ISM 50 - Business Information Systems

Lecture 3

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What is a Business?

An organization that provides a product and/or a service that satisfies a need for which people are willing to pay money.

Makes money if revenues exceed costs.

Why Does a Company Need to Make a Profit?

- An obligation to owners/shareholders
  - Owners and shareholders have invested money and time. They expect to see something in return.
- Survival requires continued investments
  - New product development.
  - Facilities and equipment.
  - Acquiring other companies.
  - Invest in employees (training and salary increases).
- Stakeholders want to see performance before investing in a company’s future.

Recall: What is a System?

System Definition: A group of interrelated components working toward the attainment of a common goal by accepting inputs and producing outputs in an organized transformation process

- Input
- Processing
- Output
- Feedback
- Control

Business as a System

A business is an organizational system where economic resources (input) are transformed by various organizational processes (processing) into goods and services (output).

A Business is a System

Helps to remember and to tie together:

- Some business basics while remembering the importance of making a profit.
- The understanding of business functions.
- The appreciation for the importance of business processes.
Business as a system

A business is an organizational system where economic resources (input) are transformed by various organizational processes (processing) into goods and services (output).

Information systems provide information (feedback) on the operations of the system to management for the direction and maintenance of the system as it exchanges inputs and outputs within its environment.

Important Things to Understand

Two terms:

1) business functions
2) business processes

Will be frequently used throughout this course.

It would be a good idea to make absolutely sure that you know what they are.

Business Functions

Function: A group of people with related skills (specialized) seems to be a good starting point in understanding functions but this is a fairly loose definition.

What prompts the creation and justification of business functions?

- Specialization
- Size
- Efficiency
- More cost effective

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

Processes tend to be more simple at smaller organizations

Enrollment Process at a small, fictitious university...

Processes tend to be more simple at smaller organizations

Enrollment Process at UCSC...

Similarly, at small companies

Example: Capital Equipment Purchase Business Process...
**Big company**

Capital Equipment Purchase  
Business Process

**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**

**Transaction Processing Systems**

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

**A few Information System Categories...**

**An example: Process Control Systems**

- Monitor and control physical processes
- Example:
An example decision support systems

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

Customer
Sales
Finance
Inventory Control
Warehousing

Order
Take Order
Enter Order
Print Invoice

Check Stock
Print Packing List
Find Goods
Ship

Tell Mfg. to make order

A Streamlined Business Process

Customer
Sales
Finance
Inventory Control
Warehousing

Order
Take Order
Enter Order

Check Stock
Print Packing List
Find Goods
Ship

Tell Mfg. to make order

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?**

- **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.

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**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

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**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.

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**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?

  ![Porter Model Diagram](image)

  - Suppliers
  - Bob’s Dentist Office
  - Buyers

  No! Dentist has too much bargaining power, she could always go into business for herself.