INFORMATION STRATEGY IN THE NEW ECONOMY

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Abstract

The paper presents necessity of strategic planning of investment in information technology (IT) in conditions of changing environment. The goal of the paper is to discuss new settings of electronic business and inevitability of quick decision and action. Some conditions of e-market were presented as well as approaches used by different types of organizations.

Key words: new economy, digital economy, information economy, information strategy,

A wealth of information creates a poverty of attention
H. Simon

1. INTRODUCTION

New IT methods and tools are commonly used to support new ways of doing business in different domains. Lastly those new IT applications have been labeled as the new economy. In a fact the new economy characterizes with merely unlimited access to information and possibility to exchange information (Kanter: 2001).

Growth of IT application encouraged managers to invest in order to begin to act in the new economy. Many of those managers finally only partially succeeded in business, as the profits of new activities appeared to be quite simple and beneficial in the short term. As the organization gets engaged in new procedures they appear to be more complicated, more disturbing, and sometimes less profitable. This often becomes the reason for withdrawing from the path to the new economy. This is also an explanation for many changing organizational decisions. Many organizations take decisions about acting in the new economy on the basis of general opinions, very weak knowledge, and anticipation of the new reality. The final results of such uninformed and unaware decisions are quite often losses on investments and loss of time.

The paper is addressed to managers and IT specialists. Its goal is to review reasons for transition to the new economy and methods necessary to succeed in this task.
The paper consists of four sections. First reviews the main issues of the new economy. In the second conditions of e-culture are characterized. The third gives the review of information role in the new economy. In the fourth section main issues are discussed of information strategy. Conclusions concerning the problems of the information strategy close the paper.

1. NEW ECONOMY

New economy grows on the basis of the new Internet environment supporting excessive use of information to support business activities. In a recent survey a third of 100 respondents declared their organizations use the Internet in 10-25 per cent of their business critical applications (Baer: 1998). It is expected that within next three years the Internet will be the dominant platform for business applications in all the organizations (Plant, Ravichandran: 2001). The use of Internet technologies to manage information is a substantial improvement over traditional (conventional) information systems and uses of the Web (Venkatraman: 1991). E-business information systems allow transactions to be conducted in an integrated information space without constraints imposed by diverse computing platforms, networks and applications (Lederer, Sethi: 1998). The Internet and Web technologies not only allow automation of inter-organizational processes but also allow individual users to interact with organizational IS in novel ways and at really low cost.

Those all are the reasons for growing interest in using new methods of doing business in changing environment of the new economic rules and expectations of clients (Shapiro, Varian: 1999). The changes leading to the new economy is a result of the one from ten general tendencies shaping today’s world -- the move from production to information economy (Naisbitt: 1997). With this new paradigm of the economic activities its role changed as well as the relation of costs and prices. Cost of information is connected largely to its creation (Shapiro, Varian: 1999). Its duplication in order to distribute has become very inexpensive. This is an important foundation to the growth of new approach and development of information industry. Constantly new enterprises join branches of the information (Internet) economy with uncertain results.

The most significant problem of the new economy is created by deficient culture patterns created and developed by education. Gradual instruction efforts are beginning to bring success but the pace of change is dramatically slow and insufficient for needs of the management. The acceleration of transition may be expected with changing cultural patterns and simultaneous grow of knowledge and skills. Today’s students as well as managers experiencing burning need for changes must reject yesterday patterns and undergo deep changes by learning and continuously adopting new models.

2. E-CULTURE: A MILIEU OF THE E-ECONOMY

Culture is defined as the beliefs, behavior, language, and entire way of life of a particular time or group of people. Culture includes customs, ceremonies, works of art, inventions, technology, and traditions. The term also may have a more specific aesthetic definition and can describe the intellectual and artistic achievements of a society (Encarta Encyclopedia: 1996).

The new economy develops in the e-culture and characterizes with the fast, open access to information and the ability to communicate directly with nearly anyone
anywhere (Kanter: 2001; p. 27). This sets e-culture apart from traditional environments. Every today established organization like school, enterprise or institution is forced to apply up to date information to take decisions. Results of their access to information and capability to use prosperously are the basis for the organization success (profits and strategic advantage).

E-culture mode consists of four following elements (Kanter: 2001):
- creating a strategy as improvisational theater,
- opening themselves to a network of partners,
- turning cell-like organizations into integrated communities, and
- creating a culture that attracts and holds the best talent.

E-culture creates *sine qua non* settings for a new economy. The applications of e-culture elements can divers as a consequence of behavior and experience - style and substance are confused (table 1). Some e-market participants apply style behavior in their organizations. More experienced people and organizations pay more attention to substance of the business. The style approach can be seen as a reason for failure of many newly established enterprises. Such approach means paying more attention to technology and fashion-like appearance.

**Table 1.** Style versus Substance

<table>
<thead>
<tr>
<th>Style Dotcoms</th>
<th>Substance Dotcoms</th>
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<tbody>
<tr>
<td>&quot;Spend&quot; mentality: Grab space, and revenue will somehow follow</td>
<td>&quot;Earn&quot; mentality: Have an early money-making proposition, something user will pay for</td>
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<tr>
<td>Uneven knowledge of user: Limited experience in content area, few similarities between founders and users</td>
<td>Deep knowledge of users: Many similarities to users, content experience</td>
</tr>
<tr>
<td>Ad hoc changes: Business model drifts, appears fuzzy</td>
<td>Thoughtful changes: Each version of business model is clear and focused</td>
</tr>
<tr>
<td>Main audience: Capital markets</td>
<td>Main audience: Users/customers</td>
</tr>
<tr>
<td>Arrogance: Know-it-all attitudes &quot;no one's ever done this before,&quot; &quot;failure to watch competition&quot;</td>
<td>Willingness to learn: Confident about ability to absorb knowledge, paranoid about competition</td>
</tr>
<tr>
<td>Technology: An afterthought; dominated by marketing</td>
<td>Technology: Balanced with marketing, content</td>
</tr>
<tr>
<td>False equality: Appearance of camaraderie but founder control, cult of personality, cliques, invisible hierarchy</td>
<td>Abundant open communication: Inclusiveness involvement of those with those with something to contribute</td>
</tr>
<tr>
<td>Casual: Relaxed style extends to deadlines, many time-wasters and little coordination</td>
<td>Flexible: Many choices of when to work but work gets done, clear discipline, deadline must be met</td>
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<tr>
<td>Forced fun: Seems mandatory, interferes with work, imposed from top, resembles everyone else's</td>
<td>Genuine fun: Reward for hard work, emanates from below, reflects unique characteristics of the group</td>
</tr>
<tr>
<td>Utilitarian: No interest in anything but the business</td>
<td>Ethic of community service: Bonding through giving</td>
</tr>
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</table>

Adopted from: (Kanter 2001)

This new culture is strongly connected with the change process and ability to change. The change can be successful providing all participants are engaged in it and the process is accurate. The roles are different from traditional arrangements. In this scheme experienced managers were the leaders and they were responsible for mentoring and the young IT specialists were to carry out the job according to old managers guidance. The process of change to the new economy is also to be redone: all the participants groups
can work as mentors (mainly young IT specialists). Often experienced managers are expected to play the role of being coached, which generally is disapproved.

The will for change plays the key role in the transition process. Change requires many conditions to be satisfied (figure 1). The need for change must be definitive and all the actors should be committed, must be radical with full necessary corrections. Any cosmetic change does not work and even if it costs some less it does not bring expected outcomes. Transition to the information economy requires specific way of introducing change – creative destruction (Kanter: 2001, McKnight, Vaaler, Katz 2001). Such changes are unacceptable by many of traditional managers. Acceptance for such radical change methods is deficient and transitions appear insufficient.

Adopted from (Kanter: 2001)

Figure 1. The wheel of change

Necessary changes need decisiveness, full determination, consistency, and conclusiveness of all the participants of the process of the change. Perfect organization of the process is necessary to succeed in the project. Such result will mean success in the whole operation of moving to the new economy.

The most important feature of e-culture (beside technology) is willingness to learn and to change. But the change has to be speedy but wise, deep but adaptive and finally it has to be done to obtain certain goals.

3. THE ROLE OF INFORMATION IN THE NEW ECONOMY

Information plays principal role in the new economy. Deeper understanding the difference between information and data preceded the developments of new economy. Information became a business factor in every meaning of the word and it is becoming accepted and better understood by managers. As previously stated information requires costs for gathering and elaborating data according to users needs. Information may be
duplicated and distributed for lower price.

The prices of information may deeply vary depending on the scope and accessibility. Many managers used to the practices, shaped before transformation. These practices with the new rules unable efficient operation as well as disturb taking all possible profits of the new economy. The reason for that is the many of the users does not rely on information. On one hand information is the experience good for which it is difficult to evaluate its worth before it has been successfully applied (information paradox). It is also difficult to decide about the scope of information chosen. When the information used is a supplied good the new problems arise of price let alone the supplier and the scope of information.

Every organization is forced finally to build its own information infrastructure in order to assure factors creating organization’s competitive advantage. Thew new economy enterprises are forced to strive in very competitive market abruptly changing the principles and establishing new standards. Organizations most proficient in creating and using information are winning in competition with the others. Participants of that competition change very quickly -- new entrants introduce new rules and original solutions and the participants must adequately respond as well as create barriers for new entrants.

4. STRATEGY FOR THE NEW ECONOMY

New way of doing business in the new economy requires not only novel equipment and software but firstly new approach to strategic planning (Yourdon: 2000). In today’s world technology changes every 6 months and that’s why modified approach to strategic planning is unavoidable. The notion of IT/IS strategic planning involves a variety of opinions for determining IT requirements (Reponen: 1993; Hackney et al. 2000). IS strategy is demand oriented focusing on information and system requirements in meeting business objectives while IT strategy is supply oriented and concerned with specifying the technology as to how to deliver these applications (Hackney et al: 2000).

When deciding about the strategy the answers to following questions are necessary:

- What our firm is doing now?
- What the competitors are doing, what are their limitations, what the political situation is like, what are the standpoints and expectations, and what is the political climate for economic development?
- What are the scenarios for the future course of the action and what possibilities do we chose?

Seeing and understanding new directions and employing opportunities is the basic role of strategic planning. As years ago strategic planning analysis was necessary once every 5 years, now the growth of Internet and e-business demands regular strategic analysis.

According to Yourdon (2000) the organization beginning to act conformably to new economy rules may choose one of three basic strategies:

- increasing friendly relationships with the customers,
- control all transactions by exclusion intermediaries (for instance Amazon.com)
- orient to product, its development and its customization to client’s needs.

Following assumptions underlie SISP - strategic information system planning (Hackney et al.: 2000):

1. A business strategy exists.
2. IS strategy can be aligned with IT strategy.
3. An IS strategy and business strategy are different.
4. IT is a source of competitive advantage.
5. Strategic information systems exist.
6. Strategic applications of IT are formally planned.
7. SISP encourage organizational integration.
8. SISP works.

The benefits of strategic planning are mutual. First the SISP is necessary to reap benefits from IT investments. Despite the existence of the productivity paradox, caused by mismatch between business strategy and the SISP process, the strategic approach is expected to bring benefits appropriate to investments in IT. Today organizations experience significant change resulting from technology developments and extremely competitive marketplace. Complexity of IS/IT strategy generates problems as well as possibilities to achieve competitive advantage.

5. CONCLUSIONS

Formulating and executing IS/IT strategy is necessary for all firms and especially for those who intend to move to information economy sector. Technological and competitive developments enforce today organizations to strategically plan investments and appropriate benefits. Perceiving the role of IT as organizational technology especially within new economy settings plays a key role in the final outcomes of every organization.

Understanding the meaning of IT and complexity of strategic information system planning is a decisive factor of organization's well being. Coherent strategic business and IS/IT planning system is the constituent of the whole organization business and IS/IT success.

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