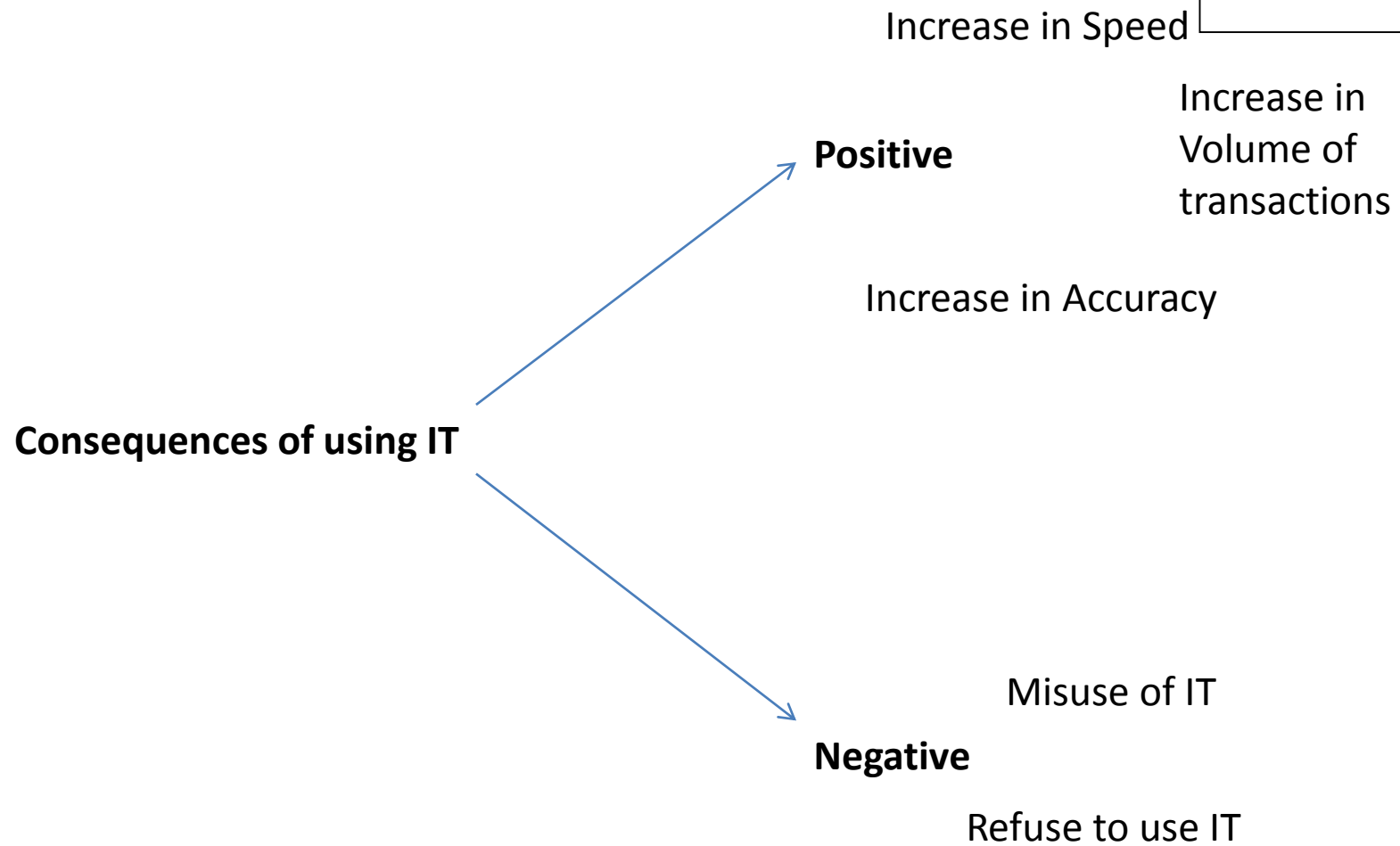
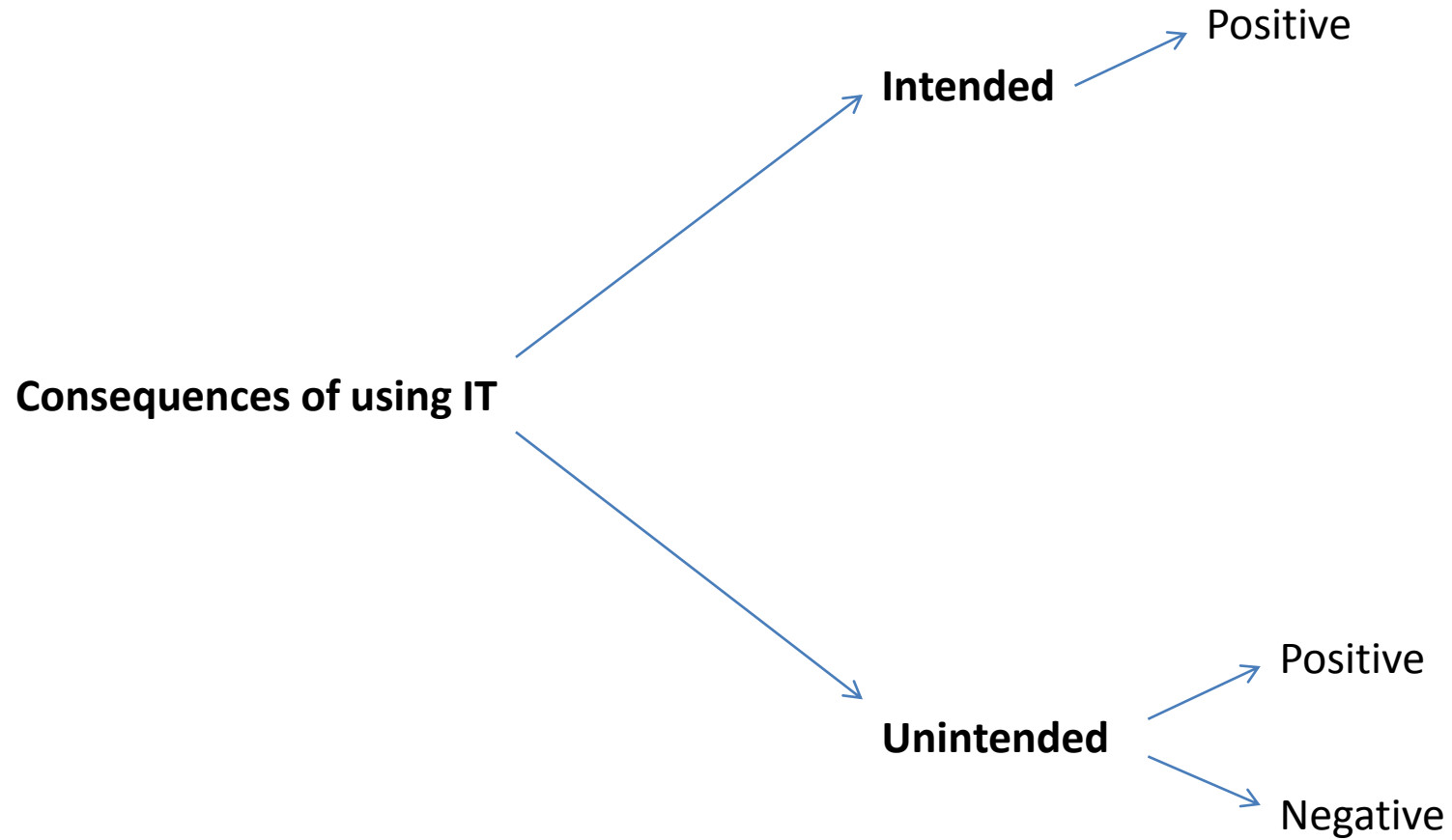


WEEK 1 COURSE HANDOUT

WHY DO ORGANISATIONS BUILD IT SYSTEMS





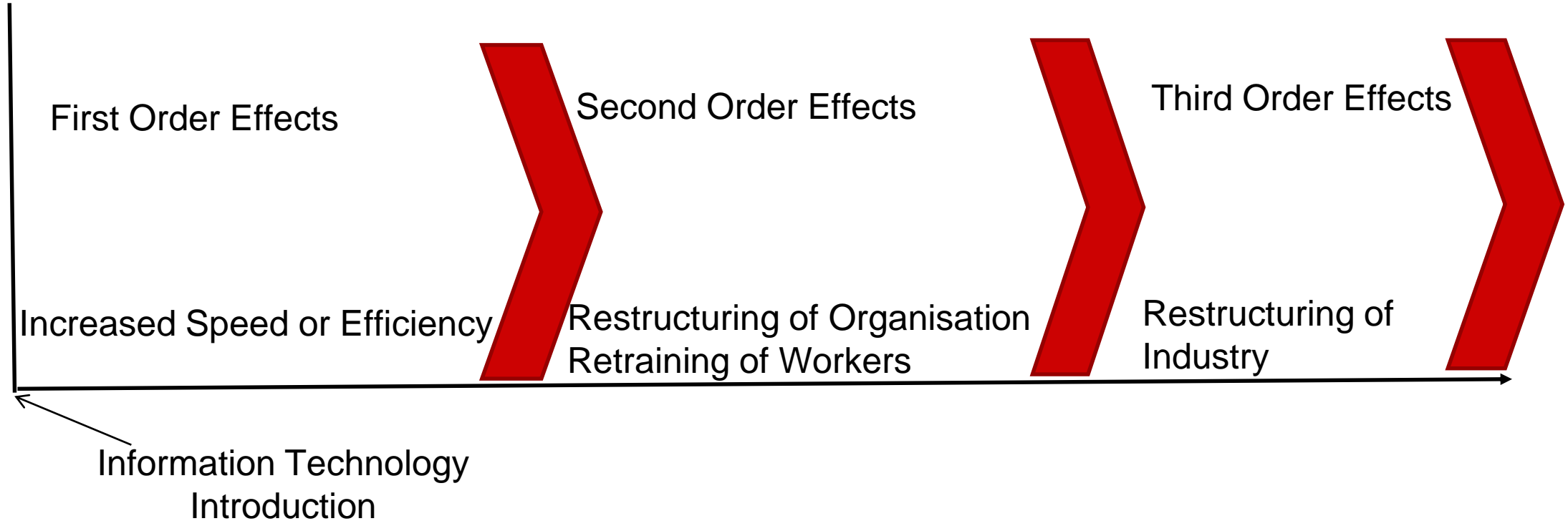
ORDER EFFECTS OF USING IT

Types of Consequences

Example of **transportation** from Malone & Rockart (1991)

- First Order Effect - Change from horse drawn carriage to automobiles (increase in speed and volume)
- Second Order Effect - People begin to travel more; go to meetings that would have not been possible before
- Third Order Effect - Entire economy changes to use the new transportation; suburbs emerge

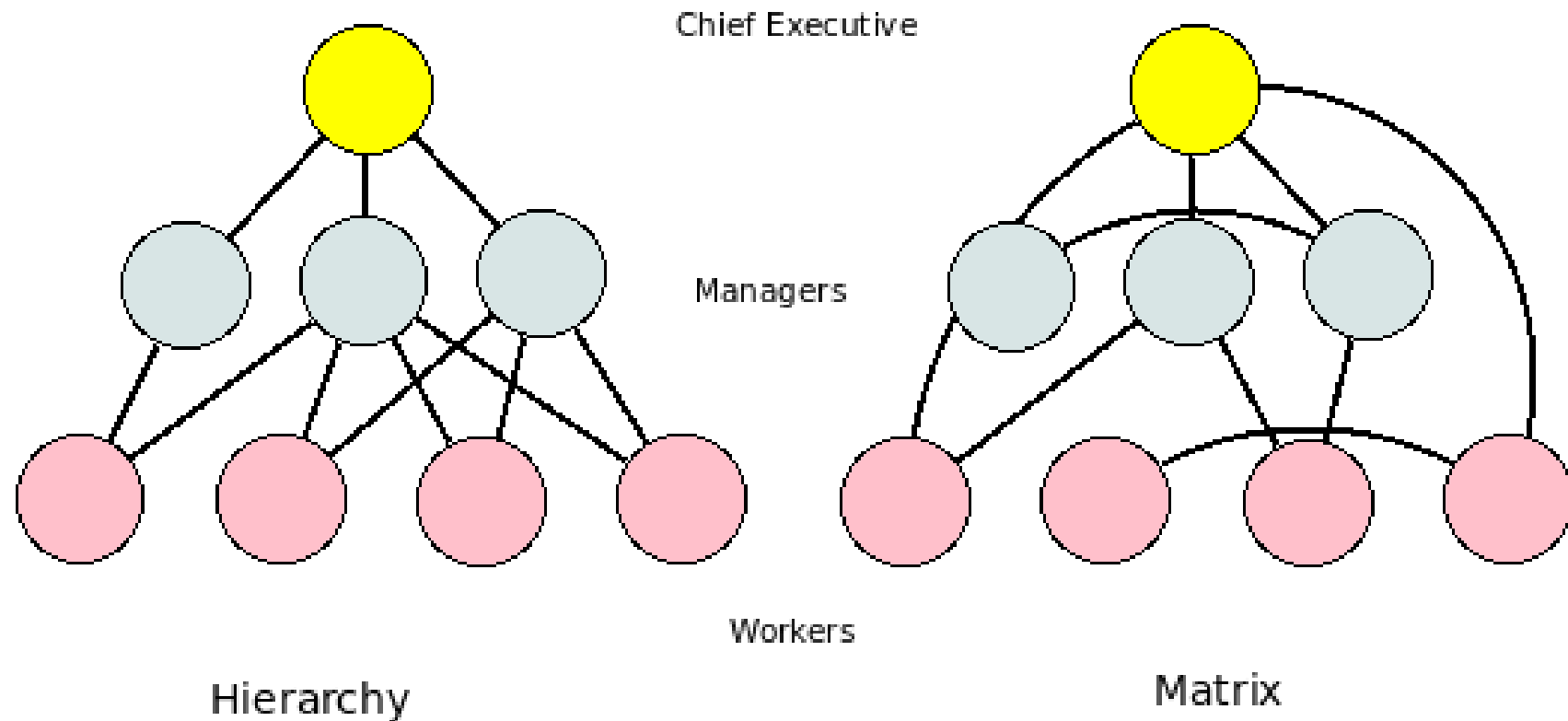
Consequences of using IT



Significant Second and Third Order Effects

- Malone and Rockart predicted
 - Companies will shift from internal decisions to relying on markets
 - Companies will choose to buy more and make less
 - Management hierarchies will disappear

Organisational Structures



WHY ORGANISATIONS HAVE TO USE IT

Indicators of competitive dynamics

- Industry concentration
 - Winner-take-all
 - Few players take bulk of market share
- Turbulence
 - Changing rank order of sales leaders
 - For e.g.: A company in 10th place in sales in 2014 might leapfrog to 1st place in 2015
- Performance spread
 - Spread in gross profit margin between the company performing at the bottom 25 percent in an industry and the company at top 25 percent

Steps in competing with IT in the digital age



Deploy

Find those processes that need to be available globally
Deploy these quickly across the organisation using IT infrastructure

Innovate

Analyse data from processes to find innovative insights

Propagate

Use IT to standardize and implement the best processes or 'best practices' across the organisation

PROPERTIES OF DIGITAL GOODS

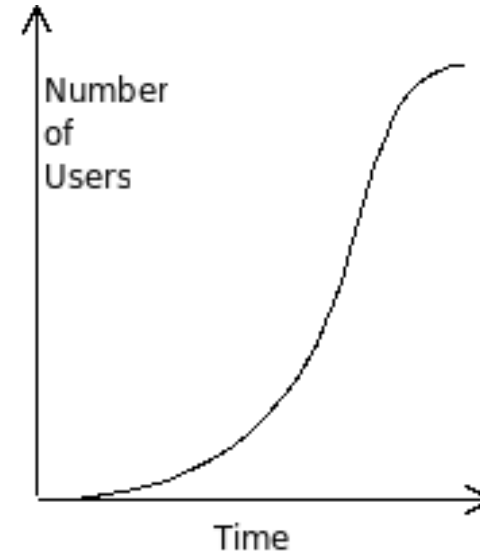
Properties of digital goods

- Expensive to produce the first time
 - Low cost of reproduction
- Digital goods can have many versions
 - Cost of making versions is low
- Most digital goods have to be experienced to realize their value
 - Digital goods are easier to sample
- No difference between original and copy
- Technology delivers the goods; creates lock-in

Network Effects



Positive Network Effect



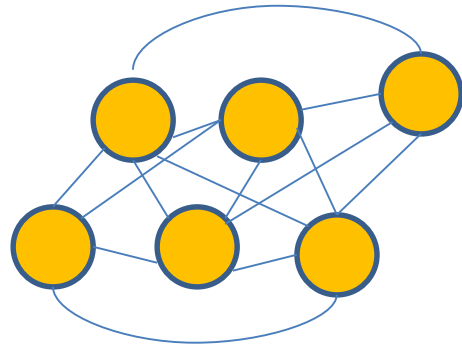
S-Curve of User Growth

Tippy Market



Innovation and IT Management
Prof. Rahul De', IIM Bangalore

Product A



New Customer



Product B

