

# **IS/IT Strategic Analysis: Determining the Future Potential and Business Information System Strategy**



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# Review Questions

- What are the success criteria for IS/IT Strategic Plan?
  - Improve performance
  - Gaining competitive advantage
  - Align IT investment with business strategy
  - Better communication
  - Etc.
- What are the objectives of IS/IT Strategy formulation?
  - Identify current and future information needs
  - Create flexible and adaptive IS functions
  - Determine policy and management for information resources
  - Etc.

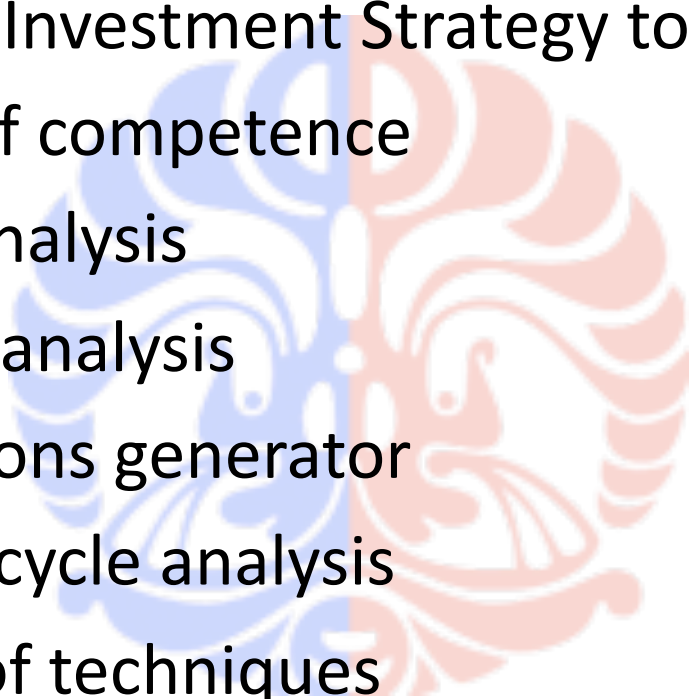
# Review Questions

- What are the outputs of IS/IT Strategic Plan?
  - IS/IT management strategy
  - Business IS/IT strategy
  - IT strategy
- What aspects to analyzed in the internal business environment?
  - The business strategy as the means to achieve business objectives
  - The current business process, activities, and the main information entities
  - The organizational environment: structure, asset and skills, competency, culture, etc.
- What are the components of business model architecture?
  - Business process model
  - Business data model
  - Process.entity matrix

# Session Objectives

- To understand the development of application portfolio from a strategic perspective
- To understand industry value chain to get maximum benefit from IS/IT investment
- To identify the business opportunities and threats formulate IS/IT strategy
- To describe a framework to develop the business information strategy
- To understand the integration of information, system, and technology

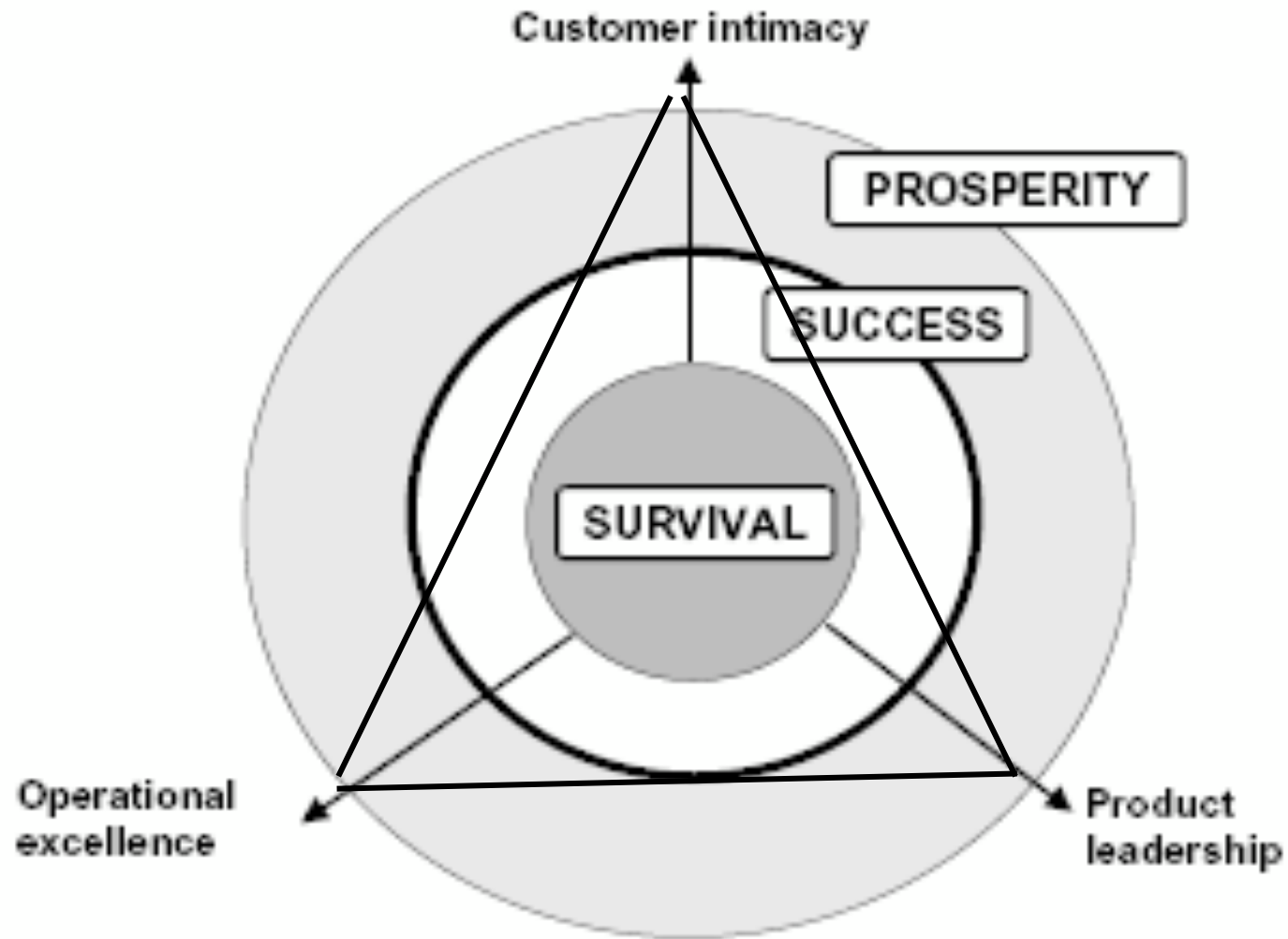
# Session Agenda

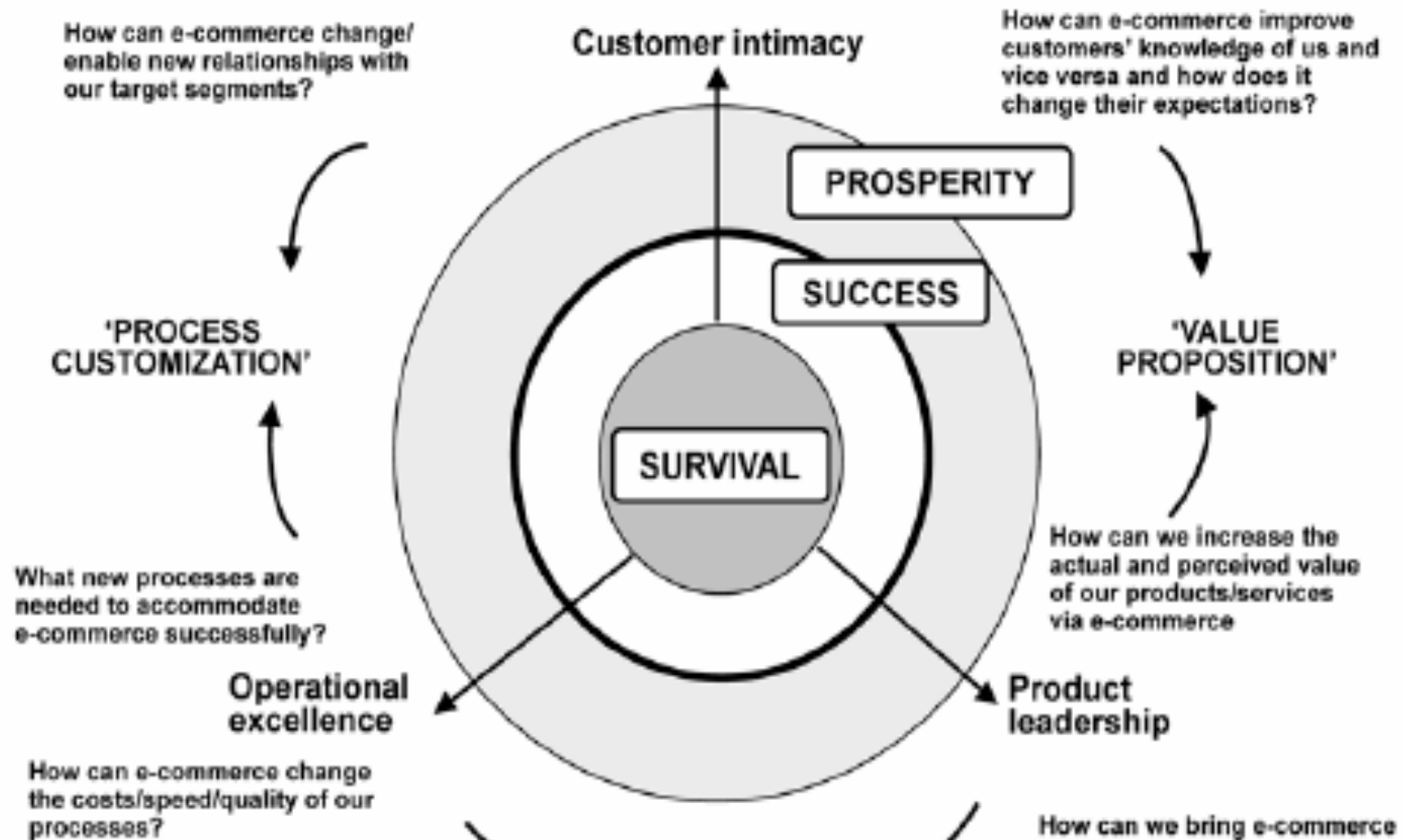
- Application portfolio and strategic perspective
  - Aligning IS/IT Investment Strategy to the Business
  - Dimensions of competence
  - Value chain analysis
  - Value system analysis
  - Strategic options generator
  - Resource life cycle analysis
  - Comparison of techniques
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# Application portfolio and strategic perspective



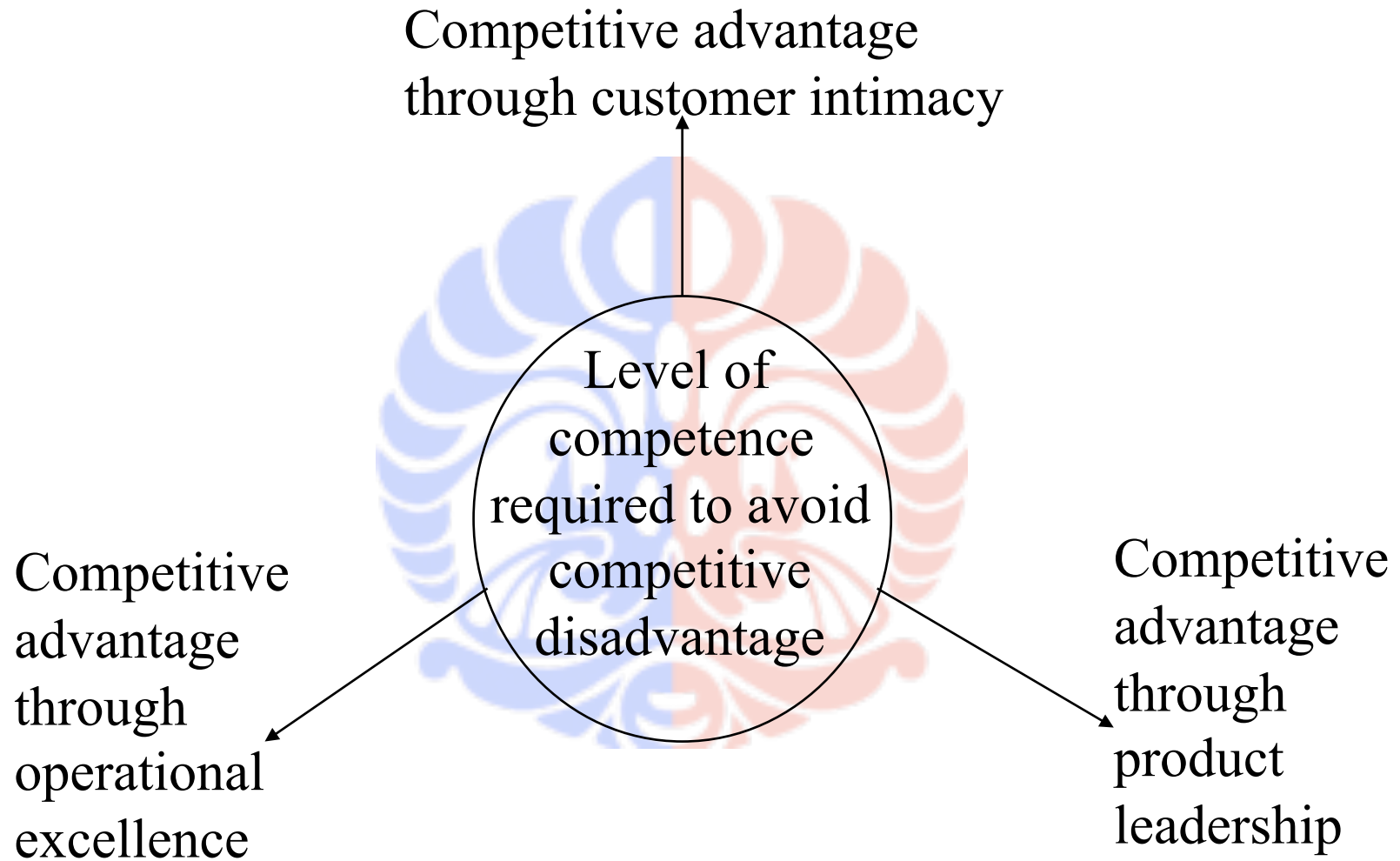
# IS/IT Investment Strategy and the Business







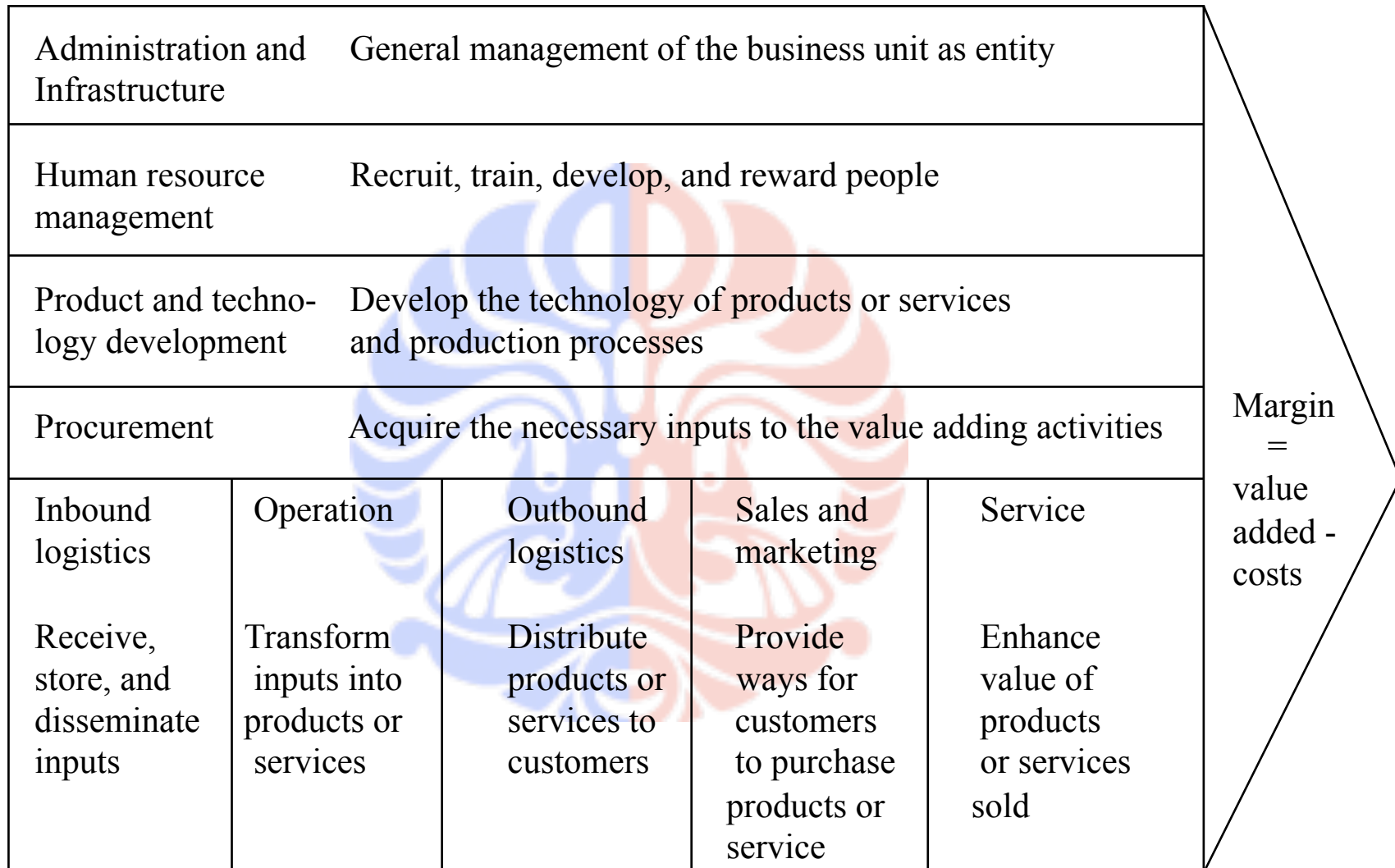
# Dimensions of Competence



# Value Chain Analysis

- Definition: A collection of activities that are performed to design, produce, market, deliver, and support its product
- Activities can be separated into primary and secondary
- Activities add value to satisfy customer requirements
- Activities incur costs by consuming resources
- Adopts a business unit perspective, independent of organizational structures

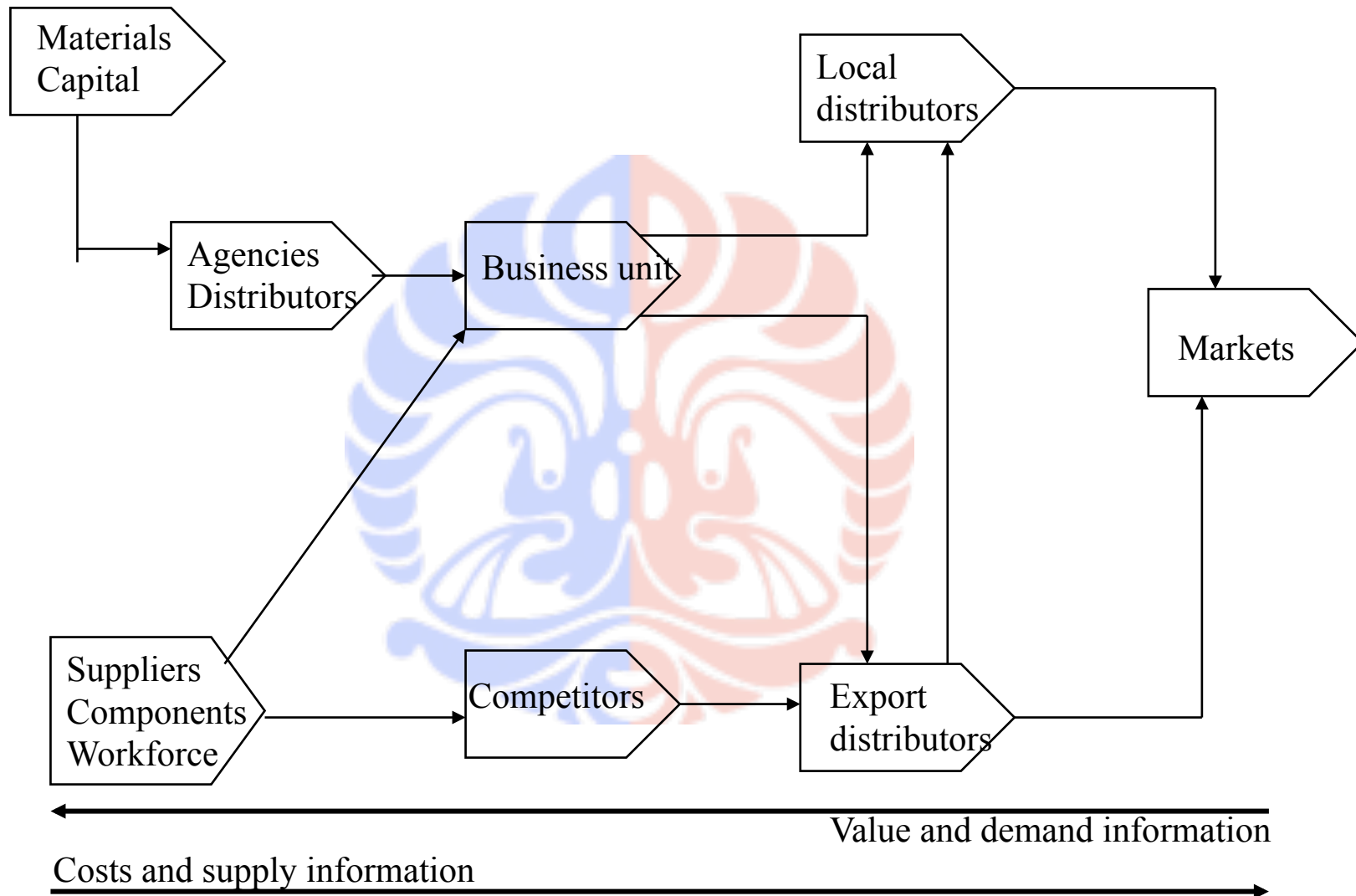
# Internal Value Chain Analysis



# Internal Value Chain Analysis

Administration and infrastructure		General management, financial management, accounting, and legal			Margin = value added - costs
Human resource management		Manpower planning, remunerations, recruitment, and training			
Product and technology development		Research and development, product design, and process engineering			
Procurement		Supplier mgt., subcontracting, outsourcing, specification			
Inbound logistics	Operation	Outbound logistics	Sales and marketing	Service	
Quality control, materials control, materials storage	Manufacture, packaging, quality control, maintenance	Products storage, order handling, delivery, invoicing	Customer management, promotion, sales analysis	Warranty, maintenance, education, training, and upgrading	

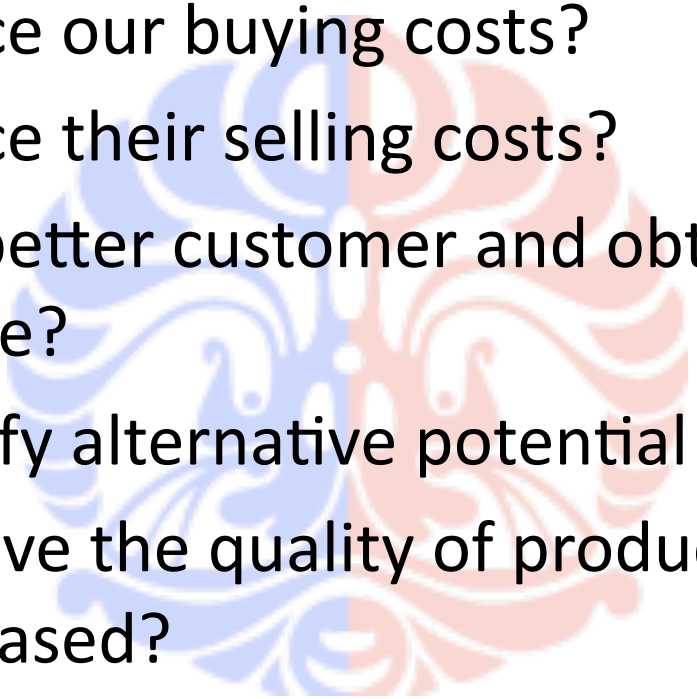
# External Value Chain Analysis



# Strategic Options Generator

Strategic target Suppliers	Competitors	Customers	
Strategic thrust			
Differentiation: premium pricing through better perceived quality			
Cost: aggressive pricing through better performance			
Innovation: new product, services, or processes that transform relationship			
Growth: expansion in volume and flexibility without more overheads			
Alliance: agreement or joint ventures that enhance other strategic thrusts			

- **Competitor – Can we use IS to:**
  - Raise the entry costs of potential competitors?
  - Differentiate or create new products or services?
  - Reduce our costs or increase their costs?
  - Control the channels of distribution?
  - Identify or establish new market niches?
  - Form joint ventures to enter new market?
- **Customers – Can we use IS to:**
  - Reduce their costs or increase their revenues?
  - Increase their switching costs to alternative suppliers?
  - Increase their knowledge of our products or services?
  - Improve our services to them or reduce the costs of existing services?
  - Discover more about their needs?
  - Identify new potential customers?

- Suppliers – Can we use IS to:
    - Improving our bargaining power over them?
    - Reduce our buying costs?
    - Reduce their selling costs?
    - Be a better customer and obtain a better service?
    - Identify alternative potential supplier?
    - Improve the quality of products or services purchased?
- 



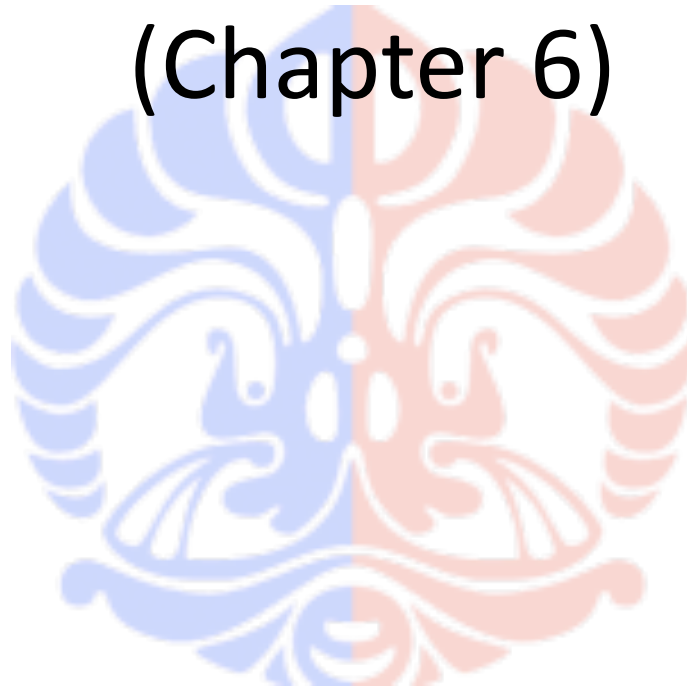
# Resource Life Cycle Analysis

- Products are resources from customer perspective
- Four stages of resources management
- Requirements
  - Establish quantity requirements and specify attributes
- Acquisition
  - Select sources of purchase, order resources, authorize and pay for resources, acquire resources, and test resources against specification
- Stewardship
  - Integrate resources with existing inventory, monitor access and use of resources, upgrade resources if necessary, maintain resources if necessary
- Retirement
  - Transfer or dispose of resources and account for expenditure on resources

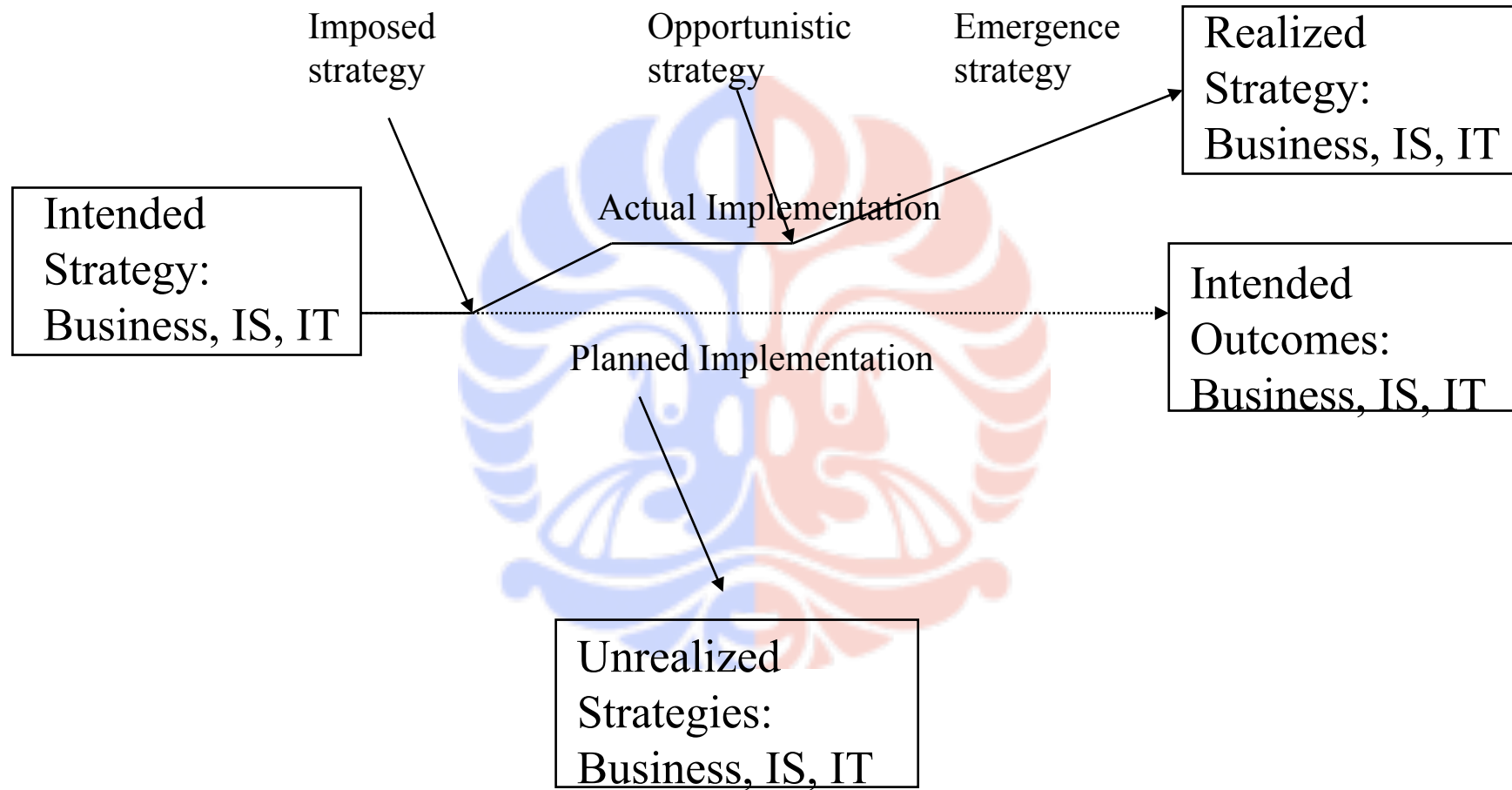
# Comparison of Techniques

Technique	External linkage systems	Internal systems	Product or service linkage innovation	Executive information systems
Critical success factor analysis	Low	Moderate	Low	High
Process effectiveness analysis	Low	High	Low	Nil
Value chain analysis	Nil	High	Low	Moderate
Value system analysis	High	Nil	Moderate	Low
Strategic options generator	Moderate	Moderate	High	Nil
Resource life cycle analysis	Low	Low	High	Nil

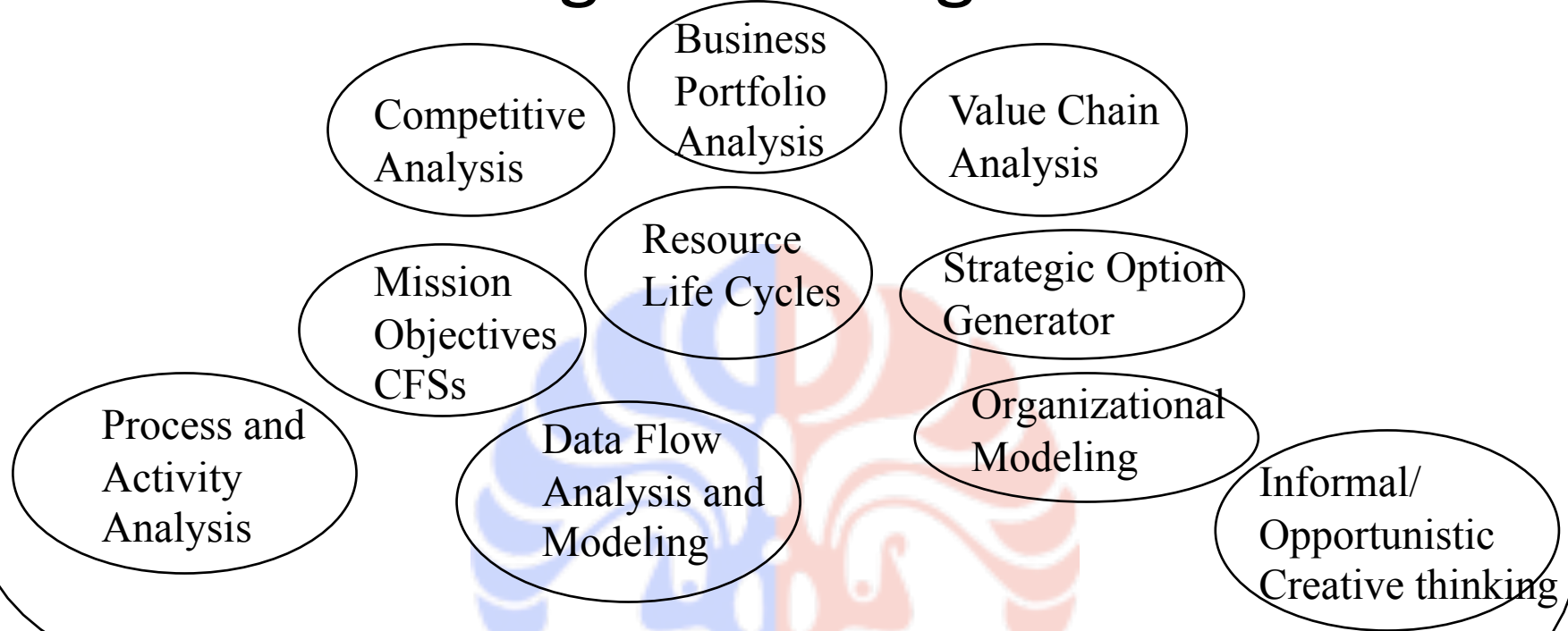
# DETERMINING the BUSINESS INFORMATION SYSTEMS STRATEGY (Chapter 6)



# The IS/IT Strategic Planning Environment

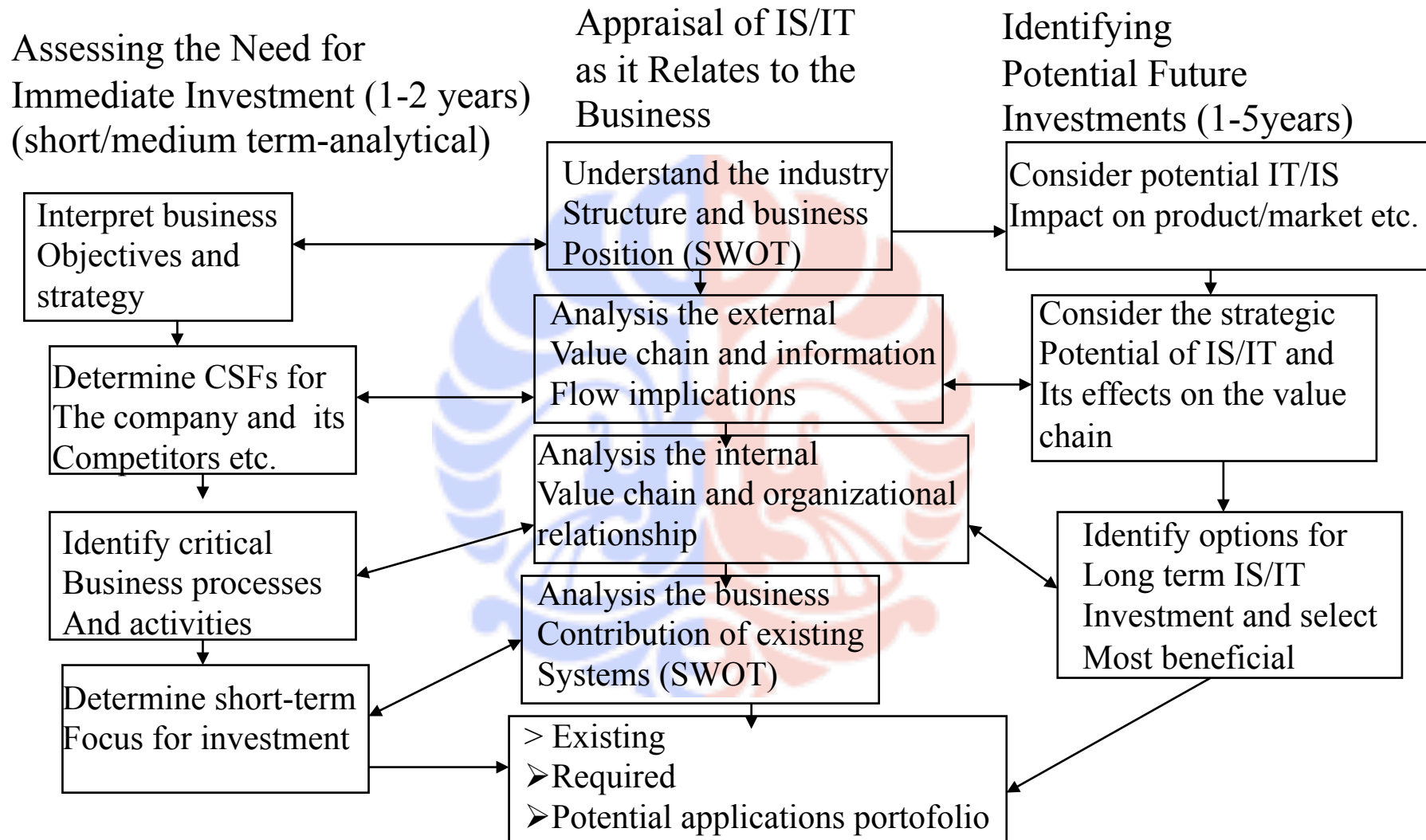


# Strategic Planning Model



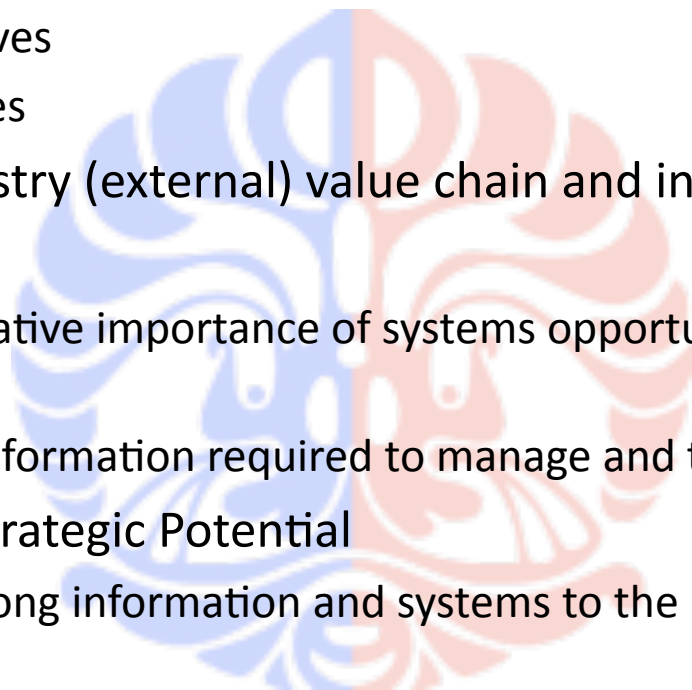
Strategic	High Potential
Key Operational	Support

# A Framework for Creating the Applications Portfolio



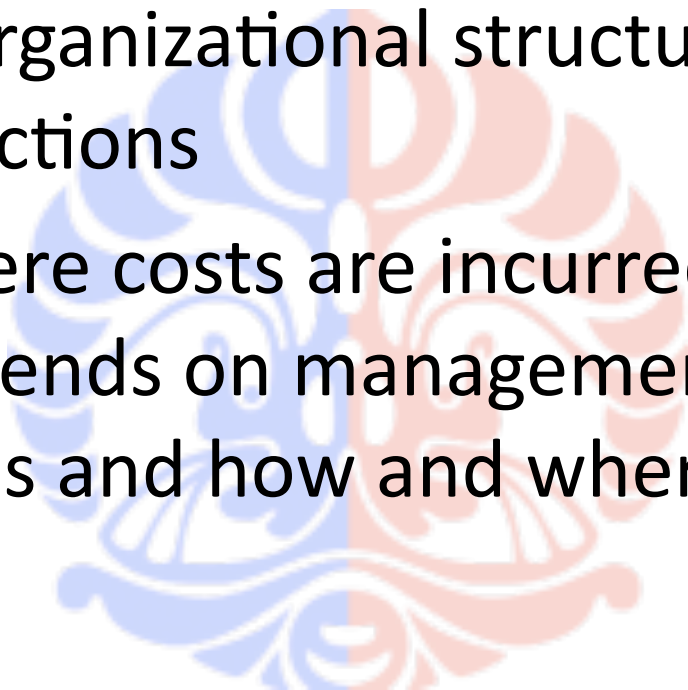
# Understanding The Industry and Business Position

- Interpreting business objectives and Strategy
  - Permanent objectives
  - Strategic objectives
  - Tactical objectives
- Analyzing the industry (external) value chain and information flow
- Determining CSF
  - To assess the relative importance of systems opportunities to support business objective
  - To identify the information required to manage and to plan
- Determining the Strategic Potential
  - Relationship among information and systems to the industry value chain



# Analyzing the Internal Value Chain and Organization Relationships

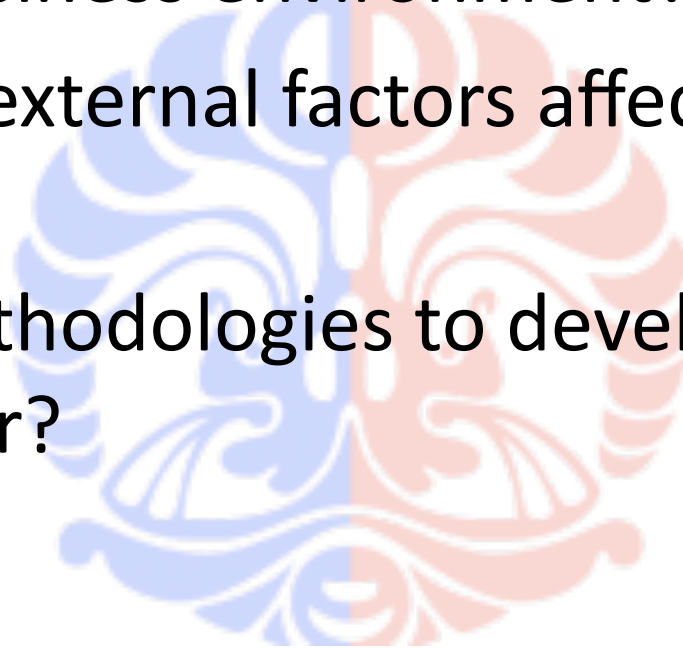
- Understood internal primary value chain
- Examined organizational structure to allocate primary functions
- Identify where costs are incurred, where success depends on management effectiveness and how and where value is added





# Q/A

- What are the approaches to analyze the external business environment?
- How these external factors affect the IS/IT strategy?
- How do methodologies to develop SPIS differ one to other?



# Questions to be Answered from Previous Session: Analysis of Existing Systems

- ① How well the existing IS/IT support and enhance the operational performance?
- ① How well the existing IS/IT support management control?
- ① How well the existing IS/IT fits in the ongoing development of business?
- ① Points to identify: system deficiency, obsolescence, ineffective linkages, poor utilization, etc.
- ① → The answers to these questions are used for benchmarking the current condition