

Chapter 3 – Strategies and Competitive Opportunities

Competitive Advantage – Is a company that provides the best-perceived perfect service at the customer’s moment of value. A customer’s perception of perfect service is what makes a sale.

Competitive advantage does not last very long. The only true sustainable competitive advantage is the one that’s constantly renewed. Successful firms nurture innovation to provide this renewal.

How your organization creates an advantage depends on two factors:

1. Knowledge of your competitive environment
2. Knowledge of your own business

Organizational Horsepower (OHP) – A measure of organizational competitiveness generated through organizational force and speed. Together they provide a framework for evaluating how various strategies can empower your organization.

Organizational force – is meeting as many customer expectations as possible (in the hopes to meet more than its competitors and thus gain a competitive advantage).

Organizational speed – is meeting customer expectations quickly (hopefully before its competitors).

Strategies for increasing OHP

1. **Just-in-time approach** – producing or delivering a product or service when the customer wants it. JIT generates strong organizational speed through quick customer response but generates very little organizational force. JIT generates the least OHP of all seven strategies. The JIT approach may be viewed from two perspectives – internal and external.
2. **Teams in an organization** – a group of people with a shared goal and task interdependence. Teams are used to bring diverse perspectives to an organizational problem. Teams generate strong organizational force but little organizational speed.
3. **Information partnerships** – An agreement between organizations for the sharing of information to strengthen each partner organization. They can pursue speed by using EDI or organizational force using IOS. By sharing strategic information, information partnerships can generate both organizational force and speed.
4. **Timeless & locationless operations** – operate without regard to time or location. With timeless operations, companies operate 24 hours a day, if necessary, using IT systems that never sleep. They generate organizational speed through quick, timely customer response. With locationless operations, customers are always near a location, often using IT systems like “virtual stores”. This generates organizational force by allowing the organization to reach more customers. Together, timeless & locationless operations generate both force and speed.

5. **The transnational firm** – produces and sells products and services all over the world in coordinated cooperation. All operations share information and resources, using IT networks. Notion of headquarters is irrelevant. International market exposure generates tremendous organizational force and OHP.
6. **Virtual organization** – A network of independent organizations linked together by IT to exploit market opportunities by sharing skills, costs, and market access. Generates great deal of organizational speed.
7. **The learning organization** – An organization whose people are continually discovering how to learn together while, at the same time, altering their organization as a result of what they learn. They invent new strategies for serving its customers internally, based on its own knowledge of its customers. Most potential organizational speed. Information is shared at all levels, enabled by groupware, artificial intelligence systems, and networks.

Quality = Foundation of OHP

Quality – Quality is meeting customer expectations, so your customers define quality. They expect you to provide perfect service to them when, where, and how they want it.

To provide quality information, your firm must constantly gather customer expectation information directly from your customers.

Total quality management – Meeting customer expectations through continuous improvement and organization-wide quality ownership.

1. Meeting customer expectations
2. Continuous improvement
3. Organization-wide quality ownership

1. **Meeting customer expectations** – by having defect-free products, excellent service, and a competitive price.

Statistical process control – is a method of gathering and analyzing these measurements to identify and solve quality problems. There are two key SPC tools to analyze quality measurements.

- Control chart – a graphic means of identifying causes to problems that are controllable
 - Histogram – graphic representation of a frequency distribution, or counts of how often different things occur.
2. **Continuous Improvement** – As customer expectations change, you must also change. Competitors are also trying to beat you on product, price, and service.

To improve you must identify the areas that provide the most opportunity for improvement. Three tools can help in this search:

- Fishbone diagram – a line diagram that begins with a problem (the effect) and branches out into problem causes. You can separate root problem causes from causes that are simply the result of other causes
 - Pareto chart – tool related to the histogram. You gather frequencies of various problem causes, sort them, and calculate percentages for each. It is used to target improvement efforts. (i.e. Small % of causes determine a large % of quality problems.)
 - Scatter diagram – plotting paired data on a two-axis graph. It will geographically depict any patterns in the data plotted.
3. **Organization-wide quality ownership** – requires a commitment from every individual in the organization. Along with commitment everyone must have power to ensure quality, which requires executive support and clear customer focus.

When you combine individual commitment and power, employees develop a sense of ownership for their contributions to quality.

Strategies of OHP

1. **Just-in-time Approach** – It increases flexibility; reduces inventory levels, and increases quality. It increases organizational speed by decreasing the time to respond to a customer and as a result, increased speed increases OHP.

JIT is enabled by IT telecommunications and scheduling capabilities. First, you must be able to predict accurately your production processes.

- Production scheduling systems – provide detailed plans for producing all components of a final product. Uses forecasts and existing customer orders to predict how much will be produced.
 - Material requirement planning (MRP) systems – take the production schedule and determine which raw materials and components are required and when they are required. It then takes the bill of material information and dissects it to discover the required raw materials.
 - Manufacturing resource planning II (MRP II) – ties the material requirements from MRP systems into other organizational systems to integrate financial, HR, and marketing needs into the scheduling.
2. **Teams in Organization** – A group of people with a shared goal and task interdependence. They provide diverse perspectives for a collaborative effort. Team productivity greatly increases organizational force thus OHP. How are they enabled? – Groupware supports working in teams.

Cross-functional teams – Groups of people that gather from all corners of the organization.

Task interdependence – tasks depend upon another.

There are two types of teams:

- **Project teams** – accomplish specific one-time goals and disband once the project is complete.
- **Permanent teams** – support permanent processes.

Information technology enables teams:

- Group scheduling software
- Electronic meeting software
- Videoconferencing software
- Whiteboard software

The softwares support the team dynamics.

3. **The Information Partnership** – An information partnership is an agreement between organizations for the sharing of information to strengthen each partner organization. It creates organization synergy from complementary resources at participating organizations. It increases organizational force by reaching new customers or discovering new cost reduction techniques. It increases organizational speed by streamlining the purchasing and receiving process. How is information partnership IT enabled? – EDI forms the bedrock of the information partnership.

Information Partnership for OHP Speed – Generates organizational speed by automating the information flow between partner organizations. As a result, business transactions can proceed much more quickly; business volume increases, and transaction errors are greatly reduced.

Information Partnership for OHP Force – Is the sharing of information to reach a larger market. Organizations today regularly capture customer information and have learned to gather the information in a meaningful way.

Information Partnership for OHP Force & Speed – Sharing of information that is strategic in nature and affects their fundamental business strategy. They create many benefits for the partner organizations. These benefits include:

1. Sharing of resources, information as well as fixed assets, expertise, and funds.
2. Gaining access to new customers of the member organizations.
3. Taking advantage of new opportunities such as products or services not previously provided or capable of being produced.

4. **Timeless & Locationless Operations** – Timeless operations are operations that use IT to operate without regard to time. Locationless operations use IT to operate without regard to location. They put an organization to work 24 hours a day. They create a presence for the organization everywhere. They increase organizational force by reaching more customers at the customer's location. They increase organizational speed through simultaneous, independent work and by serving customers whenever they want. How are they enabled? – They require IT to tie the operations together.

Making telecommuting work – 5 components are required:

- Communication technology – to transfer assignments & work, both in progress and completed. (Phone lines & modem, etc.)
- Constant communication – email.
- Goal setting and monitoring – telecommuting is not for everyone, and you must track performance to determine which employees are best suited.
- Physical meetings – Bringing off-site employees to main office cultivates teamwork and loyalty.
- Information access – They must have access to the firms' collective knowledge. Help them stay connected to organizational information, perhaps through databases or data warehouses.

Key Timeless & Locationless ingredients – information technology is a must. Telecommunication networks are very important

5. **The Transnational Firm** – One that produces and sells products and services in countries all over the world in coordinated cooperation. It expands the scope and breath of a firm's operations. It geographically disperses operations to strengthen a firm's organizational force. It may positively or negatively affect organizational speed, depending on implementation. How is it enabled? – Extensive use of IT networks facilitates coordination and synergy for the transnational firm.

International operations diversify a company's market risk.

Global configuration – all international operations depend on headquarters for resources and direction.

Multinational configuration – international operations operate independently, reporting only financial information to headquarters.

Transnational configuration – produces and sells products and services in countries all over the world in coordinated cooperation.

Transnational firms' critical success factors:

- ⇒ Balance local uniqueness with global uniformity
- ⇒ Organization must create a global IT infrastructure that supports the first critical success factor.

Transnational Firm Challenges:

- ⇒ Resource duplication among locations

- ⇒ Communication reduces the isolation of international operations (Language & cultural barriers create isolation)
- ⇒ Must learn to integrate strategies
- ⇒ Real political borders still exist and create hurdles (**Transborder data flows** – can be problematic due to privacy laws)
- ⇒ Telecommunication standards in various countries
- ⇒ Ethnic challenges

6. **The Virtual Organization** – A network of independent organizations linked by IT to exploit market opportunities by sharing skills, costs, and market access. It extends the concept of locationless operations beyond the organizations' boundaries. It facilitates the greatest organizational speed of any OHP strategy except for the learning organization. With a virtual organization, however, synergy is lacking and organizational force suffers. How is it IT enabled? – Linked through telecommunication, as in telecommuters.

Locationless operations – unlimited life, employee run, share assignments and tasks to complete assignments.

Virtual organization – unlimited life, partnership run, share market knowledge and resources.

Outsourcing – Specified lifetime, contractual operation, share only that which is required.

IT Consideration for the VO

- ⇒ Linking incompatible hardware and software
- ⇒ Fostering creativity without human contact
- ⇒ Effectively communicating concepts online

7. **The Learning Organization** – An organization whose people are continually discovering how to learn together while, at the same time, altering their organization as a result of what they learn. It provides an organizational structure that can change as rapidly as customers' needs. It provides more potential than any other strategy by creating new strategies. It increases organizational speed by learning from past experience the true cause of problems and eliminating them. How is it IT enabled? – Organizational learning only occurs when IT systems acquire and disseminate information among employees.

How information technology can help organizations overcome learning barriers:

- ⇒ Command and control structure – people performing the jobs are rarely part of the decision-making process. IT systems can make a bottom-to-top information flow possible.
- ⇒ Blame game – Blame promoted individual learning, not organizational learning. In large organization, steering clear of assigning blame is facilitated by IT whiteboard software that allows individuals to work electronically to solve problems.
- ⇒ Learning from your experiences – To discover the final effect and the root cause, you must see the entire organizational system of cause and effect at the

same time. IT systems can bring the root cause and final effect together in time and location.

Adopting an organizational horsepower strategy

1. Determine which aspects of the selected strategy will be applied
2. Determine which technology the selected strategy requires
3. Determine the most appropriate process by which to adopt the selected strategy.

Business Process Re-engineering – Is the reinventing of processes within a business.
Business Processes – Sequences of activities that take raw materials from a supplier and serve outcomes to a customer.

BPR – Radical & innovative, for dramatic improvements, redesign enabled by IT, a target project, effectiveness – focused.

BPR (6-step process)

1. Defining the OHP strategy you wish to adopt
2. Identifying the affected processes that need to be re-engineered
3. Identify the goal of each process
4. Identify process participants and a facilitator for each process
5. Mapping the “as is” process
6. Designing the “to be” process.

Ethical issues must always be considered when using the BPR process.