# Investments in information technology

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Investments in Information Technology The technological revolution brought about many developments in the business arena. The use of information technology (IT) in aiding the decision making process of an organization became prevalent as it is seen as an efficient competitive advantage. However, the efficacy of IT as a business investment has been attacked by skepticism as more and more companies do not attain the expected benefits. What companies do not consider is the significant chain which links IT strategy, supply chain, and company bottom line. The failure of IT investments to generate the expected competitive advantage is due to the corresponding level of business process maturity. Heinrich and Simchi-Levi (2005) answer the question whether IT investments really pay off: " The answer is yes-only if solid business processes are in place." Thus, the success of any IT strategy is highly dependent on the integration of business processes within the organization and its various supply chain factors. Information technology strategies are directly linked to the company's supply chain. As the supply chain is composed of stakeholders who are directly related to the operations of the company, the installation of IT software and tool will have an impact on them. In return, the organization bottom line will also benefit or be harmed by any IT strategy in place.

Investments in IT generate a lot of advantages in a company's supply chain. However, this is only true with the premise that the appropriate level of business process is in place. As the study of Heinrich and Simchi-Levi proves, information technology goes hand in hand business process maturity in increasing the efficiency and profitability of business organization. Investment in IT without integrating the supply chain by sharing the data in internal and external stakeholders will render useless. Accordingly, " IT provides only information; without a process that is able to effectively transform information into knowledge and decisions, the supply chain will be compromised by a surfeit of inactionable data (Heinrich & Simchi-Levi 2005)". This is further illustrated by real world examples like the computer giant Dell. The company heavily invested in IT in order to implement its " virtual web" supply chain. The company strongly collaborates with its suppliers and customers by giving them access to important company information. This had enormously helped Dell by having a customer driven business model which generates huge profits. Without the highly important integration of its supply chain, Dell won't be able to process and share information to its stakeholders. It should also be stressed that the role of IT in the supply chain is not sufficient to produce results. As the main goal in investing in IT is the generation of processed information for business decision making, the company should find a way in order to transform the data generated by IT into usable resource.

Investment in IT can be very costly. This does not only involve purchasing the appropriate software package to be utilized by company's managers. It also includes training the company's bottom line and acquainting them to the newly installed system. As various supply chain players are directly connected to the organization, the company should also collaborate with its suppliers and distributors. This paper believes that investment in IT pays off as long as the company ensures that business process maturity. Though the installation of IT requires a huge capital outlay and bottom line training, the company can benefit from its advantages reflected in higher efficiency, higher profits, inventory control, and stronger collaboration with suppliers.

References

Heinrich, C. & Simchi-Levi, 2005, Do IT Investments Really Pay Off, Retrieved 19 June 2006, from http://www. manufacturing. net/scm/article/CA609930. html