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| **UNIT ONE**  **Achieving Business Success** |

Information is everywhere. Information is a strategic asset. Without information, an organization simply could not operate. This Unit introduces students to several core business strategies that focus on using information to gain a competitive advantage, including:

* Competitive advantages
* Porter’s Five Forces Model
* Porter’s three generic strategies
* Value chain
* Supply chain management
* Customer relationship management
* Business process reengineering
* Enterprise resource planning
* IT efficiency metrics
* IT effectiveness metrics
* Organizational structures
* Ethics
* Security

Many of these concepts and strategies will be new to your students. Be sure to explain to your students that this Unit offers an introduction to these concepts and they will gain a solid understanding of the details of these concepts as they continue reading the text. For example, customer relationship management is introduced in Unit One and discussed in detail in several additional chapters and in the business plug-ins. The chapters in Unit One include:

* [**Chapter One** – Business Driven Technology](#Chapter1)
* [**Chapter Two** – Identifying Competitive Advantages](#Chapter2)
* [**Chapter Three** – Strategic Initiatives for Implementing Competitive Advantages](#Chapter3)
* [**Chapter Four** – Measuring the Success of Strategic Initiatives](#Chapter4)
* [**Chapter Five** – Organizational Structures That Support Strategic Initiatives](#Chapter5)

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| **CHAPTER ONE**  **Business Driven Technology** |

Information is everywhere. Information is a strategic asset. Without information, an organization simply could not operate. This chapter introduces students to several core business strategies that focus on using information to gain a competitive advantage, including:

* The core drivers of the information age
* Data, information, business intelligence, knowledge
* Systems thinking
* Competitive advantages
* Porter’s Five Forces model
* Porter’s three generic strategies
* Value chain analysis

Many of these concepts and strategies will be new to your students. Be sure to explain to your students that this chapter offers an introduction to these concepts and they will gain a solid understanding of the details of these concepts as they continue reading the text.

**LEARNING OUTCOMES**

**Learning Outcome 1.1: Describe the information age and the differences between data, information, business intelligence, and knowledge.**

We live in the information age, when infinite quantities of facts are widely available to anyone who can use a computer. The core drivers of the information age include data, information, business intelligence, and knowledge. Data are raw facts that describe the characteristics of an event or object. Information is data converted into a meaningful and useful context. Business intelligence (BI) is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making. Knowledge includes the skills, experience, and expertise, coupled with information and intelligence that creates a person’s intellectual resources. As you move from data to knowledge you include more and more variables for analysis resulting in better, more precise support for decision making and problem solving.

**Learning Outcome 1.2: Identify the different departments in a company and why they must work together to achieve success.**

Companies are typically organized by department or functional area such as accounting, finance, human resources, marketing, operations management, and sales. Although each department has its own focus and own data, none can work independently if the company is to operate as a whole. It is easy to see how a business decision made by one department can affect other departments. Functional areas are anything but independent in a business. In fact, functional areas are interdependent. Sales must rely on information from operations to understand inventory, place orders, calculate transportation costs, and gain insight into product availability based on production schedules. For an organization to succeed, every department or functional area must work together sharing common information and not be a “silo.” Information technology can enable departments to more efficiently and effectively perform their business operations.

**Learning Outcome 1.3: Explain systems thinking and how management information systems enable business communications.**

A system is a collection of parts that link to achieve a common purpose. Systems thinking is a way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs while continuously gathering feedback on each part. Feedback is information that returns to its original transmitter (input, transform, or output) and modifies the transmitter’s actions. Feedback helps the system maintain stability. Management information systems (MIS) is a business function, like accounting and human resources, which moves information about people, products, and processes across the company to facilitate decision making and problem solving. MIS incorporates systems thinking to help companies operate cross-functionally. For example, to fulfill product orders, an MIS for sales moves a single customer order across all functional areas including sales, order fulfillment, shipping, billing, and finally customer service. Although different functional areas handle different parts of the sale, thanks to MIS, to the customer the sale is one continuous process.

**CLASSROOM OPENER**

**GREAT BUSINESS DECISIONS – Apple’s Decision to Develop the First Saleable Personal Computer (PC)**

Like all great computer companies, Apple began its life in a garage. In 1977, Steve Jobs and Steve Wozniak built the Apple 1, regarded by many as the first real personal computer. This founded the Apple Company and the invention of the Apple 2 and the Apple Macintosh. Apple’s key goal was to make computers accessible to ordinary people. Jobs and Wozniak captured an opportunity and changed the world through a combination of good fortune and technical and marketing brilliance.

Instead of writing commands in computer code, Apple owners invented a mouse to click on easily recognizable icons – for example, a trash can and file folders. Other companies were quick to copy Apple’s competitive advantage, including Microsoft.

The two founders eventually parted, with Wozniak leaving the company to become a teacher and Jobs continuing with the launch of the Apple Macintosh. Unfortunately, Macintosh captured only 20 percent of the desktop market, while Microsoft captured 80 percent of the desktop market with its MS-DOS operating system.

One newspaper described Jobs as a “corporate Huckleberry Finn” and said his early business exploits had already made him part of American folk history. John Sculley, former Pepsi chairman, removed Jobs from Apple in 1985. Sculley was removed from Apple in 1993. Eventually, after a 13-year exile, Jobs returned to Apple in 1998. The man who founded the company had come full circle and was now its only hope for survival.

Jobs’ return brought the creation of the iMac and Apple rediscovered its inventive originality. The iMac sold 278,000 units in the first six weeks and was described by *Fortune* as “one of the hottest computer launches ever.” The iMac and Jobs’ return contributed to doubling Apple’s share prices in less than a year.

**CLASSROOM OPENER**

**Father Guido Sarducci’s Five Minute University**

I love showing this video on the first day. I start off the class by explaining that we are going to cover hardware, software, telecommunications, and hit the lab to do some actual networking. I then explain that this video show how to take a hard drive apart and there will be a quick quiz after to see how much everyone learned from the video. Then I play the video: gets a number of laughs. <http://www.youtube.com/watch?v=kO8x8eoU3L4v>

**CLASSROOM EXERCISE**

**Understanding the Relevance of Technology In Business**

This is a great exercise to begin the course. It clearly demonstrates why anyone involved in business must understand technology. It can be a real revelation for students who do not see the need for taking an IT course. This exercise is included briefly in the first paragraph of the text. Having your students perform this exercise on their own is so powerful that we recommend completing it in addition to reading the section in the text.

Bring in several copies of *BusinessWeek, Fortune, Fast Company,* or any popular business magazine. The magazines do not have to be current. Provide a marking tool such as a small set of Post-It Notes. Ask for a few volunteers and have the students review the magazine and stick a Post-It Note on each technology-related article, advertisement, etc. When the student has completed this task, the magazine will be covered in Post-it Notes, clearly demonstrating that technology is everywhere in business, even in the popular business magazines such as *BusinessWeek*.

Since this task can be time consuming, you can put in the Post-It Notes prior to class and simply show your students the completed magazine. You can have one student sit in the front of the class and begin the exercise, placing Post-It Notes on a copy of *BusinessWeek*. After they have completed several pages on their own, you can produce the same “completed” magazine with all of the Post-It Notes. This saves classroom time and still reinforces the point that technology is everywhere in business.

Be sure to reinforce that these are business magazines, not technology magazines. Yet they are completely filled with technology – which is clearly demonstrated by the Post-It Notes. How can any business student today possibly argue that they do not need to know or understand technology when faced with a magazine, such as *BusinessWeek*, that is filled with technology? Read a few of the articles or advertisements. Ask how many of your students are familiar with Siebel, Oracle, or PeopleSoft and can articulate what they can do for a company?

The goal of this course is to help your students understand the business side of technology. Being able to understand all of the technology articles in *BusinessWeek* is one of the benefits your students will receive upon completion of the course.

**CLASSROOM EXERCISE**

**Think Like a Genius**

**Think Like a Genius** 3D Imaging Software <http://www.thinklikeagenius.com/> Awarded Honorable Mention at the 2008 DaVinci Institute's Colorado Inventors Showcase as a "three dimensional imagination tool for bringing new ideas to life". Think Like A Genius version 2.0 is a dynamic three-dimensional creativity software that enables kids and teens to discover and explore their genius in exciting, playful and productive ways.

* Create vibrant art
* Craft visual journals
* Invent imaginative games
* Construct intricate models
* Build dynamic inventions
* Develop winning science projects
* Design A+ class presentations

I show Think Like a Genius in the class and ask the students to explain how this tool could help a business. How could it help Marketing and Sales? How could it help management? How could it help operations? How could it help customer service?

**CLASSROOM EXERCISE**

**TED.com**

<http://www.ted.com/> This is the best site for videos. TED stands for **T**echnology, **E**ntertainment, **D**esign. It started out (in 1984) as a conference bringing together people from those three worlds. Since then its scope has become ever broader. The annual conference now brings together the world's most fascinating thinkers and doers, who are challenged to give the talk of their lives (in 18 minutes). This site makes the best talks and performances from TED available to the public, for free. More than 200 talks from our archive are now available, with more added each week. These videos are released under a Creative Commons license, so they can be freely shared and reposted.

**CORE MATERIAL**

The core chapter material is covered in detail in the PowerPoint slides. Each slide contains detailed teaching notes including exercises, class activities, questions, and examples. Please review the PowerPoint slides for detailed notes on how to teach and enhance the core chapter material.

**GRADUATE MATERIAL**

Here are a few items to add to your course if you are teaching graduate students.

* **BEST BUSINESS BOOKS**: At the graduate level it is important to incorporate additional materials and top business books are a great addition to the course. This is a great site that discusses many of the must reads for all business majors. Who knew business people were so well read? BusinessWeek Online tapped a bevy of prominent professors and business professionals and asked them about their favorite books, business or otherwise. Browse around and discover what made those books inspirational, instructive, or influential in their thinking and their careers. What would they advise you to read if you had the chance to ask them? <http://www.businessweek.com/articles/2012-12-13/best-books-of-2012-according-to-business-leaders>
* **DOES IT MATTER DEBATE:** Ask your students to read both of the below articles and debate if IT matters.

**Nicholas Carr - IT Doesn’t Matter** <http://www.nicholasgcarr.com/articles/matter.html> A great way to start off your course is to discuss Carr’s famous article: IT Doesn’t Matter – which can be read on his blog. <http://www.roughtype.com/archives/2007/01/it_doesnt_matte.php>

**IT Does Matter** – by McFarlan and Nolan <http://hbswk.hbs.edu/item/3637.html> The rebuttal to Carr’s article.

**VIDEO MATERIALS FOR CLASSROOM EXERCISES**

Use these videos to jump-start a case discussion and get your students thinking about how they are going to apply the concepts they are learning in real-business and real-world situations.

**THOMAS FRIEDMAN – THE WORLD IS FLAT**

**The World is Flat Discussion at MIT - Video**

The MIT website offers a video lecture by Thomas Friedman discussing his book The World is Flat. This is an amazing video to show your students how technology has integrated into the business environment and changed the fundamental processes that drive business. Try showing the video to your students or assign it as homework. Friedman is an entertaining speaker and your students will enjoy his lecture.

<http://mitworld.mit.edu/video/266/>

**BUSINESS DRIVEN DISCUSSION – PLUSES AND MINUSES**

The line famously quoted in the film Spider-Man, “With great power comes great responsibility,” should apply to every type of technology you encounter in business. Technology provides countless opportunities for businesses, but it can also lead to countless pitfalls and traps. Online trading, for instance, brought many companies profits but cost many individual investors their life savings through fraud. Bernard Madoff, the owner of a high-profile New York investment company, forged investment statements and spent billions of dollars of his client’s money. Sites such as Craigslist and eBay allow anyone to become a provider of goods and services and a few unethical individuals have even used it to run online prostitution rings.

A manager must be able to analyze the good and the bad associated with technology. Review some companies that primarily operate on the Internet such as Netflix, Craigslist, or Amazon, and compile a list of the business opportunities and the potential pitfalls associated with doing business online.

**Information on Starting an Online Business Video**

[How to Start an Internet Business from Scratch Online](http://www.bing.com/videos/watch/video/how-to-start-a-internet-business-from-scratch-online/94011b42be0ab986ba0e94011b42be0ab986ba0e-418074788762?q=how+to+start+a+business+on+the+internet+video+microsoft&FROM=LKVR5&GT1=LKVR5&FORM=LKVR20)

**US Financier Bernard Madoff Admits 50 Billion Dollar Fraud Video**

<http://www.youtube.com/watch?v=SsSGZezvuSg>

**Using Craigslist for Illegal Activities Video**

MSNBC has gone undercover to once again probe the illegal sex trade on Craigslist and see what the site has done to "clean up its act". The report found that prostitution on Craigslist was still prominent, even after the site had promised to crack down.

<http://www.huffingtonpost.com/2010/05/04/craigslist-prostitution-b_n_562366.html>

**BUSINESS DRIVEN MIS – MANIPULATING THE DATA TO FIND YOUR VERSION OF THE TRUTH**

How can global warming be real when there is so much snow and cold weather? That’s what some people wondered after a couple of massive snowstorms buried Washington, DC, in the winter of 2009–2010. Politicians across the capital made jokes and built igloos as they disputed the existence of climate change. Some concluded the planet simply could not be warming with all the snow on the ground.

These comments frustrated Joseph Romm, a physicist and climate expert with the Center for American Progress. He spent weeks turning data into information and graphs to educate anyone who would listen as to why this reasoning was incorrect. Climate change is all about analyzing data, turning it into information to detect trends. You cannot observe climate change by looking out the window; you have to review decades of weather data with advanced tools to really understand the trends.

Increasingly we see politicians, economists, and newscasters taking tough issues and boiling them down to simplistic arguments over what the data mean, each interpreting the data and spinning the data to support their views and agendas. You need to understand the data and turn them into useful information or else you will not understand when someone is telling the truth and when you are being lied to.

Brainstorm two or three types of data economists use to measure the economy. How do they turn the data into information? What issues do they encounter when attempting to measure the economy? As a manager, what do you need to understand when reading or listening to economic and business reports?

**More Climategate!? US Govt. Agencies Involved in Data Manipulation Fraud! - Video**

<http://www.youtube.com/watch?v=AsQfr7wRZsw>

**BUSINESS DRIVEN ETHICS AND SECURITY – INFORMATION ISSUES IN THE INFORMATION AGE**

We live in the information age where the collection, storage, and use of data are hot topics. One example of inappropriate data handling occurred at a college where the monitoring of restrooms occurred every 15 seconds to observe the use of toilets, mirrors, and sinks. Students, faculty, and staff began complaining that the data collection was an invasion of their privacy and a violation of their rights.

Another example of inappropriate data handling occurred when a Professor of accounting at a college lost a flash drive containing information for more than 1,800 students including Social Security numbers, grades, and names. Social Security numbers were included because the data went back to before 1993 when the college used Social Security numbers to identify students.

What types of student data does your college collect? What could happen if your professor lost a thumb drive with all of your personal information? What types of issues could you encounter if someone stole your personal data? What can your college do to ensure this type of data storage violation does not occur?

**Fighting Back Against Identity Theft - Video**

<http://www.ftc.gov/bcp/edu/microsites/idtheft/video/avoid-identity-theft-video.html>

**BUSINESS DRIVEN GLOBALIZATION – THE COMPETITIVE LANDSCAPE FOR STUDENTS**

According to the Economic Policy Institute, over the past decade the United States has lost an estimated 2.4 million factory jobs to China. Factories in South Korea, Taiwan, and China are producing toys, toothpaste, running shoes, computers, appliances, and cars. For a long time U.S. firms did not recognize these products as competition; they regarded Asia’s high-tech products as secondrate knockoffs and believed Asian countries maintained a “factory culture”— they could imitate but not innovate. In hindsight, it is obvious that once these countries did begin designing and creating high-end products, they would have obvious competitive advantages, with high-value research and development coupled with low-cost manufacturing of unbeatable goods and services. Asia is now on the rise in all industries from wind turbines to high-speed bullet trains. According to Bloomberg Businessweek’s 2010 ranking of the most innovative companies, 15 of the top 50 are Asian, up from just 5 in 2006. In fact, for the first time, the majority of the top 25 are based outside the United States.

How do you, as a business student, view these statistics? What type of global business climate will you be competing in when you graduate? If you wanted to gather competitive intelligence about the job market, where would you look and what types of data would you want to analyze? What can you do to create personal competitive advantages to differentiate yourself when searching for a job?

**A New World Order in Innovation - Video**

James Andrew, senior partner and head of the global innovation practice at Boston Consulting Group, talks about the Bloomberg BusinessWeek/BCG annual ranking of the most innovative companies

<http://feedroom.businessweek.com/?fr_story=fa088fe72a293b6b059252d3bd81d2349f41670a>

**BUSINESS DRIVEN INNOVATION – FIXING THE POST OFFICE**

Is there anything more frustrating than waiting in line at the post office? Not only are those lines frustrating, but they are also unprofitable. The U.S. Postal Service has faced multibillion-dollar losses every year for the past few years, making for one of the greatest challenges in its history.

What is killing the post office? Perhaps it is Stamps.com, a website that allows you to customize and print your own stamps 24 hours a day. Getting married? Place a photo of the happy couple right on the stamp for the invitations. Starting a business? Place your business logo on your stamps. Stamps.com even keeps track of a customer’s postal spending and can recommend optimal delivery methods. Plus, Stamps.com gives you postage discounts you can’t get at the post office or with a postage meter.

Evaluate the U.S. Postal Service using Porter’s Five Forces Model. How could the Postal Service create new products and services to help grow its business? What types of competitive advantages can you identify for the Postal Service?

**U.S. Postal Service on the Verge of Going Broke? Video**

It's the biggest civilian employer after Walmart, but apparently the U.S. Postal Service is not too big to fail. Today, the Postal Service said that without Congressional action, it could be bankrupt by the end of next year.

<http://feedroom.businessweek.com/?fr_story=fa088fe72a293b6b059252d3bd81d2349f41670a>

**BUSINESS DRIVEN DEBATE – THE IPAD – GREATEST PRODUCT IN HISTORY OR JUST ANOTHER GADGET?**

Apple sold 300,000 units of its highly anticipated iPad in the first 15 hours it was available for sale. Hundreds of thousands of Apple devotees flocked to stores during Passover and Easter to be the first to obtain the new device, even though it is neither a phone nor a laptop computer and many people are still wondering what it’s for.

The controversy over the usefulness of Apple’s portable tablet began as soon as Apple announced the device was heading to market. At first glance, the iPad is little more than a touch screen the size of a slim book, with a few control buttons along the edges and a home button at the bottom. Shrink it, and it would look like an iPod Touch. What is the value of this device? That’s the question everyone wants to answer.

The iPad’s modest features might represent an entirely new way of consuming media—video, web pages, music, pictures, and even books. Break into groups and review the current value of the iPad for business. Find three examples of the ways business are using, or could use, the iPad for business. Do you consider it the next revolutionary device or just an overpriced music player?

**Apple iPad Functionality Video**

<http://www.apple.com/ipad/ipad-video/>

**Apple iPad + Velcro - Video**

iPad owner Jesse Rosten created this clever video to demonstrate “two of mankind’s greatest inventions, together at last.” Notes Rosten: “This is an exploration of what is possible, not necessarily what is practical. Tweet from the street at your own risk!\*”

<http://www.youtube.com/watch?v=vTSDPKktbUk>

**BUSINESS DRIVEN START-UP – WANT TO START YOUR OWN BUSINESS? JUST FIND A PROBLEM TO SOLVE**

Derek Johnson, a student at the University of Houston, was having lunch with his friend who happened to be the communications director for her sorority. During lunch Derek’s friend was telling him how hard it was to communicate with all of her sisters in the sorority. She had to send out important announcements about meetings, charitable events, and even dues. She had tried everything including Facebook, email, and message boards but so far nothing was working. As Derek pondered his friends dilemma he came up with a solution, mass text messaging.

Johnson began researching mass text messaging products and was surprised to find that none existed for the average consumer. Spotting an entrepreneurial opportunity Derek quickly began working on a product. Within a few months he launched his website, Tatango, and began offering group text messaging at a reasonable price. Now, a few years later, Tatango offers customers subscription plans starting under $20 a month that allows groups to send text messages to all members at once—whether 10 or 10,000—from any device.

In a group, brainstorm a list of problems you are currently experiencing. Decide whether any present potential new business opportunities, and if so, analyze the potential using the tools introduced in this chapter. Be prepared to present your new business to the class

**Inc’s Cool College Start-Ups 2010 - Slideshow**

Excellent slideshow highlighting top college start-ups of 2010.

<http://www.inc.com/ss/cool-college-start-ups-2010>

**OPENING CASE STUDY QUESTIONS**

**Apple – Merging Technology, Business, and Entertainment**

1. **Explain how Apple achieved business success through the use of information, information technology, and people.**

Initially, Steve Jobs was worried that he had missed the MP3 bandwagon. Jobs was fixated on developing video editing software and was oblivious to the MP3 phenomena. Jobs took the MP3 phenomena information and crafted a strategy on how Apple could enter the MP3 market. Jobs’ strategy began by bringing together the right people to tackle the iPod project including Jeff Robbin from SoundStep and his MP3 software, an iPod development team, and an iTunes development team. Bringing together the right people, with the right information, and access to technology enabled Jobs to take the iPod from inception to product delivery in 9 months.

1. **Describe the types of information employees at an Apple store require and compare it to the types of information the executives at Apple’s corporate headquarters require. Are there any links between these two types of information?**

Staff employees at an Apple store will look at data – how much is a certain item, how long is an item on sale for, what hours are they working, when are their days off, etc. Executives at Apple’s corporate headquarters require information – do we have enough inventory to meet demand, are prices too high or too low, what is employee turnover per store, where should we build a new store, should we close a store, etc. Of course, store employees use information to do their jobs also, it is just at a store level, not a corporate level. Executives require information from many stores and the volumes of data they use to gain information are significantly larger than store employees.

**CHAPTER ONE CASE**

**The World is Flat – Thomas Friedman**

**Additional Case Information**

The MIT website offers a video lecture by Thomas Friedman. Try showing the video to your students or assign it as homework. Friedman is an entertaining speaker and your students will enjoy his lecture.

<http://mitworld.mit.edu/video/266/>

1. **Do you agree or disagree with Friedman’s assessment that the world is flat? Be sure to justify your answer.**

There is no correct answer to this question, the important point is that your students can justify their point of view. Some students will agree with Friedman that technology has made the world flat. Others, will disagree with Friedman stating that there are still many people that do not have access to technology and for them the world is still round.

1. **What are the potential impacts of a flat world for a student performing a job search?**

Negative: In a flat world it is far more difficult to get a job because competition is increasing at an incredible rate. There are 1 billion people online in 2006. It is anticipated that 4 billion people will be online by 2010. As the next 3 billion people come online over the next 4 years competition is going to dramatically increase.

Positive: Students can now perform a global job search right from their apartment. Students in Chicago can accept jobs all over the world without ever leaving their apartment. They can even work remotely and continue to live in Chicago while working for a company based in Japan.

1. **What can students do to prepare themselves for competing in a flat world?**

Learning about information technology and how they can use IT to gain a competitive advantage in their industry or for their organization is key. Most organizations operate through the use of technology and understanding how business and technology relate will help students achieve success.

1. **Identify a current flattener not mentioned on Friedman’s list.**

The answer to this question will vary. A few include:

* Cheaper technology, such as the $100 laptop from MIT, allowing more people access to the Internet
* Video phones and collaboration tools allowing people to meet face-to-face even when they are in different parts of the world
* Technologies such as Voice-over-IP that offer a cheap alternative to traditional long-distance carriers

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| **CHAPTER TWO**  **Identifying Competitive Advantages** |

This section discusses how an organization can identify competitive advantages using tools such as Porter’s Five Forces, three generic strategies, and value chains. Gaining competitive advantages are critical for organizations. Organizations also must understand that competitive advantages are typically temporary since competitors are quick to copy competitive advantages. For example:

* United was the first airline to offer a competitive advantage with its frequent flyer mileage (this first-mover advantage was temporary)
* Sony had a competitive advantage with its portable stereo systems (this first-mover advantage was temporary)
* Microsoft had a competitive advantage with its unique Windows operating system
* Ask your students if Microsoft still has a competitive advantage with its Windows operating system
  + Ans: Perhaps – primarily due to its first-mover advantage since it is difficult to switch operating systems and users face interoperability issues if they are using different operating systems at the same organization.
  + How many students in your class are currently using Windows?
  + What are the competitors to Windows? Ans: Linux and Macintosh
  + Why are there only three primary competitors (Microsoft, Macintosh, and Linux) in this large operating system market?

**LEARNING OUTCOMES**

**Learning Outcome 2.1: Explain why competitive advantages are temporary.**

A competitive advantage is a feature of a product or service on which customers place a greater value than they do on similar offerings from competitors. Competitive advantages provide the same product or service either at a lower price or with additional value that can fetch premium prices. Unfortunately, competitive advantages are typically temporary, because competitors often quickly seek ways to duplicate them. In turn, organizations must develop a strategy based on a new competitive advantage. Ways that companies duplicate competitive

advantages include acquiring the new technology, copying business processes, and hiring away employees.

**Learning Outcome 2.2: Describe Porter’s Five Forces Model and explain each of the five forces.**

Porter’s Five Forces Model analyzes the competitive forces within the environment in which a company operates, to assess the potential for profitability in an industry.

* Buyer power is the ability of buyers to affect the price they must pay for an item.
* Supplier power is the suppliers’ ability to influence the prices they charge for supplies (including materials, labor, and services).
* Threat of substitute products or services is high when there are many alternatives to a product or service and low when there are few alternatives from which to choose
* Threat of new entrants is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market
* Rivalry among existing competitors is high when competition is fierce in a market and low when competition is more complacent

**Learning Outcome 2.3: Compare Porter’s three generic strategies.**

Organizations typically follow one of Porter’s three generic strategies when entering a new market: (1) broad cost leadership, (2) broad differentiation, (3) focused strategy. Broad strategies reach a large market segment. Focused strategies target a niche market. Focused strategies concentrate on either cost leadership or differentiation.

**Learning Outcome 2.4: Demonstrate how a company can add value by using Porter’s value chain analysis.**

To identify competitive advantages, Michael Porter created value chain analysis, which views a firm as a series of business processes that each add value to the product or service. The goal of value chain analysis is to identify processes in which the firm can add value for the customer and create a competitive advantage for itself, with a cost advantage or product differentiation. The value chain groups a firm’s activities into two categories—primary value activities and support value activities. Primary value activities acquire raw materials and manufacture, deliver, market, sell, and provide after-sales services. Support value activities, along the top of the value chain in the figure, include firm infrastructure, human resource management, technology development, and procurement. Not surprisingly, these support the primary value activities.

**CLASSROOM OPENER**

**GREAT BUSINESS DECISIONS – Cyrus McCormick’s Reaper**

On a hot summer day in 1831, several dozen farmers and hired laborers gathered in a wheat field in Virginia to watch a horse-drawn wood-and-iron device mow down rows and rows of golden wheat. On this day, twenty-two-year-old Cyrus McCormick demonstrated the reaper that his father invented and changed history as the mechanization of farming began. Soon the process of industrialization began, which turned the nation’s economy into the world’s most productive workforce. As the historian William Hutchinson noted, “Of all the inventions during the first half of the nineteenth century which revolutionized agricultures, the reaper was probably the most important.”

Interestingly, the McCormicks were not the only individuals to build and develop a reaper. In fact, many other companies and individuals developed similar technology; however, Cyrus McCormick invented the business of making reapers and selling them to the farmers of America and foreign countries. His real genius was in the area of gaining and protecting patents for his technology. McCormick turned the reaper into a commercially viable product and introduced many new business practices including free trials, money-back guarantees, and installment payment plans.

**CLASSROOM EXERCISE**

**Comparing Porter’s Five Forces**

Porter’s Five Forces is an easy framework to understand and offers students a quick way to analyze a business. Porter’s Five Forces is also reinforced throughout the text and it is important that your students have a solid understanding of each force. For this exercise, break your students into groups and ask them to choose two products to perform a Porter’s Five Forces analysis. The two products must compete in the same market.

**Potential Products**

* Laptop Computer and Desktop Computer
* PDA and Laptop Computer
* iPod and Walkman
* DVD Player and VCR Player
* Digital camera and Polaroid Camera
* Cell Phone and Blackberry PDA
* Coca-Cola Plastic Bottle and Coca-Cola Glass Bottle
* GPS Device and a Road Atlas
* Roller skates and Rollerblades
* Digital Books to Printed Books
* Digital Paper to Paper

**CLASSROOM EXERCISE**

**Analyzing Porter’s Five Forces**

Porter's Five Forces is an easy framework to understand and offers a quick way to analyze a market. Porter’s Five Forces was introduced in the text and you can review the below examples to ensure you have a solid understanding of each force. For this assignment, choose a product from the following list and perform a Porter’s Five Forces analysis. Feel free to use the below Porter’s Five Forces template for your assignment.

* Desktop Computer
* Address Book
* Walkman
* VHS Player
* Polaroid Camera
* Telephone
* Textbook

Be sure to add in examples of loyalty programs or switching costs you could implement to help retain your market share.

**CLASSROOM VIDEOS**

**Porter Videos**

* **Michael Porter – The Five Forces that Shape Strategy** (10 Mins) <http://www.youtube.com/watch?v=mYF2_FBCvXw>
* **Michael Porter - Global Competitiveness Report 2007** (15 Mins)

<http://www.youtube.com/watch?v=kzn9-M2umFQ>

* **Michael Porter: Long-term strategies in a down turn**  (13 Mins)

<http://www.youtube.com/watch?v=mwc073nNl3Q>

**CORE MATERIAL**

The core chapter material is covered in detail in the PowerPoint slides. Each slide contains detailed teaching notes including exercises, class activities, questions, and examples. Please review the PowerPoint slides for detailed notes on how to teach and enhance the core chapter material.

**GRADUATE MATERIAL**

Here are a few items to add to your course if you are teaching graduate students.

* **Institute for Strategy and Competitiveness**

Ask your students to visit Michael Porter’s Institute for Strategy and Competitiveness. There are numerous articles, videos, book excerpts, etc. for the students to dig into Porter. <http://www.isc.hbs.edu/>

* **Strategy and the Internet**

Discuss Porter’s HBS article Strategy and the Internet by Michael Porter. <http://hbswk.hbs.edu/item/2165.html>

Have your students discuss the importance of technology on business strategy.

Since this article was written in 2001 ask your students the following:

What can be extrapolated to today's competitive environment?

What has become obsolete about the Internet and strategy?

* **Michael Porter – The Five Forces that Shape Strategy** (10 Mins) <http://www.youtube.com/watch?v=mYF2_FBCvXw>
* **Michael Porter - Global Competitiveness Report 2007** (15 Mins)

<http://www.youtube.com/watch?v=kzn9-M2umFQ>

* **Michael Porter: Long-term strategies in a down turn**  (13 Mins)

<http://www.youtube.com/watch?v=mwc073nNl3Q>

**OPENING UNIT CASE STUDY QUESTIONS**

**Apple – Merging Technology, Business, and Entertainment**

1. **How can Apple use environmental scanning to gain business intelligence?**

Environmental scanning is the acquisition and analysis of events and trends in the environment external to an organization. Apple can use environmental scanning to analyze everything from competitor strategies to understanding new and shifting market trends to determining the strategic placement of Apple stores. Without watching its environment and understanding what its competitors are doing and where the market is headed, Apple will have a difficult time setting its strategic direction, as Steve Jobs determined when he thought he had missed the MP3 bandwagon.

1. **Using Porter’s Five Force Model, analyze Apple’s buyer power and supplier power.**

Apple’s buyer power was low when it first introduced the iPod since it was first to market with the product. Now, there are many competitors to Apple’s iPod and its buyer power is increasing since customers can choose from many different manufacturers of MP3 players. Apple’s supplier power was high and now it is decreasing since buyers have many choices of whom to buy from.

1. **Which of the three generic strategies is Apple following?**

Apple follows a focused strategy.

1. **Which of Porter’s Five Forces did Apple address through the introduction of the iPhone and customer developed iPhone applications?**

Apple addressed decreasing buyer power and increasing supplier power. The iPhone applications are revolutionary and typically first to market, which always increases supplier power. Of course, as new applications for other products enter the market with fast followers Apple will lose this competitive advantage and buyer power will increase. It also influenced the threat of substitute products for many other cell phone providers such as Sprint and Verizon do not offer this type of user-generated applications.

**CHAPTER TWO CASE**

**BusinessWeek Interview with Michael Porter**

1. **In today’s global business environment, does the physical location of a business matter?**

Porter calls this the location paradox. If you think of globalization, your first reaction is to think that location doesn't matter anymore. There are no barriers to investment. But the paradox is that location still matters. The U.S. is still the most important space in the world, for example, and regions have tremendous specialization. Anything that can be easily accessed from a distance no longer is a competitive advantage. But the more there are no barriers, the more things are mobile, the more decisive location becomes. This point has tripped up a lot of really smart people. As a result, the bottom half of U.S. locations are facing more stress. Many cities used to have a natural advantage just become they were in the U.S. But that is not such an advantage any more. We are finding a tendency for the rich regions to get richer.

1. **Why is collaboration among universities important?**

There is a growing recognition that the interaction between one region or metropolitan area and its neighbors is important. The overlap between clusters is very important in stimulating growth. Isolated clusters are less powerful than integrated clusters. That's because new clusters often grow out of old clusters. I also think there is more recognition that you need a lot of cross-company collaboration in a region. Companies realize they have a lot of shared issues. Meanwhile, universities used to be seen as standalone institutions. Now, more regional economies see universities as players and are integrating them into industrial clusters

1. **Is there a competitiveness problem in the United States?**

Porter thinks the U.S. is facing some very serious challenges. But the most important drivers of competitiveness are not national. They are regional and local. National policies and circumstances explain about 20% to 25% of why a regional economy is doing well. What really matters is where the skills and highly competitive institutions are based. Some of these assets take a very long time to build. But competitiveness essentially is in the hands of regions.

1. **What are the big differences in the way communities approach development today compared to 1990, when Porter wrote The Competitive Advantage of Nations?**

There has been tremendous change in the last 15 or 20 years. Before Competitive Advantage was published, the dominant view was that you need to get costs down, offer incentives, and have a development department that hunts for investment. I think the level of sophistication has risen at the state and local level. They now understand that competitiveness does not just mean low costs. Another big change from 20 years ago is that the notion of industry clusters is now pretty much ubiquitous. Many regions now look at development in these terms, and have identified hundreds and hundreds of different clusters. I think that the fact that productivity growth has risen dramatically shows that economic development has been a big success over the past few years.

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| **CHAPTER THREE**  **Strategic Initiatives for Implementing Competitive Advantages** |

This chapter provides an overview of supply chain management (SCM), customer relationship management (CRM), business process reengineering (BPR), and enterprise resource planning (ERP). Explain to your students that this is simply an introduction to SCM, CRM, BPR, and ERP, and that each of these strategic initiatives is discussed in detail throughout the text. There are also business plug-ins offering advanced material on SCM, CRM, BPR, and ERP.

**LEARNING OUTCOMES**

* 1. **Identify how an organization can use business process reengineering to improve its business.**

The purpose of BPR is to make all your processes the best-in-class. Companies frequently strive to improve their business processes by performing tasks faster, cheaper, and better. Companies often follow the same indirect path for doing business, not realizing there might be a different, faster, and more direct way of doing business. BPR provides companies with a way to find the different, more direct way of doing business, such as Progressive Insurance.

If your students are unfamiliar with business processes have them review plug-in B2 – Business Processes for a detailed look at common business processes, business process modeling, continuous improvement, and business process reengineering.

* 1. **Explain supply chain management and its role in business.**

Supply chain management integrates all of the partners, customers, distributers, and manufactures in the supply chain to ensure the smooth delivery of goods and services. SCM’s core strategy is to manage all the resources required to meet customer demand for all products and services. Supply chain partners are the partners chosen to deliver finished products, raw materials, and services including pricing, delivery, and payment processes along with partner relationship monitoring metrics. Supply chain operations is the schedule for production activities including testing, packaging, and preparation for delivery. Supply chain logistics is the product delivery processes and elements including orders, warehouses, carriers, defective product returns, and invoicing.

* 1. **Explain customer relationship management systems and how they can help organizations understand their customers.**

CRM is not just technology, but a strategy, process, and business goal that an organization must embrace on an enterprisewide level. If an organization does not embrace CRM on an enterprisewide level it will have a difficult time gaining a complete view of its customers. CRM can enable an organization to identify types of customers, design specific marketing campaigns tailored to each individual customer, and even understand and predict customer buying behaviors.

* 1. **Summarize the importance of enterprise resource planning systems.**

Enterprise resource planning systems provide organizations with consistency. Enterprise resource planning (ERP) integrates all departments and functions throughout an organization into a single IT system (or integrated set of IT systems) so that employees can make decisions by viewing enterprisewide information on all business operations. An ERP system provides a method for effective planning and controlling of all the resources required to take, make, ship, and account for customer orders in a manufacturing, distribution, or service organization. The key word in enterprise resource planning is **enterprise**.

**CLASSROOM OPENER**

**GREAT BUSINESS DECISIONS – Richard Sears Decides to Sell Products Through a Catalog**

Sears Roebuck changed the shape of an entire industry by being lucky enough to discover a huge untapped market that lay waiting to be discovered. In the 1880s about 65 percent of the population (58 million) lived in the rural areas. Richard Sears lived in North Redwood, Minnesota, where he was an agent at the Minneapolis and St. Louis railway station. Sears began trading products such as lumber, coal, and watches, when the trains would pass through. Sears moved to Chicago in 1893 and partnered with Alvah C. Roebuck, and the Sears & Roebuck company was born. The company first published a 32 page catalog selling watches and jewelry. By 1895 the catalog was 532 pages long and included everything from fishing tackle to glassware. In 1893 sales reached $400,000 and by 1895 sales topped $750,000.

Sears invented many new marketing campaigns and concepts that are still in use today, including a series of rewards (or loyalty programs) for customers who passed copies of the catalog on to friends and relatives. Sears was one of the first companies to recognize the importance of building strong customer relationships. Sears’ loyalty program gave each customer 24 copies of the catalog to distribute, and the customer would generate points each time an order was placed from one of the catalogs by a new customer. The Sears catalog became a marketing classic. It brought the world to the isolated farms and was a feast for the new consumers. The entire world was available through the Sears catalog, and it could be delivered to the remotest of doorsteps.

**CLASSROOM EXERCISE**

**Additional Columbia Sportswear Case Study**

Here is a great case study on BPM.  I use the Columbia Sportswear case study. <http://www.microsoft.com/casestudies/Microsoft-Visual-Studio-2012/Columbia-Sportswear/Outdoor-Apparel-Innovator-Finds-Perfect-Fit-for-Cross-Platform-Development-Success/710000001690> .  This is actually a great site for all kinds of BPM information.

**CLASSROOM EXERCISE**

**Reengineering a Process**

There is nothing more frustrated than a broken process. Ask your students to break into groups and discuss examples of broken processes that are currently causing them pain. The process can be a university process, mail-order process, Internet-order process, return merchandise process, etc. Ask your students to agree on one of the broken processes and to reengineer the process. Students should diagram the “As-Is” process and then diagram their “To-Be” process. Bring in a large roll of brown package wrapping paper and masking tape. Give each group two large pieces of the paper and ask them to tape the paper to the wall. These make for great “As-Is” and “To-Be” process maps.

**CLASSROOM EXERCISE**

**Videos on BPM**

Here are some good client videos on BPM.  Gives a nice real world perspective: K2 and Siemens.  
<http://www.microsoft.com/biztalk/solutions/bpm/default.mspx>

Funny video to kick-off your process modeling lecture.  
<http://www.youtube.com/watch?v=S-Mbr31f2dg>

**CLASSROOM EXERCISE**

**CRM Lemonade Stand Video**

This is a short, cute YouTube clip showing a kid's lemonade stand as the subject of CRM - good discussion starter on CRM.  
<http://www.youtube.com/watch?v=YEa_RNSX5Xo>

**CORE MATERIAL**

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**GRADUATE MATERIAL**

Here are a few items to add to your course if you are teaching graduate students.

* **Staple Yourself to an Order (HBS)**

This is an HBR classic. If you are covering Business Process in your course you might want to include this case. The case can be found at:

* <http://hbr.org/2004/07/staple-yourself-to-an-order/>
* **Michael Hammer – Reengineering the Corporation**

Dr. Michael Hammer changed forever how businesses do business. He was the originator of reengineering and the process enterprise, managerial innovations that have now become part of the standard business practice. This is the book that began it all. Reengineering the Corporation introduced the business world to the power of radical change, of starting over, of rethinking operations from the proverbial clean sheet of paper. It also put the word "reengineering" into the English language. The most successful business book of the last decade, Reengineering the Corporation has sold over 2 million copies and has been translated into more than 30 languages.

The concepts and techniques presented in this book are as relevant today as when it was first written. Reengineering the Corporation makes the case why fundamental change is needed in our businesses, demonstrates how process redesign can yield breakthroughs in performance, and identifies the key elements needed for reengineering success. <http://www.hammerandco.com/default.aspx>

**OPENING UNIT CASE STUDY QUESTIONS**

**Apple – Merging Technology, Business, and Entertainment**

1. **Evaluate how Apple can gain business intelligence through the implementation of a customer relationship management system.**

Apple could gain significant business intelligence through the implementation of a CRM system (that is, assuming they do not already have one). A CRM system could help Apple determine who is buying music on iTunes and it could tailor the website to customize offers to its customers, similar to Amazon. Apple could also offer cross-purchasing incentives such as free downloads on iTunes with the purchase of an iPod, or a free accessory item. The business intelligence gained through a CRM system is limitless.

1. **Create an argument against the following statement: “Apple should not invest any resources to build a supply chain management system.”**

Supply chain management (SCM) involves the management of information flows between and among stages in a supply chain to maximize total supply chain effectiveness and profitability. Dozens of steps are required to achieve and carry out the processes between each party in the supply chain. SCM software can enable an organization to generate efficiencies within these steps by automating and improving the information flows throughout and among the different supply chain components. Apple is involved in all steps in the supply chain from the sourcing of raw materials to build its iPods to selling downloadable music. Without a supply chain Apple would find it extremely difficult to conduct business.

1. **Why would a company like Apple invest in BPR?**

Without continuously improving the efficiency and effectiveness of its operations Apple would not be moving in the right direction. Any company must continuously dissect its current operations to ensure it is perform at highest efficiently and effectiveness levels. Apple needs to remain as a top innovation company and that means always looking for new innovative ways to perform business.

**CHAPTER THREE CASE**

**Got Milk? It’s Good For You – Unless it is Contaminated!**

Additional Materials: This is a simply frightening slide show showing the devastating effects of China's tainted milk in the supply chain.  Great to use as a discussion opener for Supply Chain and Outsourcing.  
<http://images.businessweek.com/ss/08/09/0926_china_milk/index.htm>

1. **Explain why the supply chain can dramatically impact a company’s base performance.**

Supply chain management involves the management of information flows between and among stages in a supply chain to maximize total supply chain effectiveness and profitability. The dozens of steps are required to achieve and carry out each of the above components. SCM software can enable an organization to generate efficiencies within these steps by automating and improving the information flows throughout and among the different supply chain components. If one member of the supply chain makes a reckless decision it can impact the entire supply chain. This is what happened with the China milk contamination and all of the players upstream and downstream in the supply chain from the end consumer to the dairy farmers were impacted by one participants reckless decision.

1. **List all of the products that have could possibly be affected by a problem in the United States milk supply chain.**

The list could include: chocolate products, dairy products, baby formula, desserts made with milk, food made with milk in restaurants.

1. **How can a CRM system help communicate issues in the supply chain**?

A CRM system could identify customers who might have purchased the product and then you could contact the customers directly, similar to when an airline contacts its customers to inform them of a delayed or cancelled flight.

1. **How could BPR help uncover issues in a company’s supply chain?**

By continuously monitoring the processes involved in production a company can quickly identify any potential issues, such as low-quality supplies.

1. **What are the pros and cons for Starbucks outsourcing the growing of its coffee beans to Chinese farmers.**

Outsourcing offers many benefits such as lower cost, niche expertise, and increased supplier options. There are also numerous risks associated with outsourcing such as contaminated milk. If the Chinese farmers do not meet the U.S. government FDA requirements then Starbucks will have to find another source of supply.

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| **CHAPTER FOUR**  **Measuring the Success of Strategic Initiatives** |

This chapter discusses how to measure organizational performance. Efficiency focuses on the extent to which an organization is using its resources in an optimal way, “doing things right”. Effectiveness focuses on how well an organization is achieving its goals and objectives, “doing the right things”. It is important that your students understand the differences between efficiency and effectiveness if you are planning to cover the business plug-in for Supply Chain Management since it deals in detail with efficient and effective supply chains

**LEARNING OUTCOMES**

* 1. **Define metrics and describe the relationship between efficiency IT metrics and effectiveness IT metrics.**

Efficiency implies doing things right and effectiveness implies doing the right things. Efficiency IT metrics focus on technology and include throughput, which is the amount of information that can travel through a system at any point in time. Efficiency metrics include speed, availability, accuracy, web traffic, and response time. Effectiveness IT metrics focus on an organization’s goals, strategies, and objectives and include usability, customer satisfaction, conversion rates, and financial metrics. Ideally, an organization wants to operate with significant increases in both efficiency and effectiveness.

* 1. **Explain why a business would use metrics to measure the success of strategic initiatives.**

A business must be able to evaluate its performance to ensure it is operating efficiently and effectively. Metrics are a great way to accurately measure tangible and intangible business operations. Customer metrics assess the management of customer relationships by the organization. These effectiveness metrics typically focus on a set of core measurements including market share, customer acquisition, customer satisfaction, and customer profitability.

**CLASSROOM OPENER**

**GREAT BUSINESS DECISIONS – Henry Luce Decides to Rank Companies in the Fortune 500**

Henry Luce founded *Time* magazine in 1923 and *Fortune* magazine in 1929. Luce decided to create a ranking of America’s top 500 companies, called The Fortune 500, which has served as the corporate benchmark for the twentieth century – as well as being a clever marketing tactic for the magazine. The Fortune 500 remains a powerful barometer of who’s up and down in the corporate world. It is also a brilliant marketing tool since every single time its name is mentioned, so is the name of the magazine. However, being ranked on the Fortune 500 does not guarantee that the organization will achieve future success, and its measures of current achievement can also be limited and a bit confusing.

*BusinessWeek* magazine created a similar ranking by introducing its biannual ranking of business schools. The issue routinely outsells all other issues of the magazine in the year.

**CLASSROOM EXERCISE**

**Measuring Efficiency and Effectiveness**

Break your students into groups and ask them to create a plan to measure the efficiency and effectiveness of this course and recommendations on how they would improve the course to make it more efficient and more effective. Student answers to this exercise will vary. They will need to determine ways to benchmark current efficiency and effectiveness and ways to continuously monitor and measure against the benchmarks to determine if the course is becoming more or less efficient and effective (class quizzes and exams are the most obvious benchmarks). Ask your students to present their plan and recommendations to the entire class. Be sure students’ plans and recommendations address the following:

* Design of the classroom
* Room temperature
* Lighting and electronic capabilities of the classroom
* Technology available in the classroom
* Length of class
* Email and instant messaging
* Students’ attendance
* Students’ preparation
* Students’ arrival time
* Quizzes and exams (frequency, length, grades)

**CORE MATERIAL**

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**GRADUATE MATERIAL**

Here are a few items to add to your course if you are teaching graduate students.

* **Balanced Scorecard Institute – Kaplan and Norton**

The balanced scoredcard is used extensively in business graduate students will find great value in exploring it far deeper than in the text. This is an excellent site and offers white papers, videos, additional information surrounding how to implement the Balanced scorecard in industry. For example: Why Implement a Balanced Scorecard?

\* Increase focus on strategy and results

\* Improve organizational performance by measuring what matters

\* Align organization strategy with the work people do on a day-to-day basis

\* Focus on the drivers of future performance

\* Improve communication of the organization’s Vision and Strategy

\* Prioritize Projects / Initiatives

<http://www.balancedscorecard.org/BSCResources/AbouttheBalancedScorecard/tabid/55/Default.aspx>

* **Balanced Scorecard Institute – Kaplan and Norton**

Robert Kaplan gives an excellent talk on the balanced scorecard

http://www.youtube.com/watch?v=xWYbeqqPJEc&feature=related

ZDNet: Understanding Balanced Scorecards Video

More than 50 percent of Fortune 1000 companies use balanced scorecards to measure business performance. Kaplan and Norton created a way to look at business strategy that digs deeper than just the financials.

http://news.zdnet.com/2422-13569\_22-153073.html

These are both excellent videos to show when discussing the balanced scorecard. Break your students into groups and ask them the following:

Why would a business need to use a balanced scorecard?

Why is it so difficult to measure the success of an enterprise system?

If your university implemented a new enterprise system how could it use a balanced scorecard to measure the systems success?

**OPENING UNIT CASE STUDY QUESTIONS**

**Apple – Merging Technology, Business, and Entertainment**

1. **Formulate a strategy describing how Apple can use efficiency IT metrics to improve its business.**

Apple can use efficiency IT metrics to focus on its current technology. Apple could benchmark its existing applications to create baselines. It could then continuously monitor and measure against these benchmarks to ensure its IT applications are functioning correctly. This would be particularly important in the area of its web applications (such as iTunes) that customers and suppliers are using.

1. **Formulate a strategy describing how Apple can use effectiveness IT metrics to improve its business.**

Apple could use effectiveness IT metrics to determine if its customers, suppliers, and even employees are satisfied with the applications. It could determine if the application is easy to use and if first-time customers are converting due to a banner ad or a pop-up ad. These would be particularly useful for the iTunes website.

1. **List three CRM metrics Apple should track, along with the reasons these metrics will add value to Apple’s business strategy.**

Apple could track any number of metrics including CRM sales metrics, CRM service metrics, to CRM marketing metrics. These could include:

* Number of prospective customers
* Number of new customers
* Amount of new revenue
* Cases closed same day
* Average time to resolution
* Percentage compliance with service-level agreement
* New customer retention rates
* Number of purchases by marketing campaign

1. **List three SCM metrics Apple should track, along with the reasons these metrics will add value to Apple’s business strategy.**

SCM metrics could include back order, customer order promised cycle time, customer order actual cycle time, inventory replenishment cycle time, and inventory turns (inventory turnover). All of these metrics will add value to Apple by giving them insight into current production and order fulfillment issues.

1. **How can Apply use the balanced scorecard to make its business more efficient?**

The balanced scorecard can provide tremendous value to Apple by helping the company to monitor the success of enterprise wide initiatives such as business process reengineering and enterprise resource planning. The balanced scorecard can help Apple clarify its vision and strategy and translate them into action. It can provide feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.

**CHAPTER FOUR CASE**

**Manipulating the Data to Find Your Version of the Truth**

1. **How do they turn the data into information?**

A company can turn data into information using a management information system such as Excel or business intelligence tools. Aggregating, analyzing, slicing-and-dicing the data will lead to patterns that can predict future company behavior.

1. **What issues do they encounter when attempting to measure the economy?**

The economy has so many variables that it is almost impossible to measure what is going to happen when – if we could then we wouldn’t have such catastrophic issues such as banks collapsing and entire countries going out of business.

1. **As a manager, what do you need to understand when reading or listening to economic and business reports?**

You must always be aware that the analysis of data is only as good as the quality of the data and the skills of the person performing the analysis. You need to take every report with a grain of salt and ensure that you do not depend 100 percent on any specific report because it could be wrong. The saying that garbage in is garbage out is prolific in the world of management information systems and if the data going into the report is inaccurate then the analysis coming out will be skewed.

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| **CHAPTER FIVE**  **Organizational Structures That Support Strategic Initiatives** |

Organizational employees must work closely together to develop strategic initiatives that create competitive advantages. Ethics and security are two fundamental building blocks that organizations must base their businesses on to be successful. This chapter provides an overview of the different titles, roles, and responsibilities found in a typical organization. The gap between IT personnel and business personnel is highlighted. The role of ethics and security in an organization is also discussed.

**LEARNING OUTCOMES**

* 1. **Define the primary IT roles along with their associated responsibilities.**
* Chief Information Officer (CIO) oversees all uses of IT and ensures the strategic alignment of IT with business goals and objectives.
* Chief Technology Officer (CTO) is responsible for ensuring the throughput, speed, accuracy, availability, and reliability of IT.
* Chief Privacy Officer (CPO) is responsible for ensuring the ethical and legal use of information.
* Chief Security Officer (CSO) is responsible for ensuring the security of IT system.
* Chief Knowledge Office (CKO) is responsible for collecting, maintaining, and distributing the organization’s knowledge.

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* 1. **Explain the gap between IT and business professionals.**

Business personnel possess expertise in functional areas such as marketing, accounting, and sales. IT personnel have the technological expertise. This causes a communications gap between the two. IT personnel have their own vocabularies consisting of acronyms and technical terms. Business personnel have their own vocabularies based on their experience and expertise. For both sides to have effective communications, the business personnel must seek to achieve an increased level of understanding of IT, and the IT personnel must seek to achieve an increased level of understanding of the business.

* 1. **Explain why ethics and security are fundamental building blocks of business today.**

Information security is a broad term encompassing the protection of information from accidental or intentional misuse by persons inside or outside an organization. Ethics are the principles and standards that guide our behavior toward other people. Using security in an inappropriate manner is an ethical issue. Security and ethics are two fundamental building blocks that organizations must base their businesses on to be successful.

**CLASSROOM OPENER**

**GREAT BUSINESS DECISIONS – Sam Walton’s Discounting of America**

Wal-Mart is one of the largest corporations in the United States. Wal-Mart does not produce a single item, the company uses strategic supply chain management to disrupt the retail industry. Wal-Mart’s generic strategy of low cost provider is paying-off big time. Any organization wanting to compete in the 21st century must study Wal-Mart and learn how to compete in new and different ways.

Samuel Moore Walton lived in the same neighborhood in Bentonville, Arkansas, for forty years. Walton was the sort of man that would rather borrow a newspaper than pay a quarter for a new one. He was also the sort of man that would invite a struggling young family out to lunch with his family every Sunday.

Sam Walton controlled over 20 percent of Wal-Mart’s stock, and Sam Walton appeared on Forbes 400 with a net worth of $2.8 billion in 1985 (the holdings are now worth $28 billion). Of all the inventions that helped Sam Walton achieve success and billionaire status, his greatest invention as a CEO was that he himself did not change. Sam managed his 40,000 employees as equal associates, and it was said that only his family meant more to him than his beloved associates. One manufacturer who worked for Sam for decades stated “One of Sam’s greatest contributions to Wal-Mart was his attitude toward experimentation. He constantly encouraged us to experiment on a small basis and if the idea worked, roll it out. If it failed, try something else. It was his attitude of keep trying, and don’t be afraid of failure that made us all so successful.”

Sam Walton succumbed to cancer in 1992, and the news was sent via satellite directly to the company’s 1,960 stores; when the announcement played at some stores, clerks started crying. The *New York Times* obituary estimated Sam’s fortune at the time of his death at $28 billion. However, this fortune didn’t mean as much to Sam Walton as the news that one of his beloved Wal-Mart associates, a cashier, had $262,000 in her retirement account after working for Wal-Mart for twenty-four years.

**CLASSROOM EXERCISE**

**Reorganizing an Organization**

The AAA Management Company specializes in the management of rental properties and generates over $20 million in revenues each year and has over 2,000 employees throughout the United States, Canada, and Mexico. The company has just hired a new CEO, David Paul. David is planning to reorganize the company so that it operates more efficiently and effectively. Below is the new organizational structure that he plans to present to the board of directors on Monday. Break your students into groups and ask them to explain the advantages and disadvantages of such a reporting structure. Ask them to reorganize the reporting structure in the way they feel will be most beneficial to the operations of the company, being sure to give their justifications for the new structure. Student answers to this exercise will vary.

Analysts

Managers

CTO

CEO

CPO

CIO

CSO

Vice Presidents

**AAA Management’s New Organizational Structure**

CKO

**Part Two**

Will your proposed structure work for a video distribution company or will you need to revamp your structure?

**CORE MATERIAL**

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**GRADUATE MATERIAL**

Here are a few items to add to your course if you are teaching graduate students.

* **The Technology Gear CIO’s Fear**

When it comes to technological innovation, some consumer tech gets revamped and improved at a faster clip than hardware and software aimed at businesses. So it's not surprising that in many work settings, employees bring their own gadgets and software into the office, tapping such tools as cell phones, USB drives, and personal email to make themselves more productive at work.

But chief information officers worry that much consumer tech won't make the grade on security, leaving corporate networks vulnerable. About 85% of C-level executives, managers, and information technology security officers reported that they had experienced a data breach involving the loss or theft of customer, consumer, or employee data in the last 24 months, according to a survey by the Ponemon Institute.

<http://images.businessweek.com/ss/07/07/0716_ceo_guide/index_01.htm>

Review the slideshow during class and ask your students to share what types of security issues they have witnessed at their current companies. Ask what types of cutting-edge technologies should managers and executives fear as new products hit the market daily.

* **Who’s Stealing Your Passwords?**

This is an excellent article and video sent to me by Jeff Gaines at San Jose State - it is scary!!

Who's Stealing Your Passwords? Global Hackers Create a New Online Crime Economy

A sophisticated new breed of online criminals is making it easier than ever for the bad guys to engage in identity theft and other cybercrime.

http://www.cio.com/article/135500/?source=nlt\_cioenterprise

* **Information Security Site**

This is an excellent site offering current updates on security issues, compliance, governance along with videos and whitepapers.

[http://searchsecurity.techtarget.com/#](http://searchsecurity.techtarget.com/)

* **Protecting Personal Information – A Guide for Businesses**

Is your company keeping information secure?

Are you taking steps to protect personal information? Safeguarding sensitive data in your files and on your computers is just plain good business. After all, if that information falls into the wrong hands, it can lead to fraud or identity theft. A sound data security plan is built on five key principles:

\* Take stock. Know what personal information you have in your files and on your computers.

\* Scale down. Keep only what you need for your business.

\* Lock it. Protect the information in your care.

\* Pitch it. Properly dispose of what you no longer need.

\* Plan ahead. Create a plan to respond to security incidents.

[**http://www.ftc.gov/infosecurity/**](http://www.ftc.gov/infosecurity/)

**OPENING UNIT CASE STUDY QUESTIONS**

**Apple – Merging Technology, Business, and Entertainment**

1. **Predict what might have happened to Apple if its top executives had not supported investments in IT.**

One of the main factors that brought Apple back from near oblivion was its ability to produce, market, and sell IT products such as the iPod. If Apple’s top executives did not have the foresight to view the MP3 players as a competitive advantage, then chances are the company would not have made a strong comeback in the highly competitive electronics market.

1. **Explain why it would be unethical for Apple to allow its customers to download free music from iTunes.**

Music is copyrighted. Each time a song is downloaded the copyright owner is entitled to a royalty payment. If Apple allowed customers to download free music it would be violating copyright laws.

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1. **Evaluate the effects on Apple’s business if it failed to secure its customer’s information and it was accidentally posted to an anonymous website.**

Customers who purchase iTunes would not want other vendors to know all of their music choices and purchases. Most customers consider this type of information private. Apple would be violating its customers’ trust and therefore risk losing their business.

1. **Explain why Apple should have a CIO, CTO, CPO, CSO, and CKO.**

Without any of these positions Apple would not have an authority that would be responsible for defining and enforcing its IT roles and responsibilities. Each role is critical for maintaining a responsible, ethical, and secure organization.

**CHAPTER FIVE CASE**

**Executive Dilemmas in the Information Age**

1. **Explain why understanding technology, especially in the areas of security and ethics, is important for a CEO. How do CEO’s actions affect the organizational culture?**

Technology is everywhere in business. A CEO who ignores technology is ignoring opportunities to gain competitive advantages and will be at a disadvantage to its competitors. A CEO who ignores technology could be putting the company at risk since there are many regulatory issues being enforced that surround ethics and security, such as Sarbanes-Oxley. The CEO sets the climate for the organizational culture and if they want to create an exciting and innovative company it must start at the top.

1. **Identify why executives in nontechnological industries need to worry about technology and its potential business ramifications.**

As many of the cases discuss, technology-related crimes and misuses can occur in any company, in any industry. Regardless of the business focus for the company, all employees need to worry about unethical uses of technology.

1. **Describe why continuously learning about technology allows an executive to better analyze threats and opportunities.**

With new technologies being invented daily, it is critical to continuously learn and understand how these technologies can affect a company or a person. For example, radio frequency identification is new and exciting, but many people are worried about the privacy issues associated with using RFID tags to track students in schools.

1. **Identify three things that a CTO, CPO, or CSO could do to prevent the above issues.**

There are many methods executives can use to help eliminate these types of issues such as:

* Implementing policies such as Internet-use policies and acceptable use policies (these policies are covered in detail in Plug-In B7 – Ethics).
* Training sessions on appropriate use of company email.
* Define clear procedures for company equipment, such as computers, when terminating an employee
* Attend training classes on ethics and security

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| **UNIT ONE**  **CLOSING MATERIAL** |

**REVIEW QUESTIONS**

1. What is data and why is it important to a business?
2. How can a manager turn data into information?
3. What is the relationship between data, information, business intelligence, and knowledge?
4. Why is it important for a company to operate cross-functionally?
5. Why would a company want to have a CIO, CPO, and CSO?
6. Explain MIS and the role it plays in a company and global business.
7. Do you agree that MIS is essential for businesses operating in the information age? Why or why not?
8. Why is it important for a business major to understand MIS?
9. What type of career are you planning to pursue? How will your specific career use data, information, business intelligence, and knowledge?
10. Explain systems thinking and how it supports business operations?
11. What business strategies would you use if you were developing a competitive advantage for a company?
12. Explain Porter’s Five Forces Model and the role it plays in decision making?
13. How could a company use loyalty programs to influence buyer power? How could a company use switching costs to lock in customers and suppliers?
14. What are Porter’s three generic strategies and why would a company want to follow only one?
15. How can a company use Porter’s value chain analysis to measure customer satisfaction?

**CLOSING CASE ONE**

**Best of the Best – Under 25**

1. **If you had $1 million to invest in one of the five above-mentioned start-ups, which one would you choose and why? Be sure to justify your answer using Porter’s Five Forces Model and three generic strategic analysis.**

A competitive advantage is a feature of a product or service on which customers place a greater value than they do on similar offerings from competitors. Competitive advantages provide the same product or service either at a lower price or with additional value that can fetch premium prices. Unfortunately, competitive advantages are typically temporary, because competitors often quickly seek ways to duplicate them. In turn, organizations must develop a strategy based on a new competitive advantage. Ways that companies duplicate competitive advantages include acquiring the new technology, copying the business operations, and hiring away key employees. The introduction of Apple’s iPod and iTunes, a brilliant merger of technology, business, and entertainment, offers an excellent example.

Students need to evaluate each of the new companies competitive advantages, buyer power, supplier power, threat of new entrants, substitute products, and competition. Of course competitive advantages will be temporary and a new competitor or new technology can take over its market by offering a new product or service at a lower price or with additional value.

1. **Choose one of the above businesses and explain why data, information, business intelligence, and knowledge are important to successfully running the business over the next few years. Be sure to list examples of the different types of data, information, business intelligence, and knowledge you might find in this company.**

Depending the on the business your students choose their analysis will vary. It is important to focus on ensuring your students can clearly demonstrate the differences between data, information, BI, and knowledge.

**Data** are raw facts that describe the characteristics of an event or object. Before the information age, managers manually collected and analyzed data, a time-consuming and complicated task without which they would have little insight into how to run their business. Lacking data, managers often found themselves making business decisions about how many products to make, how much material to order, or how many employees to hire based on intuition or gut feelings. In the information age, successful managers compile, analyze, and comprehend massive amounts of data daily, which helps them make more successful business decisions.

Examples include:

Sales date, Quantity sold, Cost, Sales price, Total profit, Shipping address, Customer address, Wireless type, Memory amount, Color.

**Information** is data converted into a meaningful and useful context. Having the right information at the right moment in time can be worth a fortune. Having the wrong information at the right moment; or the right information at the wrong moment can be disastrous. The truth about information is that its value is only as good as the people who use it. People using the same information can make different decisions depending on how they interpret or analyze the information. Thus information has value only insofar as the people using it do as well. Information would include:

* How many iPads did the average customer purchase?
* What day of the week are the most iPads sold?
* What part of the country were the most iPads sold?
* What was the best selling store?
* How many applications did the average iPad customer purchase?

**Business** **intelligence** (BI) is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making. BI manipulates multiple variables and in some cases even hundreds of variables including such items as interest rates, weather conditions, and even gas prices. For instance, BI can predict inventory requirements for a business for the week before the Super Bowl if, say, the home team is playing, average temperature is above 80 degrees, and the stock market is performing well. This is BI at its finest, incorporating all types of internal and external variables to anticipate business performance. BI would include:

* What impact does the stock market have on iPad sales?
* What impact does the business quarter have on iPad sales?
* What industries are purchasing the most iPads?
* What industries are purchasing the least iPads?

**Knowledge** includes the skills, experience, and expertise, coupled with information and intelligence that creates a person’s intellectual resources. Knowledge workers are individuals valued for their ability to interpret and analyze information. Today’s workers are commonly referred to as knowledge workers and they use BI along with personal experience to make decisions based on both information and intuition, a valuable resource for any company. Examples of knowledge would include:

Who is the best analyst to fix iPad issues concerning calendar functions?

Who is the best analyst to fix iPad issues concerning email issues?

Which resources are the main points of contact for customer developed application issues?

1. **Review Bloomberg BusinessWeek’s most current top five under 25. Choose one of the companies and perform a detailed analysis of the company using the strategies discussed in this chapter. Determine a few ways the company can improve its business by creating competitive advantages using the ideas and methods discussed throughout this chapter.**

Depending on the current ranking and company chosen student answers will vary. It is important to review their analysis and ensure they are correctly categorizing each of Porter’s Five Forces and justifying their response. Be sure they are including loyalty programs, switching costs, product differentiation, and competitive advantages.

**CLOSING CASE TWO**

**Business 2.0: Bad Business Decisions**

1. **Explain why understanding information technology and management information systems can help you achieve business success-or more importantly, help you avoid business disasters-regardless of your major.**

If your students are wondering why they need to take this course then this case study should scare them into becoming a believer in the power of technology in business. I tell all of my students that my goal in life is to never see them on the top 10 worst business decisions of all time. If they pay attention in this course they might just avoid an embarrassing moment in business.

**MAKING BUSINESS DECISIONS**

**Instructor Note**: There are few right or wrong answers in the business world. There are really only efficient and inefficient, and effective and ineffective business decisions. If there were always right answers businesses would never fail. These questions were created to challenge your students to apply the materials they have learned to real business situations. For this reason, the authors cannot provide you with one version of a correct answer. When grading your students’ answers, be sure to focus on their justification or support for their specific answers. A good way to grade these questions is to compare your student’s answers against each other.

1. **COMPETITIVE ANALYSIS**

**Project Purpose:** To explain the value of IT

**Potential Solution:** Students need to be focusing on the many different business benefits derived from IT, which were presented in the Unit. Students’ answers can include SCM, CRM, ERP, ethics, security, competitive advantages, etc. The Porter’s Five Forces analysis should include justification for each force and the strategy can vary depending on the student’s vision of Cheryl’s future.

1. **USING EFFICIENCY AND EFFECTIVENESS METRICS**

**Project Purpose:** Applying efficiency IT metrics and effectiveness IT metrics

**Potential Solution:** Efficiency implies doing things right and effectiveness implies doing the right things. Efficiency IT metrics focus on technology and include throughput, which is the amount of information that can travel through a system at any point in time. Efficiency metrics include speed, availability, accuracy, web traffic, and response time. Effectiveness IT metrics focus on an organization’s goals, strategies, and objectives and include usability, customer satisfaction, conversion rates, and financial metrics. Ideally, an organization wants to operate with significant increases in both efficiency and effectiveness.

1. **BUILDING BUSINESS RELATIONSHIPS**

**Project Purpose:** To understand and bridge the gap between IT personnel and business personnel

**Potential Solution:** Business personnel possess expertise in functional areas such as marketing, accounting, and sales. IT personnel have the technological expertise. IT personnel have their own vocabularies consisting of acronyms and technical terms. Business personnel have their own vocabularies based on their experience and expertise. This can cause a communications gap between the two. For both sides to have effective communications, the business personnel must seek to achieve an increased level of understanding of IT, and the IT personnel must seek to achieve an increased level of understanding of the business.

1. **ACTING ETHICALLY**

**Project Purpose:** Understanding the vast dimensions of ethics

**Potential Solution:** Your students’ answers to this question will depend on their ethics. Some students will find the plan to kill the project acceptable since they were against the project from the start. Other students will find the approach unacceptable and will decide against killing the project and potentially firing the individual whom made the suggestion. This question makes for a great classroom debate.

1. **DETERMINING IT ORGANIZATIONAL STRUCTURES**

**Project Purpose:** To develop an organization’s roles and responsibilities reporting structure

**Potential Solution:** Chief Information Officer (CIO) oversees all uses of IT and ensures the strategic alignment of IT with business goals and objectives. Chief Technology Officer (CTO) is responsible for ensuring the throughput, speed, accuracy, availability, and reliability of IT. Chief Security Officer (CSO) is responsible for ensuring the security of IT system. Chief Privacy Officer (CPO) is responsible for ensuring the ethical and legal use of information. The reporting structure will vary depending on your students’ personal experiences. For example, if your student has experienced any type of identity theft, the CSO might be on the top of their reporting structure. If your student has been the victim of an ethical breech, they might have the CPO on the top of the reporting structure. The important part of this exercise is to have the correct justifications that supports their reporting structure.

1. **APPLYING THE THREE GENERIC STRATEGIES**

**Project Purpose:** Understanding Porter’s three generic strategies

**Potential Solution:** Organizations typically follow one of Porter’s three generic strategies when entering a new market. (1) Broad cost leadership, (2) broad differentiation, (3) focused strategy. Broad strategies reach a large market segment. Focused strategies target a niche market. Focused strategies concentrate on either cost leadership or differentiation. Student answers will vary depending on which industries they choose to research.

1. **THE FIVE FORCES MODEL**

**Project Purpose:** Using Porter’s Five Forces to perform a competitive analysis

**Potential Solution:**

* Buyer power – high when buyers have many choices of whom to buy from and low when their choices are few
* Supplier power – high when buyers have few choices of whom to buy from and low when their choices are many
* Threat of substitute products or services – high when there are many alternatives to a product or service and low when there are few alternatives from which to choose
* Threat of new entrants – high when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market
* Rivalry among existing competitors – high when competition is fierce in a market and low when competition is more complacent

1. **FOCUSING ON FRIEDMAN**

**Project Purpose:** To understand the global business environment.

**Potential Solution**: There is a great overview of Friedman’s text at [http://www.thomaslfriedman.com/bookshelf/hot-flat-and-crowded.](http://www.thomaslfriedman.com/bookshelf/hot-flat-and-crowded.%20)

Hot, Flat, and Crowded: Why We Need a Green Revolution - And How it Can Renew America.

Thomas L. Friedman's no. 1 bestseller The World Is Flat has helped millions of readers to see globalization in a new way. Now Friedman brings a fresh outlook to the crises of destabilizing climate change and rising competition for energy—both of which could poison our world if we do not act quickly and collectively. His argument speaks to all of us who are concerned about the state of America in the global future.

Friedman proposes that an ambitious national strategy—which he calls "Geo-Greenism"—is not only what we need to save the planet from overheating; it is what we need to make America healthier, richer, more innovative, more productive, and more secure.

As in The World Is Flat, he explains a new era—the Energy-Climate era—through an illuminating account of recent events. He shows how 9/11, Hurricane Katrina, and the flattening of the world by the Internet (which brought 3 billion new consumers onto the world stage) have combined to bring climate and energy issues to Main Street. But they have not gone very far down Main Street; the much-touted "green revolution" has hardly begun. With all that in mind, Friedman sets out the clean-technology breakthroughs we, and the world, will need; he shows that the ET (Energy Technology) revolution will be both transformative and disruptive; and he explains why America must lead this revolution—with the first Green President and a Green New Deal, spurred by the Greenest Generation.

Hot, Flat, and Crowded is classic Thomas L. Friedman—fearless, incisive, forward-looking, and rich in surprising common sense about the world we live in today.

1. **PURSUING PORTER**

**Project Purpose:** To see the amount of online information about famous business professionals.

**Potential Solution**: The following offer interviews and videos of Michael Porter.

<http://www.ted.com/talks/michael_porter_why_business_can_be_good_at_solving_social_problems>

[http://www.youtube.com/watch?v=mYF2\_FBCvXw The Five Competitive Forces that Shape Strategy Video](http://www.youtube.com/watch?v=mYF2_FBCvXw%20The%20Five%20Competitive%20Forces%20that%20Shape%20Strategy%20Video)

[http://www.youtube.com/watch?v=y5I\_cnpP99U Michael Porter on Competitiveness Video](http://www.youtube.com/watch?v=y5I_cnpP99U%20Michael%20Porter%20on%20Competitiveness%20Video)

[http://www.youtube.com/watch?v=ibrxIP0H84M Michael Porter on Strategy Video](http://www.youtube.com/watch?v=ibrxIP0H84M%20Michael%20Porter%20on%20Strategy%20Video)

The types of professionals your students might list include:

• Bill Gates

• Steve Jobs

• Seth Godin

• Malcolm Gladwell

• John Kotter

• Jim Collins

• Peter Drucker

• Clayton Christensen

• Jack Welch

• Stephen Covey

• Dale Carnegie

1. **RENTING MOVIES**

**Project Purpose:** To apply Porter’s Five Forces model to the Video Rental industry

**Potential Solution:** The following offers one potential solution:

* Buyer power is high as customers have many choices to rent movies including Netflix, Redbox, On-demand, and video rental stores. They can also choose to purchase movies at a number of different stores.
* Supplier power is high as there are only a few movie distributors who price movies accordingly.
* Competition is high and rivalry is fierce.
* Threat of new entrants is low as anyone can open a video store
* Threat of substitute products is high as new forms of online entertainment including Hulu offer substitutes to renting movies

After analyzing this market the majority of students will determine that the industry is highly competitive and risky to attempt to enter.

1. **WORKING FOR THE BEST**

**Project Purpose:** To understand the value of data.

**Potential Solution:** The 2010 list of top 100 companies to work for can be found at the following link. <http://money.cnn.com/magazines/fortune/bestcompanies/2010/> Data items could include:

* Perks
* Benefits
* Location
* Turnover
* Profitability
* Employee trust
* Layoff history

If the data analyzed by Fortune was inaccurate the listing would be inaccurate and readers and subscribers to Fortune would lose faith in the company and discontinuing reading the magazine. Students analyzing this list can gain insight into the types of companies they might want to work for upon graduation. Potential questions students can answer by analyzing this list include:

* Which industry has the greatest number of Fortune 100 top companies to work for?
* Which industry has the least number of Fortune 100 top companies to work for?
* What are the top five locations for Fortune 100 companies?
* What are the bottom five locations for Fortune 100 companies?
* What types of perks and benefits do top companies offer?
* How many of the Fortune 100 companies are currently hiring?

1. **SALARY SURVEYS**

**Project Purpose:** To demonstrate the value of MIS

**Potential Solution:** This is a great project to help your students understand the numerous opportunities available in MIS. Many students will be unfamiliar with the many job opportunities available for MIS majors and the high compensation that accompanies these jobs. If you are looking to attract MIS majors this is a great classroom exercise to demonstrate the potentially lucrative careers in the MIS field.

1. **STARTING YOUR OWN BUSINESS**

**Project Purpose:** To demonstrate the value of MIS

**Potential Solution:** Students who are unfamiliar with MIS might not realize its power. Many startups today focus on technology or use technology to create competitive advantages. This is another great project that will show your students how MIS impacts business and by understanding the power of MIS they could start their own business – what a great incentive to become an MIS major!

1. **10 BEST THINGS YOU WILL SAY TO YOUR GRANDCHILDREN**

**Project Purpose:** Demonstrate how quickly MIS changes and the value of keeping current

**Potential Solution**: Your students may find different answer then the following depending on their familiarity with technology.

1. Refers to using Twitter

2. Refers to global warming and the loss of snow

3. Refers to Jeopardy and other game shows based on a person’s own memory

4. Refers to movie theaters before on-demand and Netflix downloads

5. Refers to social networking profiles

6. Refers to globalization

7. Refers to vitamins

8. Refers to cloud computing

9. Refers to iPhone updates

10. Refers to cloning animals

**APPLY YOUR KNOWLEDGE**

**Instructor Note**: There are few right or wrong answers in the business world. There are really only efficient and inefficient, and effective and ineffective business decisions. If there were always right answers businesses would never fail. These questions were created to challenge your students to apply the materials they have learned to real business situations. For this reason, the authors cannot provide you with one version of a correct answer. When grading your students’ answers, be sure to focus on their justification or support for their specific answers. A good way to grade these questions is to compare your student’s answers against each other.

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| **AYK 1: CAPITALIZING ON YOUR CAREER** |

Managers need to be involved in information technology – any computer-based tool that people use to work with information and support the information and information-processing needs of an organization. This project discusses the importance of getting general business mangers involved in information technology.

**PROJECT ANALYSIS AND SOLUTION**

Student answers to this project will vary depending on their area of expertise. This project is aimed at getting your students excited about information technology, even though they are not IT majors. By researching the IT implications for their majors, they will begin to realize how important IT will be in their future. The most important part of your students’ answers will be the justification for their analysis.

If your students are still determining their potential majors and areas of expertise you can break your students into groups and assign each group a different major or industry to research. Have your students present their findings to the entire class. This helps provide an overview of all areas and related IT influences.

Potential majors:

* Accounting – Oracle financials, payroll systems, QuickBooks
* Finance - Oracle financials, payroll systems, QuickBooks
* Management – HR systems that can pinpoint potential employee issues and risks
* Marketing – Blogs, eMarketing, RSS, podcasts, sales force automation
* IT/MIS – Design tools such as Irwin or Rational Rose or Rational RUP
* Statistics - SAS
* Operations – i2, supply chain systems, logistic systems

Potential industries:

* Telecommunications
* Health care
* Finance
* Education
* Strategy services
* Products
* Energy
* Fashion

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| **AYK 2: ACHIEVING ALIGNMENT** |

Most companies would like to be in the market-leading position of JetBlue, Harrah's, Dell, or Wal-Mart. Infor­mation technology has helped them secure their respec­tive spots in the marketplace. These companies have a relentless goal of keeping the cost of technology down by combining the best of IT and business leadership. Companies that master the art of finely tuned, cost-effective IT management will have a major advantage in business. Their success will force their competitors to also master the art or fail miserably. The future belongs to those who are perceptive enough to grasp the significance of IT and resourceful enough to synchronize business management and information management.

**PROJECT ANALYSIS AND SOLUTION**

1. **How do companies prioritize the demands of various business units as they relate to IT?**
2. **Aligning IT and Business Objectives** - IT organizations have been using operational systems such as project management and resource management to streamline their overall process and “do things right”. However, they might still be working on a wrong set of priorities. Alignment between business and technology enables them to prioritize IT investments and work on “the right things.”
3. **Asset Rationalization** - Solutions that enable IT executives to plan asset rationalization initiatives and reduce their overall IT expenditure on infrastructure assets. Rationalization projects require IT organizations to identify the right opportunities for data center/server consolidation, vendor rationalization, infrastructure re-deployment and contract renegotiation, and then create optimal plans. With over 50% of the IT spent going towards infrastructure assets within most companies, smart rationalization enables IT executives to find the money to fund other strategic initiatives.
4. **Risk Reduction** - Solutions that enable information technology executives to reduce risk to their business operations from internal and external IT factors. The risk from internal factors is primarily attributed to poor planning and execution of projects and initiatives.
5. **What are some of the greatest IT challenges for the coming year?**

Answers will certainly vary here; however, most students should be able to identify many of the following:

1. **Security** – This is a very broad topic area, yet it is the most important in terms of IT challenges. Represented in this area are security issues, such as:

* Biometric Devices
* Crime
* Data Encryption Standards
* Department of Homeland Security
* Disaster Planning
* Encryption
* Hackers
* Risk Management
* Security Hardware
* Security Management
* Security Software
* Security Standards
* Security Systems
* Storage Management
* Systems Implementation
* Wireless

1. **More Mobile Service With Less Bandwidth** – This topic area has roots embedded in the security issues listed above. However, there is a challenge in developing and extending the infrastructure needed to support these types of services. Enterprise users planning to "mobilize" access to corporate applications must look beyond the mobile service providers to the application developers and the handset manufacturers for end-to-end solutions that support specific applications over a mobile telephone network.
2. **Business Intelligence** – Business Intelligence systems will grow from being a “cool” IT “buzzword” to a valuable function that will drive business. However, the challenge will be how to integrate, such as OLAP, data warehouses, data mining, with existing systems.
3. **What drives IT decisions?**

Responses will vary here; however, some students may wish to answer this from a historical perspective. Some typical answers should include:

1. Companies buy computers and invest in information technology because they believe those investments will improve their productivity. However, the impact of IT expenditures on a company's productivity is far less clear — and harder to quantify.
2. Companies have been able to measure IT expenses — from acquisitions to the maintenance of computer networks, security, and so on — without much ado. But they are now finding ways to measure the value of IT expenditures through productivity metrics, among other measures. Not surprisingly, this involves a change in how companies think about their IT investments and the impact these investments have on their bottom line.
3. IT investments are increasingly linked to a company's business goals. To look at productivity effectively involves understanding a company's business goals and what makes the company successful.
4. Solutions are mapped to support business objectives. The costs and benefits of the investment must then be quantified, along with the risk of implementation — the risk, in other words, that inadequate training, turf battles or other factors could compromise the productivity benefit.
5. **Who or what is the moving force behind IT decisions?**
6. Traditionally, the chief information officer (CIO) and the IT department have been responsible for making IT decisions. The reason was simple: they were the ones who knew the most about computers and computing technology. But merely acquiring (or building) the right technology is no longer sufficient. Companies must continue to examine each technology decision throughout its investment life cycle, thereby ensuring its proper implementation, its productive use, and its measurable results.
7. Many companies are subjecting the business cases for IT decisions to the same criteria they apply to other company decisions. The CIO now needs to justify that each decision (namely that of an investment) has the same potential return as, say, building a new factory.
8. The IT industry has been under pressure to keep up with the newest technologies, answering to many departments often without clear goals. The result: Technologies that did not make smart business sense were sometimes implemented at significant costs. The more rigorous, business-case approach, however, helps CIOs and executives align their IT decisions with business goals to ensure a productive result.
9. Peer recommendations and staff inputs can be considered important.
10. **What types of efficiency metrics and effectiveness metrics might these companies use to measure the impact of IT?**

Typical responses should include:

1. Speed
2. Throughput
3. Performance
4. Scalability
5. Web metrics
6. Net Present Value (NPV)
7. Return on Investment (ROI)
8. Total Cost of Ownership (TCO)
9. **How are financial metrics used to monitor and measure IT investments? What are some of the issues with using financial metrics to evaluate IT?**

* Net Present Value (NPV), Internal Rate of Return (IRR), Return on Investment (ROI), Payback Period (PB), and Total Cost of Ownership (TCO) are a few financial metrics.
* Chief financial officers will say it is hard to demonstrate lasting value from technology investments that promise to keep customers happy and loyal.
* Multiple metrics are required, previously mentioned, such as:
* Net present value (NPV) is the present value of the stream of net (operating) cash flows from a project minus the project’s net investment. NPV makes a comparison between the cost of an investment and the present value of uncertain future cash flows generated by the project.
* Internal rate of return (IRR) is the rate at which the NPV of an investment equals zero.
* Return on investment (ROI) indicates the earning power of a project and is measured by dividing the benefits of a project by the investment. ROI can be calculated in various ways. The most common method is Net Income as a percentage of Net Book Value (total assets minus intangible assets and liabilities).
* Payback period (PB) is the period of time required for the cumulative cash inflows from a project to equal the initial cash outlay. PB essentially determines the amount of time required for a project to pay for itself.
* Total cost of ownership (TCO)consists of the costs, direct and indirect, incurred throughout the life cycle of an asset, including acquisition, deployment, operation, support, and retirement. Essentially, TCO attempts to properly state the costs of an IT investment.

1. **What are some of the issues with using financial metrics to evaluate IT?**

Using financial metrics to evaluate IT does not always work. What is the financial value of a fire extinguisher? The extinguisher cost $30, but if it puts out a fire that could destroy the entire building or just the server room it could be worth millions to the company. Putting a financial metric on a firewall or computer is difficult. The computer cost $1,200 but might contain millions of dollars worth of information. Measuring the value of IT with financial metrics is a difficult job.

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| **AYK 3: MARKET DISSECTION** |

Organizations must formulate a strategy for entering new markets. An organization can follow Porter’s three generic strategies when entering a new market: (1) broad cost leadership, (2) broad differentiation, or (3) a focused strategy. Broad strategies reach a large market segment, while focused strategies target a niche market. A focused strategy concentrates on either cost leadership or differentiation. Trying to be all things to all people, however, is a recipe for disaster, since it is difficult to project a consistent image to the entire marketplace. Porter suggests that an organization is wise to adopt only one of the three generic strategies.

**PROJECT ANALYSIS AND SOLUTION**

To illustrate the use of the three generic strategies, consider Figure AYK.1. The matrix shown demonstrates the relationships among strategies (cost leadership versus differentiation) and market segmentation (broad versus focused).

* Hyundai is following a broad cost leadership strategy. Hyundai offers low-cost vehicles, in each particular model stratification, that appeal to a large audience.
* Audi is pursuing a broad differentiation strategy with its Quattro models available at several price points. Audi’s differentiation is safety, and it prices its various Quattro models (higher than Hyundai) to reach a large, stratified audience.
* Kia has a more focused cost leadership strategy. Kia mainly offers low-cost vehicles in the lower levels of model stratification.

Hummer offers the most focused differentiation strategy of any in the industry (including Mercedes-Benz). Student solutions to this project will vary. The most important part of their answer is their justification for each product placement.

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| **AYK 4: GRADING SECURITY** |

Organizational information is intellectual capital. Just as organizations protect their assets - keeping their money in an insured bank or providing a safe working environment for employees - they must also protect their intellectual capital. An organization’s intellectual capital includes everything from its patents to its transactional and analytical information. With security breaches on the rise and computer hackers everywhere, an organization must put in place strong security measures to survive. Information security policies identify the rules required to maintain information security. An information security plan details how an organization will implement the information security policies.

**PROJECT ANALYSIS AND SOLUTION**

Making The Grade needs to take information security seriously and its first step is to ensure it has an information security plan and information security policies in place prior to deploying its website. Here are a few items students should consider when creating their documents.

**Five steps to creating an information security plan:**

**1. Develop the information security policies**

* Simple yet effective types of information security policies include:
* Requiring users to log off of their systems before leaving for lunches or meetings
* Never sharing passwords, and changing personal passwords every 60 days
* Ask your students what other types of information security policies they have encountered

**2. Communicate the information security policies**

* Train all employees and establish clear expectations for following the policies
* For example – a formal reprimand can be expected if a computer is left unsecured

**3. Identify critical information assets and risks**

* ***Firewall*** – hardware and/or software that guards a private network by analyzing the information leaving and entering the network
* ***Intrusion detection software (IDS)*** – searches out patterns in network traffic to indicate attacks and quickly respond to prevent harm
* Require the use of user IDs, passwords, and antivirus software on all systems
* Ensure that systems that contain links to external networks have firewalls and IDS software

**4. Test and reevaluate risks**

* Continually perform security reviews, audits, background checks, and security assessments

**5. Obtain stakeholder support**

* Gain the approval and support of the information security policies by the Board of Directors and all stakeholders

**Top 10 Questions Managers Should Ask Regarding Information Security:**

1. Does the board of directors recognize information security is a board-level issue that cannot be left to the IT department alone?
2. Is there clear accountability for information security in the organization?
3. Do the board members articulate an agreed-upon set of threats and critical assets? How often do they review and update these?
4. How much is spent on information security and what is it being spent on?
5. What is the impact on the organization of a serious security incident?
6. Does the organization view information security as an enabler? (For example, by implementing effective security, could the organization increase business over the Internet?)
7. What is the risk to the business of getting a reputation for low information security?
8. What steps have been taken to ensure that third parties will not compromise the security of the organization?
9. How does the organization obtain independent assurance that information security is managed effectively?
10. How does the organization measure the effectiveness of its information security activities?

* **The importance of educating employees on information security**

Adding to the complexity of information security is the fact that organizations must enable employees, customers, and partners to access information electronically to be successful in this electronic world. Doing business electronically automatically creates tremendous information security risks for organizations. Surprisingly, the biggest issue surrounding information security is not a technical issue, but a people issue.

The CSI/FBI Computer Crime and Security Survey reported that 38 percent of respondents indicated security incidents originated within the enterprise. Insiders are legitimate users who purposely or accidentally misuse their access to the environment and cause some kind of business-affecting incident. Most information security breaches result from people misusing an organization’s information either advertently or inadvertently. For example, many individuals freely give up their passwords or write them on sticky notes next to their computers, leaving the door wide open to intruders.

* **A few samples of employee information security policies specifically for Making The Grade.**
  + Employees cannot disclose passwords or confidential information to outsiders
  + Employees cannot view illicit web material when using a Making The Grade computer
  + Employees will logout of their computers whenever they are not at their computer
  + Employees will not allow students to use their computers
  + Employees will change their passwords ever 90 days
  + Passwords must be a combination of letters and numbers
* **Other major areas the information security plan should address.**
  + Identification and Assessment of Risks to Customer Information
  + Information Security Plan Coordinators
  + Design and Implementation of Safeguards Program
  + Employee Management and Training
  + Physical Security
  + Information Security
  + Selection of Appropriate Service Providers
  + Continuing Evaluation and Adjustment
* **Signs the company should look for to determine if the website is being hacked.**
* Elevation of privilege is a process by which a user misleads a system into granting unauthorized rights, usually for the purpose of compromising or destroying the system. For example, an attacker might log on to a network by using a guest account, and then exploit a weakness in the software that lets the attacker change the guest privileges to administrative privileges.
* Hoaxes attack computer systems by transmitting a virus hoax, with a real virus attached. By masking the attack in a seemingly legitimate message, unsuspecting users more readily distribute the message and send the attack on to their co-workers and friends, infecting many users along the way.
* Malicious code includes a variety of threats such as viruses, worms, and Trojan horses.
* Spoofing is the forging of the return address on an email so that the email message appears to come from someone other than the actual sender. This is not a virus but rather a way by which virus authors conceal their identities as they send out viruses.
* Spyware is software that comes hidden in free downloadable software and tracks online movements, mines the information stored on a computer, or uses a computer’s CPU and storage for some task the user knows nothing about. According to the National Cyber Security Alliance, 91 percent of the study had spyware on their computers that can cause extremely slow performance, excessive pop-up ads, or hijacked home pages.
* A sniffer is a program or device that can monitor data traveling over a network. Sniffers can show all the data being transmitted over a network, including passwords and sensitive information. Sniffers tend to be a favorite weapon in the hacker’s arsenal.
* Packet tampering consists of altering the contents of packets as the travel over the Internet or altering data on computer disks after penetrating a network. For example, an attacker might place a tap on a network line to intercept packets as they leave the computer. The attacker could eavesdrop or alter the information as it leaves the network.
* **The major types of attacks the company should expect to experience**
  + Hackers—people very knowledgeable about computers who use their knowledge to invade other people’s computers
    - White-hat hackers—work at the request of the system owners to find system vulnerabilities and plug the holes.
    - Black-hat hackers—break into other people’s computer systems and may just look around or may steal and destroy information.
    - Hactivists—have philosophical and political reasons for breaking into systems and will often deface the website as a protest.
    - Script kiddies or script bunnies—find hacking code on the Internet and click-and-point their way into systems to cause damage or spread viruses.
    - Cracker—a hacker with criminal intent.
    - Cyberterrorists—seek to cause harm to people or to destroy critical systems or information and use the Internet as a weapon of mass destruction.
  + Viruses—software written with malicious intent to cause annoyance or damage.
    - Worm—a type of virus that spreads itself, not only from file to file, but also from computer to computer. The primary difference between a virus and a worm is that a virus must attach to something, such as an executable file, in order to spread. Worms do not need to attach to anything to spread and can tunnel themselves into computers.
    - Denial-of-service attack (DoS)—floods a website with so many requests for service that it slows down or crashes the site.
    - Distributed denial-of-service attack (DDoS)—attacks from multiple computers that flood a website with so many requests for service that it slows down or crashes. A common type is the Ping of Death, in which thousands of computers try to access a website at the same time, overloading it and shutting it down.
    - Trojan-horse virus—hides inside other software, usually as an attachment or a downloadable file.  
      Backdoor programs—viruses that open a way into the network for future attacks.
    - Polymorphic viruses and worms—change their form as they propagate

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| **AYK 5: EYES EVERYWHERE** |

The third kind of authentication, using something that is part of the user such as a fingerprint or voice, is by far the best and most effective way to manage authentication. ***Biometrics*** (narrowly defined) is the identification of a user based on a physical characteristic, such as a fingerprint, iris, face, voice, or handwriting. Unfortunately, biometric authentication can be costly and intrusive. For example, iris scans are expensive and considered intrusive by most people. Fingerprint authentication is less intrusive and inexpensive but is also not 100 percent accurate.

**PROJECT ANALYSIS AND SOLUTION**

1. **How do you feel about having your fingerprints, facial features, and perhaps more of your biometric features encoded in documents like your passport? Explain your answer.**

Some people are comfortable with the types of invasive procedures required by biometrics, and some people are not. Some feel that biometrics are not a form of privacy invasion, while others feel that it is a form of Big Brother is Watching. With the current terror alerts and 9/11 it seems more logical to want better security features such as biometric passports. However, many individuals do not want additional security features imposed.

1. **Would you feel the same way about having biometric information on your driver’s license as on your passport? Why or why not?**

People will probably feel more strongly against biometric information on a driver’s license than on a passport. It is far easier to lose a driver’s license since most people carry them all the time, whereas a passport is typically only carried during extended travel periods.

1. **Is it reasonable to have different biometric identification requirements for visitors from different nations? Explain your answer. What would you recommend as criteria for deciding which countries fall into what categories?**

This is a tricky question. Could you enforce biometric identification from citizens who live in the Middle East and not citizens who live in Europe and Africa?

1. **The checkpoints U.S. citizens pass through upon returning to the country vary greatly in the depth of the checks and the time spent. The simplest involves simply walking past the border guards who may or may not ask border guards who may or may not ask you your citizenship. The other end of the spectrum requires that you put up with long waits in airports where you have to line up with hundreds of other passengers while each person is questioned and must produce a passport to be scanned. Would you welcome biometric information on passports if it would speed the process, or do you think that the disadvantages of the reduction in privacy, caused by biometric information, outweighs the advantages of better security and faster border processing? Explain your answer.**

Opinions on these subjects will vary considerably. Will biometric information help speed up the process? With each invention of a new good technology comes the invention of how to use the technology for bad. For example, the Internet invented a great way to sell goods and service, and people now use the Internet to steel identities. Does more IT guarantee better security?

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| **AYK 6: SETTING BOUNDARIES** |

Ethics are the principles and standards that guide our behavior toward other people. Technology has created many new ethical dilemmas in our electronic society. Privacy is the right to be left alone when you want to be, to have control over your own personal possessions, and not to be observed without your consent. Privacy is related to confidentiality, which is the assurance that messages and data are available only to those who are authorized to view them.

Individuals form the only ethical component of an IT system. They determine how they use IT, and how they are affected by IT. How individuals behave toward each other, how they handle information and technology, are largely influenced by their ethics. Ethical dilemmas usually arise not in simple, clear-cut situations but out of a clash between competing goals, responsibilities, and loyalties. Ethical decisions are complex judgments that balance rewards against responsibilities. Inevitably, the decision process is influenced by uncertainty about the magnitude of the outcome, by the estimate of the importance of the situation, by the perception of conflicting “right reactions,” when there is more than one socially acceptable “correct” decision

**PROJECT ANALYSIS AND SOLUTION**

1. **A senior marketing manager informs you that one of her employees is looking for another job and she wants you to give her access to look through her email.**

What are the company’s policies on email? Does this fall into one of the policies? Did the employee sign an employment contract?

1. **A vice president of sales informs you that he has made a deal to provide customer information to a strategic partner, and he wants you to burn all of the customer information onto a DVD.**

Without permission from several layers of management it would be unethical to give away corporate information.

1. **You are asked to monitor one of your employee’s email to discover if he is sexually harassing another employee.**

What are the company’s policies on email monitoring? What are the company’s policies on sexual harassment? If the policy is in accordance with your actions you can monitor to determine if the employee is breaking the law.

1. **You are asked to install a video surveillance system in your office to watch if employees are taking office supplies home with them.**

What are the company’s policies on employee monitoring and information technology monitoring? If the company does not have the right policies you should not put in a camera to monitor employees. If you did, you would then be breaking the law and your employee’s right to privacy.

1. **You are looking on the shared data drive and discover that your bosses’ entire hard drive has been copied onto it. What do you do?**

Is this an invasion of privacy or since it is posted on a public folder is it now public material?

1. **You have been accidentally copied on an email from the CEO, which details that will be the targets of the next round of layoffs. What would you do?**

Since you have been copied your name is on the distribution list. The CEO will know that he/she has copied you accidentally on the email. You should reply to the email and let the CEO know that you were accidentally copied.

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| **AYK 7: PORTER’S FIVE FORCES** |

Porter's Five Forces is an easy framework to understand and offers a quick way to analyze a market. Porter’s Five Forces was introduced in the text and you can post the below examples for students to review to ensure you have a solid understanding of each force. Feel free to use the below Porter’s Five Forces template for your assignment. Be sure to add in examples of loyalty programs or switching costs you could implement to help retain your market share.

Sample Analysis for Airline Industry



Sample Analysis for Milk



Template



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| **AYK 8: MEASURING EFFICIENCY AND EFFECTIVENESS** |

Student measurements should include specific ways they can measure classroom efficiency and effectiveness including KPIs. Key performance indicators (KPIs) are the measures that are tied to business drivers. Metrics are the detailed measures that feed those KPIs. Performance metrics fall into a nebulous area of business intelligence that is neither technology- nor business-centered, but this area requires input from both IT and business professionals to find success.

Efficiency and effectiveness metrics are two primary types of IT metrics. Efficiency IT metrics measure the performance of the IT system itself including throughput, speed, and availability. Effectiveness IT metrics measure the impact IT has on business processes and activities including customer satisfaction, conversion rates, and sell-through increases. Peter Drucker offers a helpful distinction between efficiency and effectiveness. Drucker states that managers “Do things right” and/or “Do the right things.” Doing things right addresses efficiency—getting the most from each resource. Doing the right things addresses effectiveness—setting the right goals and objectives and ensuring they are accomplished.

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| **AYK 9: ADDING VALUE** |

A firm must identify the business processes required to create its products or services. Of course, it will want to ensure the processes add value and create competitive advantages. To identify these competitive advantages, Michael Porter created value chain analysis, which views a firm as a series of business processes that each add value to the product or service. Value chain analysis is a useful tool for determining how to create the greatest possible value for customers. The goal of value chain analysis is to identify processes in which the firm can add value for the customer and create a competitive advantage for itself, with a cost advantage or product differentiation.

Depending on how much research and time your students have will determine how much detail they add to their value chain analysis. The Tuck School of Business at Dartmouth offers an excellent overview of Starbucks your students can use for their analysis.

<http://mba.tuck.dartmouth.edu/pdf/2002-1-0023.pdf>

The value chain groups a firm’s activities into two categories, primary value activities, and support value activities. Primary value activities, shown at the bottom of the value chain, acquire raw materials and manufacture, deliver, market, sell, and provide after-sales services. As a group, discuss the following in relation to Starbucks:

* Inbound logistics: acquires raw materials and resources and distributes to manufacturing as required.
* Operations: transforms raw materials or inputs into goods and services.
* Outbound logistics: distributes goods and services to customers.
* Marketing and sales: promotes, prices, and sells products to customers.
* Service: Provides customer support after the sale of goods and services.

Support value activities, along the top of the value chain, include firm infrastructure, human resource management, technology development, and procurement. Not surprisingly, these support the primary value activities. As a group, discuss the following in relation to Starbucks:

* Firm infrastructure: includes the company format or departmental structures, environment, and systems.
* Human resource management: provides employee training, hiring, and compensation.
* Technology development: applies MIS to processes to add value.
* Procurement: purchases inputs such as raw materials, resources, equipment, and supplies.

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| **AYK 10: FLAT COMPETITION** |

Hopefully, everyone immediately recognizes the importance of this course as they watched the Friedman video. As you begin to compete in a Flat World you need all the technology skills and experience you can possibly find! I've never heard anyone say - "My career was right on track until I learned about technology - I sure wish I had never learned technology it ruined my career".

* Amazon is a book selling company - not a technology company.
* Netflix is a video rental business - not a technology company.
* eBay is a consumer trading business - not a technology company.

All of these businesses were started by BUSINESS people who understood the value of technology so well that they fundamentally changed the primary business processes of buying books, renting videos, and trading goods. Every BUSINESS person should understand technology, without it they won't be able to spot the competitive advantages that are just waiting for the next brilliant entrepreneur to discover.

There are huge strides in third world countries. We now have Internet carts that can drive around and provide remote villages in Neap and India and Africa with computers and access. Some argue that the world between the haves and the have-nots is widening because of technology - I personally believe it is closing. With a computer I can literally get a PHD from an online school no matter where I am located - a remote village in Antarctica.

Here is a question for your students. Is the world flat for everyone? When I view Friedman and try to think of a job that isn't flat I actually tend to come up with blue collar jobs. White collar jobs are easily outsourced - CPAs are doing our taxes in China, Legal work is done is Africa, Architecture work is done in India, Programming code is done is Ukraine, Doctors are reading our x-rays in India, etc. But can a nurse, garbage man, house painter, contractor, waitress, librarian, (service industry) jobs be outsourced? Don't get me wrong - I completely agree that the best thing you can invest in is your education - but in a flat world I no longer agree that it means your skill set won't be outsourced.

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| **AYK 11: WIKIBLUNDERS** |

The higher purpose of Wikipedia- to supply information for free to the masses - has tremendous value. In many countries the thought of paying thousands of dollars for a set of encyclopedias is not an option. Wikipedia, although somewhat unreliable and untrustworthy, is an attractive alternative if you have no other options for an encyclopedia. However, the big problem with Wikis, and Wikipedia, is keeping the information accurate. How do you know the person posting the information if valid and credible?

What is an alternative to Wikipedia? An encyclopedia written and verified by a few people. The advantage of Wikipedia is that the information can be challenged by the best and the brightest in the fields - it can have people from all over the world come together and collectively discuss a topic. It is believed that we are smarter collectively than independently.

Additional collaboration tools that can help businesses when communicating can track revisions and keep history. There are also ranking technologies that accompany each collaboration tool that allows users to vote how relevant or useful the information was - similar to Digg.com. This democratic method allows input from across the population to provide feedback on what pages are helpful and what are not. These can be very useful when using collaboration tools to help improve the efficiency and effectiveness of the tool, including Wikipedia.

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| **AYK 12: WHAT’S WRONG WITH THIS BATHROOM** |

Any company whose primary executives are not aligned with business goals and strategies runs the risk of losing investors and credibility. Hiring the right people and ensuring they act ethically is a key strategy for any business competing in the information age. With the power of the Internet any bad decision can be made public instantly. For this reason, ensuring your employees act ethically in all manners is far more important today than ever before.

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| **AYK 13: I LOVE TED!** |

There are so many amazing videos on Ted that your students will find a wealth of information on all sorts of interesting topics. Gaining knowledge and information on new technologies, new business strategies, different perspectives, global views, etc. is a great way to analyze any market for competitive advantages.