



Figure 3-1 Organizational Strategy Determines Information Systems

According to the definition of MIS, information systems exist to help organizations achieve their strategies. As you will learn in your business strategy class, an organization's goals and objectives are determined by its *competitive strategy*. Thus, ultimately, competitive strategy determines the structure, features, and functions of every information system.

Figure 3-1 summarizes this situation. In short, organizations examine the structure of their industry and determine a competitive strategy. That strategy determines value chains, which, in turn, determine business processes. The structure of business processes determines the design of supporting information systems.

Michael Porter, one of the key researchers and thinkers in competitive analysis, developed three different models that can help you understand the elements of Figure 3-1. We begin with his five forces model.

## Q1 How Does Organizational Strategy Determine Information Systems Structure?

Recall from Chapter 1 that MIS is the development and use of information systems that enable organizations to achieve their strategies. In Chapter 2, you learned how information systems support competitive strategy and how IS can create competitive advantages. As you will learn in your organizational behavior classes, a body of knowledge exists to help organizations analyze their industry, select a competitive strategy, and develop business processes. In the first part of this chapter, we will survey that knowledge and show how to use it, via several steps, to structure information systems. Then, in the last section, we will discuss how companies use information systems to gain a competitive advantage.

GearUp provides a good example. Its strategy is to provide the lowest priced items on the Web. To do so, it needs to keep its costs as low as possible. An information system that tracks the expense of working with vendors would help it select better vendors, but, as of yet, it doesn't have one. Thus, GearUp's information systems are not supporting its strategy as well as they could.