

MIS 5402 Spring 2017 – Managing Technology & Systems

Session 1-1 – Introduction

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Today's Schedule

		Start	End	Minutes
Session 1-1	Introduction	8:00	9:10	70
Break		9:10	9:20	10
Session 1-1	Introduction	9:20	10:30	70
Break		10:30	10:40	10
Session 1-2	IT and Strategy	10:40	11:50	70
Lunch Break		11:50	12:50	60
Session 1-2	IT and Strategy	12:50	14:00	70
Break		14:00	14:15	15
Session 1-3	Value and Cost	14:15	15:25	70
Break		15:25	15:40	15
Session 1-3	Value and Cost	15:40	16:50	70
Wrap-up		16:50	17:00	10

In this session, we will discuss

- Why this course is required for Fox PMBA
- Why IT is critical for business success?
- What are the roles of a chief information officer

Why are you here?

- Why do you think MIS 5402 is a required course for Fox PMBA?
- Anyone who thinks this would be waste of your time and money?
- Anyone who is excited to be here?



<http://www.playbuzz.com/baileyculp10/which-poisonwood-bible-character-are-you>

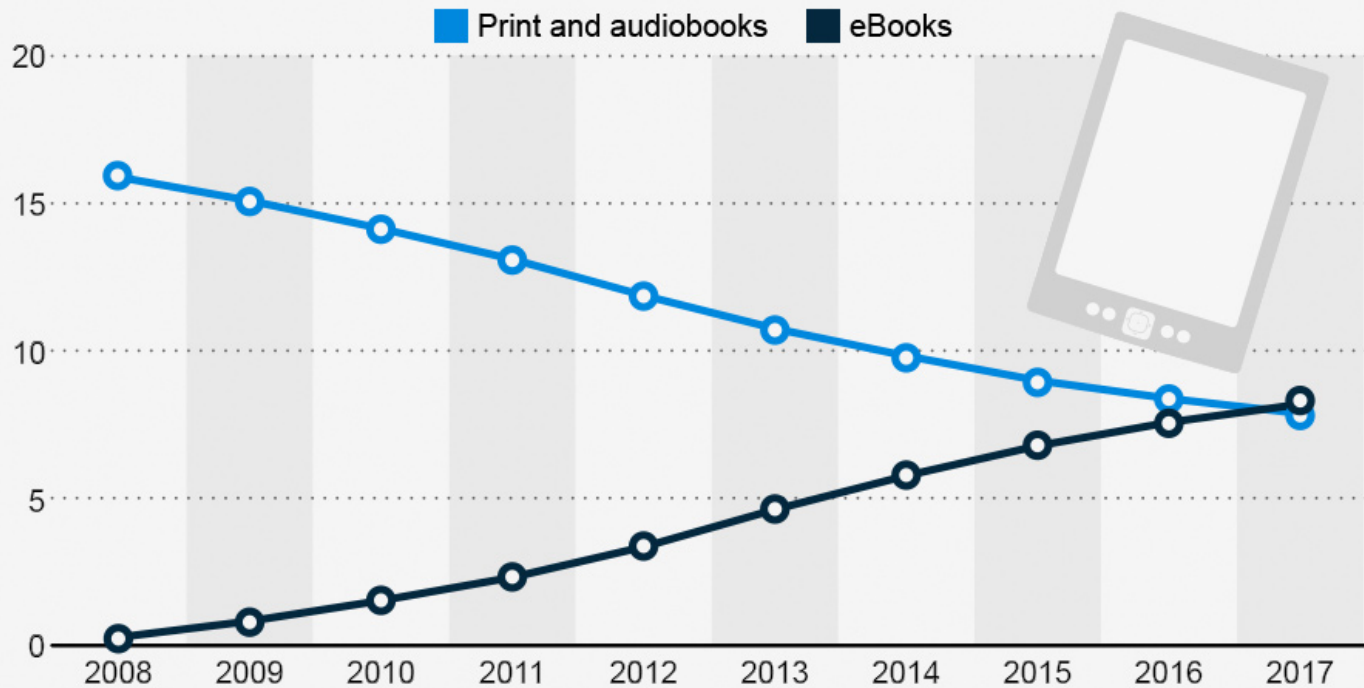
Amazon.com and Kindle

- Amazon.com used to be an online retailer that sells stuff. Why did it start to make “stuff” in 2009?
- What happened after that?



U.S. eBook Sales to Surpass Printed Book Sales in 2017

Consumer book sales in the United States from 2008 to 2017 (in billion U.S. dollars)

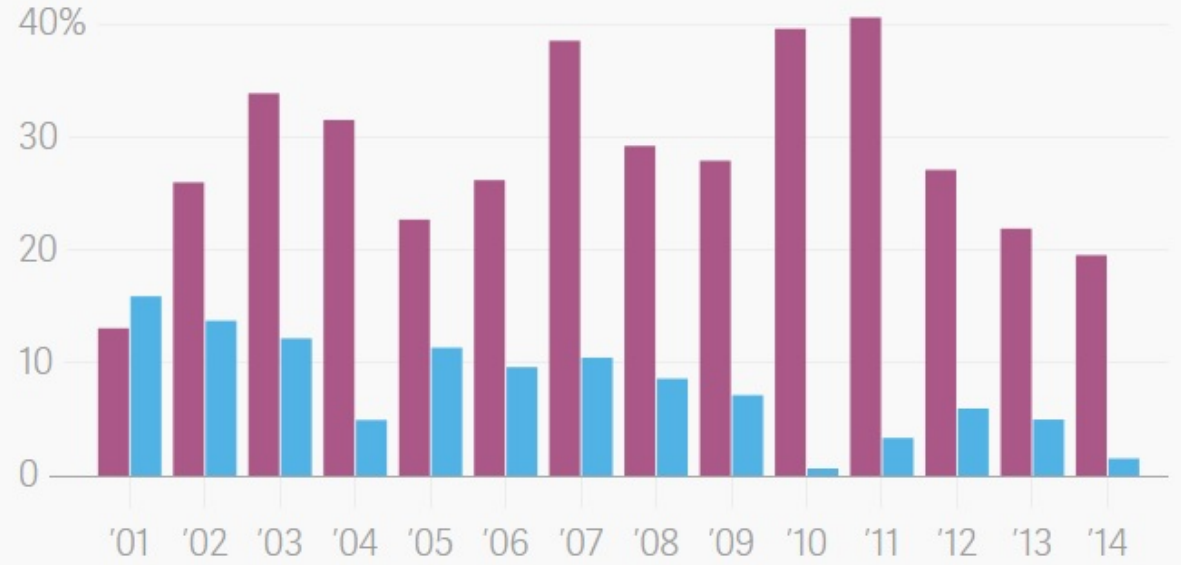




<http://domgiordano.com/could-the-demise-of-borders-been-prevente/>
<http://blog.mainstreethost.com/tis-the-season-businesses-seek-different-avenues-for-holidays/best-buy-showrooming#.UYwA17VWySo>

Annual sales, year-on-year change

■ Amazon.com ■ Walmart



Market value

■ Amazon.com ■ Walmart



Quartz | qz.com

Data: FactSet

MAP: All of the Sears, Macy's, and Kmart's that are closing

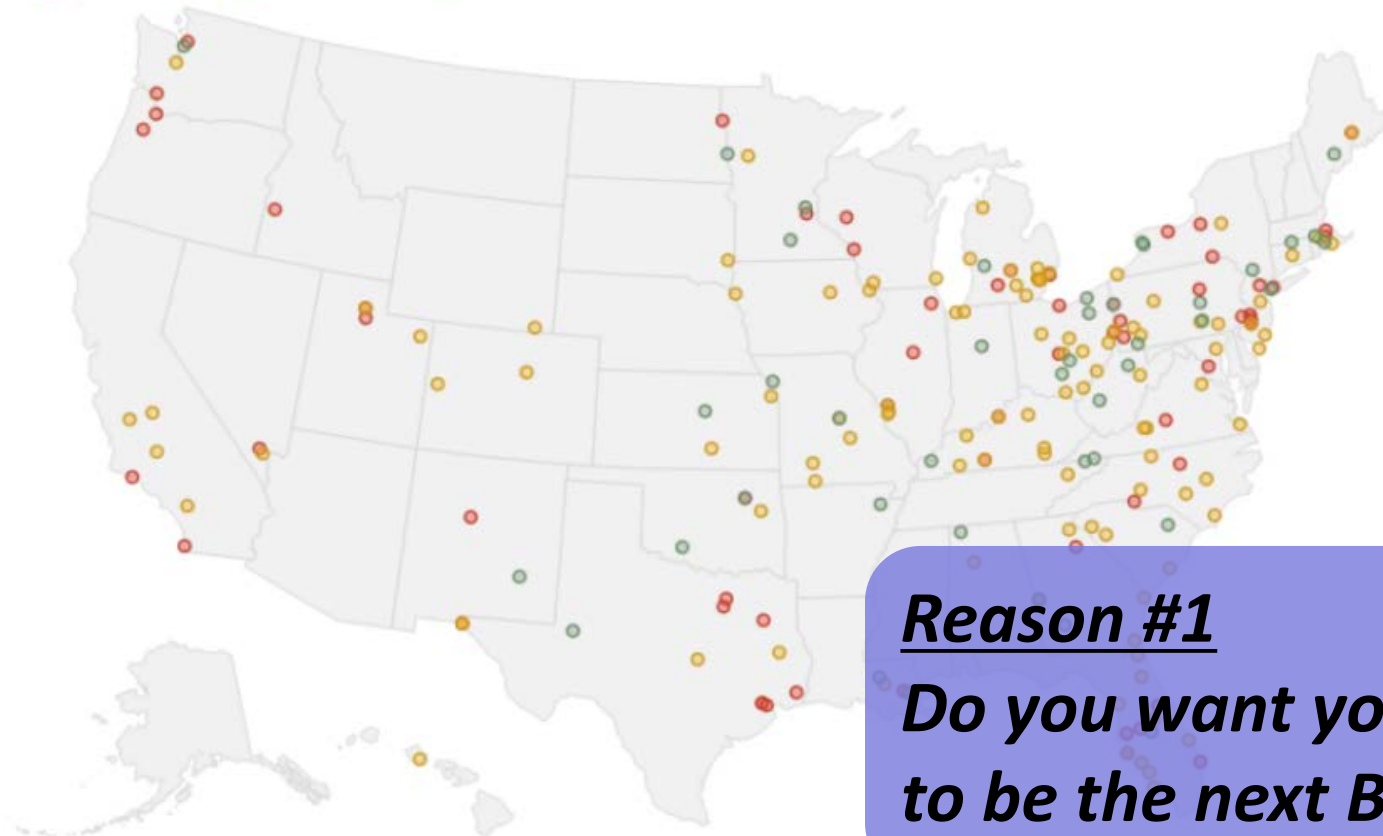


Nathan Giannini

Yahoo Finance January 6, 2017

Retail giants Sears and Macy's announced sweeping plans this week to close more than 200 stores nationwide following disappointing holiday sales results.

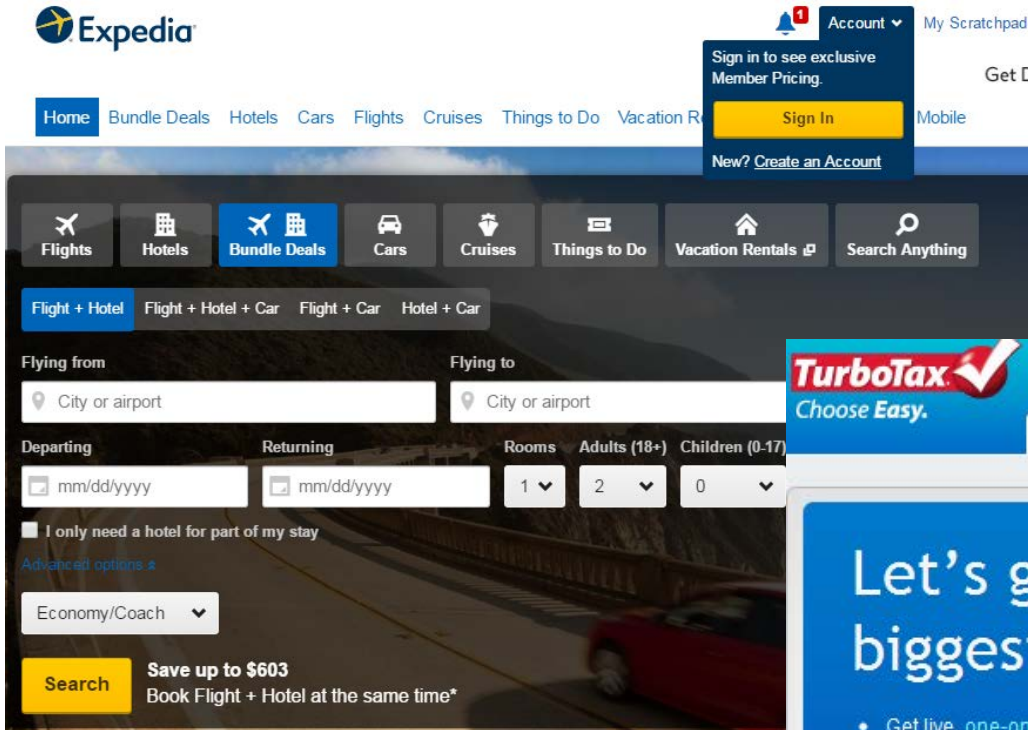
■ Macy's ■ Kmart ■ Sears



Reason #1

Do you want your business to be the next Borders?

<http://finance.yahoo.com/news/map-here-are-all-of-the-sears-macys-and-kmarts-that-are-closing-195931346.html>



The screenshot shows the Expedia homepage. At the top, there is a navigation bar with links for Home, Bundle Deals, Hotels, Cars, Flights, Cruises, Things to Do, and Vacation Rentals. A user account menu is open, showing options for Account, My Scratchpad, Sign In, and Create an Account. Below the navigation bar, there are icons for various travel services: Flights, Hotels, Bundle Deals, Cars, Cruises, Things to Do, Vacation Rentals, and Search Anything. The main search area is titled 'Flying from' and 'Flying to', with input fields for city or airport, departure and return dates, and the number of rooms, adults, and children. There is also a checkbox for 'I only need a hotel for part of my stay' and a dropdown menu for 'Advanced options' set to 'Economy/Coach'. A yellow 'Search' button is visible, along with a promotional message: 'Save up to \$603 Book Flight + Hotel at the same time*'. A 'Sign In' button is highlighted in yellow.



The screenshot shows the TurboTax website. The top navigation bar includes 'Personal Taxes', 'Small Business Taxes', 'Why Choose TurboTax', and 'Tax Ca'. The main content area features a large blue banner with the text 'Let's get your guaranteed biggest tax refund'. Below this, there is a list of benefits:

- Get live, one-on-one advice from a tax professional, 7 days a week
- We find every tax deduction and credit you deserve so you get the biggest tax refund possible
- We guide you step by step and guarantee 100% accurate calculations

 A woman, identified as Lisa Skelly, a TurboTax Expert with 22 years of experience, is shown on the right side of the banner. A handwritten-style note says 'New to TurboTax?' with an arrow pointing to a prominent orange 'Start for Free' button. Below the button, it says 'We'll guide you to the right TurboTax version for you'.

What happened?

- What happened in Facebook IPO in May 2012?
- What happened to Delta Airlines in Aug 2016?
- What happened to Target in Dec 2013?



What's going on?

- Why do you think these incidents are happening?
- What are the consequences of these incidents?
- Which one (inside) is responsible for this?



MAY 5, 2014 @ 08:20 AM 32,825 VIEWS



12 Stocks to Buy for 2017

Target CEO Gregg Steinhafel Resigns In Data Breach Fallout

<http://www.forbes.com/sites/clareoconnor/2014/05/05/target-ceo-gregg-steinhafel-resigns-in-wake-of-data-breach-fallout/>

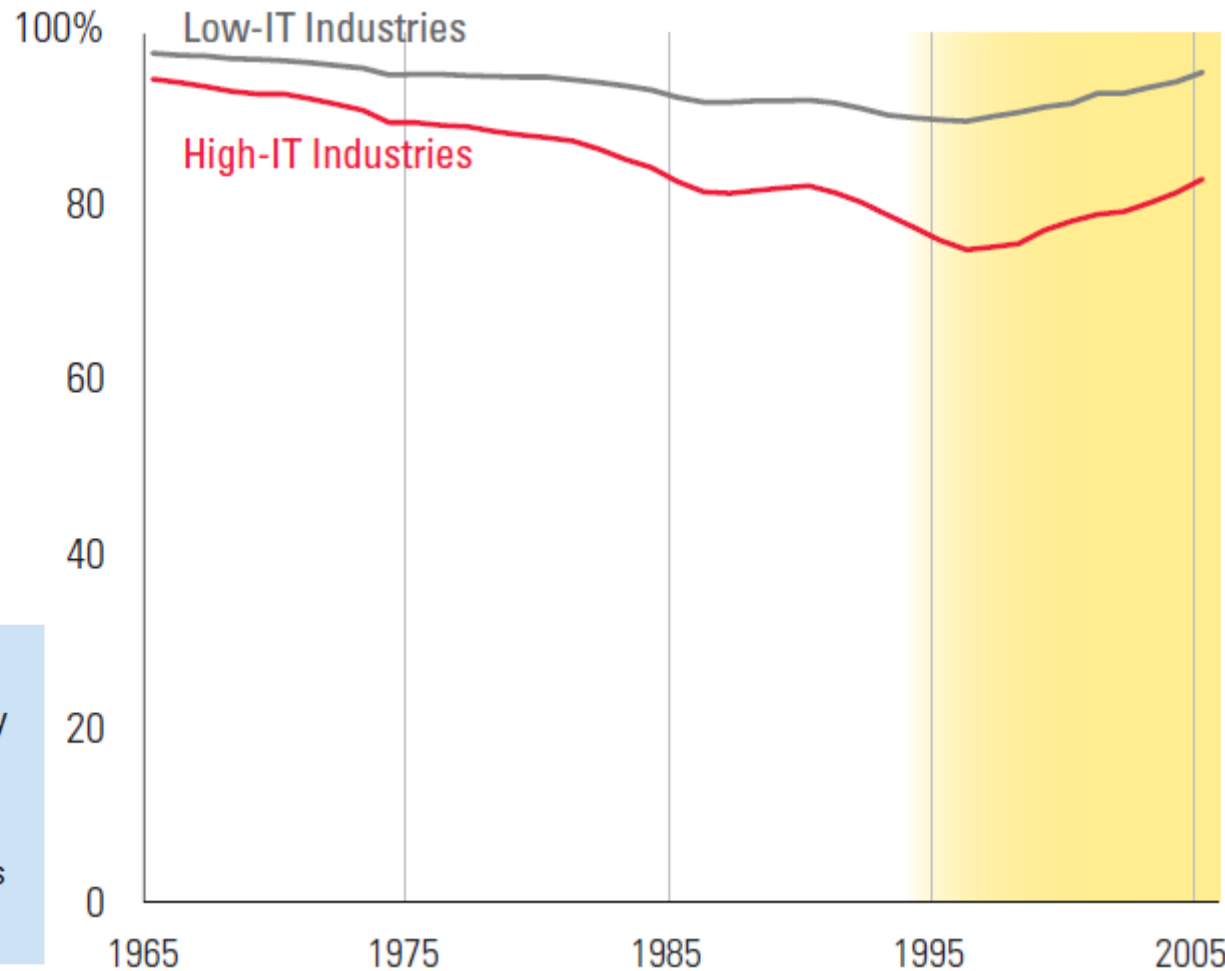
Is your company safe?

- How likely is it that an IT disruption would happen to your company?
- What would be the consequences?
- Which industry or company can operate without functioning IT in 2017?
- Do you want to be responsible for something that you have no idea?

Reason #2

Do you want your business to be the next Target?

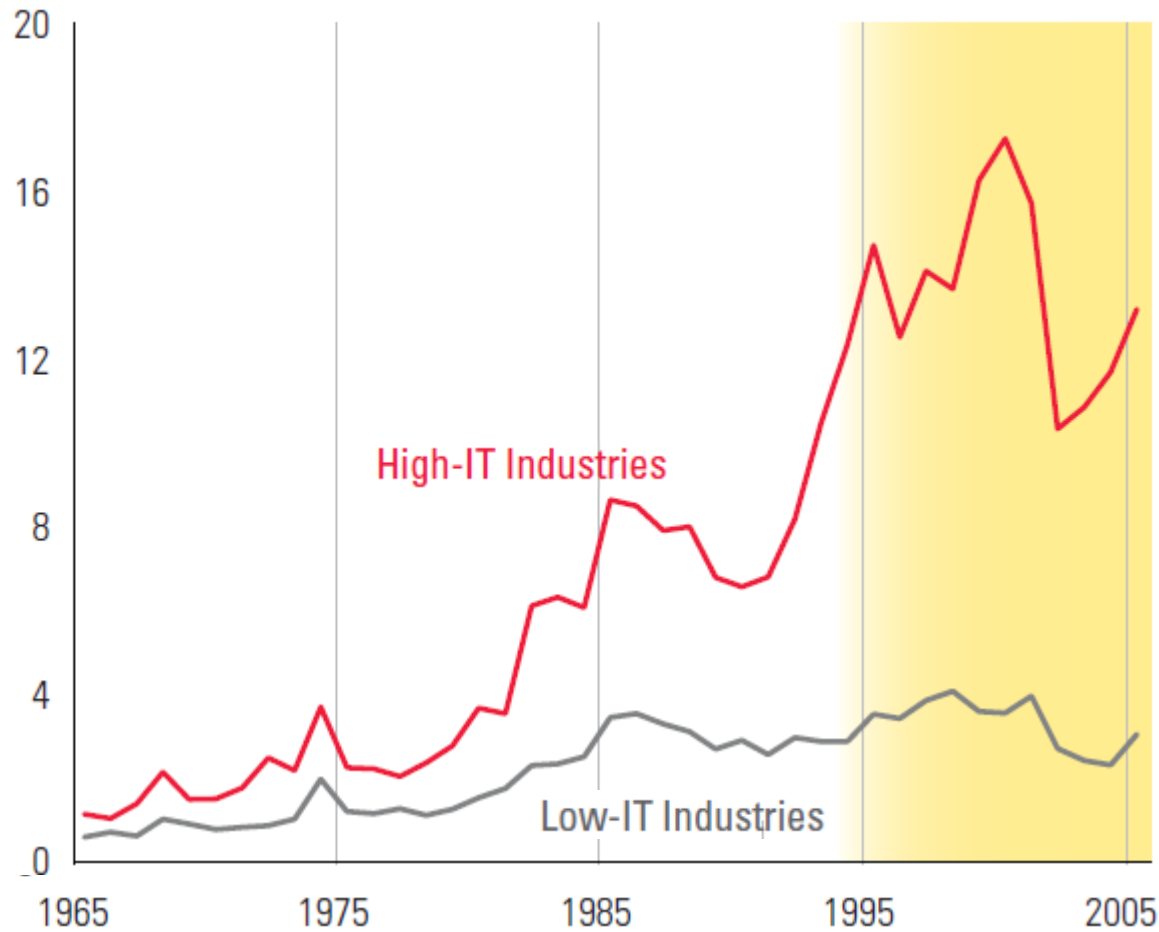
Market share held by top 20 largest firms



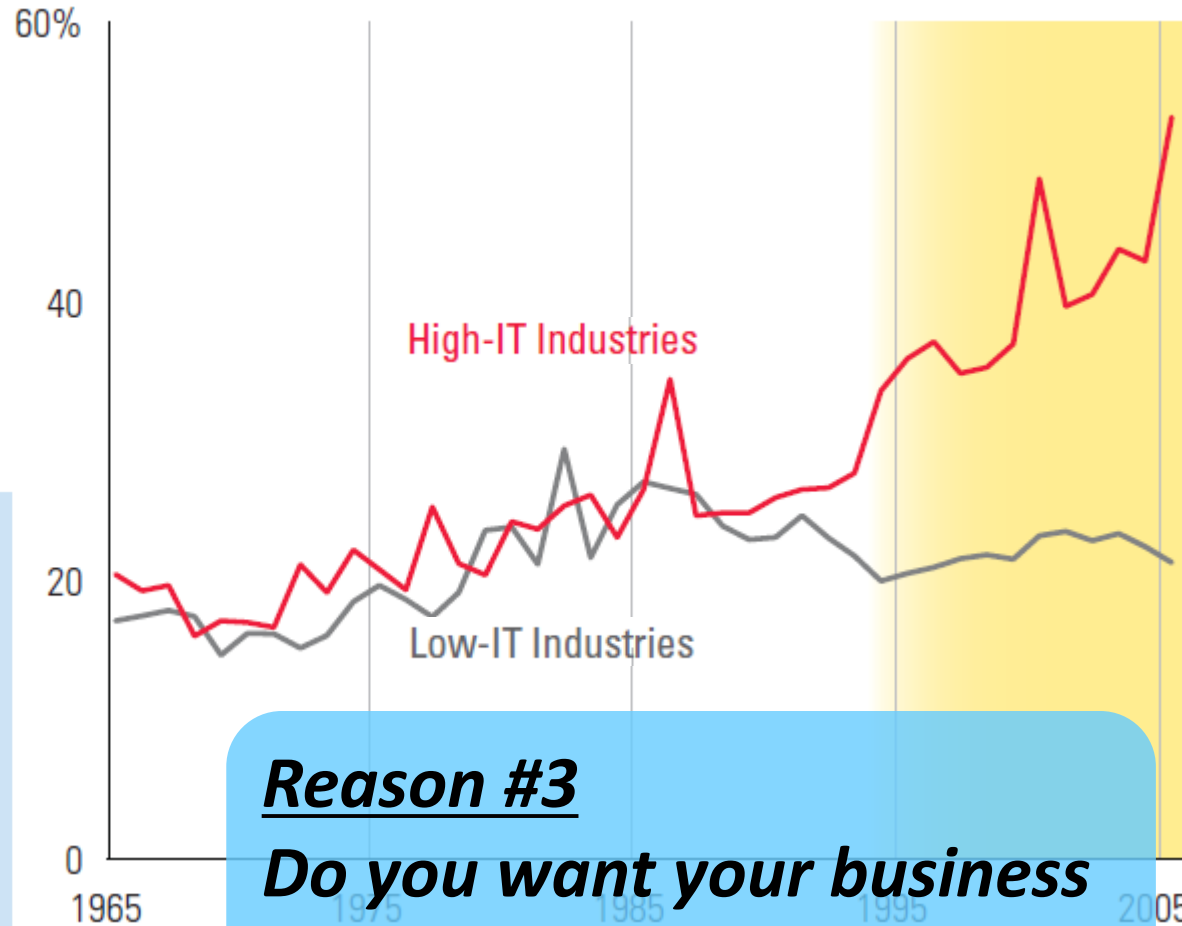
Industry Concentration After decades of decline in all industries, industry concentration began to rise in the mid-1990s. Though the absolute level is lower, the rate of rise is faster in high-IT industries than it is for low-IT industries.

Average jump in number of places up or down the rankings from previous year

Turbulence In turbulent markets, the top-selling company one year may not dominate the next. Today's 10th place company, for instance, might catapult to number one the following year. In less turbulent markets the same companies dominate year after year and there's very little movement up and down in rank order. By this measure, we found consistently more sales turbulence in high-IT industries – and a marked increase in the mid-1990s.



Percentage gap between top and bottom quartiles



Performance Spread The spread in gross profit margin between the company performing at the 25th percentile in its industry and the company performing at the 75th percentile – an indication of the spread between winners and losers – has grown dramatically in high-IT industries since the mid-1990s.

Reason #3
Do you want your business to be the biggest loser?

Source: Harvard Business Review – “Investing in the IT that Makes Competitive Difference” by A. McAfee and E. Brynjolfsson

IT and Competition

- Research shows that more IT spending is associated with improvements in productivity, profitability, and innovation.
- However, it has made competition more dynamic and turbulent.
 - It is harder and harder to become #1 and secure the position.
 - A winner today can become a loser tomorrow.
- What makes difference in competition with IT is not only how much a business spends on IT, but also how to use it in an effective and savvy manner.

Anyone who still doesn't believe?

- MIS 5402 is a core, required course for Fox PMBA because
 - you don't want to be the next Borders,
 - you don't want to be the next Target, and
 - you don't want to be the next loser.
- You should know about IT because you are a business school student and you will be a Fortune 500 CEO who will be responsible for IT.



Who hates IT?

- Who wouldn't?
- Why do you hate your CIO or IT group at your company?
- If your CEO says you'll be the next CIO, how would you fix it?

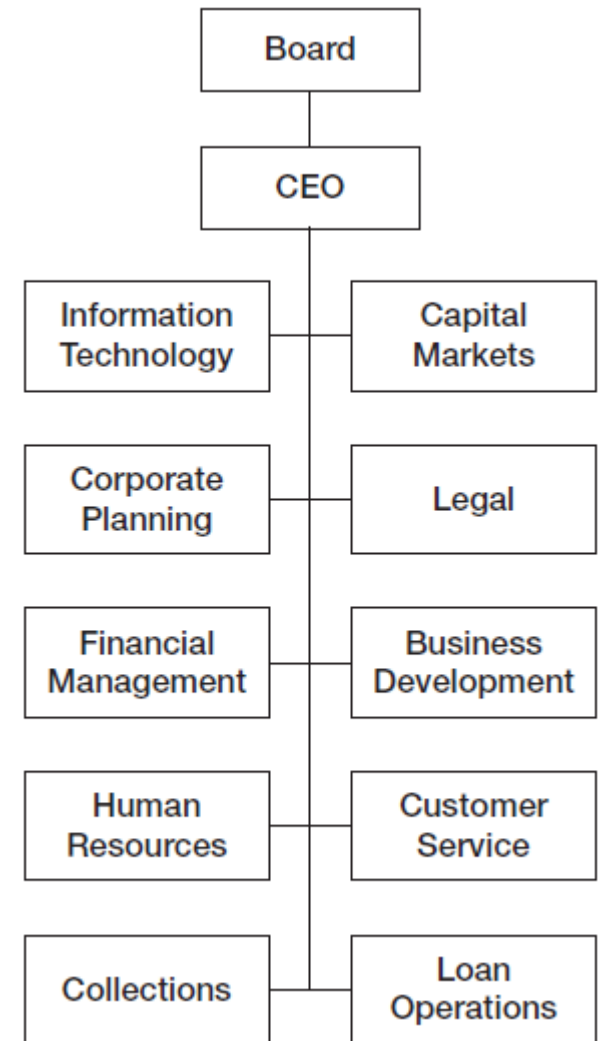


<http://craftymanolo.com/quickie-question-broken-equipment>

IVK Corporation (1/4)

- In what kind of industry is IVK?
- How important is IT at IVK? Can IVK function without IT?
 - IVK cannot do its business without IT. It's mission-critical.
 - It has a substantial amount of customer and financial information that cannot be breached.

IVK corporation
innovating business solutions
www.ivk.com

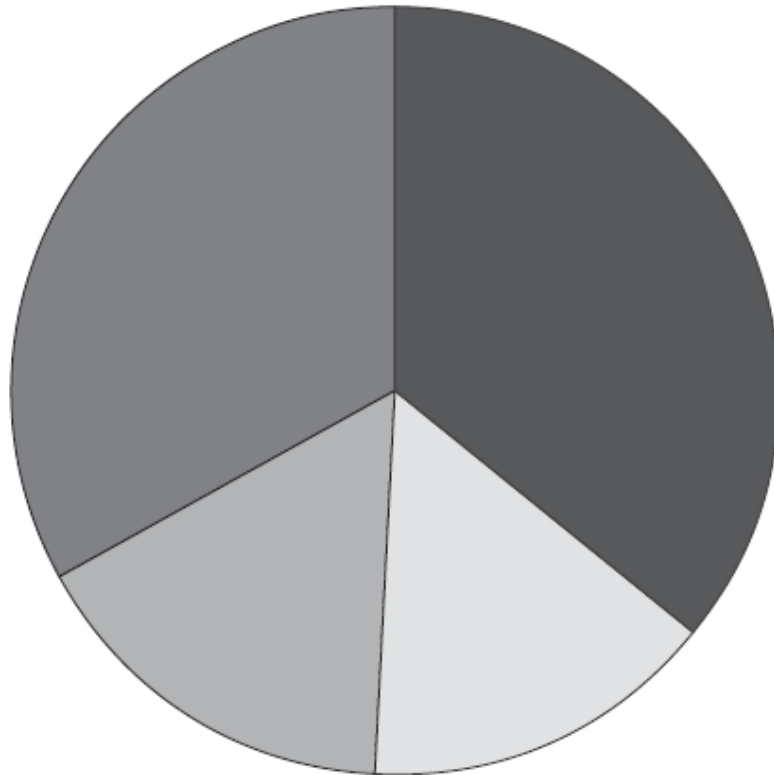


IVK Corporation (2/4)

- What is the current situation that IVK is at?

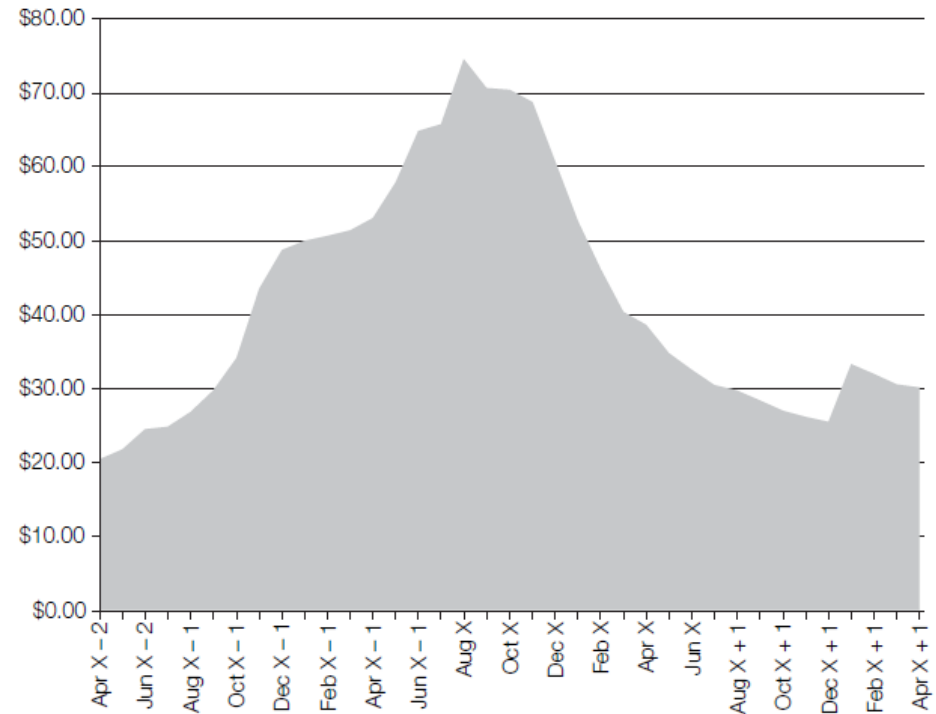
	Years ended June 30		
	Year X	Year X-1	Year X-2
Service revenue:			
Advisory fees	\$89,194,767	\$69,346,698	\$14,761,226
Residuals	74,894,813	61,027,105	11,834,993
Administrative and other fees	4,113,746	2,814,617	474,888
Processing fees	65,456,570	39,566,486	14,191,953
Total service revenue	\$233,659,896	\$172,754,906	\$41,263,060
Operating expenses:			
Compensation and benefits	54,879,252	26,805,902	11,488,553
General and administrative expenses	65,695,724	31,062,928	10,651,614
Total operating expenses	120,574,976	57,868,830	22,140,167
Income from operations	113,084,920	114,886,076	19,122,893
Other expense:			
Interest expense	717,392	1,563,305	1,824,493
Interest income	-814,894	-116,983	-91,220
Other income	-2,412	-2,200	-130,447
Total other expense, net	-99,914	1,444,122	1,602,826
Income before income tax expense	113,184,834	113,441,954	17,520,067
Income tax expense	43,539,727	42,214,388	5,106,933
Net income	69,645,107	71,227,566	12,413,134

IVK Corporation (3/4)



Competitor A: 36%
 Competitor B: 15%
 IVK: 16%
 Other: 33%

Stock Price for IVK Corporation



● Who is Mr. Carl Williams? Why does he become the CEO?

IVK Corporation (4/4)

- IVK has been experiencing an exponential revenue growth for the last two years, but it incurred a more increasing amount of expenses, according to its income statement.
 - Thus, profitability has worsened.
- IVK is a unstable second player in the industry, which is quite fragmented.
- These are why its stock price has stumbled significantly.
- Carl Williams was brought to this company as a fixer who is mandated to turn around its fortune and to improve profitability and market value.

Mr. Jim Barton, the New CIO of IVK

- If you were Mr. Jim Barton, would you take the CIO offer from Mr. Williams?
- Who is Mr. Barton?
- Why do you think the board of directors chose him?



Mr. Bill Davies (1/2)

- Who is Bill Davies?
- Why was he fired? What was wrong with him?
- Why did Mr. Davies warn Mr. Barton that he will not last more than a year? Do you agree?

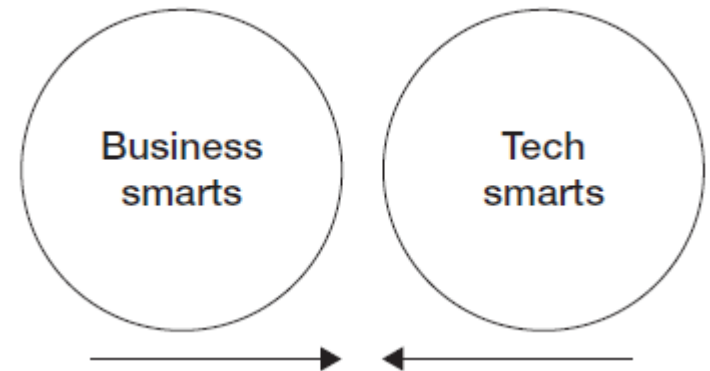


Mr. Bill Davies (2/2)

- He is a capable technical manager respected by his subordinates in the IT group.
- However, he was not considered part of top management team. For example, he wanted to be present at a meeting with customers, which was denied by his fellow executives.
- He was a “benevolent dictator” who was the only one who controls and knows about IVK’s IT.
 - He was inflexible and unresponsive to business needs.
 - The risk is that when things don’t go well (e.g. security failures), the dictator takes all the responsibility and no one protects or defends him.

CIO with Tech Smart or Business Smart?

- Should a CIO be chosen among technically-trained managers or business-background managers?
- Which is easier to learn? Technology or Management?



Issues with Business/IT Knowledge

- IT knowledge
 - It quickly become obsolete. Technologies change so quickly that knowledge learned at a classroom may become useless in a decade or less. It requires *constant* learning.
- Business knowledge
 - Some knowledge/skill (such as leadership or negotiation) is hard to learn at classroom. It takes actual experiences.
- The point is that it is hard to master both areas. There are only a few people who do so.

IT management is about management (1/2)

- What does it mean by “*IT management is about management*” (p. 10)?
- What does it mean by “*IT department is positioned to understand how the business works better than any other department*” (p. 11)?



IT management is about management (2/2)

- In essence, IT management is not widely different from management of other functions (HR, finance, etc.).
 - It involves utilizing and securing resources, demonstrating results, and motivating and leading employees for results.
- Technology changes, but the principles of IT management seldom change.
- A CIO, as long as he or she is capable, is in the best position to understand every aspect of business.
 - because IT is interwoven in all business functions and operations (finance, accounting, and so on).

What Should a CIO Do?

- Why does a business need a CIO?
- What are the roles of a CIO in business?
- What are the qualifications of a CIO?
- Why are some CIOs considered business strategists?
- Why are some CIOs called *chief innovation officers*?

Successful CIOs

- A successful, capable CIO possesses (i) cutting-edge knowledge on IT, (ii) deep understanding of business and industry, and (iii) excellent communication skills.
- A CIO is sometimes called a Chief Innovation Officer since he/she is able to leverage new, emerging technologies to develop new, innovative services and to lead strategic innovation efforts.

FEATURE

More CIOs Are Gaining Stature As Business Strategists

33

CIO MAGAZINE: SEPTEMBER ISSUE

Top CIOs Get Deeply Involved in Merger Deals

INSIDER FEATURE

Why Some CIOs Have More Staying Power Than Others

FEATURE

CIO Helps Civil War-Era Company Find Its Digital Future

FEATURE

Innovative CIOs Show How to Make Money With IT

OPINION

Established Company Looking for Chief Innovation Officer

FEATURE

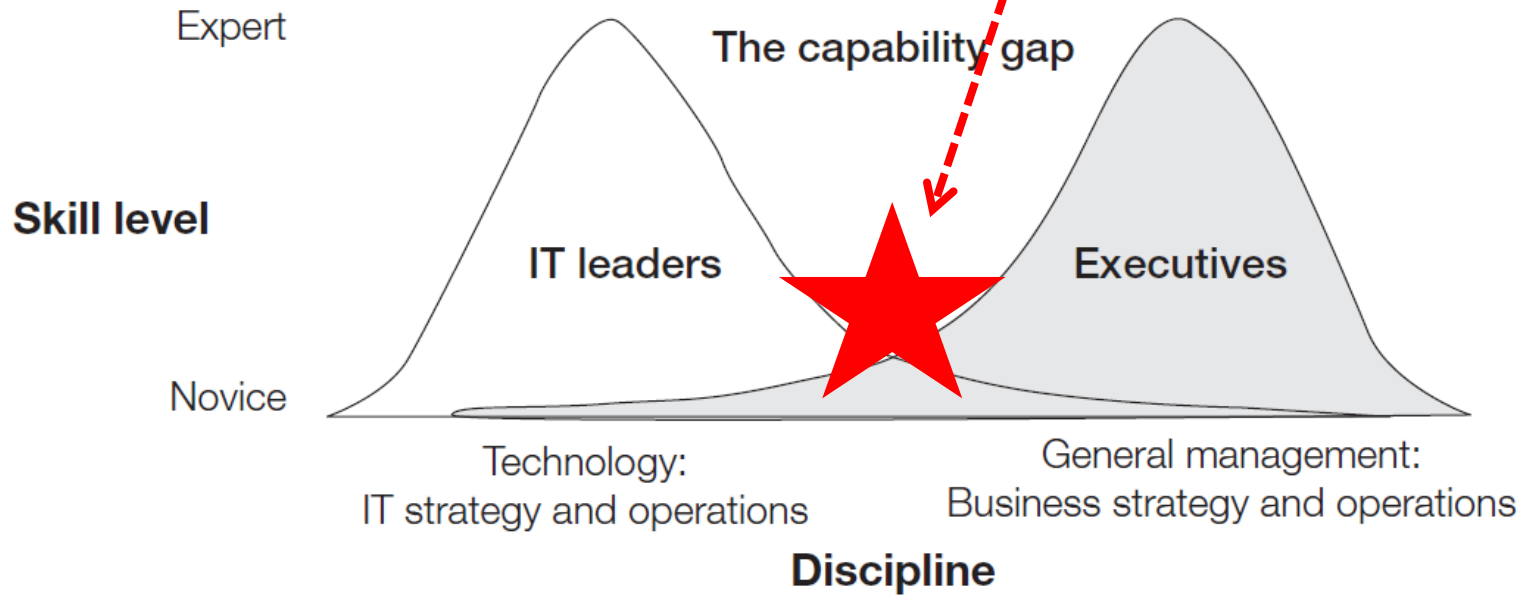
CIO Pay Tied to Overall Business Success

FEATURE

CIOs Share How They Made the Leap to CEO

After taking this course, you'll be here.

The IT leader/general manager capability gap



After taking this course, you'll be ready to be

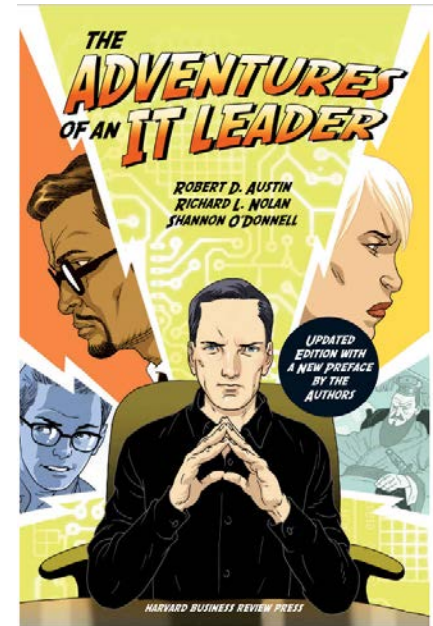
- A capable *business* leader who understand the potential of technologies can explain to anyone
 - How IT management should be aligned with competitive strategies
 - How IT helps firms create business opportunities and achieve sustainable competitive strategies
 - How IT resources contribute to value creation
 - How to formulate IT-driven competitive strategies
 - What skills and capabilities IT leaders in business should possess

Textbook and Required Materials

● Austin, R.D., Nolan, R.L., and O'Donnell, S., ***The Adventures of an IT Leader*** (Updated Edition), Harvard Business Publishing, 2009

● **Harvard Business Cases for MIS 5402**
(required materials)

- available for purchase and download at <http://cb.hbsp.harvard.edu/cbmp/access/56799182>



Class Schedule

Date	Session #	Topic	Pre-Session Reading (for Reading Briefs)
Jan 7	1-1	<i>Introduction</i>	IT Adventures Ch. 1 and 2
	1-2	<i>IT and Competitive Strategies</i>	HBS Case – Otis Elevator
	1-3	<i>Value and Cost of IT</i>	IT Adventures Ch. 4, 5, and 8 HBS Case – Volkswagen of America
Jan 14	2-1	<i>IT Risk Management</i>	IT Adventures Ch. 10, 11, and 18
	2-2	<i>IT-Driven Competitive Strategies</i>	HBS Case – Airbnb
	2-3	<i>IT and Your Career</i>	Foreign Affairs – Labor in the Second Machine Age

Grading

Reading Briefs

7 briefs in total, no more than 200 words

25%

Executive Reports

Consulting reports for senior executives
two reports in total, no more than two pages

50%

Participation and Presentation

25%

Reading Briefs (25%)

- Before each class, write briefs of required reading materials (*IT Adventures* chapters or HBS cases).
- Seven briefs in total
- Reading brief questions are provided on Blackboard.
- No more than 200 words

Executive Reports (50%, 1/2)

- Two consulting reports for senior executives
- Individual assignments
- Due by Wed, Feb 1st, 11:59 PM
 - Late submission deduction : 10% per each 12 hours
- Grading Rubrics : Organization, Originality of Ideas, Addressing the issue, Strategic Recommendations, Grammar & Mechanics
- The instructor will provide a feedback on report drafts.
 - To seek a feedback, submit drafts by Mon, Jan 23, 11:59 PM.

Executive Reports (50%, 2/2)

● No more than two pages *including figures and tables*

- The instructor will not read beyond the 2nd page.
- 11-point font, Calibri (Microsoft Word default font), single spacing or more, 1-inch margin in all four sides
- A report that does not conform to this formatting requirement will not be graded.



Norman Augustine, a former President of Lockheed Martin



*I have concluded that one of the stronger correlations with advancement through the management ranks was **the ability of an individual to express clearly his or her thoughts in writings.***

<http://rescommunis.olemiss.edu/2008/09/03/norman-r-augustine-at-the-university-of-mississippi/>
<https://www.aacu.org/publications-research/periodicals/one-cannot-live-equations-alone-education-life-and-work-twenty>

Academic Integrity

- ZERO TOLERANCE
- Plagiarizing others' work without references will be reported to the University immediately.
- All assignments are on *an individual basis*.
- If submitted files are suspected to be work of one single person, the instructor will report to the University as a cheating.
- DO NOT SHARE ANY FILE THAT YOU CREATE WITH ANYONE.

Participation and Presentation (25%)

- A successful executive requires an excellent communication skill.
- Students are expected to actively participate in class discussions and activities.
- To speak up, raise your hand and *wait for the instructor's cue*.
- Students can volunteer to present recommended readings.

Grading Scale

94% - 100%	A
90% - 93.99%	A-
87% - 89.99%	B+
83% - 86.99%	B
80% - 82.99%	B-
73% - 79.99%	C+
65% - 72.99%	C
60% - 64.99%	C-
55% - 69.99%	D+
50% - 54.99%	D
< 50%	F

Class Policies

- Keep monitoring announcements at Blackboard.
- Using laptops or tablets is allowed only for class-related activities.
 - Should close laptops while the instructor plays a video.
- Please use @temple.edu account for all correspondents with the instructor. Email messages sent from a non-Temple account may not be responded.
- Please turn off or mute cell phones. Do not send emails, texts, or tweets during class.
- In case of severe weather, we will meet as long as the University is open.