Strategic Process Management

Product Innovation/Excellence
- Nike
- Merck
- Sony

Customer Intimacy

Operational Excellence
- FedEx
- Wal-Mart
- Costco

Latest Products

Personal Touch and Feel

Dell

Motorola

The Home Depot
Strategic Cost Management

Balanced Scorecard

Measures

- Sales Growth
- Percent Profitability
- EVA
- Operating Margin

Product Defects
Cycle Time
Labor Productivity
Product Cost

Internal
At what must we excel?

Financial
How do we look to shareholders?

Customer
How do our customers see us?

Innovation & Learning
How can we improve and create value?

Measures

- Complaint Response Time
- Order Fill Rate
- Errorless Delivery
- Warranty Claims

- New Ideas Implemented
- Percent of Sales From New Products
- Number of Patents

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The Four Sides of Electronic Value Addition with e-Commerce

**Efficiency**
- Search costs
- Selection Range
- Symmetric Information
- Simplicity
- Speed
- Scale Economies, etc.
- SRM

**Novelty**
- New Architectural Configurations
- New Components and Options
- New Customer Value
- CRM

**Lock-In**
- Switching costs
  - Bundling
  - Loyalty Programs
  - Customization, etc.
- Positive Network Externalities
  - Direct
  - Indirect
- Revenue Drivers

**Complementarities**
- Complementary Products and Services for Customers
- Leveraging Excess Capacity

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Building Blocks of the e-Corporation

Direct Material Suppliers

Supply Chain Management Applications

ERP Backbone

Data Mining, Knowledge Mgmt. Apps.

Enterprise Applications Integration

Customer Relationship Management Applications

Employees

Intranet Applications

eProcurement Applications

MRO Suppliers

Customers, Resellers

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BONUS BASED ON PERFORMANCE, STILL LIKE A COMMISSION BUT WITH PROFITABILITY IN MIND:

Let $\text{NC} =$ NORMAL COMMISSION PER UNIT $= \$1.00$

10 PERCENT ON A $\$10$/UNIT AVERAGE PRICE

$\text{OA} =$ COMMISSION IF THEY OVER ACHIEVE THAN WHAT THEY FORECASTED:

$\text{(NC - A PENALTY SHARE FOR RUSH ORDER PRODUCTION, LOST SALE etc.)}$

$= \$0.95$ (NC - 0.05)

$\text{UA} =$ COMMISSION IF THEY UNDER ACHIEVE LESS THAN WHAT THEY FORECASTED.

$\text{(NC - A PENALTY SHARE FOR EXCESS INVENTORY CARRYING, COST OF OBSOLESCENCE)}$

$= \$1.00$ (NC + 0.10)

BONUS ON PERFORMANCE $= \begin{cases} (\text{NC} \cdot F) + \text{OA}(A - F) & \text{IF } F \leq A \\ (\text{NC} \cdot F) - \text{UA}(F - A) & \text{IF } F > A \end{cases}$

CONSIDER SALES MAN KNOWS A; PLAYS POLITICS WITH F

$\begin{align*}
F &= 1,000,000 \\
A &= 1,000,000 \\
F &= 900,000 \\
A &= 1,000,000 \\
F &= 1,100,000 \\
A &= 1,000,000
\end{align*}$