Chapter III

Information Systems and Business Strategy: A Concurrent Planning Model

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ABSTRACT

The main purpose of this chapter is to deep into the importance attached to the Information Systems for the proper formulation of the corporate strategy. After introducing the basis of the strategic planning tradition model, which suggests the subordination of the Information Systems (IS) to the Business Strategy, we propose a new model that views the IS as an strategic instrument suited for the strategy formulation stage, rather than operational tools for the strategy control phase. Success in the application of this model we call “Concurrent Business/IS Strategic Planning Model” will closely depend on the consistency, coherence and soundness of the IS, both internal and external. In order to contrast the level of application of this model, an empirical case-study fieldwork was undertaken to rise up some empirical evidence on the degree of alignment between the entrepreneurial practice and the theoretical model proposed. This last section contains the main results arising from the empirical analysis.

INTRODUCTION

The main purpose of this chapter is to examine the importance attached to information systems for the proper formulation of corporate strategy.

Before starting with the core content of the chapter, we should clearly state the position and value of information within organisations, by analysing the role assigned to information resources by different organisational theories.
Information has become a key resource for most organisations, along with human resources or technological assets. A proper use of these resources underlies the competitiveness prospects of most organisations.

Having stated the key character of information as an input to be considered in a company’s decision-making process, we should remember that not all information is equally important, nor should it all be treated in the same way. Several typologies of information exist, such as the one proposed by Cornellà (1994):

1. According to the capacity of synthesis and the types of decisions to be made on the basis of it:
   - Operational information / Tactical information / Strategic information
2. According to the place where the information is generated:
   - External information / Internal information
3. According to the degree of specificity of the information:
   - Guidance information / End user information
4. According to the degree of immediacy that their treatment requires:
   - Active information / Inactive information

INFORMATION SYSTEMS

Information systems (IS) are usually extremely complex, which makes it difficult to provide an exact definition of them. As a starting point we use the one proposed by Andreu, Ricart and Valor (1996: 13): “An integrated group of processes, primarily of a formal nature, developed in a user-computer environment, which operate on a quantity of structured data about an organisation, whose function is to gather, process and distribute selectively all the information needed for the management and the proper functioning of the organisation.”

Some nuances can be added to this initial definition:

IS refers basically to formalised processes. However, IS should not neglect informal processes, of growing concern and presence in current organisations. IS makes use of computers, although conceptually an IS can still exist without computers. However, nowadays, the use of computers is almost compulsory to ensure a minimum of productivity, profitability and scope of the information gathered.

Having defined what an information system means, we now turn our interest to the main purpose of these systems, i.e., to integrate information in support of the decision-making process.

From the vast array of applications of IS in the management of companies, three basic information systems can be identified: MIS (Management Information System), DDS (Decision Support System) and EIS (Executive Information System).

The MIS is not a new concept. It was defined in the ’60s by Ackoff (1967) as a system that furnishes the managers—across the organisation—with detailed and summarised information from company databases on operations and performance.

MIS encompasses both databases and a series of routines for data treatment. The system is structured around a set of previously determined rules for decision.

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