

Organisational Strategy

Organisational strategy determines information systems as: **Industry structure** determines **competitive strategy**, which determines **value chains**, which determines **business processes**, which then determines **information systems**. Hence, the competitive strategy determines all elements of information systems.

The industry structure is determined by **Porter's** five forces, **competition** from **substitutions**, competition from **competitors** and competition from **new entrants** as well as the bargaining power of **customers** and **suppliers**. These components are used to characterise an industry, understand profitability of it and identify competition.

There are two common competitive strategies; **cost leader** and **product differentiation**. **Cost leader** means **lowest prices** across the industry and **product differentiation** means **best quality** services available across the industry. The next axis is the **focus**, either one of these strategies can be focused into a **specific sector** or **industry-wide**.

Next we have the **value chain**, a series of events **adding value** to the product. **Primary activities** clearly **add value** to the product, such as a bike-maker receiving raw materials and converting that into an actual bike. **Secondary activities** **indirectly contribute** to the value; such as **human resources** (training, recruiting, and compensation), **accounting/infrastructure** (financing, accounting, and legal) and **procurement/technology** (finding vendors, R&D, and new techniques/methods). The net result is the total value added minus the total costs.

Lastly we look at **competitive advantage**. A competitive advantage can be attained by **creating new** products/services, **enhancing** current products/services, **differentiating** products/services by cost/quality and by **business tactics**. Businesses can **lock customers** (high switching charges), locking **suppliers** (making connections easy), **entry barriers** (make it difficult for new entrants), **alliances** (standards such as Blu-Ray) and **reduced costs** (increased profits & market share).