ISM 50 - Business Information Systems
Lecture 4

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Announcements

- Office Hour Change
  - John
  - E2 107 Tuesday 5-8/WS and Wednesday 1-3
- Read Frito Lay case and cash flow handout for Thursday

- To be posted tomorrow:
  - Group/Company Assignments
  - Midterm Exam
  - Final Exams

Student Presentations

Transaction Processing Systems

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

What is Business Process Reengineering?

- A fundamental rethinking and redesign of business processes
- Minor improvement to a business process is often called streamlining the business process

Business Process Example
A Streamlined Business Process

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...

Porter Competitive Model

Porter Competitive Model
(Identify the Industry and the Specific Market Being Evaluated)

Porter Competitive Model
Education Industry - Universities
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

"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

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
**Rules Regarding Strategies**

- Must pick at least one of the two primary strategies.
- Can pick any combination of supporting strategies.

Let's test the logic of this using Dell and Wal-Mart Stores.

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**Dell, Inc. Strategies**

**Primary Strategy:**
- Differentiation
- Least Cost

**Supporting Strategies:**
- Innovation
- Growth
- Alliances

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**Wal-Mart Strategies**

**Primary Strategy:**
- Least Cost
- Differentiation

**Supporting Strategies:**
- Innovation
- Growth
- Alliances

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**What do Porter Models Have to do with IT?**

**Any ideas?**

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**Porter Model and Information Systems:**

1. Build barriers to prevent a company from entering an industry?
2. Build in costs that would make it difficult for a customer to switch to another supplier?
3. Change the basis for competition within the industry?
4. Change the balance of power between a company and its customers or suppliers?
5. Provide the basis for new products and services?