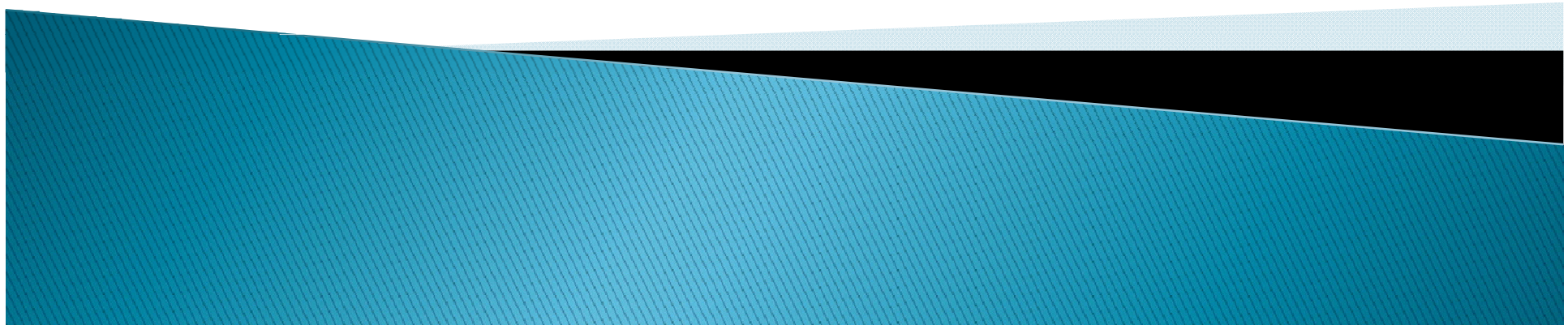


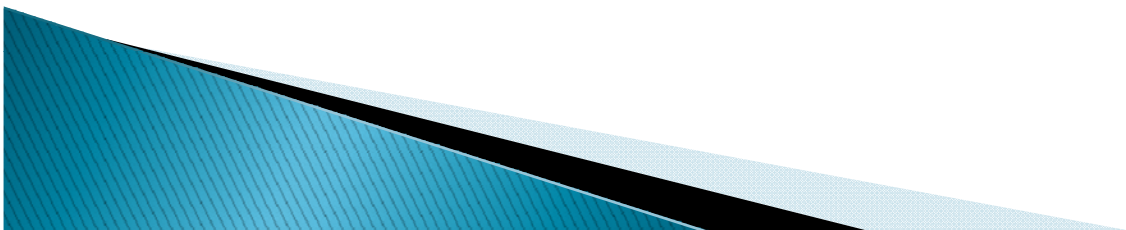
The Information Systems Strategy Triangle

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Outline

- ▶ Introduction to IS strategy triangle
- ▶ Overview of business strategy frameworks
- ▶ Overview of organizational strategies
- ▶ Overview of IS strategy
- ▶ The Halo effect



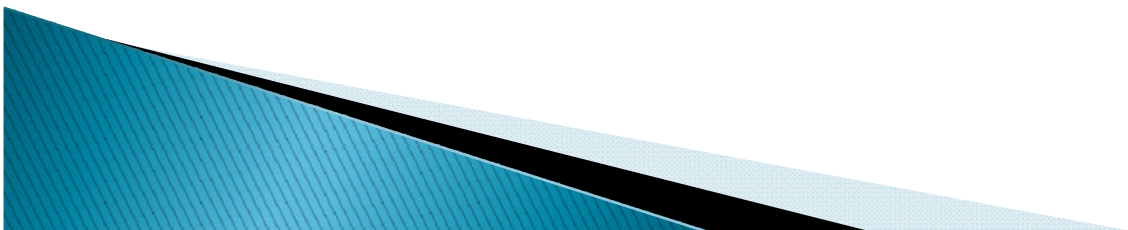
Introduction to IS strategy triangle

- ▶ Real world example: JetBlue
 - During an ice storm in 2007 many airlines were cancelling flights early
 - Jet Blue waited to cancel flights and paid a heavy price
 - Had to cancel 1,000 flights over 5 days
 - Up to 9 planes full of passengers were stranded for up to 6 hours on the tarmac
 - An inadequate reservation system and shoestring communication system was blamed for the problems by David Neeleman (founder & chairman)
 - Changes had to be made

Introduction to IS strategy triangle

▶ The Impact of IS

- Companies are out of alignment when their business strategy is not supported by their IS
- The Information Systems Strategy Triangle is a simple framework for understanding the impact of IS on organizations and proper alignment
- Successful firms have an overriding business strategy, driving both Organizational and Information strategy
- All decisions are driven by the firm's business objectives



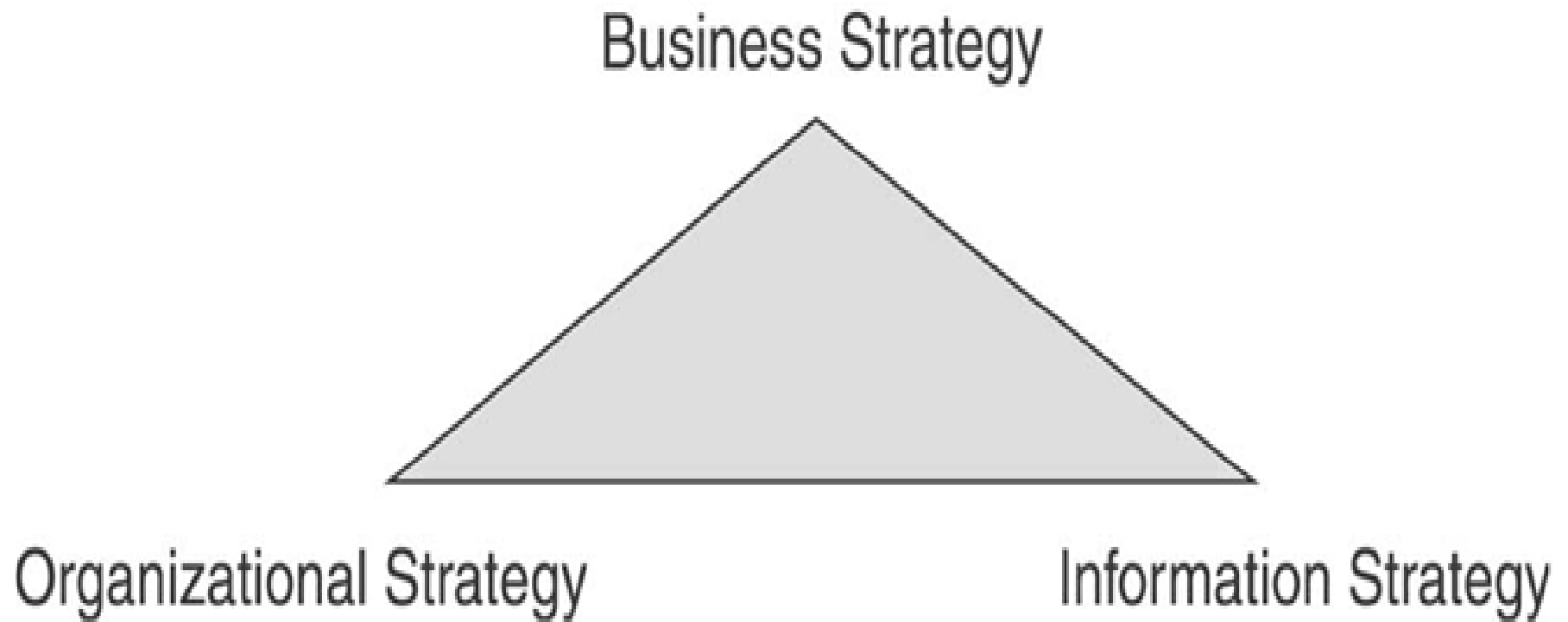
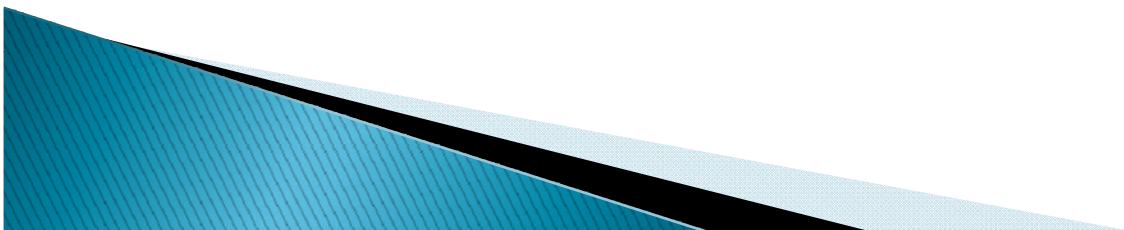
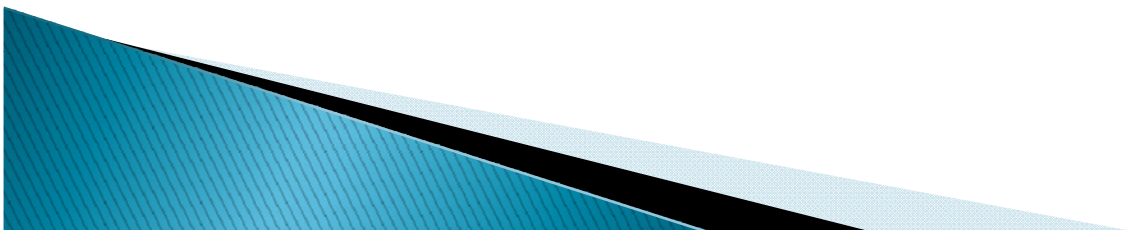


Figure 1.1 The Information Systems Strategy Triangle



Introduction to IS strategy triangle

- ▶ **Business Strategy drives all other strategies**
- ▶ **Organizational and Information Strategy are then dependent upon the Business Strategy**
- ▶ **Changes in any strategy requires changes in the others to maintain balance**
- ▶ **IS Strategy is affected by the other strategies a firm uses**
- ▶ **IS Strategy always involves consequences**



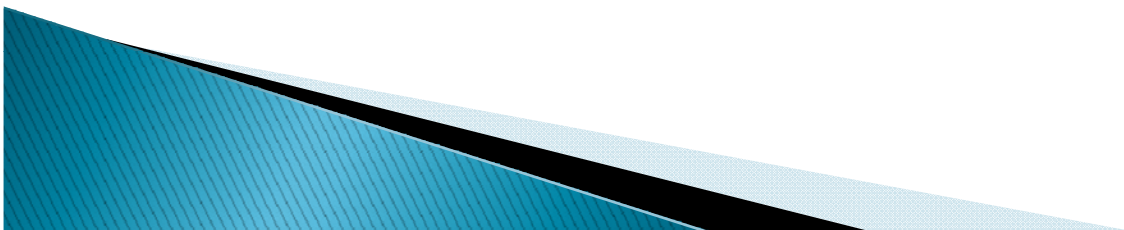
Introduction to IS strategy triangle

▶ JetBlue case:

- The IS strategy triangle was out of alignment at the time of the ice storm
- The organizational strategy (personnel policies about working hours) did not support the IS strategy (*what is it?*)
- Both of these strategies did not adequately support the business strategy (low cost, high customer service level)

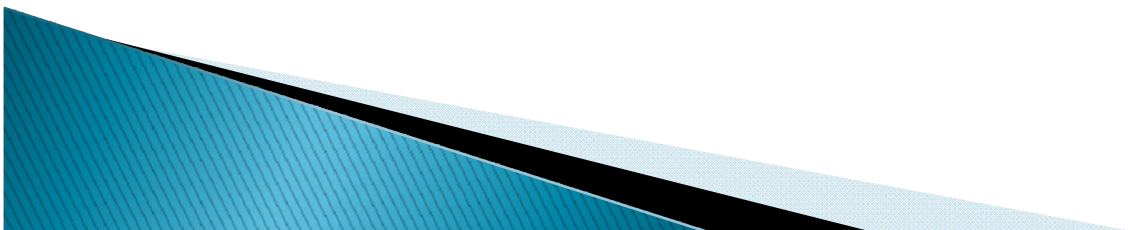
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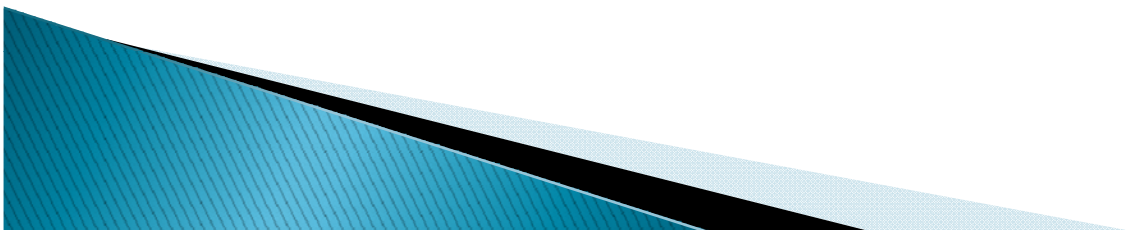
Key Questions

- ▶ What is a business strategy?
- ▶ Which factors influences a business strategy?
- ▶ How does a business change its strategy without losing balance or becoming out of alignment?
- ▶ Are there specific events that induce a business to change its strategies? What are they?



Strategy

- ▶ A **strategy** is a coordinated set of actions to fulfill objectives, purposes and goals
- ▶ Strategy starts with a mission, Figure 1.2 shows some example mission statements: Dell, IBM, Apple
- ▶ A **business strategy** is a plan articulating where a business seeks to go and how it expects to get there



Generic Strategies Framework

- ▶ Michael Porter describes how businesses can build a sustainable competitive advantage
- ▶ 3 primary strategies for achieving competitive advantages were introduced:
 - Cost leadership: lowest-cost producer
 - Differentiation: product is unique
 - Focus: limited scope

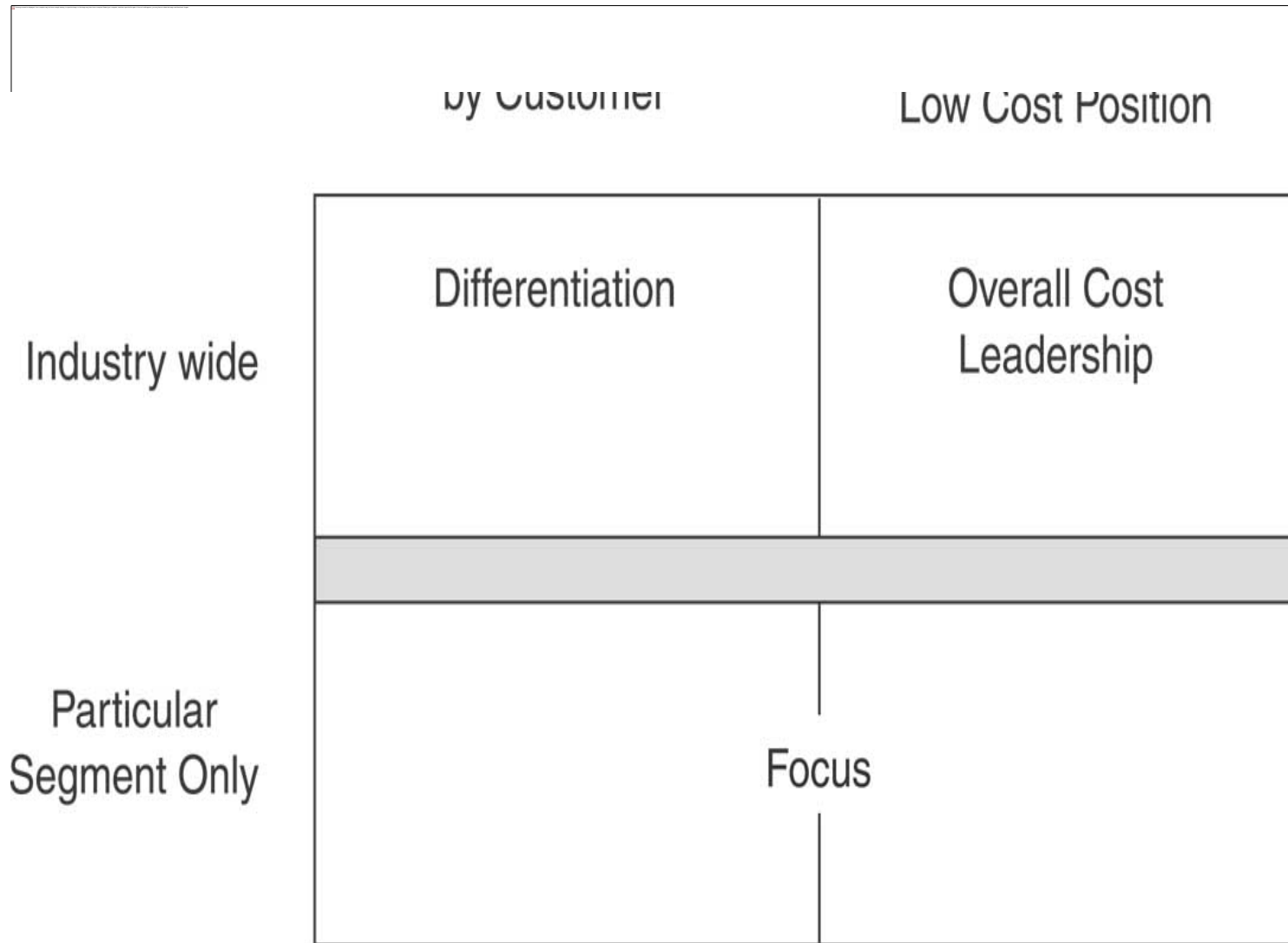


Figure 1.3 Three strategies for achieving competitive advantage.

Porter's Competitive Advantage

- ▶ Remember that a company overall business strategy will drive all other strategies
- ▶ Porter defined these competitive advantages to represent various business strategies found in the marketplace
- ▶ Cost leadership strategy firm: Walmart
- ▶ Differentiation strategy firms: Coca Cola, Progressive Insurance, etc.
- ▶ Focus strategy firms: Marriott, etc.
- ▶ Concrete examples in Vietnam ??

Differentiation Strategy Variants

- ▶ Shareholder value model: create advantage through the use of knowledge and timing
- ▶ Unlimited resources model: companies with a large resource can sustain losses more easily than ones with fewer resources
- ▶ The problem with Porter and these variants are that **the rate of change** is no longer easily managed and sustained

Hypercompetition

- ▶ D'Aveni developed a model that stated that sustainable competitive advantage could NOT be sustained
- ▶ Competitive advantage is rapidly erased by competition and the market
- ▶ Called the “Hypercompetition and the New 7 Ss Framework”

Assumptions of D'Aveni's Hypercompetition and the New 7 Ss Framework model

- Every advantage is eroded
 - Sustaining an advantage can be a deadly distraction
 - Goal of advantage should be disruption, not sustainability
 - Initiatives are achieved through series of small steps
- ▶ The 7 Ss are useful for determining different aspects of a business strategy and aligning them to make the organization competitive in the hypercompetitive arena

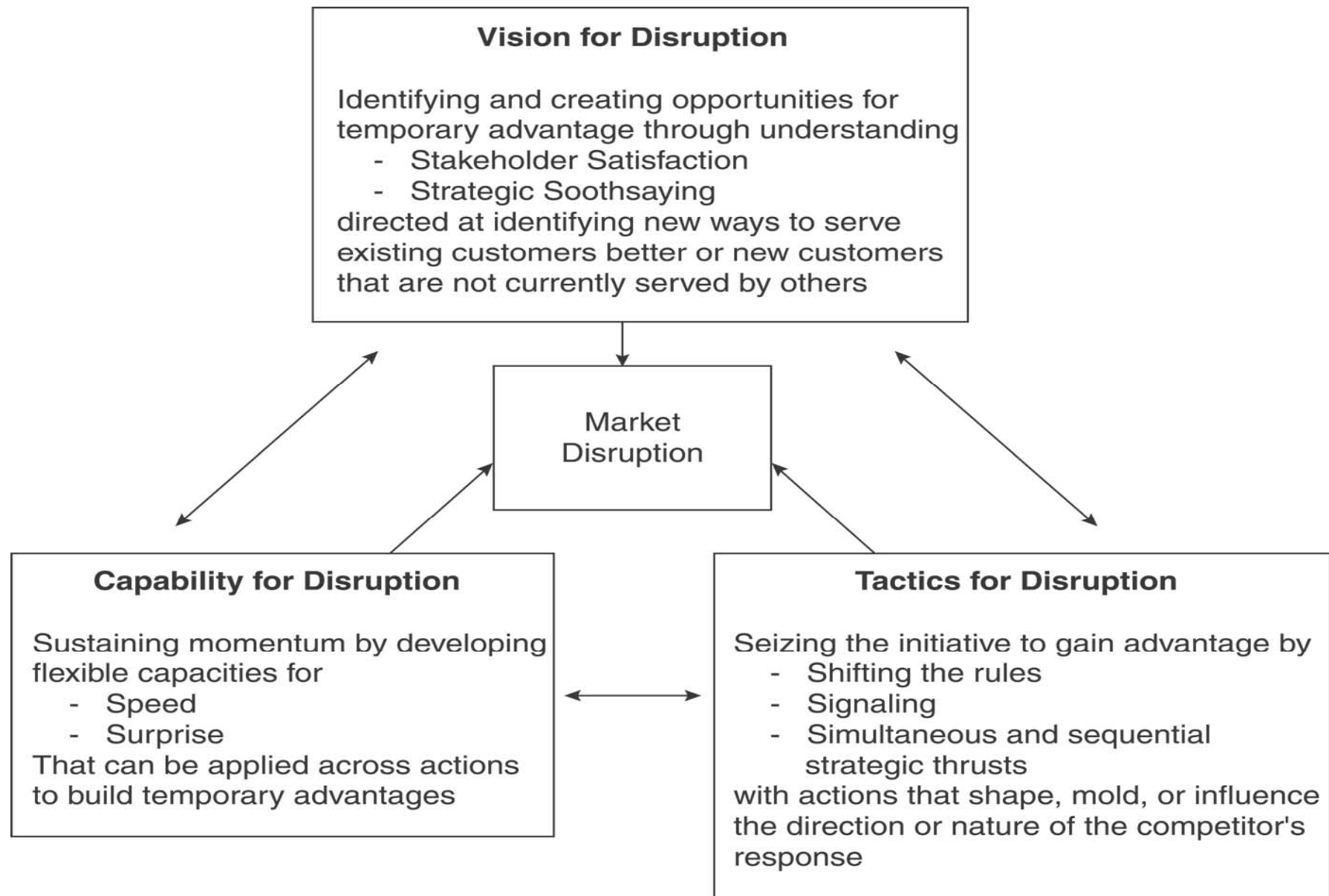


Figure 1.4 Disruption and the new 7 Ss

D'Aveni's new 7 Ss

1. **Superior stakeholder satisfaction:** Understanding how to maximize customer satisfaction by adding value strategically
2. **Strategic soothsaying:** Seeking out new knowledge that can predict or create new windows of opportunity
3. **Positioning for speed:** Preparing the organization to react as quickly as possible
4. **Positioning for surprise:** Preparing the organization to respond to the marketplace in a manner that will surprise competitors
5. **Shifting the rules of competition:** Finding new ways to serve customers which transform the industry
6. **Signaling strategic intent:** Communicating the intended actions of a company, in order to stall responses by competitors
7. **Simultaneous and sequential strategic thrusts:** Taking a series of steps designed to stun and confuse competitors in order to disrupt or block their efforts

JetBlue

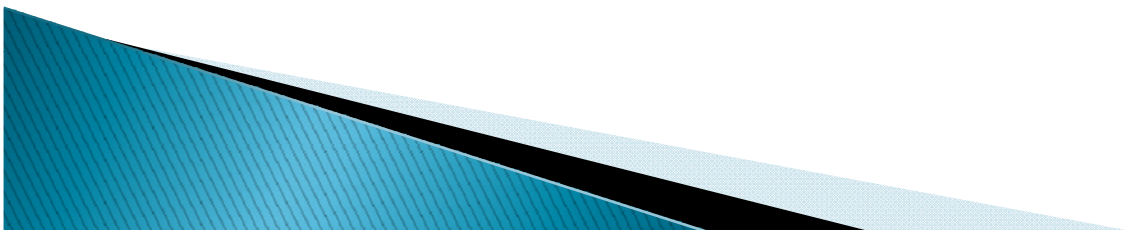
- ▶ Superior stakeholder satisfaction: DirectTV, almonds, ...
- ▶ Shifting the rules of competition: clearly defines when customers will receive coupons, vouchers in the event of delays

IS Planning and Strategic Advantage Models

- ▶ General Managers cannot afford to rely solely on IS personnel to make IS decisions
- ▶ Business strategy drives IS decision making
- ▶ Changes in IS potential should trigger business reassessments (i.e. the Internet)
- ▶ Information Systems Strategy Triangle shows the proper balance of strategies
- ▶ The models are helpful in discussing the role of IS in building and sustaining competitive advantage

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Organizational Strategy

- ▶ Organizational strategy includes the organization's design as well as the choices it makes in its work processes
- ▶ How will the company organize in order to achieve its goals and implement its business strategy?
- ▶ Managerial Levers – a framework for organizational design, states that successful execution of the firm's organizational strategy is the best combination of organizational, control, and cultural variables (Figure 1.8)

Business Diamond

- ▶ Simple framework for identifying crucial components of an organization's plan:
 - its business processes
 - its values and beliefs
 - its management control systems
 - its tasks and structures
- ▶ Useful for designing new organizations and for diagnosing organizational troubles

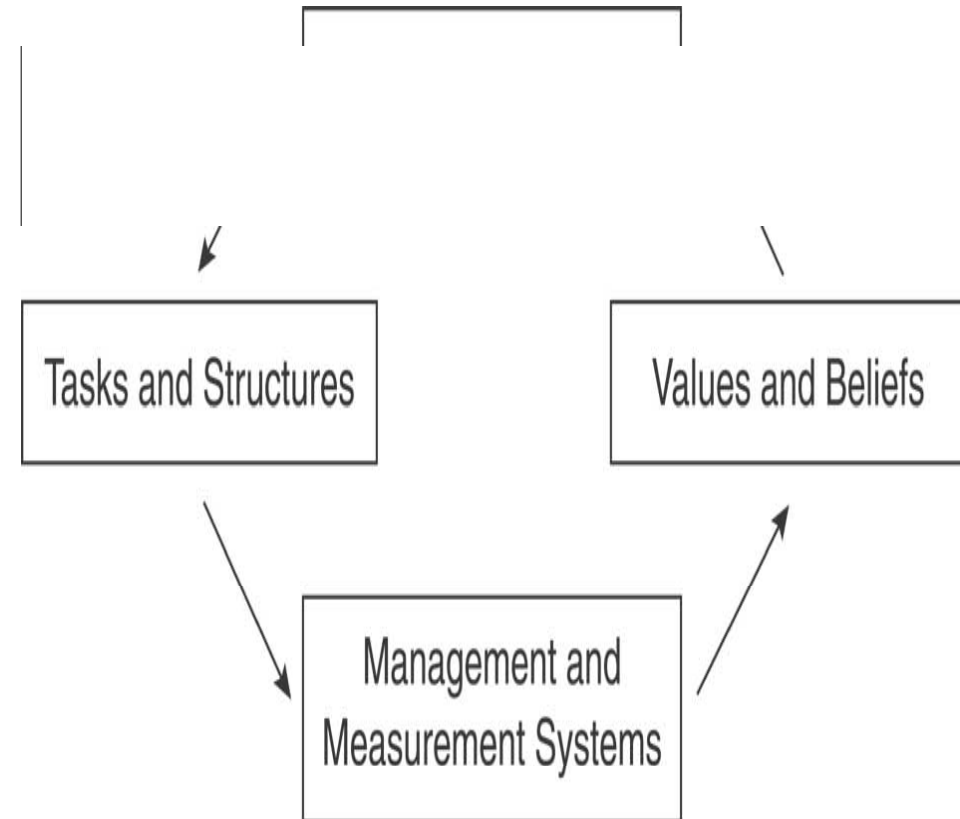


Figure 1.7 The Business Diamond

Managerial Levers

- ▶ Framework suggests that the successful execution of a business's organizational strategy comprises the best combination of organizational, control, and cultural variables
- ▶ Organizational variables include:
 - decision rights, business processes, formal reporting relationships, and informal networks
- ▶ Control variables include:
 - availability of data, nature and quality of planning, effectiveness of performance measurement and evaluation systems, and incentives to do good work
- ▶ Cultural variables comprise the values of the organization

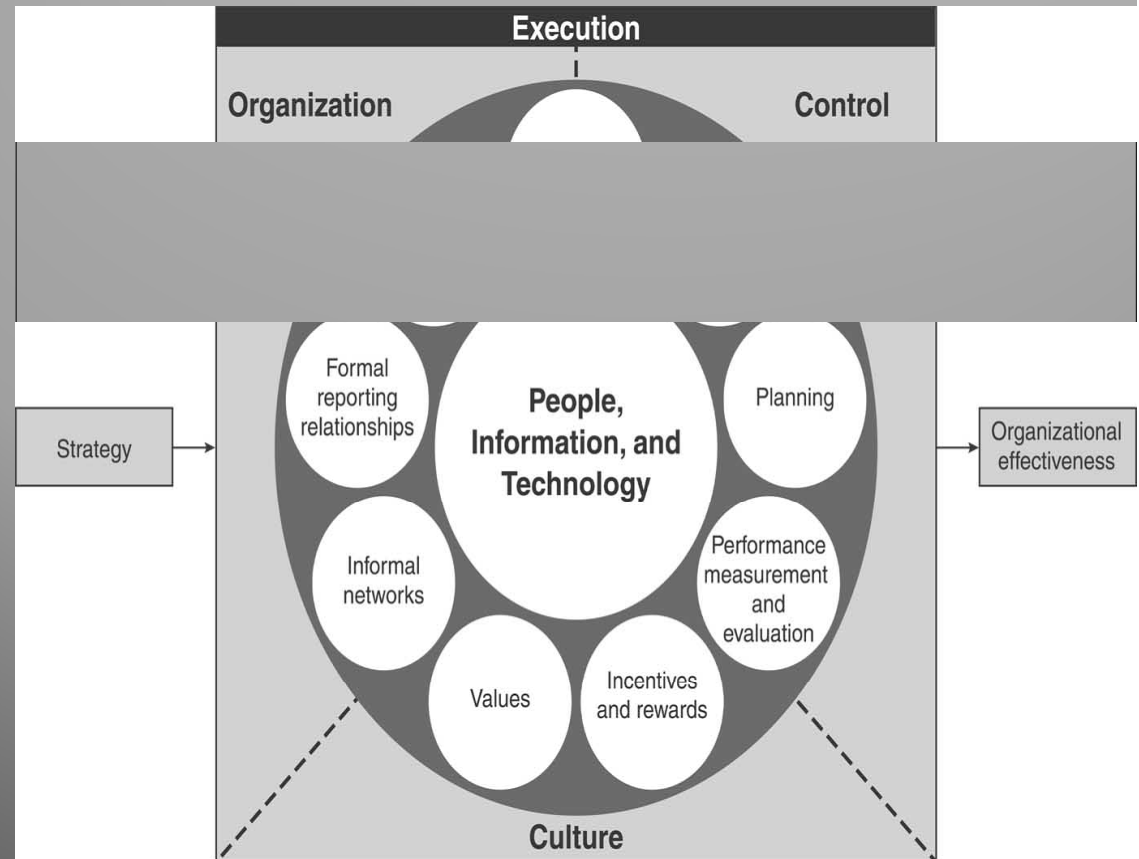


Figure 1.8 Managerial Levers

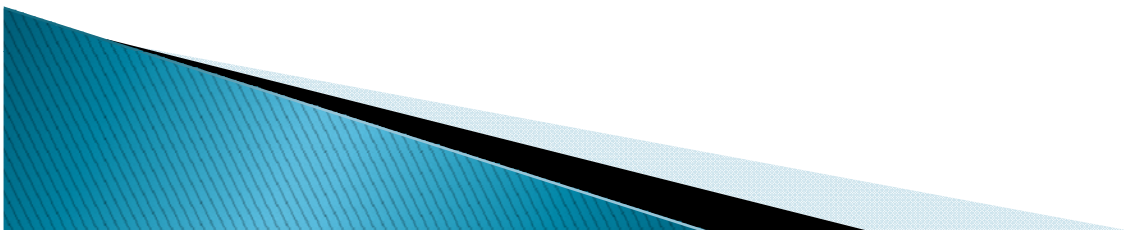
Understanding Organization Strategy

- ▶ To understand organizational strategy we must answer the following questions:
 1. What are the important structures and reporting relationships within the organization?
 2. Who holds the decision rights to critical decisions?
 3. What are the characteristics, experiences, and skill levels of the people within the organization?
 4. What are the key business processes?
 5. What control systems are in place?
 6. What is the culture of the organization?

- ▶ More details: chapters 3,4,5,8,9

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IS Strategy

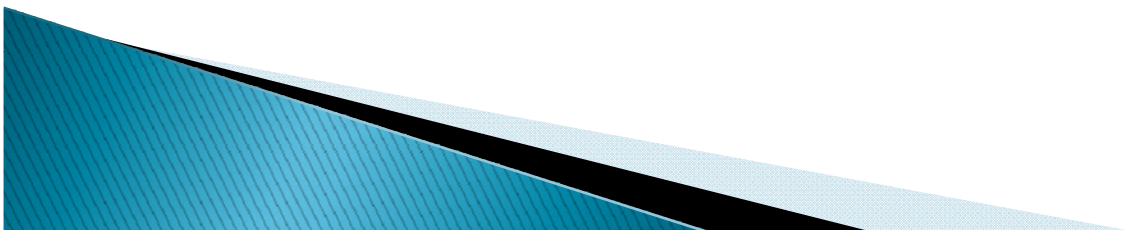
- ▶ The plan an organization uses in providing information services
- ▶ IS allows business to implement its business strategy
- ▶ IS helps determine the company's capabilities
- ▶ Four key IS infrastructure components are key to IS strategy (Figure 1.10): hardware, software, networking, data
- ▶ These key components are sufficient to allow the general manager to assess critical IS issues

Information systems strategy matrix

	What	Who	Where
Hardware	List of physical components of the system	Individuals who use it Individuals who manage it	Physical location
Software	List of programs, applications, and utilities	Individuals who use it Individuals who manage it	What hardware it resides upon and where that hardware is located
Networking	Diagram of how hardware and software components are connected	Individuals who use it/ Individuals who manage it/ Company service obtained from	Where the nodes are located, where the wires and other transport media are located
Data	Bits of information stored in the system	Individuals who use it Individuals who manage it	Where the information resides

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Halo Effect

- ▶ In Feb 2005 Dell was ranked #1 as the most admired company
- ▶ But, two years later their performance slumped
- ▶ The halo effect is “the basic human tendency to make specific inferences on the basis of a general impression” (Rosenzweig)
- ▶ This effect impacted journalists view of Dell

Three misconceptions created by the halo effect

1. There exists a formula or blueprint that companies can apply and become high performers
 2. Firm performance is driven entirely by internal factors
 3. Because a decision may turn out badly does not necessarily mean that it was poorly made
- Rosenzweig: “managers should be skeptical of formulas, recognize that performance is relative, think of business decisions in terms of probabilities, and carefully evaluate decision making processes and not just their outcomes”
 - Dell was not stuck in a rut and looked for new avenues of growth
 - HP hired a new CEO during that time period who was very effective and directly impacted Dell

Summary

- ▶ Introduction to IS strategy triangle
- ▶ Overview of business strategy frameworks
- ▶ Overview of organizational strategies
- ▶ Overview of IS strategy
- ▶ The Halo effect
- ▶ Next week:
 - Chapter 2
 - Student talk: send me an email + topic