

UNIVERSITAS KOMPUTER INDONESIA



Chap 5 : Theory of Strategy

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Ref: [TSO] ITIL Service management
Chap 3



MAGISTER OF INFORMATION SYSTEM



Generic Strategies and Industry Forces

<i>Industry Force</i>	<i>Generic Strategies</i>		
	Cost Leadership	Differentiation	Focus
Entry Barriers	Ability to cut price in retaliation deters potential entrants.	Customer loyalty can discourage potential entrants.	Focusing develops core competencies that can act as an entry barrier.
Buyer Power	Ability to offer lower price to powerful buyers.	Large buyers have less power to negotiate because of few close alternatives.	Large buyers have less power to negotiate because of few alternatives.
Supplier Power	Better insulated from powerful suppliers.	Better able to pass on supplier price increases to customers.	Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.
Threat of Substitutes	Can use low price to defend against substitutes.	Customer's become attached to differentiating attributes, reducing threat of substitutes.	Specialized products & core competency protect against substitutes.
Rivalry	Better able to compete on price.	Brand loyalty to keep customers from rivals.	Rivals cannot meet differentiation-focused customer needs.

Strategic Alignment Model Venkatraman (1993)

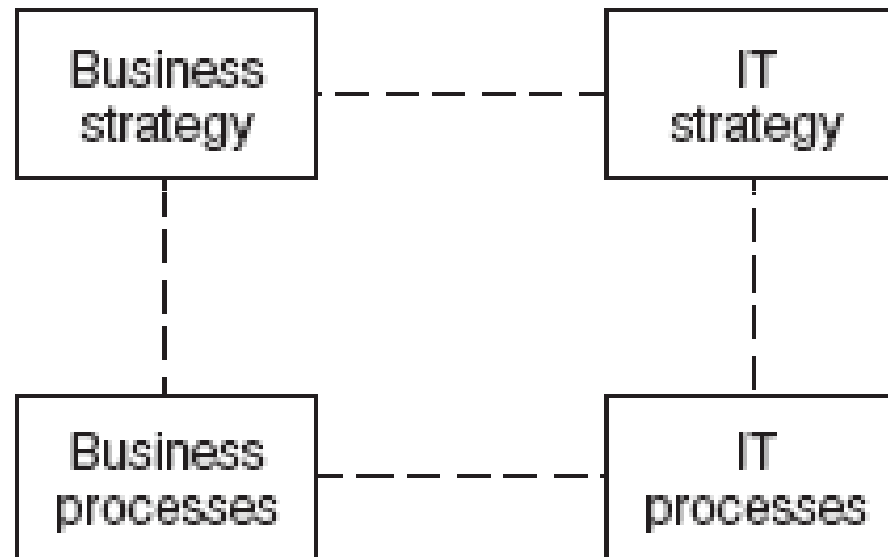


Figure 3.1 *Strategic alignment model (Parker et al., 1989; Henderson and Venkatraman, 1993)*

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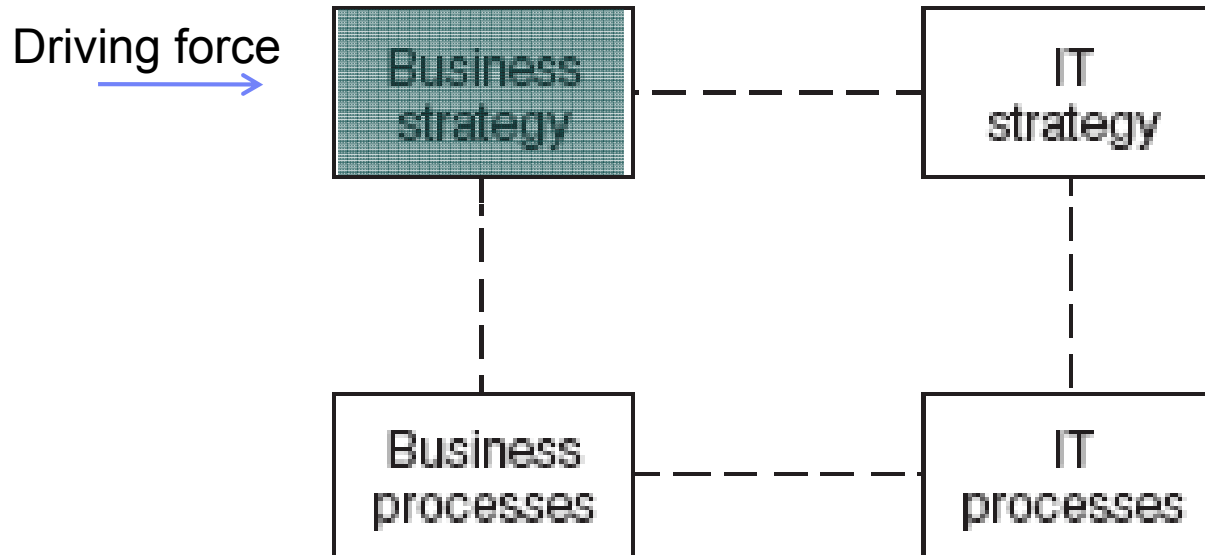


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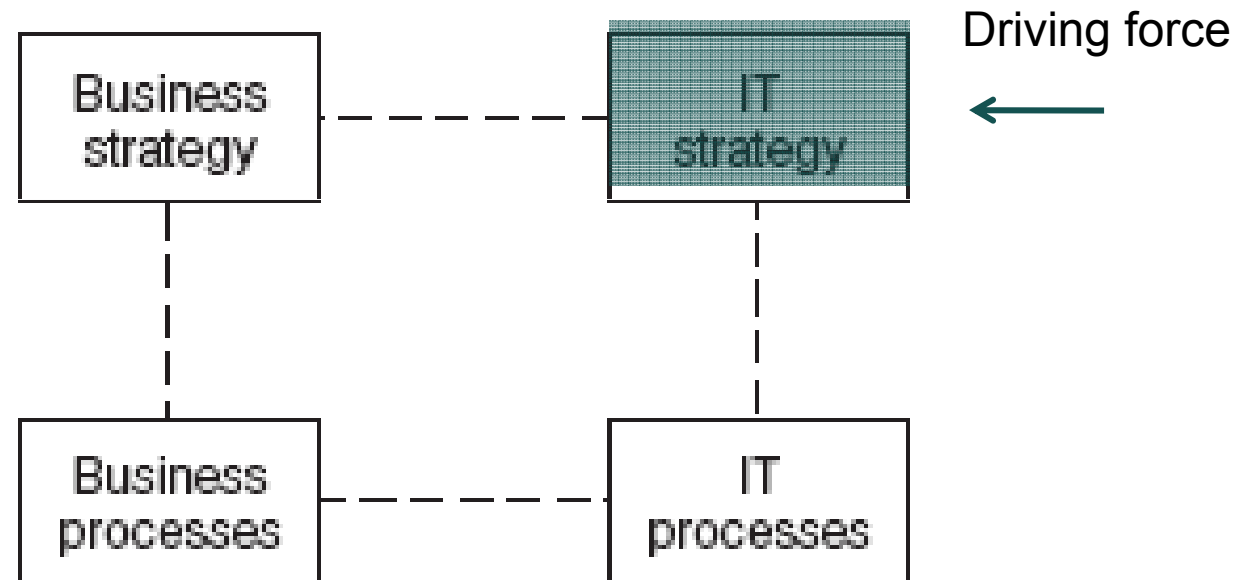
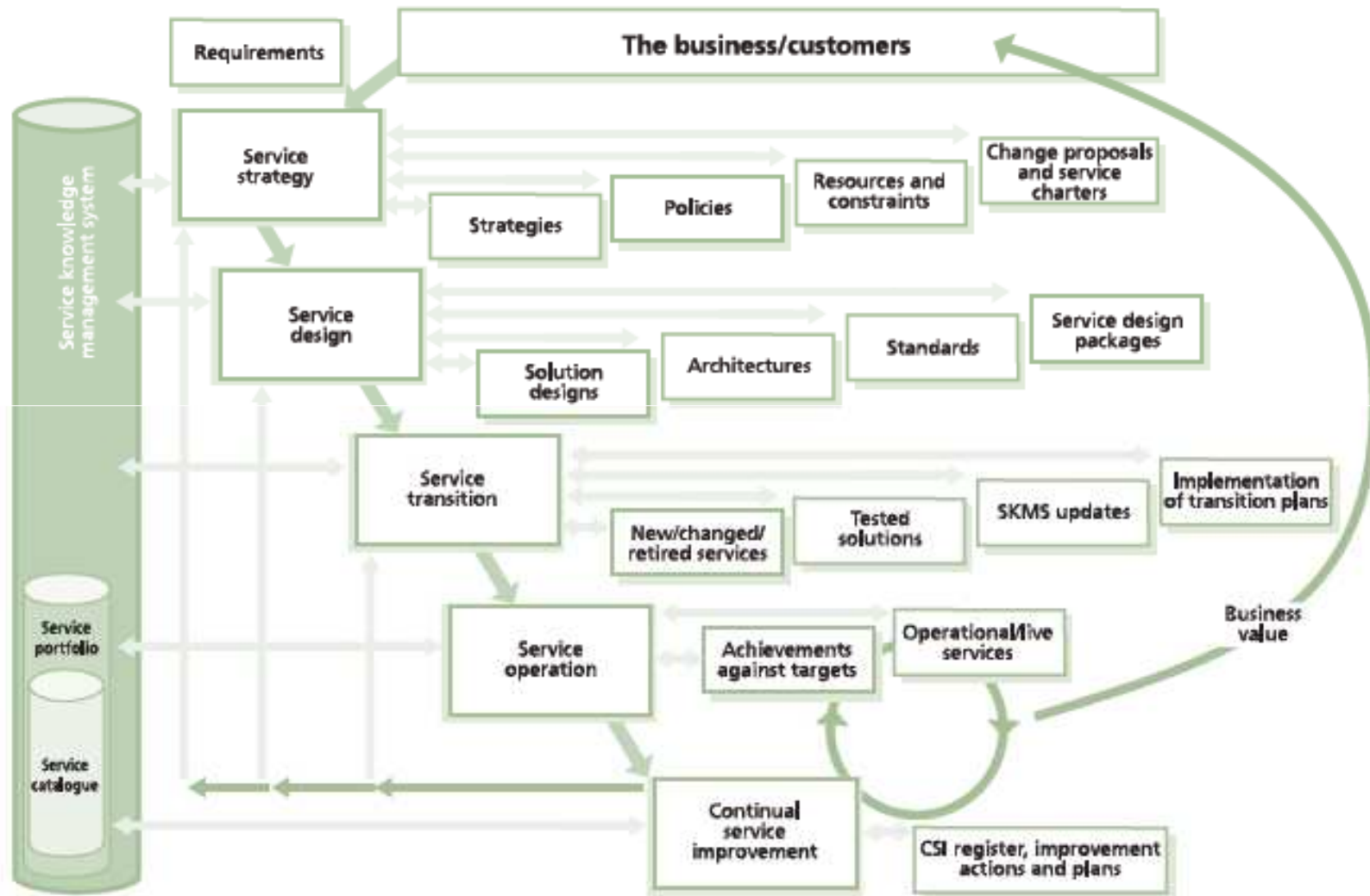


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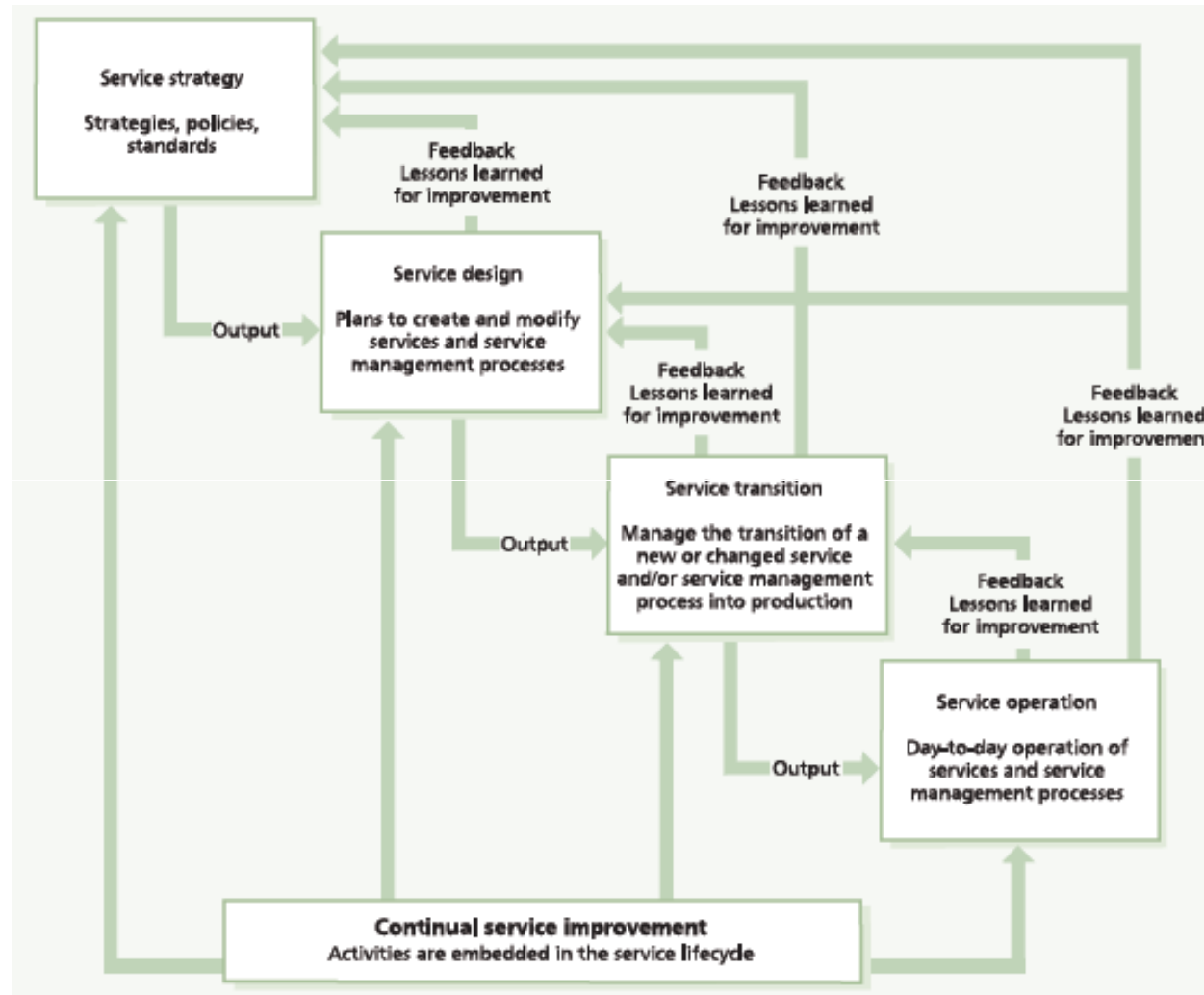
Example: Strategy in ITSM

Core ITIL lifecycle publication	Processes described in the publication
<i>ITIL Service Strategy</i>	Strategy management for IT services Service portfolio management Financial management for IT services Demand management Business relationship management
<i>ITIL Service Design</i>	Design coordination Service catalogue management Service level management Availability management Capacity management IT service continuity management Information security management Supplier management
<i>ITIL Service Transition</i>	Transition planning and support Change management Service asset and configuration management Release and deployment management Service validation and testing Change evaluation Knowledge management
<i>ITIL Service Operation</i>	Event management Incident management Request fulfilment Problem management Access management
<i>ITIL Continual Service Improvement</i>	Seven-step improvement process

Strategy as Integration in services lifecycle



Continual Improvement and the service lifecycle





The Essence of Strategy is choosing what not to do (Porter, 1996)

Case Study : security services

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At some time in 2001, a global network security services provider lost a major customer due to quality concerns materially affecting revenues and profits. Senior executives demanded that something be done – either cut costs or find a replacement customer.

While a replacement customer was sought, service operations dutifully reduced costs. Service quality was impacted, prompting three recently acquired customers to depart – further negatively affecting revenues and profits.

Senior executives again demanded that something be done – either cut costs or find replacement customers.

Solution

Surprisingly, the solution was to suspend new sales. The chief information officer (CIO) understood that:

- Service operations were caught in a vicious cycle with disastrous long-term consequences
- Customers were leaving due to a strategic weakness. Customers differentiated the value of security services through service quality. Strategies based on cost and technology were incorrect.

By re-focusing staff and budget on service operations, the organization repaired and rebuilt its distinctive quality capabilities for remaining customers. Customer churn was halted.

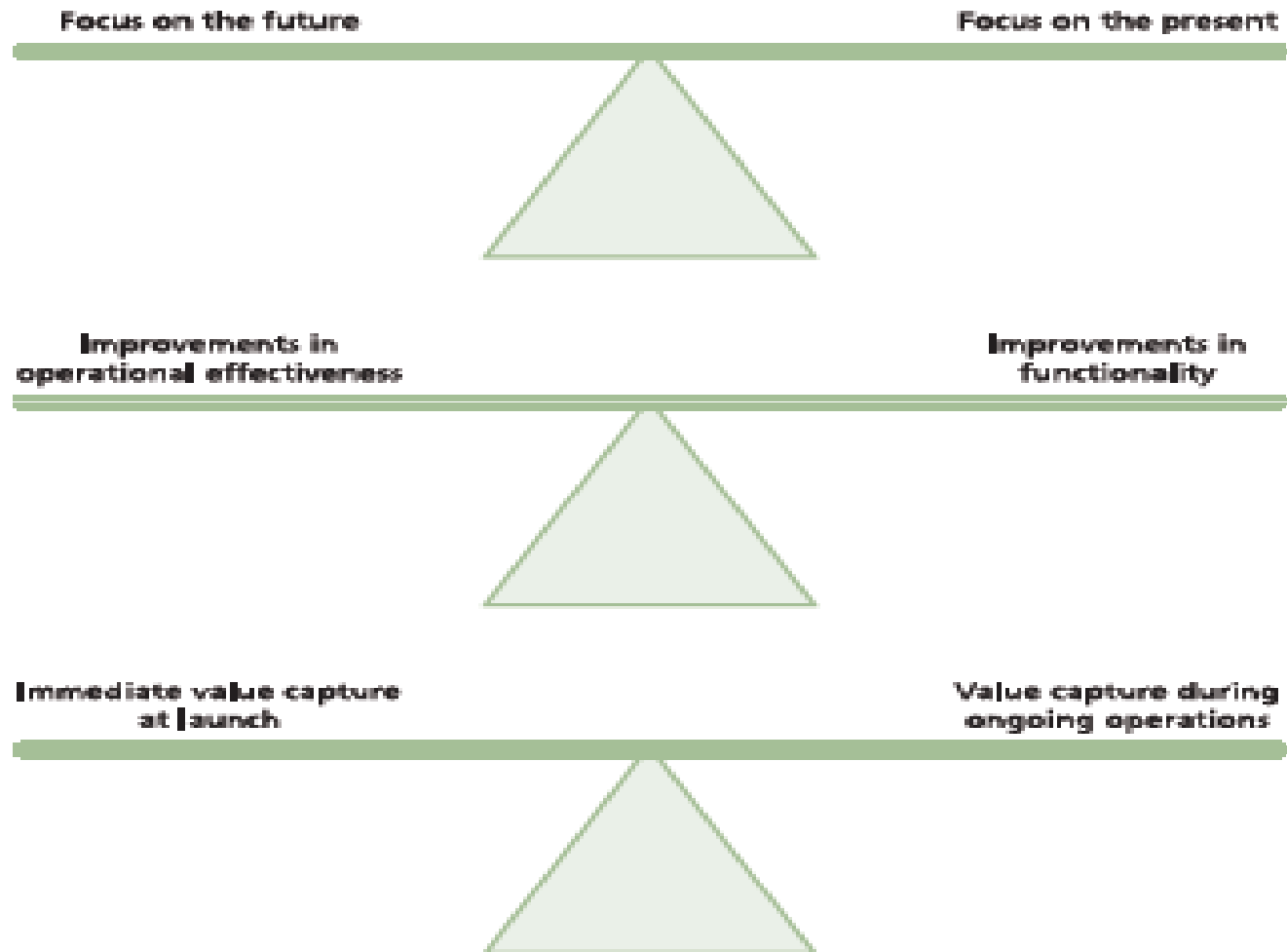
The solution, while painful in the short term, allowed the provider to break the vicious cycle and pave a long-term strategy for regaining customers. The counter-intuitive breakthrough was based on (a) a big picture view of services, and (b) the precept of superior performance versus competing alternatives.

Fundamental Aspect of Strategy

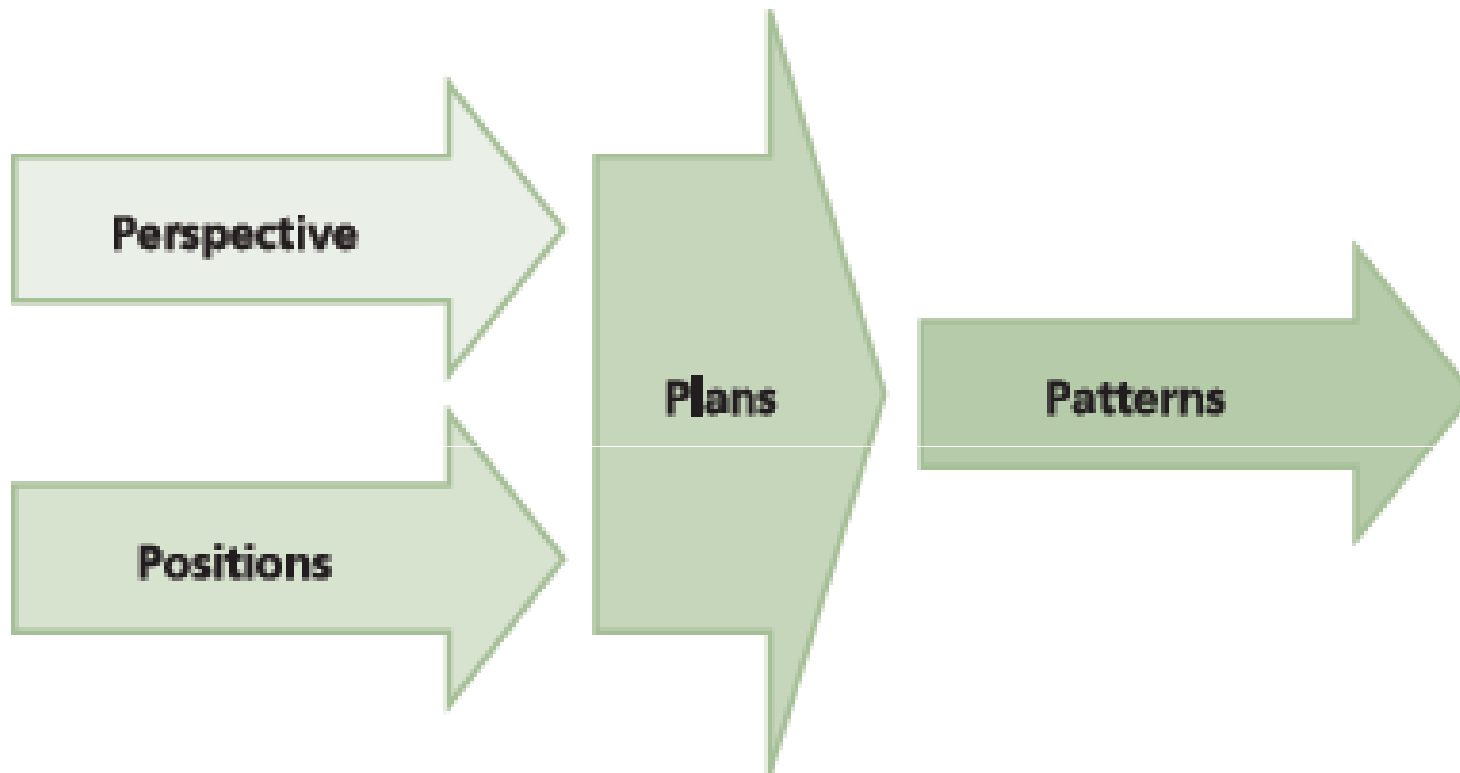
Carl Von Clausewitz remarked: Everything in strategy is very simple , but does not mean that everything is very easy

- Defining and executing even a simple strategy involves complex issues such as organizational impact, uncertainty and conflicting priorities and objectives. Experience and codes of practice alone are often not enough to deal with these.
- They involve using complex analysis models to analyse current patterns, project future trends and then estimate the probability of each trend becoming reality.
- They focus on all factors regarding the organization and its environment and the interactions between them. The scope of even simple strategies can appear to be intimidating, but it is still important to take these areas into account.
- Since strategists are dealing with uncertainty, they may spend significant effort investigating the underlying principles of the strategy, only to find that there is so much uncertainty that they have to fall back on basic theory.

Strategy is Balancing



Four P of strategy (Mintzberg, 1994)



Perspective's example

- 'Focus on the user and **all else will follow**'
- 'It's all about growth, innovation and the dependency of **technology**, led by the greatest people anywhere'
- 'Consumer connectivity first – anytime, anywhere'
- '[Our] purpose is to improve the **quality of life** of the communities we serve'
- 'We will be a **best-in-class** service provider in [our] industry'.



Strategy as Position

- **Variety-based positioning** The service provider differentiates itself by offering a narrow range of services to a variety of customers with varied needs. For example, a mobile phone company offers a range of pre-defined packages based on time and type of usage. Customers choose the package that suits them, even though customers may use the same package differently.
- **Needs-based positioning** The service provider differentiates themselves by offering a wide range of services to a small number of customers. This type of positioning is also called 'customer intimacy', where the service provider identifies opportunities in a customer, develops services for them, and then continues to develop services for new opportunities, or simply continues to provide valuable services that keep other competitors out. The service provider's relationship with and knowledge about the customer is key in needs-based positioning.

Many Package

Privilege Services

- **Access-based positioning** The service provider offers highly tailored services to a very specific target market, usually based on location, special interest or some other category. Only people in that group will typically have access to the service. For example, branded motorcycle accessories can only be purchased from stores that sell that brand of motorcycle.
- **Demand-based positioning** This is an emerging type of positioning in which the service provider uses a variety-based approach to appeal to a broad range of customers, but allows each customer to customize exactly which components of the service they will use, and how much of it they will use. Online service providers are exploring this form of positioning at the time of writing.

Exclusive Access Customize order

Strategy as Plan

- **Executive summary** This should outline the strategy at a high level, giving a summary of the mission and vision, major goals and key strategies. The idea is that someone who has not been involved in writing the plan can get an understanding of the overall intent and contents of the document quickly. In most cases it should be enough information for an executive to understand the overall direction and impact of the plan, and direct them to more detailed information that is relevant to them.
- **Authorization** It is important to know who signed off on the plan, as this indicates ownership of the plan. This will lend weight to the plan when it is being executed, audited or measured. It will also identify key stakeholders for plan revisions and updates.
- **Background** This is a brief description of the events leading up to the current strategy. It might be a regular strategy review, but more likely there were some specific triggers that initiated the current plan. These could be positive or negative – for example, unforeseen decline or growth in the business, new customer demands, flaws in the previous strategy which resulted in high-profile failures, a change in the economy etc. It is very important for executives to understand the
- **Situational analysis** This section of the plan could be combined with the background, but contains more specific and detailed information about the situation that gave rise to the current strategy. It will also describe which methods were used to do the analysis (e.g. benchmarking or standards compliance) and any alternative strategies that were rejected, together with the reasons for rejection.

Strategy as Plan

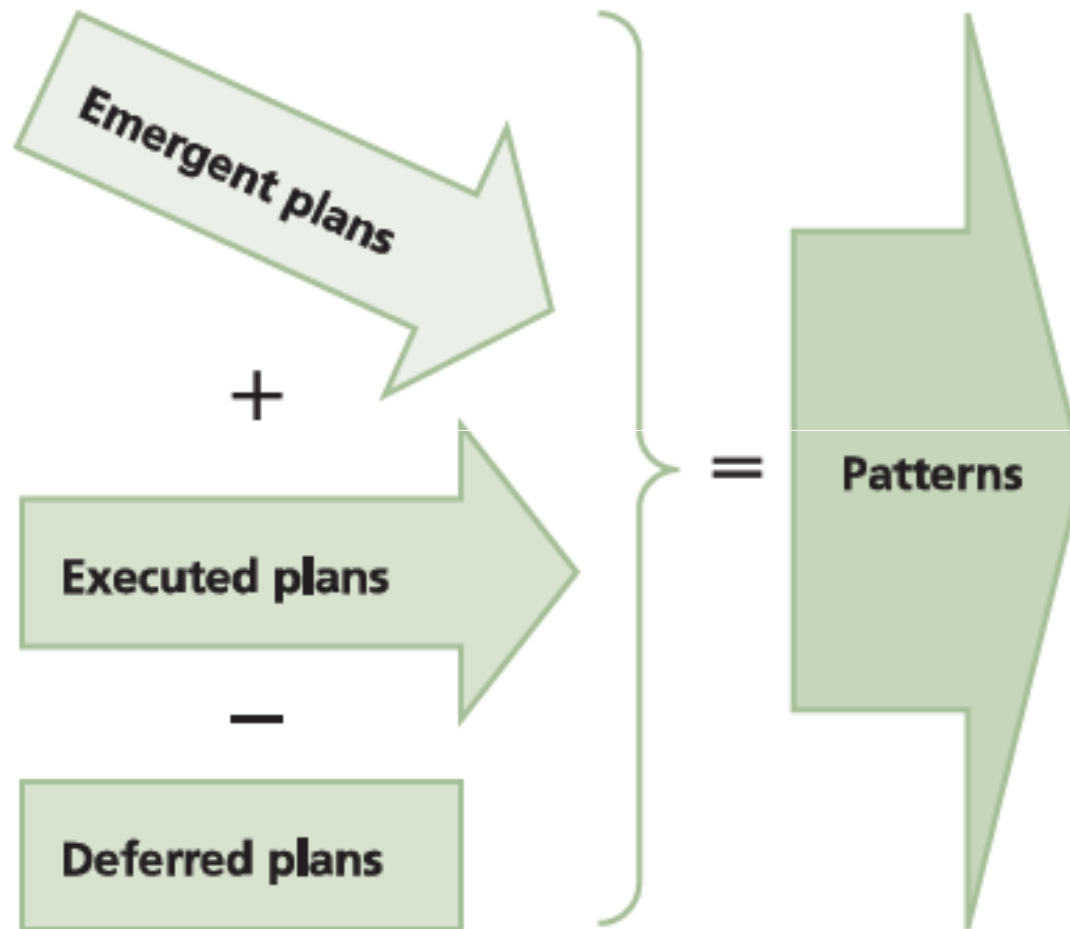
- **Vision, mission and value statements** This section describes the overall perspective of the organization. It acts as a yardstick against which the rest of the plan and any resulting actions should be measured. Although it may seem that many values (such as integrity or fairness) are intangible, they encourage those who execute the strategy to make the values part of their tactical decision-making process. For example, one of the regions where the organization wishes to grow new opportunities requires them to pay substantial bribes to government officials – will that be supported?
- **Objectives** These are the objectives as defined



- **Appendices** These are documents used to generate and execute the strategy. Many of them are working documents which are used to fine-tune the strategy throughout strategy measurement and evaluation. Appendices could include the following:
 - **Strategy analysis method and data** This is the data that was used to generate the objectives and strategy. It is important to include this so that any incorrect assumptions or data can be detected and the strategy adjusted in time.
 - **Action plans** These are detailed plans about the actions that will be taken in executing the strategy, outlining roles and responsibilities, or identifying projects that have been initiated as a result of the strategy, together with dates, costs and specifications of what will be delivered or achieved.

- **Resource and budget planning** Many organizations will use the strategy as an input into resource plans and budgets. It is important that these are properly coordinated. In a smaller organization these could be included in the plan. In larger organizations this might be too detailed, in which case the strategy needs to identify which documents contain this information, where they are stored and who is responsible for them. This will also help in coordinating actions to execute the strategy and to ensure that the anticipated investments and returns are achievable.
- **Board/IT steering group responsibilities** It is sometimes worthwhile to separate out the actions that are required of the executives. This ensures accessibility and focus from a group of managers who have to juggle multiple responsibilities.
- **Communication plan** This will contain information about who needs to know about the plan and what they need to know.

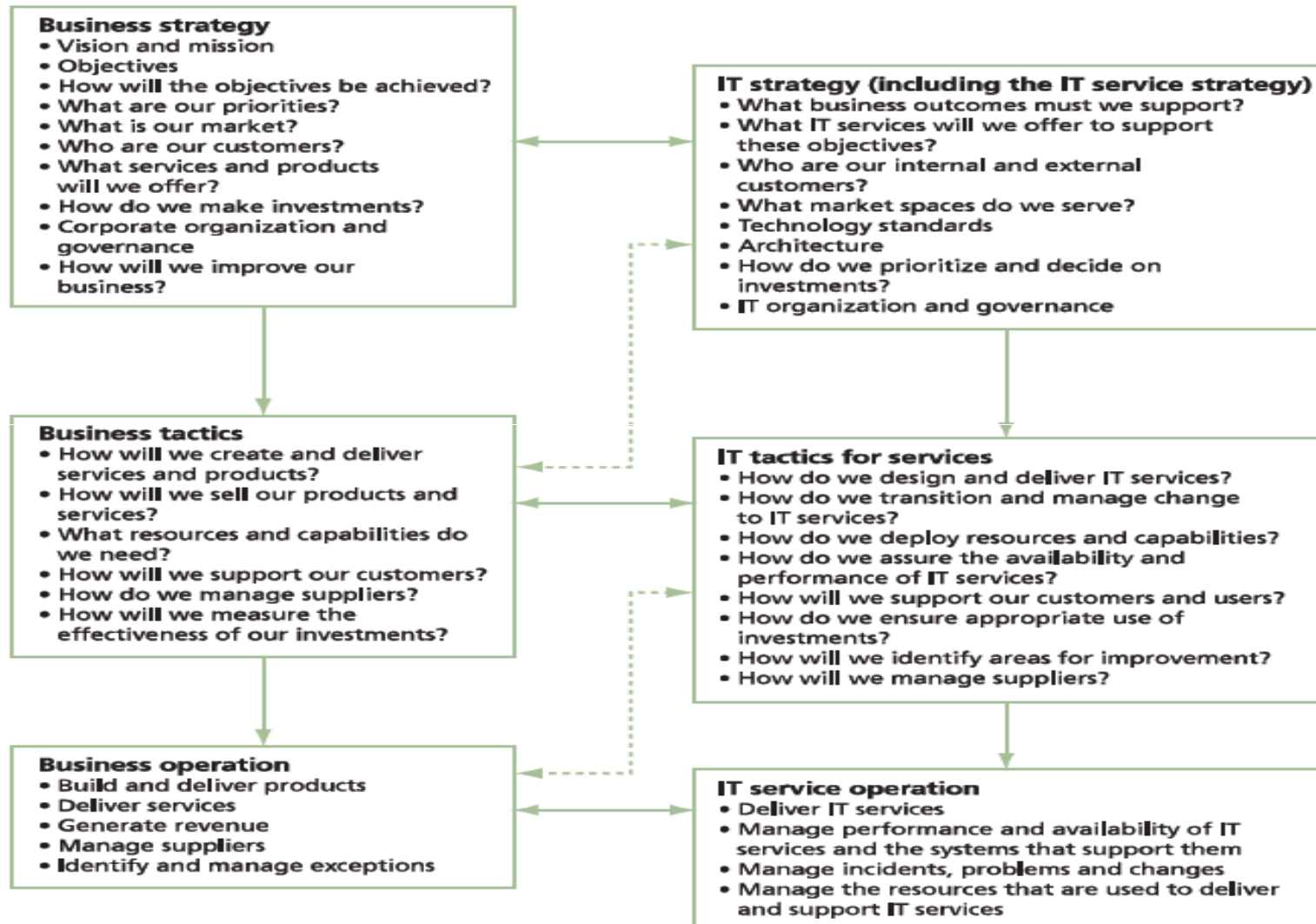
Strategy as Pattern



Example : Service Strategy as Pattern

Patterns of action	Description
'How-to' patterns	<p>Set the operating style of the organization. The framing of how activities are performed, for example:</p> <ul style="list-style-type: none">■ R&D staff must rotate through operations■ All customer questions must be answered on the first email or call■ Operations staff must have obtained a minimum level of training and certification.
Boundary patterns	<p>Set the focal point of the organization. The body of opportunities that should, or should not, be pursued, for example:</p> <ul style="list-style-type: none">■ Hardware acquisitions must be done through strategic vendors■ New technologies must conform to a certain standard■ New projects must follow a standard methodology.
Priority patterns	<p>Set the allocation of resources. The ranking of new opportunities, for example:</p> <ul style="list-style-type: none">■ Service stability outweighs speed of deployment■ Service quality outweighs cost savings.
Timing patterns	<p>Set the rhythm of the organization. Staff are synchronized with customer and business cycles, for example:</p> <ul style="list-style-type: none">■ End-of-quarter and end-of-year required enhanced service levels■ When legislature is in session, no changes are allowed.

Strategy Management Scope (ITSM Source)



Strategy Management Process

