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15.571 Generating Business Value from Information Technology
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Generating Business Value From Information Technology

Jeanne W. Ross
Director & Principal Research Scientist
Center for Information Systems Research (CISR)
MIT Sloan School of Management



Different Standardization Requirements of the Four Operating Models

Business Process Integration	High	<p style="text-align: center;">Coordination</p> <ul style="list-style-type: none"> ■ Customer and product data ■ Shared services ■ Infrastructure, portal, and middleware technology 	<p style="text-align: center;">Unification</p> <ul style="list-style-type: none"> ■ Operational and decision making processes ■ Customer and product data ■ Shared services ■ Infrastructure technology and application systems
	Low	<p style="text-align: center;">Diversification</p> <ul style="list-style-type: none"> ■ Shared services ■ Infrastructure technology 	<p style="text-align: center;">Replication</p> <ul style="list-style-type: none"> ■ Operational processes ■ Shared services ■ Infrastructure technology and application systems
		Low	High
Business Process Standardization			

PepsiAmericas

- World's second largest manufacturer, seller, and distributor of PepsiCo beverages.
- Revenues of \$5 billion, growing 10% per year
- 75% of revenues earned in U.S.
- Regional manufacturing and distribution centers supply 3 types of customers:
 - Direct to store (truck drivers make rounds, stock shelves)
 - Pre-sell (Wal-Mart, Target, Kroger order for warehouse delivery)
 - Call center (schools, restaurants)
- Success depends on access to operating data (minimize stockouts, maximize turnover of hundreds of sku's) and pricing decisions

Information Backbone Integration

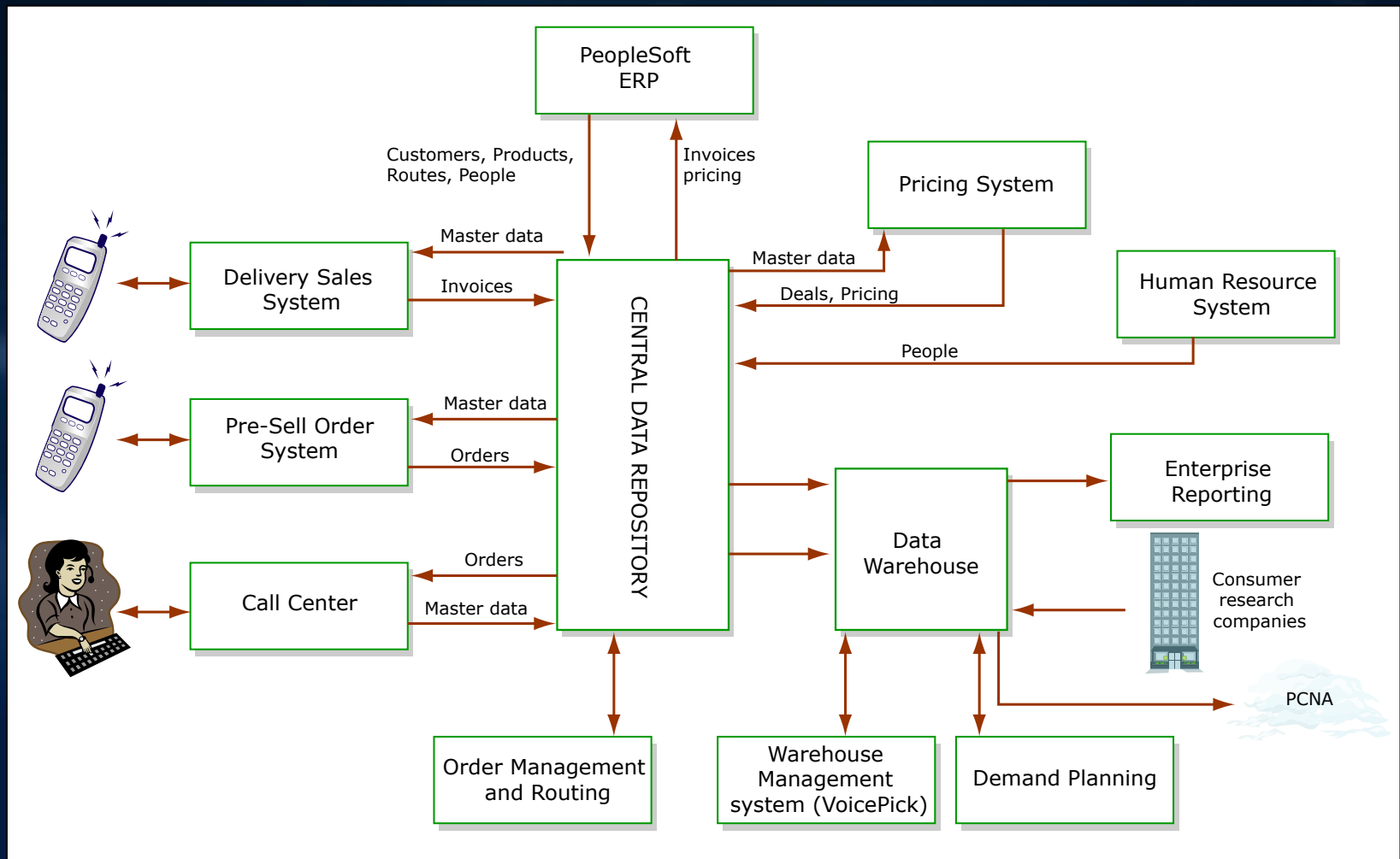


Figure by MIT OpenCourseWare.

The Coordination Operating Model Platform

- Focuses on providing data visibility to meet customer needs
 - Single face to customer
 - End-to-end business processes
- Allows customization of services according to customer needs and encourages local expertise while leveraging global products and services.
- The platform can be extended as firm adds markets or products.
- The platform demands disciplined use of data—preservation of data standards; timely input of data.
- As products and services become commodities, can move toward unification; coordination is not a low-cost model.
- Less prone to disruption than unification and replication models.

The Operating Model Choice

- Requires that management articulate how the firm will profit and grow. It's a commitment.
- Can be implemented gradually
 - Diversification allows for incremental layers of shared services
 - Unification allows for modular implementation (by geography or process) of standardized and integrated processes
 - Replication allows for evolution of new services to be rolled out to all sites
 - Coordination allows for increasingly powerful data repositories and extension to new channels
- Creates characteristic opportunities and constraints.
- Imposes different demands for governance.