

# 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.



# Opening Case

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- **Disney Animation Develops Software to Make Big Hero 6**
    1. Is Hyperion a strategic information system for Disney Animation? Why or why not? Provide specific examples to support your answer.
    2. Will Hyperion provide a sustainable competitive advantage for Disney Animation? Why or why not?
    3. Look ahead in this chapter. Which one of Porter's strategies for competitive advantage is Disney pursuing? Explain your answer.
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# 2.1 Business Pressures, Organizational Responses, and IT Support

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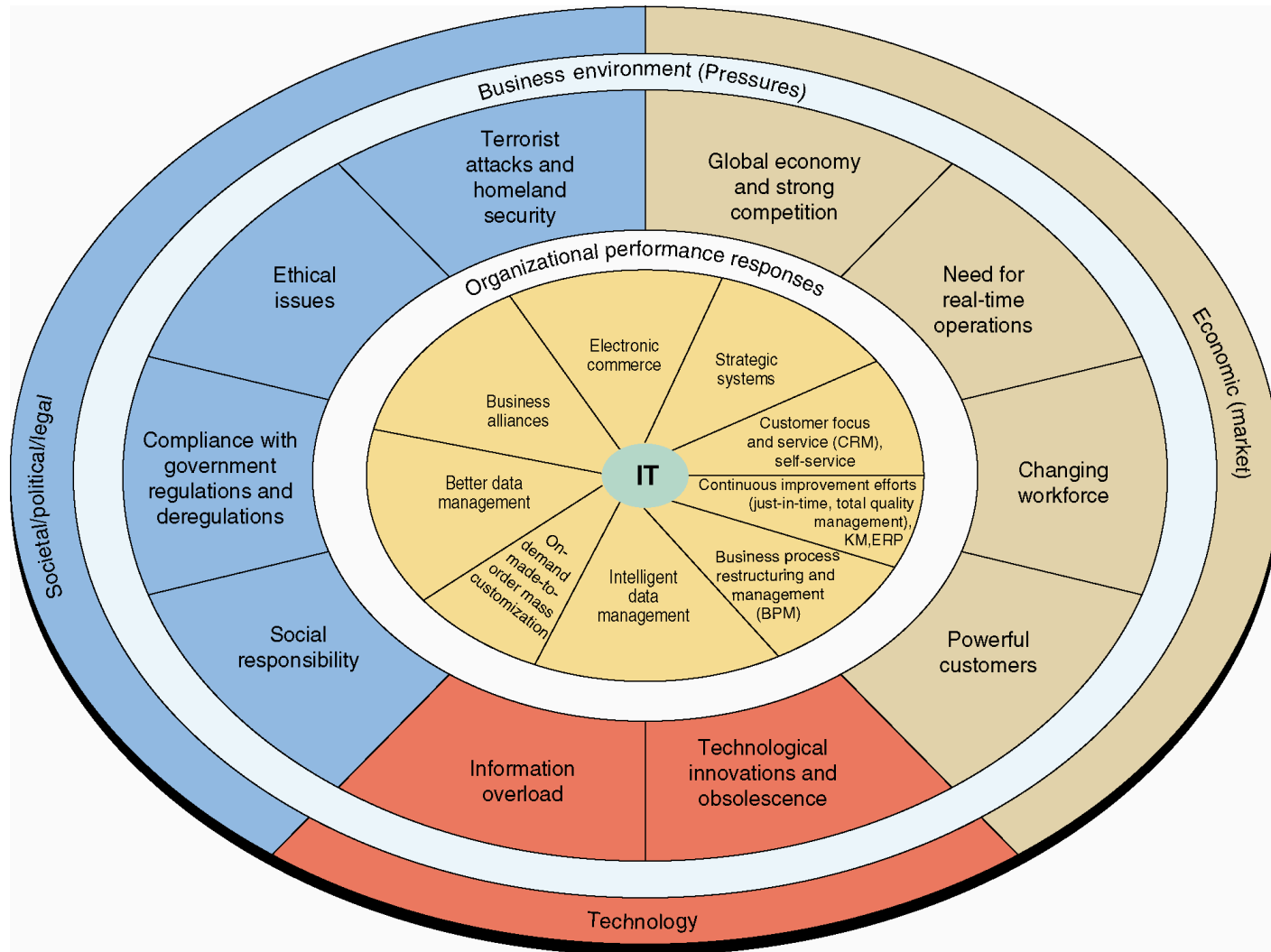
- Business Pressures
- Organizational Responses

# Business Pressures

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- Market Pressures
- Technology Pressures
- Societal/Political/Legal Pressures

# Figure 2.1: Business Pressures, Organizational Performance & Responses, and IT Support



# Market Pressures

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- Globalization
- Changing Nature of the Workforce
- Powerful Customers




# Technology Pressures

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- Technological Innovation and Obsolescence
- Information Overload

# Societal/Political/Legal Pressures

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

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- 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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# About Business 2.1

- Using Information Technology for Social Good
  1. Describe how the Infoladies are a strategic information system for the country of Bangladesh. Provide specific examples to support your answer.
  2. Discuss how the Rainforest Connection's use of smartphones is a strategic information system for our planet. Provide specific examples to support your answer.

# Organizational Responses

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

# About Business 2.2

- Innovative Technologies for Airlines and Airports
  1. Look ahead to Porter's five strategies for competitive advantage. Provide an example of a technology discussed in this case that supports each of Porter's strategies.
  2. Propose additional applications that airports and airlines might develop that could create a competitive advantage in the marketplace.
  3. Are the technologies discussed in this case examples of strategic information systems? Why or why not?

# About Business 2.3

- The “Fit” Problem When Shopping for Clothes Online
  1. Look ahead to Porter’s five strategies for competitive advantage. Take each of the example companies in this case, and identify which of Porter’s strategies that company is using.
  2. Do the systems these companies are using constitute strategic information systems? Why or why not?

# 2.2 Competitive Advantage and Strategic IS's


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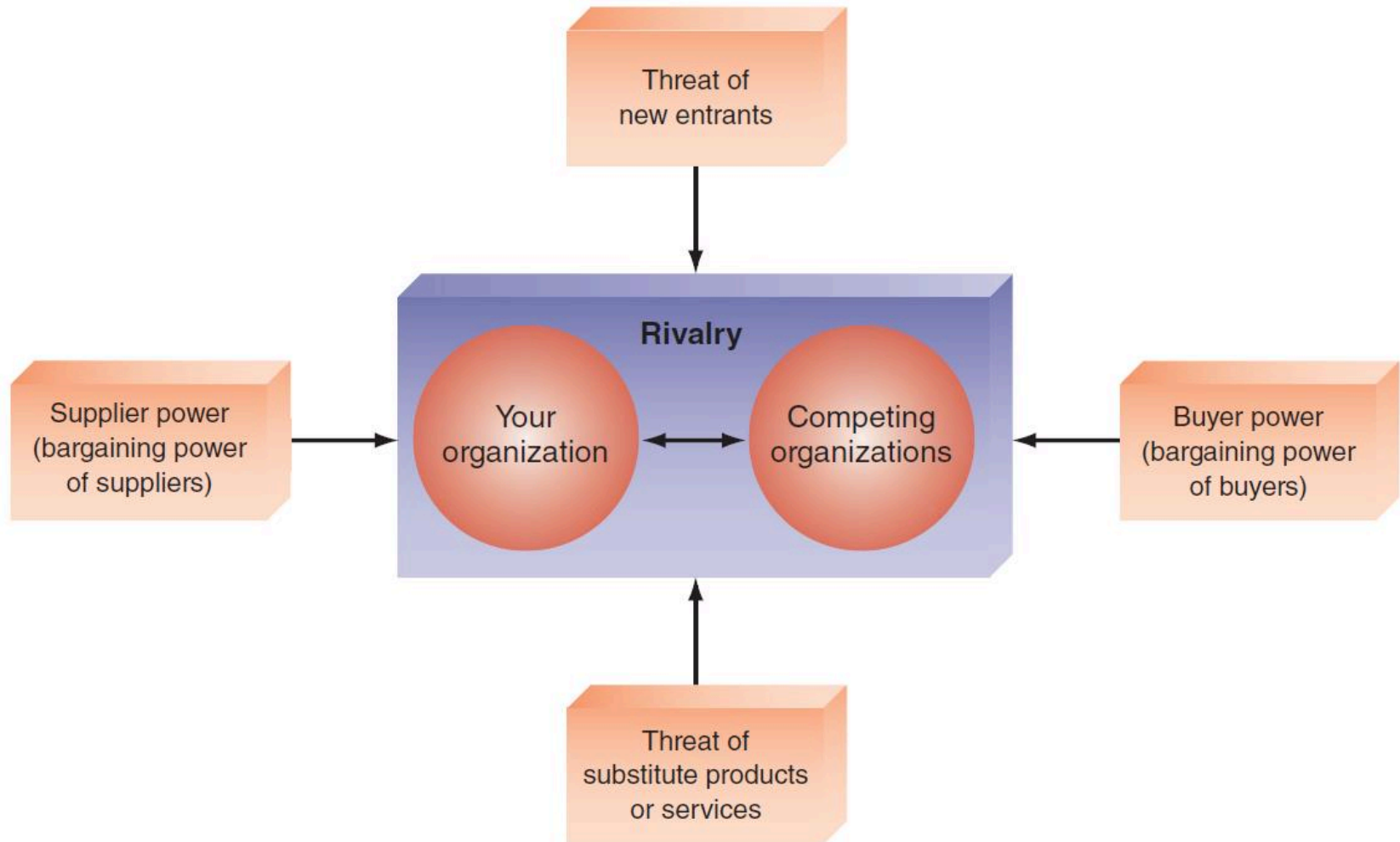
# Porter's Five Forces Model

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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

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# Porter's Value Chain Model

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- 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

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

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

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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

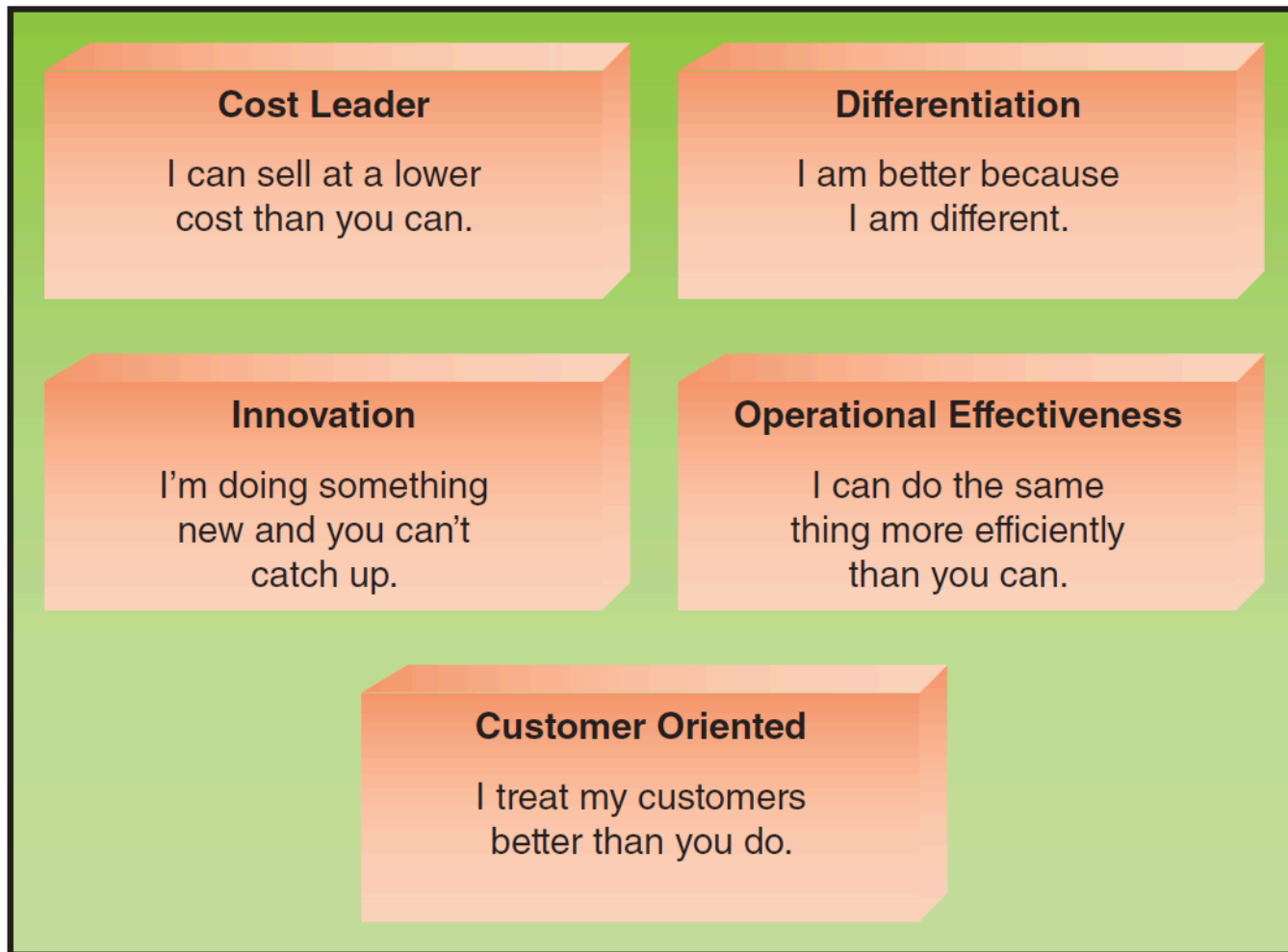
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- Business–Information Technology Alignment
- Six Characteristics of Excellent Business-IT Alignment:




# Figure 2.4: Strategies for Competitive Advantage

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# Six Characteristics of Excellent Business-IT Alignment

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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)

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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)

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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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