

# Chapter 32

## Information Strategy as Enabler of Competitive Advantage

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### ABSTRACT

*Technology has been continuously improving, causing high business pressures that affect organizations' current and future competitiveness. Gaining competitive advantage is critical for organizations. Among the various resources which organizations deploy to succeed, information is identified as a crucial resource. The success of organizations depends on the decisions made and the excellence of decisions depends upon the quality and reliability of information. If this be so, then information strategies need to be designed and implemented in a comprehensive manner so that the organizations derive competitive advantage. Based on an in-depth literature review and contextual analysis, this paper will review competitive forces and competitive information systems strategies for gaining competitive advantages, explain concepts of value chain, business ecosystems and discuss innovation strategy.*

### INTRODUCTION

Competitive advantages give a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.

*Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for*

*equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation. (Michael Porter, Competitive Advantage, 1985, p.3)*

There are two main types of competitive advantages: comparative advantage and differential advantage. Comparative advantage, or cost advantage, is a firm's ability to produce a good or service at a lower cost than its competitors, which gives the firm the ability to sell its goods or services at a lower price than its competition or to generate a larger margin on sales. A differential advantage is

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created when a firm's products or services differ from its competitors and are seen as better than a competitor's products by customers.

Competitive advantage is the favorable position an organization seeks in order to be more profitable than its competitors. It involves communicating a greater perceived value to a target market than its competitors can provide. This can be achieved through many avenues including offering a better-quality product or service, lowering prices and increasing marketing efforts. Sustainable competitive advantage refers to maintaining a favorable position over the long term, which can help boost a company's image in the marketplace, its valuation and its future earning potential. Porter maintains that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage. There are different risks inherent in each generic strategy, but being "all things to all people" is a sure recipe for mediocrity - getting "stuck in the middle."

Thus competitive advantage is an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retains more customers than its competition. There can be many types of competitive advantages including the firm's cost structure, product offerings, and distribution network and customer support and information systems. Different organizations evolve and adopt different strategies to seek competitive advantage and different strategies in turn result in different competitive advantages. Based on an in-depth literature review and contextual analysis, this paper will review competitive forces and competitive information systems strategies for gaining competitive advantages, explain concepts of value chain, value web and business ecosystems and discuss innovation strategy.

## **BACKGROUND**

Information Systems (IS) strategy is a comprehensive plan that information technology management

professionals use to guide their organizations. IS project management is the process of planning, organizing and delineating responsibility for the completion of organizations' specific information systems goals.

According to the Project Management Institute, project management processes are guided through five stages: initiation, planning, executing, controlling and closing. Orderly IS project management is inherent to an organization's IT strategy and is usually under the direction of the Chief Information Officer (CIO). IT (information technology) is a term that encompasses all forms of technology used to create, store, exchange, and use information in its various forms (business data, voice conversations, still images, motion pictures, multimedia presentations, and other forms, including those not yet conceived). It's a convenient term for including both telephony and computer technology in the same word. It is the technology that is driving what has often been called "the information revolution." An IT strategy should cover all facets of technology management, Business technology management (BTM) is a term for a group of services intended to help businesses that might not have their own information technology (IT) department.

BTM can include technology planning, project management, support, database services, disaster recovery, network management, security, and document services such as e-billing, document formatting, and mass printing and mailing. A company that offers BTM services may offer consulting or the actual service itself including cost management, human capital management, hardware and software management, vendor management, risk management and all other considerations in the enterprise IT environment. Executing an IT strategy requires strong IT leadership; the chief information officer (CIO) and chief technology officer (CTO) need to work closely with business, budget and legal departments as well as with other user groups within the organization.

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