

Q6 How Does Competitive Strategy Determine Business Processes and the Structure of Information Systems?

Figure 3-10 shows a business process for renting bicycles. The value-generating activities are shown in the top of the table and the implementation of those activities for two companies with different competitive strategies is shown in the rows below.

The first company has chosen a competitive strategy of low-cost rentals to students. Accordingly, this business implements business processes to minimize costs. The second company has chosen a differentiation strategy. It provides “best-of-breed” rentals to executives at a high-end conference resort. Notice that this business has designed its business processes to ensure superb service. To achieve a positive margin, it must ensure that the value added will exceed the costs of providing the service.

Figure 3-10 Operations Value Chains for Bicycle Rental Companies

	Value-Generating Activity					
	<p>Message that implements competitive strategy</p> <p>"You wanna bike?"</p>	<p>Supporting business process</p> <p>None.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>4.5 that you rented last time?"</p>	<p>Supporting business process</p> <p>Shoe box with rental form.</p>	<p>Low-cost rental to students</p> <p>Message that implements competitive strategy</p> <p>"Show me the bike."</p>	<p>Supporting business process</p> <p>Shoe box with rental form.</p>
	<p>Message that implements competitive strategy</p> <p>"How was your ride?" "Here, let me help you. I'll just scan the bike's number into our system, and then I'll adjust the seat for you."</p>	<p>Supporting business process</p> <p>Printed forms and a shoe box to store them in.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>Let me just scan the bike's number into our system, and then I'll adjust the seat for you."</p>	<p>Low-cost rental to students</p> <p>Message that implements competitive strategy</p> <p>"Fill out this form, and bring it to me over here when you're done."</p>	<p>Supporting business process</p> <p>Physical controls and procedures to prevent bike theft.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>Automated inventory system to check bike out of inventory.</p>
	<p>Message that implements competitive strategy</p> <p>"You know, I think the Wonderbike Supreme would be a better choice for you. It has ..."</p>	<p>Supporting business process</p> <p>Automated inventory system to match customer and bikes, biased to "up-sell" customer.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>Automated inventory system to check bike out of inventory.</p>	<p>Low-cost rental to students</p> <p>Message that implements competitive strategy</p> <p>Automated inventory system to check bike out of inventory.</p>	<p>Supporting business process</p> <p>Automated inventory system to match customer and bikes, biased to "up-sell" customer.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>Customer tracking and past sales activity system.</p>
	<p>Value-Generating Activity</p> <p>Supporting business process</p> <p>Integrated with resort's billing system.</p>	<p>Supporting business process</p> <p>Automated inventory system to place bike back in inventory. Prepare payment documents.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>Prepare payment documents.</p>	<p>Low-cost rental to students</p> <p>Message that implements competitive strategy</p> <p>Prepare payment documents.</p>	<p>Supporting business process</p> <p>Automated inventory system to place bike back in inventory. Prepare payment documents.</p>	<p>High-service rental to business executives at conference resort</p> <p>Message that implements competitive strategy</p> <p>Prepare payment documents.</p>