

## CHAPTER – 3

### STRATEGIC AND COMPETITIVE OPPORTUNITIES

#### INTRODUCTION:

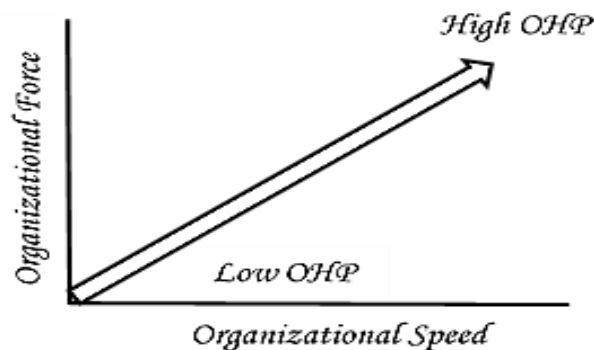
To gain a competitive advantage in market an organization should offer products and services that are not provided by its competitors. With the help of information technology an organization can offer new and attractive services to its customers for competitive advantage but sustaining a competitive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

#### ORGANIZATIONAL HORSE POWER (OHP):

Organizational Horse Power (OHP) is the measure of organizational competitiveness generated through organizational force and speed.

Organizational force is meeting as many customers' expectations as possible. An organization helps to meet more expectations of customers than its competitors and therefore gain a competitive advantage.

Organizational speed is meeting customers' expectation quickly. Again organization hopes to meet these expectations before its competitors in order to gain a competitive advantage. Organizational force and speed are both components of OHP and together, they provide a framework for evaluating how various strategies can empower an organization.



With the help of information and communication technologies an organization can achieve force or speed or both. Information Technology enhances the organizational force by making the products or services available everywhere that means location-less operations. Information Technology can also boost organizational speed by helping an organization to respond quickly to customers, the Just-In-Time approach.

#### THE STRATEGIES FOR INCREASING OHP:

There are seven strategies to increase organizational competitiveness using Information Technology and they are explained one by one.

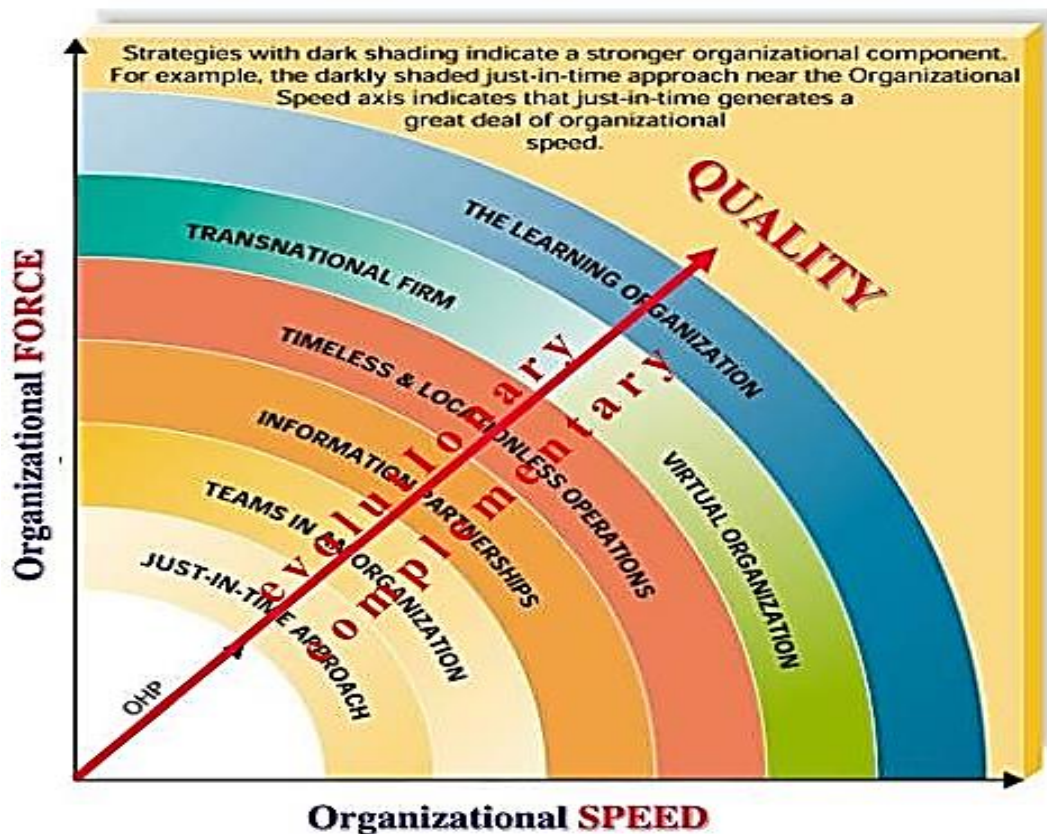


Fig: 7 IT-Enabled OHP Strategies

### 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 operates without regard to time. Location-less operations operates without regard to locations. With timeless operations, organization operates 24 hours a day using IT systems that never sleep. These timeless operations generates 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 generates 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 exposure 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 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 though out the organization at all levels, enabled by groupware, artificial intelligence system and networks.

### **SELECTING AN OHP STRATEGY:**

Selecting an OHP strategy is a four step process. Each step contains questions, the answers to which will help us for defining the organizational need. The strategy selected by us is based on the organizational need. The four basic steps are:

1. How do our customers define perfect service? When, where and how do our customer expect delivery of products and services.

2. Does our organization have a strategic plan? If so how do our strategic goals translate into organizational force and speed? How do our organizational goals for IT development translate into organizational force and speed?
3. Based on customer definition of perfect service and our strategic plan, which organizational strategy or combination of strategies best fits our organization's needs?
4. Does our organization have the resources to adopt the strategy we have selected? Do our organization's goal for IT systems fit with the IT system's required for our chosen strategy?

The four step of OHP strategy selection process ensures that the OHP strategy selected by the organization fits with organization's goals. We can consider three major goals of organization as:

1. Perfect Service Goals
2. Organizational Strategic Goal
3. Organizational IT System Goal

We may select more than one OHP strategies for better OHP. All the possible strategies are:

- Just-In-Time Approach
- Teams in an Organization
- Information Partnership
- Timeless and Location-less Operations
- Transnational Firm
- Virtual Organization
- The Learning Organization

### **ADOPTING AN OHP STRATEGY:**

Adopting an OHP strategy begins with designing its applications. Each strategy may be applied in many different ways according to the need of an organization. In addition to how the selected strategy will be applied, an organization must decide by what process it will be applied.

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 by which to adopt the selected strategy. An organization will select two processes to adopt OHP strategy.
  - First one is continuous improvement process and this process is appropriate for adopting strategies in stages or incrementally.
  - Second process is radical change in the strategy and this approach is suitable when an organization require more radical improvement process called Business Process Reengineering. This process is used extensively in business to facilitate radical organizational improvement.

## **BUSINESS PROCESS REENGINEERING (BPR):**

Business process re-engineering (BPR) is a business management strategy, originally pioneered in the early 1990s, focusing on the analysis and design of workflows and business processes within an organization. BPR aimed to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors.

BPR seeks to help companies radically restructure their organizations by focusing on the ground-up design of their business processes. According to Davenport (1990) a business process is a set of logically related tasks performed to achieve a defined business outcome. Re-engineering emphasized a holistic focus on business objectives and how processes related to them, encouraging full-scale recreation of processes rather than iterative optimization of sub-processes.

Business process reengineering is also known as business process redesign, business transformation, or business process change management.

### **Steps to Perform BPR:**

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

#### **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 Reengineered:**

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. Overtime, 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. Although competitive information gathering is a worthy task, it does nothing to speed our customer’s credit approval which is our process goal. Identifying each process goal will refocus old processes and clarify our process redesign effort.

#### **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 accomplished based on our new OHP strategy.

### **Importance of Business Process Reengineering:**

The idea behind business process reengineering is to make our 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:

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

## **TOTAL QUALITY MANAGEMENT:**

**Total Quality management is defined as a continuous effort by the management as well as employees of a particular organization to ensure long term customer loyalty and customer satisfaction.** Remember, one happy and satisfied customer brings ten new customers along with him whereas one disappointed individual will spread bad word of mouth and spoil several of our existing as well as potential customers.

We need to give something extra to our customers to expect loyalty in return. Quality can be measured in terms of durability, reliability, usage and so on. Total quality management is a structured effort by employees to continuously improve the quality of their products and services through proper feedbacks and research. Ensuring superior quality of a product or service is not the responsibility of a single member.

Every individual who receives his/her paycheck from the organization has to contribute equally to design foolproof processes and systems which would eventually ensure superior quality of products and services. Total Quality management is indeed a joint effort of management, staff members, workforce, and suppliers in order to meet and exceed customer satisfaction level. We can't just blame one person for not adhering to quality measures. The responsibility lies on the shoulder of everyone who is even remotely associated with the organization.

W. Edwards Deming, Joseph M. Juran, and Armand V. Feigenbaum jointly developed the concept of total quality management. Total Quality management originated in the manufacturing sector, but can be applied to almost all organizations.

**Total quality management ensures that every single employee is working towards the improvement of work culture, processes, services, systems and so on to ensure long term success.**

**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 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 for the problems defined in 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.