## Chapter II
# Assessment of information strategies

Dr. Ir. Yeffry Handoko Putra, M.T
E-mail: yeffryhp@yahoo.com



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## Research Question

- how can the practice of information strategy in an organization be analysed
- what is the actual practice in the insurance industry;
- how does information strategy relate to business strategy?



## INFORMATION STRATEGY IMPACT MATRIX

| *INFORMATION STRATEGY'S IMPACT UPON:* | *IMPACTS* |
|---|---|
| **Product Strategy** | **Changes in Product Design Processes** |
| **Production Strategy** | **Changes in Production Processes** |
| **Marketing Strategy** | **Changes in Marketing Processes** |
| **Competitive Strategy** | **Changes in Value-Added Processes** |
| **Organization Strategy** | **Changes in Business Processes** |
| **Finance Strategy** | **Changes in Financial Processes** |
| **Innovation Strategy** | **Changes in Knowledge Processes** |
| **Diversification Strategy** | **Changes in Planning Processes** |



## Alignment of Information Strategy and business Strategy

information systems strategy (ISS)

↓

information systems strategic planning (ISSP)

↓

strategic information systems planning (SISP)

the process of deciding the objectives for organizational computing and identifying potential computer applications which the organization should implement

However, Galliers (1991) views information strategy as only a part of SISP, together with information technology (IT) strategy, information management (IM) strategy, management of change strategy, and human resources strategy. Earl (1989) sees SISP as a combination of information systems strategy (aligning IS with business goals, and exploiting IT for competitive advantage), IM strategy and IT strategy.

## Strategic Alignment Model Venkatraman (1993)

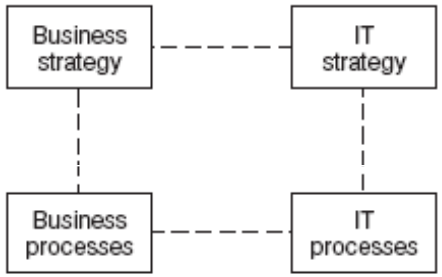



**Figure 3.1** *Strategic alignment model (Parker et al., 1989; Henderson and Venkatraman, 1993)*



## Strategic Alignment Model Venkatraman (1993)

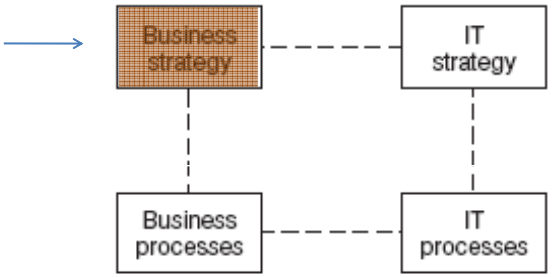



**Figure 3.1** *Strategic alignment model (Parker et al., 1989; Henderson and Venkatraman, 1993)*



## Strategic Alignment Model Venkatraman (1993)

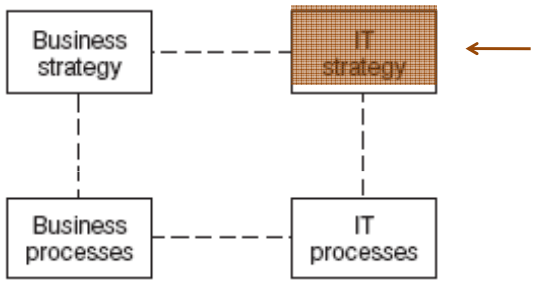



**Figure 3.1** *Strategic alignment model (Parker et al., 1989; Henderson and Venkatraman, 1993)*



## CASE STUDY: Beauty Goods in Cyberspace (Read Betz Chap 11)

Last week's [January 17, 2000] purchase of Beauty.com by Drugstore.com for $42 million in stock marked the first of what could be a rash of consolidations among online retail categories cluttered with well-financed—but poorly patronized—

Web stores.
—(Tedeschi, 2000, p C1)

But these purveyors of glamour have concerns more pressing than the sheer number of competitors. Analysts say that any online retailer hoping to make a dent in the estimated $15 billion beauty market cannot hope to succeed without the cooperation of the Big Three of the beauty industry—Lancome, Estee Lauder, and Clinique.

—(Tedeschi, 2000, p. C1)

"Companies like Estee Lauder see their brands as the crown jewels," said Lisa Allen, an analyst with Forrester Research. "They pay close attention to things like how and where they're displayed, who they're next to."
—(Tedeshi, 2000, p. C1)

## Case Analysis

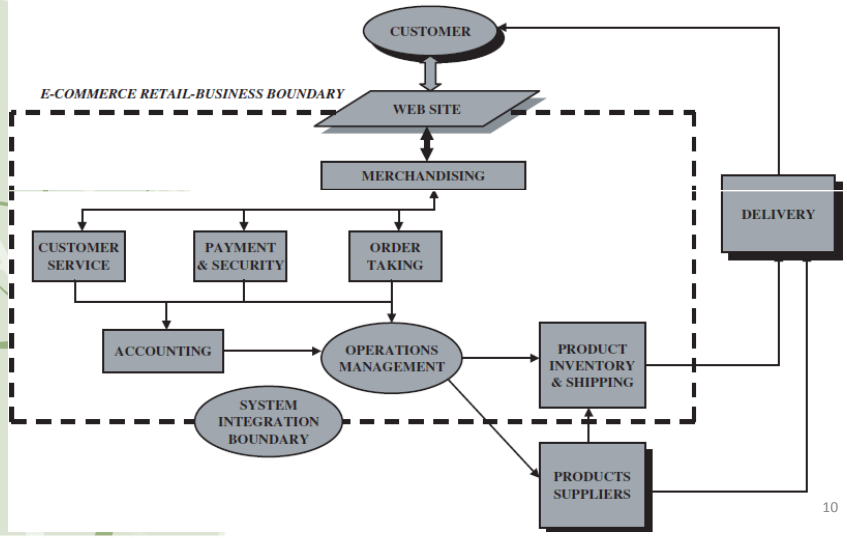
**TYPES OF E-COMMERCE**

When it emerged in the late 1990s, e-commerce developed in several kinds of business applications, including:

1. Internet
   - Internet portal services (e.g., AOL)
   - Communication services (e.g., AT&T)
2. Retail
   - Consumer products (e.g., Amaz0on, CDnow),
3. Markets
   - Commercial supply businesses (i.e., B2B),
   - Auctions (e.g., eBay),
   - Materials trading markets (i.e., commodity products)
4. Finance
   - Financial trading markets (e.g., stocks and bonds)
   - Financial services (e.g., banking, credit, mortgages)
5. Information
   - Reservations (e.g., travel, hotels)
   - Query and search (e.g., Ask Jeeves)
6. Entertainment
   - News, music, TV, etc.
7. Educational
   - Higher education (e.g., UMUC)
   - Industrial training

## Case Study : Business Strategy for E-Commerce

INFORMATION SYSTEM ARCHITECTURE OF A RETAIL E-COMMERCE BUSINESS (Amazon.com)






## Important Note

- in the business operations architecture is that **the boundary of the business is not defined** by a physical space but by a virtual space—the software system integration function.
- the space in which to interact with the customer is missing
- not only how one operates in a traditional business—but even how one "**architects"** the whole business
- Strategic change in operations requires **change in procedures** and in the **architecture of procedures** (the set of policies that structure the business activities)



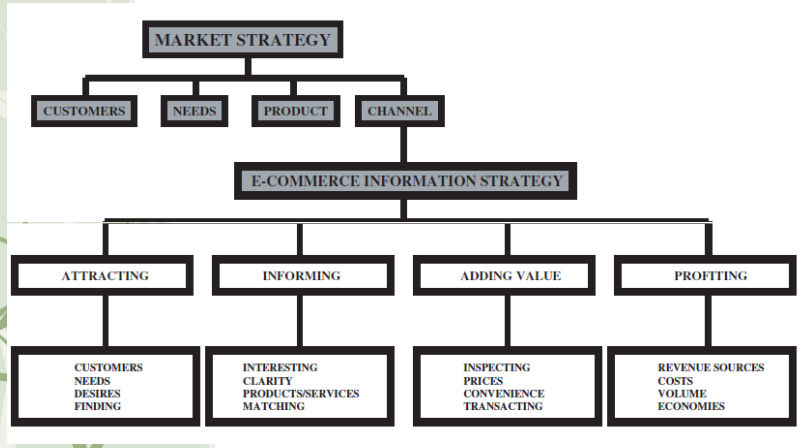
## Case Study : Dell Sells on the Internet (Michael Dell)

the business part of an information strategy.

- This case examines how one of the pioneers in the sales of personal computers **used the Internet to reinvent** its business—Dell computers
- Condition: Computer has standarized by IBM
- Microsoft in OS. Intel in CPU Chips and Dell in Computer
- Business Strategy: (Goal: Price Competitive)
  - Continue direct sales from telephone to internet
  - Cost Control Production:
    Dell not invested in Production, instead using Outsourcing from Japan
  - Minimizing product inventory by just in time assembly
  - Shipping by Federal Express , UPS
  - Provide Information to customer and other business which bought Dell's Product

## BUSINESS PART OF INFORMATION STRATEGY FOR E-COMMERCE

CASE STUDY




**The Internet is a medium of communication and a channel of marketing**



## Strategic business challenges of information systems for e-commerce: (Dell)

1. *Attracting*
   - customers
   - needs
   - desires
   - finding site

2. *Informing*
   - interesting
   - clarity
   - products
   - matching

3. *Adding value*
   - inspecting
   - price
   - convenience
   - transacting

4. *Profiting*
   - revenue
   - costs
   - volume
   - economies



## STRATEGIC E-PARTNERS ALLIANCE MATRIX

| | STRATEGIC E-COMMERCE FUNCTIONS | | | |
|---|---|---|---|---|
| ***STRATEGIC PARTNERS*** | **ATTRACTING** | **INFORMING** | **ADDING VALUE** | **PROFITING** |
| **CDnow (example)** | | | **CDnow's Record Sales Web site** | **Gross Margins** |
| **GEFFEN RECORDS (example)** | **Geffen's Recording Artists Website** | | | **Sales Commissions** |



## Research model

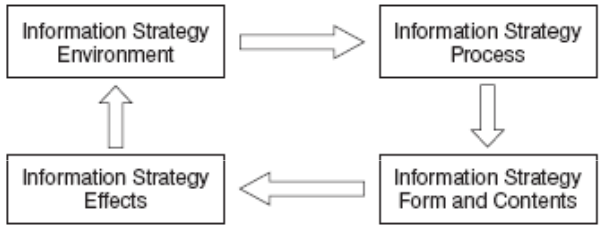



**Figure 3.2** *Research model describing four components of information strategy*

**Table 3.1** *Summary of the information strategies in three insurance companies*

| *Components/aspects* | | *Information strategy* *In company A* | *In company B* | *In company C* |
|---|---|---|---|---|
| Environment | Position in the industry | Second tier | Dominant/ niche | Top |
| | Main distribution channel | Bank | Direct writer | Intermediaries |
| | Special factor | Recently merged | About to merge | Partner in ADN |
| | Company revenue | $2000M | $2000M | $3000M |
| | Employees | 2000 | 2000 | 4000 |
| | Business strategy | Explicit, known | Explicit, known | Explicit, known |
| | Internal organization | Product oriented | Market oriented | Product oriented |
| | Management attitude to IT | Positive | Very positive | Very positive |
| | IT expenditures/ revenue | <2% | >2% | <2% |
| | Existing architecture | Central/ decentral | Two tiered | Centralized |
| Process | Process type | Mech/problem | Political/mech | Mech/political |
| | Overall methodology | No | No | No |
| | IT scanning | Yes | Informal | Informal |
| | SWOT | Informal | Occasionally | Informal |
| | CSF | No | Occasionally | No |
| | Role top management | Dominant | Active | Active |
| | Line management | Active | Active | Present |
| | IT management | Active | Dominant | Dominant |
| | Planning specialist | One | – | – |
| | External consultant | – | – | – |
| | Alignment | Yes | Yes | Yes |
| | Impact | Not clear | Yes | Yes |
| | Organizational learning | No | Some | Some |



**Table 3.1** *Continued*

| *Components/aspects* | | *Information strategy* *In company A* | *In company B* | *In company C* |
|---|---|---|---|---|
| Form and content | Time horizon | Five years | Three years | Three years |
| | Scope | IS/IT | IS/IT/telecom | IS/IT |
| | Objectives | Very specific | Explicit | Implicit |
| | Systems architecture | Evolving | Extensive, clear | Implicit |
| | Technical architecture | Evolving | Clear | Clear |
| | Organizational architecture | Clear | Clear | Clear |
| | Rules, alliances | Implicit, few | Implicit, few | Implicit, strict |
| | Plans | Projects | Projects, budgets | Projects, budgets |
| Effects | User satisfaction | Not measured | Not measured | Not measured |
| | Project results | Evaluated | Evaluated | Evaluated |
| | Bottom line results | Not measured | Tentative | Not measured |



## The information strategy environment

all those facts and conditions which are

not part of the information strategy itself, nor of the information strategy process, but that can or should influence either of those

**Table 3.2** *Four aspects of the environment of information strategy*

| | *Technological environment* | *Organizational environment* |
|---|---|---|
| External environment | IT opportunities | Position in industry |
| Internal environment | IT resources | Nature of the organization |



## The information strategy process

- The information strategy process describes the way in which the information strategy is created or changed
- the importanceof the linkage between corporate strategy and information strategy, in the form of ‘impact’ and ‘alignment’

1. Process Type:
   - Mechanical
   - problem-oriented
   - political
2. Methodologies and toolls : SWOT analysis
3. how and to what extent *organizational learning*

## The information strategy form and content

- Strategy Form defines some formal characteristics:
  formality, regularity of the documentation, the number of documents and pages used for expressing andcommunicating the strategy, and the time horizon (Mintzberg, 1991).

- Content Strategy describes the subject areas or 'issues' for which the strategy is meant to provide solutions or directions
- The main aspects of the content of the information strategy are scope, objectives, architectures, rules and plans (Earl, 1989).



## The information strategy effects

- the (narrow) scope of one systems development project as result of the information strategy
- the (narrow) scope of changes in the business strategy as results of the information strategy
- the (intermediate) scope of the performance (quality) of the systems development function
- the (intermediate) scope of the performance (quality) of a specific information system, and
- the (broad) scope of (all) information services in the organization (Laudon and Laudon, 1996).



## Research method

Step 1: Structured interviews (based on the first questionnaire) with the senior IS manager and a senior manager(s) from the business domain.

Step 2: Analysis of written materials (information plans and business plans). The plans were also screened for approximately five specific key decisions.

Step 3: An interview with a member of the executive board (based on the second questionnaire).

Step 4: All collected materials were used to write a detailed case description.



## Read the finding investigation page 76

- [Galliers-Leidner] Galliers, R.D. and Leidner, D.E., 2003, Strategic Information Management 3rd Edition: Challenges and strategies in managing information systems, Butterworth-Heinemann, UK

*The information strategy environment*
*The information strategy process*
*The information strategy form and content*
*The information strategy effects*
*Reflection*