

Unit III: Strategic and Competitive Opportunities

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Introduction :Competitive Advantage

To gain a competitive advantage in the market, an organization should offer products and services that are not provided by its competitors. With the help of information technology an organization can offer new and attractive services to its customers for competitive advantage but sustaining a competitive advantage may not be possible because the same technology can be easily adopted by its competitors. To gain competitive advantages in the long run, an organization should offer innovative services and products, so that they are different from others.

Organizations create their competitive advantage differently. How your organization creates an advantage depends on two factors:

1. knowledge of your customer environment and
2. knowledge of your own business.

Organizational horsepower(OHP)

Organizational horsepower (OHP) is a measure of an organization's ability to exert force in the market with speed.

The Organizational horsepower is made up of two components-Organizational Force and Organizational Speed.

Organizational force is meeting as many customer's expectations as possible.

Organizational Speed is meeting customer's expectation quickly. Both components combine to create an organization's competitiveness, or OHP.

The Total Quality Management (TQM) is meeting customer expectations through continuous improvement and organization-wide quality ownership.

The Strategy for Increasing Organizational Horsepower (OHP)

There is a Seven Strategy for Increasing Organizational Horsepower (OHP)

1. Just-In-Time Approach:

The Just-In-Time approach is producing or delivering a product and service when the customer wants it. Customers do not like to wait for their products or services and the JIT approach seeks to deliver products and services to internal as well as external customers when required. The JIT approach generates strong organizational speed through quick customer response enabled by IT telecommunications and scheduling systems. JIT generates very little organizational force. Comparatively, JIT generates the least OHP in comparison to other strategies.

2. Teams in an Organization:

A team is a group of people with a shared goal and task interdependence. Teams are used to bring diverse perspectives to an organizational problem. Teams enabled by groupware, generate strong organizational force by helping the organization to reach with more customer. Teams generate very little organizational speed. Teams generate more OHP than JIT approach but less OHP than other strategies.

3. Information Partnership:

An information partnership is an agreement between organizations for the sharing of information to strengthen each partner organization. Information partnership can pursue organizational speed using EDI (Electronic Data Interchange) and organizational force by using various information systems basically based on the network to reach in a greater market space. By sharing strategic information, information partnership can generate both organizational force and speed. Information partnership generate more OHP than teams and JIT approach but less than other strategies.

4. Timeless and Location-less Operations:

Timeless operations operate without regard to time. Location-less operations operate without regard to locations. With timeless operations, organization operates 24 hours a day using IT systems that never sleep. These timeless operations generate organizational speed through quick, timely, customer response. With location-less operations, customers are always in such a location from where they can conduct any kind of business transactions, especially using the internet. These location-less operations generate organizational force by allowing the organizational to reach more customers. Together timeless and location-less operations generate both organizational force and speed the total magnitude of the resulting OHP is greater than that of information partnership.

5. Transnational Firm:

A transnational firm produces and sells products and services in countries all over the world in coordinated cooperation. All operations share information and resources using IT networks. Firm's extensive international market exposer generates tremendous organizational force and OHP.

6. Virtual Organization:

A virtual organization is a network of independent organizations linked together by IT to exploit market opportunities by sharing skills, cost and market access. The ability of an independent organization to response to customer need by coming together quickly and in effect forming a fully functional firm generates a great deal of organizational speed. The magnitude of this speed is matched only by the magnitude of the organizational force generated by the transnational firm. All this speed gives the virtual organization OHP at least as great as that of

the transnational firm, even though both get their OHP from completely different OHP component, one through force, one through speed.

7. The Learning Organization:

A learning organization is 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. By learning from mistake an organization can serve better and faster services, generating organizational speed. This strategy provides the most potential organizational speed because a learning organization is self-growing that means a learning organization invents new strategies for serving its customers internally based on its own knowledge of customers. To generate more OHP information must be shared throughout the organization at all levels, enabled by groupware, artificial intelligence system and networks.

Selecting and adopting OHP

Selecting an appropriate OHP strategy is a four-step process. The four step are listed below:

1. How do your customers define perfect service?

When, where and how do your customer expect delivery of your product and service?

2. Does your organization have a strategic plan? If so, how do your strategy goals translate into organizational force and speed? How do your organizational goals for IT development translate into organizational force and speed?

3. Based on your customer's definition of perfect service and your strategy plan. Which organizational strategy or combination of strategies best fits your organization's needs?

4. Does your organization have the resources to adopt the strategy you've selected? Do your organization goals for IT systems fit with the IT systems required for your chosen strategy.

The four step OHP strategy selection process ensure that the OHP strategy your organization selects fits with in the goals of your organization. In these three steps you consider the major organization goals:

1. perfect service goals,
2. organizational strategy goals, and
3. organizational IT system goals.

Considering all three with the customer ensures that your OHP strategy promotes existing organizational goals and doesn't take your organization in an unintended direction.

Adapting an OHP strategy

Adopting an OHP strategy begins with designing its application. Each strategy must be applied in many different ways. Three issues must be considered in adopting the selected strategy:

Three issues must be considered in adopting the selected strategy and they are:

1. Determining which aspects of the selected strategy will be applied. Each strategy may be applied comprehensively or partially. The extent to which the strategy will be adopted will also be determined by the number of resources an organization can devote to this effort.

2. Determine which technology the selected strategy requires. Are the resources available to implement this supporting technology? Does an organization have the IT knowledge to implement this technology?

3. Determine the most appropriate process to adopt the selected strategy. An organization will select two processes to adopt OHP strategy:

a. First one is a continuous improvement process and this process is appropriate for adopting strategies in stages or incrementally.

b. Second the process is radical change in the strategy and this approach is suitable when an organization require more radical improvement process called Business Process Re-engineering. This process is used extensively in business to facilitate radical organizational improvement.

What is business process re-engineering (BPR)?

Business process re-engineering is the radical redesign of business processes to achieve dramatic improvements in critical aspects like quality, output, cost, service, and speed. Business process reengineering (BPR) aims at cutting down enterprise costs and process redundancies on a very huge scale.

Steps to Perform BPR:

Using BPR in an organization is a straightforward six-step process. The six steps include:

1. Defining The OHP Strategy We Wish To Adopt:

This step ties the BPR effort to the organizational goals by first identifying where we wish our organization to go using our OHP strategy. Otherwise, unfocused BPR efforts can take our organization far from its intended strategic direction.

2. Identifying The Affected Processes That Need To Be Re-engineered:

This step identifies the business processes that will be affected by the OHP strategy. For example, establishing a location-less “virtual” store on the Internet will affect not only how we take orders, but also our entire sales order process.

3. Identifying The Goal For Each Process:

This step identifies the goal of each process. Over time, processes within our business can stray from their intended purpose. A credit approval process, for example, may begin to gather competitive company information based on the credit clerk’s ability to analyze company financials

4. Identifying Process Participants And A Facilitator For Each Process:

This step identifies all those individuals within our organization who participate in each process. When redesigning processes, each participant’s input is essential to both understanding the process and including all participant’s needs. We will also identify a BPR facilitator who is trained in conducting process redesign sessions. Facilitators ensure that the redesign sessions stay focused on the problem and that everyone participates.

5. Mapping The “As-Is” Process:

In this step, participants map the current or “as-is” process graphically to facilitate an understanding of the process by all participants (a technique often applied to the learning organization). Many participants have seen only their own small pieces of the process. With an understanding of the entire process, they can consider all process needs better.

6. Designing The “To-Be” Process:

This step asks all participants to redesign a new or “to-be” process in support of our new OHP strategy. The participants consider the previously defined process goal, what the process must accomplish based on the old “as-is” process, and what the process must accomplish based on our new OHP strategy.

Importance of Business Process Reengineering:

The idea behind business process reengineering is to make our the company more flexible, responsive, efficient and effective for all stakeholders, including customers, employees and owners. In order for BPR to work, our business must be willing to make the following changes:

1. Change from a management focus to a customer focus - the boss is not the boss, the customer is the boss.
2. Empower our workers that are involved in each process to have decision-making and ownership in the process.
3. Change our the emphasis from managing activities to focusing on results.
4. Get away from 'score keeping' and focus on leading and teaching so employees can measure their own results.
5. Change the company's orientation from a functional orientation to a processor cross-functional orientation. This allows for an increase in organizational knowledge among its members and a greater degree of flexibility in accomplishing tasks.
6. Move from serial operations to concurrent operations. In other words, multitask instead of just doing one thing at a time.
7. Get rid of overly complex and convoluted processes in favour of simple, streamlined processes. Use the **KISS Principle** - keep it simple, stupid.
8. Stop try

Total Quality Management:

A core definition of total quality management (TQM) describes a management approach to long-term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work.

Total Quality Management Can Be Divided Into Four Categories:

1. Planning Phase:

Planning is the most crucial phase of total quality management. In this phase, employees have to come up with their problems and queries which need to be addressed. They need to come up with the various challenges they face in their day to day operations and also analyze the problem’s root cause. Employees are required to do the necessary research and collect relevant data which would help them find solutions to all the problems.

2. Doing Phase:

In the doing phase, employees develop a solution to the problems defined in the planning phase. Strategies are devised and implemented to overcome the challenges faced by employees. The effectiveness of solutions and strategies is also measured in this stage.

3. Checking Phase:

Checking phase is the stage where people actually do a comparison analysis of before and after data to confirm the effectiveness of the processes and measure the results.

4. Acting Phase:

In this phase, employees document their results and prepare themselves to address other problems.

