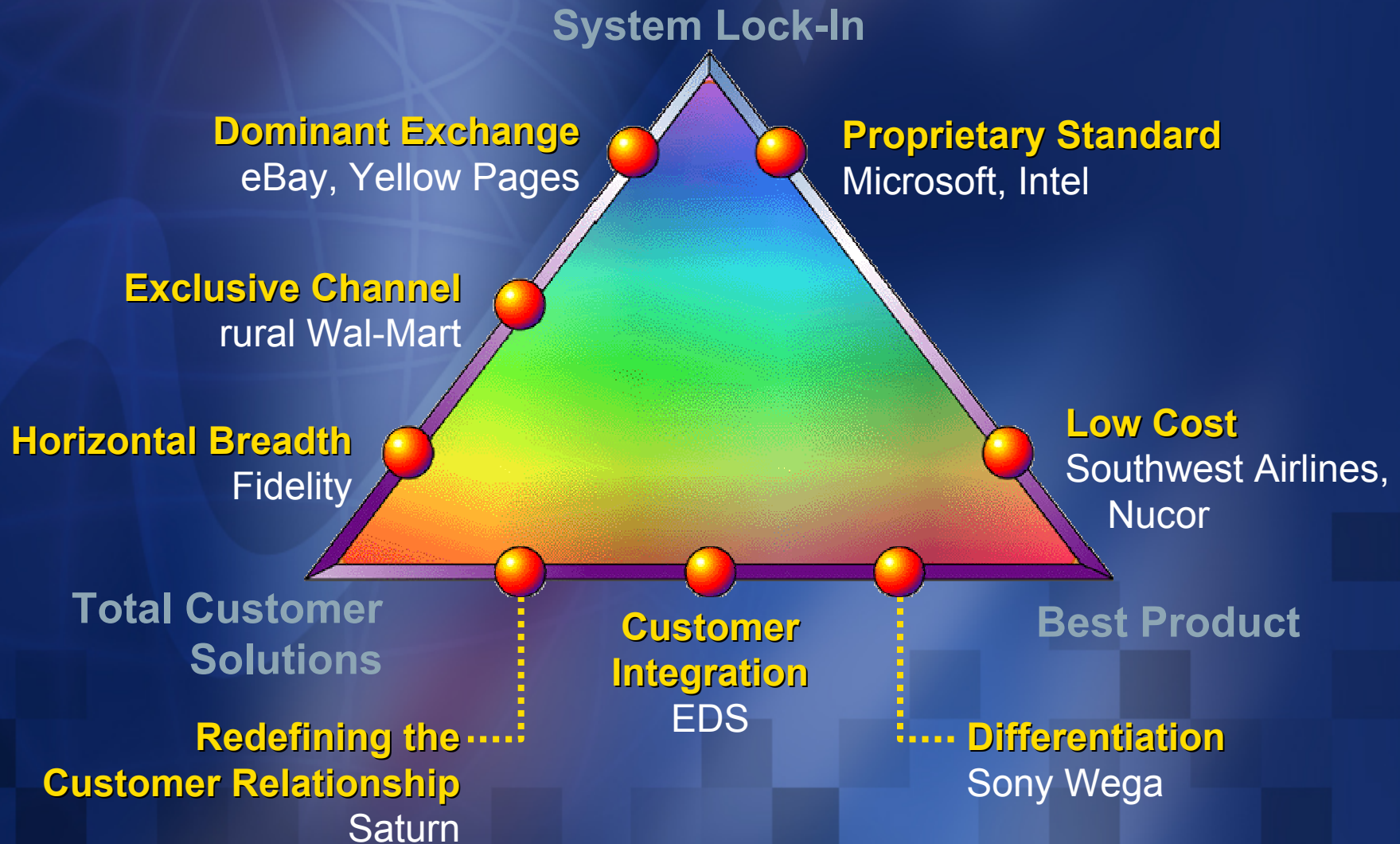


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The Firm as a Bundle of Competencies

The Triangle:

Options for Strategic Positioning



Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Best Product Centered on product economies		
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are unique desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. An competitive advantage is therefore non-sustainable.
Total Customer Solutions Centered in customer economies		
Reinforcing the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product	The solution is based upon an intimate knowledge of the customer base, being based on effective customer segmentation and differentiated treatment of the customer base
Horizontal Disrupt	A complete set of product and service offerings that fulfil the entire customer need as conventional and provided. "Vertical disruption" is unique	We are seeking a dominant position in "share of the wallet of the customer"
Customer Integration	The strategy seeks to effectively substitute for or leverage activities currently performed by the customer. The substitution, the integration and as well as creating a complex web of relationships with the customer that enhance your ability to best business and serve your product	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics
System Lock-in Focuses on competitor economics		
Restricted Access	Significant barriers are placed that make it difficult for competitors to even compete for the acquisition of customers	This is a difficult position to achieve and to sustain. Regulatory pressure tends to decrease its strength
Constant Exchange	Use the strategy to create processes or methods between systems and which that a way hard to displace once it has been critical mass	This is the most dangerous of all of the system lock-in options. The first mover advantage is critical
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product	It is difficult to establish such lock-ins. It can be achieved, the rewards are enormous

Best Product	Centered on product economies	
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It also tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are unique desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. An competitive advantage is therefore non-sustainable.

Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Central or product economics		
Best Product		
Low Cost	Focus on being the lowest cost provider in an undifferentiated product category.	Since there is only one lowest cost provider, this strategy leaves very little room for competitive position. It is difficult to improve the product offering compared to the customer and competitors.
Differentiation	When considering effective production economics focus on key differentiation in the production and operations to such that the product is unique, relevant and customer price premium.	The position with this strategic position is that at least all the alternatives will be unique, relevant, better, or better than, or otherwise advantage a significant competitive advantage.
Oriented to customer economics		
Total Customer Solutions		
Redefining the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product.	This positioning is based upon an intimate knowledge of the customer base leading toward an effective customer segmentation and a differentiated treatment of the customer tiers.
Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "One-stop shopping for a unique solution."	We are seeking a dominant position in "share of the wallet of the customer."
Customer Integration	This strategy seeks to effectively substitute for or leverages activities currently performed by the customer. It is outsourcing in its extreme form and at least represents a complex web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics.
Focused on competitor economics		
System Lock-In		
Restricted Access	Significant barriers are in place that make it difficult for competitors to even attempt for the acquisition of customers.	This is a difficult position to achieve and to maintain. Regulatory barriers tend to be difficult to overcome.
Common Exchange	With this strategy the company provides an interface between buyers and sellers that are used to improve overall business value.	This is the most accessible of all of the systems lock-in options. The barrier is more difficult to create.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party competitors that are designed to work with your product.	This option is available in most industries. It can be achieved by creating an ecosystem.



Total Customer Solutions	Oriented to customer economics	
Redefining the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product.	This positioning is based upon an intimate knowledge of the customer base leading toward an effective customer segmentation and a differentiated treatment of the customer tiers.
Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "One-stop shopping for a unique solution."	We are seeking a dominant position in "share of the wallet of the customer."
Customer Integration	This strategy seeks to effectively substitute for or leverages activities currently performed by the customer. It is outsourcing in its extreme form and at least represents a complex web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics.

Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Best Product	Centered on product innovation	
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost provider, this strategy leaves very little space as a successful position. It also tends to compress the product offering, compresses the customer, and intensify rivalry.
Differentiation	With high-quality, effective production economies based on key differentiators in the product features and functionalities such that the products are unique, novel and customer love products	The problem with this strategy position is that as well as the differentiated product offering, competitors tend to imitate them. An competitive advantage is derived from scale economies.
Total Customer Solutions	Oriented to customer experience	
Reshaping the customer experience	A focus in price on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product	This positioning is based upon an intimate knowledge of the customer and being able to offer a customer segmentation and a differentiated treatment of the customer tiers.
Horizontal Breadth	A complete set of product and service offerings that fully the entire customer needs in customer and product. "One-stop shopping for the entire solution"	While it is seeking a dominant position in "terms of the width of the customer"
Customer Integration	The strategy seeks to effectively substitute for or leverage activities currently performed by the customer. It is necessary to be certain that product/service requirements comply with of connections with the customer that enhance their ability to purchase and use your product.	The firm is regarded as a "handler" of competencies that will be brought to the customer to enhance the customer experience.
System Lock-In	Focuses on complementor economics	
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
Dominant Exchange	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product.	This option isn't available in most industries. If it can be achieved the rewards are enormous.

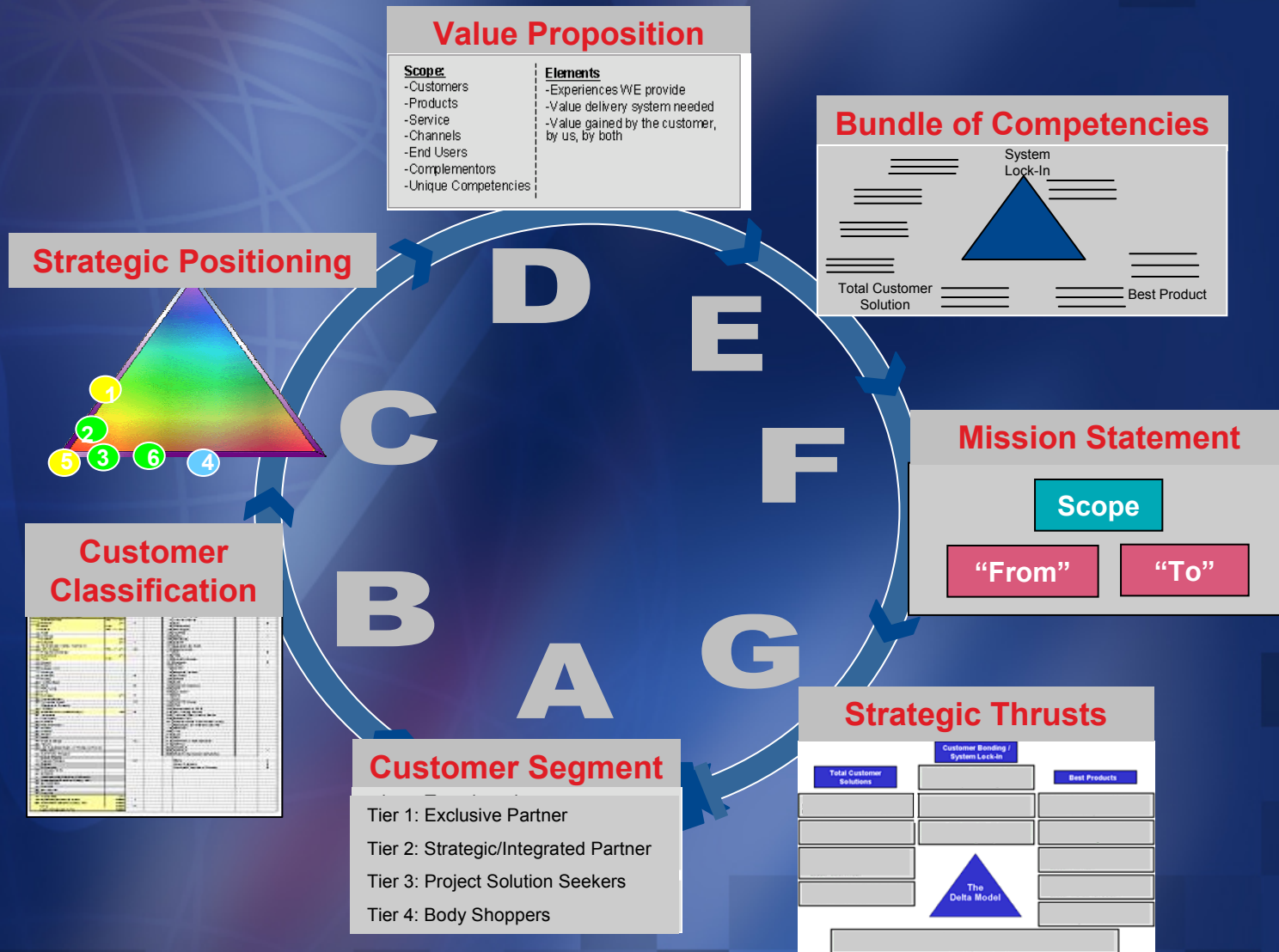


System Lock-In	Focuses on complementor economics	
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
Dominant Exchange	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product.	This option isn't available in most industries. If it can be achieved the rewards are enormous.

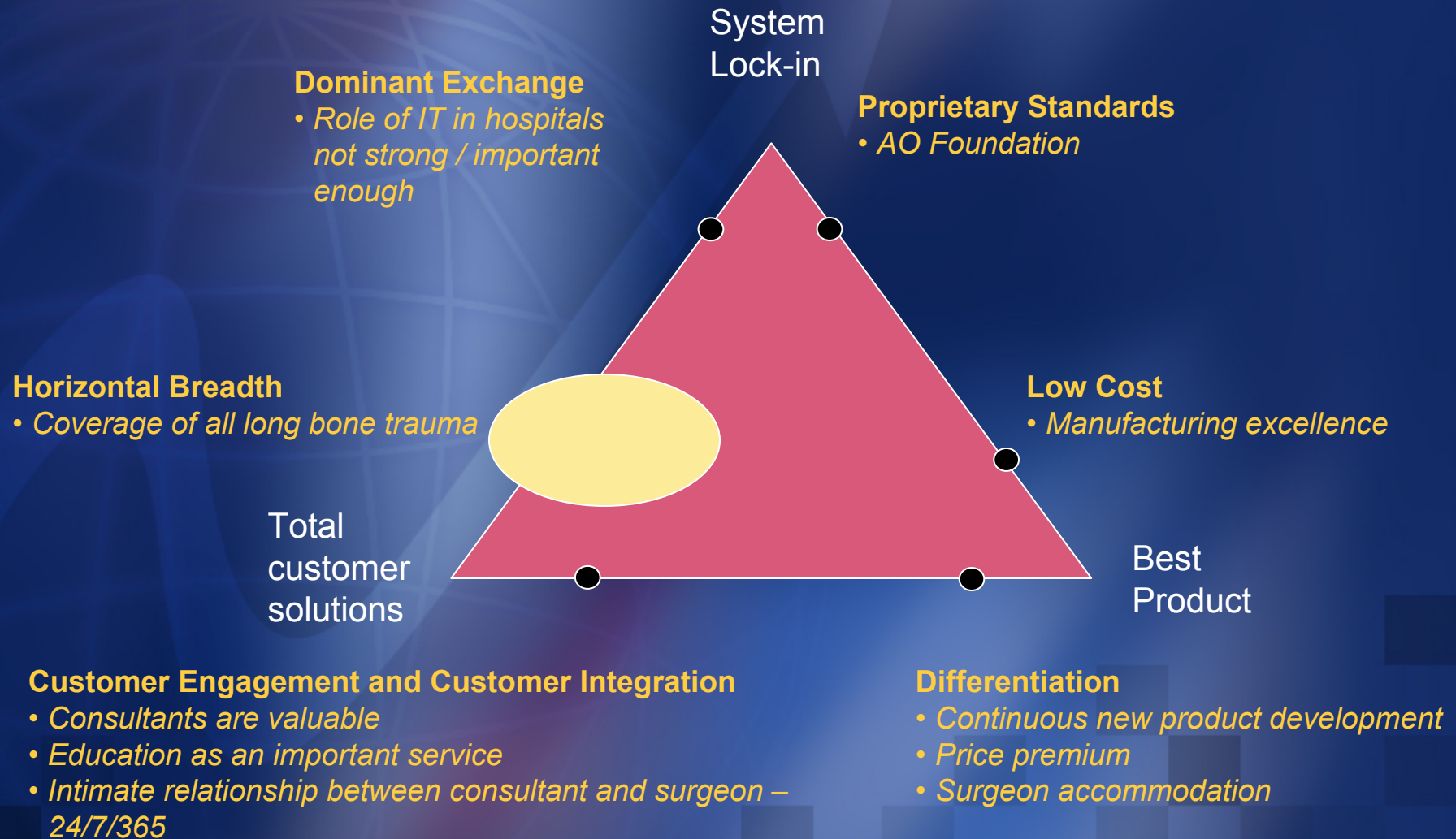


Putting it all Together -
Task #2: Synthes Competencies

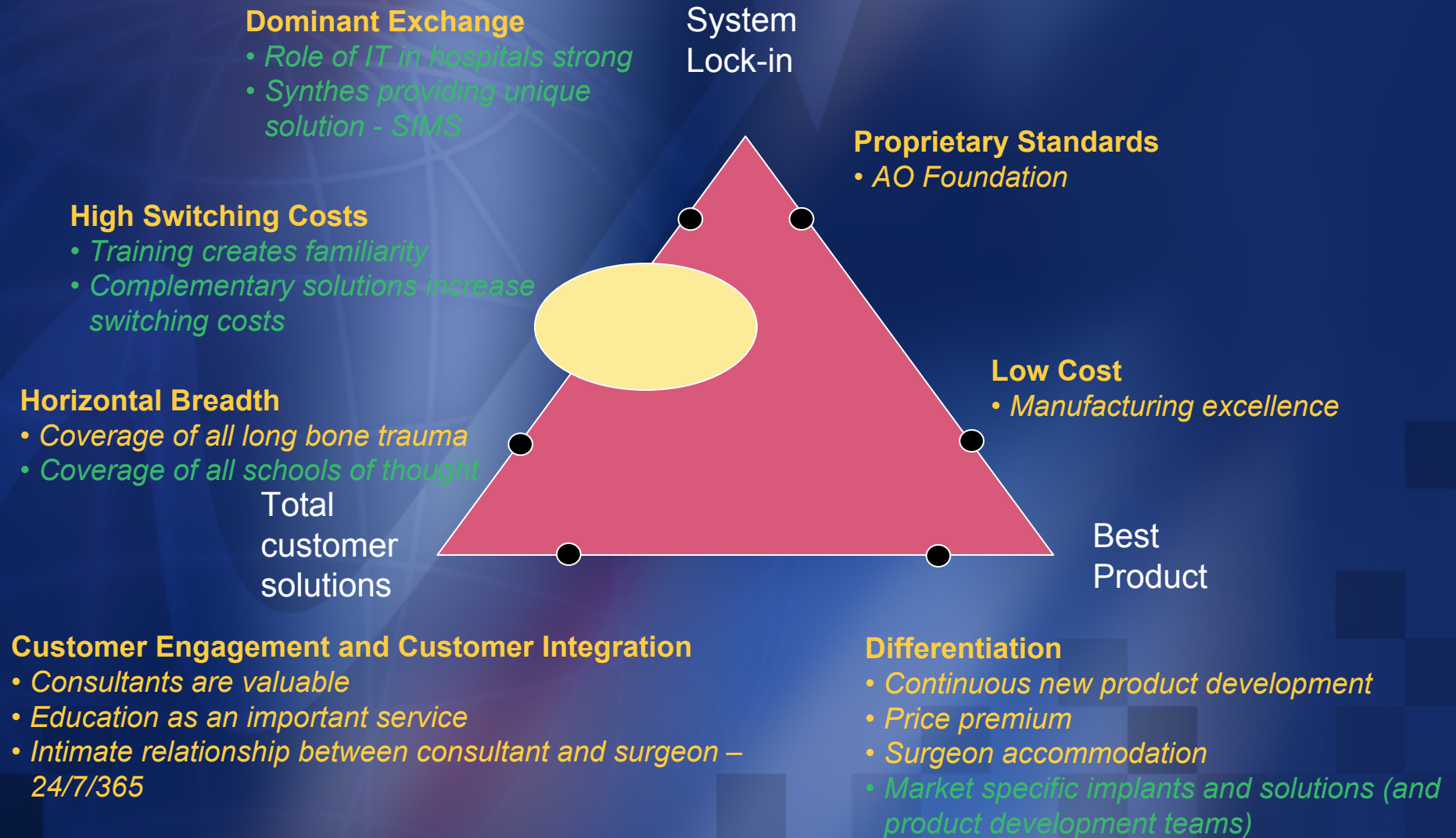
From the Customer Segmentation to Strategic Agenda



Bundle of Competencies Trauma - Current



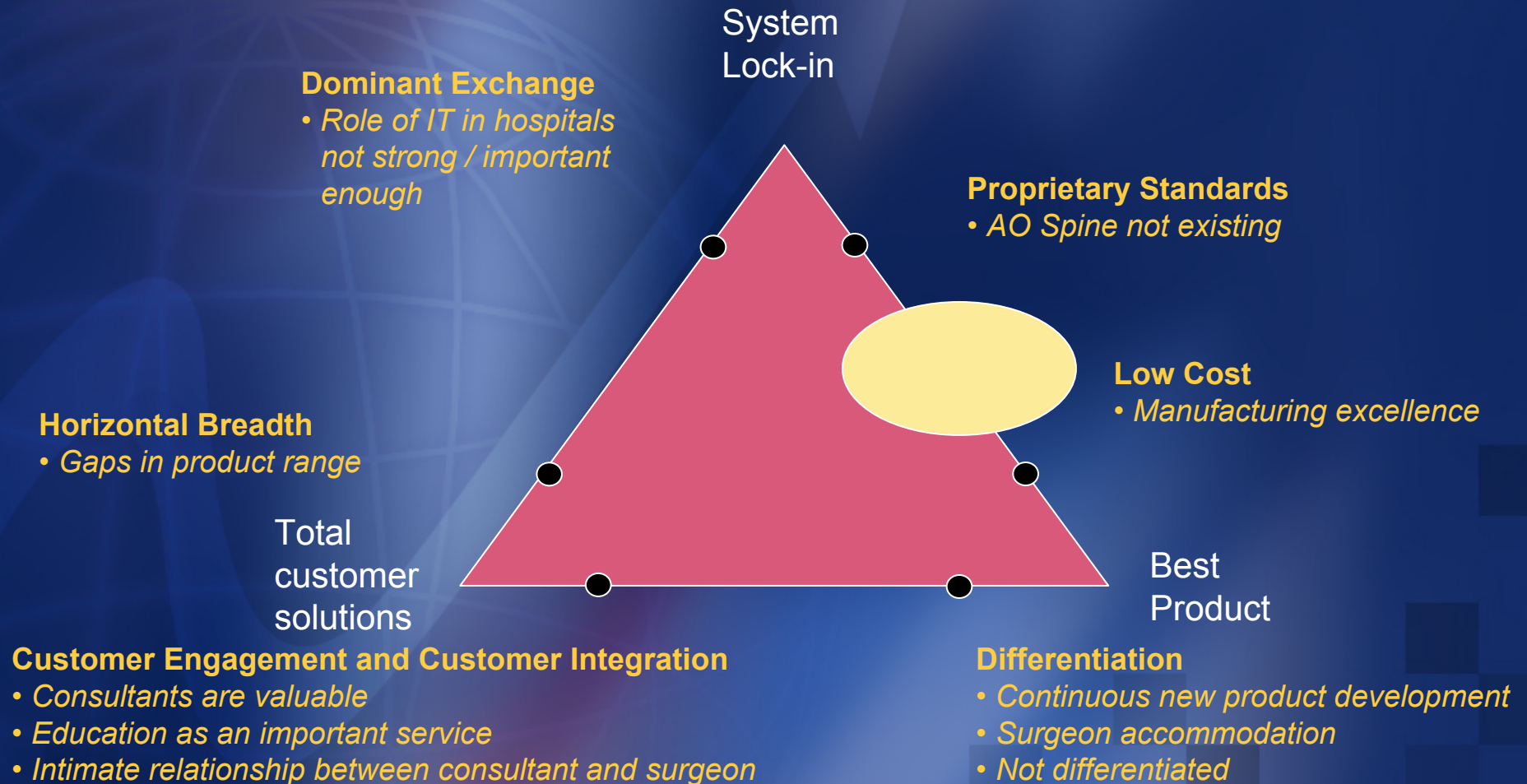
Bundle of Competencies Trauma - Desired



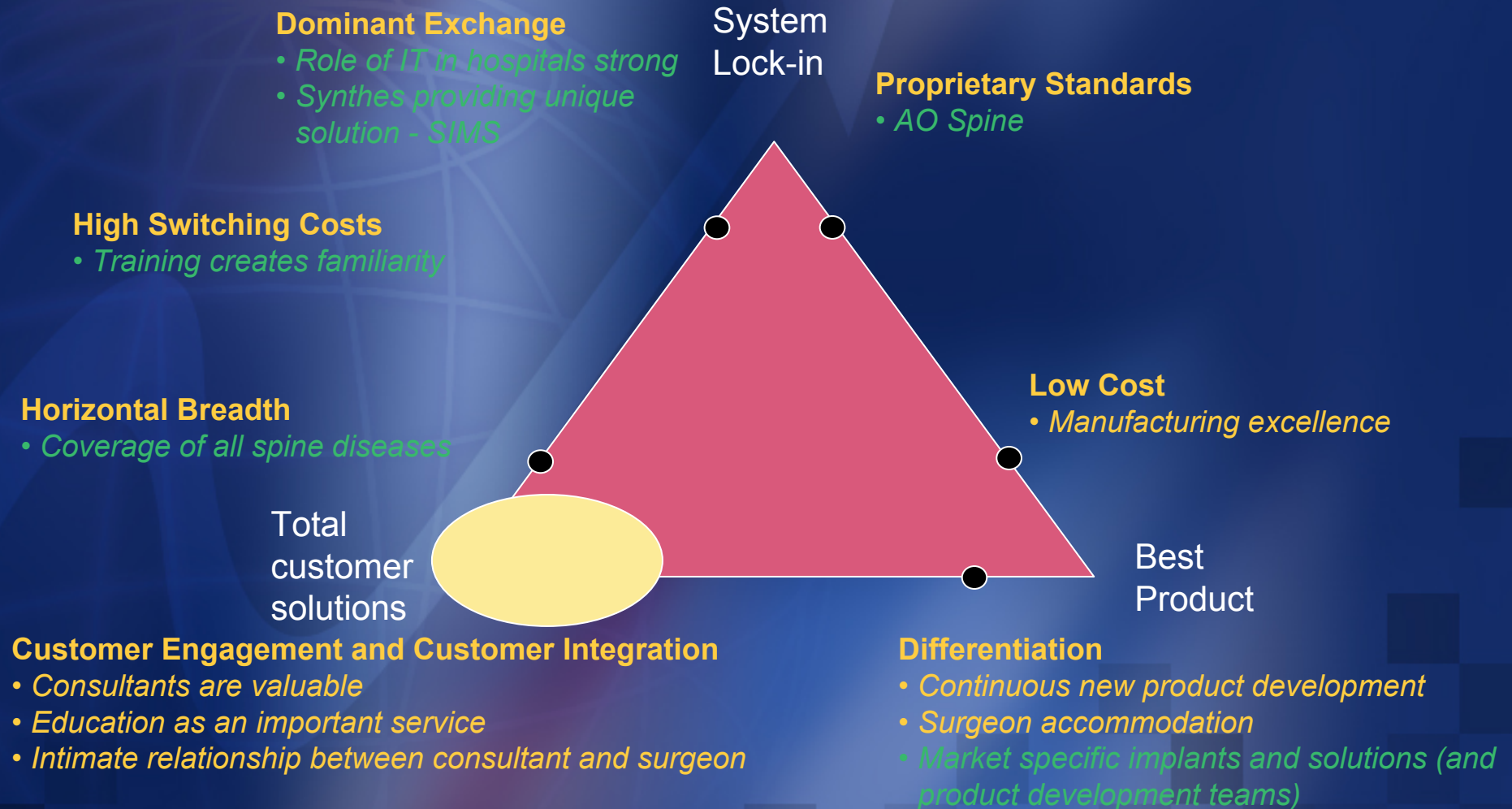
Why Spine Competencies are Different

- It's a poorly defined disease not a fracture
- Spine still a frontier, lack of well established diagnostic tools, hence riskier surgeries, and no generally accepted standard treatment
- Current solutions usually fail to restore full function
- Surgeons are very entrepreneurial (by training, choice and necessity), get paid for IP, ideas and product development
- Spine surgery is done by two distinct (culturally) surgeon specialties (orthopedic and neuro surgeons; 55% and 45%)
- U.S. surgeons not as strong in their support of AO Spine and AO Foundation

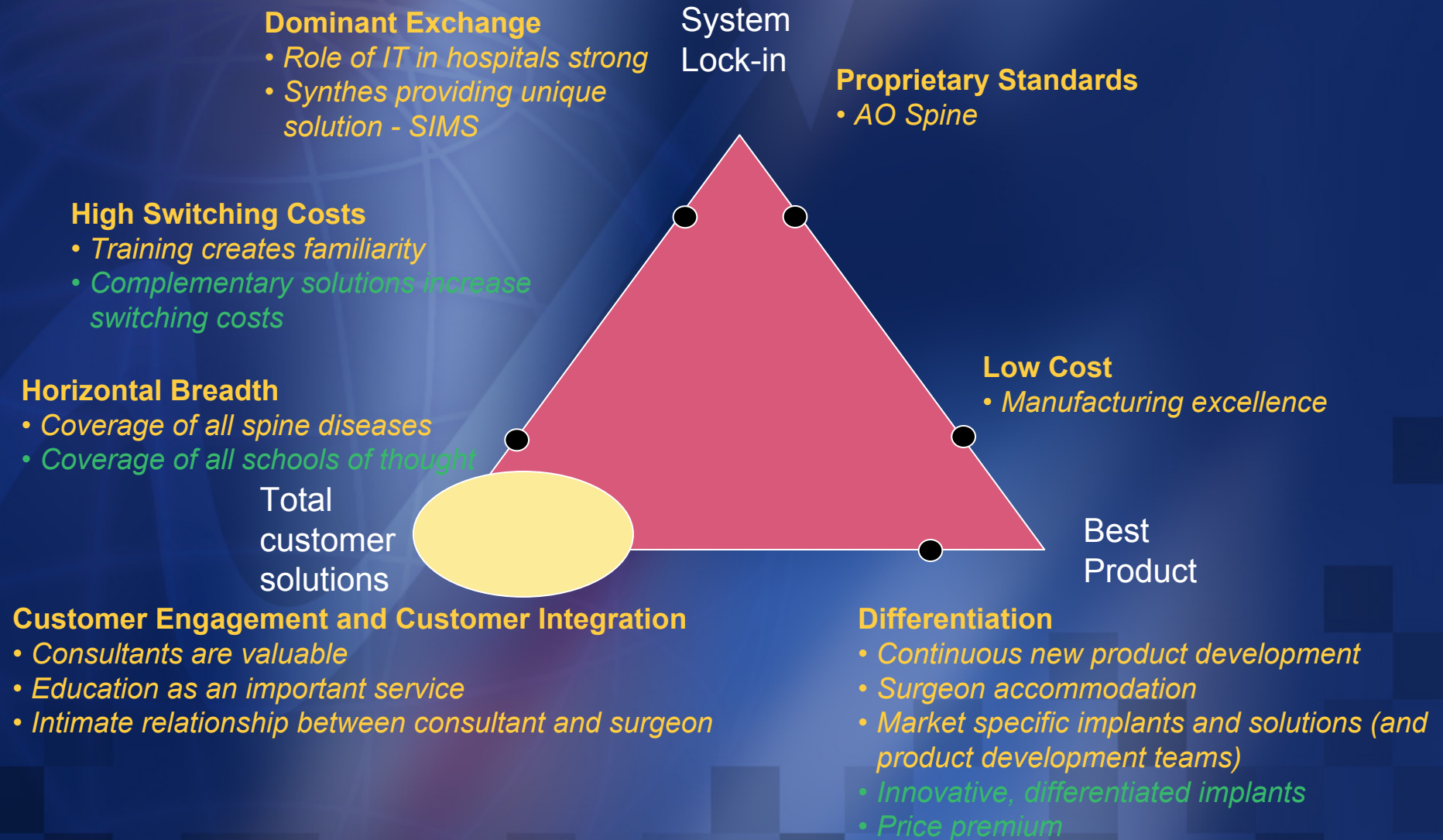
Bundle of Competencies Spine - Current



Bundle of Competencies Spine - 2005



Bundle of Competencies Spine - Desired



Lessons from Competencies

- **Competencies vary across businesses due to:**
 - **Life cycle of the business (Spine vs. Trauma)**
 - **Customer segmentation**
 - **Business characteristics**
- **Competencies vary across regions**
- **Improving an organization's competencies is a continuous and incremental process**
- **Changes in the competitive landscape lead to new requirements**

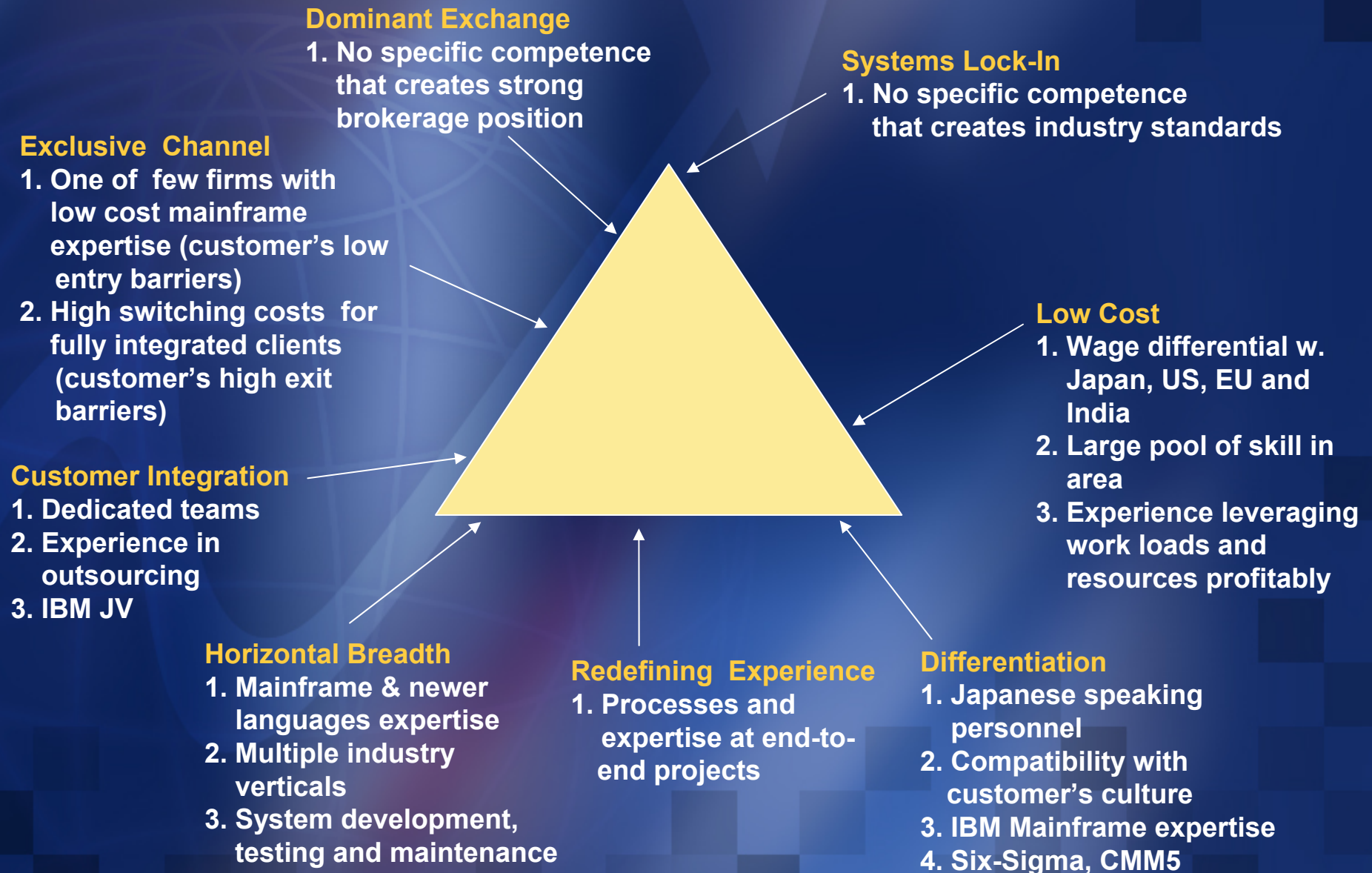


DMK:

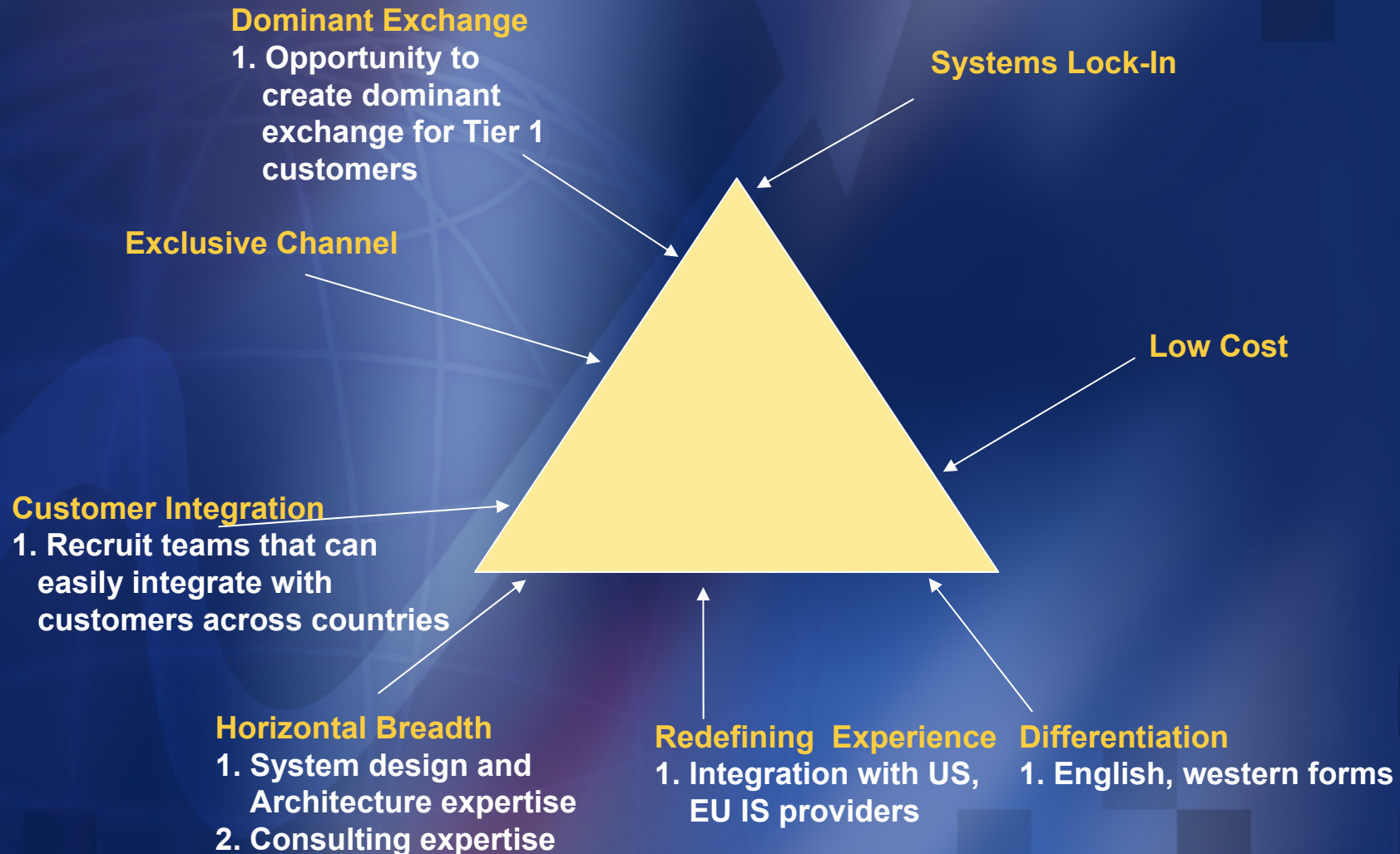
Outsourcing Information Technology from China

**Workshop #2: Firm as a Bundle of
Competencies**

Bundle of competencies analysis (current)



Bundle of competencies analysis (desired)



Bundle of competencies analysis



Low Cost (location specific)

- Chinese wages are not only below those of developed countries where DMK's clients reside but also below India.
- Over 100.000 technology and computer sciences graduates per year in Dalian make this region a contender for the long term. Also capacity for rapid operation upscaling

Low Cost (firm specific)

- Expertise in managing sudden changes in demand and supply profitably

Differentiation (location specific)

- Large population (old immigrants from Japan) that can speak and are familiar with the social and business manners of that country

Differentiation (firm specific)

- IBM mainframe expertise that comes from core team acquired when a Chinese bank was dismantled.
- Six sigma certification and first company in China to get CMM5 certification

Bundle of competencies analysis

Horizontal Breath

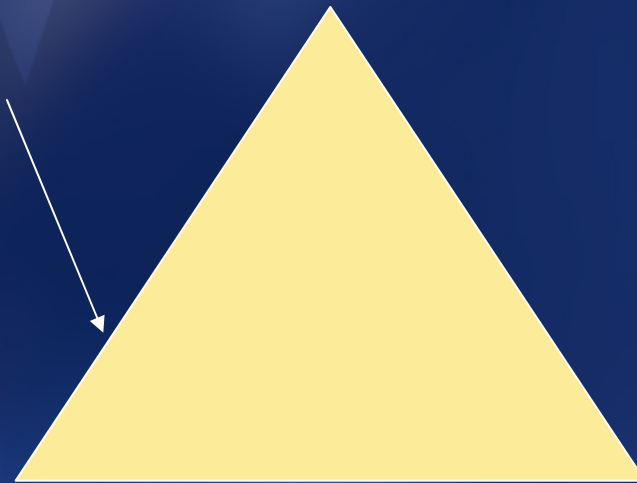
- DMK's strength in mainframes is complemented with expertise in newer programming platforms
- DMK is particularly strong at the development, testing and maintenance end of projects; developing design, architecture and consulting expertise is one of its challenges
- DMK business strengths lie in the financial and insurance sectors although it is slowly developing expertise in other verticals

Customer Integration

- Due to its expertise in Mainframe systems DMK has been able to integrate some of their customers' key operations with its own
- Outsourcing from mainframe clients has also allowed DMK develop customer integration expertise that are transferable to other industries, functions and newer technologies

Redefining Customer Experience

- DMK has developed quite a remarkable level of expertise at carrying out end-to-end projects with smooth transition at end of project and tight cost management



Bundle of competencies analysis

Systems Lock In

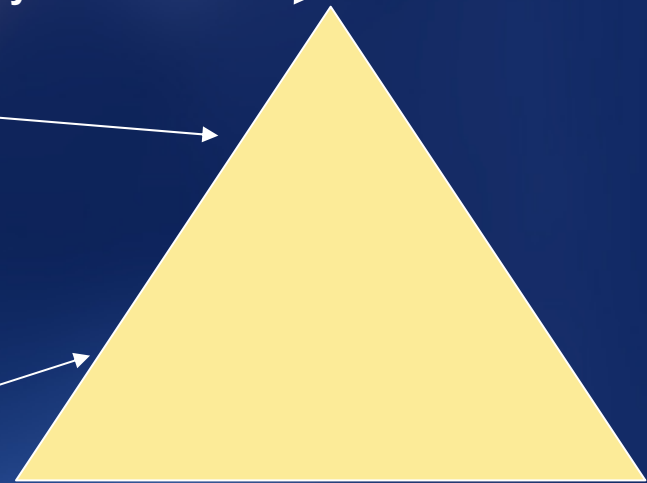
- DMK has not developed any industry standard that allows for a systems lock-in position

Dominant Exchange

- DMK should pursue a dominant exchange position with selected Tier 1 customers
- One such position might be achieved if DMK developed strong coordination expertise between sub-contractors or specialists in China and IS firms or final customers in more developed markets

Exclusive Channel

- DMK has been capable to develop some high barriers of entry for its competitors due to the limited amount of expertise available in mainframe systems at relatively low costs
- As DMK has integrated with its “main partners”, it has also created high barriers of entry for its competitors due to the high costs its clients would incur if they switched IS suppliers. These costs stem, mainly, from the highly tacit knowledge about the clients operations acquired through continuous interaction

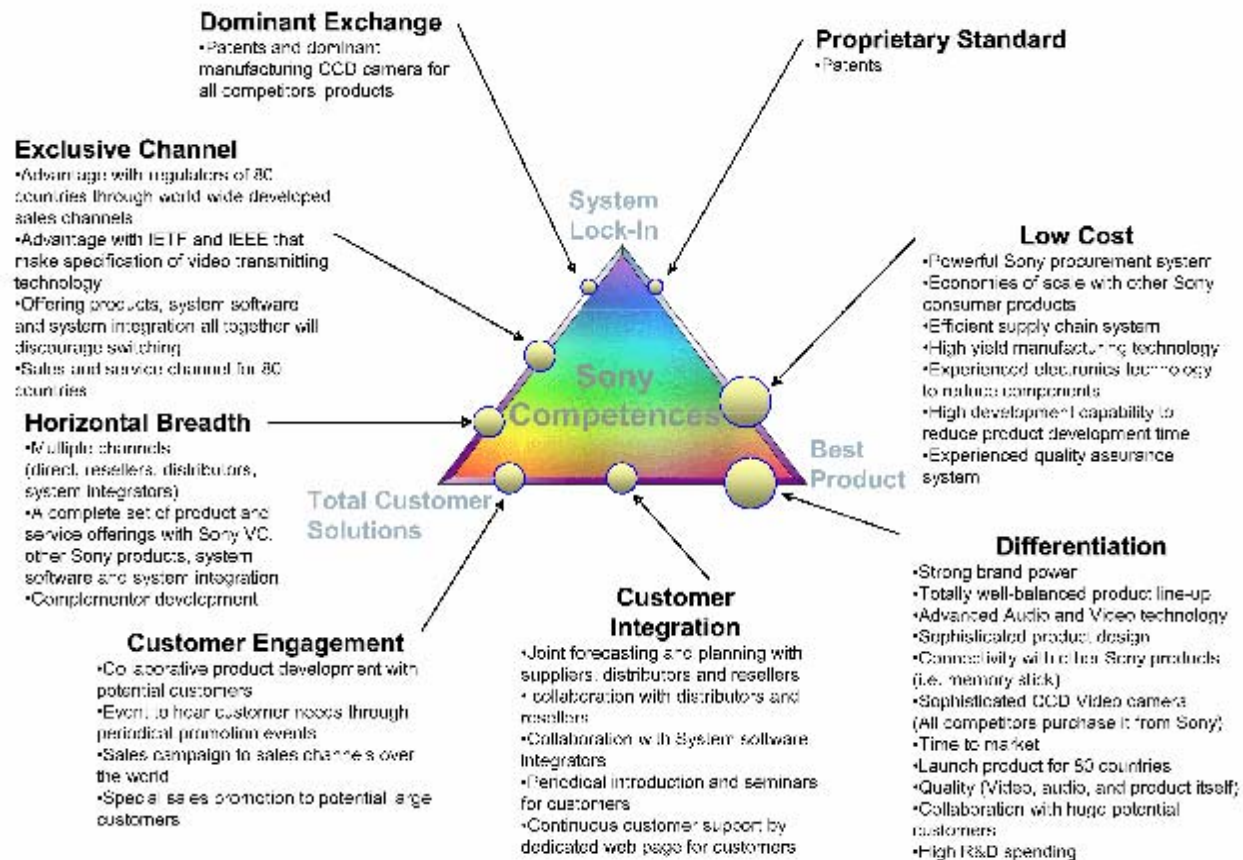


Insights from the Delta Model

1. Think of your firm as a bundle of competencies - Not merely as an engine for developing, making and distributing products.
2. Understand deeply your customer needs - Segment the customer base to differentiate meaningful value propositions to each customer tier.
3. The key to exploit opportunities for growth and profitability is to match your competencies with your customer needs. Try to be creative, bold and fast.

The background is a dark blue gradient. It features a grid of squares in various shades of blue, some darker and some lighter, scattered across the right and bottom portions. On the left side, there is a faint, light blue wireframe globe. A large, semi-transparent, upward-pointing arrow is positioned in the center-left area, pointing towards the top right. The text "Some Additional Examples" is centered in the middle of the slide in a white, sans-serif font.

Some Additional Examples



Competencies of Sony VC Business

Exclusive Channel

- Advantage with regulators of 80 countries through world wide developed sales channels
- Advantage with IETF and IEEE that make specification of video transmitting technology
- Offering products, system software and system integration all together will discourage switching
- Sales and service channel for 80 countries

Horizontal Breadth

- Multiple channels (direct, resellers, distributors, system integrators)
- A complete set of product and service offerings with Sony VC, other Sony products, system software and system integration
- Complementor development
- Very detailed sales manual book for multiple channels
- Detailed comparison chart to compete with Sony and Tandberg
- Attractive cash back system
- Company policy "customer's satisfaction first"
- Annual big event to motivate horizontal players

Customer Engagement

- Collaborative product development with potential customers
- Event to hear customer needs through periodical promotion events
- Sales campaign to sales channels over the world
- Special sales promotion to potential large customers
- A lot of innovative programs to make good relationship with distribution channels
- Company policy "good relationship with customers!"

Dominant Exchange

- Patents and dominant manufacturing CCD camera for all competitors' products
- Lead to fix next generation's communication protocol

Proprietary Standard

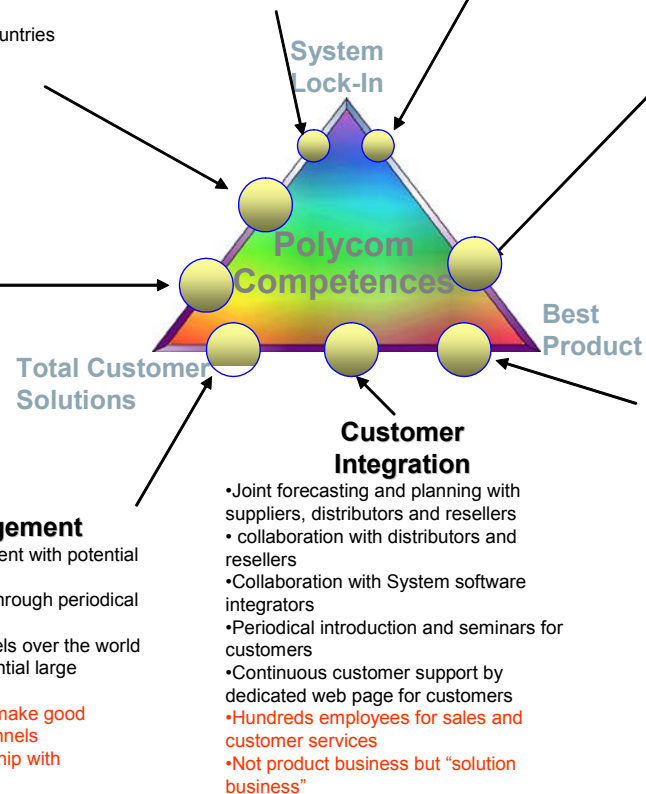
- Patents
- communication protocol so that other all competitors should adapt that

Low Cost

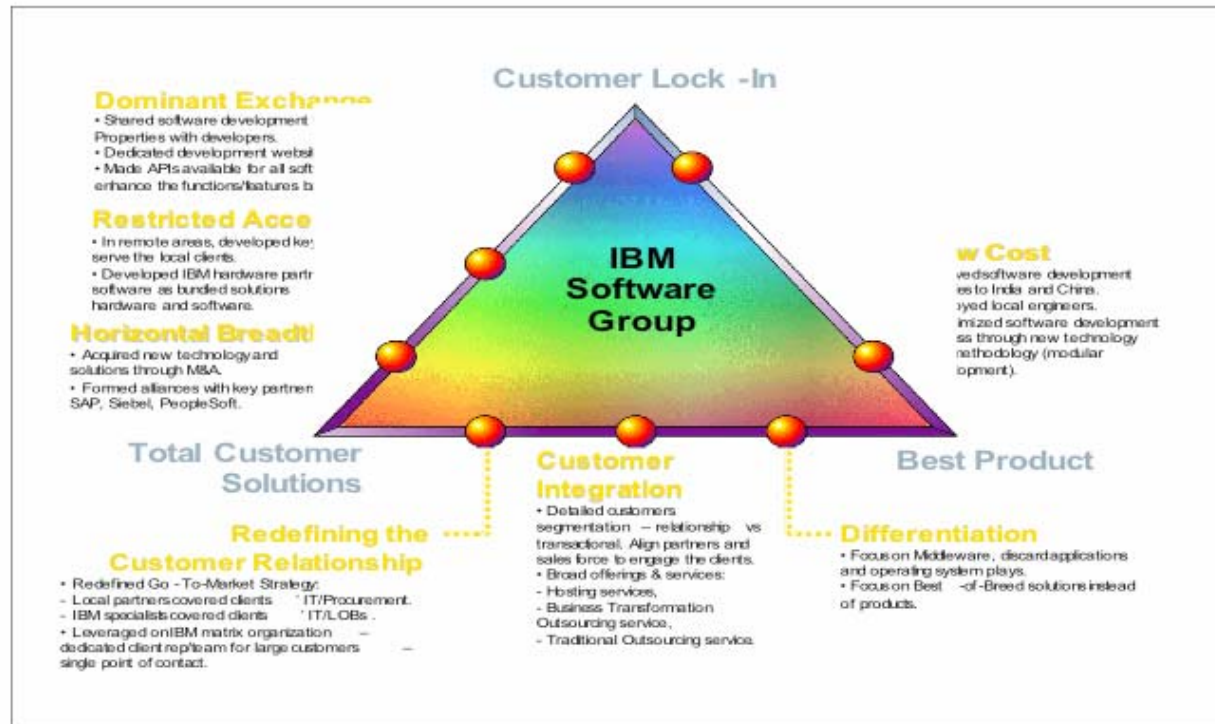
- Powerful Sony procurement system
- Economies of scale with other Sony consumer products
- Efficient supply chain system
- High yield manufacturing technology
- Experienced electronics technology to reduce components
- High development capability to reduce product development time
- Experienced quality assurance system

Differentiation

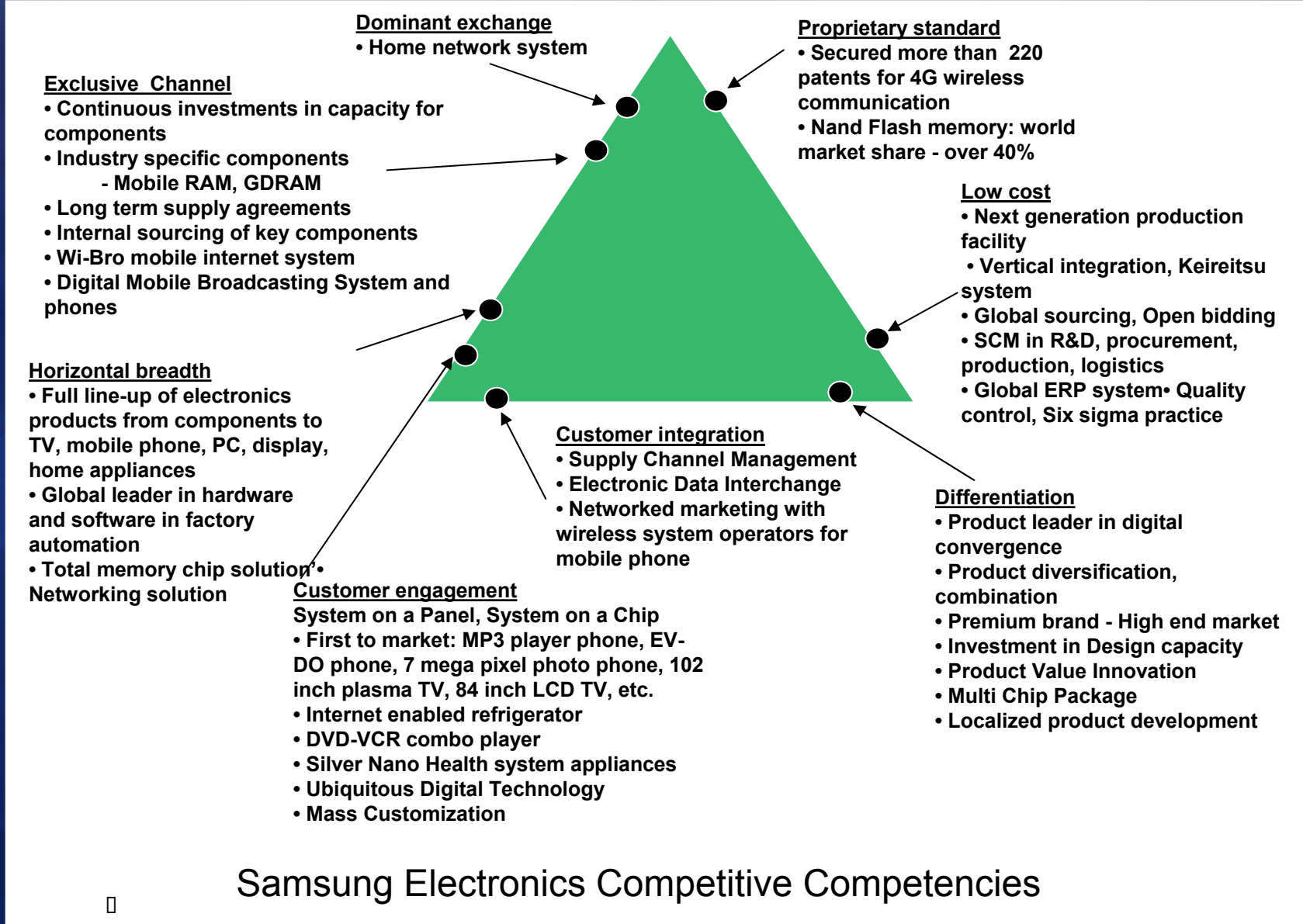
- Strong brand power
- Totally well-balanced product line-up
- Advanced Audio and Video technology
- Sophisticated product design
- Connectivity with other Sony products (i.e. memory stick)
- Sophisticated CCD Video camera (All competitors purchase it from Sony)
- Time to market
- Launch product for 80 countries
- Quality (Video, audio, and product itself)
- Collaboration with huge potential customers
- High R&D spending
- Outstanding experiences for VC and Audio conference as communication company
- Long history dedicating VC business
- Sophisticated functions for customer satisfaction
- Great connectivity to other products



Competencies of Polycom VC Business

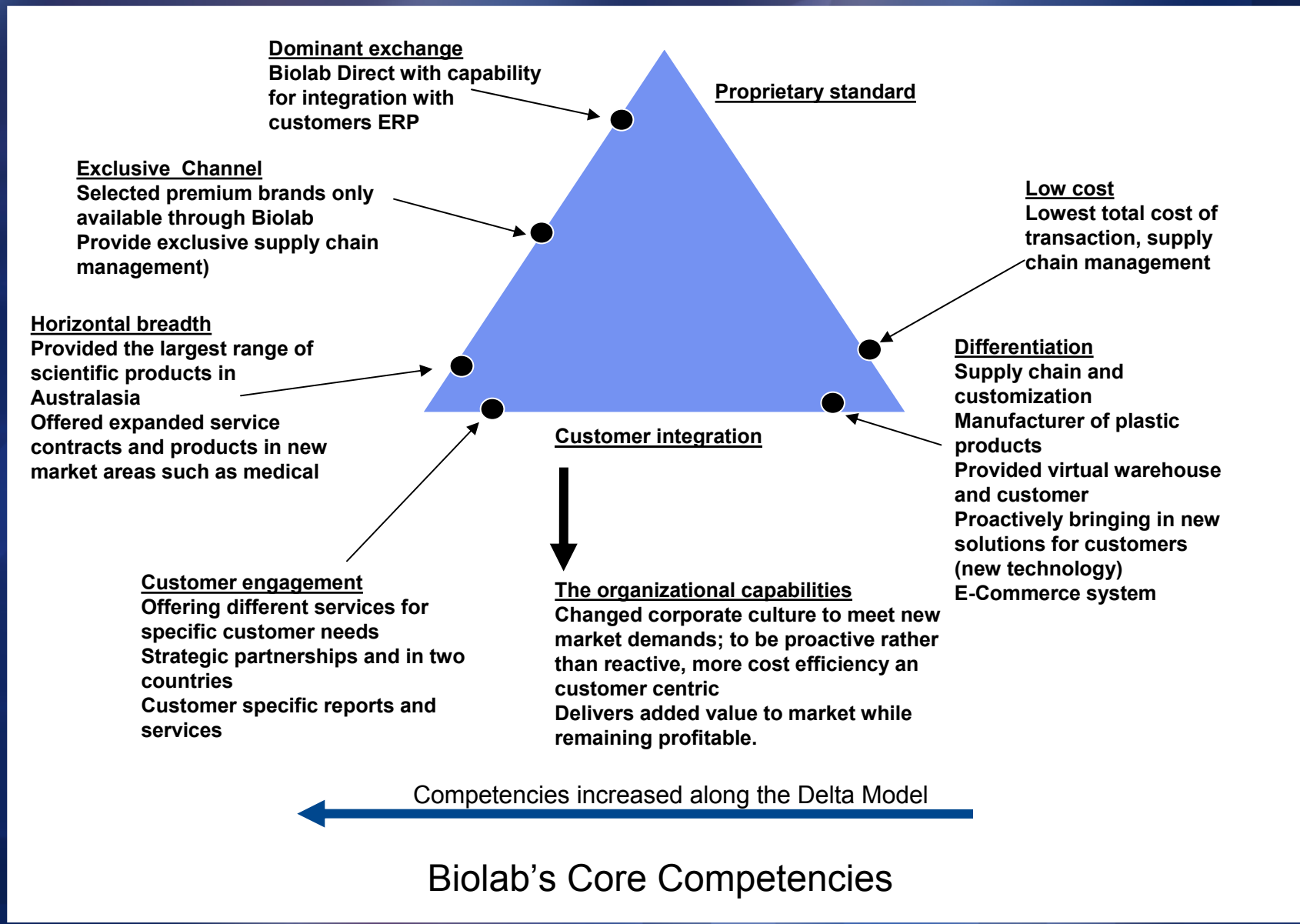


IBM Software Group Strategic Positions in Delta Model

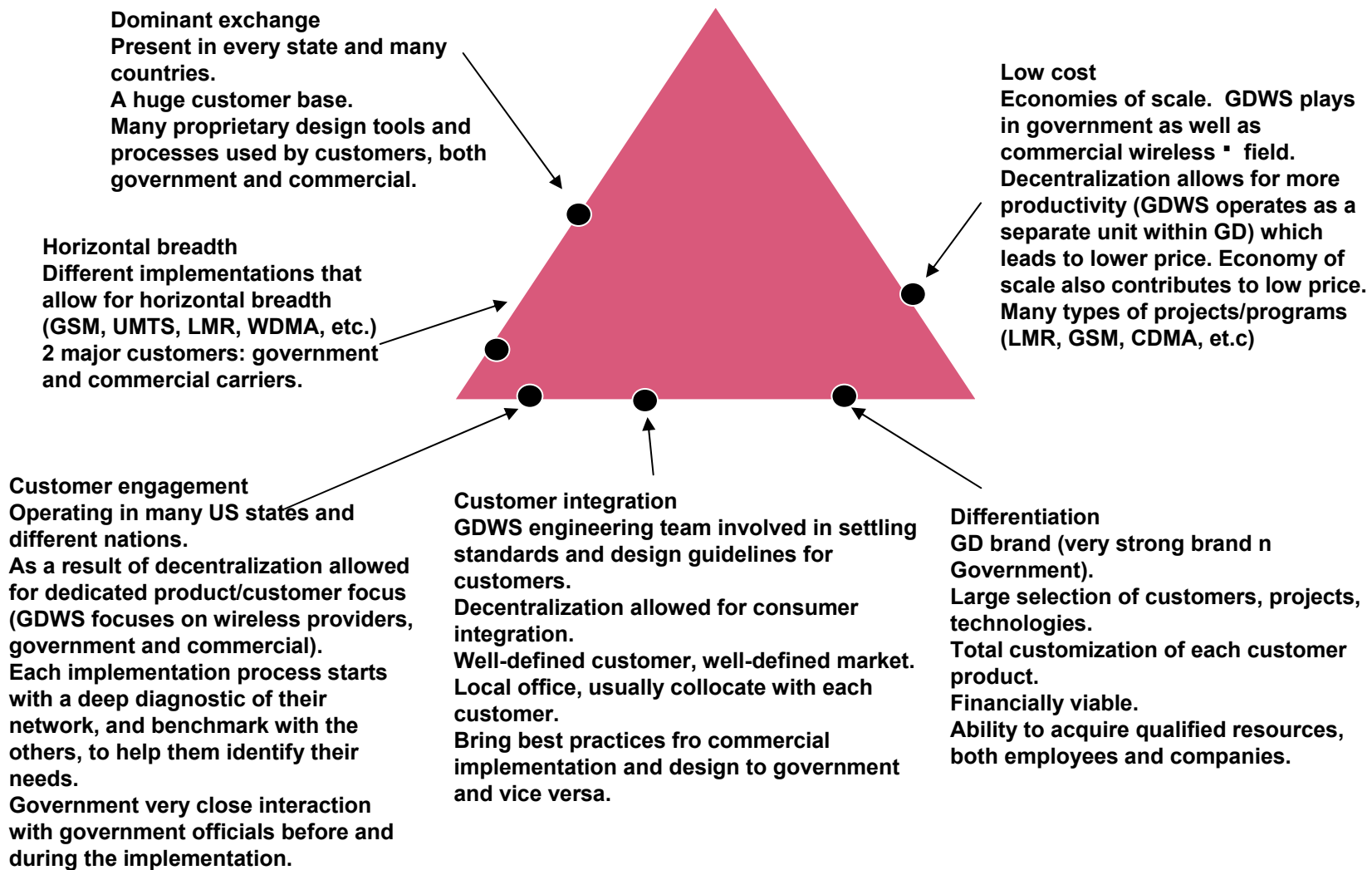


Samsung Electronics Competitive Competencies

Source: Seong Yong Hwang, "Samsung Electronics - My Home Company", 15.902 Independent Research Project, Fall 2005

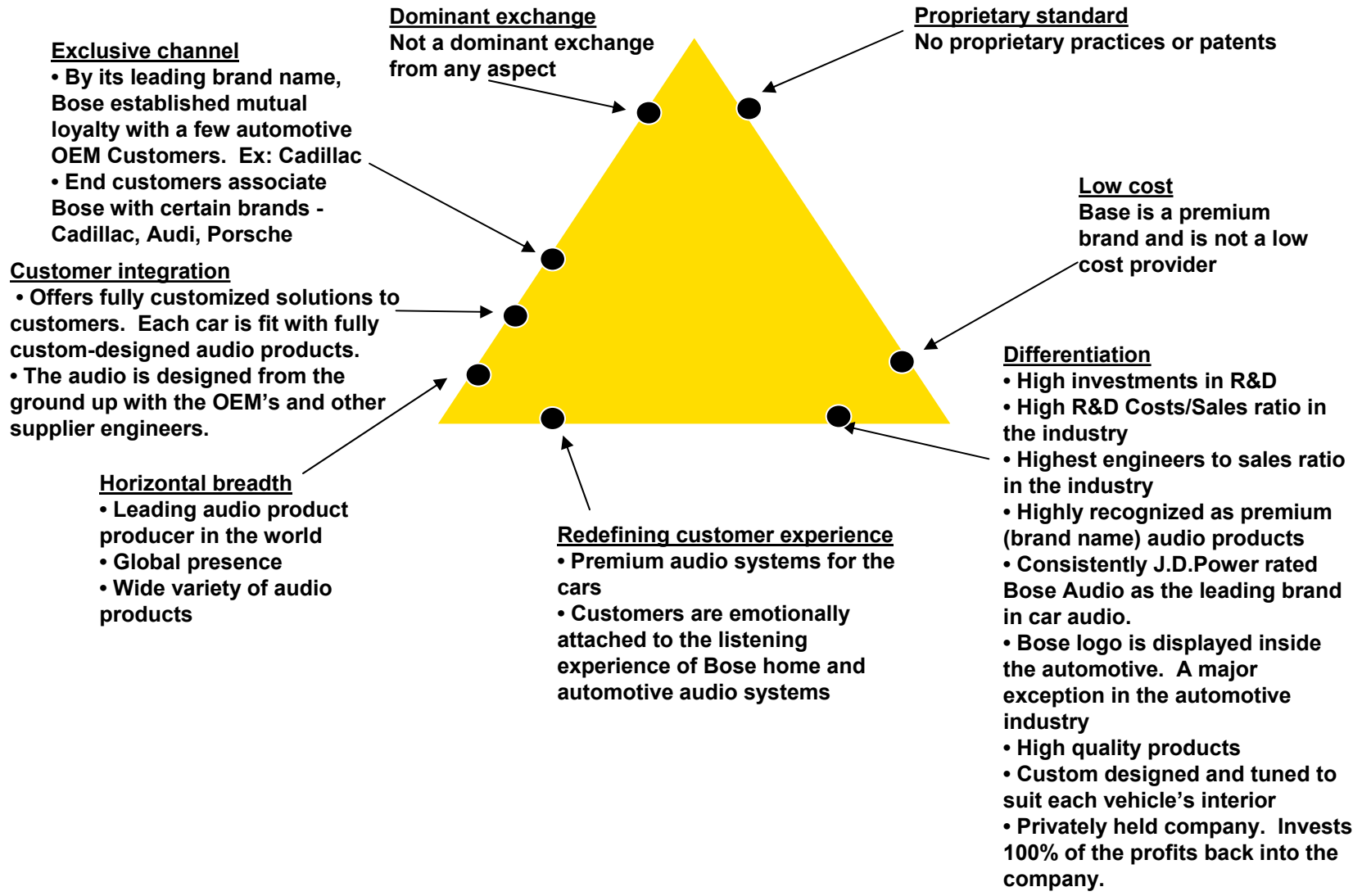


Source: Catherine Calarco, "Biolab Scientific: Application of Delta Model including Customer Segmentation", 15.902 Independent Research Project, Fall 2005



General Dynamics Wireless Services Corporate Strategy

Source: Mirela Marku "General Dynamics, Wireless Services", 15.902 Independent Research Project, Fall 2005



Bose Corp (Automotive Division) Competencies

Source: Venkat Maraju, "Bose Corporation (Automotive Division) After Market Strategy", 15.902 Independent Research Project, Fall 2005