

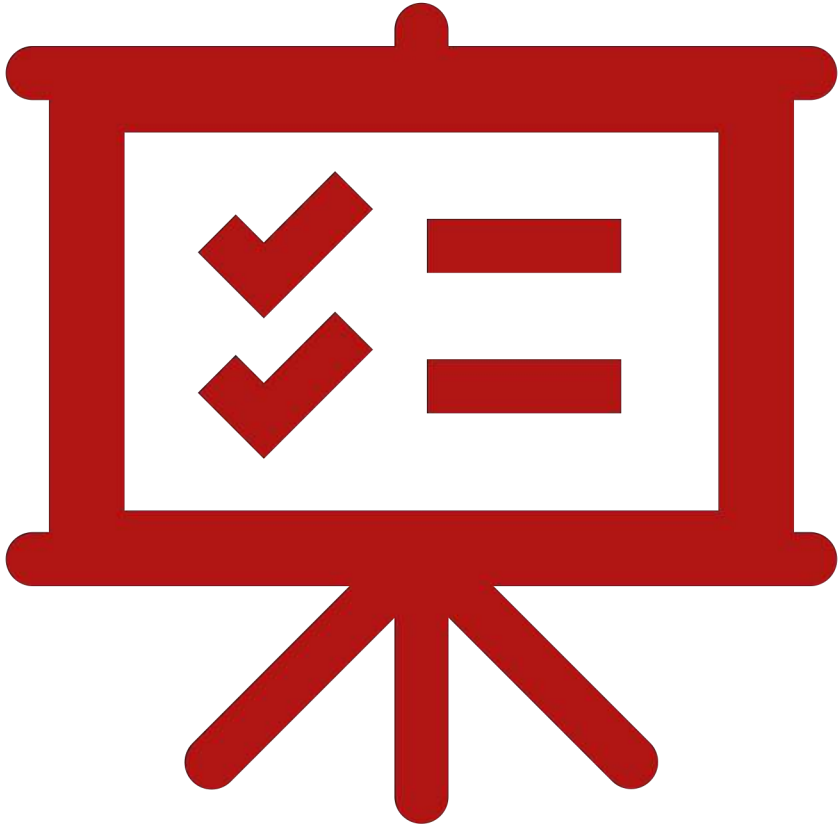
INF700

IT

for

Business and

Management



Module 1

Data, Information and Knowledge

Module 2

Information Systems & Enterprise Strategy

Module 3

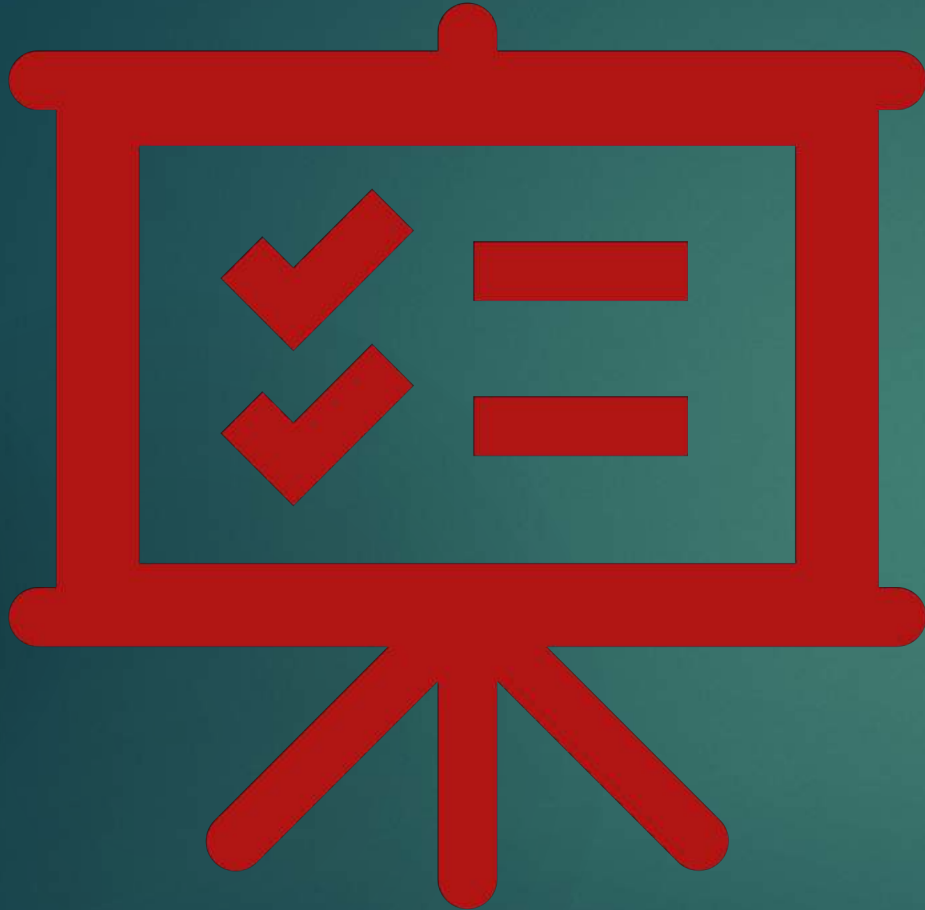
IS Infrastructure

Module 4

Business Process Management

Module 5

Information Systems Security



Module

Information Systems
and Enterprise Strategy

Plan for Today

Part 1 - BIS Strategy - Lecture

- Environmental Analysis
- Strategic Tools/Models

Short Break (10 mins)

Part 2 - BIS Strategy & Competitiveness– Case Analyses

- Case Study 1 - FreshDirect
- Case Study 2 - Walmart

Part 3 – BIS Governance & Digital Business Operating Models



Introduction to BIS as Strategy

What is Strategy?

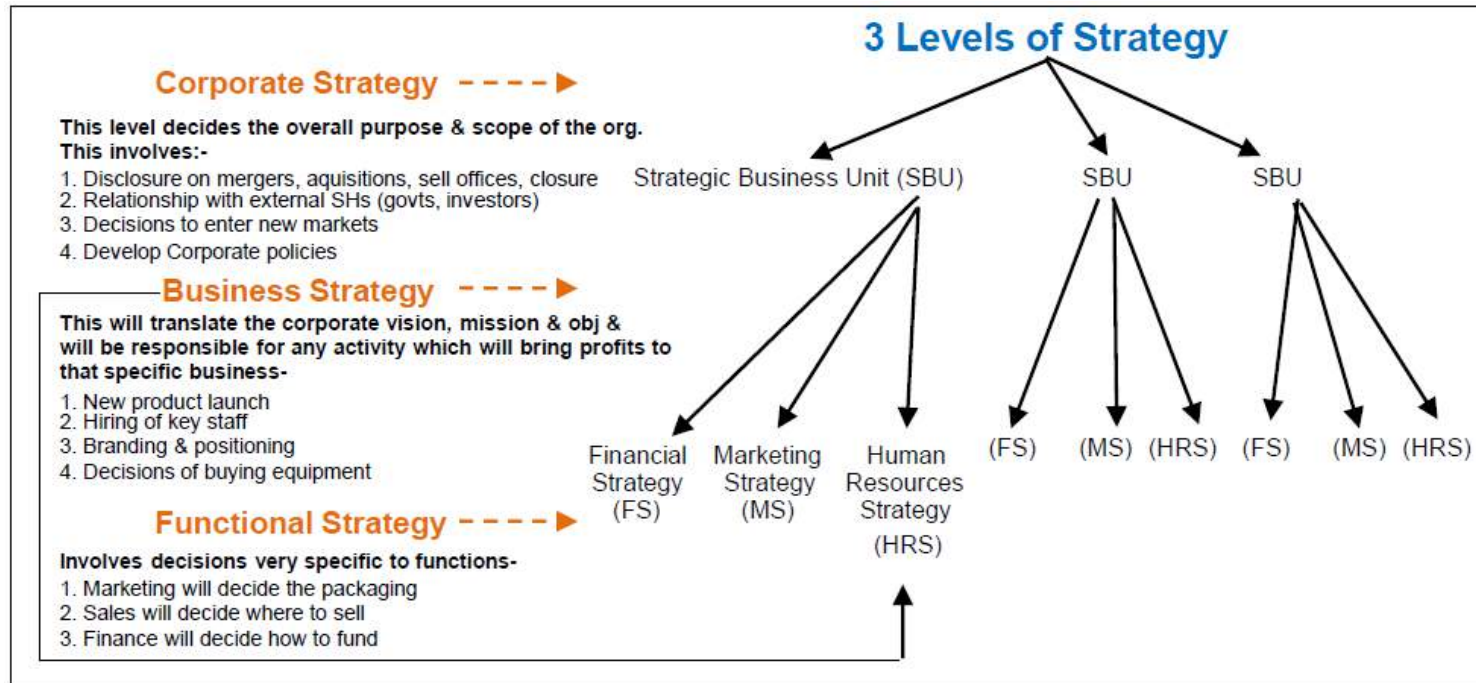
Strategy can be defined as:

'the **direction** and **scope** of an organisation over the **long term**, which **achieves advantage** in a **changing environment** through its **configuration of resources and competencies** with the aim of **fulfilling stakeholder expectation**

Simply put, strategy is how an organisation attempts to meet its objectives

Aligning IT to Business Strategy

- IT-business strategy alignment should consider **internal and external opportunities** as well as **resource requirements**.
- Michael Porter, of the Harvard Business School, states that corporations **need to incorporate IT into their business strategy formulation rather than focus on IT's operational role**.
- Technology strategy and business strategy need to be orchestrated prior to deploying IT.



Levels of Strategy

3 Levels of Strategy – Johnson & Scholes

- Corporate Strategy – Looks at the industries in which the organisation operates. This may mean deciding to leave existing area or enter new ones. This is particularly true if the organisation has a number of divisions
- Business Strategy – looks at how the organisation (or subsidiary/division) competes. This tends to mean either:
 - The division is trying to win customers by being better than rivals in some way (differentiation/focus as strategy)
- OR,
- The subsidiary is trying to win customers by being cheaper than rivals (cost leadership).
- ▶ 3. Operational Strategy – looks at how resources are used to carry out the strategies noted above

Strategic Position

- Identify key stakeholders and their expectations
- Develop long term objectives to satisfy these stakeholders
- Calculate financial and non-financial ratios to show position of organization
- Identify core resources and competencies within the organization
- Identify key factors changing the environment outside the organization
- Use strategic analysis tools to develop strategic position

Strategic Choices

- Consider possible exit from existing industries
- Consider diversification into new industries
- Consider how to turnaround underperforming existing competitive advantages
- Consider entry into new markets
- Consider development of new products
- Consider developing new competitive advantages
- Use Porter's 5 Forces model and Competitive Strategies/Value Chain Analysis/McFarlan's Grid, etc

Strategy in Action

- Evaluate strategic option and choose strategy to be followed
- Implement any necessary changes in the organisation

Two Approaches to Strategy

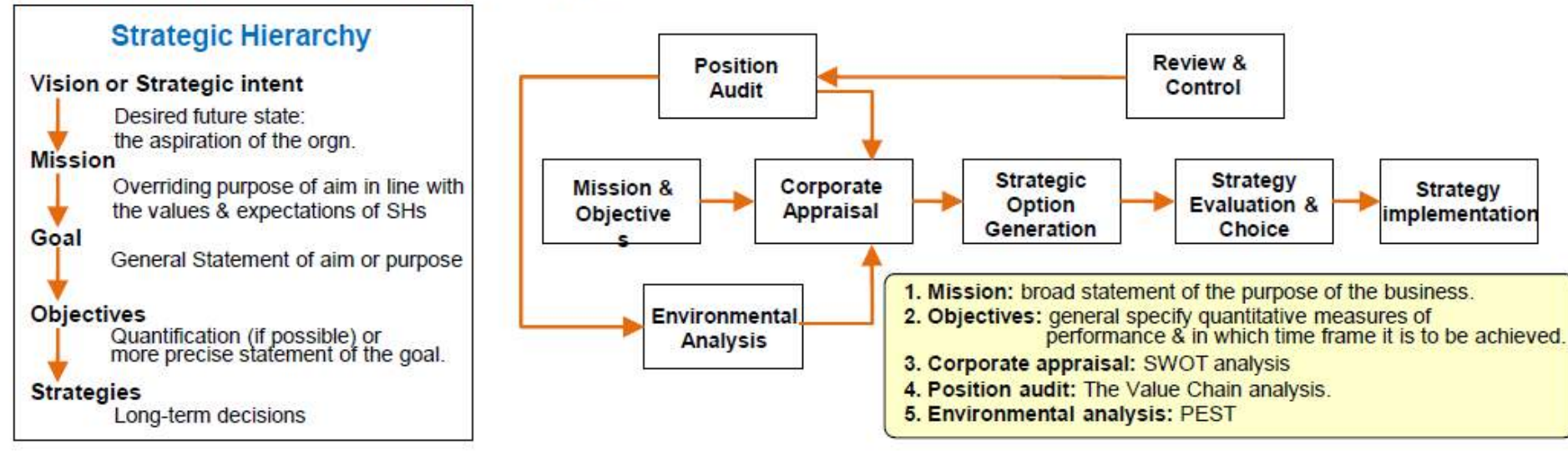
1. Strategic Planning – involves formal analysis of each of the stages in strategic position before a final strategic option is chosen

Used in public sector, justify actions, considers all aspects of biz, proactivity

2. Free-wheeling opportunism – means having no long term strategic plan, in effect, making up the strategy as the organisation goes along

Quick response, etc.

Model for Rational Strategy Process



Old School Approach to Strategy?

More Approaches to Strategy?

1. **Position-based strategy** – organization that is responding to changes in the external environment (reacting to or anticipating opportunities and threats)
2. **Resource-based strategy** – organisation that concentrates on gaining an advantage because of its own strengths. These resources must be:
(1) valuable, (2) rare, (3) imperfectly imitable (tough to imitate), and (4) non-substitutable.

Three Lenses Approach to Developing Strategy?

Strategy as design – driven
from the top

Strategy as experience –
repeating what worked in
the past

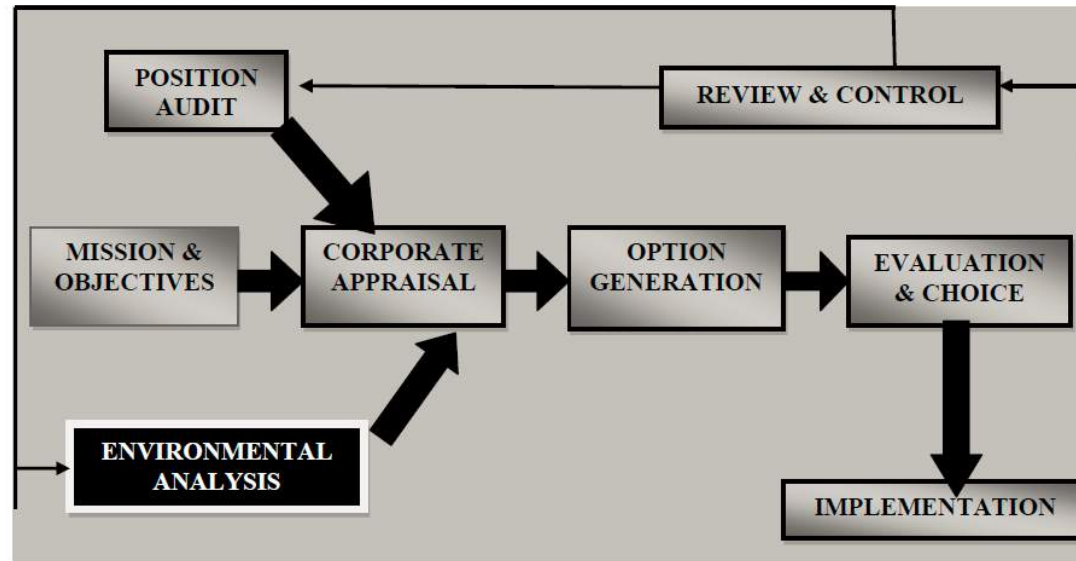
Strategy as ideas –
encourage innovation



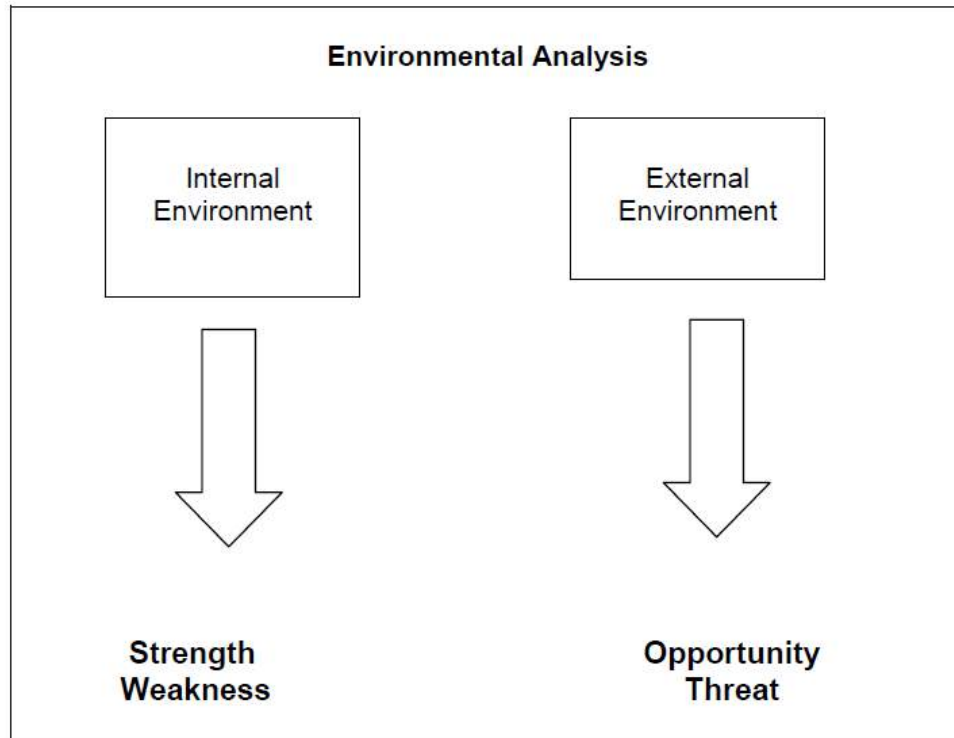
Environmental scanning

Environmental Analysis

"A study which considers potential environmental effects during the planning phase before an investment is made or an operation started" (CIMA)



Environmental Analysis



Environmental Analysis

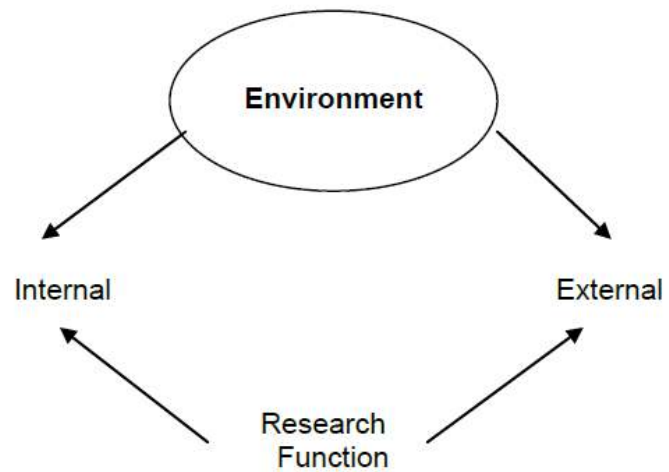
Environmental Analysis

Organisations are strongly affected by their environment – essentially the world around them:

EXTERNAL environmental analysis – looks at the OPPORTUNITIES and THREATS

INTERNAL environmental analysis – looks at the STRENGTHS and WEAKNESSES

Overview of Environment



Environmental Analysis



Strategic Analysis Tools/Models



SWOT

Corporate Appraisal (SWOT)

	Positive	Negative
Internal	Strengths	Weaknesses
External	Opportunities	Threats

SWOT

SWOT ANALYSIS

aka **Corporate Appraisal**. Combines both internal and external analysis. Strengths & Weaknesses need to:

- be precise
- be internal & specific to the firm
- not be outcomes (e.g., profits)
- not be two sides of the same coin

Internal

Strengths

- Things we are doing well
- Things we are doing that the competition are not
- Major successes

Weaknesses

- Things we are doing badly
- Things we are doing badly (need to correct)
- Major failures

External

Opportunities

- Events or changes in the external environment that can be exploited
- Things likely to go well in the future

Threats

- Events or changes in the external environment we need to protect ourselves from or defend ourselves against
- Things likely to go bad in the future

	Positive	Negative
Internal	Tech skills Leading brands Dist. channels Cust. loyalty Product quality Scale Management S	Absence of skills Weak brands Poor distribution Low cust. retention Unreliable prod/svc Sub-scale Management W
External	Changing customer tastes Mkt. liberalization Tech advances Lower personal tax Changing demogs New distribution ch. O	Changing customer tastes Mkt. closing Tech advances Increased taxes Changing demogs New distribution ch. T



3 strategies arising from SWOT:

1. **Matching:** Strengths => Opportunities
2. **Converting:** Threat/Weakness => Opportunity/Strength
3. **Remedying:** minimize or avoid a weakness/threat. Ideally eliminate

The FreshDirect Case-Group Activity

4 Groups (20 minutes)

Each group covers a theme:

- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

See Case 1 in Canvas

FreshDirect & Suppliers' Web site from Here

The FreshDirect Case

The FreshDirect Case - Strategic Positioning
FreshDirect Web address

Partnership with suppliers

Dell's struggles as computers, customers, and the product mix changed, all underscore the importance of continually assessing a firm's strategic position among changing market conditions.

There is no guarantee that today's winning strategy will dominate forever

SWOT – FreshDirect-

Matching/Converting

Internal	External
Strengths <ul style="list-style-type: none"> • web-store front: one-click menus with semi-prepared meals - 'Meals in 4 mins':ability to pull up prior grocery lists • Firm's Iphone app • vast warehouse in lower rent industrial area of queens • next-day deliveries • Short supply chain - Fresh goods selection from warehouse larger than local supermarket • Artificial Intelligence software+some seven miles of fibre-optic cables linking systems and sensors, and supporting everything from bakin gto verifying orders • benefits to suppliers -no middlemen • no 'slotting fees' by suppliers • 600,00 payingn cutomers • Scale advantages – economies of scale 	Opportunities <ul style="list-style-type: none"> • High prices of substitute products • limited selection for buyers in brick and mortar stores • time-strapped Manhattanites • area shoppers without cars and keen to avoid traffic jams • web not being only channel to reach customers • apartments in NYC redesigned to receive deliveries of absent customers using secured freezers. • High entry barriers • high switching costs
Weaknesses <ul style="list-style-type: none"> • low pricing • capital outlay against revenue stream 	Threats <ul style="list-style-type: none"> • replication of business model • traffic situation and product transportation+supply challenges • suppliers • Short shelf life of food products



PESTEL

PESTEL

P - Political

E - Economic

S - Social

T - Technological

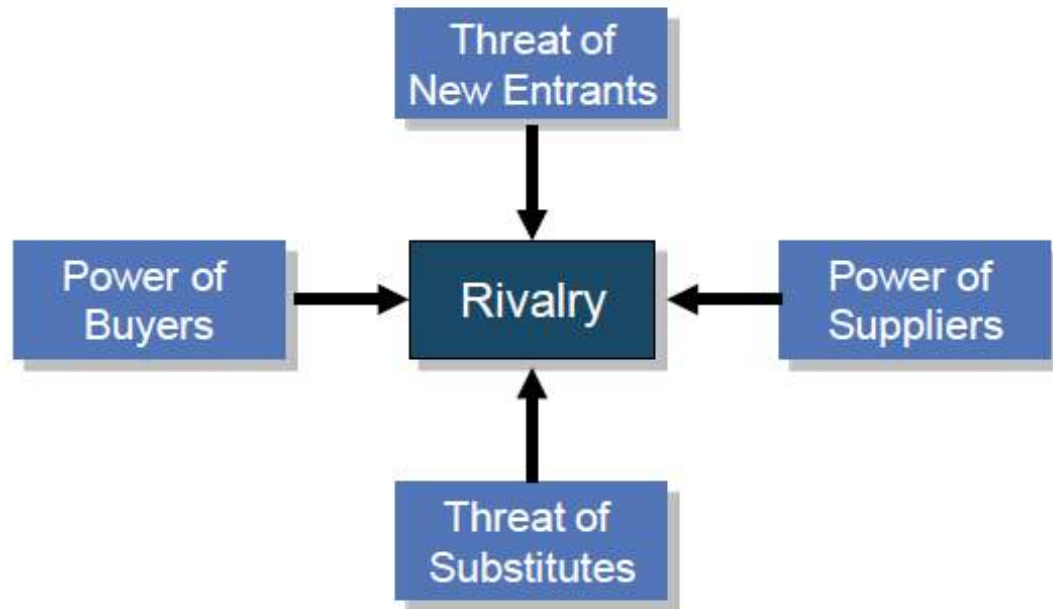
E - Environmental

L - Legal



Porter's Five Forces

Porter's 5 Forces



Porter's 5 Forces

PORTER'S FIVE FORCES

Barriers to new entrants:

- Economies of scale
- Differentiation/brands
- Capital requirements
- Switching costs
- Access to distribution channels
- Cost advantages
- Government policy

KEY INSIGHT: Collective strength of these forces determines profit potential of industry and how it is divided up => balance of power

2. Threat of new entrants

4. Bargaining power of suppliers

1. Rivalry among existing firms

5. Bargaining power of buyers

3. Threat of substitutes

Rivalry high if:

- Large # of competitors
- Low industry growth
- High fixed costs
- Low differentiation
- High exit barriers

Powers high if:

- Few suppliers
- High differentiation (proprietary product)

Powers high if:

- Few buyers
- Low differentiation
- High competition
- Low switching costs
- Low involvement/low profit

Threat high if:

- Relative performance is similar
- Low switching costs

ISSUES WITH MODEL: No role of government; No impact of complementors (alliances, networks); External focus; Only looks at existing market (no Blue Ocean)

Porter's Five Forces

The FreshDirect Case

The FreshDirect Case - Strategic Positioning
FreshDirect Web address

Partnership with suppliers

1. COMPETITIVE RIVALRY -LOW

- **No viable competitors**
- **Low industry growth**
- **High fixed costs*- high delivery costs with low margins**
- **High differentiation -excellent packaging and delivery with convenience.No phy. store**
- **Low/No competition**
- **High exit barriers**

3. BARGAINING POWER OF BUYERS – LOW

- Many buyers – large customer base
- High product differentiation – excellent packaging and delivery with convenience
- Low competition
- High switching costs – buying a car, traffic jams and old produce having been on shelf longer

2. Threat of New Entrants – Low

Barriers to Entry

- **Scale advantages – serving 600,000+ customers**
- **Differentiation – offering fresh farm produce, reputation for delivery**
- **Capital requirements - the firm spent 75 million dollars building infrastructure before it could serve a single customer**
- **Access to distribution channels – offering benefits to suppliers. Partnerships with suppliers**
- **Cost advantages – low cost strategy**

4. Threat of Substitutes –Low

- Store - with old produce
- High switching costs

5. Bargaining power of suppliers - high

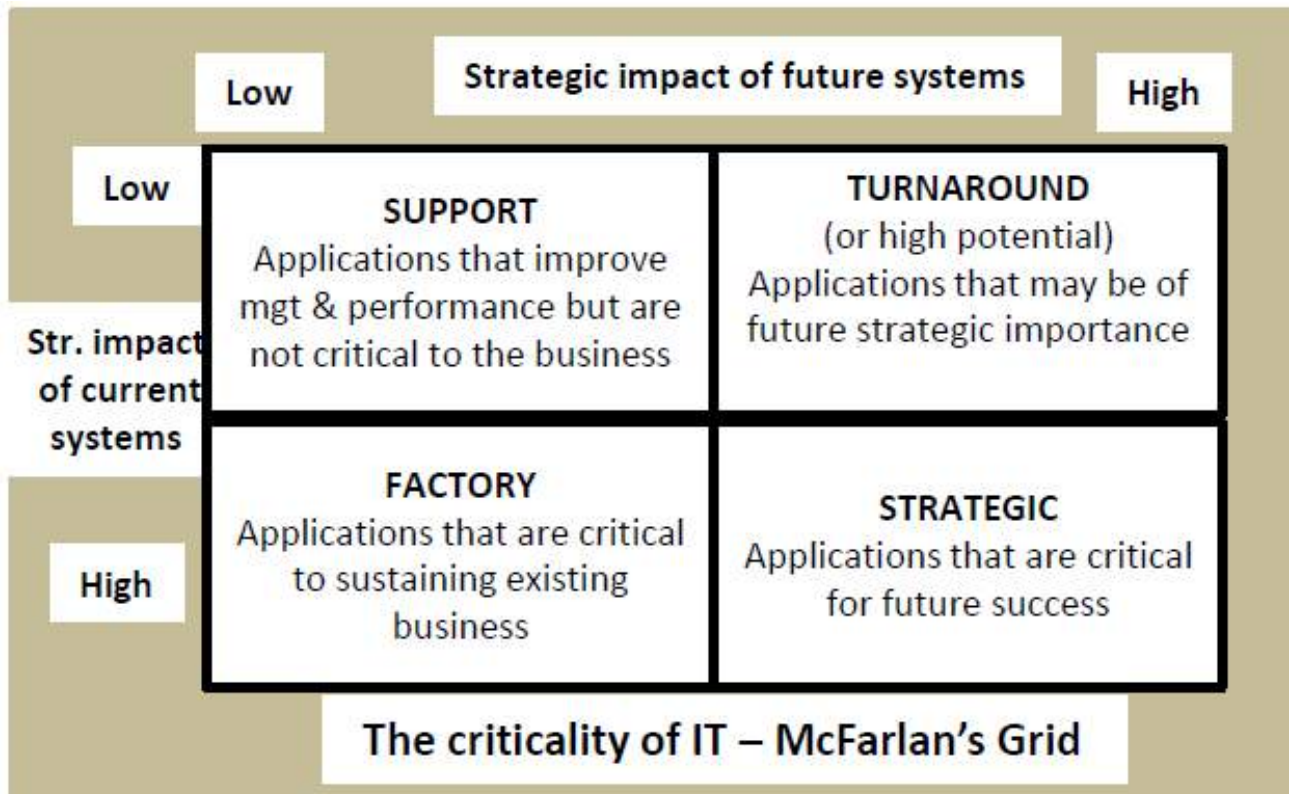
- Many suppliers - deals
- Option to switch into client's business – forward intergration

The FreshDirect Case – Solution

Using the Porter's 5 Forces

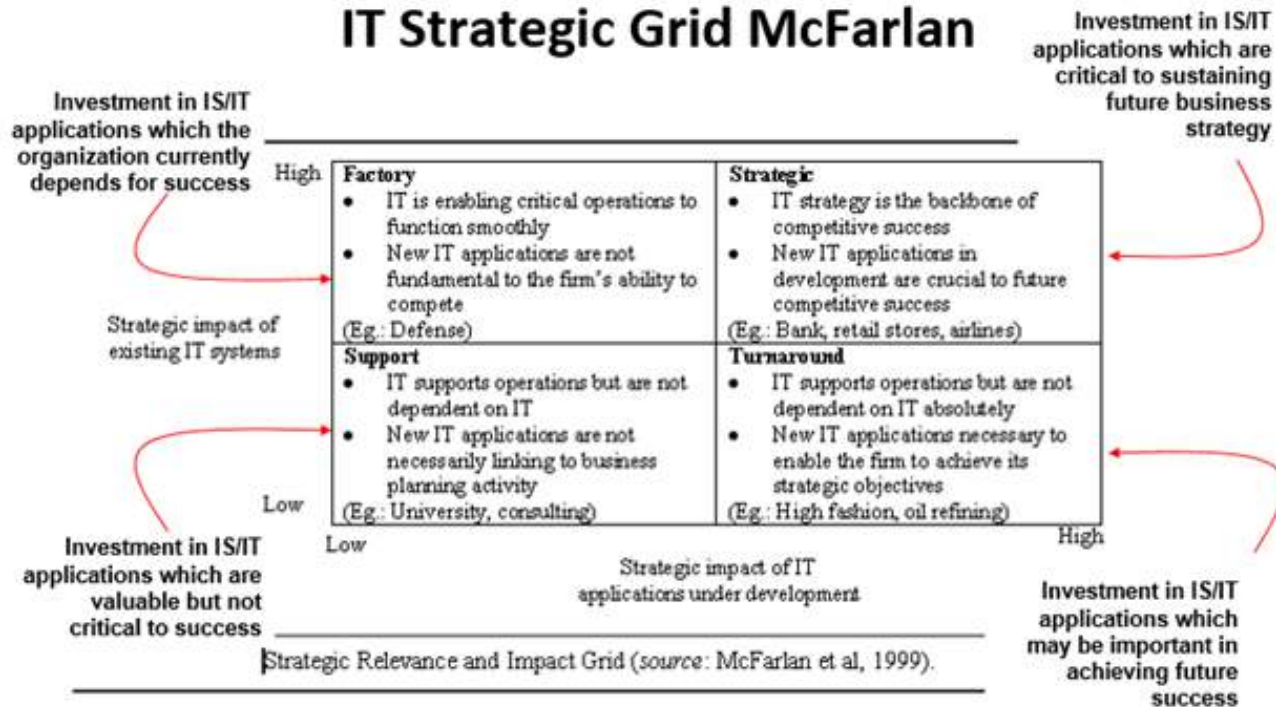


McFarlan's Strategic Grid



MacFarlan's Grid 1

IT Strategic Grid McFarlan



MacFarlan's Grid 2

MacFarlan's Grid

It is a model used to indicate the strategic importance of information systems to a company now and in the future. It is sometimes referred to as an APPLICATIONS PORTFOLIO model since it assesses the current mix of business information systems within an organisation. It was developed by MacFarlan and McKenney (1993)

Strategic segment - indicates that the business depends on both its existing IS and its continued investment in new IS to sustain continued competitive advantage.

Turnaround segment – suggests that while a business in this position does not currently derive significant competitive benefits from its current IS, future investment in this area has the potential to positively affect the business' competitive position

Factory segment – for a business operating in this segment, while depending on its current IS to operate competitively, does not envisage further IS investment having a positive impact on its competitive position

Support segment - does not believe it will derive significant competitive advantage from IS.

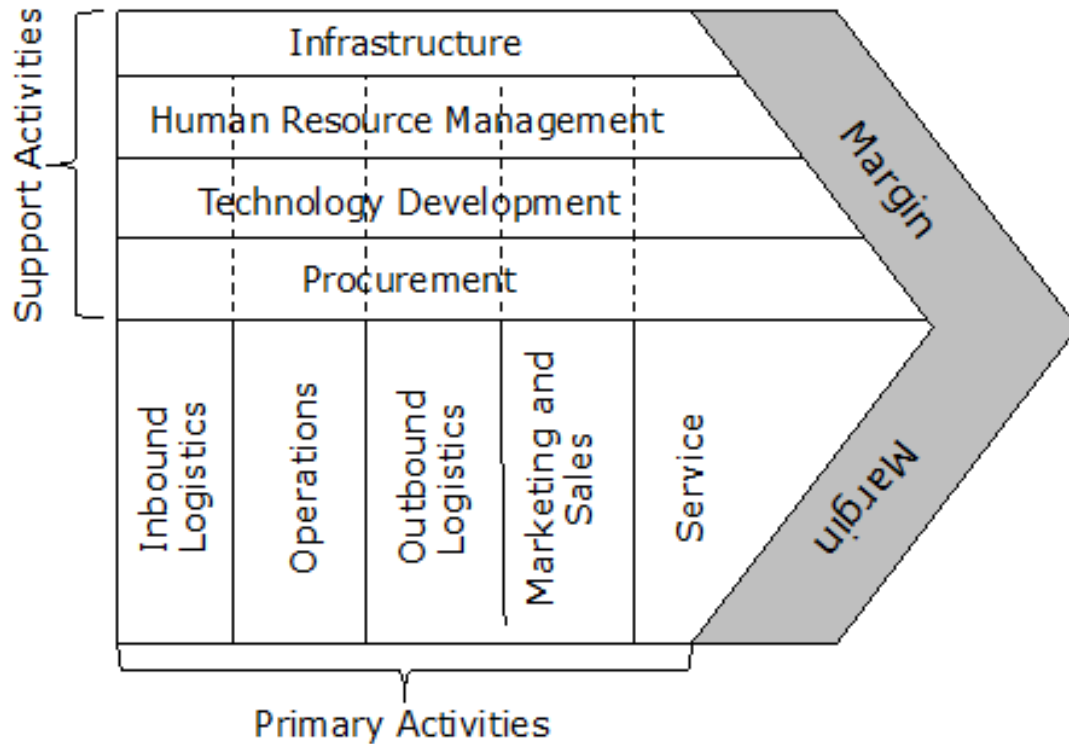
Value Chain – Position Audit

Critical Success Factors (CSFs)

Ansoff's Growth Strategies



Porter's Value Chain



: Michael E. Porter "Competitive Strategy: Techniques for Analyzing Industries and Competitors"

Porter's Value Chain

More Approaches to Strategy?

It is an analytical framework for decomposing an organisation into its individual activities and determining the value added at each stage.

Makes a distinction between:

1. **primary activities** – which contribute directly to getting goods and services closer to the customer (physical creation of a product, marketing and delivery to buyers, support and servicing after sales), and
 - **Inbound logistics** – receiving, storing and expediting materials to the point of manufacture of the goods or service being produced
 - **Operations** – transforming the inputs into finished goods or services
 - **Outbound logistics** - storing finished products and distributing goods and services to the customer
 - **Marketing and sales** - promotion and sales activities that allow the potential customer to buy the product or service
 - **Service** – after-sales service to maintain or enhance product value for the customer

More Approaches to Strategy?

2. **Support activities** - which provide the inputs and infrastructure that allow the primary activities to take place

- **Corporate administration and infrastructure** – This supports the entire value chain and includes general management, legal services, finance, quality management and public relations
- **Human Resource Management** – Activities here includes staff recruitment, training, development, appraisal, promotion and rewarding employees
- **Product Technology/development** - this includes development of the technology of the product or service, the processes that produce it and the processes that ensure the successful management of the organisation. It also includes traditional research and development activities
- **Procurement** - This supports the process of purchasing inputs for all the activities of the value chain. Such inputs might include raw materials, office equipment, product equipment and information systems.



PRIMARY ACTIVITIES VALUE CHAIN ANALYSIS

ACTIVITY	IMPLEMENTATION BY IKEA
Inbound Logistics	<ul style="list-style-type: none">• Distribution of products to the stores from 42 distribution centres.• 10,000 item product line manufactured by over 1,000 suppliers.
Outbound Logistics	<ul style="list-style-type: none">• Preferred method for customer to transport their products themselves.
Operations	<ul style="list-style-type: none">• Operations in more than 40 countries, 208 companies operated stores in 26 countries while remaining stores operated by franchisees• IKEA does not manufacture its own products
Marketing and Sales	<ul style="list-style-type: none">• Targeted at families with lower income, students and singles• Low prices.• Family-friendly store environment.
Services	<ul style="list-style-type: none">• Information provided through catalogues and displays.• Self-help service.• Support Activities• Low number of sales assistants in stores

Using the Value Chain Analysis – IKEA Example

- When we compare FreshDirect's value chain to traditional rivals, there are differences across every element.
- But most importantly, the elements in **FreshDirect's value chain work together to create and reinforce competitive advantages that others cannot easily copy.**
- Incumbents would be *straddled* between two business models, unable to reap the full advantages of either.
- And late-moving pure-play rivals will struggle, as FreshDirect's **lead time allows** the firm to develop brand, scale, data, and other advantages that newcomers lack

Using the Value Chain Analysis –

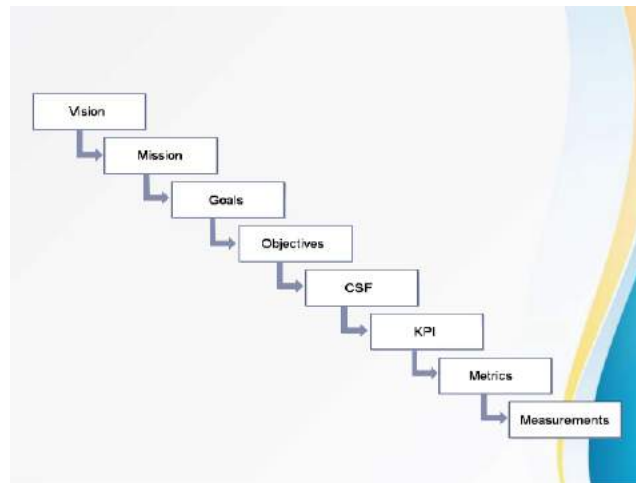
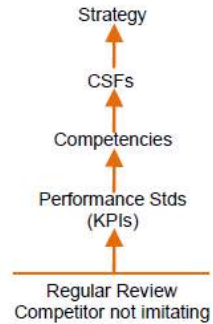
FreshDirect



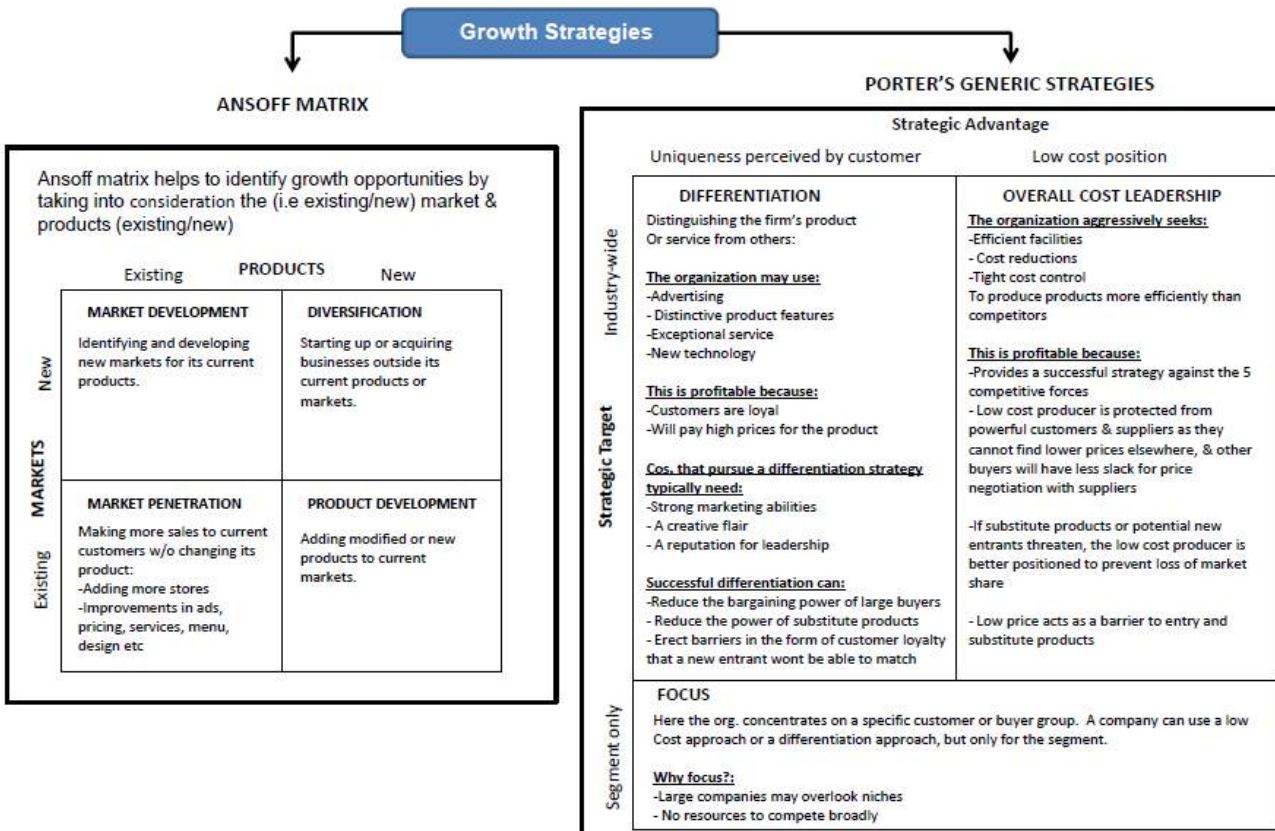
Critical Success Factors

Methodology of CSF analysis:

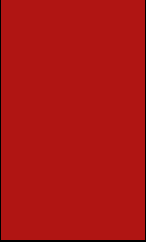

1. Identify CSF for the specific strategy. They recommend to keep list of CSF 6 or <.
2. Identify the underpinning competencies essential to gaining competitive adv in each of the CSFs. This will involve thorough investigation of the activities, skills & processes that deliver superior performance of each.
3. Ensure list of competence is sufficient to give competitive advantage.
4. Identify performance standards that need to be achieved to outperform rivals.
5. Ensure that competitors will not be able to imitate or better the firms's performance of each activity, otherwise it will not be a basis of a secure competitive strategy
6. Monitor competitors & predict the likely impact of their moves in terms of their impact on these CSFs



CSFs



Ansoff's Matrix & Porter's Generic Strategies

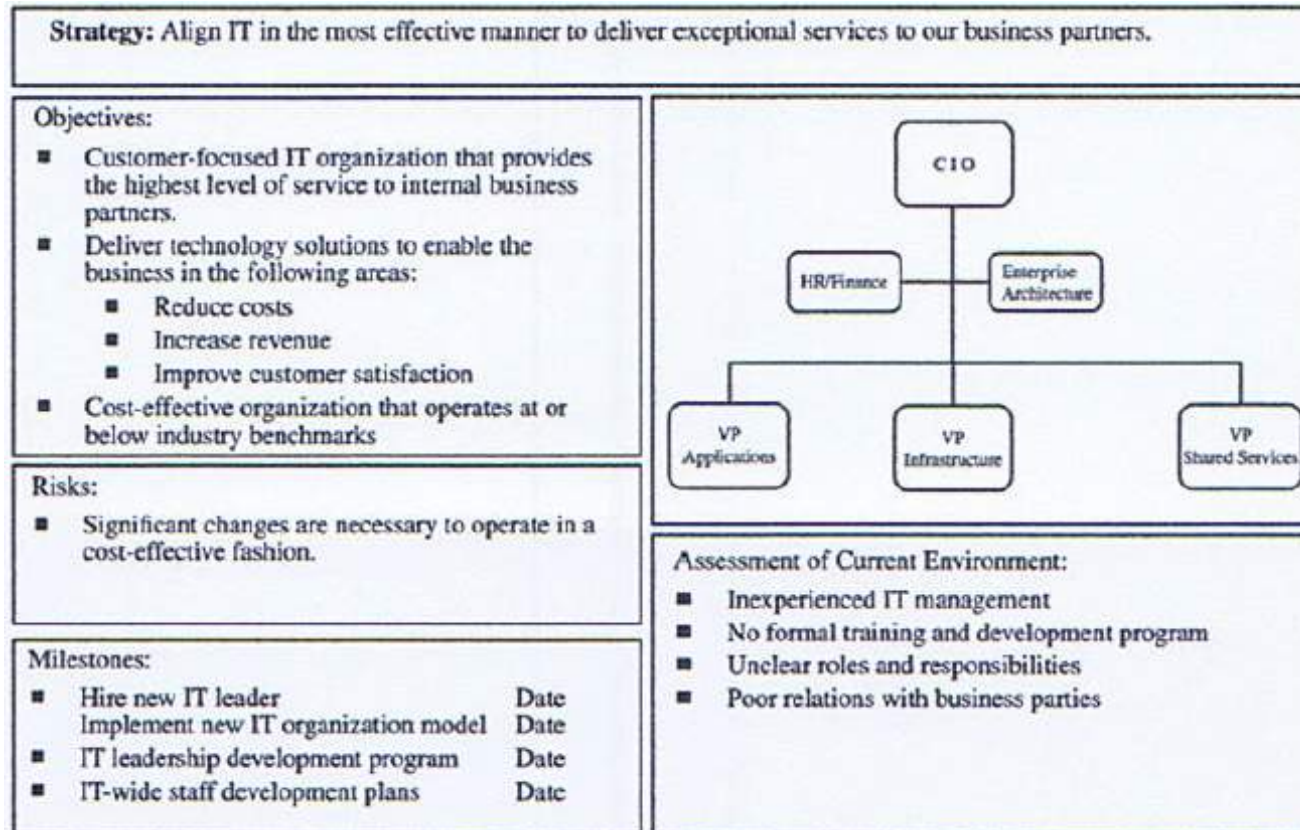


Information Strategy, Systems & technology

➤ Information Strategy

Companies need to develop a plan to link its business and information strategies and the model below shows how this can be done:

← An example of an IT strategy





Information Strategy

Benefits of an Information Systems Strategy:

1. Achieve goal congruence between the IS & corporate objectives
2. Helps create and sustain competitive advantage
3. High levels of expenditure on IS will be more focused
4. Dev. In IT can be exploited at the right time

3. How? IT

Technology used to collect, store, perform apps, provide info:

- Hardware
- Software
- Peripherals
- Networks

1. What? IS

- What info required?
- By whom?
- How provided?
- What data collected?
- How collected?

2. Who? IM

Applications or processes required to turn data into information:

- Applications?
- Sequence?

3 Elements of IS Strategy



Strategic Planning Model

The link between the corporate strategy and the information needs is often established by considering Critical Success Factors (CSFs) for the organisation.

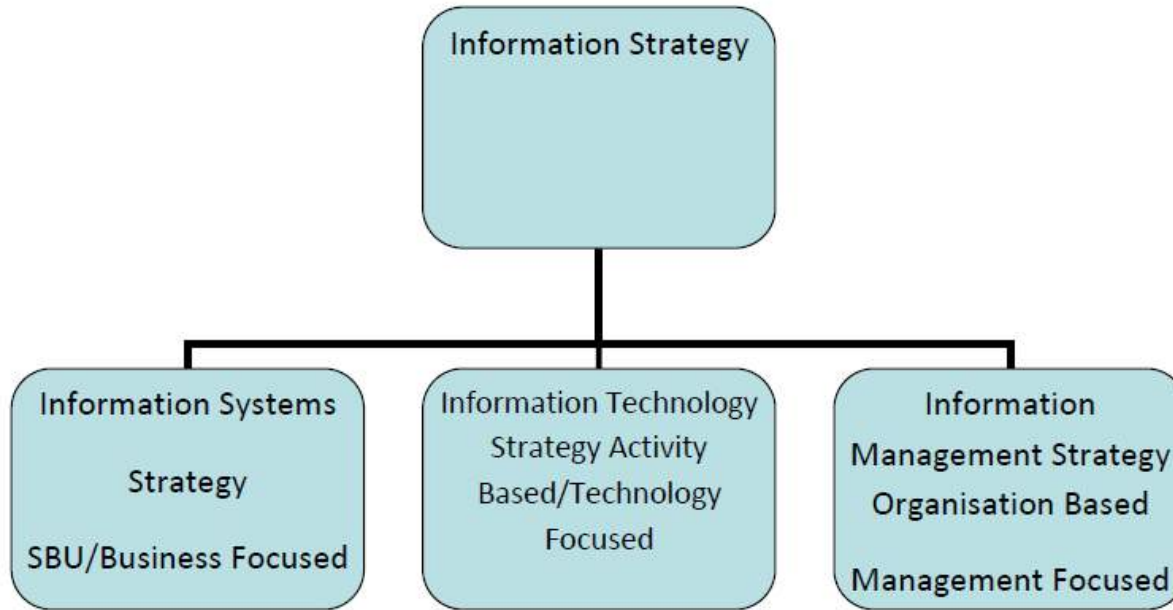
The organisation will need information on the key performance indicators (KPIs) to ensure that the CSFs are being achieved and, as a result, that the business aims are being achieved.

The information needs of the organisation then drive the information strategy and the information systems created.

Information Strategy
in the ---

Strategic Planning
Model

The Information Strategy is the overall plan a business has to create and develop its information systems. Its broken into 3 parts:



Information Strategy Components

Information Strategy Components

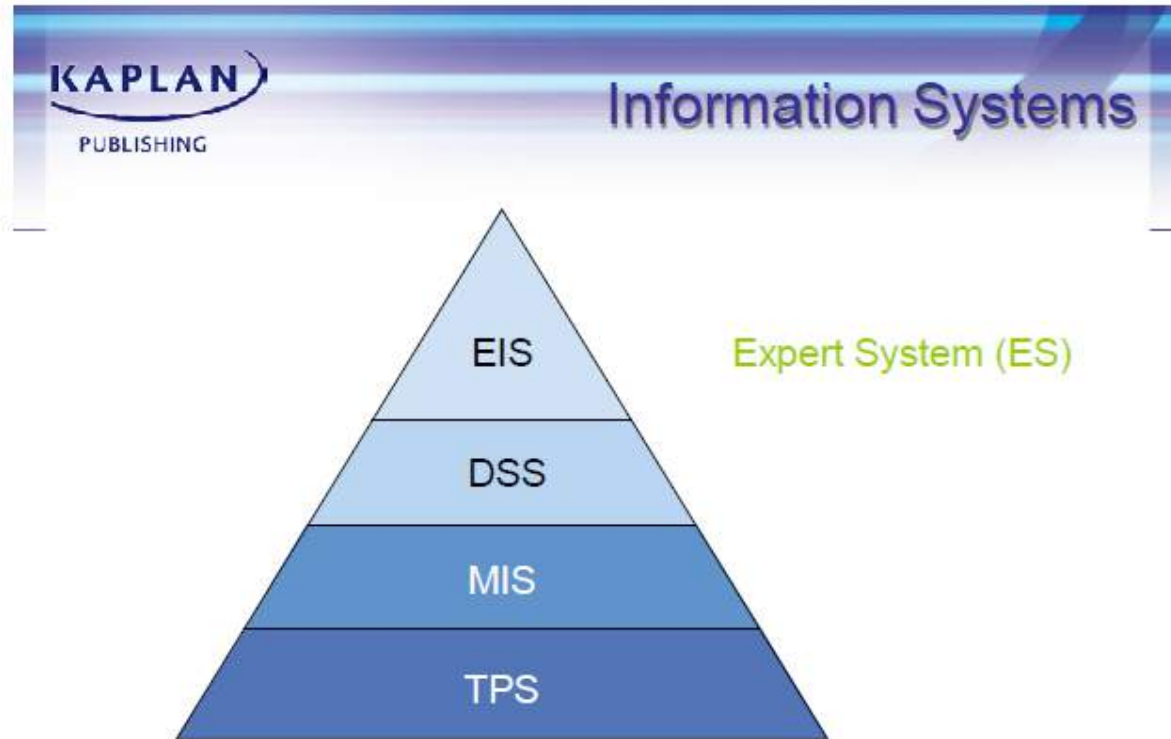
The difference between the three components are summarised below:

IS Strategy – looks at the way in which information systems in various parts of the organisation are organised.

IT Strategy - looks at the technology infrastructure of the systems

IM Strategy - considers how the systems support management processes


Levels of Management (recap) & BIS



Information Systems Pyramid



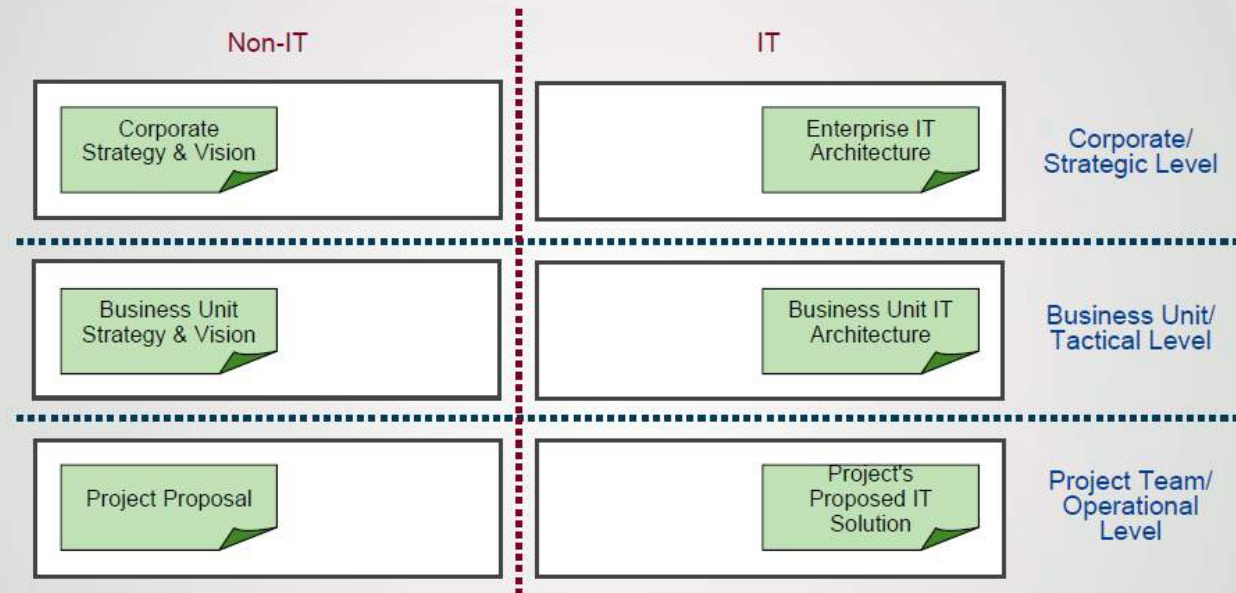
IT Governance & Business Operating Models



Framework for decision
rights and accountability
to promote desirable
behaviour in the
management and use of
IT

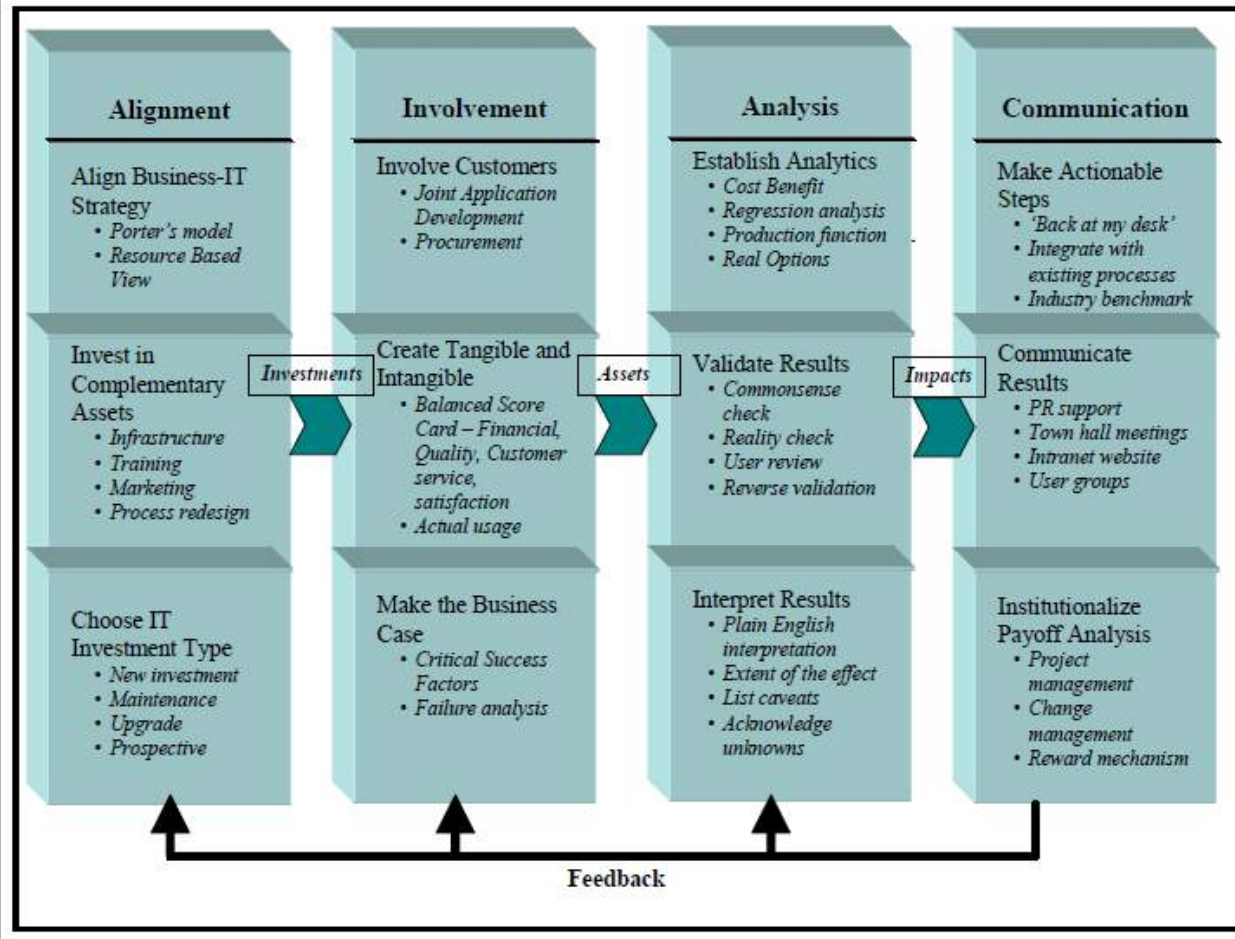
Definition of IT
Governance
(more on this later)

Governance is challenging to implement because IT decisions are made at multiple organizational levels



IT Governance

Figure 3: An Expanded AIAC Framework With Tools And Techniques Used In Each Step



IT Investment & The Organisation

Payoff metrics – assessing the outcome of an IT initiative

- ROI as a metric for evaluating technologies
- balanced scorecard (BSC) – more recently used



Generating Business Value from IT

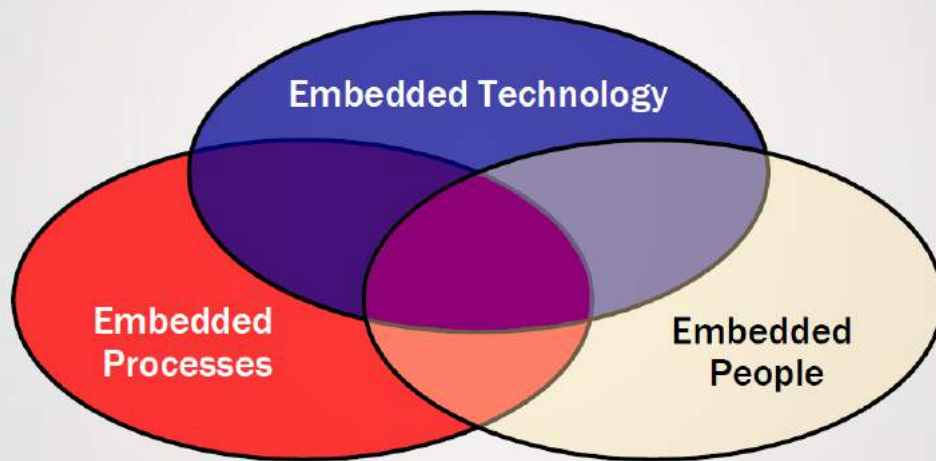
The problem with IT



The problem with IT

The nature of the problem

- IT invariably provides a long-lived solution to an immediate business problem or opportunity and thus becomes an inhibitor rather than enabler of change.



The problem with IT

Five key IT decisions need to be governed

Principles for IT	High level statements about how IT is to be used. Driven by business principles (e.g., operating model)
Enterprise Architecture	Organizing logic for data, applications, and infrastructure captured in a set of policies, relationships, and technical choices to achieve desired business and technical standardization and integration
IT Infrastructure Strategies	Strategies for shared IT capability (both technical and human) delivered as reliable services (e.g., network, help desk, shared data)
Business Application Needs	Specifying the business need for purchased or internally developed IT applications
IT Investment and Prioritization	Decisions about how much and where to invest in IT including project approvals and justification techniques

IT Governance –

Framework for decision rights and accountability to encourage desirable behavior in the use of IT.

Governance complements organizational structure to enable a firm to meet conflicting objectives.

Making IT an ASSET Depends on.....

Operating Model

- IT governance and decision making processes
- Development and management of a digitized platform

Integration & Standardisation

Key
Dimensions of
an Operating
Model

An Operating
Model has
two
dimensions:

Business process standardisation;

Business process integration

The four
general types
of operating
models are:



Diversification (low standardization,
low integration)



Coordination (low standardization,
high integration)



Replication (high standardization, low
integration)



Unification (high standardization, high
integration)

Figure 1: Characteristics of Four Operating Models

Business Process Integration	High	Coordination <ul style="list-style-type: none"> Shared customers, products or suppliers Impact on other business unit transactions Operationally unique business units or functions Autonomous business management Business unit control over business process design Shared customer/supplier/product data Consensus processes for designing IT infrastructure services; IT application decisions are made in business units 	Unification <ul style="list-style-type: none"> Customers and suppliers may be local or global Globally integrated business processes often with support of enterprise systems Business units with similar or overlapping operations Centralized management often applying functional/process/business unit matrices High-level process owners design standardized process Centrally mandated databases IT decisions made centrally
	Low	Diversification <ul style="list-style-type: none"> Few, if any, shared customers or suppliers Independent transactions Operationally unique business units Autonomous business management Business unit control over business process design Few data standards across business units Most IT decisions made within business units. 	Replication <ul style="list-style-type: none"> Few, if any, shared customers Independent transactions aggregated at a high level Operationally similar business units Autonomous business unit leaders with limited discretion over processes Centralized (or federal) control over business process design Standardized data definitions but data locally owned with some aggregation at corporate Centrally mandated IT services
		Low	High
		Business Process Standardization	

Operating Model characteristics

the desired level of business process integration

and business process standardization

for delivering goods and services to customers. It describes how a firm will profit and grow.

Different Standardization Requirements of the Four Operating Models

Business Process Integration	High	Coordination <ul style="list-style-type: none"> Customer and product data Shared services Infrastructure, portal, and middleware technology 	Unification <ul style="list-style-type: none"> Operational and decision making processes Customer and product data Shared services Infrastructure technology and application systems
	Low	Diversification <ul style="list-style-type: none"> Shared services Infrastructure technology 	Replication <ul style="list-style-type: none"> Operational processes Shared services Infrastructure technology and application systems
		Low	High
		Business Process Standardization	

Operating Model

Standardization Requirements

the desired level of business process integration

and business process standardization

for delivering goods and services to customers. It describes how a firm will profit and grow.

Different operating models require different IT capabilities

Business Process Integration	High	Coordination <ul style="list-style-type: none"> ■ Unique business units with a need to know each other's transactions ■ Examples: Commonwealth Bank of Australia, MetLife, Aetna ■ Key IT capability: access to shared data, through standard technology interfaces 	Unification <ul style="list-style-type: none"> ■ Single business with global process standards and global data access ■ Examples: Southwest Airlines, Dow Chemical, UPS Package Delivery ■ Key IT capability: enterprise systems reinforcing standard processes and providing global data access
	Low	Diversification <ul style="list-style-type: none"> ■ Independent business units with different customers and expertise ■ Examples: Johnson & Johnson, Pacific Life, ING ■ Key IT capability: provide economies of scale without limiting independence 	Replication <ul style="list-style-type: none"> ■ Independent but similar business units sharing best practice ■ Examples: Marriott, 7-Eleven Japan, ING DIRECT ■ Key IT capability: provide standard infrastructure and application components for global efficiencies
		Low	High
		Business Process Standardization	

Operating Model

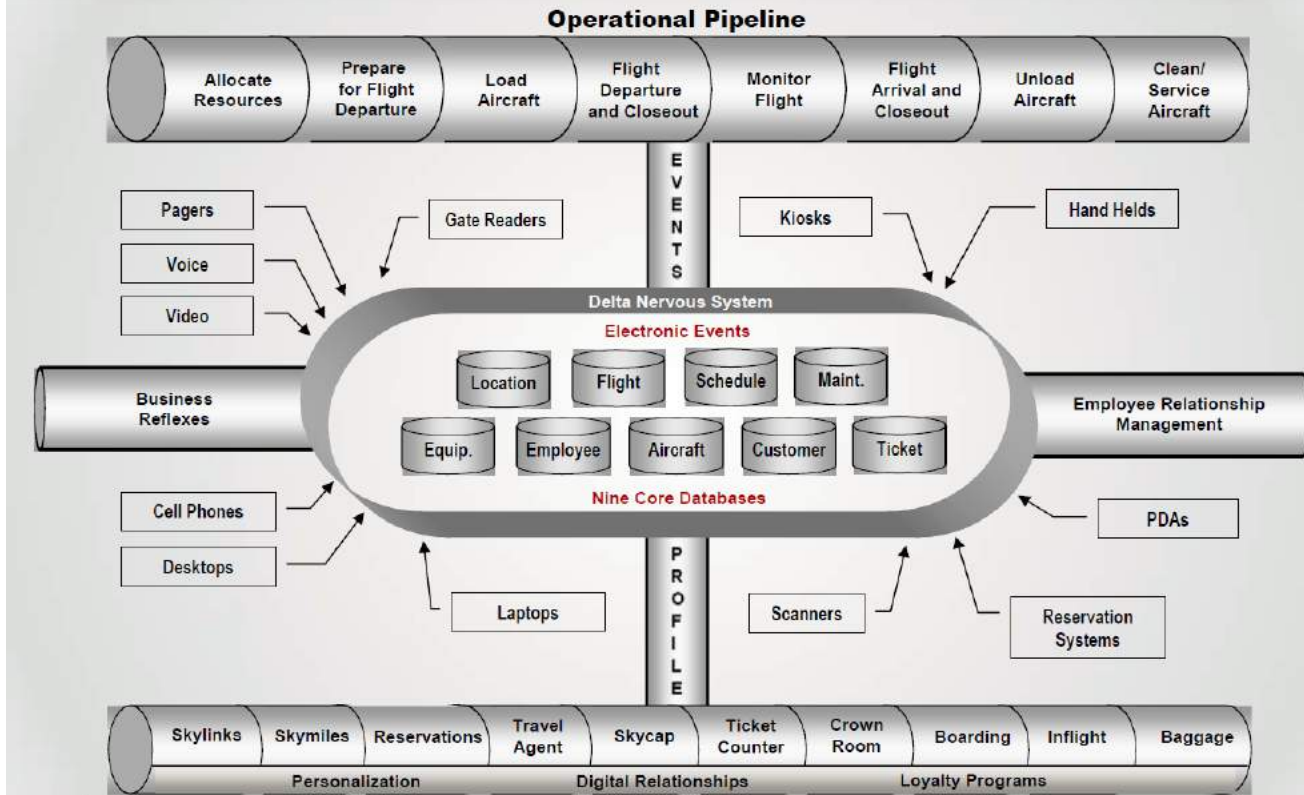
IT Capabilities Requirements

the desired level of business process integration

and business process standardization

for delivering goods and services to customers. It describes how a firm will profit and grow.

Delta's Unification Operating Model



Delta's Operating Model

Capabilities provided by Unification Model

1

Scale: supports efficient, reliable global operations

2

End-to-end visibility of business processes

3

Availability of data to provide customer service information and analyse pricing, scheduling, etc.

4

Rapid expansion of existing processes to new markets or for related products and services

5

supports integration of acquisitions of competitors

Risks and Limitations of Unification Model



Highly IT dependent, needs sophisticated back up and recovery



Locks in existing business processes and data definitions; not flexible for related products and services demanding different types of business processes

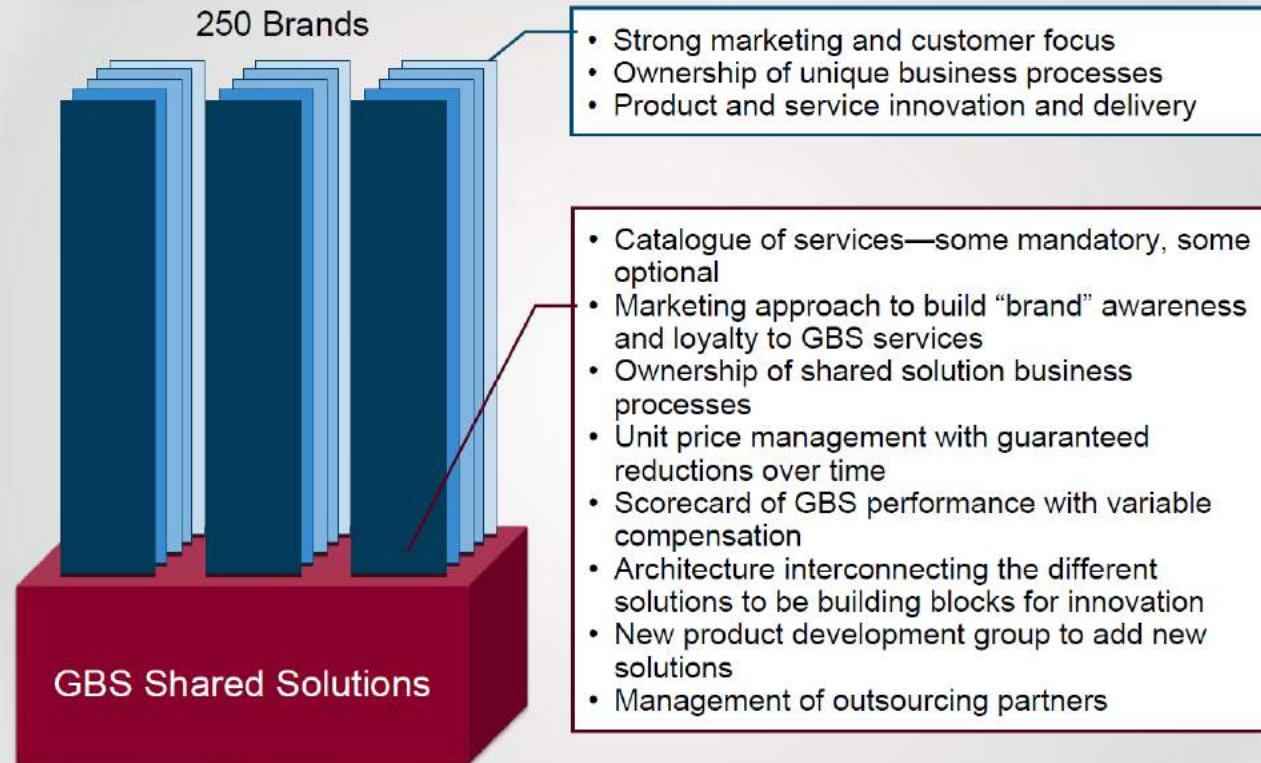


IT can become **monolithic** and **slow**



Demands enormous organisational discipline and this is **difficult to implement**

P&G's Diversification Operating Model



Diversification Model

P&G Global Business Services—Employee Services & Solutions

Employee Services	Pay, benefits, policies, career development, work plans
People Management	Compensation planning, relocation, employee management tools
Facilities	Office moves, conveniences: banking, dining, fitness centers, mail & documents
Computers & Communications	PCs, e-mail, mobile phones, Intranet, service support
Meetings	Rooms, technology & scheduling, audio & video conferencing, events
Travel	Booking, expense accounting, credit cards, group meetings

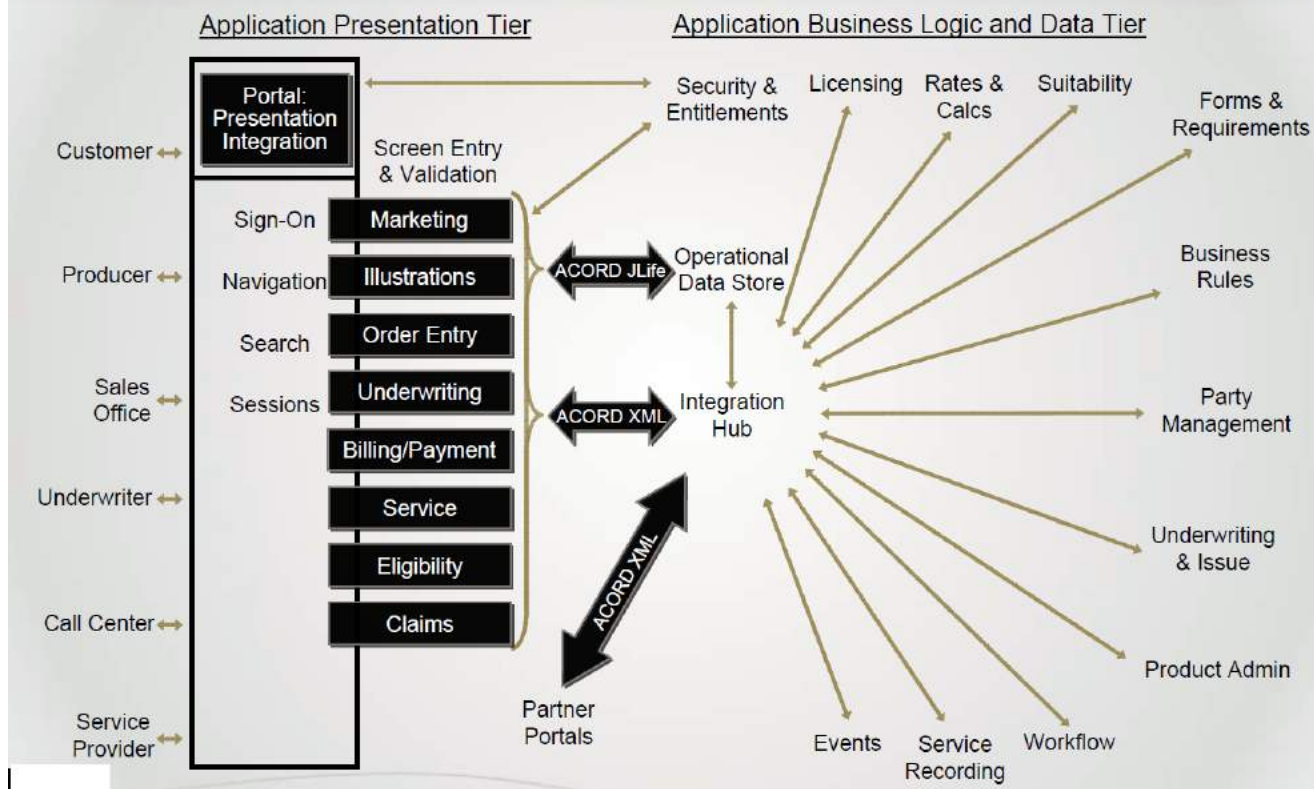
P&G Global Business Services—Business Services & Solutions

Purchases	Strategic sourcing, supplier relationship management, procurement service
Financial Services & Solutions	General ledger, affiliate accounting, product/fixed asset accounting, expense, sales/marketing accounting, purchases-to-payment (include accounts payable), banking, financial reporting
Product Innovation	Bioinformatics systems, product imaging & modeling systems
Supply Network Solutions	Demand planning systems, total order management, physical distance systems
Consumer Solutions	Prime prospect research, CRM systems, advertising & media measurement
Customer Solutions	Shopper intelligence, in-store action planning, trade fund management systems
Initiative Management	Technical package & materials design, package artwork process, portfolio tracking & reporting
Business Performance Solutions	Decision cockpits, market mix modeling, competitive intelligence, ad-hoc business analyses

Diversification Model

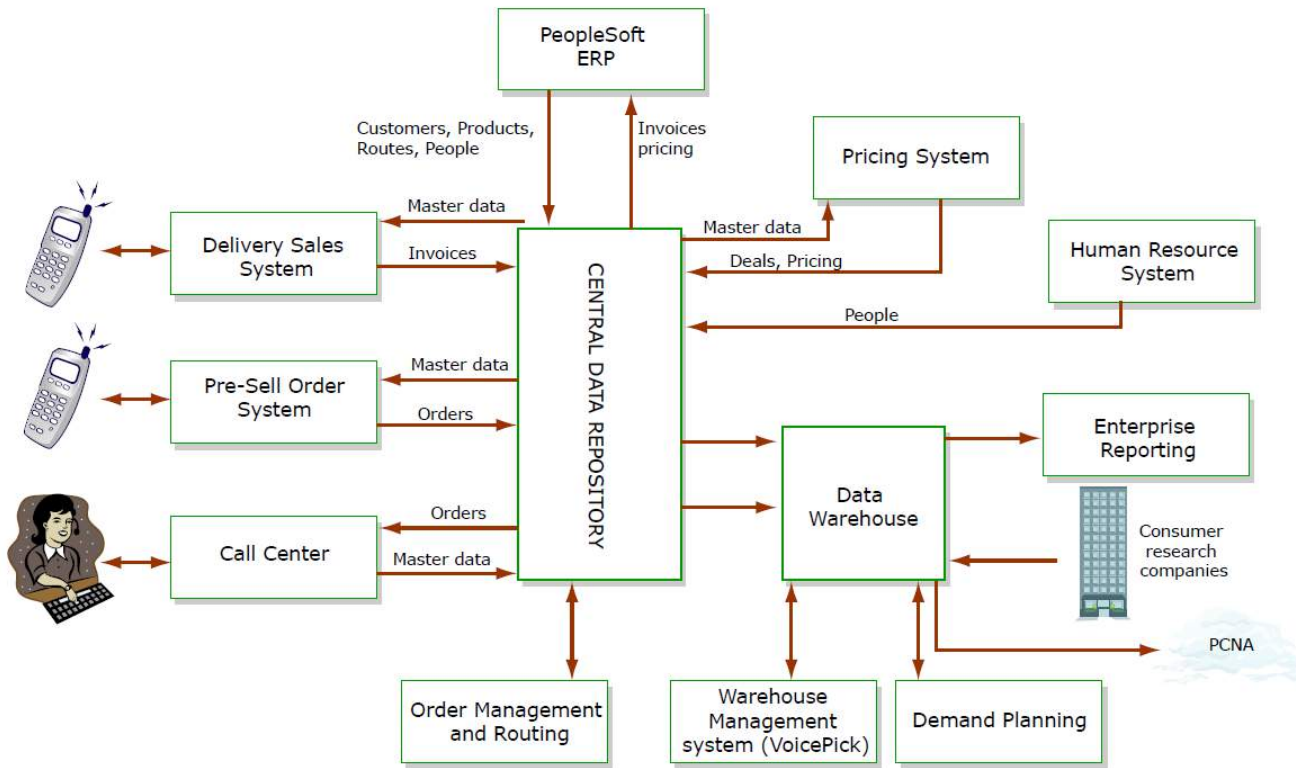
P & G example

MetLife's Coordination Operating Model



Coordination
Operating
Model

MetLife's
example



Coordination
Operating
Model

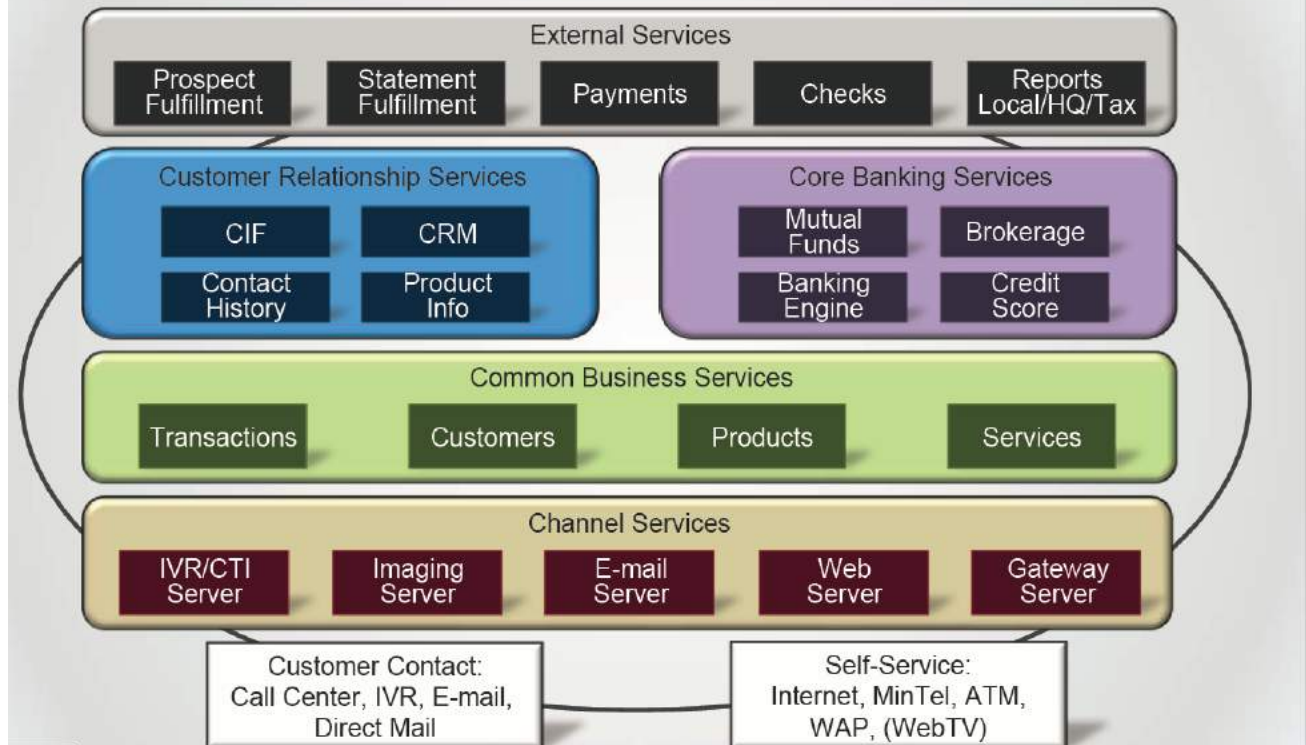
Pepsi Americas

Information backbone
integration

The Coordination Operating Model Platform

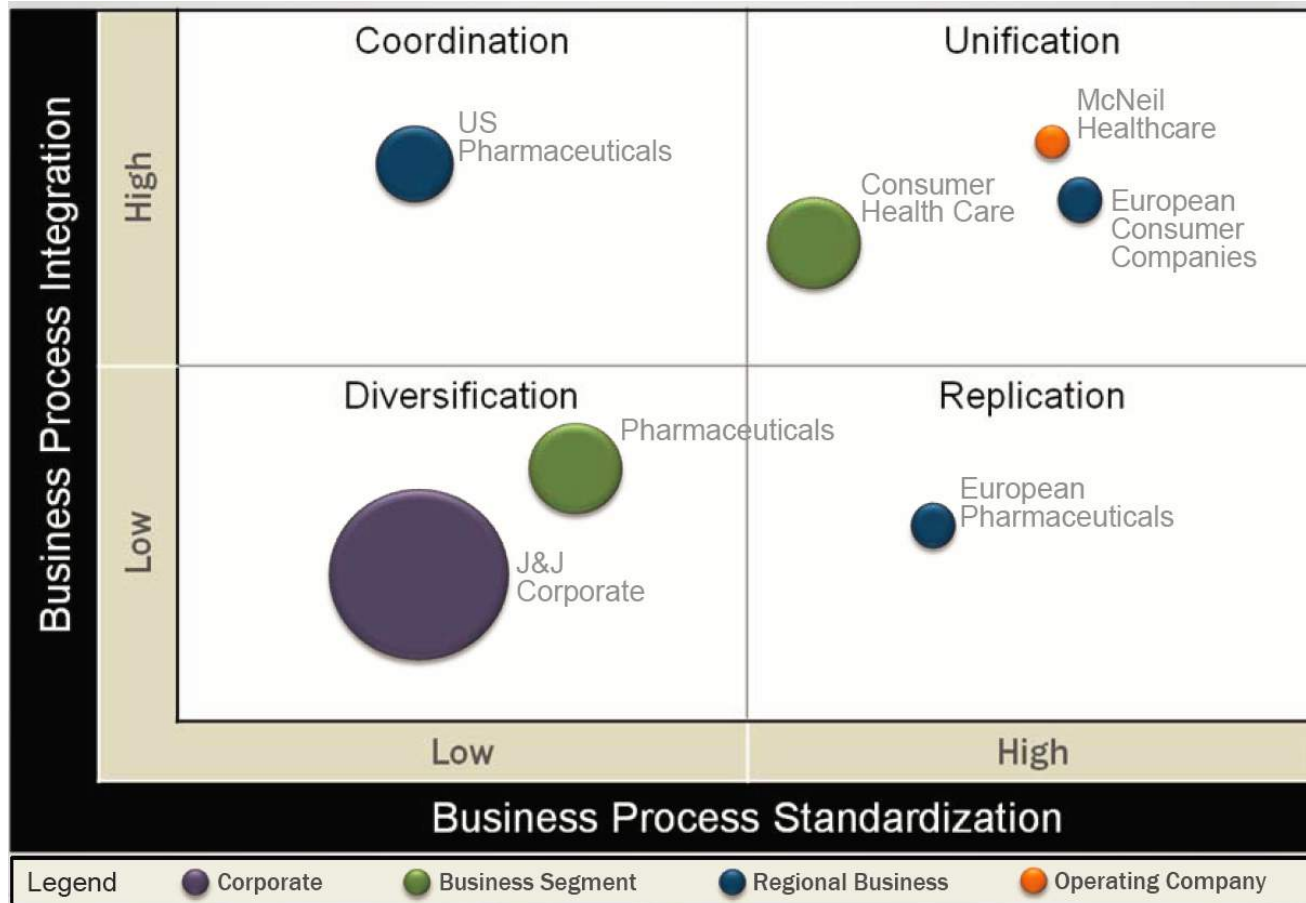
- ▶ Focuses on providing data visibility to meet customer needs
 - single face to customer
 - End-to-end business processes
- ▶ Allows customisation of services according to customer needs and encourages local expertise while leveraging global products and services
- ▶ The platform can be extended as firms add markets or products
- ▶ The platform demands disciplined use of data – preservation of data standards; timely input of data
- ▶ As products and services become commodities, can move toward unification; coordination is not a low-cost model
- ▶ Less prone to disruption than unification and replication models

ING DIRECT's Replication Operating Model



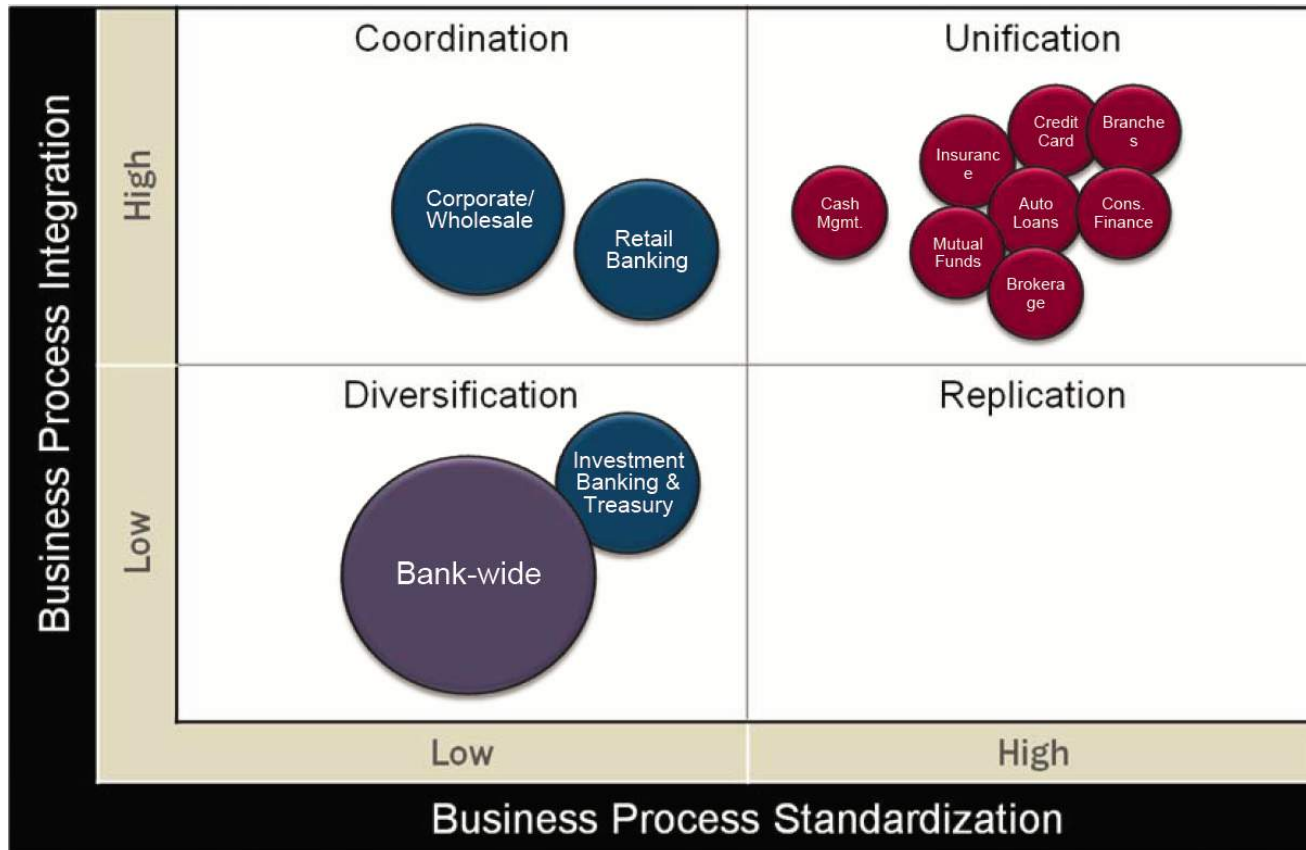
ING Direct's

Replication Operating Model



Johnson & Johnson's

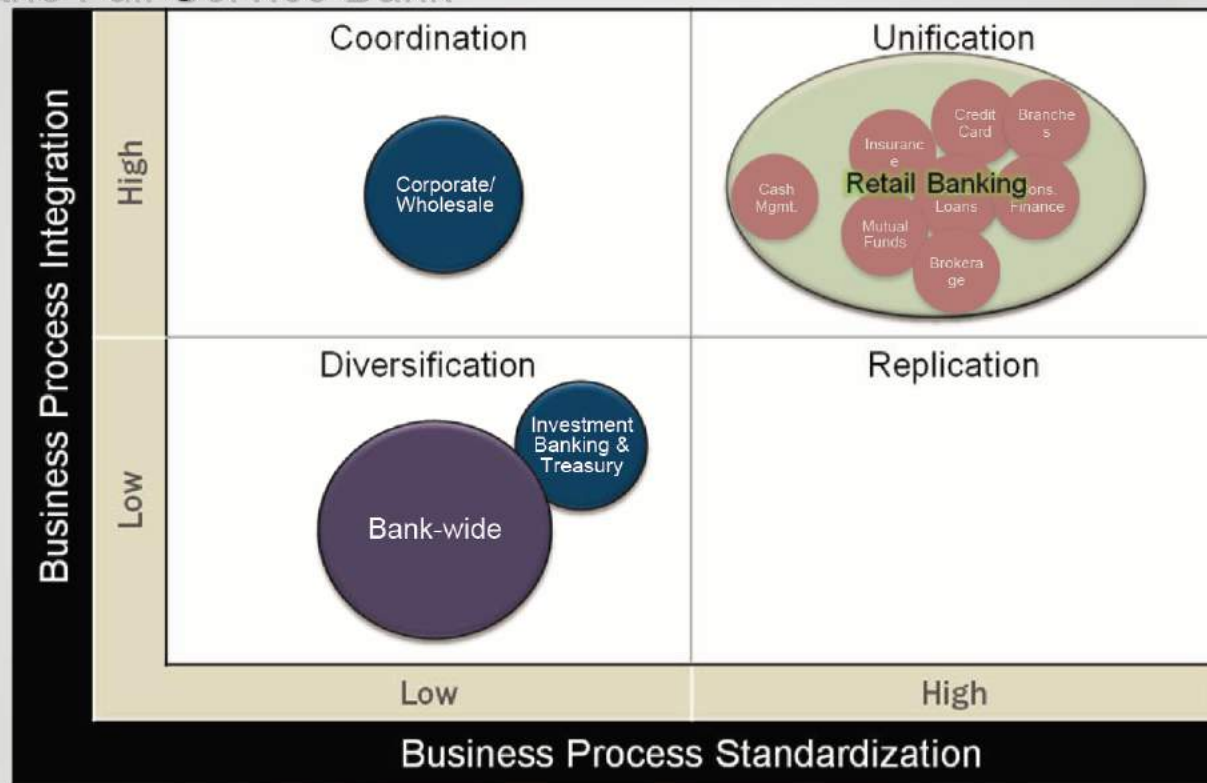
Multiple Operating Models



Target's

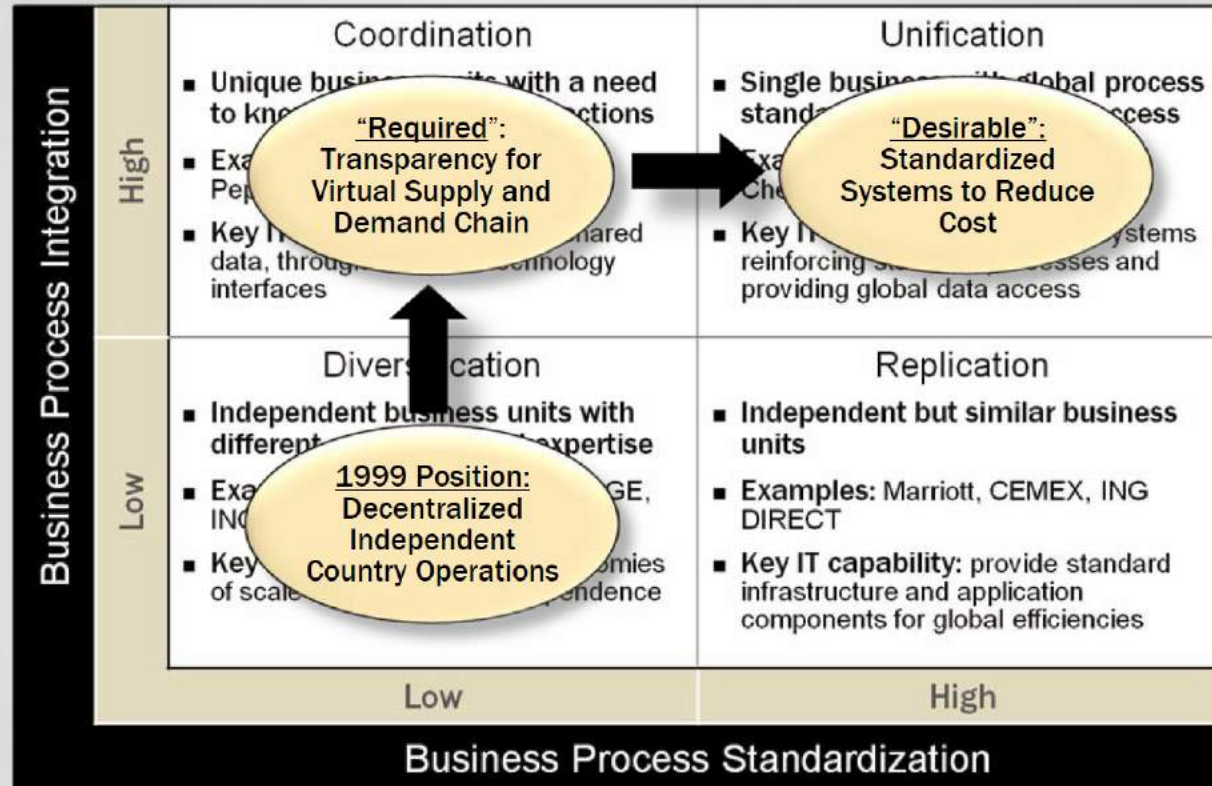
Operating Model of One Full-Service bank

Aspirations of the Retail Banking Head at the Full-Service Bank



Aspirations of the Retail head at the Full-Service bank

Toyota's Operating Model Transitions



Business Transformation at Toyota Europe

Toyota Europe's Transformation

	Performance			Business Changes
	Units Sold	Revenue (¥)	Operating Income (¥)	
2002	727,000	1,266B	(9.9B)	<ul style="list-style-type: none"> 28 autonomous marketing companies 9 manufacturing facilities
2004	898,000	2,164B	72.5B	<ul style="list-style-type: none"> European delivery lead time for vehicles reduced 35% Inventory of spare parts reduced by almost 50% Operating income: 3.5% of sales
2008	1,284,000	3,993B	141B	<ul style="list-style-type: none"> Reorganized as Toyota Europe

Business Transformation at Toyota Europe

- ❑ Requires that management articulate how the firm will profit and grow. It is a commitment.
- ❑ Can be implemented gradually:
 - **Diversification** allows for incremental layers of shared services
 - **Unification** allows for modular implementation
*by geography or process (of standardised and integrated processes)
 - **Replication** allows for evolution of new services to be rolled out to all sites
 - **Coordination** allows for increasingly powerful data repositories and extension to new channels
 - ✓ Creates characteristic opportunities and constraints
 - ✓ Imposes different demands for governance

The Operating Model Choice

Operating Model Lessons from Top Performers

- ❑ **Make Tough Choices**: An operating model is a commitment to a way of doing business. It involves eliminating some strategic options in order to better deliver on others
- ❑ **Consider the Off-Diagonals**: As firms seek more integration and standardisation the Coordination and Replication models allow for more rapid implementation and payback than the Unification model.
- ❑ **Prepare for a Transformation**: Transitioning from one operating model to another will always involve a transformation. Small steps toward the targeted operating model can make changes more evolutionary than revolutionary
- ❑ **There is no Substitute for Strong Senior Management Leadership**: Firms getting strategic business benefits from an operating model have senior business leaders who are actively involved in its design, management and implementation.



Questions

<https://hbr.org/2017/01/a-good-digital-strategy-creates-a-gravitational-pull>

https://www.weforum.org/agenda/2017/01/jack-ma-three-trends-define-future?utm_content=bufferc0a5e&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

<http://www.digitalmind.ee/business-technology-trends-for-2017/>

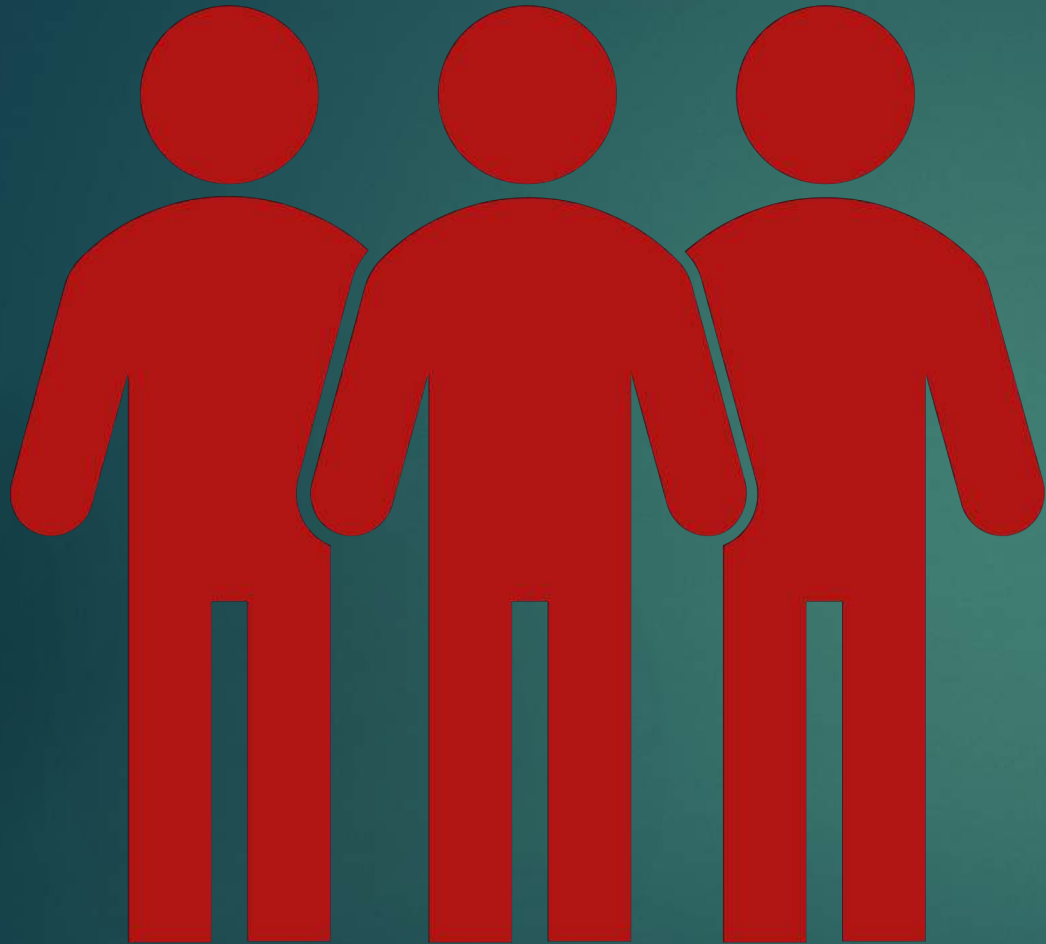
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<https://www.weforum.org/agenda/2016/02/davos-2016-and-the-fourth-industrial-revolution/>

<https://www.weforum.org/agenda/2016/06/top-10-emerging-technologies-2016/>

https://www.weforum.org/agenda/2016/10/2017s-most-in-demand-skills-according-to-linkedin?utm_content=buffer23af8&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer

Links for useful resources



Next Session: 30.03.19

IT Governance with
COBIT 5 Framework