

## Chapter 2

# *The Role of Information Systems in Business*

# Chapter Topics

1. How information systems help organizations succeed
2. Competitive strategies
3. The value chain
4. Competitive forces
5. Putting it all together

# Why This Chapter Matters

- Your career will depend, in part, on using information systems to make your organization successful.
- To do that, you must know what makes organizations successful.
- This chapter explains breaks success down to manageable elements you will be able to use.

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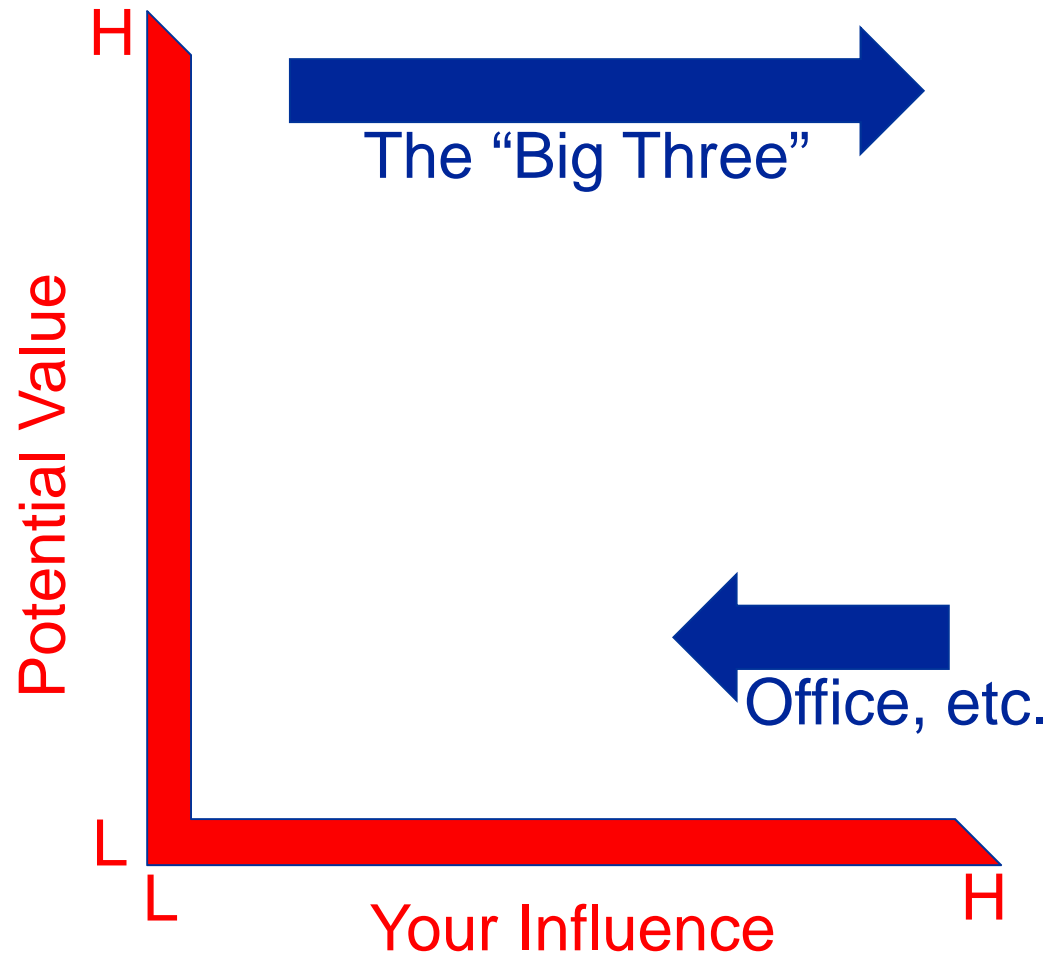
# Three ways IS bring real value

1. Pulling the organization together
2. Connecting with customers and suppliers
3. Helping make better decisions

*These are, respectively, Chapters 7–9 of the book.*

# Making a Difference

*Arrows go from the start of your career toward the future.*



# Let's do an example

How much can an organization improve its profits by automating its payroll?




# To use IS to make a difference ...

We have to understand what *business factors* make a difference in success.

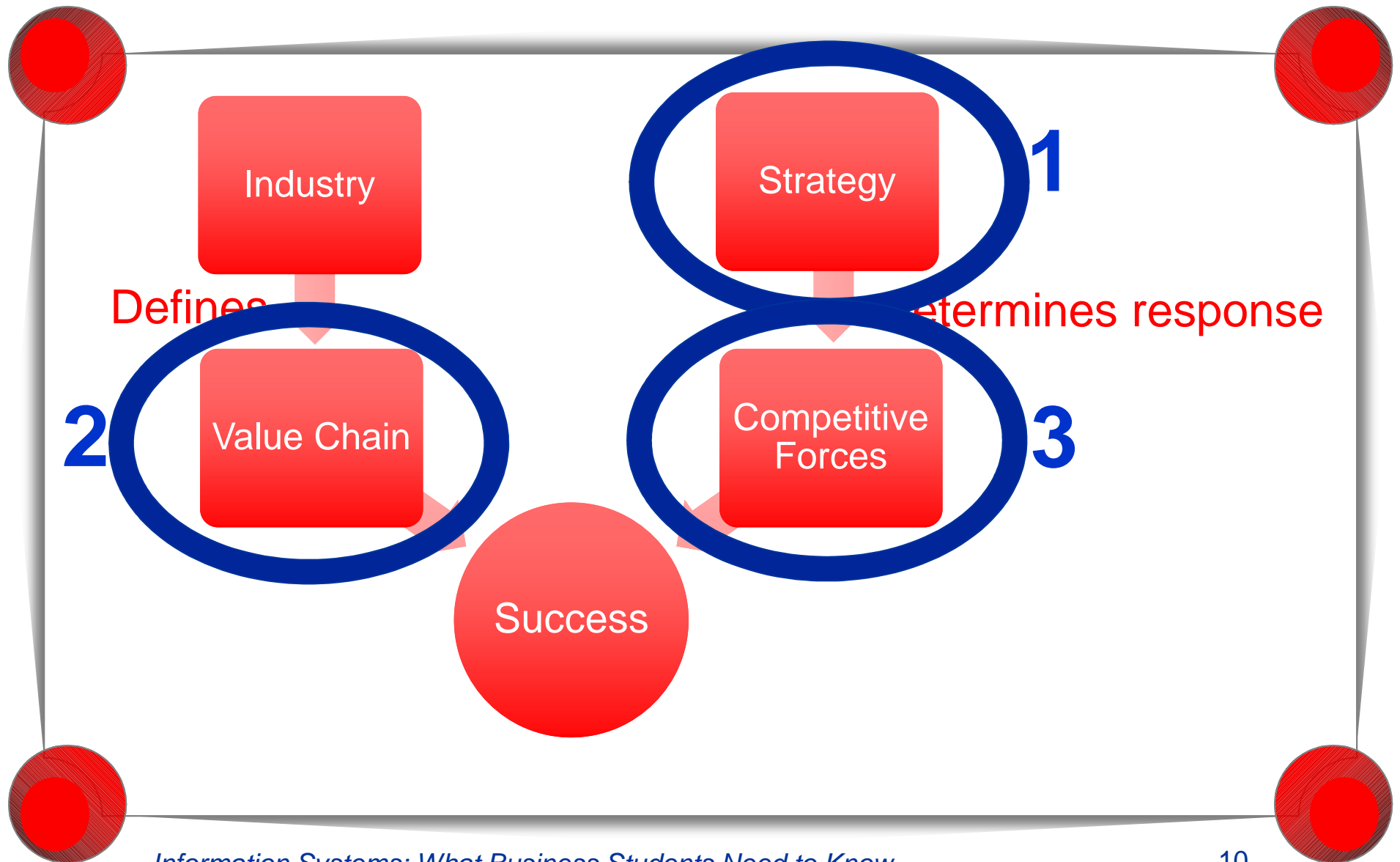




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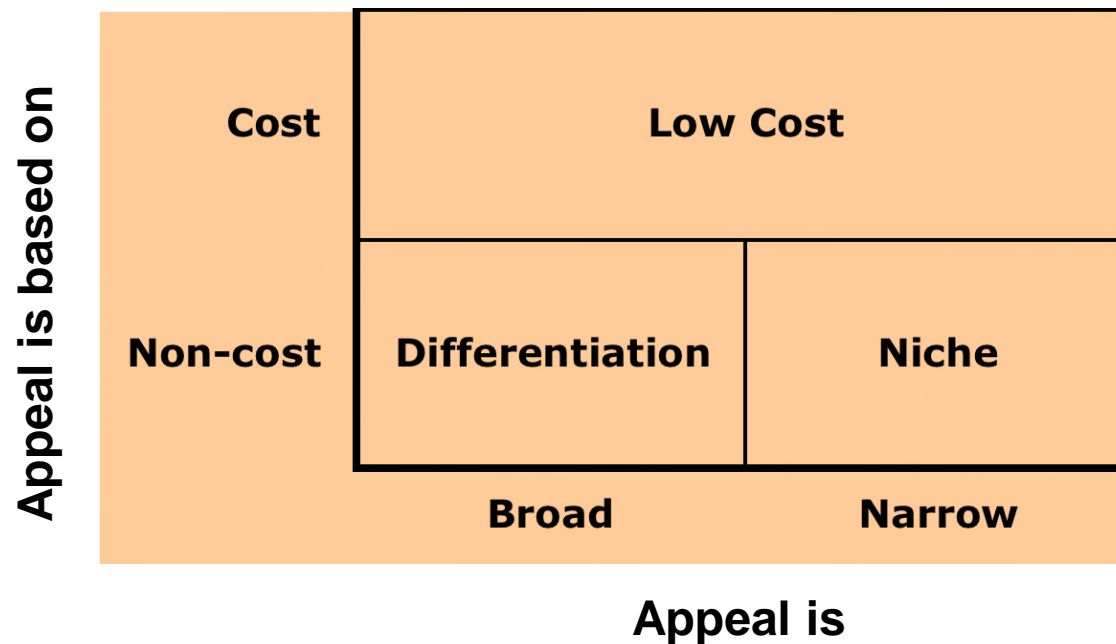
# How the parts come together



# Topics

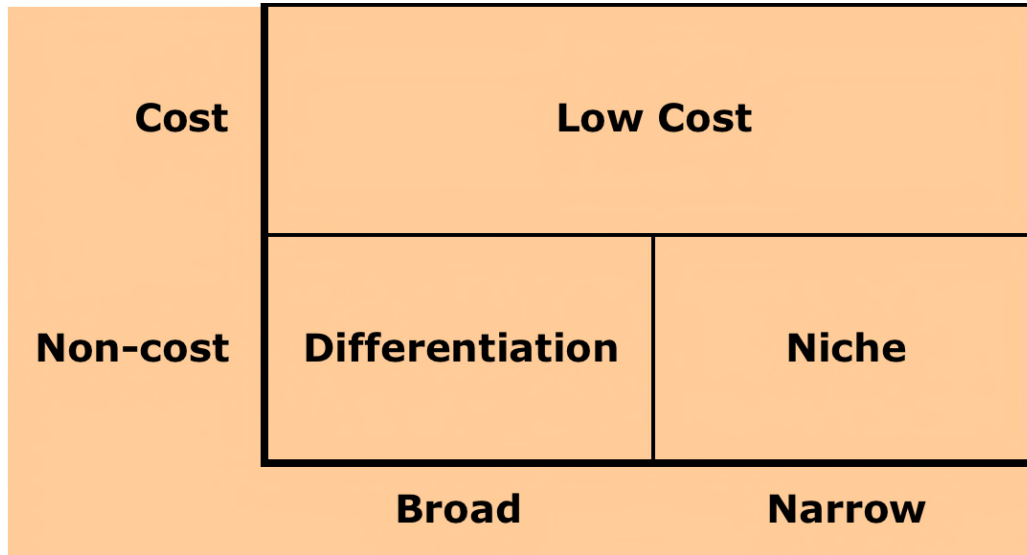
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# Competitive Strategies



# Competitive Strategies

Appeal is based on



Appeal is

**Examples?**

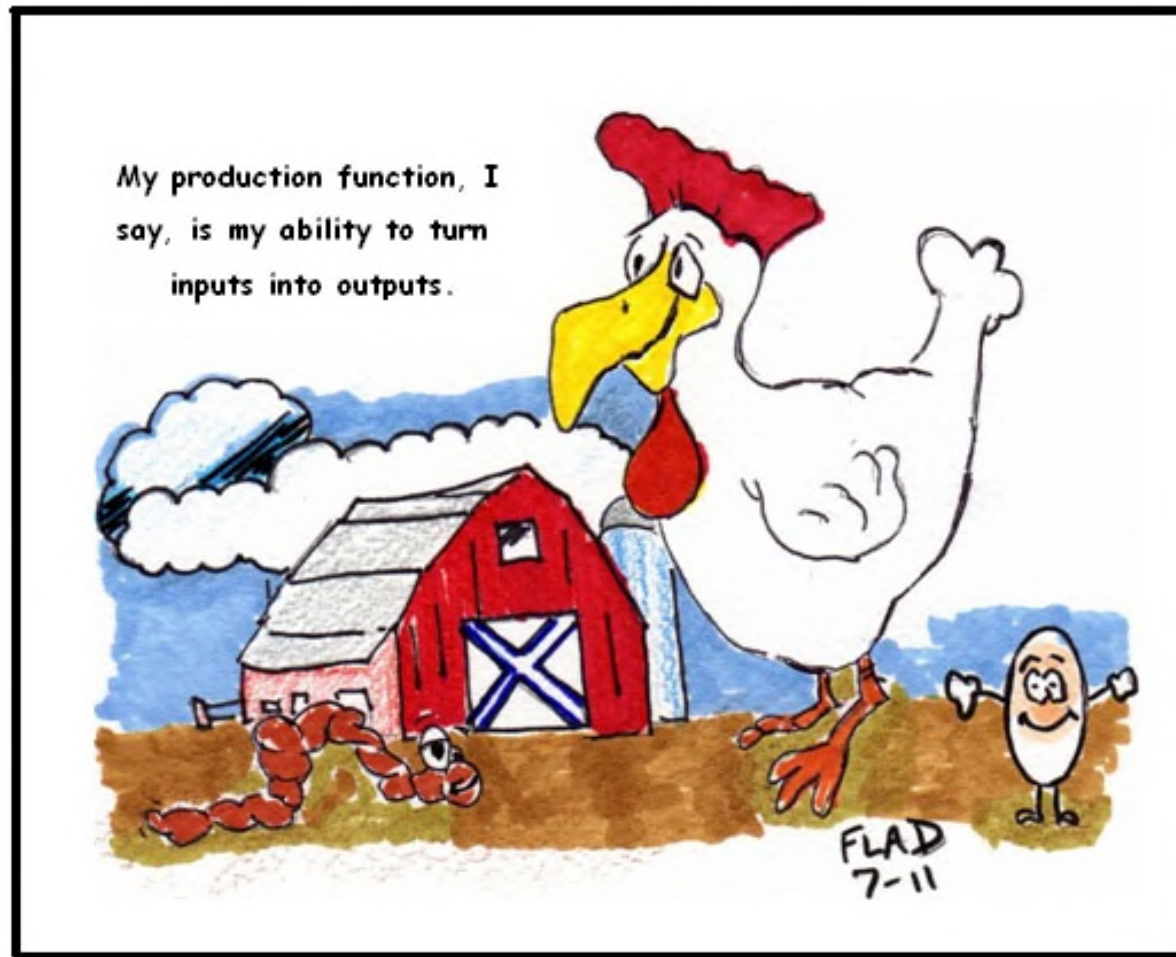
# This matters because:

*You can't come up with an information system that will help an organization succeed unless you know how its management wants it to succeed.*

# Topics

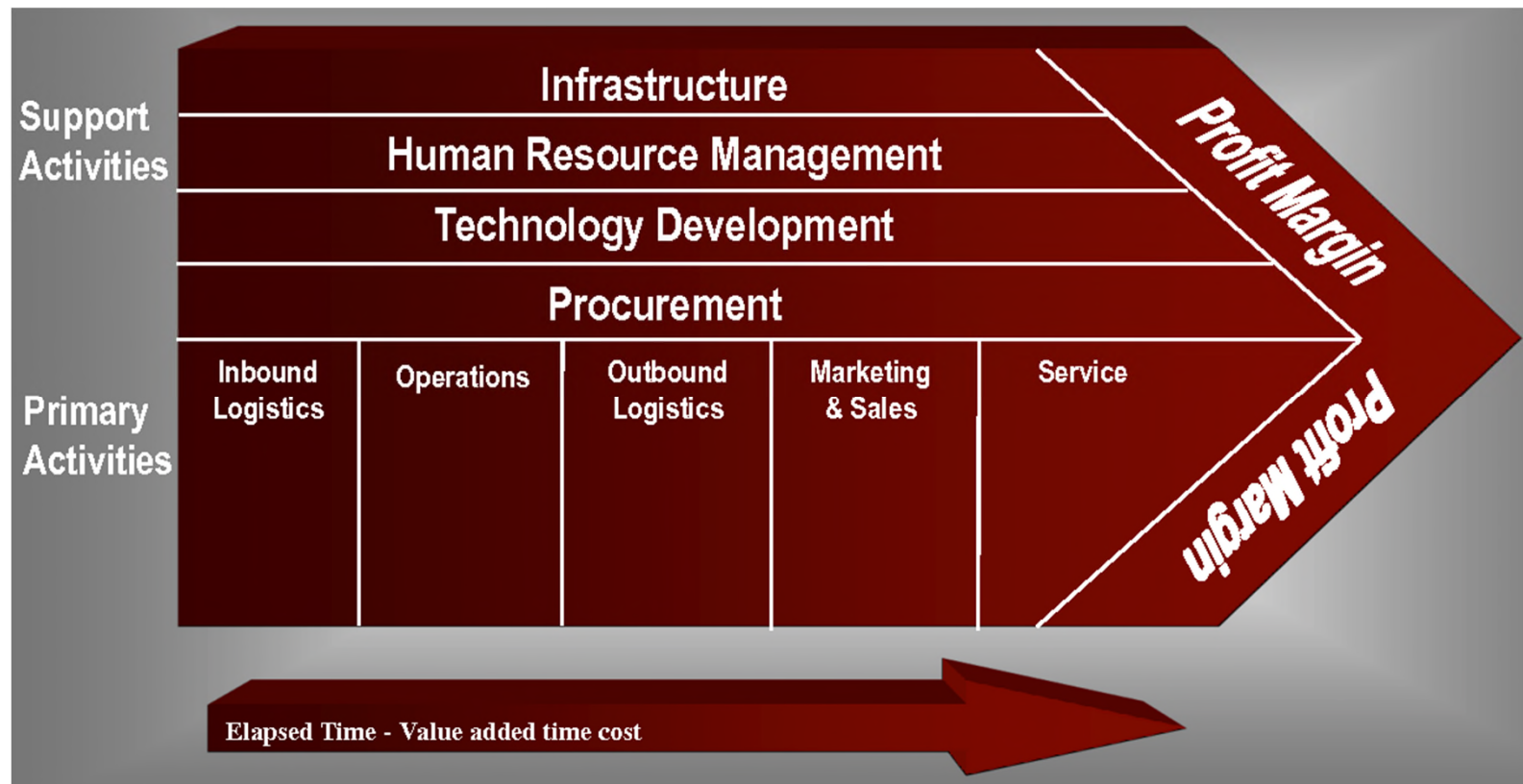
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# The value chain





# The value chain



# The value chain: SGE

Draw the primary value chain for one of:

- The company you work for
- A company you'd like to work for
- A college or university



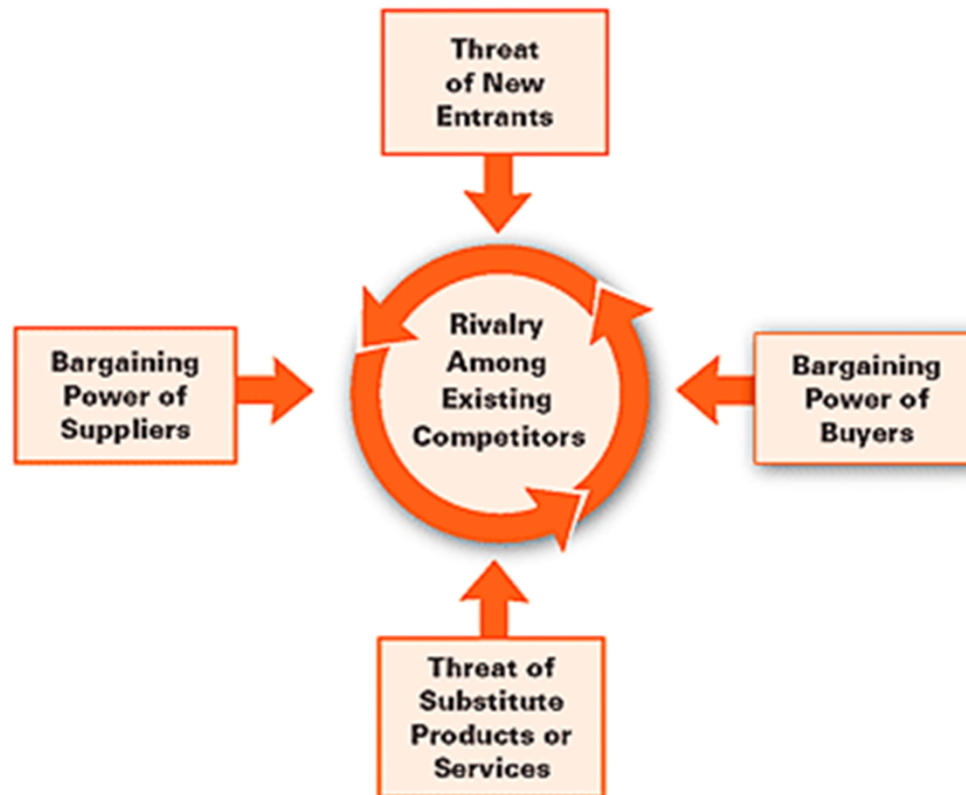
# This matters because:

*The value chain explains what an organization is trying to bring to the world, and therefore where information systems can best help it do that.*

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# Competitive Forces



# Competitive Forces for Nike



Source: <http://shazeeye.com>

# 1. Rivalry among competitors

*What can other companies, already in this business, do to affect you?*

- About competitors that are *already in your business*
- What we usually think of when we hear “competition.”
- Basis of competing depends on strategy
- Use information systems to support that strategy
- Examples?

## 2. Threat of new entrants

*How easy is it for someone else to start competing with you?*

- Want to create **barriers to entry**
- Many potential types of barriers (examples?)
- Technology can create barriers to entry
- Examples?



### 3. Threat of substitutes

*What other product or service can meet the same customer need as yours?*

- A substitute product/service is not another company providing much the same one
- Think like a customer, not a provider, to understand the *real* customer need
- Danger of “marketing myopia” (T. Levitt)
- Information products often have technology-based substitutes
- Examples?

## 4. Customer power

*How much of a hold do your customers have on you, do you have on them?*

- How many of your customers would stay if a competitor were ...
  - ... 5 percent cheaper? 10 percent? 20 percent?
  - ... 5 minutes closer? 10 minutes? 20 minutes?
- Information systems can help find customer benefits that cost little but matter a lot
- Examples?

# 5. Supplier power


*How much of a hold do your suppliers have on you, or you on them?*

- Any firm has multiple possible suppliers. Its existing suppliers know this.
- Still, it would often like better treatment in some way.
- The answer is often *integrating the supply chain*.
- Examples?

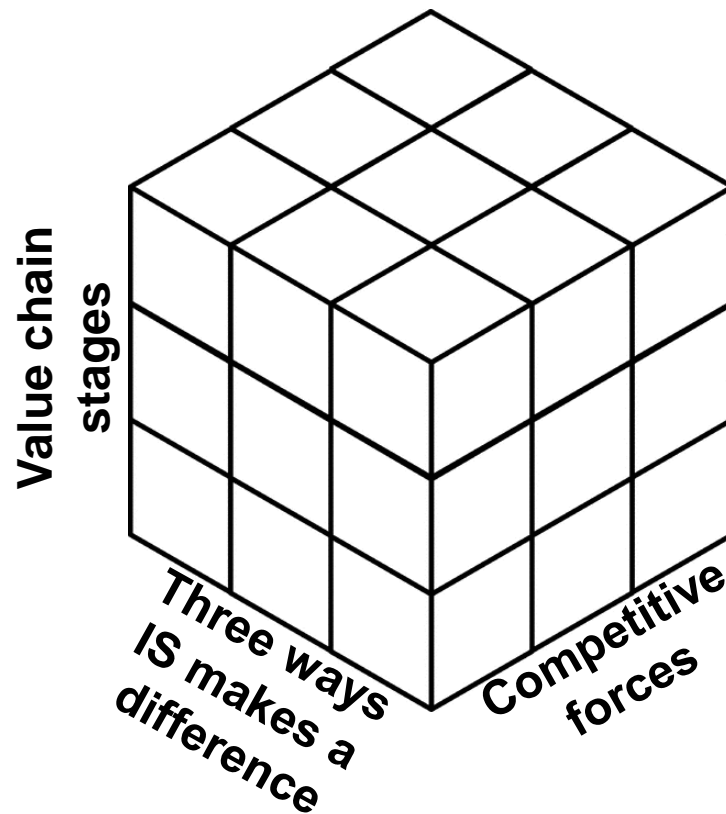
# This matters because:

- *Competitive forces drive any industry*
- *Leveraging them separates successful companies from losers*
- *Information systems are often the key to leveraging competitive forces*

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# Putting it all together



# And finally ...

- Did you learn something?
- What wasn't clear?
- Any other questions?