

The Role of Information Technology in Business

Mr. Edem K. Bankas

The Role of Information Technology in Business

- The ability of an organization to provide perfect service at the customers moment of value depends on three things:
 - I. Knowing the time at which the customer's moment of value occurs
 - II. Knowing the location where the customers moment of value occurs
 - III. Knowing the form in which the customers moment of value occurs

The Role of Information Technology in Business cont'

- Combining all these requires having knowledge, and knowledge comes from having information
- Gaining knowledge through information is the role of IT in today's information based business

Information

- Information can be defined as organized facts and figures. The 'raw' facts and figures are known as data. Data about sales, for example, can be used to produce information about the
 - performance of individual members of staff,
 - Changes in customer demand
 - Total value of sales in a given period and many others

Information cont'

- Making decision on manufacturing of new range of products requires the company or business to have information on what will sell
- To choose which product to manufacture/sell also require information about the profitability of each of the items.

Characteristics of Businesses in this era

- Businesses of today are ever changing due to the advancement in IT. Some of the factors are
 - Globalization
 - Information (as a key resource)
 - Electronic commerce and
 - Knowledge worker computing

Globalization



Globalization

- Globalization refers to the process of creating a worldwide network of businesses and markets
- Globalization results in a greater mobility of goods, services and capital around the world.
- Products manufactured in one country are sold in another

Globalization cont'

- It is important to note that business today is global business. This is because, many items we use are not wholly domestic.
- Global business operations require that both time and distance barriers be eliminated or reduced between the organization, its suppliers, its customers, its shareholders and its people

Globalization cont'

- The rapidly decreasing cost of information technology has made globalization possible
- The cost of mobile phones and chips, computers etc. has dropped

Globalization cont'

- Globalization increases competition among multiple possible providers of the same product
- Competition ensures that higher –quality products are sold at the best possible prices
- Consumers get better prices when each area produces the goods or service it does best

Globalization cont'

- When prices are lower, the real purchasing power of consumers is higher. Hence globalization increases everyone's standard of living
- Globalization create jobs (for the poor); when they gain employment, their prosperity increases

Globalization cont'

- Most examples in the past century of poor countries becoming more prosperous has been the result of that country producing goods for the world market rather than trying for self- sufficiency
- Creating jobs around the world reduces unrest and leads to more stability. Countries with interdependent economies are less likely to go to war with each other

Information as a key Resource

- Information is key in today's business.
- This makes knowledge powerful and knowing your competitors as well as your customers will define the success of your business
- In today's society, knowledge is the primary resource for individuals and for businesses

Information as a key Resource

cont'

- Attributes of the current trends in business forces companies to constantly scan the environment to find new opportunities and anticipate threats
- We now operate in a want driven economy where consumers are more willing to spend their money on products and services they want rather than spend money on just their need

Information as a key Resource

cont'

- This means that businesses must conduct research to find out what people want or to figure out how to make people want a product they are producing
- In today's society, **knowledge** is the primary resource for individuals and for the economy

Information as a key Resource

cont'

- Basic economic theory tells us that there have always been three key sources of wealth...:

Information as a key Resource

cont'

- Land and natural resources
- Capital (the accumulation and reinvestment of possession) and
- Labour

The combination of these three creates product and services that the society needs

Information as a key Resource cont'

- History tells us that, the critical factor for economic success was land. Those who could dominate and possess the land were guaranteed the controlling role in creating wealth
- Then in the twentieth century, there was a shift from land to capital as the primary factor in generating wealth

Information as a key Resource

cont'

- The addition of more capital as the primary factor in generating wealth led to a considerable increase in the effectiveness and efficiency of technology and commercial activity.
- E.g., ships became larger, voyages became longer, machines became more capable and powerful

Information as a key Resource cont'

- After the 2nd world war, an enormous capital accumulation began.
- With capital easily available, the critical production factor shifted to people, but it did not shift to simple labour
- Instead, knowledge displaced capital as the scarce production factor. This shift has been gradual and undetectable. today, it is acknowledge in business and politics

Electronic commerce

- One of the fastest growing business sectors
- E-commerce is changing traditional business models and creating new ones. E.g., a common business model is a retail store that sells a product to customers who physically visits the store
- This time, the same transaction can be carried out on the Internet. E.g., Amazon.com , e-trade.com

Knowledge worker computing

- Knowledge worker computing places technology, technology power, software, information and technology knowledge in the hands of those who need it
- The responsibility of knowledge workers include using telecommuting tools, setting up personal databases, evaluating hardware technologies to determine the best one for a given situation etc