TOPIC 2

Competitive Advantage: An advantage in some measure such as cost, quality or speed that is not easily imitable by competitors and can lead to control in the market.

- Essential for an organisation's survival.
- Achieved by responding to business pressures/ problems/ opportunities.
- Achieved by properly using information systems.

Market Pressures

- **Globalisation:** The integration and interdependence of economic, social, cultural and ecological facets of life made possible by rapid advances in IT.
- **Changing Nature of the Workforce:** More diversified, IT is easing the integration of diverse employees into traditional workforce.
- **Powerful Customers:** Customers can use IT to become more knowledgeable which increases their consumer sophistication and expectations; organisations and required to be able to predict their needs.

Technology Pressures

- **Technological Innovation and Obsolescence:** New and improved technology rapidly create or support substitutes for products and alternative service options, resulting in today's products potentially becoming obsolete tomorrow.
- **Information Overload:** Managers must be able to access, navigate and utilise these data processing demands resulting from the Internet and other networks bringing in floods of information in order to make effective decisions.

Societal/ Political/ Legal pressures

- **Social Responsibility:** Efforts by organisations to solve various social problems.
- **Compliance with Government Regulations:** Businesses tend to view government regulations, which regard health, safety, environmental protection and equal opportunity, as expensive constraints on their activities.
- **Protection against Cyber Attacks:** It can help protect businesses by providing security systems and possibly identifying patterns of behaviour associated with terrorist activities.
- **Ethical Issues:** Issues relating to general standards of right and wrong which are important because, if handled poorly, can damage an organisation's image and destroy its employees' morale.

Organisational Responses to these Pressures

- **Strategic Systems:** Provide organisations with advantages that enable them to increase their market share and/or profits, to better negotiate with suppliers and to prevent competitors from entering their market.
- **Customer Focus:** Organisational attempts to provide superb customer service can make the difference between attracting and keeping customers and losing them to competitors.
- **Make to Order:** A strategy of producing customised products and services.

- **Mass Customisation:** Producing a large quantity of items customised to fit the needs and preferences of individual customers.
- **e-Commerce:** The process of buying, selling, transferring or exchanging products, services or information via computer networks including the internet.
- **e-Business:** Broader, involves servicing customers, collaborating with business partners and performing electronic transactions within an organisation.

Competitive Strategy: A statement that identifies a business' approach to compete, its goals and the plans and policies that will be required to carry out those goals, involving planning your moves and anticipating competitor's moves.

Strategic Information System (SIS): Provide a competitive advantage by helping an organisation to implement its strategic goals and to improve its performance and productivity.

Porter's Competitive Forces Model (1985): The best-known framework for analysing competitiveness, used by companies to develop strategies to increase their competitive edge.

- **The Threat of Entry of New Competitors:**
  - High when entry is easy and low when there are significant barriers.
  - Entry barriers are products/features customers have learned to expect from organisations in a certain industry (the bar).
  - The web increases the threat that new competitors will enter the market because it reduces traditional entry barriers.
- **The Bargaining Power of Suppliers:**
  - High when buyers have few choices from whom to buy and low when buyers have many choices.
  - IT enables buyers to find alternative suppliers.
- **The Bargaining Power of Customers/Buyers:**
  - High when buyers have many choices from whom to buy and low when buyers have few choices.
  - IT loyalty programs reduce buyer power.
- **The threat of substitute products/services:**
  - High when there are many alternatives and low when there are few.
  - Switching costs are the costs (time or money) of a decision to buy elsewhere; creates a competitive advantage e.g. phone provider.
- **The rivalry among existing firms in the industry:**
  - High when there is intense competition among many firms and low when fewer firms and less intense.