

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION 2009

TITLE OF PAPER: STRATEGIC INFORMATION
SYSTEMS

DEGREE AND YEAR: BCOM V (F/T) & BCOM VII (IDE)

COURSE NUMBER: BA 502/ IDE BA 502

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS: 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)

2. THE CASE STUDY SECTION (A) IS COMPULSORY

3. ANSWER ANY TWO QUESTIONS FROM SECTION B.

Note MARKS WILL BE AWARDED FOR GOOD
COMMUNICATION IN ENGLISH AND FOR ORDERLY
PRESENTATION OF WORK

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED
UNTIL PERMISSION HAS BEEN GRANTED BY THE
INVIGILATOR.**

SECTION A: CASE STUDY (COMPULSORY)

OUTSOURCING IT APPLICATIONS DEVELOPMENT

When information systems management awards a million-dollar outsourcing contract for a highly visible strategic project and the winner has been underbid by several other companies, management must have good reasons. And the project must prove to be a success. That was precisely the situation when VISA International Inc. offered a large mission critical development project to DMR Consulting of Matsapha.

VISA International's commercial card division, which is based in Mbabane decided it needed to offer VISA's large corporate customers worldwide, a way for them to produce reports related to their VISA expenditures. The goal was to enable the customers to easily summarize and analyze all VISA charges through a report that each corporation could customize. A project was established to develop the customizable software system so that it could be distributed to customers. This extra service could be a strategic advantage for VISA.

According to Ronald Prather, vice president of information services at VISA's commercial card division, the company originally planned to develop the system itself. Although VISA's 1000-person IS staff did not have the necessary skills, the intent for them was to learn the technology so that they could support the new system after it was in use. However, after the project began, according to Prather, VISA found, "We didn't have enough resources to do everything we wanted." Ultimately we decided to outsource the whole project, despite the fact that quality and on-time delivery were critical, because the final product was to be distributed to customers.

Outsourcing was a risky alternative. This was a large, mission-critical project, the kind that most companies want to do themselves. In addition, studies have shown that 25% of outsourcing projects are cancelled due to high costs and/or poor quality. Nonetheless, Prather proceeded and received about 10 bids on the project. DMR was selected despite that several bids were lower. What were the keys to DMR's submission? First, DMR's project proposal included a complete project development methodology. Prather was informed how the project would proceed, how he and his staff would relate to the project and what kinds of reports would be submitted. In addition, whereas many bids answered requests for proposal questions with a simple "yes", DMR added a full explanation on how it would accomplish the task. Prather felt comfortable knowing what exactly he was buying and how it would be done. The DMR responses gave him confidence in the quality of its work, and the likelihood of a positive outcome. Also, all the programming was to be done in Quebec City, which saved VISA the expense of supplying DMR's 40 staffers office space. Prather was also pleased to find that the project would have two managers, one each from VISA and DMR. Thus Prather (who became the Vice Project manager) always would know what was happening and be able to ensure a quality product.

The project was a success. VISA maintained control over the project, being able for example to review designs before they were implemented. DMR met its schedule, and the project ended on time and within budget. More than 300 large corporations are now using the system. Ultimately VISA awarded DMR a long-term contract to maintain the system.

Case Study Questions:

- a. When should a company outsource its IT activities (20 marks)
- b. What factors account for the success of an outsourcing alliance (reference to the case in question should also be highlighted) (20 marks)
- c. What dangers did outsourcing pose in the case under consideration (10 marks)

SECTION B- ANSWER ANY TWO QUESTIONS FROM THIS SECTION

Question 1.

Discuss the major problems associated with linking Information Technology strategy to competition (25 marks)

Question 2

Discuss the major issues to consider in structuring and managing relationships with multiple service providers. (25 marks)

Question 3

How can an organization analyse the benefits that accrue from internetworking to ensure value maximization from such? (25 marks)

Question 4

Successful management of IT requires a clear understanding of the project structure and the level of technological intensity of the project. Discuss this concept fully, suggesting best practice in each case. (25 marks)