Class 7: Merrill Lynch and the Coordination Operating Model

15.571
Generating Business Value From Information Technology

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Different Standardization Requirements of the Four Operating Models

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<th>Business Process Standardization</th>
<th>Coordination</th>
<th>Unification</th>
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<td>Low</td>
<td>■ Customer and product data</td>
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<td>■ Shared services</td>
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<td>■ Infrastructure, portal, and middleware technology</td>
<td>■ Operational and decision making processes</td>
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PepsiAmericas

- World's second largest manufacturer, seller, and distributor of PepsiCo beverages.
- Revenues of $5 billion, growing 10% per year
- 75% of revenues earned in U.S.
- Regional manufacturing and distribution centers supply 3 types of customers:
  - Direct to store (truck drivers make rounds, stock shelves)
  - Pre-sell (Wal-Mart, Target, Kroger order for warehouse delivery)
  - Call center (schools, restaurants)
- Success depends on access to operating data (minimize stockouts, maximize turnover of hundreds of sku's) and pricing decisions
Information Backbone Integration

Figure by MIT OpenCourseWare.
The Coordination Operating Model Platform

- Focuses on providing data visibility to meet customer needs
  - Single face to customer
  - End-to-end business processes
- Allows customization of services according to customer needs and encourages local expertise while leveraging global products and services.
- The platform can be extended as firm adds 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.
The Operating Model Choice

- Requires that management articulate how the firm will profit and grow. It's a commitment.
- Can be implemented gradually
  - Diversification allows for incremental layers of shared services
  - Unification allows for modular implementation (by geography or process) of standardized 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.