University of Pisa
MSc in Computer Engineering

Systems for Strategic Management and Support

LECTURE 20

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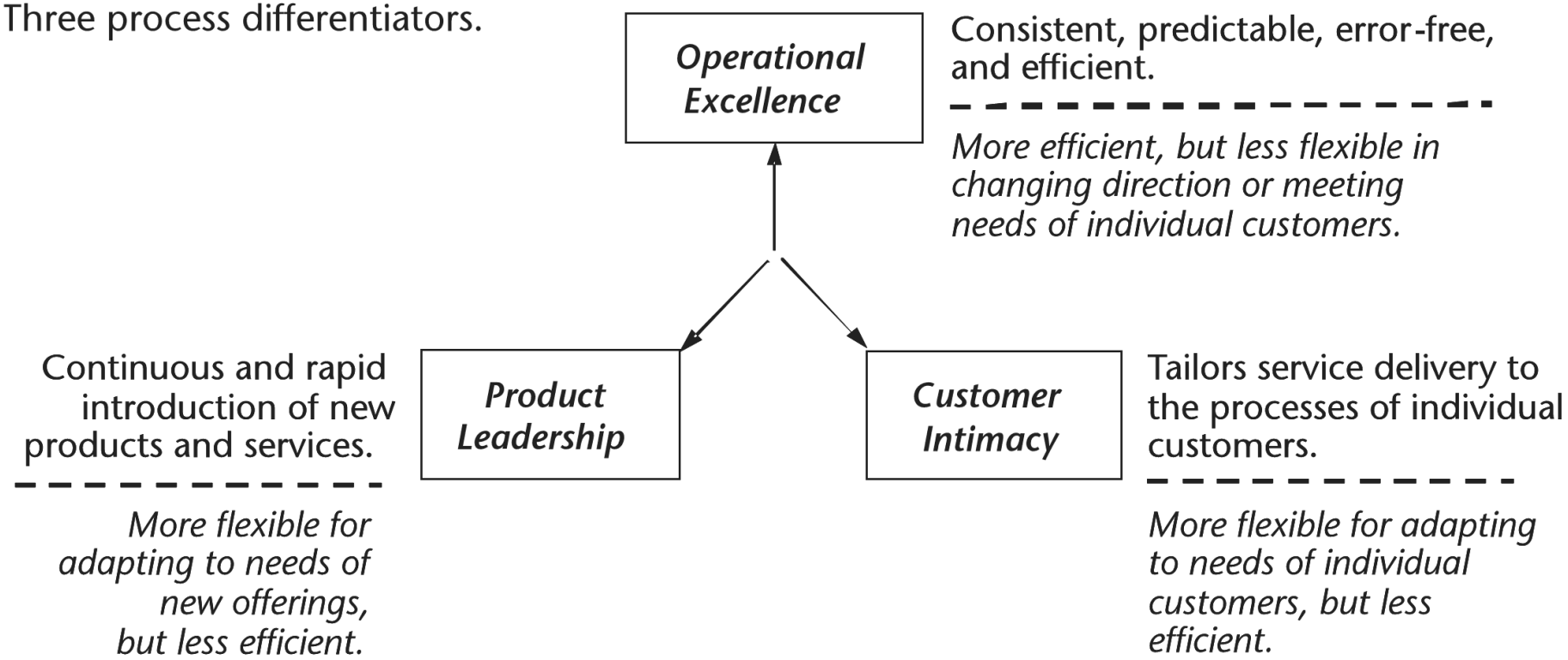
Process Differentiator

- Basic question: Why customer choose us? A framework for selecting a differentiator.

1. *Operational excellence* emphasizes consistent, predictable, error-free, and efficient operations. Processes will be more efficient but less flexible in changing direction or meeting the needs of individual customers.
2. *Product leadership* stresses the development of market-leading products that competitors must imitate or the ability to rapidly change the products and services offered. Processes will be less efficient overall, but more flexible in adapting to the needs of new offerings.
3. *Customer intimacy* tailors the delivery of products and services to the needs and processes of individual customers. Processes will be less efficient overall, but more flexible for the customer.

Three process differentiators.



- A frequent objection is “But we cannot ignore the other two!”
- Market leaders choose one differentiator to concentrate on and build around it.

Strategic Disciplines

	The Three Disciplines		
	Operational Excellence	*Product Leadership*	*Customer Intimacy*
Core Business Processes that...	Sharpen distribution systems and provide no-hassle service	Nurture ideas, translate them intor products, and market them successfully	Provide solutions and help customers run their business
Structure that...	Has strong, central authority and a finite level of empowerment	Act in an ad hoc, organic, loosely knit, and ever-changing way	Pushes empowerment close to the point of customer contact
Management Systems that...	Maintain standard operation procedures	Reward individuals' innovative capacity and new product successes	Measures the cost of providing service and of maintaining customer loyalty
Culture that...	Acts predictably and believes one size fits all	Experiments and thinks out of the box	Is flexible and thinks have it your way

- If you do excel in two disciplines, or even in all three (a very rare situation) it is probably costing a huge amount of resources and leaving you vulnerable to a competitor than can be just a bit better at one differentiator

The Relevance of Differentiation

- Even if you are not operating in a competitive environment, where process customers do not have choice (e.g. internal and government processes), your project will have tensions if there is no clear differentiator stated.

- Actually there may be competing alternatives: both governments and corporations are increasingly outsourcing services, and then have to demonstrate how excels if they want to keep services.

- Moreover, when a process excels at one differentiator, it also seems to perform better at the other two than organizations that have made no clear choice or are struggling with all three (excellence breeds excellence and reduce friction)

- It is not possible to improve as much as possible in all dimensions. The figure is useful to represents this concept: if you get to 8 or 9 on all three dimension, there must be a decision on which one to push to 10.

Different versions of the same process achieving alternative differentiators.

- If excellence in multiple differentiators is a strategic necessity, perhaps because the enterprise deals with different market segments, sophisticated organizations establish entirely separate versions of the same process.

- Each version works toward a different strategic discipline, with separate point of entry, staff and facilities, to avoid interferences. E.g. if you pay for “platinum support” when you buy a new computer, you will have the privilege of dealing with a different process.

- A common mistake is assuming that the goal is to make the process faster and cheaper (i.e., lower costs, increase efficiency, reduce cycle time). For instance, you may need to fundamentally rethink what you are doing, not just how you are doing it. A process that does the wrong thing faster does not really help.

- Example: *in two situations in the areas of legal and arbitration the goal was to increase cycle times. However, the think and cooling-off times were sensibly reduced. This escalated the dispute to the point that it actually took longer than before. Al participants were less satisfied with the outcomes.*
- Alternatives to faster and cheaper:
  - More flexible in meeting needs of individual customers;
  - Easier for an entry-level workforce to adopt with relatively little training and support;
  - Simultaneously support junior staff and provide guidance, while support expert staff and staying out of their way;
  - Fewer customer interactions;
  - Absolute auditability and adherence to applicable regulations;
  - accessible anytime, anywhere, via any medium;
  - …

- …
- Easier to standardize and maintain at international locations;
- Less time and effort to integrate new suppliers or customers into the process;
- More suitable for support by COTS software;
- More suitable for SOA implementation and automation using a business process management system;

- Different processes in an enterprise may have different differentiator. E.g. in a high-tech company, the processes in the product development area stressed the product leadership, but in their human resource processes the goal is customer intimacy to attract and retain scarce technical resources.

Look at the process in terms of enablers

Information Systems

- Look at IT currently installed and what it wrong with it, but also at what IT you are not taking advantage of.

Motivation and Measurements

- People do not pay attention to what management *says*; they pay attention to what management *measures*.
- The danger is when you start motivating individuals base on it. People will perform to the measure, not the process.

Human resources

- Are the right people, with the right skills and aptitude, in the right job, assigned to the appropriate activities?
- Some HR issues: people with no natural aptitude for the job they are in; scarce or overpaid resource with poor support work;

Policies and Rules

- Processes are usually guided by obsolete business rules and policies, implemented in systems or workflows in a not accessible form, whose changes become a nightmare because the code is increasingly complex. They degrade the process.

Facilities

- Look at lack of space, quiet, privacy, ability to avoid interruptions, which are key productivity enablers frequently ignored in modern office layouts, manufacturing and public spaces.