Announcements

- Forum working now
  - Previous posts were not lost.

- Read Ch3.1 thru 3.3 and Frito Lay case study for Monday
  - Remember we will have 3 unannounced quizzes this quarter...

- Business paper groupings done
Student Presentation

- Eric Jergenson
What is a business process?

- A designed succession of actions to the accomplish of some result in a business.

Example

- Order Fulfillment
**A Business Process**

**Business Functions**
- Customer
  - Sales
    - Finance
      - Inventory Control
      - Warehousing
  - Order
    - Take Order
    - Enter Order
      - Credit Check
        - Check Stock
          - Print Packing list
            - Tell Mfg. to make order
          - Find Goods
            - Print Invoice
              - Ship
Cross Functional Process

- A business process that crosses over multiple functions

- Are all business processes cross functional?
A business process within a function

Example: Channel Selection Process within Marketing function

- New Product idea
- Conduct Focus Group Studies
- Find sales by channel Data for similar products
- Mine Demographic data
- Combine information Make decision
- Make decision

Example: Channel Selection Process within Marketing function
What is Business Process Reengineering?

- A fundamental rethinking and redesign of business processes

- Minor improvement to a business process is often called streamlining the business process
Business Process Example

Business Functions:
- Sales
- Finance
- Inventory Control
- Warehousing

Customer
- Order
  - Take Order
  - Enter Order
    - Credit Check
    - Check Stock
    - Print Packing list
    - Tell Mfg. to make order

Finance
- Print Invoice
  - Find Goods
  - Ship
A Streamlined Business Process

Customer

Order

Take Order

Credit Check

Enter Order

Check Stock

Print Packing list

Find Goods

Ship

Tell Mfg. to make order

Sales

Finance

Inventory Control

Warehousing

Business Functions

Automatic Credit Check
A Reengineered Business Process

Customer
  Order
    On web

Business Functions
  Sales
  Finance
  Inventory Control
  Warehousing

Inform Mfg. to replenish stock

Automatic Credit Check
Automatic Checking of Stock

Print
Packing list
And invoice

Find Goods
Ship
Porter Competitive Model?

- **What is it?**
  - A model to help understand the competitive environment in which a company operates.

- **What are the “5 forces”?**
  - Intra-Industry Competition
  - Bargaining power of Suppliers
  - Bargaining power of Customers
  - Substitutes
  - Threat of New Entrants.
Porter Competitive Model
Education Industry - Universities

Intra-Industry Rivalry
SBU: UCSC
Rivals: UC campuses, CSU, Private universities, Community Colleges

Bargaining Power of Buyers
• Students
• Parents
• Businesses
• Employers
• Legislators

Bargaining Power of Suppliers
• Faculty
• Staff
• Equipment and Service Suppliers
• Alumni
• Foundations
• Governments
• IT Vendors

Potential New Entrants
• Foreign Universities
• Shift in Strategy by Universities or Companies

Substitute Products and Services
• Internet Distance Learning
• Books and Videotapes
• Computer-Based Training
• Company Education Programs
Example: Usefulness of Porter Model

- **Bob wants to start a dentist office**
  - However, bob did not go to dental school
  - Bob will hire the dentist and other staff
  - Is this a good model?

No! Dentist has too much bargaining power, she could always go into business for herself.
Example: Usefulness of Porter Model

- Suppose Alice, who is a dentist, opens an office

**New Entrants**
- Dental School Graduates
- Dentists moving in from other regions

**Suppliers**
- Staff
- Hygienists

**Intra-industry rivals**
- SBU: Alice’s Dentist Office
- Other local dentist offices

**Substitutes**
- Alternative Medicine?

**Buyers**
- Public in general
- Insurance companies
- Those wanting cosmetic dentistry
“Primary” Porter Strategies

- In economics you will learn a market where
  - Product is a commodity
  - Firms all have the same production costs
  - New firms can enter market at no cost ("free entry")

  profits are driven to zero.

- Consequently Firms need to
  - Differentiate and/or
  - Achieve Cost leadership
Porter Supporting Strategies

- **Innovation**
  - Can reduce costs and or differentiate

- **Growth**
  - Help offset fixed costs
  - Establish reputable brand (differentiate)

- **Alliances**
  - Achieve more complete solution (differentiate)
  - Integration of each others technology may reduce costs
Can Information Systems:

1. Build barriers to prevent a company from entering an industry?

2. Build in costs that would make it difficult for a customer to switch to another supplier?

3. Change the basis for competition within the industry?

4. Change the balance of power between a company and its customers or suppliers?

5. Provide the basis for new products and services?
Porter’s Value Chain

• The Competitive Model deals with the environment within which a company competes

• The Value Chain addresses the flow of a product through the organization.

• It starts with the original idea in research and tracks its progress all the way to the customers.
Generic Value Chain

**Primary Activities**
- Procurement
- Technology Development
- Human Resource Management
- Firm Infrastructure

**Support Activities**
- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing and Sales
- Service
Value Chain Purpose

- A way of classifying a company's activities and how they help deliver value to the customer.

- A framework for evaluating decisions like outsourcing, or deployment of IT.
Examples of IT Supporting Value Chain

Support Processes
- Administrative Coordination and Support Services
  - Collaborative Workflow Intranet
  - Human Resources Management
- Employee Benefits Intranet
- Technology Development
- Product Development Extranet with Partners
- Procurement of Resources
- e-Commerce Web Portals for Suppliers

Primary Business Processes
- Inbound Logistics
  - Automated Just-in-Time Warehousing
- Operations
  - Computer-Aided Flexible Manufacturing
- Outbound Logistics
  - Online Point-of-Sale and Order Processing
- Marketing and Sales
  - Targeted Marketing
- Customer Service
  - Customer Relationship Management

Competitive Advantage
Other terms in Chapter 2

- **Agile Company**
  - Ability to prosper in rapidly changing environment
    - Some good examples in O'Brien ch2

- **Virtual company**
  - Uses IT to link people, organizations, assets, etc.
  - Linked to Business partners
Explicit knowledge
- That which can be written down

Tacit Knowledge
- That which is cannot be written down
- Example: How to Ride a bicycle.

Much of a company’s value is in its knowledge
- Patents, documents
- Tacit knowledge in employee’s heads
Other terms in Chapter 2

- **Knowledge-Creating Company**
  - Create new business knowledge
  - Disseminate knowledge throughout company

- **Knowledge Management Systems**
  - Facilitate this dissemination
  - Often, like a search engine on a company intranet.

- Aside: might a knowledge management system affect the negotiating power of employees?
Cisco ERP Case Study Summary

- Student Presentation
  - Jason Dea
Break into groups of 3 or 4

Discuss

- Was the project successful?

- What factors had made the difference between success and failure of the Cisco ERP project?

- Where had they been smart?

- Where had they been lucky?

Write your ideas down.