



Chap 4 : The Important of Strategy

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What kind of IS strategy should be made?

- Understandability (clear goal, focus, scope)
- Realizable (phase/timing bound, effective)
- Robustness (standard, policy)
- Completeness (still efficient, Portfolio, Project Management)
- Consistency
- Stability (enduring, amendment)
- Repeatable and measureable ,(Strategy as pattern)r
- Interoperability

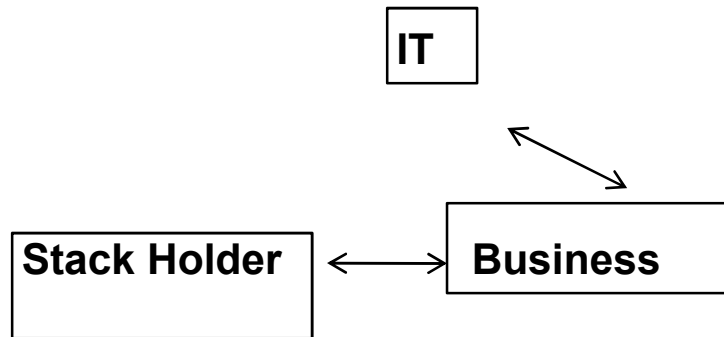
Source: Harisson, R. (2009) Togaf version 9 Foundation, Study Guide, Van Harren Publishing

What's usage of strategy:

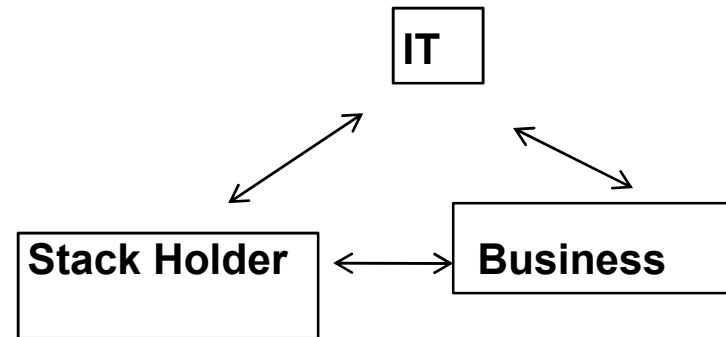
- Help Business to achieve Business Goal:
 - Compete (Michael Porter's Strategy was the famous)
 - Increasing Revenue lowering risk, lowering expenditure
 - Valuing: uniqueness , rare, most demandable
- Completed IT Project (eliminated repairing looping) Planning : Efficient, Effective
- Make a way for Information integration
- Keep operation doing the right way
 - Best practice
 - Serve as 'IT Should do ' in IT Service Management
 - Managing Demand, Managing Capacity
- Adaptable to dynamic change in legal, social, environment, culture, politic, price (IT portfolio), value (expire of information)

Role of IT in Business

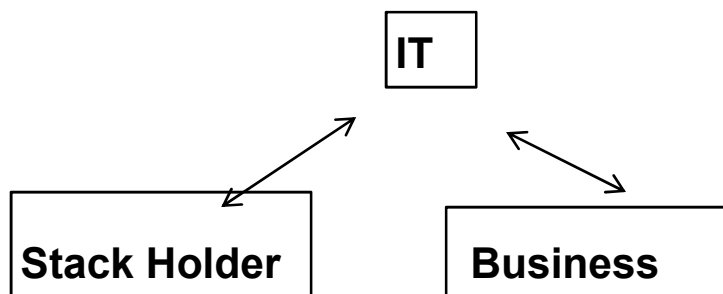
IT – Assisted Business



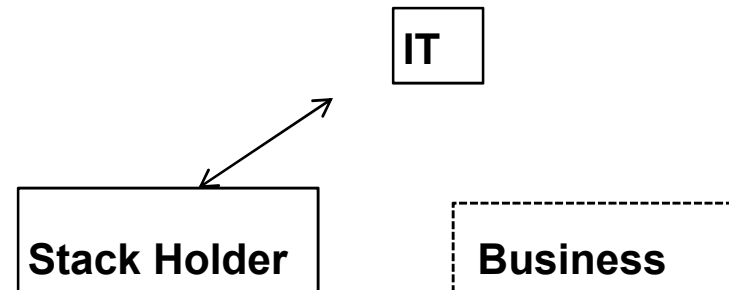
IT – facilitated Business



IT – Mediated Business



IT – generated Business



How complex the war?



Components of a Business Model



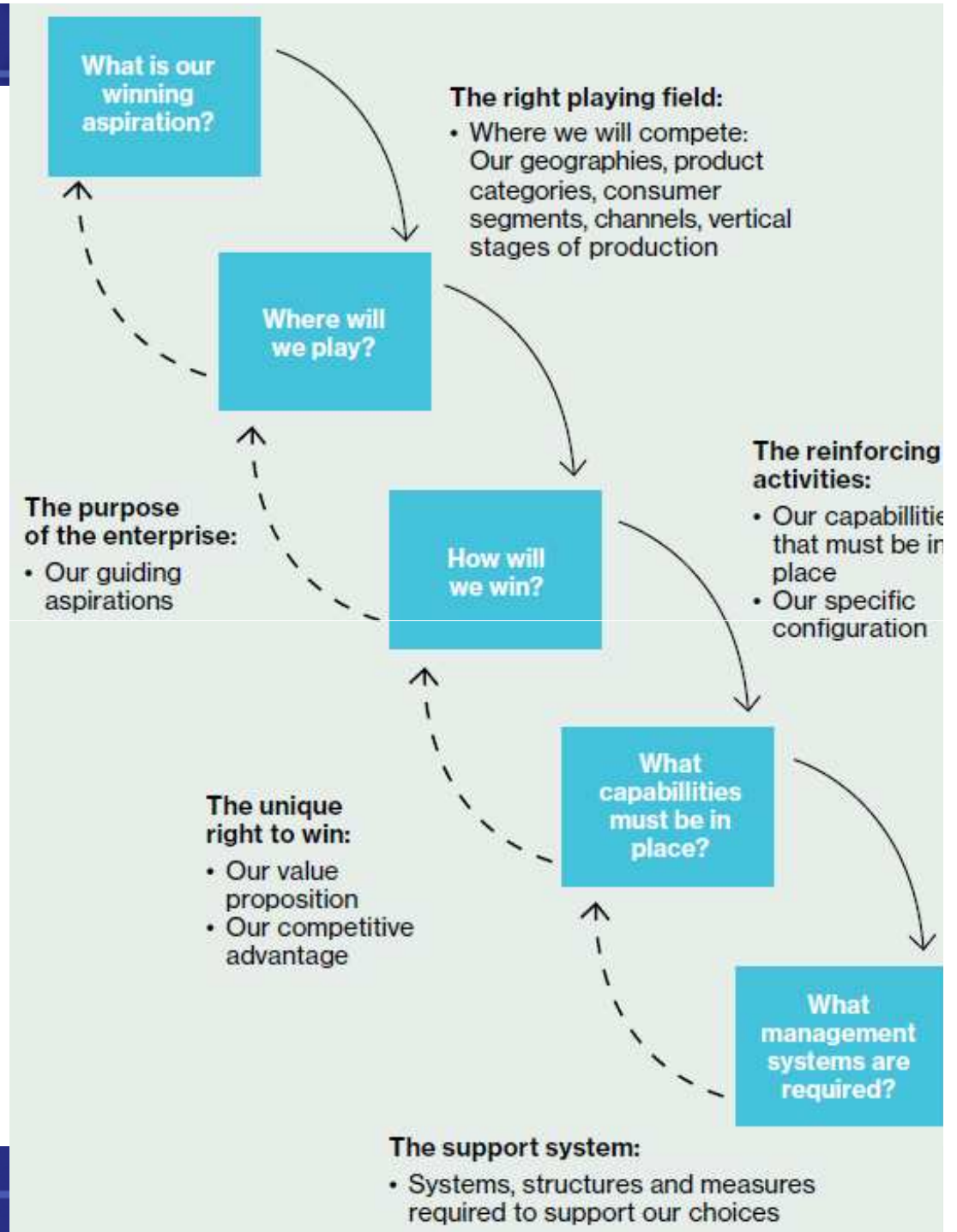
http://qcao.ba.ttu.edu/ArcFall10/applegate_ch01.pdf

Five Questions

- Strategy is *choice*.
- 5 choices: *a winning aspiration, where to play, how to win, core capabilities, and management systems.*
- More specifically, strategy is an integrated set of choices that uniquely *positions the firm in its industry* so as to create sustainable advantage and superior value relative to the competition.

Source:

<http://www.playingtowin.info/sites/leadingauthorities.drupalgardens.com/files/aPlaybookForStrategy.pdf>



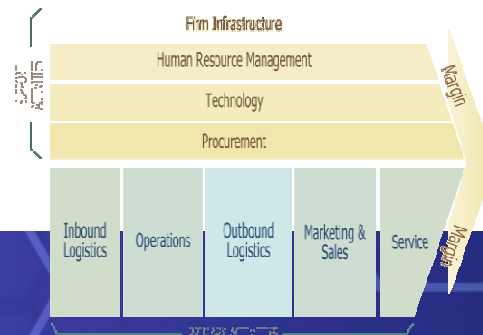
Strategy and IS

Industry Structure (5 Competing Forces)



Competitive Strategy

Value Chain Analysis

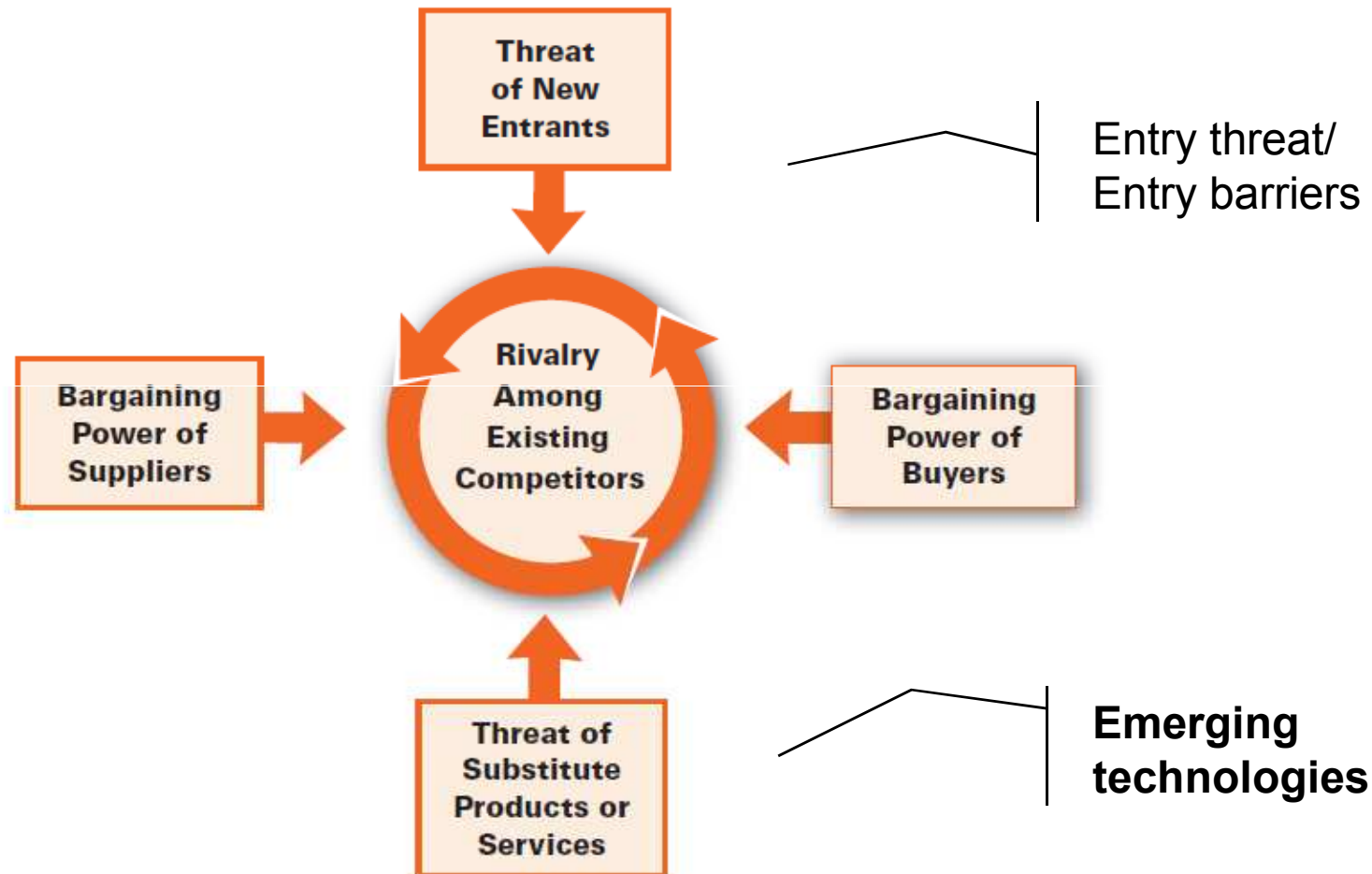


Business Process Design / Reengineering

Information Systems

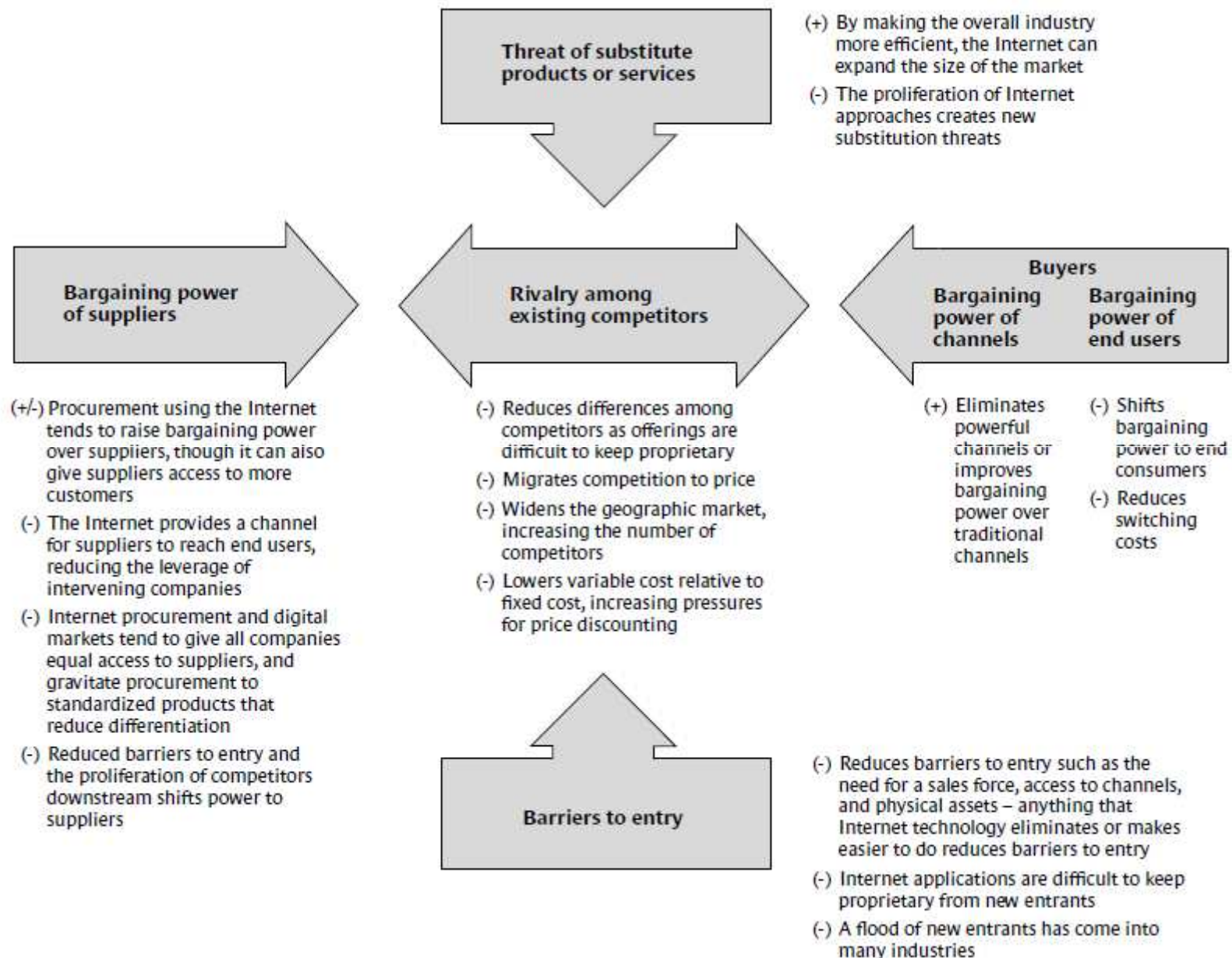
Michael Porter Strategic Theorema

The Five Forces That Shape Industry Competition



http://www.youtube.com/watch?v=mYF2_FBCvXw

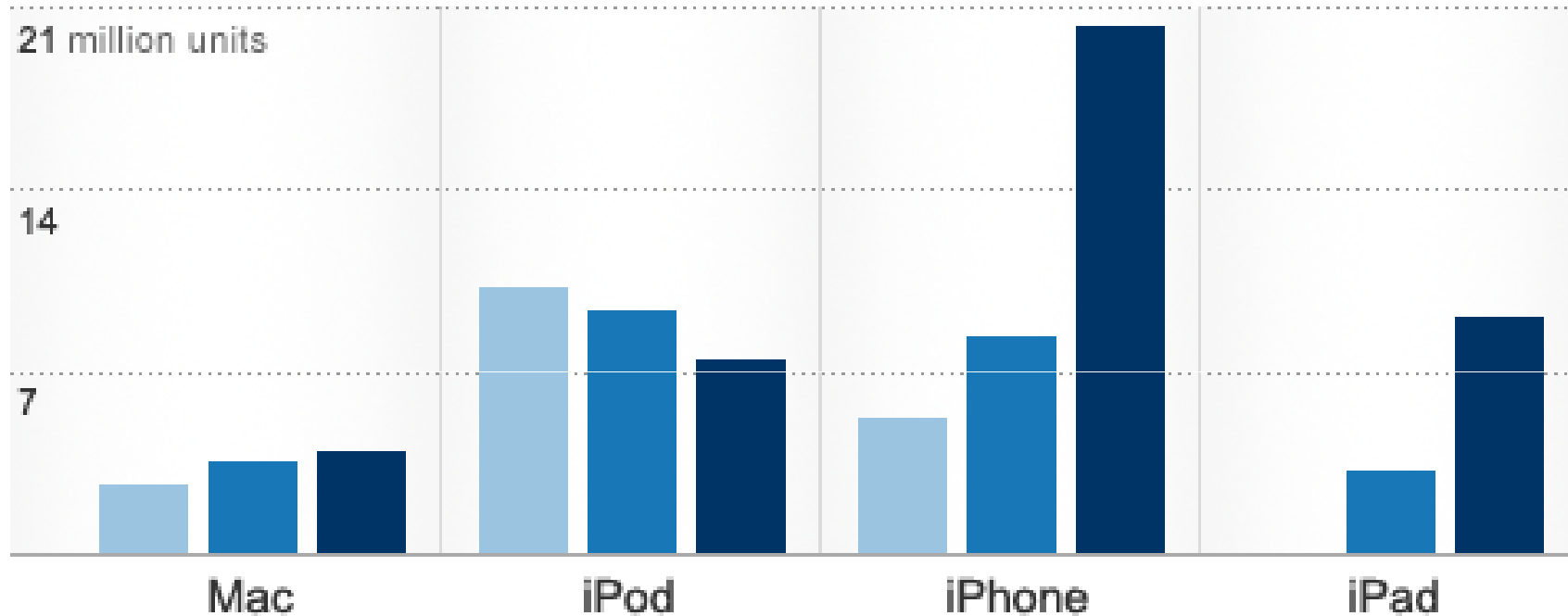
Strategy and the Internet



Apple's Entrance to Different Industries

APPLE PRODUCT SALES IN THE FISCAL THIRD QUARTER

2009 2010 2011



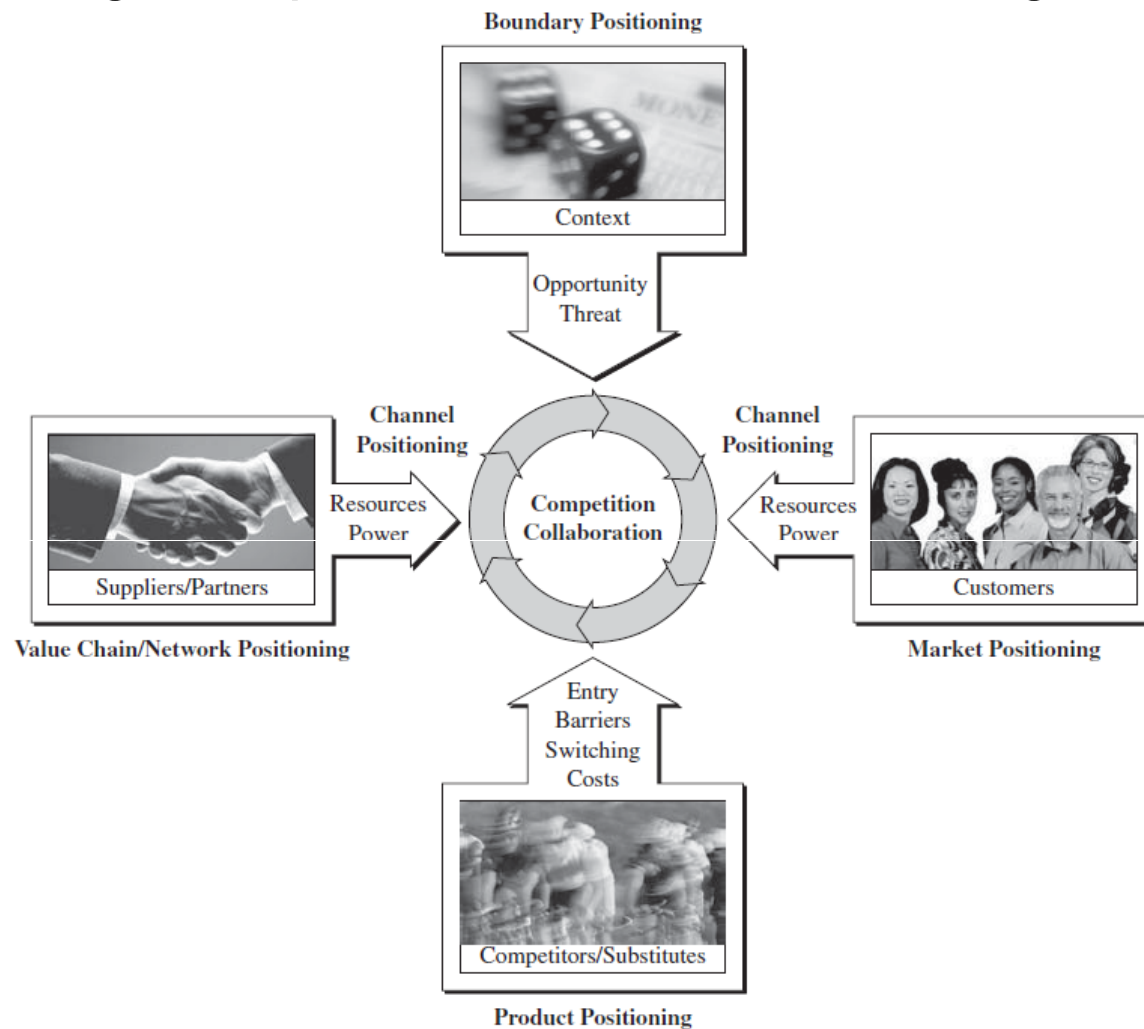
SOURCE: APPLE

Apple

- Apple Computer Inc. → Apple Inc.
- Apple to Mac
- iPod + iTunes + music
- Apple Stores (see teaching note)
- iPhone + iTunes + Apps
- iPad + iTunes + Apps + iBook

- From a system to an eco-system
- From hardware to software to contents and services

Analyzing Competitive Forces and Strategic Positioning



http://qcao.ba.ttu.edu/ArcFall10/applegate_ch01.pdf

Porter Generic Strategies

- Cost Leadership: High volume and low profit margin
- Differentiation strategy: High margin/price, low volume
- Focus

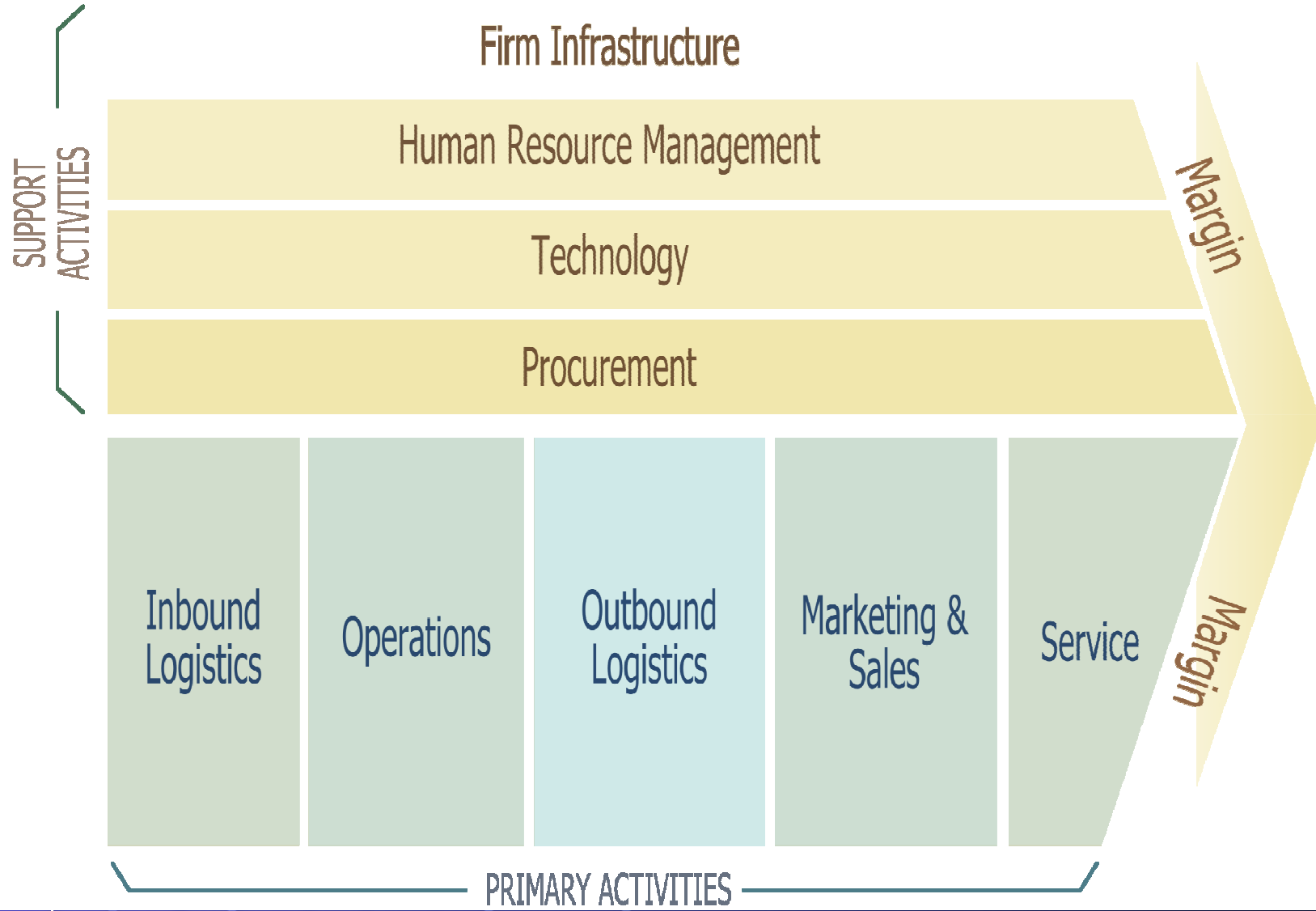
Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Source: http://blogs.hbr.org/cs/2011/08/why_hps_departure_from_the_pc.html
read the comments

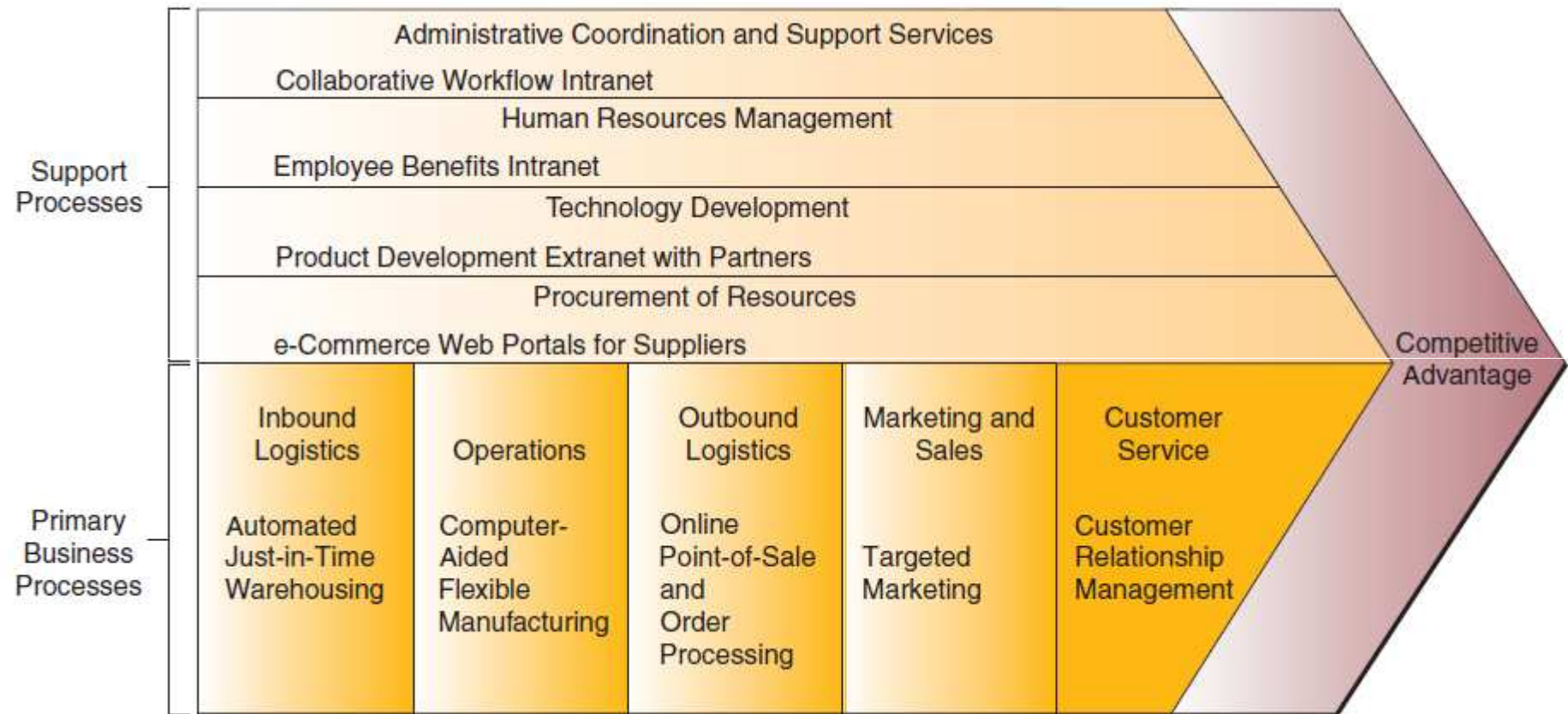
Generic Strategies and Industry Forces

<i>Industry Force</i>	<i>Generic Strategies</i>		
	Cost Leadership	Differentiation	Focus
Entry Barriers	Ability to cut price in retaliation deters potential entrants.	Customer loyalty can discourage potential entrants.	Focusing develops core competencies that can act as an entry barrier.
Buyer Power	Ability to offer lower price to powerful buyers.	Large buyers have less power to negotiate because of few close alternatives.	Large buyers have less power to negotiate because of few alternatives.
Supplier Power	Better insulated from powerful suppliers.	Better able to pass on supplier price increases to customers.	Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.
Threat of Substitutes	Can use low price to defend against substitutes.	Customer's become attached to differentiating attributes, reducing threat of substitutes.	Specialized products & core competency protect against substitutes.
Rivalry	Better able to compete on price.	Brand loyalty to keep customers from rivals.	Rivals cannot meet differentiation-focused customer needs.

Value Chain

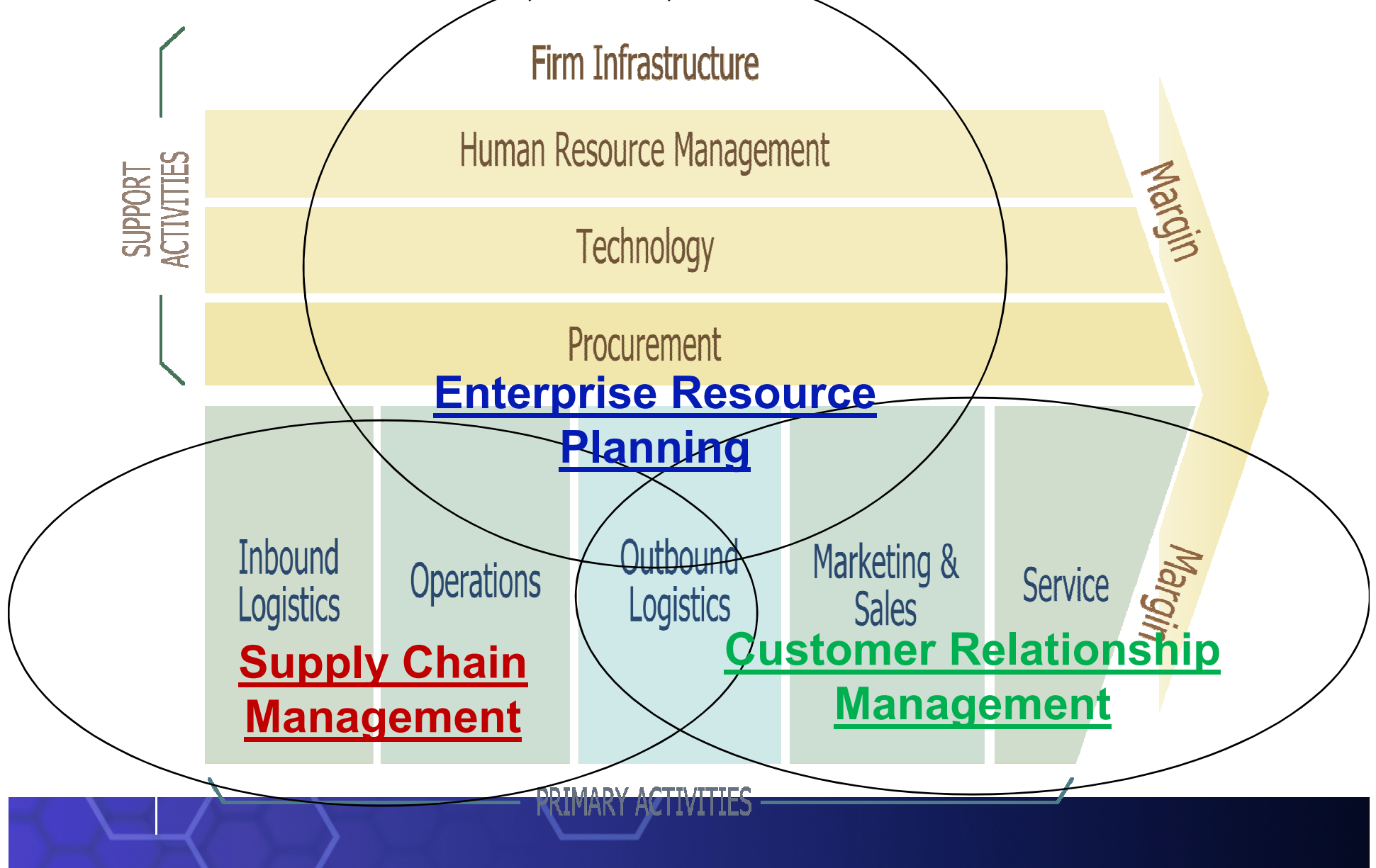


Internet and Value Chain Analysis



http://highered.mcgraw-hill.com/sites/dl/free/0073043559/314063/OBrien_13e_Chapter_2.pdf

Value Chain and ERP, CRM, SCM



Fitzsimmons, J.A, (2011), Service Management, McGraw Hill,
Chap 3.

MORE DETAIL

Overall Cost Leadership

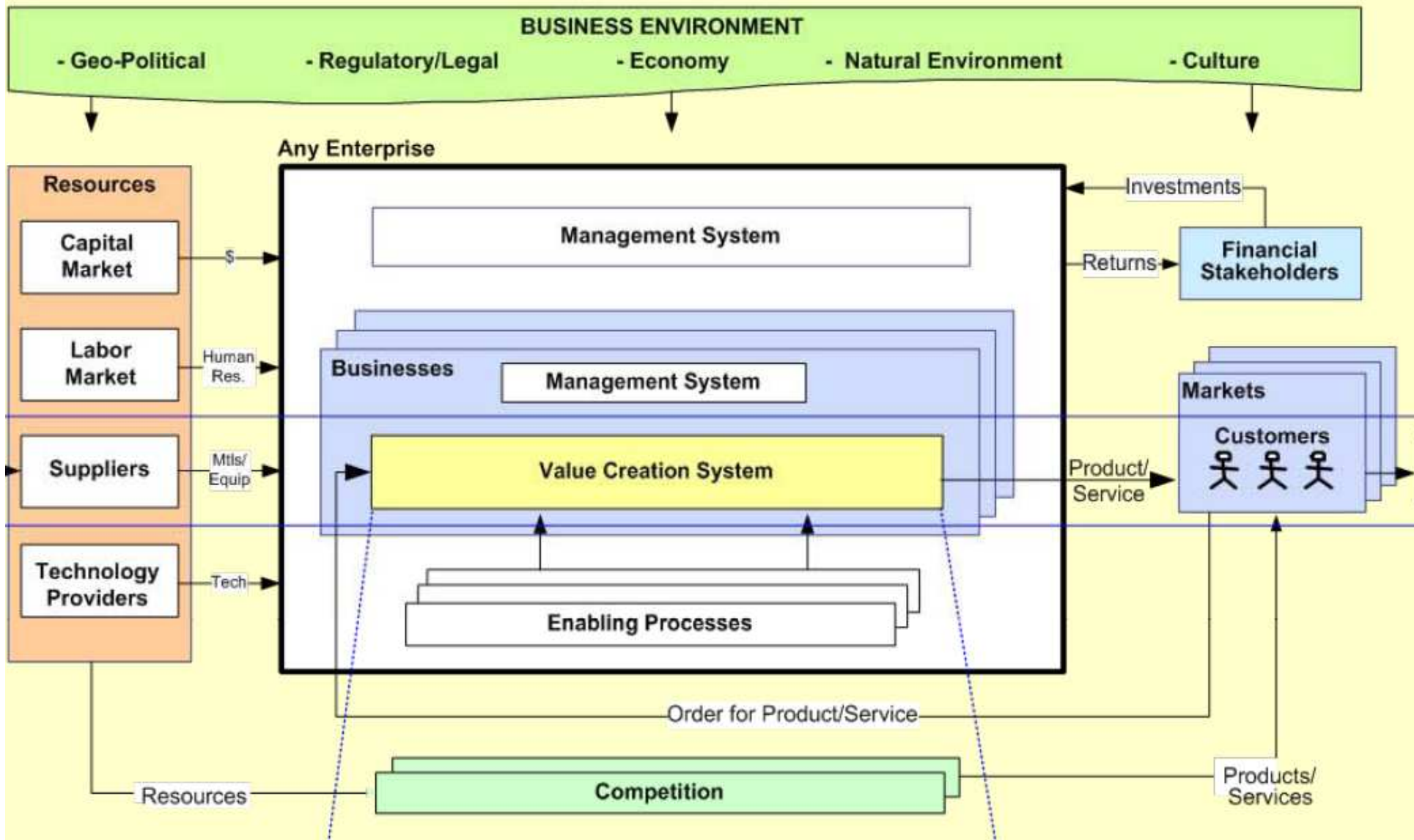
Require:

- Efficient-scale facilities
- tight cost → low cost strategy →
- Overhead control
- innovative technology

Overall Cost Leadership

Require:

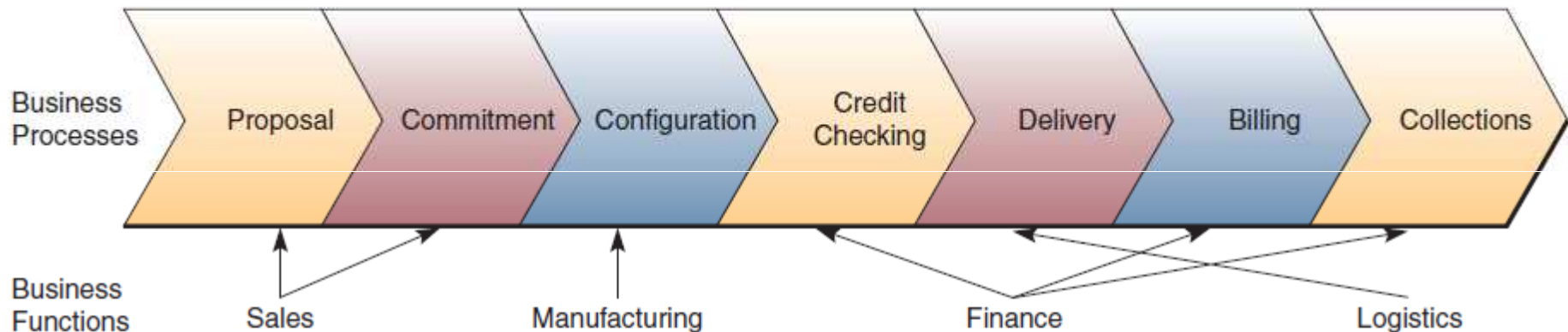
- Efficient-scale facilities, tight cost, overhead control and innovative technology
- Seeking Out Low-Cost Customer
- Standardizing a Custom Service
- Reducing the personal Element in service strategy
- Reducing Network Cost
- Taking Service Operation Offline



Source: Process in Perspective (or "Tell me again, why are we doing this 'process' stuff?"), Geary Rummler

Business Processes

- The order management process consists of several business processes and crosses the boundaries of traditional business

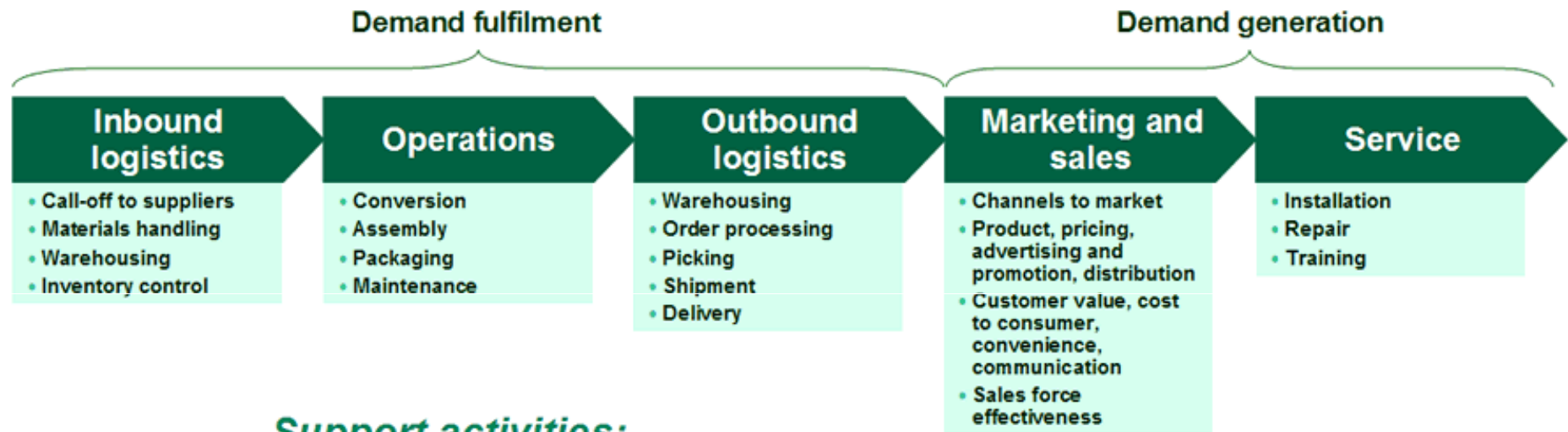


http://highered.mcgraw-hill.com/sites/dl/free/0073043559/314063/OBrien_13e_Chapter_2.pdf

An Example of Detail Value Chain Activities



Primary value chain:



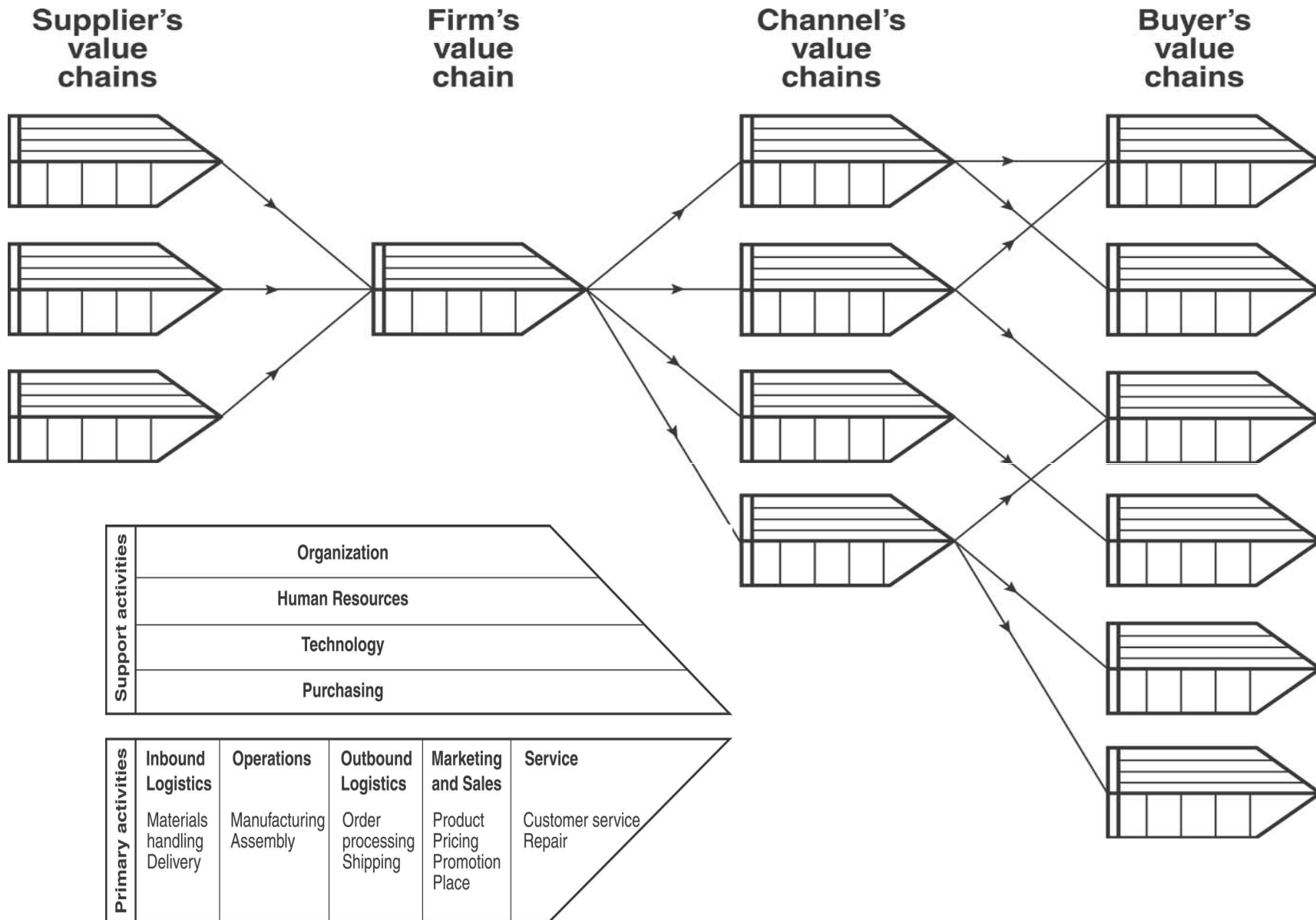
Support activities:



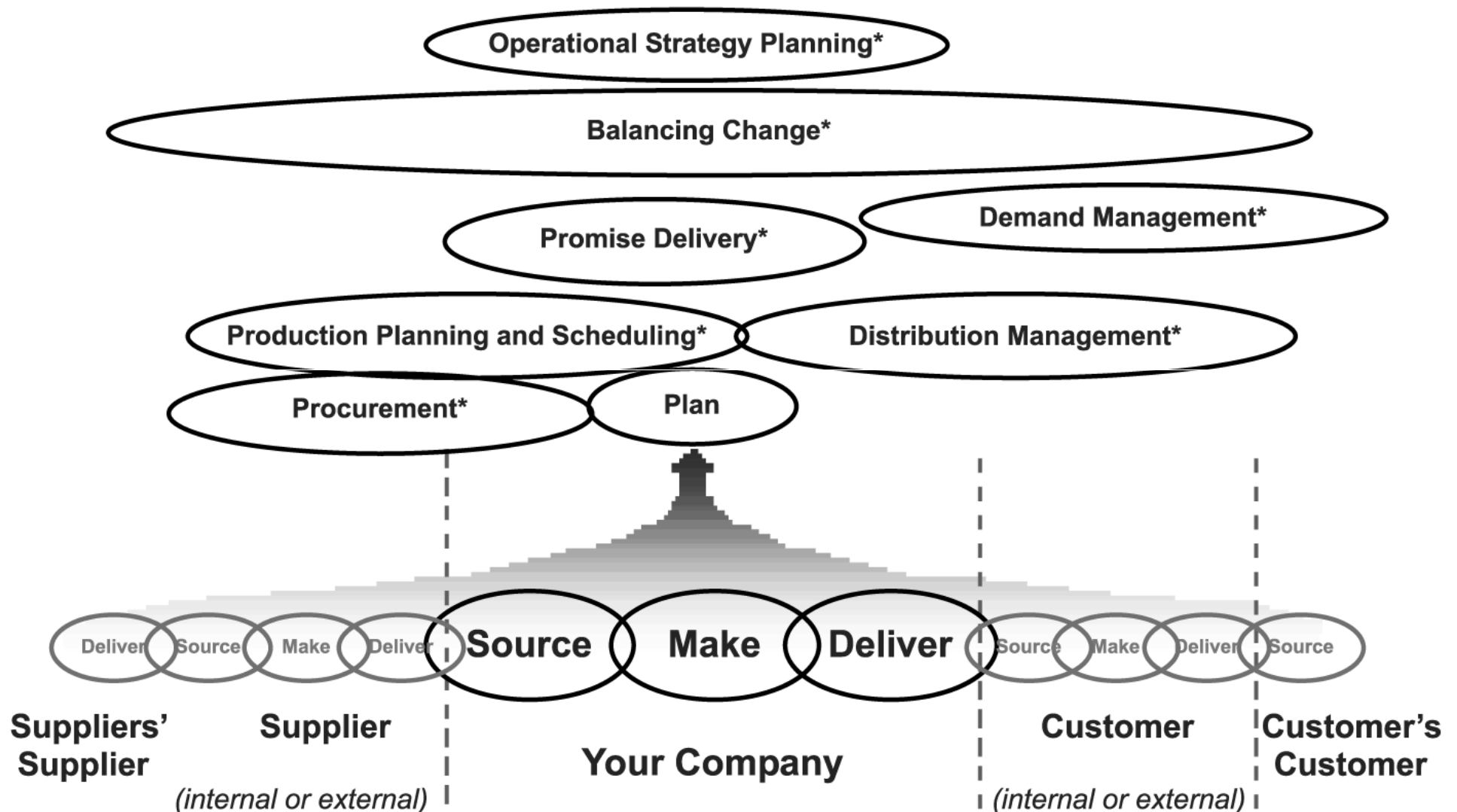
IT Permeates the Value Chain

Support activities	Firm infrastructure	Planning models					
	Human resource management	Automated personnel scheduling					
	Technology development	Computer-aided design	Electronic market research				
	Procurement	On-line procurement of parts					
		Automated warehouse	Flexible manufacturing	Automated order processing	Telemarketing Remote terminals for salespersons	Remote servicing of equipment Computer scheduling and routing of repair trucks	
	Inbound logistics	Operations	Outbound logistics	Marketing and sales	Service		
	Primary activities					Margin	

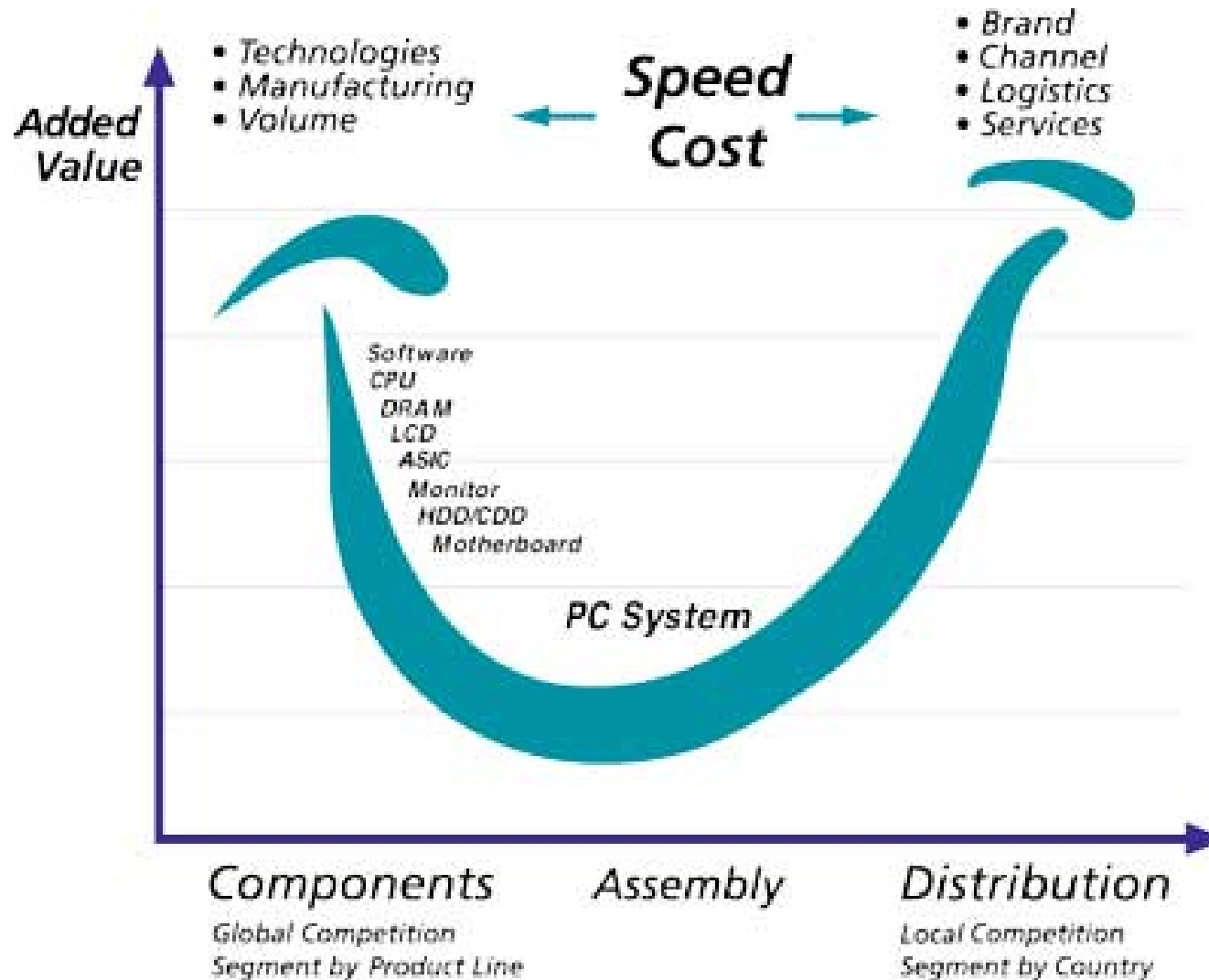
Source: How information gives you competitive advantage.



Industry Value Chain



Stan Shih “Smile Curve”



IBM Leads the Way in the Post-PC Era Why IBM exited the PC market?

Source: <http://asmarterplanet.com/blog/2011/08/ibm-leads-the-way-in-the-post-pc-era.html>

Apple Inc.



