

ASB 4030 Knowledge Management

# Environment, Strategy, Structure and Operations (Esso Business Model)



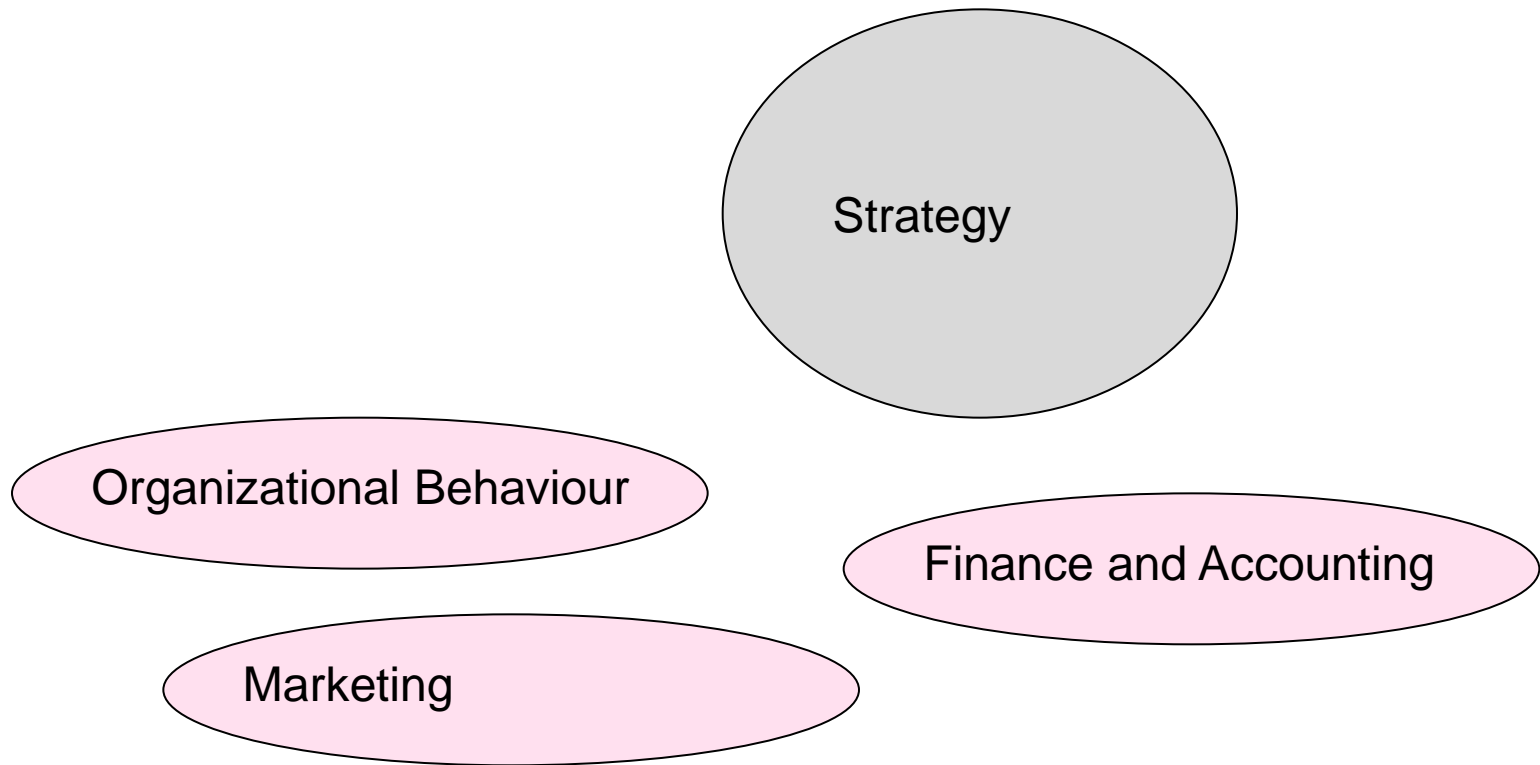
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Bangor Business School



# Today's lecture

- From Islands of Knowledge to a Business Model
- Business model and the Value Chain Model
- Environment
- Operations
- Strategy and Competitive Priorities
- Understanding our Environment
- Structure and Culture
- Business Model
  - Environment, Strategy, Structure, Operations and Knowledge Management

# Islands of Knowledge



# Business Model

- How does an organization
  - 1. **Create** value
  - 2. **Acquire** value
  - 3. **Transfer** value or partnership e.g. supply chain management
  - 4. **Integrate** value or incorporating new value streams
  - 5. **Store** value or compete with its customers

Value translates into money

# Porter's Value Chain Model



Value chain:

An interrelated series of processes that produces a service or product

Porter, M. E. 1985. *Competitive Advantage*. Free Press, New York.

Singh, 2009. Dinesh Pratap Singh's visualization for Porter's Value Chain. Found in [http://en.wikipedia.org/wiki/File:Porter\\_Value\\_Chain.png](http://en.wikipedia.org/wiki/File:Porter_Value_Chain.png). Last accessed on 13 November 2010.

# Operations

- ▶ Dictionary's definition of Operations:
  - Process or series of acts, especially of a practical nature
- ▶ Management textbooks' definition:
  - Operations transform inputs into services and products for the internal and external customers

*Collins English Dictionary & Thesaurus*, 2<sup>nd</sup> ed. 2003. HarperCollins, Glasgow.

Johnson, G., K. Scholes. 1999. *Exploring Corporate Strategy*, 5<sup>th</sup> Ed. Prentice Hall, London.

Krajewski, L. J., L. P. Ritzman, 2005. *Operations Management: Processes and Value Chains*. Pearson Practice Hall, Upper Saddle River.

# Operations

- ▶ Interrelated processes that produce a service or product, and support the presentation, delivery, utilization and post-utilization concerns of the customers in regards to this service or product

# Operations

- ▶ Everything of a practical nature which takes place within a company that is related to the product or service
  - Key activities
  - Key resources
  - Key competitors
  - Key suppliers and partners
  - Key customers– segment (niche), channel (e.g. direct, franchise, etc.)
  - Cost and Revenue



# Operations



**Strategy**

## **Operations**

Key activities

Key resources

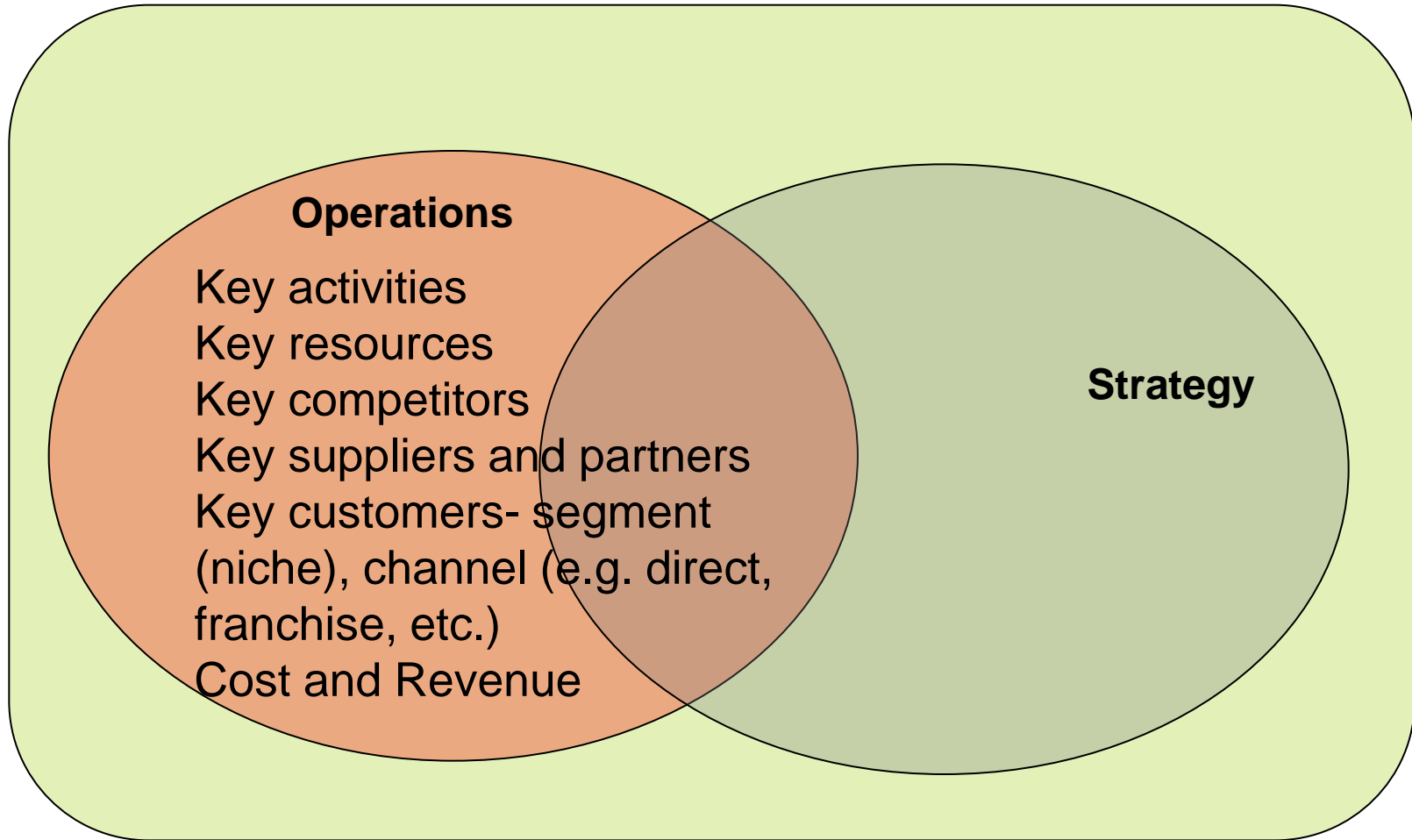
Key competitors

Key suppliers and partners

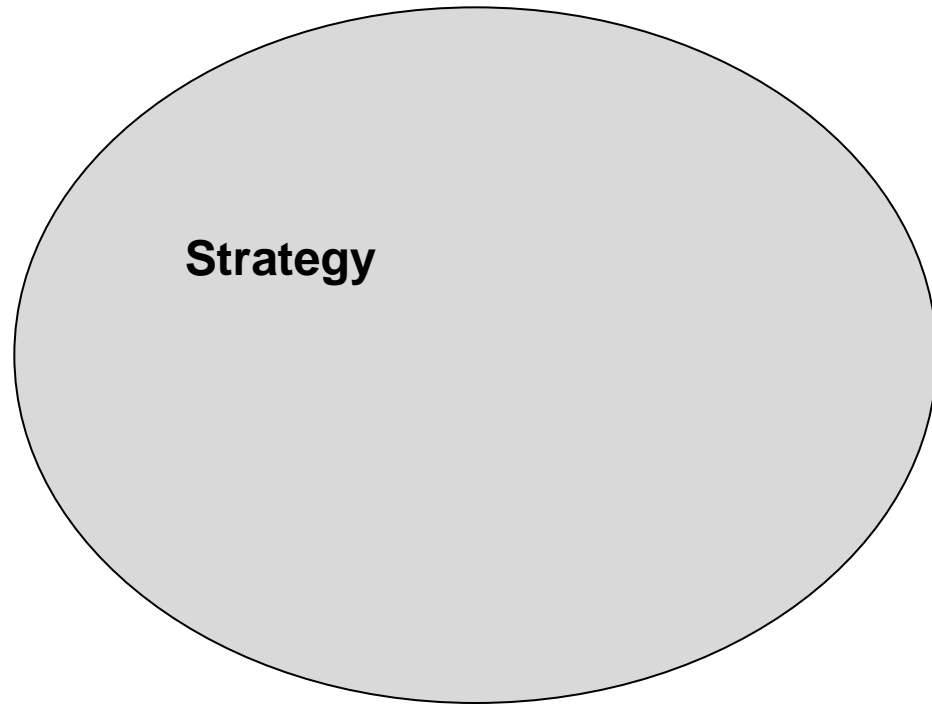
Key customers- segment  
(niche), channel (e.g. direct,  
franchise, etc.)

Cost and Revenue

# Operations



# Strategy

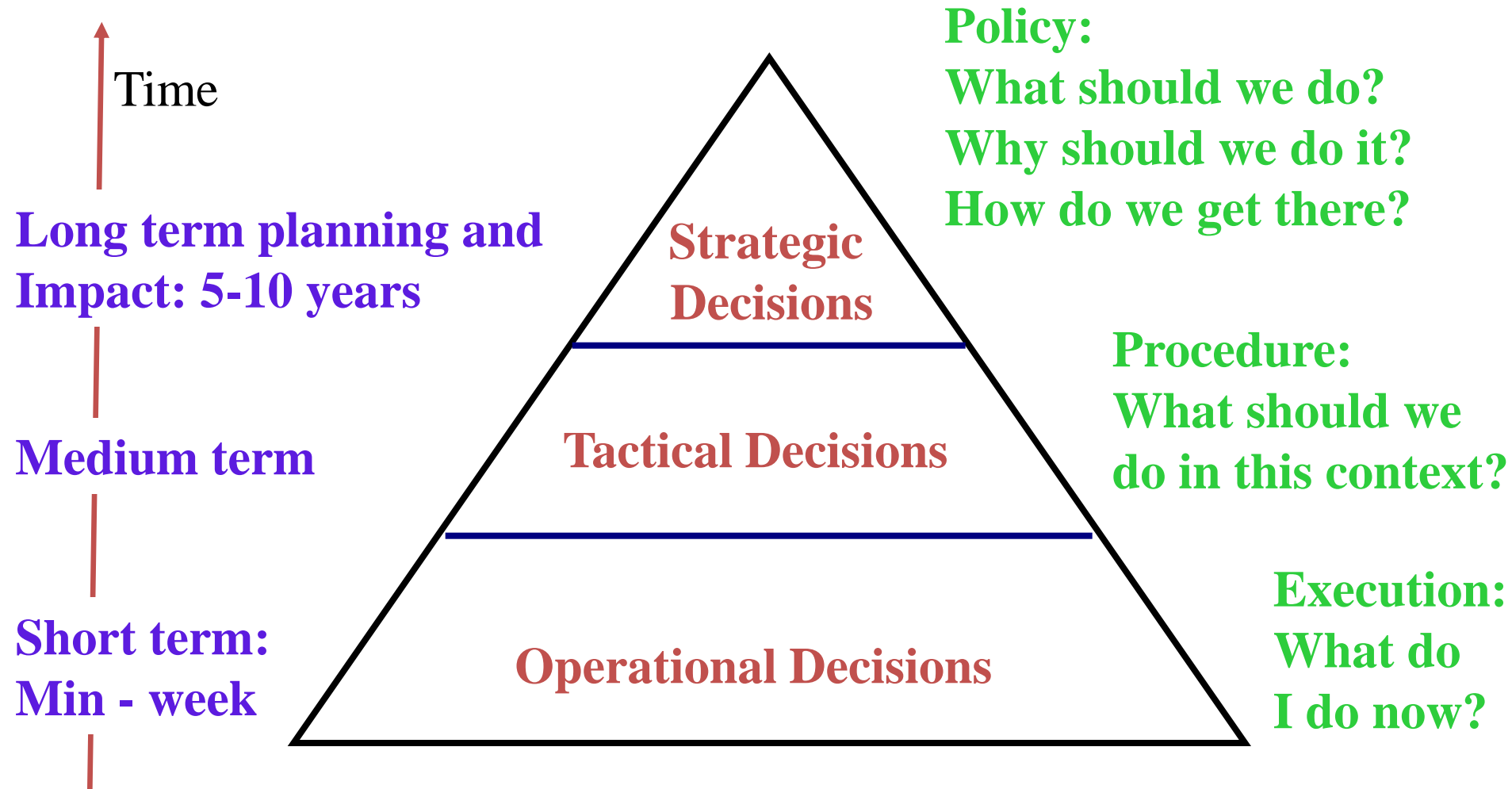


# Strategy

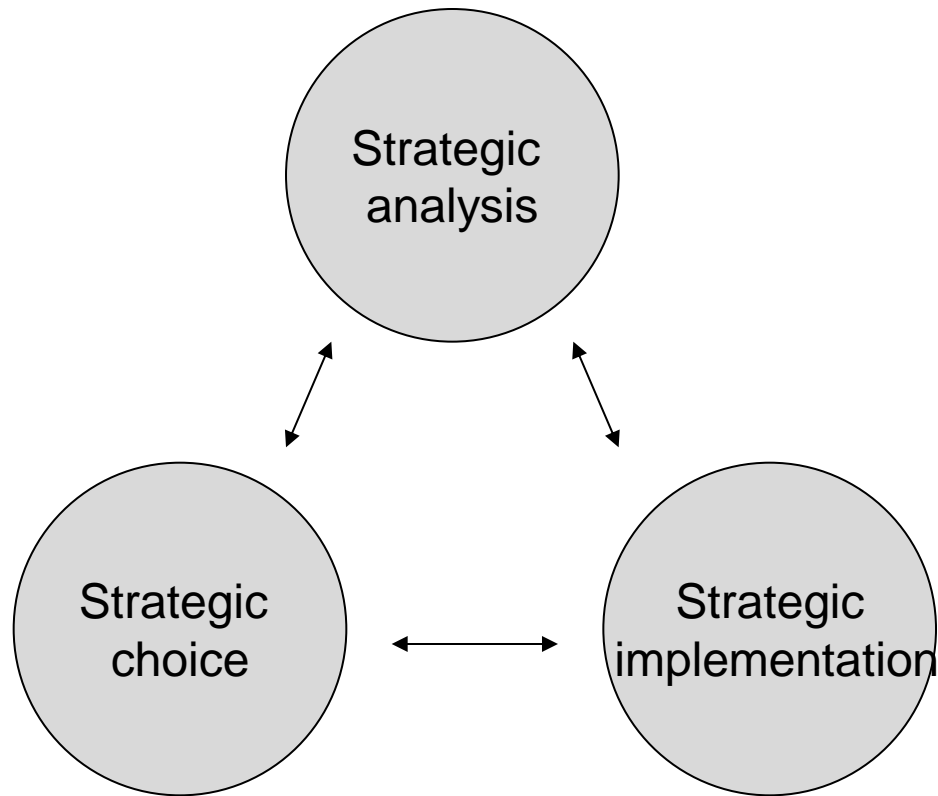
Chandler (1962: 13) defines strategy as “the determination of the basic **long-term** goals and objectives of an enterprise, and the adoption of **courses of action** and the **allocation of resources** necessary for carrying out these goals.”

- Market opportunities e.g. Pharmaceutical industry
- Competitive advantage
  - Resource based view
  - Operational c. priorities(cost, quality, flexibility, time, innovation, affective)  
e.g. McDonald, Toyota, Walmart, Disneyland, Dell, Amazon, Starbucks
  - Market access e.g. government contracts (US: defense)
- Customer base – broad or narrow

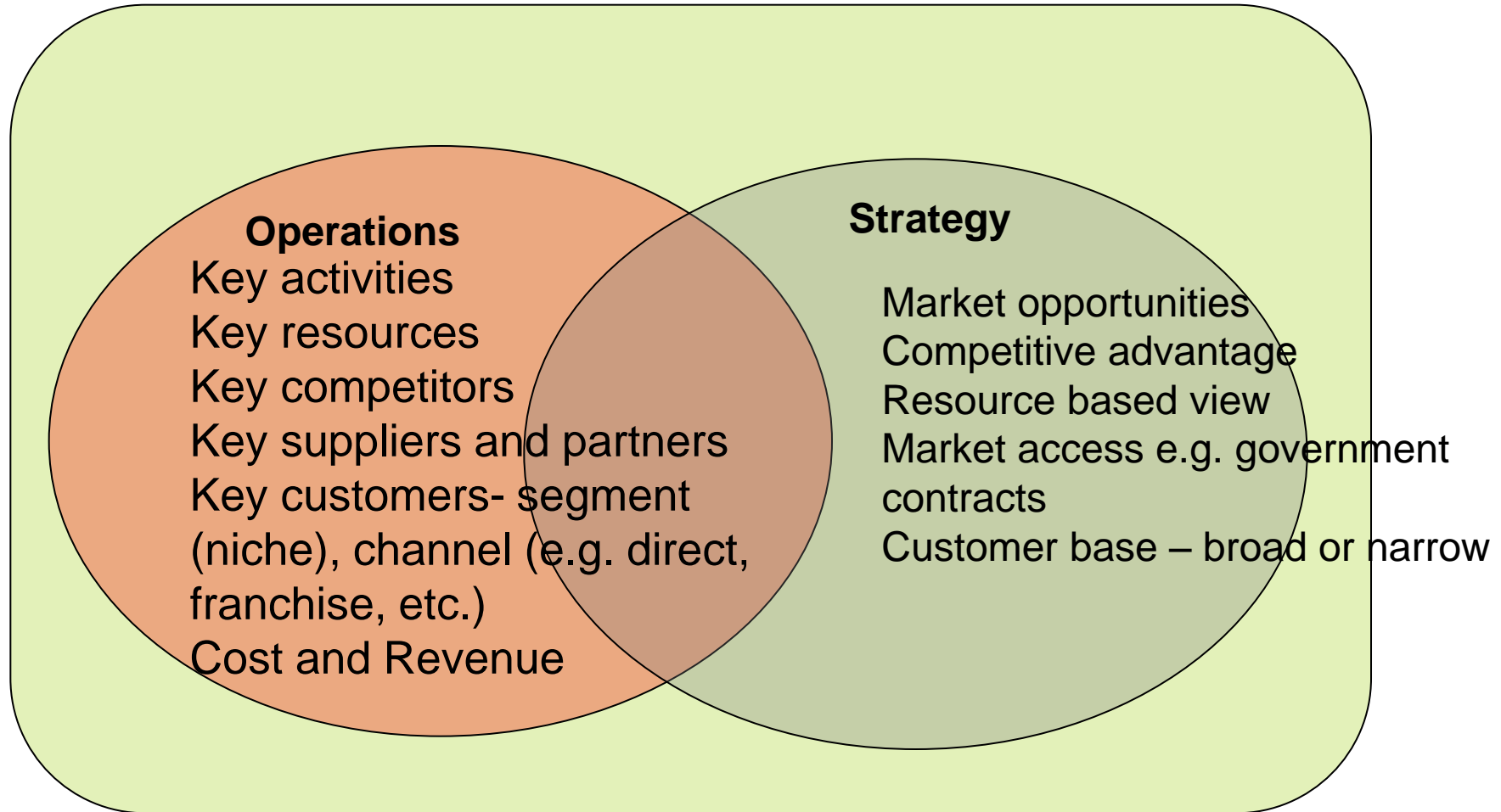
# Levels of Decisions



# Strategic Management Process



# Strategy and Operations



# Reading from Operations Management

**A better understanding of operations  
performance and their link to strategy**



# Competitive priorities

## Operations Management

1. Cost
2. Quality
3. Time
4. Flexibility
5. Innovation

## ▶ Strategic Management

- 1. Cost
- 2. Differentiation
- 3. Focused

Bowman's competitive strategic options / strategy clock

# 1. Cost

**Making products cheaper than competitors  
In the long term the only way to achieve this  
is by obtaining resources cheaper and/or  
converting them more efficiently than  
competitors.**

## 2. Quality

**Making less mistakes**

**Making products or providing services according to the design specifications (which ultimately should be based on customers' requirements)**

# 3. Time

## **Speed**

**Making things or providing service faster than the competitors**

## **Dependability**

**Delivering product or service on time**

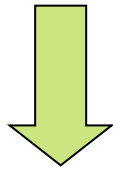
# 4. Flexibility

**Being able to vary and adapt the operation, either because the needs of customers alter, or because of changes in the production process, or perhaps because of changes in the supply of resources**

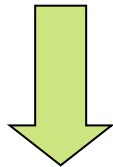
**Able to change far enough, and change fast enough**

# 5. Innovation

**Producing new products or providing services in a new manner**



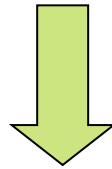
**attract more customers than the competitors**



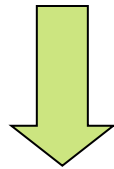
**increase profit**

## 6. Affective

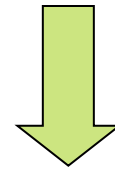
**Employees perceive that they are well-taken care of within the organization**



**Employees are more passionate about their work within the organization**

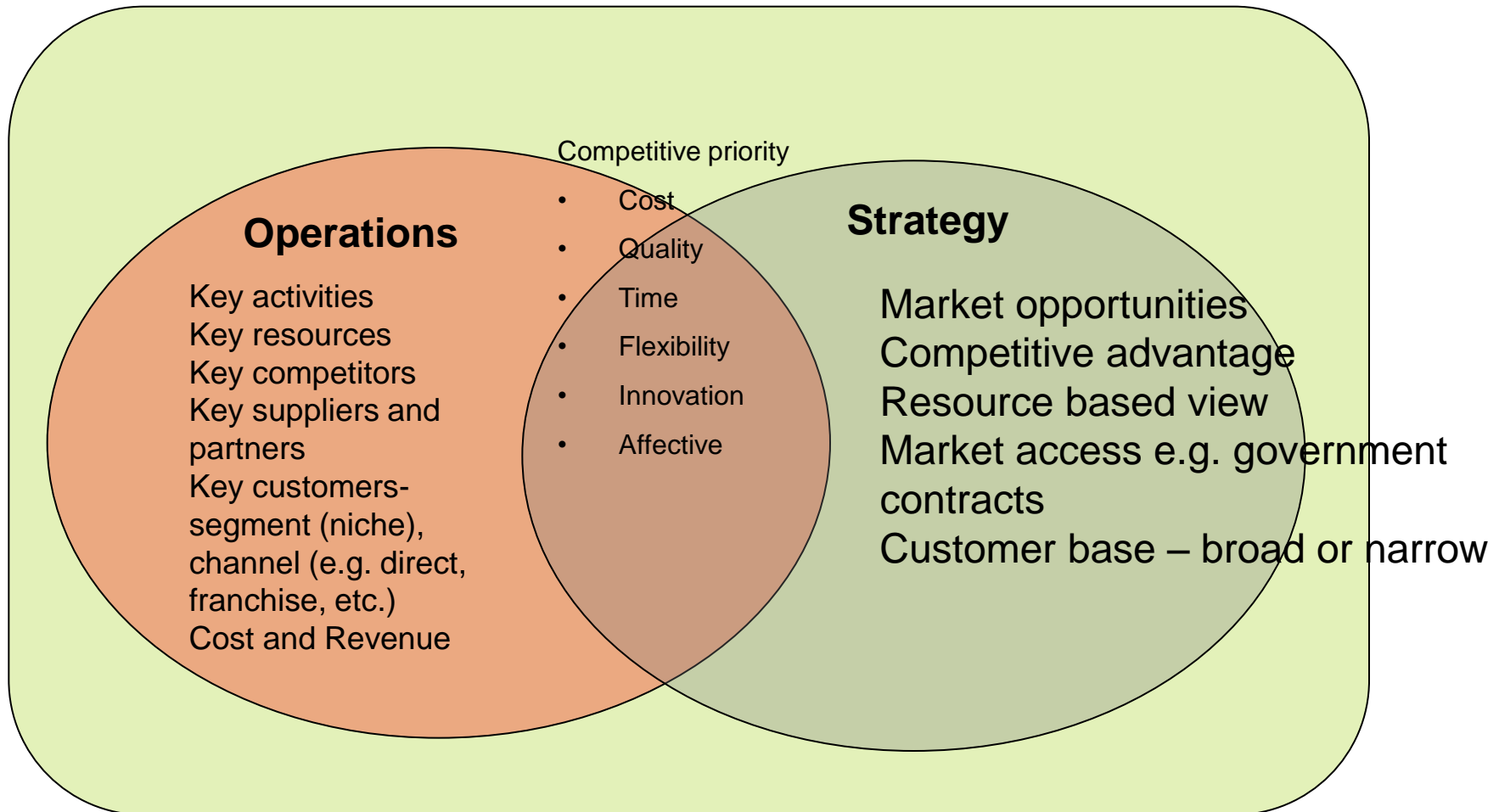


**Employees stay with the organization**



**Employees perform better at work**

# Strategy and Operations



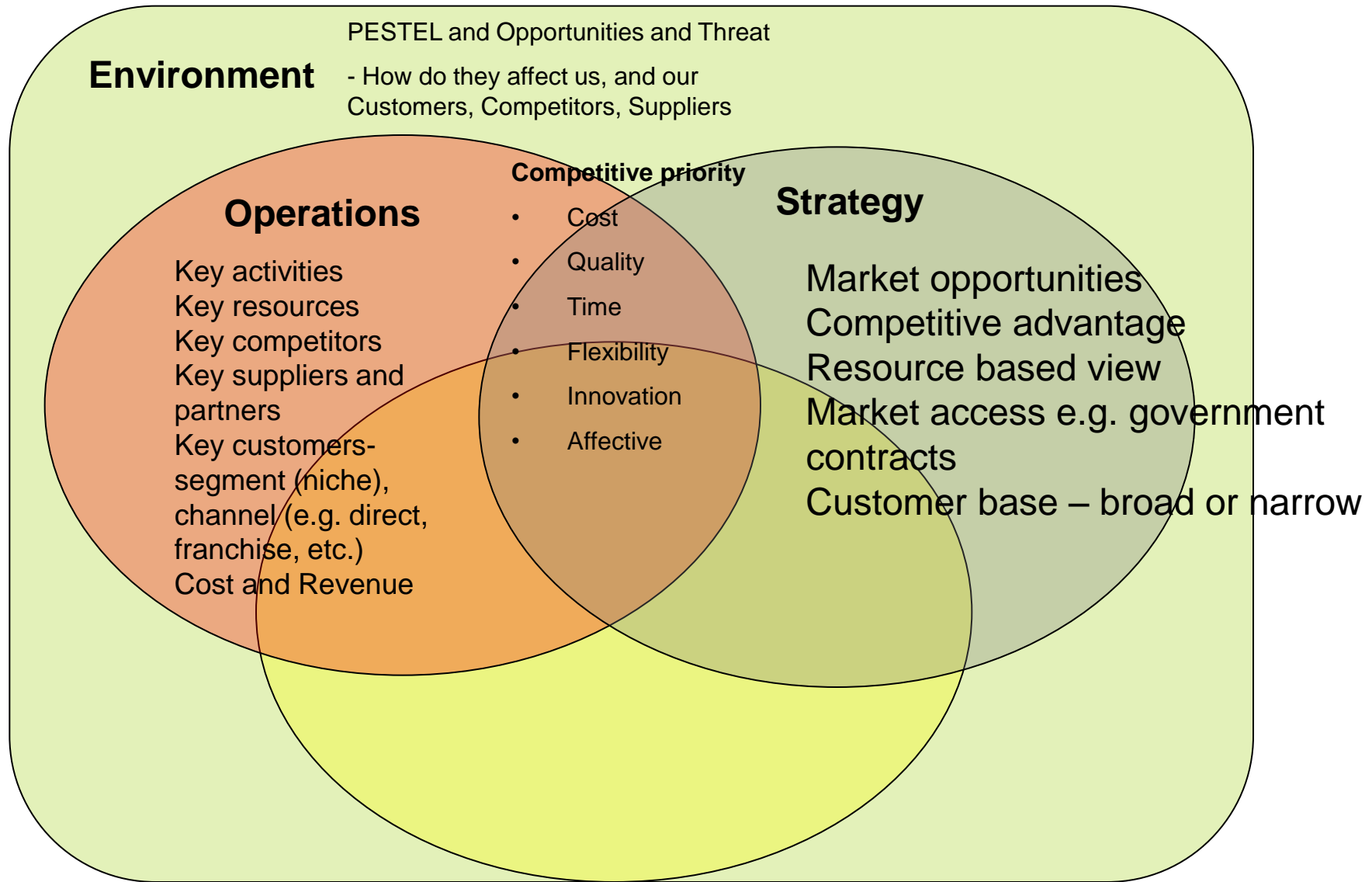


# Understanding our Environment

PESTEL and Opportunities and Threat

- How do they affect us, and our Customers, Competitors, Suppliers

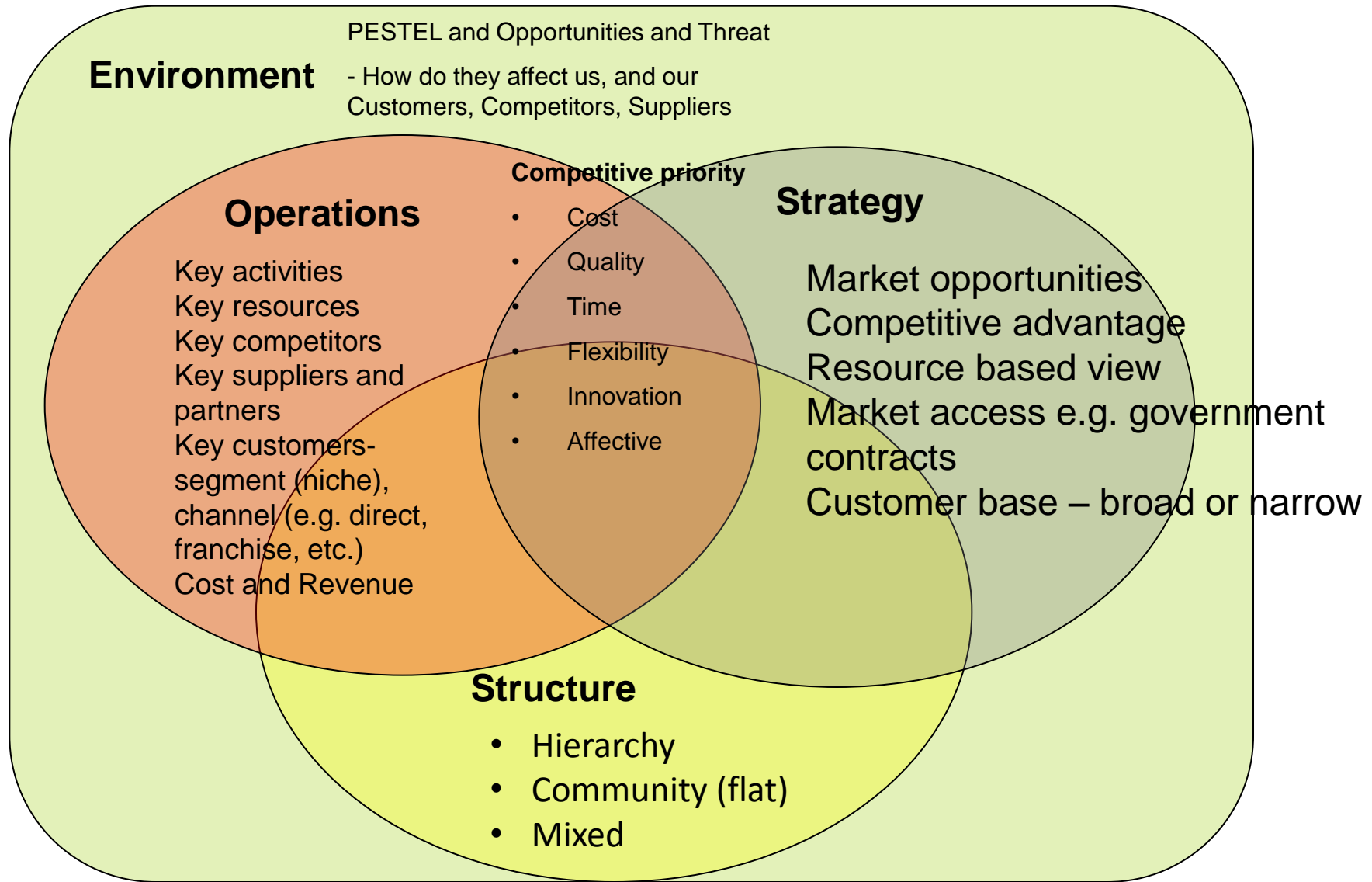
# Environment, Strategy and Operations



# Structure and Culture

- Hierarchy
- Community (flat)
- Mixed

# Environment, Strategy and Operations

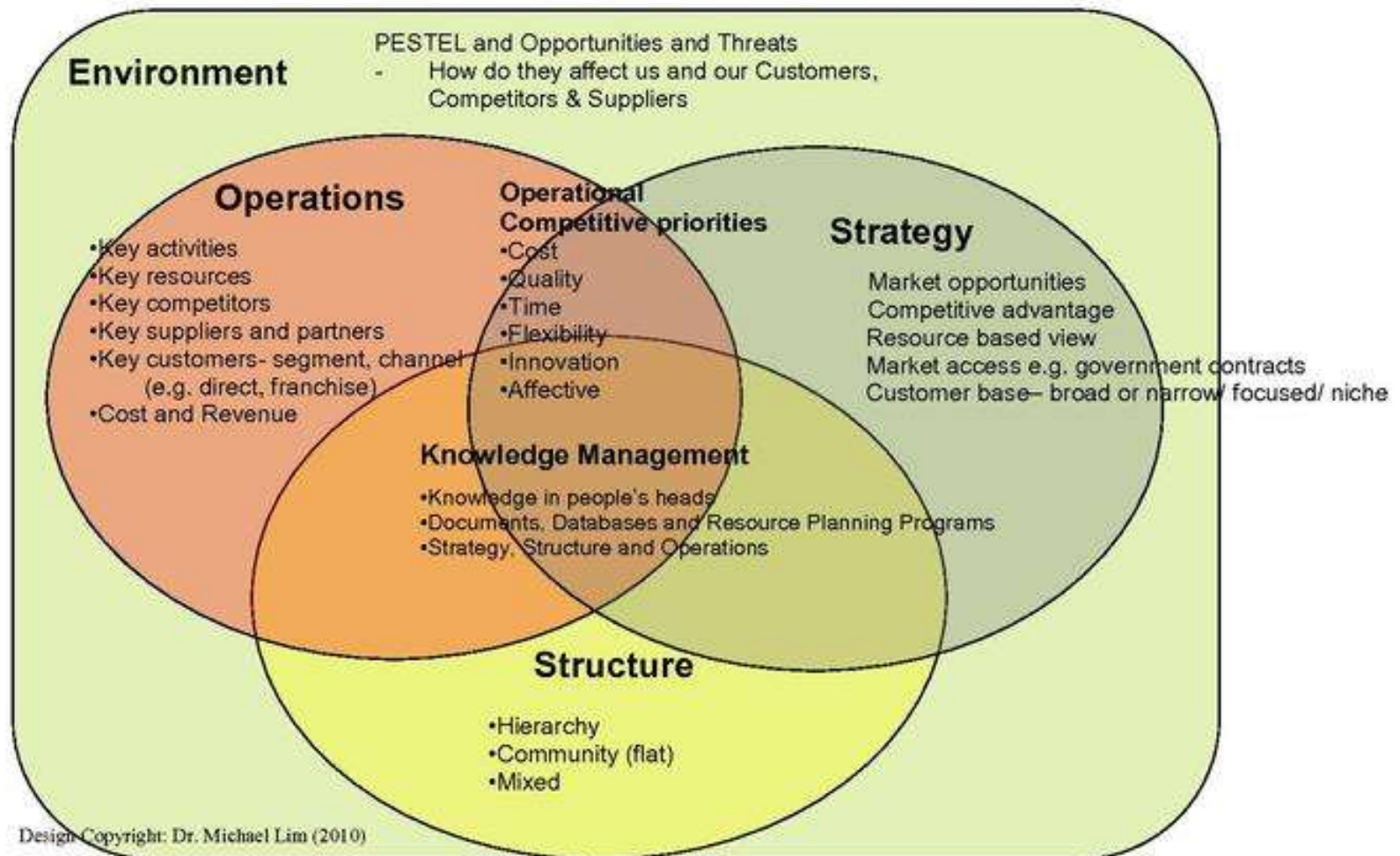


# Knowledge Management

- Knowledge in people's heads
- Documents, Databases and Resource Planning Program
- Strategy, structure and operations

# Environment-Strategy-Structure-Operations (ESSO) Business Model Development

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End