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2 Organizational Strategy, Information Systems, and Competitive Advantage

CHAPTER LEARNING OBJECTIVE QUESTIONS

2-1 How Does Organizational Strategy Determine Information Systems Structure?
2-2 What Five Forces Determine Industry Structure?
2-3 How Does Analysis of Industry Structure Determine Competitive Strategy?
2-4 How Does Competitive Strategy Determine Value Chain Structure?
2-5 How Do Business Processes Generate Value?
2-6 How Does Competitive Strategy Determine Business Processes and the Structure of Information Systems?
2-7 How Do Information Systems Provide Competitive Advantages?
2-8 What is the Future of Business Processes and Information Systems?

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SO WHAT?

Amazon Everywhere

1. *Some of the most innovative and powerful companies in the world are technology companies (e.g., Google, Facebook, Apple, Amazon, and Netflix). Out of the five companies on this list, could a case be made that Amazon should be considered the most powerful company of them all? Why?*
   Student answers will vary since this is an opinion question. Certainly, the reach of Amazon makes it an extremely power technology company. Besides the retail side of the business, Amazon is also a huge player in the tech platform arena through Amazon Web Services.

2. *Can you think of any other technologies that have been developed that employ sensor fusion, cameras, and computer visions?*
   Student answers will vary. There are many other examples of such technologies, such autonomous farming vehicles that are used in many agricultural settings; drones that

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are used a wide variety of applications; and robotic applications such as Walmart's robotic system that monitors inventory on hand in stores.

3. *Can you think of any other industries that have been disrupted or seen processes drastically changed due to innovations in technology over the past 10-plus years?*
Student answers will vary. There are many examples of industry disruption due to technological innovation. Print newspaper/magazine journalism, robotic manufacturing processes, residential real estate sales, and banking are just a few examples.

4. *Can you think of any emerging technologies that will disrupt or change processes in industries over the next 10-plus years?*
Student answers will vary, but it seems probable that artificial intelligence applications will be a huge disruptive force in the next 10-plus years.

COLLABORATION EXERCISE 2

Using the collaboration IS you built in Chapter 1 (pages 27–28), collaborate with a group of students to answer the following questions. If you haven't built your collaboration IS yet, reread Collaboration Exercise 1 and Chapter Extension 10. Meet with your team and build a collaboration IS that uses tools like Google Docs, SharePoint, or other collaboration tools. Do not forget the need for procedures and team training.

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2-4. *An analysis of the five forces of the Singing Valley market. Make and justify any necessary assumptions about their market.*
Student answers will vary, but look for the following:
- Rivalry (strong force) – Upscale resorts will compete strongly for a relatively small market.
- Bargaining power of customer (strong force) – Upscale customers will have many choices.
- Threat of substitutions (strong force) – Many other options are available besides Colorado mountain resorts; for example, cruises or island resorts.
- Bargaining power of suppliers (fairly weak force) – Singing Valley will have ample supplier options.
- Threat of new entrants (fairly weak force) – The cost of developing similar new resorts will be steep, but remember that Singing Valley's customers are the type of customers who are always looking for the newest new thing. (LO: 2, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytic Skills)

2-5. *A statement of Singing Valley's competitive strategy.*
Singing Valley follows a differentiation focus strategy. (LO: 3, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytic Skills)

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2-6. A statement of the problem. If the members of your group have different perceptions of the problem, all the better. Use a collaborative process to obtain the best possible problem description on which all can agree.

Singing Valley management believes that customers can provide a larger revenue stream than they are currently producing. (LO: 3, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytic Skills)

2-7. Document in a general way (like the top row of Figure 2-11) the process of up-selling an activity.

Customer contact recognizes interest areas and/or previous experience with activity.	Determine interest in activity, making suggestions.	Register customer for activity and arrange for reminder, transportation, etc.	Add cost to customer hotel bill. Assess customer satisfaction. Record interest in future similar activities.

(LO: 4, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytic Skills)

2-8. Develop two innovative ideas for solving the Singing Valley problem. For each idea, provide:

a. A brief description of the idea.

b. A process diagram (like Figure 2-12) of the idea. Figure 2-12 was produced using Microsoft Visio; if you have access to that product, you'll save time and have a better result.

c. A description of the information system needed to implement the idea.

Student answers will vary. A good classroom exercise is to have each group present their two ideas and have the class vote to determine the most innovative idea and the idea most likely to be successful in producing more revenue (not necessarily the most innovative). (LO: 5, Learning Outcome: Discuss the role of information systems in supporting business processes, AACSB: Analytic Skills)

2-9. Compare the advantages and disadvantages of your alternatives in question 2-8, and recommend one of them for implementation.

When discussing implementation, have your students think carefully about Neil Miyamoto's statement: "Every business owner needs to determine the performance indicators that drive his or her business and then wrap technology around those indicators." Ask your students to identify the information that will be needed to measure the success of their recommended alternative. (LO: 6, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytic Skills)

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CASE STUDY 2

The Amazon of Innovation

2-10. Based on the facts presented in this case, what do you think is Amazon's competitive strategy? Justify your answer.

Amazon seeks to differentiate itself by providing a huge array of goods at very good prices. (LO: 6, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytical Thinking)

2-11. Jeff Bezos, CEO of Amazon, has stated that the best customer support is none. What does that mean?

There are several interpretations of this comment. First, Amazon may strive to do such an excellent job serving its customers that no customer support is needed. Second, Amazon seeks to provide its customers with excellent self-service. This means that a customer rarely has to utilize customer support directly with a human customer support representative; rather, its information systems enable customers to perform virtually any customer service task by themselves. (LO: 6, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytical Thinking)

2-12. Suppose you work for Amazon or a company that takes innovation as seriously as Amazon does. What do you suppose is the likely reaction to an employee who says to his or her boss, "But, I don't know how to do that!"?

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A company that is serious about innovation would not tolerate employees who are fearful of taking risks and experimenting. Employees in these types of companies will be expected to do things they don't know how to do all the time! A boss is likely to tell the employee that he/she was hired not for what they already know how to do, but for the new things they can figure out how to do. It is that willingness to push into the unknown that is valued. Employees who can't tolerate this expectation will not stay employed at that company for long. (LO: 1, Learning Outcome: Discuss the role of information systems in supporting business processes, AACSB: Reflective Thinking)

2-13. Using your own words and your own experience, what skills and abilities do you think you need to have to thrive at an organization like Amazon?

Student answers will vary depending upon their personal experiences. We hope that they will mention several things at a minimum, including abstract reasoning, critical thinking, ability to engage fully in collaborative endeavors, willingness to experiment, and continuous engagement in process improvement. (LO: 1, Learning Outcome: Describe the components of an information system (IS), AACSB: Reflective Thinking)

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2-14. What should UPS and FedEx be doing in response to Amazon's interest in drone delivery via Prime Air?

Certainly, this interest in drone delivery will influence Amazon's delivery partners like UPS and FedEx. Rather than resisting the exploration of this innovation, companies like FedEx and UPS should be discussing ways that they can partner with Amazon in this venture (form an alliance). (LO: 6, Learning Outcome: Explain how IS can be used to gain and sustain competitive advantage, AACSB: Analytical Thinking)

2-15. Summarize the advantages and disadvantages for brick-and-mortar retailers to sell items via Amazon. Would you recommend that they do so?

Brick-and-mortar retailers can sell items via Amazon.com and gain access to the huge number of shoppers that use that site. They would have to do business following Amazon's rules, however. Retailers might want to keep customers coming to their own Web sites rather than lose the customers to Amazon's site. (LO: 6, Learning Outcome: Discuss the role of information systems in supporting business processes, AACSB: Analytic Skills)

2-16. If a brick-and-mortar retailer were to use FBA, what business processes would it not need to develop? What costs would it save?

Brick-and-mortar retailers would not need to develop business processes for receiving, repackaging, and shipping. They would save on labor costs associated with these processes, plus they would no longer need warehouse space for these processes. (LO: 5, Learning Outcome: Discuss the role of information systems in supporting business processes, AACSB: Analytic Skills)

2-17. If a brick-and-mortar retailer were to use FBA, what information systems would it not need to develop? What costs would it save?

Brick-and-mortar retailers could use FBA's systems for placing orders with its vendors and paying its vendors for these orders; they would also not need to develop systems that interface with the shippers. Brick-and-mortar retailers would save the costs of developing and supporting these systems. (LO: 6, Learning Outcome: Discuss the role of information systems in supporting business processes, AACSB: Analytic Skills)

2-18. If a brick-and-mortar retailer were to use FBA, how would it integrate its information systems with Amazon's? (To add depth to your answer, Google the term Amazon MWS*.)*

Amazon's integrated Web service API (Application Programming Interface) helps Amazon sellers to programmatically exchange data on listings, orders, payments, reports, and more. XML data integration with Amazon enables higher levels of selling automation, which helps sellers grow their business. (LO: 6, Learning Outcome: Discuss the role of information systems in supporting business processes, AACSB: Analytic Skills)

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For an example illustrating the concepts found in this chapter, view the videos in mymislab.com.

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