I3331
Informatics & Society

ECTS	CM	TD	Lab	Total
3	10	11	15	36

Wednesday: 14:00 -15:40 (every next week)

Friday:12:00 - 13:40

Room: 47

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Chapter 1:

Company Case study

Main segments for the study of a company

- Company identity
- Organization of the company
- Activities of the company
- Projects
- Market position
- Economy of the company
- Human resources

Identity of the company

- Establishment date
- Founder(s)
- Commercial name
- Logo – meaning of the logo
- Legal name
- Company type
- Registered address
- Geographic presence – Branches
- Capital

Organization of the company

- Board of directors
- Management team
- shareholders
- Functional structure:
  - Business Units.
  - Departments.
  - Teams.
  - Central functions.

Activities of the company(1/2)

- Domains of expertise.
- Market segments.
- Offered services
- Types of customers:
  - Public sector (governments)
  - Private sector
  - Mobile network operators (MNO)
  - Internet service providers (ISP)
  - Education sector
  - Health sector
  - etc.

Activities of the company (2/2)

- Main customers (Top 5)
- Types of contracts with the customers.
- Partnership(s)
- Alliances (merger, acquisition, Joint Venture, etc.)
- Big deals and big hits
- Expansion plan

Projects

- Types of projects (installation, integration, maintenance, software development, industrial production - Hardware, etc.)
- Number of projects per year
- Number of simultaneous projects
- Size of projects (small, medium, large), in terms of:
  - Number of employees working on the project.
  - Budget du project.
  - Duration of project.
- Locations of the projects.
- Funding of the projects
- Partnership (sub-contracting, out-sourcing, etc.).
- Purchasing of the material needed for the projects execution:
  - Local market.
  - Importation.

Market position (1/2)

- Competition:
  - Who, Where, When
  - Market share
  - Rank
  - Position / monopoly
- Benchmarking with competition:
  - Products / services
  - Geographical presence
  - Price
- SWOT analysis:
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats
- Counter-attack strategy against competition.

Market position (2/2)

- Market fluctuations:
  - Difficult periods
  - Periods with highly dynamic market
  - Influencing factors
- Market evolution in the coming 3 years.
  - Reasons (why?)
- Company position in the evolving market
  - Projects, investments, new customers, geographical expansion.
- Impact of the political crises, Financial and economical.
- Obstacles linked to
  - Import/export
  - taxes
- Illegal actions by competition.
- Role of the government in the regulation of the activity sector(s):
  - Committees
  - Legislation

Economy of the company

- Annual revenues:
  - Breakdown of revenues by activity segments.
  - Breakdown of revenues by geographic region.
- Evolution of the company revenues over the past 3 years.
- Estimation of the revenues evolution of the coming 3 years.
- Cost structure.
- Most profitable Division or Activity sector.
- Strategy to increase the profitability of the company:
  - Cost reduction.
  - Lay-off.
  - Importation of low cost manpower.
  - Transfer of central activities to low cost countries.
  - etc.

Human resources (1/2)

- Current employees:
  - Total headcount
  - Percentage men/women
  - Average age
- Offered package:
  - Employment contract type.
  - Salaries range (junior, experienced, senior).
  - Other benefits: social security, additional insurance, schools, paid leaves, maternity leave, etc.
- Employee’s evolution
  - Regular evaluation of the employees performances.
  - Bonus, gifts
  - Salary increase
  - Trainings
  - Vertical evolution
- Business trips
  - Average duration, frequent destinations, Perdiem, salary increase, etc.

Human resources(2/2)

- Job stability:
  - Rate of churn-out (how many employees leave the company per year) - reasons?.
  - Average duration of employees staying within the company.
  - Any lay-off in the last years?, any compensation for laid-off employees?
- Hiring:
  - Rate per year
  - Preference man/woman
  - Required experience
  - Required diplomas
  - Preferred universities
  - Any recent hiring?
- Training:
  - Duration, Paid or not, Transport
- Candidature (for job or training):
  - How to submit the CV
  - Best period(s) for hiring

Chapter 2:

Notions about some business models

Agenda

- Merger/acquisition/JV
- Monopoly & dominant position
- Main players in a project
- Sub-contracting & outsourcing
- SWOT analysis
- Externalities

Merger, acquisition

- **Merger:**
  - *Also called « merger-acquisition »*
  - *It is the operation when 2 companies of approximately same size merge together and accept to do business under as a single company*
  - *The 2 original companies disappear and give birth to a new company.*
- **Acquisition:**
  - *Also called « merger-absorption »*
  - *It is the operation when a company acquires (absorbs) another company which will disappear.*
  - *In the case of acquisition, the strongest company takes over the second one.*

Joint Venture

- **JV (*Joint Venture*):**
  - *It is an agreement between two or several companies who accept to work together on a specific objective (goal) and for a limited duration.*
  - *A **JV** requires a common understanding between the different partners on the way of operation, as well as a common strategic view about the growth of the business in order to insure a successful JV project.*

Monopoly & Dominant position

- ***Monopoly**:*
  - ***Monopoly** exists when a specific person or enterprise is the only supplier (exclusive supplier) of a particular commodity to a wide range of customers.*
  - *When this exclusivity appears in an activity giving exclusive advantages to the public companies (government-owned companies or agencies), it is called « public monopoly » or « state monopoly ».*
- ***Dominant position:***
  - *The term « monopoly » is often used to describe a situation similar to the monopoly definition but distinct: the term « monopoly » is then applied to a company which does not have really monopole situation but widely dominates the market where the competition still exists but very marginal. In this case, it is preferred to use the term « **dominant position** ».*
  - *So the **dominant position** is the case where a company or a group of companies in a given market, and due to the weak competition, is in a situation allowing it to act in the market without considering seriously the various competitors..*

Main players in a project (1/2)

- **Project Owner**
  - It is the entity owning the requirements, defining the objectives of the project, the schedule and the budget dedicated to this project.
  - The expected result of the project is the realization of a product (could be software) or service.
  - The ***Project Owner*** knows perfectly the basic idea of the project, and he is representing the end users for whom the product/service is made.
  - The project owner is responsible for the definition of the functional requirements, but not having necessarily the skills to make the product/service.

Main players in a project (2/2)

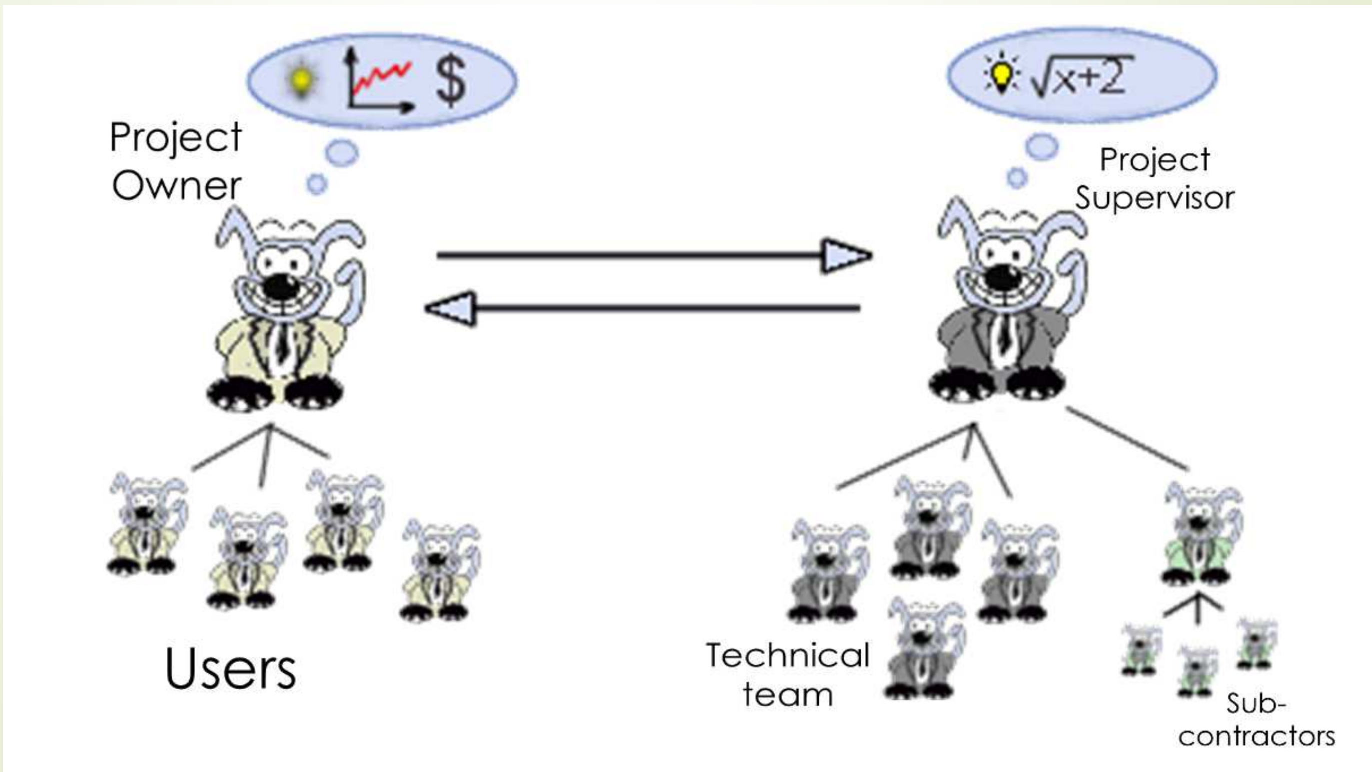
- **Project Supervisor**
  - This is an entity selected by the project owner in order to execute the project (make the product/service) in line with the requested timeline, quality and cost and according the contract signed between both parties.
  - The project supervisor is responsible for the technical choices to achieve the product/service according to the requirements defined by the project owner.
  - The Project Supervisor is then responsible in his mission to appoint a physical person to be in charge of the smooth execution of the project. This person is the project manager..

Sub-contracting & Outsourcing (1/3)

- **Sub-contracting**
  - The project supervisor may ask the support from one of several external companies:
    - *To achieve certain tasks of the projects*
    - *When he does not have the required internal resources.*
  - We speak then about **Sub-Contracting**
    - *Each company is then called* ***Sub-contractor****.*
    - *Each sub-contractor executes a sub-set (part) of the project directly under the control of the project supervisor. The sub-contractor does not have any direct responsibility towards the project owner. However, the project owner has the right to « watch » the quality of work done by the sub-contractor*
- ***NOTE****: The sub-contractor is not a simple supplier because he manufactures the product defined by the project supervisor or often in close and common work with him.. The product is manufactured by the sub-contractor for the exclusive use of the project supervisor. The product does not handle the name of the sub-contractor.*

Sub-contracting & Outsourcing (2/3)

Summarized scheme of **sub-contracting**



Sub-contracting & Outsourcing (3/3)

- **Outsourcing**
  - It is a practice often used to externalize, to a specialized sub-contractor, certain tasks of the company, mainly in the domains of marketing and customer relationship.
  - The outsourcing practice is often driven by cost reduction objectives, but can sometimes create issues in the relationship with the customers and also problems of image of the company.
  - The outsourcing is not limited to the domains of marketing and customer relationship. More and more companies are outsourcing their IT departments as well as their accounting departments.
  - **Example**: a bank can externalize, via an outsourcing contract, its IT department.

SWOT Analysis (1/3)

- Signification of the term
  - ***SWOT*** = ***S***trengths, ***W***eaknesses, ***O***pportunities, ***T***hreats.
- Definition:
  - *The SWOT analysis is a tool used for during the assessment of the company strategy and allows to determine the different available options in a domain of strategic activity..*
- Diagnostic:
  - *The diagnostic of the situation in the scope of the SWOT analysis can be divided into 2 parts:*
    - ***External*** *diagnostic*
    - ***Internal*** *diagnostic*

SWOT Analysis (2/3)

- ***EXTERNAL*** *DIAGNOSTIC:* ***OPPORTUNITIES*** / ***THREATS***
  - General conditions of the market:
    - Size, structure, trends.
  - Salient features of the environment.
  - The consumers: characteristics of the demand and the purchasing behavior:
    - Who, When, Where, How.
    - The main motivations (and showstoppers) of the consumers.
    - Selection criteria of the consumers.
    - Behavior towards the category of product.
    - Identification of the different customer segments.
  - Distribution channels structure
  - The offer of the competition
    - Identification of the competitors.

SWOT Analysis (3/3)

- ***INTERNAL*** *DIAGNOSTIC :* ***STRENGTHS****/* ***WEAKNESSES***
  - Internal constraints due to the past history of the company, to the form and size of resources.
  - Assessment of the company performances, et obviously their evolution over time:
    - Evolution of the sales volume, of the market share.
    - Penetration rate of the company products within the potential customers and prospects.
    - Profile of the products' consumers.
    - Penetration of the distribution networks.
    - Analysis of the cost and the profitability of the products range.
  - Evaluation of the notoriety and the image of the company and its brands.
  - Company resources: financial, technical, technological, commercial, Human, etc.

Externalities

- ***Definition**:*
  - *The externality describes the fact that an economical agent creates, by his activity, an external effect while providing to a third party, without any financial benefits, a free of charge advantage, or a damage without any compensation.*
  - *An economical agent can be in a position where he can influence, conscientiously or not, the situation of other agents, without involving them in the decision.*
    - *Those agents are not necessarily informed and/or were not consulted and do not participate to the handling of the consequences, by the fact that they do not receive (if the influence is negative), and do not pay (if the influence is positive) any compensation..*
- ***Types of externalities:***
  - ***Positive** externalities: (or external economy) designate the situations where an agent provides an economical service to the 3rd parties without being compensated..*
  - ***Negative** externalities: (or external des-economy) designate the situations where an agent economically hurts the third parties without compensating them for the caused damages.*

	Positive externality	**Negative externality**
Agent	Not compensated	Doesn't have to support it
Third party	Did not pay	Not compensated

Chapter 3:

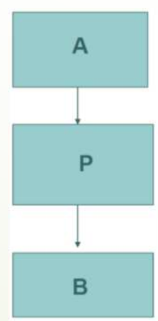
Platform

Platform (1/3)

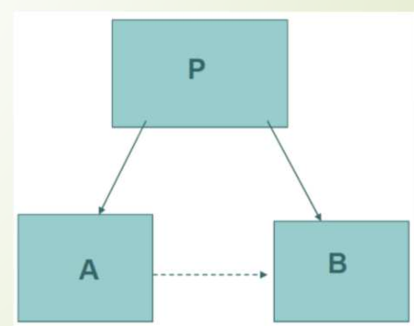
- **Definition**
  - In economics, a platform is an environment allowing the economical exchanges between different players (or economic agents) :
    - *The platform plays the role of private regulator of the economical exchanges and interactions.*
    - *The platform manages the interdependent demands coming from different user categories. Those users communicate together through this platform which plays the role of the middleman.*
    - *The platform increases the externalities.*

Platform (2/3)

- **Architectures**
  - Two main architectures of the platform:
    - ***One-sided*** *platform:*
      - *The different groups of users do not have any direct relation between them.*
      - *Example: Bank (Platform), saving account holders (group A), loan borrowers (group B).*
    - ***Multi-sided*** *platform: (the **Bi-sided** platform is part of it):*
      - *The different groups of users can communicate directly to each other, but the economic value goes always through the platform.*
      - *Example: On-line shopping website (Platform), sellers of products (group A), buyers (group B).*



One-sided market
Vertically linked market



Bi-sided market
Market with a platform

Platform (3/3)

- **Typology**
  - Exchange Platforms
    - *Ex: eBay.*
  - Audience Platforms
    - *Ex: TV*
  - Transaction Platforms
    - *Ex: Credit cards*
  - Applications access Platforms
    - *Ex: Windows*

Strategic Principles

- The owner of the platform shall adopt some strategic principles in order to increase the value of his platform:
  - Attract the different parties and maintain them.
  - Stimulate the positive externalities and reduce the negative externalities.
  - Regulate the interactions between the different parties and prohibit the monopolization from one side or other.
- The objective is to maximize the value created through the platform.
- La value created through the platform can be measured by the economic value of all transactions going through the platform.

Instruments

- The adoption of the strategic principles requires the application of "price-based" and "non-price-based" instruments.
  - **Price-based** instruments:
    - The prices are often non-linear: a fixed part (access) and a variable part (usage).
    - Discounts, voucher, etc.
  - **Non-price-based** instruments:
    - Regulation of the access (access control).
    - Technical requirements and rules (standard, design, etc.).
    - Quality control.
    - Consumer services (products evaluation, benchmarking service, discussion forum, technical consultancy, etc.)
    - Warrantee
    - Shipping
    - After-sales service

Golden rules

- *Two golden rules to apply an efficient strategy and increase the value of the platform:*

- **RULE 1**:
  - The side of the platform having the biggest installed base (i.e. the largest number of customers) shall support a bigger part of the fees imposed by the platform..

- **RULE 2**:
  - If there is a significant asymmetry in the magnitude of externalities that benefit each side, then the side who generates relatively more externalities shall pay lower fees.