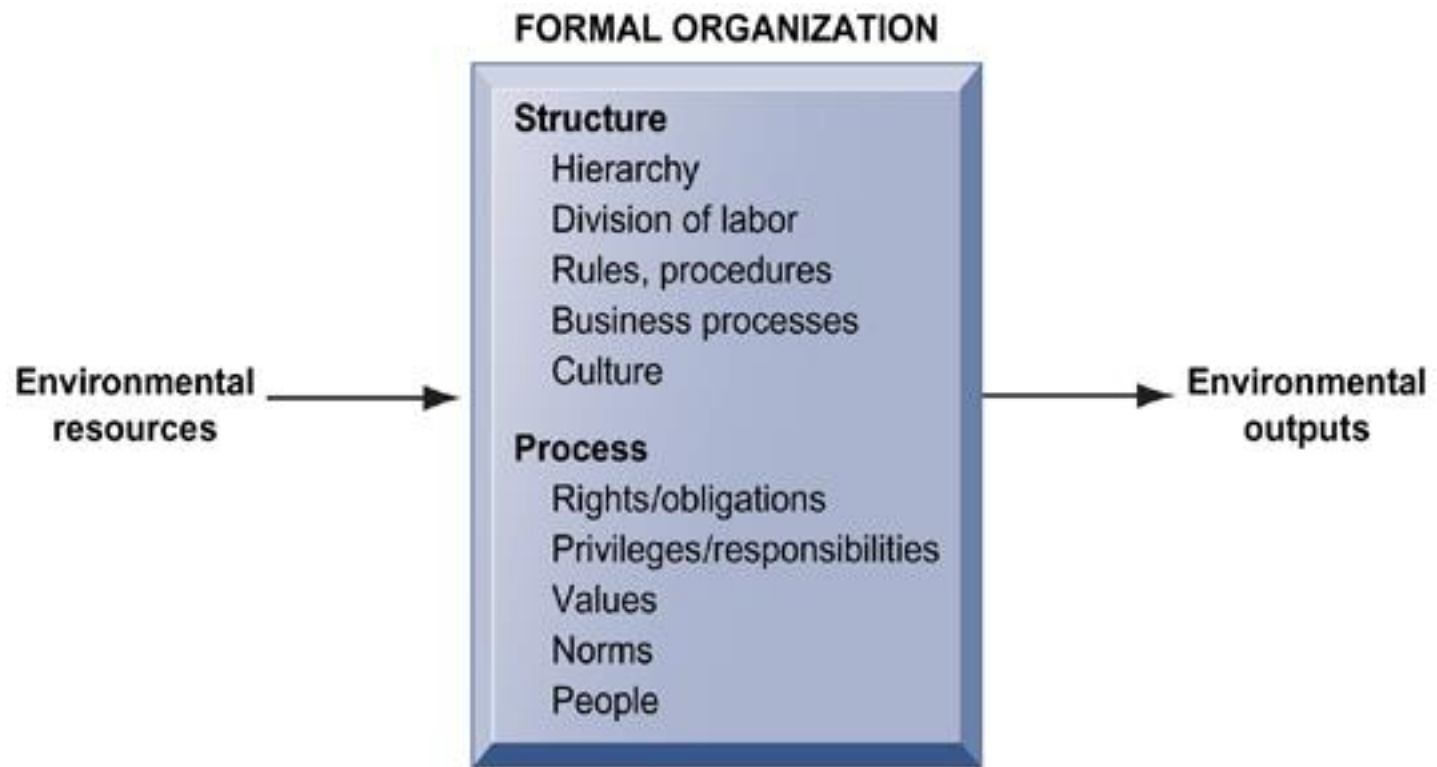
- **Technical definition:**
  - **Stable, formal social structure that takes resources from environment and processes to produce outputs.**
  - **A formal legal entity with internal rules and procedures, as well as a social structure**
- **Behavioral definition:**
  - **A collection of rights, privileges, obligations, and responsibilities that is delicately balanced over a period of time through conflict and conflict resolution**

### The Technical Microeconomic Definition of the Organization



In the microeconomic definition of organizations, capital and labor (the primary production factors provided by the environment) are transformed by the firm through the production process into products and services (outputs to the environment). The products and services are consumed by the environment, which supplies additional capital and labor as inputs in the feedback loop.

## The Behavioral View of Organizations



The behavioral view of organizations emphasizes group relationships, values, and structures.

## **• Features of organizations**

- All modern organizations share some characteristics, such as:**
  - Use of hierarchical structure**
  - Accountability, authority in system of impartial decision-making**
  - Adherence to principle of efficiency**
  - Other features include: Routines and business processes and organizational politics, culture, environments and structures**



## **Organizational politics**

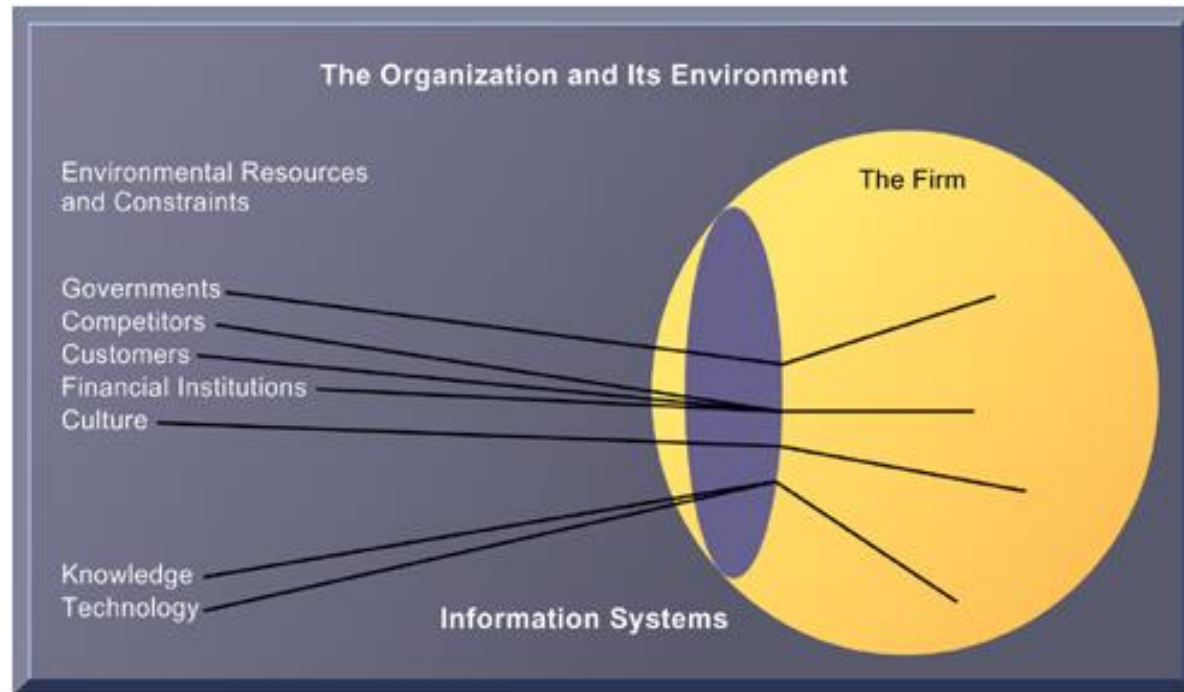
- **Divergent viewpoints lead to political struggle, competition, and conflict**
- **Political resistance greatly hampers organizational change**

- **Organizational culture:**
  - **Encompasses set of assumptions that define goal and product**
    - **What products the organization should produce**
    - **How and where it should be produced**
    - **For whom the products should be produced**
  - **May be powerful unifying force as well as restraint on change**

## • **Organizational environments:**

- **Organizations and environments have a reciprocal relationship**
- **Organizations are open to, and dependent on, the social and physical environment**
- **Organizations can influence their environments**
- **Environments generally change faster than organizations**
- **Information systems can be instrument of environmental scanning, act as a lens**

## **Environments and Organizations Have a Reciprocal Relationship**



**Environments shape what organizations can do, but organizations can influence their environments and decide to change environments altogether. Information technology plays a critical role in helping organizations perceive environmental change and in helping organizations act on their environment.**

- **Organizational structure**
  - **Five basic kinds of structure**
    - **Entrepreneurial:** Small start-up business
    - **Machine bureaucracy:** Midsize manufacturing firm
    - **Divisionalized bureaucracy:** Fortune 500 firms
    - **Professional bureaucracy:** Law firms, school systems, hospitals
    - **Adhocracy:** Consulting firms

## **Other Organizational Features**

- **Goals**
- **Constituencies**
- **Leadership styles**
- **Tasks**
- **Surrounding environments**



# Business Strategy

- "Strategy is the **direction** and **scope** of an organisation over the **long-term**: which achieves **advantage** for the organisation through its configuration of **resources** within a challenging **environment**, to meet the needs of **markets** and to fulfil **stakeholder** expectations".
- In other words, strategy is about:
  - \* Where is the business trying to get to in the long-term (**direction**)
  - \* Which markets should a business compete in and what kind of activities are involved in such markets? (**markets**; **scope**)
  - \* How can the business perform better than the competition in those markets? (**advantage**)?



# Business Strategy

- \* What resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (**resources**)?
- \* What external, environmental factors affect the businesses' ability to compete? (**environment**)?
- \* What are the values and expectations of those who have power in and around the business? (**stakeholders**)





# Business Strategy

- **Strategy at Different Levels of a Business**
- Strategies exist at several levels in any organisation - ranging from the overall business (or group of businesses) through to individuals working in it.
- ***Corporate Strategy*** - is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement".



# Business Strategy

- ***Business Unit Strategy*** - is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.
- ***Operational Strategy*** - is concerned with how each part of the business is organised to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc.



# Strategic Planning

- First Stage of Strategic Planning may involve:
- **Futures Thinking**
  - Thinking about what the business might need to do 10-20 years ahead
- **Strategic Intent**
  - Thinking about key strategic themes that will inform decision making
- “The thicker the planning document, the more useless it will be”



# Strategic Planning

- **The Vision**

- Communicating to all staff where the organisation is going and where it intends to be in the future
- Allows the firm to set goals

- **Aim and Objectives:**

- **Aim**- long term target
- **Objectives** - the way in which you are going to achieve the aim



# Strategic Planning

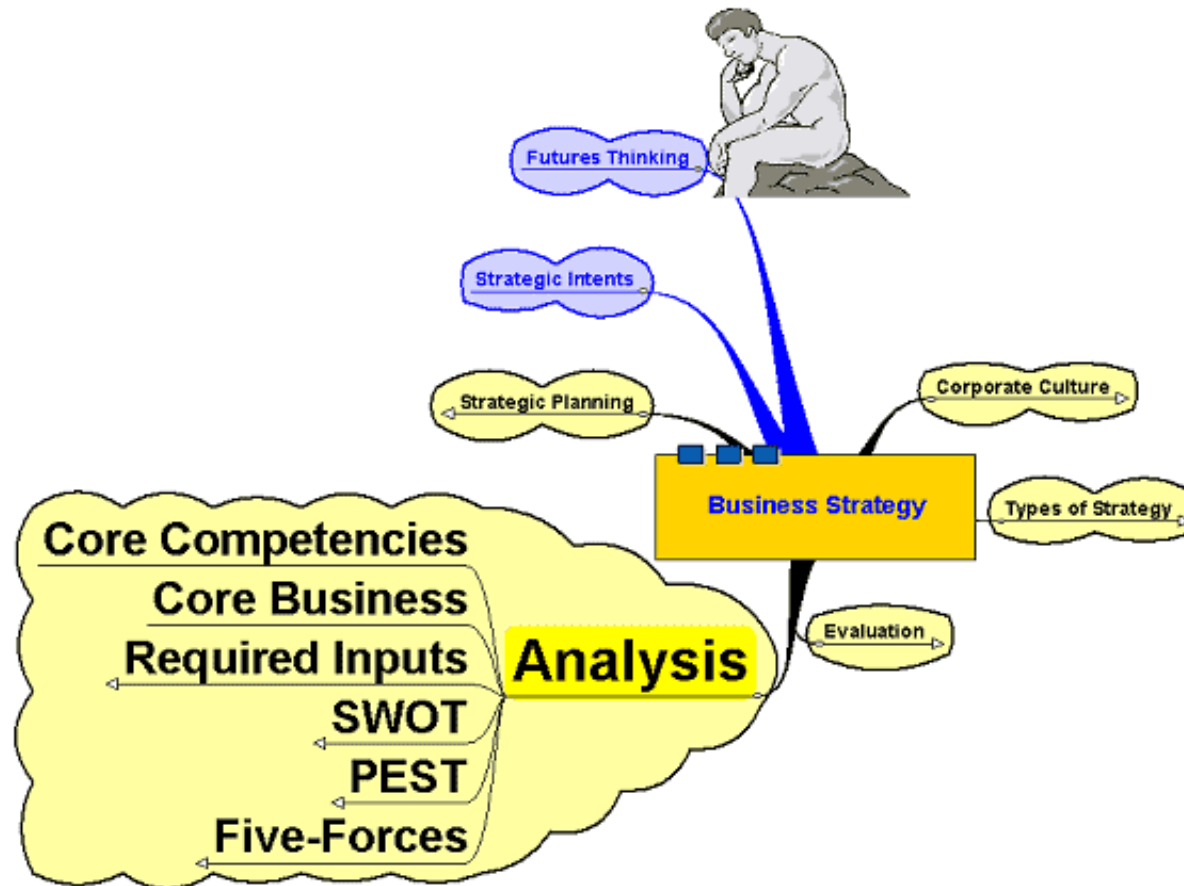
- **Example:**
- **Aim** may be for a chocolate manufacturer to break into a new overseas market
- **Objectives:**
  - Develop relationships with overseas suppliers
  - Identify network of retail outlets
  - Conduct market research to identify consumer needs
  - Find location for overseas sales team HQ



# Strategic Planning

- Once the direction is identified:
  - ✓ Analyse position
  - ✓ Develop and introduce strategy
  - ✓ Evaluate:
    - Evaluation is constant and the results of the evaluation feed back into the vision

# Analysis





# SWOT

- **Strengths** - identifying existing organisational strengths
- **Weaknesses** - identifying existing organisational weaknesses
- **Opportunities** - what market opportunities might there be for the organisation to exploit?
- **Threats** - where might the threats to the future success come from?





# PEST

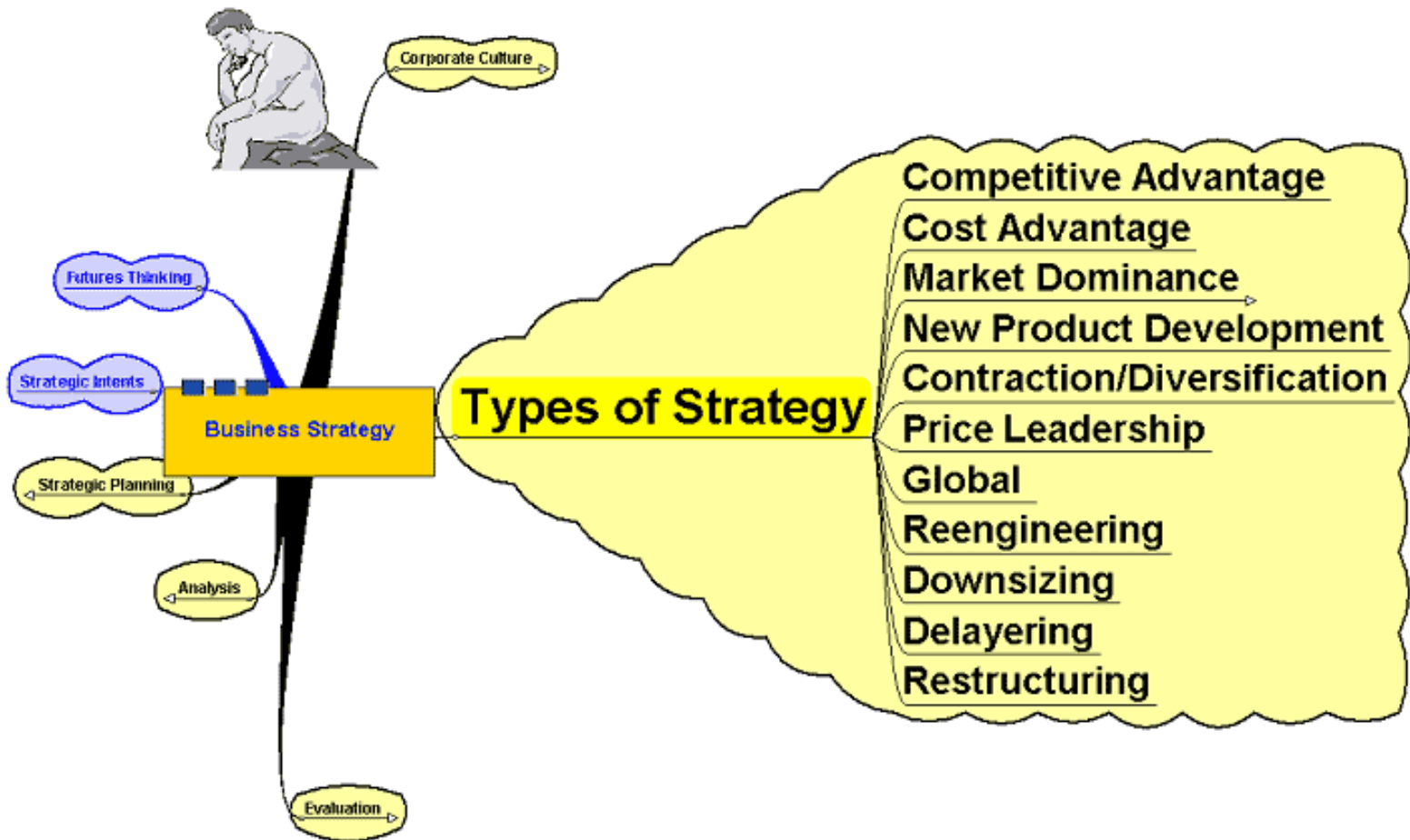
- **Political:** local, national and international political developments - how will they affect the organisation and in what way/s?
- **Economic:** what are the main economic issues - both nationally and internationally - that might affect the organisation?
- **Social:** what are the developing social trends that may impact on how the organisation operates and what will they mean for future planning?
- **Technological:** changing technology can impact on competitive advantage very quickly!



# PEST

- **Examples:**
- Growth of China and India as manufacturing centres
- Concern over treatment of workers and the environment in less developed countries who may be suppliers
- The future direction of the interest rate, consumer spending, etc.
- The changing age structure of the population
- The popularity of ‘fads’ like the Atkins Diet
- The move towards greater political regulation of business
- The effect of more bureaucracy in the labour market

# Types of Strategy





# Types of Strategy

- **Competitive Advantage** - something which gives the organisation some advantage over its rivals
- **Cost advantage** - A strategy to seek out and secure a cost advantage of some kind - lower average costs, lower labour costs, etc.



# Types of Strategy

- **Market Dominance:**
- Achieved through:
  - Internal growth
  - Acquisitions - mergers and takeovers
- **New product development:** to keep ahead of rivals and set the pace
- **Contraction/Expansion** - focus on what you are good at (core competencies) or seek to expand into a range of markets?



# Types of Strategy

- **Price Leadership** - through dominating the industry - others follow your price lead
- **Global** - seeking to expand global operations
- **Reengineering** - thinking outside the box - looking at new ways of doing things to leverage the organisation's performance



# Types of Strategy

- Internal business level strategies -
- **Downsizing** - selling off unwanted parts of the business - similar to contraction
- **Delayering** - flattening the management structure, removing bureaucracy, speed up decision making
- **Restructuring** - complete re-think of the way the business is organised



## Discussion

# Questions?