Announcements

- Read Frito Lay case for Thursday.
- Homework assignment 2 is posted on web (due on October 16th)
- posted on website:
  - Group/Company Assignments
  - Presentation/News Folio Assignments

Student Presentations

Thursday's Presentations:

Business Processes

What is a business process?
- A designed succession of actions to the accomplish of some result in a business.
- Example
  - Order Fulfillment

A Business Process
Cross Functional Process

- A business process that crosses over multiple functions
- Are all business processes cross functional?

A business process within a function

Example: Channel Selection Process within Marketing function

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Product Idea</td>
</tr>
<tr>
<td>2</td>
<td>Conduct Focus Group Studies</td>
</tr>
<tr>
<td>3</td>
<td>Mine Demographic Data</td>
</tr>
<tr>
<td>4</td>
<td>Find sales by channel</td>
</tr>
<tr>
<td>5</td>
<td>Data for similar products</td>
</tr>
<tr>
<td>6</td>
<td>Combine information</td>
</tr>
<tr>
<td>7</td>
<td>Make decision</td>
</tr>
</tbody>
</table>

Processes tend to be more simple at smaller organizations

Enrollment Process at a small, fictitious university...

- Student
- Universal Bureaucrat
- Fee Processing
- Financial Aid
- Housing
- Dining
- Recreation Membership
- Health Insurance
- Class Registration

Enrollment Process at UCSC...

- Billing
- Financial Aid
- Health Insurance
- Housing
- Dining
- Class Reg
- Rec Center

Similarly, at small companies

Example: Capital Equipment Purchase Business Process...

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<tr>
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<tr>
<td>3</td>
<td>BOSS</td>
</tr>
</tbody>
</table>

Big company

Capital Equipment Purchase Business Process

- Director
- Manager
- Accounting
- IT Dept
So where do Information Systems Fit into this Story??

- Coordinates flow of information between functional departments carrying out a business process.
  - Increase Speed
  - Reduce Errors
- May reduce number of steps in a business process.
- May even allow new processes that would not have been feasible before...

Information System Roles

- Competitive Advantage
  - Support or Strategies for Competitive Advantage
- Effectiveness
  - Support of Business Decision Making
- Efficiency
  - Support of Business Processes and Operations

A few Information System Categories...

Transaction Processing Systems

- Record and Process data resulting from business transactions
- Example: Credit card trans. processing
- 2 types
  - Real-time
  - Batch-Processing

An example: Process Control Systems

- Monitor and control physical processes
- Example:
What is Business Process Reengineering?

- \textit{A fundamental} rethinking and redesign of business processes

- Minor improvement to a business process is often called streamlining the business process

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Business Process Example

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A Streamlined Business Process

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A Reengineered Business Process

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Role of Information Systems in Business Process Reengineering?

- IS often enables complicated business processes be made more simple.

- IS doesn’t always drive business process reengineering though...

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Porter Competitive Model?

- What is it?
  - A model to help understand the competitive environment in which a company operates.

- What are the "5 forces"?
  - Intra-Industry Competition
  - Bargaining power of Suppliers
  - Bargaining power of Customers
  - Substitutes
  - Threat of New Entrants.
Porter Competitive Model
(Identify the Industry and the Specific Market Being Evaluated)

Potential New Entrants

Bargaining Power of Suppliers

Intra-Industry Rivalry

Strategic Business Unit

Bargaining Power of Buyers

Substitute Products and Services

Porter Model in Business Paper

- You must include a Porter Model in your Business Paper
  - Figure
    - Make it look nice!
  - Narrative analysis of the five forces
    - Identify the industry.
    - Identify the major buyers, suppliers, potential new entrants, substitutes, and intra-industry rivals.
    - Discuss if and why these players put strong or weak competitive pressures on your business.

Example: Usefulness of Porter Model

- Suppose Alice, who is a dentist, opens an office
  - New Entrants:
    - Dental School Graduates
    - Dentists moving in from other regions
  - Suppliers
    - Staff
    - Hygienists
  - Substitute Products and Services
    - Alternative Medicine?

- Suppliers
  - Other local dentist offices
  - SBUs: Alice's Dentist Office

- Buyers
  - Public in general
  - Insurance companies

- Intra-Industry Rivalry
  - SBU: Alice's Dentist Office
  - Other local dentist offices

- Substitute Products and Services
  - SBUs: UCSC

Example: Usefulness of Porter Model

- Bob wants to start a dentist office
  - However, Bob did not go to dental school
  - Bob will hire the dentist and other staff
  - Is this a good model?

- New Entrants
  - Suppliers
    - Bob’s Dentist Office
  - Buyers
    - Dentist (Alice)

- Substitute Products and Services
  - Internet Distance Learning
  - Books and Videotapes
  - Computer-Based Training
  - Company Education Programs

- Foreign Universities
  - Skill or Strategy by Universities or Companies

- Students
  - Parents
  - Businesses
  - Employers
  - Legislators

“Primary” Porter Strategies

- In economics you will learn a market where
  - Product is a commodity
  - Firms all have the same production costs
  - New firms can enter market at no cost (“free entry”)
  - Profits are driven to zero.
- Consequently Firms need to
  - Differentiate and/or
  - Achieve Cost leadership
**Primary** Porter Strategies

**Differentiation**—customer values the differences that you provide in products, services or capabilities.

**Cost**—become the lowest cost provider. If this is the only primary strategy in the industry, over time there will only one ultimate winner.

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**Porter Supporting Strategies**

- **Innovation**
  - Can reduce costs and or differentiate

- **Growth**
  - Help offset fixed costs
  - Establish reputable brand (differentiate)

- **Alliances**
  - Achieve more complete solution (differentiate)
  - Integration of each others technology may reduce costs