

Chapter 4: The Information Systems Strategy Triangle

Dr. Ir. Yeffry Handoko Putra, M.T
Universitas Komputer Indonesia

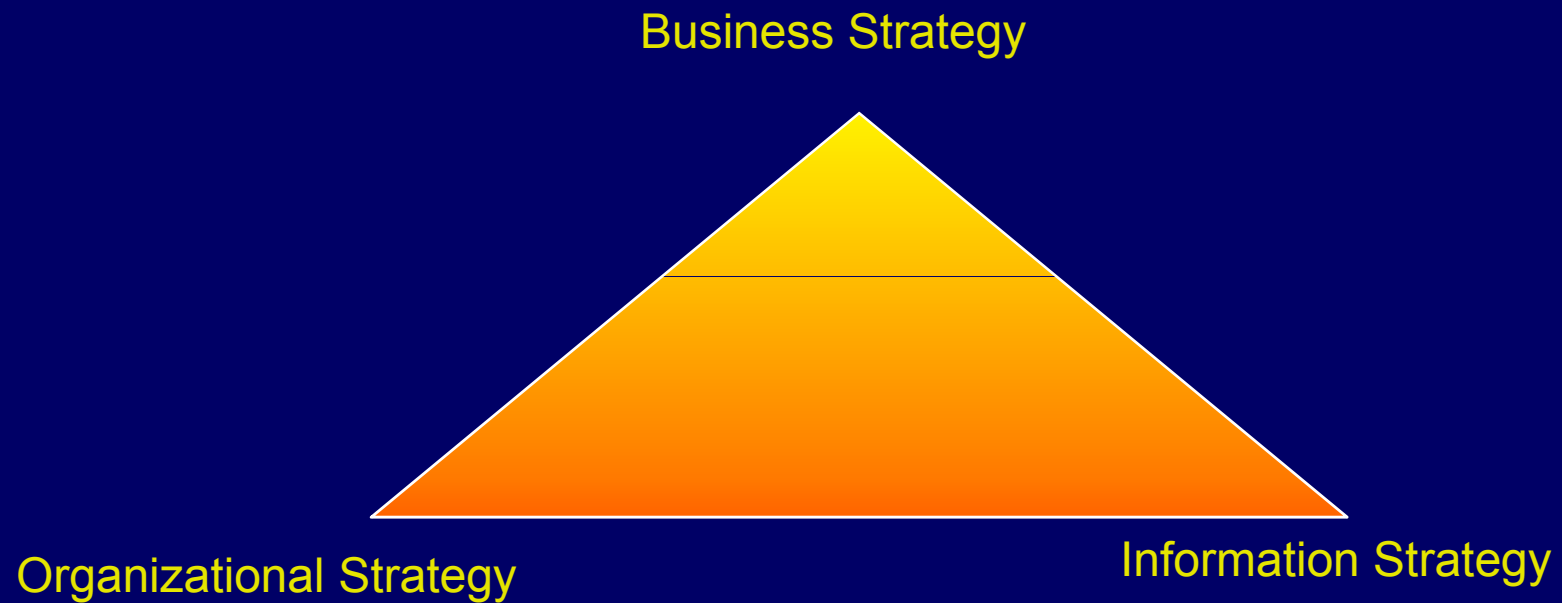
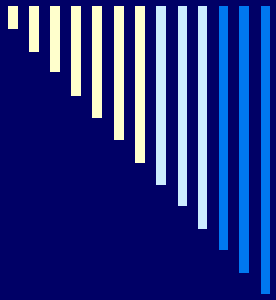


Figure 1.1 The Information Systems Strategy Triangle



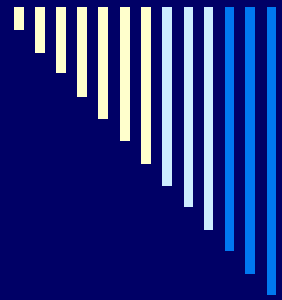
Generic Strategies Framework

- Michael Porter describes how businesses can build a sustainable competitive advantage.
- He identified three primary strategies for achieving competitive advantage:
 - Cost leadership – lowest-cost producer.
 - Differentiation – product is unique.
 - Focus – limited scope.



Porter's Competitive Advantage

- Remember that a company's 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 firms include Walmart, Suzuki, Overstock.com, etc.
- Differentiation strategy firms include Coca Cola, Progressive Insurance, Publix, etc.
- Focus strategy firms include the Ritz Carlton, Marriott, etc.



Hypercompetition

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



D'Aveni's new 7 Ss

- 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.
- The 7 Ss are (see Figure 1.4):
 1. **Superior stakeholder satisfaction:** maximize customer satisfaction by adding value strategically
 2. **Strategic soothsaying:** use new knowledge to predict new windows of opportunity
 3. **Positioning for speed:** prepare the org. to react as fast as possible
 4. **Positioning for surprise:** surprise competitors
 5. **Shifting the rules of competition:** serve customers in novel ways
 6. **Signaling strategic intent:** communicate intentions in order to stall competitors
 7. **Simultaneous and sequential strategic thrusts:** take steps to stun and confuse competitors in order to disrupt or block their efforts

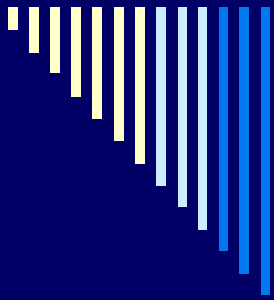


Figure 1.5 Summary of key strategy frameworks.

Framework	Key Idea	Application to Information Systems
Porter's generic strategies framework	Firms achieve competitive advantage through cost leadership, differentiation, or focus.	Understanding which strategy is chosen by a firm is critical to choosing IS to complement that strategy.
D'Aveni's hyper-competition model	Speed and aggressive moves and countermoves by a firm create competitive advantage	The 7 Ss give the manager suggestions on what moves and countermoves to make. IS are critical to achieve the speed needed for these moves.



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?
- Business Diamond – simple framework for identifying crucial components of an organization's plan (Figure 1.6)
- Managerial Levers – another 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 1.7).

Figure 1.6 The Business Diamond

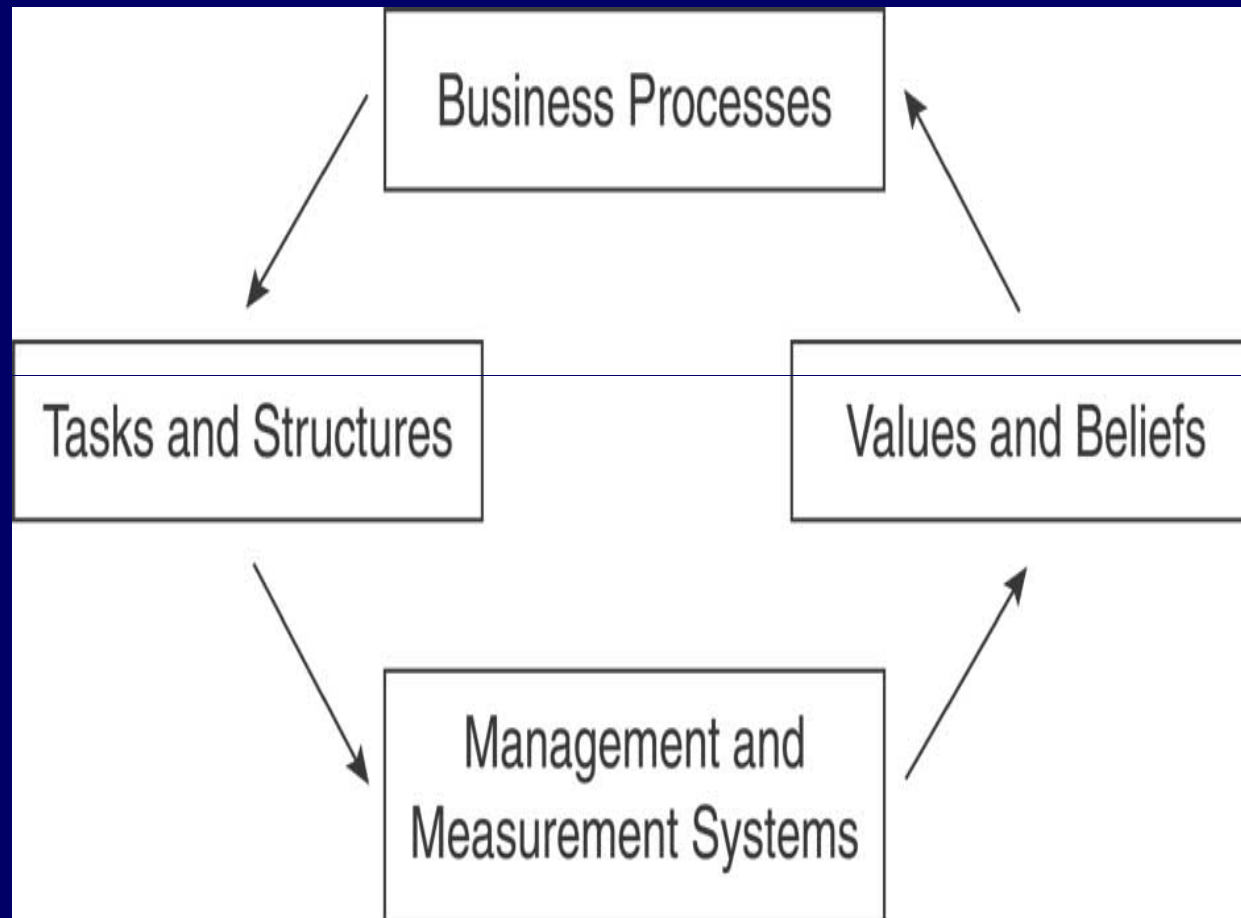
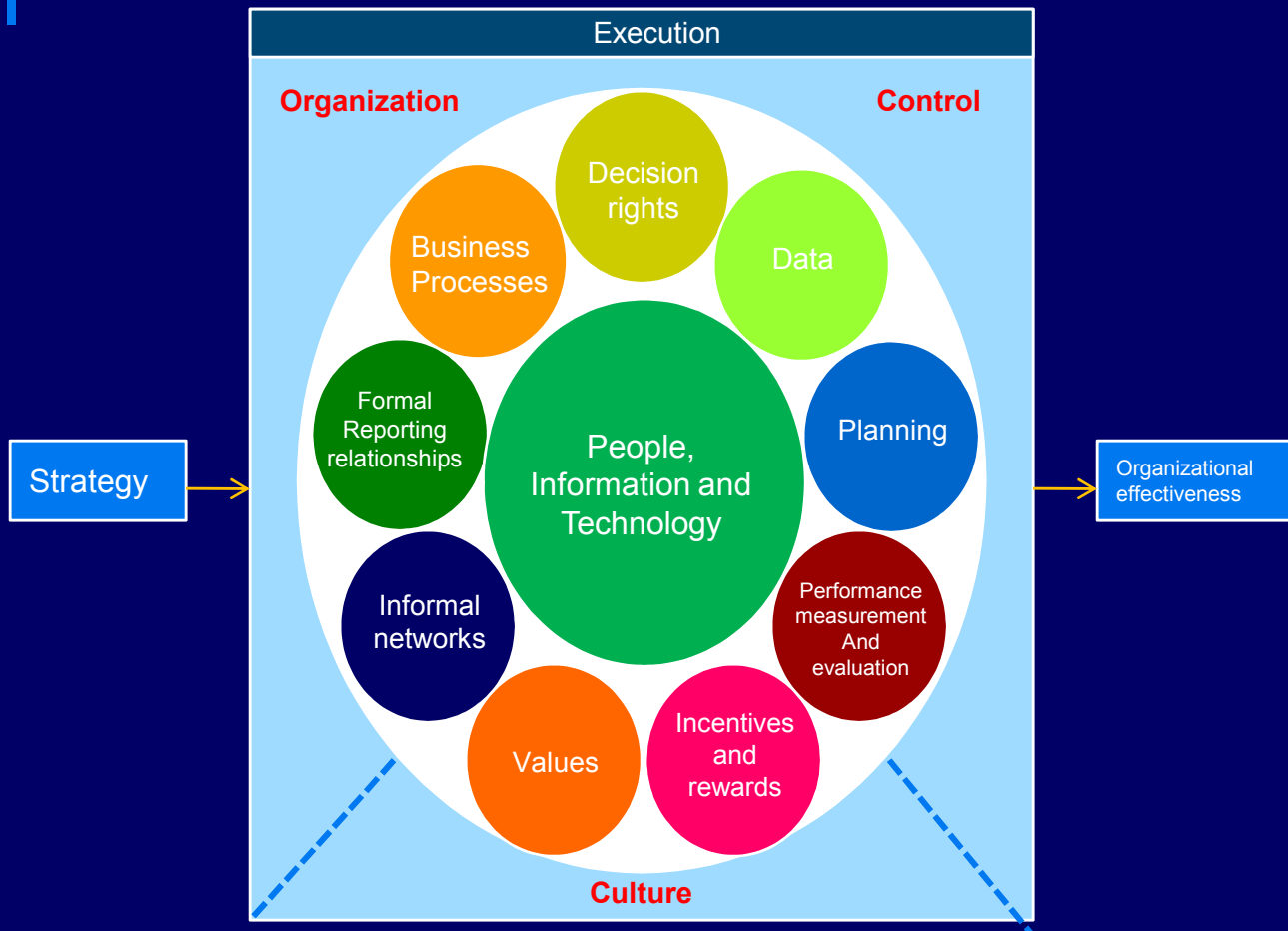


Figure 1.7 Managerial Levers



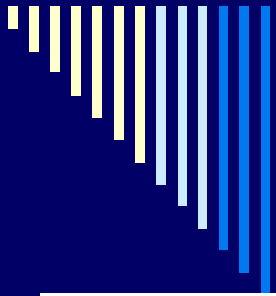
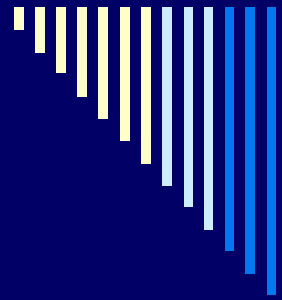


Figure 1.8 Summary of organizational strategy frameworks

Framework	Key Idea	Usefulness in IS Discussions
Business Diamond	There are 4 key components of an organization: business processes, values and beliefs, management control systems, and tasks and structures.	Using IS in an organization will affect each of these components. Use this framework to identify where these impacts are likely to occur
Managerial levers	Organizational variables, control variables, and cultural variables are the levers managers can use to affect change in their organizations	This is a more detailed model than the Business diamond and gives specific areas where IS can be used to manage the organization and to change it



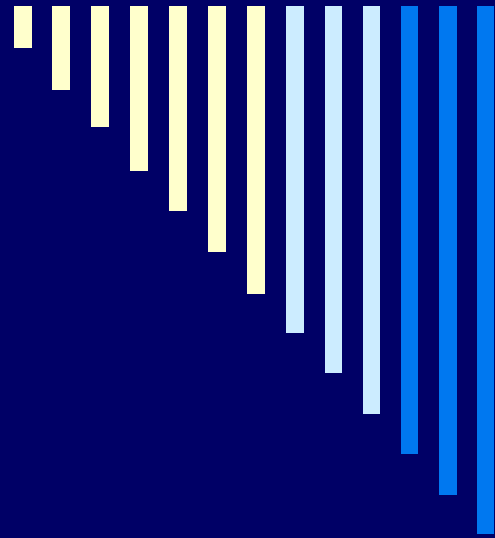
IS Strategy

- 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 1.9)
- These key components are sufficient to allow the general manager to assess critical IS issues.



Figure 1.9 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



FOOD FOR THOUGHT:

ECONOMICS OF INFORMATION
VS. ECONOMICS OF THINGS



Information vs Things

- Every business is in the information business (Evans and Wurster).
- All forms of industry rely heavily on IS.
 - Mercedes cars computing power.
 - Marketing research, logistics, advertising, inventory management all rely on IS.
- Things wear out.
- Information never wears out.
- Figure 1.10 compares things with information.

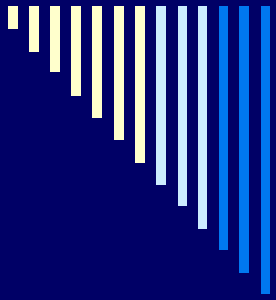


Figure 1.10 Comparison of the economics of things with the economics of information

Things	Information
Wear out	Doesn't wear out, but can become obsolete or untrue
Are replicated at the expense of the manufacturer	Is replicated at almost zero cost without limit
Exist in a tangible form	May exist in the ether
When sold, seller ceases to own	When sold, seller may still possess and sell again
Price based on production costs	Price based on value to consumer