Introduction to Information Systems

Essentials for the Internetworked E-Business Enterprise

Eleventh Edition

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Chapter

Competing

with

Information Technology

Chapter Objectives

- Identify several basic competitive strategies and explain how they can use information technologies to confront the competitive forces faced by a business.
- Identify several strategic uses of information technology for electronic business and commerce, and give examples of how they give competitive advantages to business.
- Give examples of how business process reengineering frequently involves the strategic use of e-business technologies.

Chapter Objectives

- Identify the business value of using e-business technologies for total quality management, to become an agile competitor, or to form a virtual company.
- Explain how knowledge management systems can help a business gain strategic advantages.

The Competitive Environment



Fundamental Competitive Strategies - Cont.

Cost Leadership Strategies

Differentiation Strategies



Innovation Strategies

Growth Strategies

Alliance Strategies

Strategic Uses of Information Technology

Strategy

Improving Business Process

Promote
Business
Innovation

Locking in Customers and Suppliers

IT Role

Use IT to reduce costs of doing business

Use IT to create new products or services

Use IT to improve quality
Use IT to link business to customers and suppliers

Outcome

Enhance Efficiency Create New
Business
Opportunities

Maintain Valuable Customers and Relationships

Strategic Uses of Information Technology

Strategy

Raise Barriers to Entry Build a
Strategic IT
Platform

Build a Strategic Information Base

IT Role

Increase amount of investment or complexity of IT needed to compete

Leverage investment in IS resources from operational uses to strategic uses

Use IT to provide information to support firm's competitive strategy

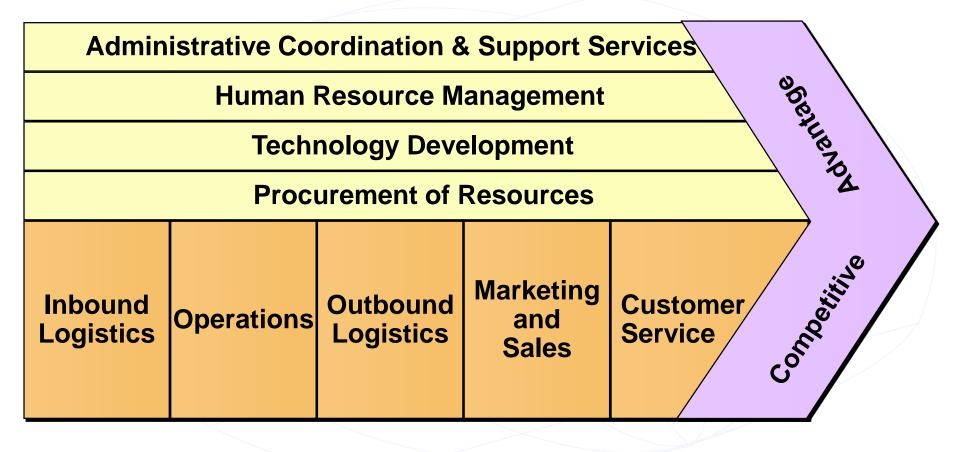
Outcome

Increase Market Share

Create New
Business
Opportunities

Enhance
Organizational
Collaboration

The Value Chain



The Internet Value Chain

Internet Capability

Marketing and Product Research

Sales and Distribution

Support and Customer Feedback

Benefits to Company

Data for market research, establishes consumer responses

- Low cost distribution
- •Reaches new customers
- Multiplies contact points

Access to customer comments online
Immediate response to customer problems

Opportunity for Advantage

Increase Market Share

Lower
Cost Margins

Enhanced Customers Satisfaction

Strategic Positioning of Internet Technologies

High **Customer Competition Connectivity External Drivers**

Global Market Penetration

E-Commerce Website Value-added IT Services

Cost and Efficiency Improvements

E-Mail, Chat Systems

Product and Services Transformation

E-Business; Extensive Intranets and Extranets

Performance Improvements in Business Effectiveness

Intranets and Extranets

Strategy

Solution

E-Business Processes Connectivity

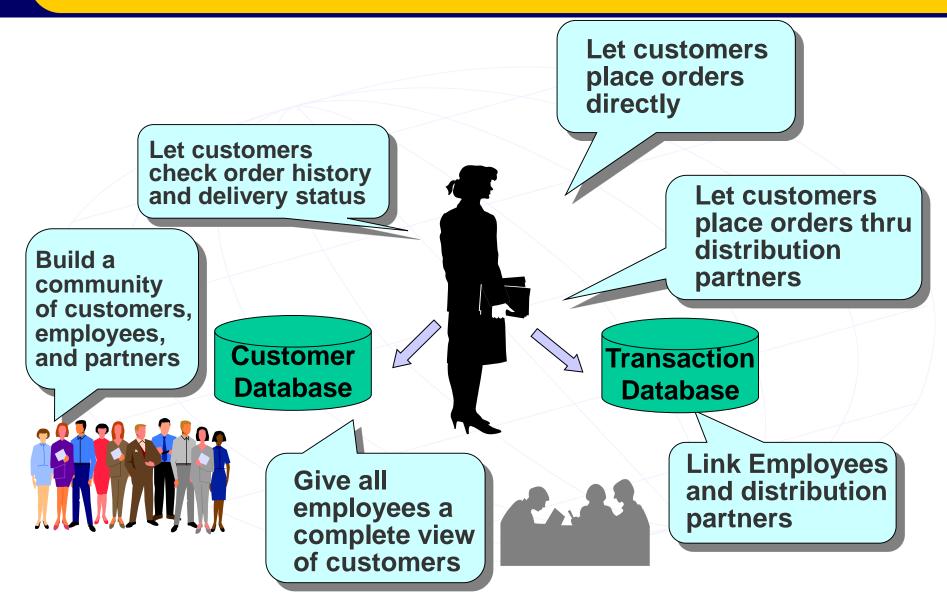
Internal Drivers

High

Irwin/McGraw-Hill

Low

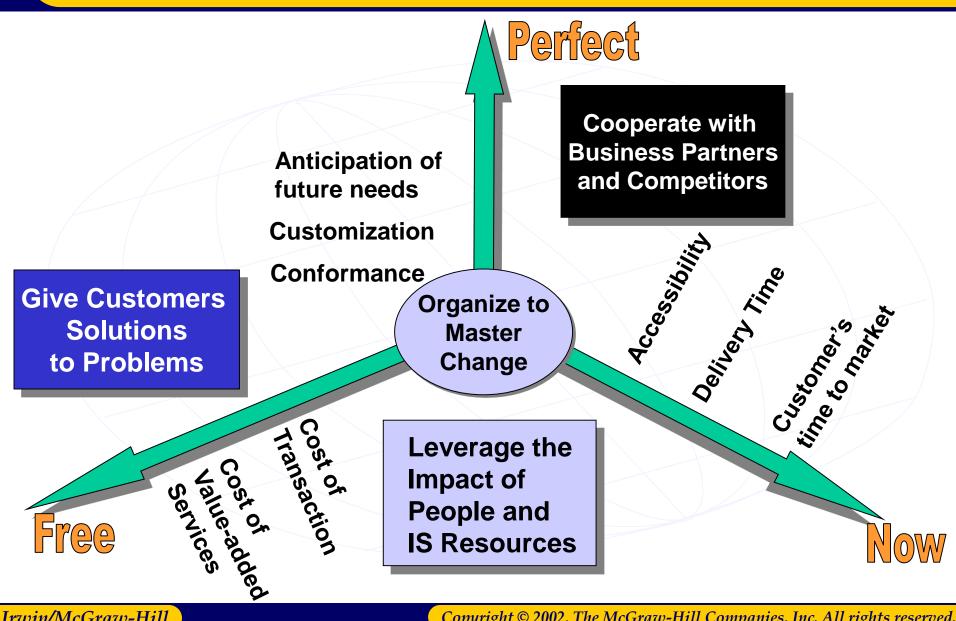
Customer-Focused e-Business



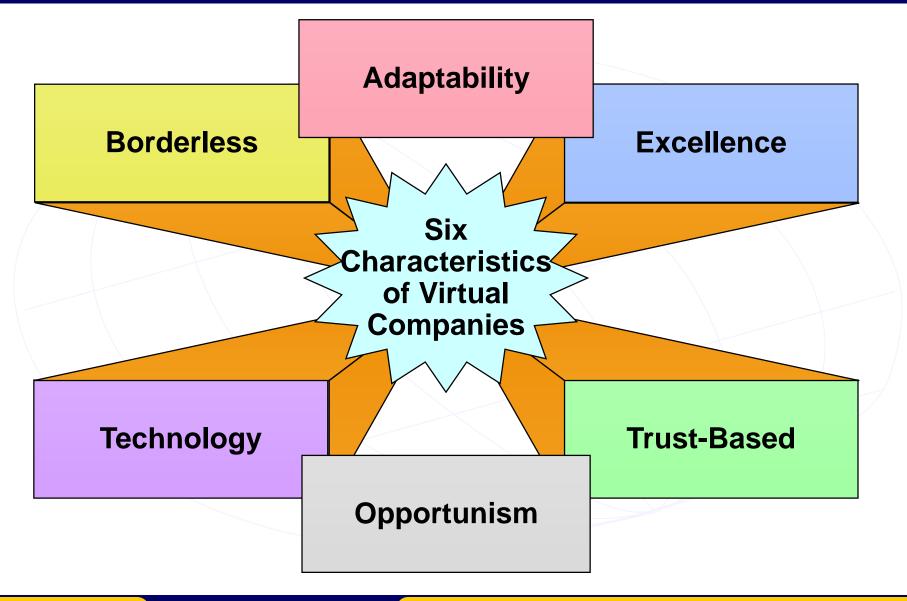
Business Reengineering and Quality Management

	Business Quality Improvement	Business Reengineering
Definition	Incrementally Improving Existing Processes	Radically Redesigning Business Systems
Target	Any Process	Strategic Business Processes
Potential Payback	10%-50% Improvements	10-Fold Improvements
Risk	Low	High
What Changes?	Same Jobs - More Efficient	Big Job Cuts; New Jobs; Major Job Redesign
Primary Enablers	IT and Work Simplification	IT and Organizational Redesign

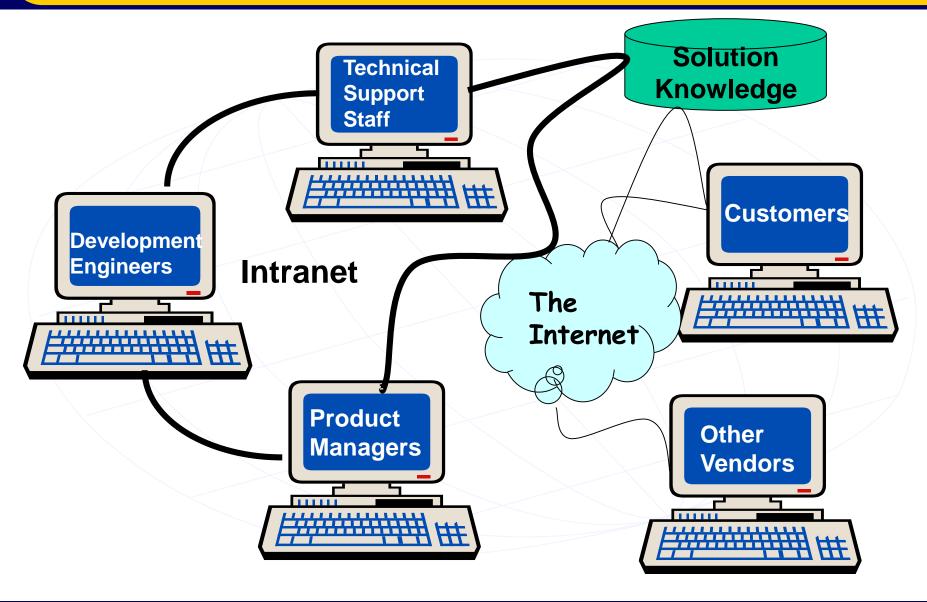
The Customer- Focused Agile Competitor



Virtual Corporations



Knowledge Management Systems



Chapter Summary

- Information systems can play several strategic roles in business.
- The Internet, intranets, extranets, and other Internet-based technologies can be used strategically for e-business and e-commerce that provide a competitive advantage.
- A key strategic use of Internet technologies is to build an e-business which develops its business value by making customer value its strategic focus.

Chapter Summary (cont)

- IT is a key ingredient in reengineering business operations, by enabling radical changes to business processes that dramatically improve their efficiency and effectiveness.
- IT can be strategically used to improve the quality of business performance.
- A business can use IT to help it become an agile company, that can respond quickly to changes in its environment.

Chapter Summary (cont)

- Forming virtual companies has become an important competitive strategy in today's dynamic global market.
- Lasting competitive advantages today can only come from innovative use and management of organizational knowledge by knowledge creating companies and learning organizations.