The Firm as a Bundle of Competencies



Delta Model Strategies

	Delta Model Strategies		
ľ	Positions	Definition	Constants
	Best Product	Centered on product economies	
		Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves way ittle space as a competitive position. It also lends to standardize to be product offering, convnoitible the customer, and interarily sharty.
	ion	While maintaining effective production economies focus on key differentiation is the product leadareat and functionatifies such that the products are uniquely destret and command price pressums	The problem with this strategic position is that as soon as the differentiated product energies, competitors tend to imbate them. An competitive advantage is therefore non-sustainable.
Total Dustomer Solutions Offented to customer economics		economica	
	Redefining the outlotter experience	A focus is places on considering the foll experience of the customer from the point of acquasison through to the complete lifecycle of ownership of the product	This positioning is based upon an intrusio knowledge of ha customer base leading lowerd an effective customer segmentation and a differentiated swament of the customer Sers.
	Horizontal Dreadth	A complete set of product and service offerings that fulfil the entire customer need are customized and provided. "One stop shopping for a unique aductor."	We are seeking a dominant position in "share of the wallet of the casitories"
	Customer integration	This strategy seeks to effectively substitute for or leverages activities converting performs to phis customer. It is subsancing in its existence from and an least expressing a complex web of convencious with the customer that enhance that all the body body bear leves and phuse your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer accountics.
	System Lock-In	System Lock-te Focuses on complementar sconanics	
	Restricted Access	Significant barries are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
	Dominant Exchange	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical
Γ	Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product.	This optim is n't available in most industries. If it can be achieved the rewards are enormous.

Best Product	Centered on product economies	
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It also tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are unique desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. An competitive advantage is therefore non-sustainable.

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	Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalises such that the products are unique dealed and command price premiums.	The problem with this shategic position is that as soon as the differentiated product emerges, competition lend to initials them. An competitive advantage is therefore non-sustainable.
	Total Customer Solutions	Driented to castomer economics	
	Redefining the customer experience	A focus is places on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product	This positioning is based upon an intimate knowledge of the customer base leading toward as effective customer segmentation and a differentiated treatment of the customer term.
	Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "Cine-stop shopping for a unique solution."	We are seeking a dominant position in "share of the valiet of the customer."
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Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "One-stop shopping for a unique solution."	We are seeking a dominant position in "share of the wallet of the customer."
Customer Integration	This strategy seeks to effectively substitute for or leverages activities currently performed by the customer. It is outsourcing in its extreme form and at least represents a complex web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics.

Delta Model Strategies

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Putting it all Together -Task #2: Synthes Competencies

From the Customer Segmentation to Strategic Agenda



Bundle of Competencies Trauma - Current



Bundle of Competencies Trauma - Desired



Why Spine Competencies are Different

- It's a poorly defined disease not a fracture
- Spine still a frontier, lack of well established diagnostic tools, hence riskier surgeries, and no generally accepted standard treatment
- Current solutions usually fail to restore full function
- Surgeons are very entrepreneurial (by training, choice and necessity), get paid for IP, ideas and product development
- Spine surgery is done by two distinct (culturally) surgeon specialties (orthopedic and neuro surgeons; 55% and 45%)
- U.S. surgeons not as strong in their support of AO Spine and AO Foundation

Bundle of Competencies Spine - Current



Bundle of Competencies Spine - 2005



Bundle of Competencies Spine - Desired



Price premium

Lessons from Competencies

- Competencies vary across businesses due to:
 - Life cycle of the business (Spine vs. Trauma)
 - Customer segmentation
 - Business characteristics
- Competencies vary across regions
- Improving an organization's competencies is a continuous and incremental process
- Changes in the competitive landscape lead to new requirements

DMK:

Outsourcing Information Technology from China

Workshop #2: Firm as a Bundle of Competencies

Bundle of competencies analysis (current)

Dominant Exchange

1. No specific competence that creates strong brokerage position

Exclusive Channel

- 1. One of few firms with low cost mainframe expertise (customer's low entry barriers)
- 2. High switching costs for fully integrated clients (customer's high exit barriers)

Customer Integration

- 1. Dedicated teams
- 2. Experience in outsourcing
- 3. IBM JV

Horizontal Breadth

- 1. Mainframe & newer languages expertise
- 2. Multiple industry verticals
- 3. System development, testing and maintenance

Redefining Experience

1. Processes and expertise at end-toend projects

Systems Lock-In 1. No specific competence that creates industry standards

Low Cost

- 1. Wage differential w. Japan, US, EU and India
- 2. Large pool of skill in area
- 3. Experience leveraging work loads and resources profitably

Differentiation

- 1. Japanese speaking personnel
- 2. Compatibility with customer's culture
- 3. IBM Mainframe expertise
- 4. Six-Sigma, CMM5

Bundle of competencies analysis (desired)

Dominant Exchange 1. Opportunity to create dominant exchange for Tier 1 customers

Exclusive Channel

Systems Lock-In

Low Cost

Customer Integration 1. Recruit teams that can easily integrate with customers across countries

Horizontal Breadth

 System design and Architecture expertise
 Consulting expertise Redefining ExperienceDifferentiation1. Integration with US,
EU IS providers1. English, western forms

Bundle of competencies analysis



Low Cost (location specific)

• Chinese wages are not only below those of developed countries where DMK's clients reside but also below India.

• Over 100.000 technology and computer sciences graduates per year in Dalian make this region a contender for the long term. Also capacity for rapid operation upscaling

Low Cost (firm specific)

• Expertise in managing sudden changes in demand and supply profitably

Differentiation (location specific)

• Large population (old immigrants from Japan) that can speak and are familiar with the social and business manners of that country

Differentiation (firm specific)

- IBM mainframe expertise that comes from core team acquired when a Chinese bank was dismantled.
- Six sigma certification and first company in China to get CMM5 certification

Bundle of competencies analysis

Horizontal Breath

• DMK's strength in mainframes is complemented with expertise in newer programming platforms

• DMK is particularly strong at the development, testing and maintenance end of projects; developing design, architecture and consulting expertise is one of its challenges

• DMK business strengths lie in the financial and insurance sectors although it is slowly developing expertise in other verticals

Customer Integration

• Due to its expertise in Mainframe systems DMK has been able to integrate some of their customers' key operations with its own

• Outsourcing from mainframe clients has also allowed DMK develop customer integration expertise that are transferable to other industries, functions and newer technologies

Redefining Customer Experience

• DMK has developed quite a remarkable level of expertise at carrying out end-to-end projects with smooth transition at end of project and tight cost management

Bundle of competencies analysis

Systems Lock In

 DMK has not developed any industry standard that allows for a systems _____
 lock-in position

Dominant Exchange

 DMK should pursue a dominant exchange position with selected Tier 1 customers

 One such position might be achieved if DMK developed strong coordination expertise between subcontractors or specialists in China and IS firms or final customers in more developed markets

Exclusive Channel

• DMK has been capable to develop some high barriers of entry for its competitors due to the limited amount of expertise available in mainframe systems at relatively low costs

• As DMK has integrated with its "main partners", it has also created high barriers of entry for its competitors due to the high costs its clients would incur if they switched IS suppliers. These costs stem, mainly, from the highly tacit knowledge about the clients operations acquired through continuous interaction

Insights from the Delta Model

- Think of your firm as a bundle of competencies Not merely as an engine for developing, making and distributing products.
- 2. Understand deeply your customer needs Segment the customer base to differentiate meaningful value propositions to each customer tier.
- 3. The key to exploit opportunities for growth and profitability is to match your competencies with your customer needs. Try to be creative, bold and fast.

Some Additional Examples

•Patents and dominant manufacturing CCD camera for all competitors products

Exclusive Channel

Advantage with regulators of 80 countries through world wide developed sales channels
 Advantage with IETF and IEEE that has specification of video transmitting technology
 Offering products, system software and system integration all together will discourage switching
 States and service channel for 80 counties

Horizontal Breadth

Multiple channels

 (direct, resellers, distributors, system integrators)
 A complete set of product and service offerings with Sony VC, other Sony products, system software and system integration
 Complementor development

Customer Engagement

Collaborative product development with potential customers
 Event to hear customer needs through periodical promotion events
 Sales campaign to sales channels over the world
 Special sales promotion to potential large customers

Total Customer Solutions

Customer Integration

 Joint forecasting and planning with suppliers, distributors and recellers
 collaboration with distributors and recellers

 Collaboration with System software Integrators

 Periodical introduction and seminars for customers

-Continuous customer support by

System

Lock-In

dedicated web page for customers

Low Cost

Proprietary Standard

· Patents

Best

Product

Powerful Sony produrement system
 Economies of sosie with other Sony
 consumer products
 Efficient supply chain system
 High yield manufacturing technology
 Experienced electronics technology
 to national components
 High development capability to
 reduce product development time
 Experienced quality assurance
 system

Differentiation

Strong brand power
Totally well-belanced product line-up
Advanced Audio and Viceo technology
Sophisticated product design
Connectivity with to be Sony products
(Le. memory stick)
Sophisticated CCD Video camera
(All competitors purchase it from Sony)
Time to market
Launch product for S0 countries
Quality (Video, audio, and product itself)
Collaboration with huge potential customers
High R&D apending

Competencies of Sony VC Business

Source: Makato Ishii, "Sony Visual Communication Business", 15.902 Independent Research Project, Fall 2005

Exclusive Channel

•Advantage with regulators of 80 countries through world wide developed sales channels

 Advantage with IETF and IEEE that make specification of video transmitting technology
 Offering products, system software and system integration all together will discourage switching
 Sales and service channel for 80 countries

Horizontal Breadth

•Multiple channels (direct, resellers, distributors, system integrators)

•A complete set of product and service offerings with Sony VC, other Sony products, system software and system integration

•Complementor development •Very detailed sales manual book for multiple channels •Detailed comparison chart to compete with Sony and Tandberg

•Attractive cash back system Company policy "customer's satisfaction first" •Annual big event to motivate horizontal players

Customer Engagement

Collaborative product development with potential customers
 Event to hear customer needs through periodical promotion events
 Sales campaign to sales channels over the world
 Special sales promotion to potential large customers
 A lot of innovative programs to make good relationship with distribution channels

•Company policy "good relationship with customers!"

Dominant Exchange

 Patents and dominant manufacturing CCD camera for all competitors' products
 Lead to fix next generation's

communication protocol

System Lock-In Polycom Competences

Total Custome Solutions

Customer Integration

Joint forecasting and planning with suppliers, distributors and resellers
collaboration with distributors and resellers

•Collaboration with System software integrators

•Periodical introduction and seminars for customers

•Continuous customer support by

dedicated web page for customers
Hundreds employees for sales and

•Hundreds employees for s customer services

•Not product business but "solution business"

Proprietary Standard

Best

•Patents •communication protocol so that other all competitors should adapt that

Low Cost

Powerful Sony procurement system
 Economies of scale with other Sony consumer products

 Efficient supply chain system
 High yield manufacturing technology
 Experienced electronics technology to reduce components
 High development capability to reduce product development time
 Experienced quality assurance system

Differentiation

•Strong brand power Product •Totally well-balanced product line-up

> •Advanced Audio and Video technology •Sophisticated product design

> •Connectivity with other Sony products (i.e. memory stick)

•Sophisticated CCD Video camera

•Time to market

•Launch product for 80 countries

•Quality (Video, audio, and product itself) •Collaboration with huge potential

customers •High R&D spending

•Outstanding experiences for VC and

Audio conference as communication company

•Long history dedicating VC business •Sophisticated functions for customer satisfaction

Great connectivity to other products

Competencies of Polycom VC Business

Source: Makato Ishii, "Sony Visual Communication Business", 15.902 Independent Research Project, Fall 2005



IBM Software Group Strategic Positions in Delta Model

Source: Eng Ching Kooi, "The Software Industry", 15.902 Independent Research Project, Fall 2005

Dominant exchange • Home network system

Exclusive Channel

- Continuous investments in capacity for components
- Industry specific components
 Mobile RAM, GDRAM
- Long term supply agreements
- Internal sourcing of key components
- Wi-Bro mobile internet system
- Digital Mobile Broadcasting System and phones

Horizontal breadth

• Full line-up of electronics products from components to TV, mobile phone, PC, display, home appliances

- Global leader in hardware and software in factory automation
- Total memory chip solution
- Networking solution

Π

- Customer integration
- Supply Channel Management
- Electronic Data Interchange
- Networked marketing with wireless system operators for mobile phone

Customer engagement

System on a Panel, System on a Chip • First to market: MP3 player phone, EV-DO phone, 7 mega pixel photo phone, 102 inch plasma TV, 84 inch LCD TV, etc.

- Internet enabled refrigerator
- DVD-VCR combo player
- Silver Nano Health system appliances
- Ubiquitous Digital Technology
- Mass Customization

Proprietary standard

- Secured more than 220
 patents for 4G wireless
 communication
- Nand Flash memory: world market share - over 40%

Low cost

- Next generation production facility
- Vertical integration, Keireitsu system
- Global sourcing, Open bidding
- SCM in R&D, procurement, production, logistics
- Global ERP system• Quality control, Six sigma practice

Differentiation

- Product leader in digital convergence
- Product diversification, combination
- Premium brand High end market
- Investment in Design capacity
- Product Value Innovation
- Multi Chip Package
- Localized product development

Samsung Electronics Competitive Competencies

Source: Seong Yong Hwang, "Samsung Electronics - My Home Company", 15.902 Independent Research Project, Fall 2005



Biolab's Core Competencies

Source: Catherine Calarco, "Biolab Scientific: Application of Delta Model including Customer Segmentation", 15.902 Independent Research Project, Fall 2005 Dominant exchange Present in every state and many countries. A huge customer base. Many proprietary design tools and processes used by customers, both government and commercial.

Horizontal breadth Different implementations that allow for horizontal breadth (GSM, UMTS, LMR, WDMA, etc.) 2 major customers: government and commercial carriers.

Customer engagement Operating in many US states and different nations.

As a result of decentralization allowed for dedicated product/customer focus (GDWS focuses on wireless providers, government and commercial). Each implementation process starts with a deep diagnostic of their network, and benchmark with the others, to help them identify their needs.

Government very close interaction with government officials before and during the implementation. **Customer integration**

GDWS engineering team involved in settling standards and design guidelines for customers.

Decentralization allowed for consumer integration.

Well-defined customer, well-defined market. Local office, usually collocate with each customer.

Bring best practices fro commercial implementation and design to government and vice versa.

Low cost

Economies of scale. GDWS plays in government as well as commercial wireless • field. Decentralization allows for more productivity (GDWS operates as a separate unit within GD) which leads to lower price. Economy of scale also contributes to low price. Many types of projects/programs (LMR, GSM, CDMA, et.c)

Differentiation

GD brand (very strong brand n

Government).

Large selection of customers, projects, technologies.

Total customization of each customer product.

Financially viable.

Ability to acquire qualified resources, both employees and companies.

General Dynamics Wirelesls Services Corporate Strategy

Source: Mirela Marku "General Dynamics, Wireless Services", 15.902 Independent Research Project, Fall 2005



Bose Corp (Automotive Division) Competencies

Source: Venkat Maroju, "Bose Corporation (Automotive Division) After Market Strategy", 15.902 Independent Research Project, Fall 2005