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Business Values of IT

BUSINESS VALUE

- ❑ In management, it is a term that includes all forms of value that determine the health and well-being of the firm in the long run.
- ❑ Expands concept of value of the firm beyond economic value (also known as economic profit, economic value added, and shareholder value) to include other forms of value such as customer value, supplier value, channel partner value.
- ❑ Many of these forms of value are not directly measured in monetary terms.
- ❑ Often embraces intangible assets. Eg, A firm's business model.
- ❑ The balanced scorecard methodology is one of the most popular methods for measuring and managing business value.
- ❑ An increase or decline in Business Value that an action produces is traditionally measured in terms of Customer Satisfaction, Revenue Growth, Profitability, Market Share, Marketing Campaign Response Rates.

Business Value of IT

- Various factors affect the business value impact of Information Technology (IT). The most important factor is the alignment between IT and business processes, organization's structure, and strategy. At the highest levels, this alignment is achieved through proper integration of enterprise architecture, process design, organization design & performance metrics.
- At the level of computing and communications infrastructure, the following performance factors constrain and partially determine IT capabilities:
 - ❖ Usability
 - ❖ Functionality
 - ❖ Availability
 - ❖ Reliability, recoverability
 - ❖ Performance (throughput, response time, predictability, capacity, etc.)
 - ❖ Security
 - ❖ Agility
- The term value-driven design was devised to describe the approach to planning business change (especially systems) based on the incremental improvements to business value - this is seen clearly in agile software development, where the goals of each iteration of product delivery are prioritised on what delivers highest business value drives

DOING BUSINESS IN THE DIGITAL ECONOMY

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[Vipin Dubey]

DIGITAL ECONOMY

- Refers to an economy that is based on digital technologies.
- Conducting business in the digital economy means using web-based systems on the internet & other electronic networks to do transactions electronically.
- Sometimes called the Internet Economy, the New Economy or the Web Economy.

Major IT Characteristics in the Digital Economy

1. Globalization (communication, collaboration, global marketplaces, customers, suppliers & partners)
2. Digital systems (conversion of analog systems to digital ones. Eg, Telephones)
3. Speed because of digitized documents, products & services
4. The amount of information generated is accelerating & intelligent search tools can help users find what they need
5. Markets are moving online
6. Digitization (music, books, pictures & movies)
7. New & improved business models & processes
8. Digital & Internet based innovations
9. High rate of obsolescence
10. Opportunities
11. Fraud (criminals employ a slew of innovative schemes on the Internet)
12. Cyberwars (actions by a nation-state to penetrate another nation's computers or networks for the purposes of causing damage or disruption)
13. Digital Organizations

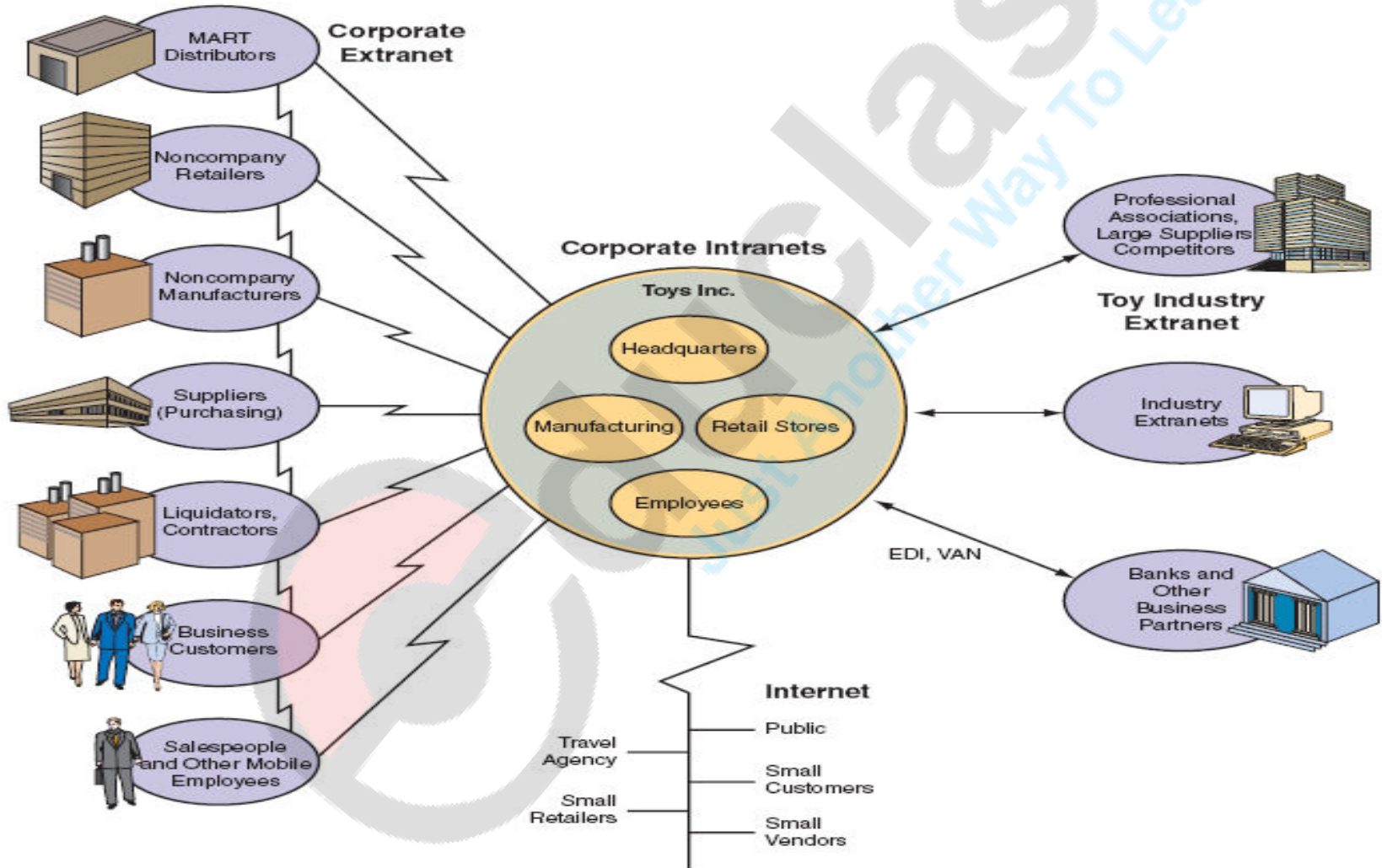
DIGITAL ENTERPRISE (ORGANIZATION)

- Refers to an organization which uses computers & Information System to perform all or most of its digitizable activities in order to enhance its operations & competitiveness.
- A new business model that uses IT in a fundamental way to accomplish one or more of 3 basic objectives:
 1. Reach & engage customers more effectively
 2. Boost employee productivity
 3. Improve operating efficiency
- Orchestrates the services & workflows that define the business & ultimately deliver value to customers & end users.

DIGITAL ENTERPRISE (Contd..)

- The infrastructure for digital organizations & EC is Networked Computing(Distributed Computing), which connects computers & other electronic devices via telecommunication networks. Such connections allow users to access information stored & to communicate & collaborate with others.
- Embraces a fundamentally different approach which requires a modular, interoperable, cross-architecture environment that extends from the farthest edge of the network- employees, partners & customers are located around the world- to the corporate data center & back again(multiple-location networked computers).
- Uses networks of computers to electronically connect:
 1. All its internal parts via an Intranet
 2. All its business partners via the Internet, or via a secured Internet, called an Extranet, or via value-added private communication lines.

DIGITAL NETWORKED ENTERPRISE



OPPORTUNITIES FOR ENTREPRENEURS

Digital Economy is providing opportunities for thousands of entrepreneurs, some of them in their teens, to create startup(or dot com) companies & to apply EC business models to many business areas globally which not only sell products but also online services. Also provided are support services to EC & digital companies ranging from computer security to electronic payments. For eg, Google

NEW ECONOMY vs OLD ECONOMY

Example	Old	New
Buying and selling textbooks	Visit the bookstore	Visit website for publishers and retailers
Registering for classes	Walk around the whole campus to Registrar's office, etc.	Access campus website
Photography	Buy film, load it into the camera, take it for processing after the use	Digital camera, mobile phones
Paying for Transportation	Pay cash	Metro cards, electronic wallets
Renting a movie	Go to a store & take the movie home, return within 2 days	Netflix.com rents out DVDs, downloading films from Movielink, CinemaNow
Paying for goods	Visit store, stand in a line	Barcode reader, itemized printout, pay using credit/debit card, RFID tags coming soon

BUSINESS MODEL

- ❖ A method of doing business by which a company can generate revenue to sustain itself.
- ❖ Spells out how the company creates or adds value in terms of the goods and/or services the company produces in the course of its operations.
- ❖ **SIMPLE MODEL:** A typical company strategy which makes & sells items & generate profit from those sales.
- ❖ **COMPLEX MODEL:**
 - a) A TV station provides free broadcasting. Its survival depends on a complex model involving factors such as advertisers & content providers.
 - b) Internet portals, such as Yahoo
- ❖ Includes a **value proposition** which is an analysis of the benefits of using the specific model.

ELEMENTS OF A BUSINESS MODEL

1. A description of all products & services the business will offer.
2. A description of the business process required to make & deliver the products & services.
3. A description of the customer to be served.
4. A list of the resources required & the identification of which ones are available, which will be developed in-house & which will need to be acquired.
5. A description of the organization's supply chain, including suppliers & other business partners.
6. A description of the revenues expected (revenue model), anticipated costs, sources of financing & estimated profitability.

DEFINITIONS

ECONOMY: Area of the production, distribution, or trade & consumption of goods & services by different agents in a given geographical location. Economic agents can be individuals, organizations or governments. The size of the economy is measured by the GDP (**G**ross **D**omestic **P**roduct) of a country.

ENTREPRENEUR: A person who organizes and manages any enterprise, especially a business, usually with considerable initiative & risk.

INFORMATION TECHNOLOGY



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IT (Information Technology)



- Collection of computing systems used by an organization.
- Has become the major facilitator of business activities.
- A catalyst of fundamental changes in the strategic structure, operations & management of organizations.
- Creating a transformation in the way business is conducted, facilitating a transition to digital organizations & digital economy.
- Have been enhancing business competitiveness & creating strategic advantage on their own or in conjunction with EC applications.

IT Capabilities



1. Perform high-speed, high-volume, numerical computations.
2. Provide fast, accurate, reliable & inexpensive communication within & between organizations, any time, any place.
3. Store huge amounts of information in an easy-to-access, yet small space.
4. Allow quick & inexpensive access to vast amounts of information worldwide at any time.
5. Enable collaboration anywhere, any time.
6. Increase the effectiveness & efficiency of people working in groups in one place or in several locations.
7. Facilitate work in hazardous environments.
8. Automate manually done tasks.
9. Facilitate global trade.
10. Enable automation of routine decision making & facilitate complex decision making.
11. Can be wireless, thus supporting applications anywhere.

IT (Contd..)



These capabilities support the following 5 business objectives:

1. Improving productivity
2. Reducing costs
3. Improving decision making
4. Enhancing customer relationships
5. Developing new strategic applications

ROLE OF COMPUTER IN MODERN BUSINESS

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ROLE OF COMPUTER IN MODERN BUSINESS

- ❑ Can save business's money through making employees more efficient & providing tools that without a computer would cost too much.
- ❑ For communications across a number of people, such as between employees, between the business & its customers, between a business & its suppliers. One major advantage of computer communication is that it is often asynchronous, which means that communication can happen even if one person is not available by telephone.
- ❑ Can store huge amounts of data that, if printed, would take rooms and rooms full of file cabinets.
- ❑ Easy to find particular data or to pull two data sets together using a computer; this would consume a lot of time with paper records in a file cabinet.
- ❑ Employees who use computers can get more work done than their non-computer-using peers because communication is easier to accomplish, finding & using information is easier.
- ❑ Ability to do things easily that would have been difficult in the past. For example, in the past, if a company wanted to produce a video, it would have had to rent or buy large video cameras and the equipment to process video. Digital video and the software to edit videos are much less expensive.
- ❑ Allow business employees to analyze huge data sets and to find out new information that can help with business decisions.