Putting it all Together -
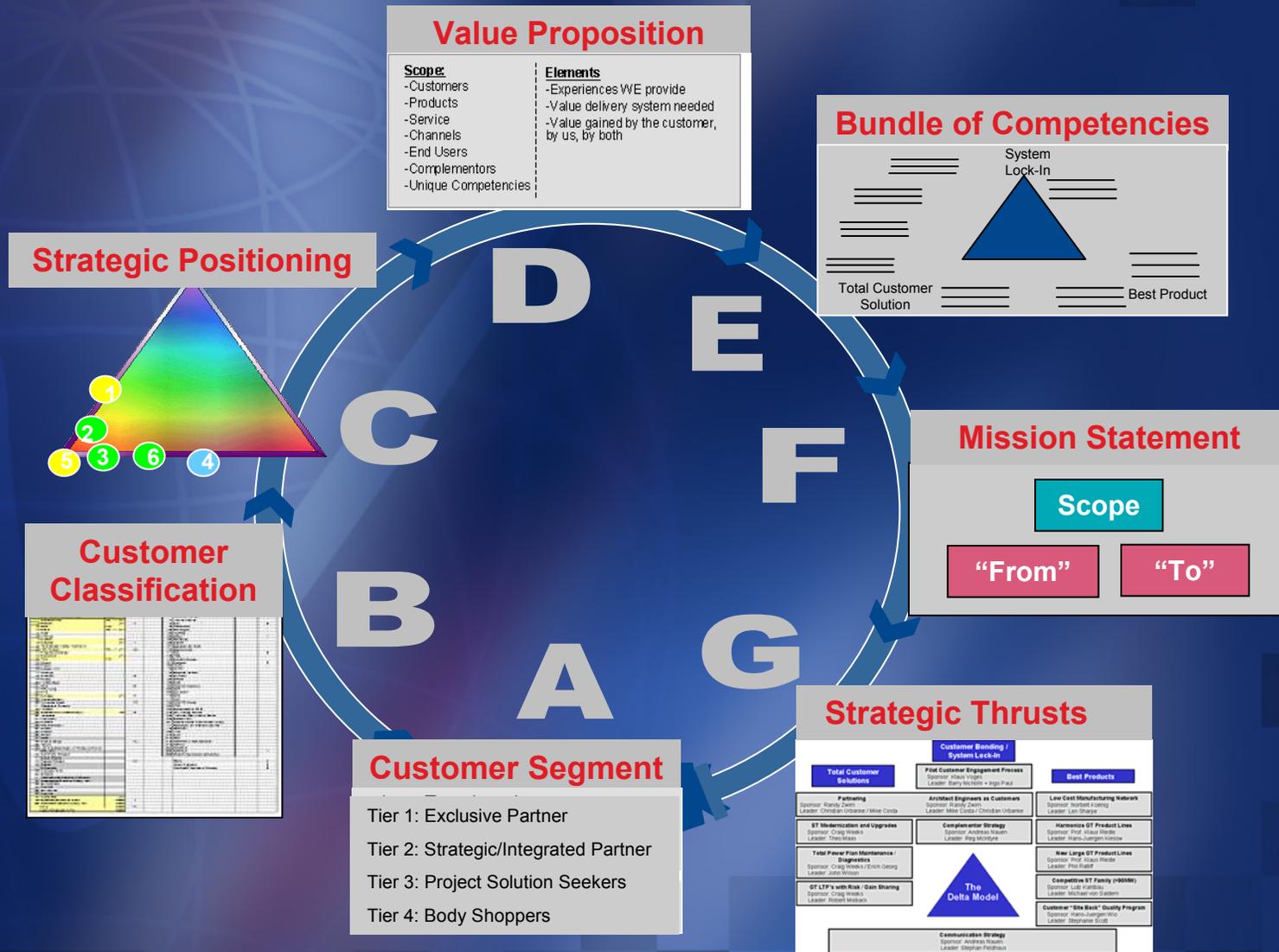
How to capture the critical tasks of strategy

From the Customer Segmentation to Strategic Agenda

Value Proposition

Scope:
-Customers
-Products
-Service
-Channels
-End Users
-Complementors
-Unique Competencies

Elements
-Experiences WE provide
-Value delivery system needed
-Value gained by the customer, by us, by both

Bundle of Competencies

System Lock-In

Total Customer Solution

Best Product

Strategic Positioning

Customer Classification

Mission Statement

Scope

"From"   "To"

Customer Segment

Tier 1: Exclusive Partner

Tier 2: Strategic/Integrated Partner

Tier 3: Project Solution Seekers

Tier 4: Body Shoppers

Strategic Thrusts

D E F C B A G

DMK:

Outsourcing Information Technology from China

Workshop #1: Customer Segmentation

Customer Segmentation

Tier 1: Exclusive Partner
- Japan based orgs requiring outsourcing of IBM mainframe applications
- Opportunity for customer lock-in
- IBM JV
- Existing customers: GE Japan, JBCC, AIG

Tier 4: Body Shoppers
- Transactional relationship to provide supplemental staff without much end - client relationship
- Existing customers: IBM

System Lock-In

Total Customer Solutions

Best Product

Tier 2: Strategic/Integrated Partner
- Long term symbiotic partnership with high value added
- Existing customers: GE China, GE US, Kawasaki, Unisys

Tier 3: Project Solution Seekers
- Full project ownership and solution delivery responsibility without established (but potential) for long-term client relationship
- Existing customer: Toyota, Honda, US prospects, Dept. of Transportation China
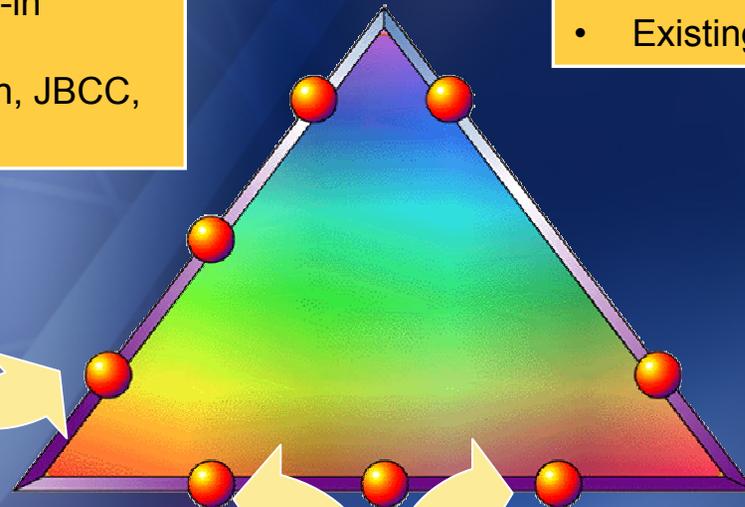
Customer Segmentation

Business Dimension for Tier 1 - "Exclusive Partner"

Customer Dimension	Description
Products	Critical partner to client providing highly integrated, customer specific, high-value added turnkey solutions for legacy mainframe applications in Japanese market
Services	24x7 Maintenance of mission-critical mainframe legacy applications. Application extension through analysis, design and development of new, integrated modules.
Customer	Japanese Corporations in Financial Services, Insurance, etc. industries
Channels	Direct, Referrals from highly satisfied existing clients
End Users	Japanese Corporations, Japanese Government organizations
Complementors	IBM (as an h/2 and s/2 partner), existing clients, Accenture
Unique Competencies	1. Combination of deep knowledge of mainframe applications and deep understanding of Japanese culture (not available to other companies in China. 2. Very high level of quality (only CMM level 5 and Six-Sigma company in China) combined with all the other cost advantages available to Chinese companies not available anywhere else in the world.

Customer Segmentation

Value Proposition for Tier 1 - "Exclusive Partner"

Value Proposition Element	Description
Experiences	Seamless extension of Client team with integrated culture, skilled technologists with deep understanding of clients business.
Value Delivery Systems	• Dedicated client-focused team immersed in all aspects of client's culture • Network integration to seamlessly extend client environment • Open communication of all relevant information on both sides • Executive sponsor, CEO oversight, an full corporate reach • CMM and Six-Sigma delivery methodologies for delivery • Value added reselling of hardware and software for one-stop-shopping
Value Appropriation	• Value gained by customer: Superior ROI, improved time-to-market, Security, Resource stability • Value gained by DMK: Exclusive long-term relationship, higher margins, predictable revenue • Value shared by both: Shared IP, shared learning, shared risk

Customer Segmentation

Business Dimension for Tier 2 - "Strategic Partner"

Customer Dimension	Description
Products	Long-term relationship with client to provide customized and integrated solutions across multiple business units
Services	• T&M and Fixed price application development across multi-phase projects • Joint application development enabled through deep understanding of client culture and methodology • Dedicated retained teams as extension of clients IT organization
Customer	GE US, GE China, Kawasaki, Unisys
Channels	Direct
End Users	N/A
Complementors	Other GE partners, IBM, other software partners, Accenture
Unique Competencies	1. One of 12 exclusive outsourcing vendors or GE 2. Six-Sigma/CMM level-5 quality combined with China's cost advantage.

Customer Segmentation

Value Proposition for Tier 2 - "Strategic Partner"

Value Proposition Element	Description
Experiences	Integrated teams of skilled technologists with deep understanding of client's business
Value Delivery Systems	• Dedicated client-focused teams fully rained in clients methodologies and processes • Joint development plans • Cross-training and periodic two-way knowledge transfer • Business Relationship Manager, CEO oversight and full corporate reach
Value Appropriation	• Value gained by customer: Superior ROI, improved time-to-market, Security, Resource stability, Shared risk, Continuous improvement • Value gained by DMK: Access to client network as sales channel, credibility, learning • Value shared by both: Co-development of shared standards and processes

Customer Segmentation

Business Dimension for Tier 3 - "Project Solution Seekers"

Customer Dimension	Description
Products	Individual project solutions without committed long-term relationship
Services	T&M and Fixed price application development of discrete projects
Customer	Toyota, Honda, Department of Transportation China, US prospects
Channels	• Direct • Consulting partners such as IBM • Strategic partners such as GE
End Users	N/A
Complementors	IBM, GE, other software partners, Accenture
Unique Competencies	Six-Sigma/CMM level-5 quality combined with China's cost advantage.

Customer Segmentation

Value Proposition for Tier 3 - "Project Solution Seekers"

Value Proposition Element	Description
Experiences	End-end-end delivery of a project with high quality and competitive price
Value Delivery Systems	• Structured processes and teams with high quality of performance • Ability to quickly ramp-up on clients business and culture • Process for seamless transition at end of project • Dedicated project team manager with executive oversight
Value Appropriation	• Value gained by customer: Experimentation , learning, flexibility, reduced time-to-market, high quality, ROI • Value gained by DMK: Opportunity for long-term relationship, ROI, learning • Value shared by both: Shared learning in business domain and new technology

Customer Segmentation

Business Dimension for Tier 4 - "Body Shoppers"

Customer Dimension	Description
Products	Individual resources to supplement existing project teams and fill skills gaps (transactional)
Services	• T&M and retained resources for fixed time durations • Provide specific technology development skills on projects
Customer	IBM Japan, NEC
Channels	• Direct • Consulting partners such as IBM
End Users	Corporations
Complementors	N/A
Unique Competencies	1. Consulting partnerships 2. Technology skill differentiation

Customer Segmentation

Value Proposition for Tier 4 - "Body Shoppers"

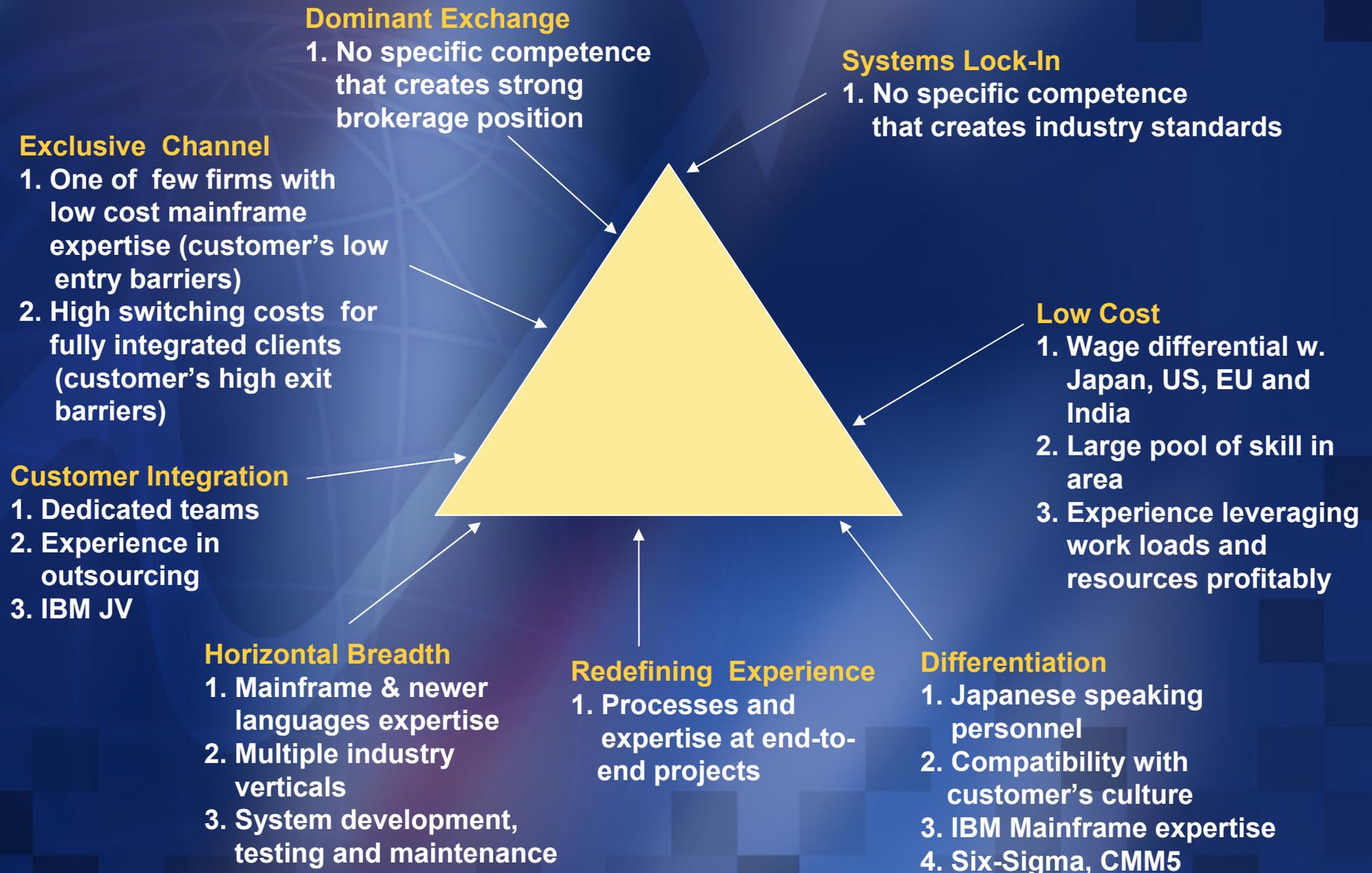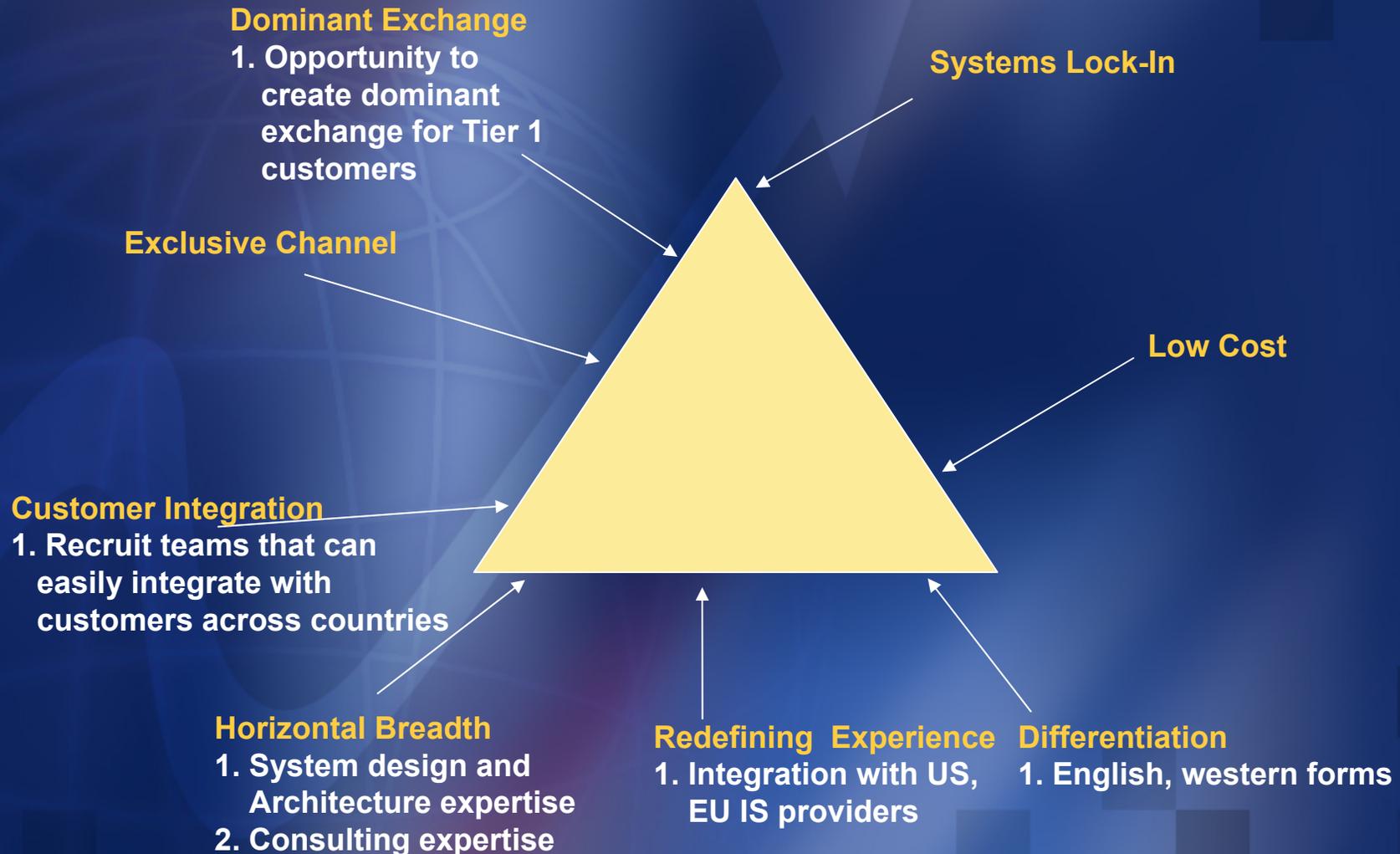| Value Proposition Element	Description
Experiences	Supplement team with individual resources and fill gaps with skill expertise
Value Delivery Systems	• Strong bench that can be tapped on demand • Mix of skills and expertise
Value Appropriation	• Value gained by customer: Resources of demand and skills on demand • Value gained by DMK: Opportunity to up-sell, learning, improved bonding • Value shared by both: Exchange of skills

DMK:

Outsourcing Information Technology from China

Workshop #2: Firm as a Bundle of Competencies

Bundle of competencies analysis (current)

Dominant Exchange
1. No specific competence that creates strong brokerage position

Systems Lock-In
1. No specific competence that creates industry standards

Exclusive Channel
1. One of few firms with low cost mainframe expertise (customer's low entry barriers)
2. High switching costs for fully integrated clients (customer's high exit barriers)

Low Cost
1. Wage differential w. Japan, US, EU and India
2. Large pool of skill in area
3. Experience leveraging work loads and resources profitably

Customer Integration
1. Dedicated teams
2. Experience in outsourcing
3. IBM JV

Horizontal Breadth
1. Mainframe & newer languages expertise
2. Multiple industry verticals
3. System development, testing and maintenance

Redefining Experience
1. Processes and expertise at end-to-end projects

Differentiation
1. Japanese speaking personnel
2. Compatibility with customer's culture
3. IBM Mainframe expertise
4. Six-Sigma, CMM5

Bundle of competencies analysis (desired)

Dominant Exchange
1. **Opportunity to create dominant exchange for Tier 1 customers**

Exclusive Channel

Systems Lock-In

Low Cost

Customer Integration
1. **Recruit teams that can easily integrate with customers across countries**

Horizontal Breadth
1. **System design and Architecture expertise**
2. **Consulting expertise**

Redefining Experience
1. **Integration with US, EU IS providers**

Differentiation
1. **English, western forms**

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**
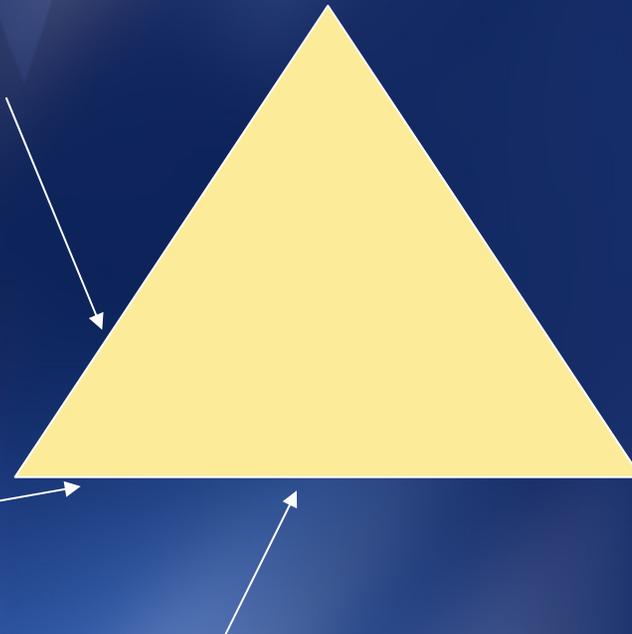
Bundle of competencies analysis

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

DMK:
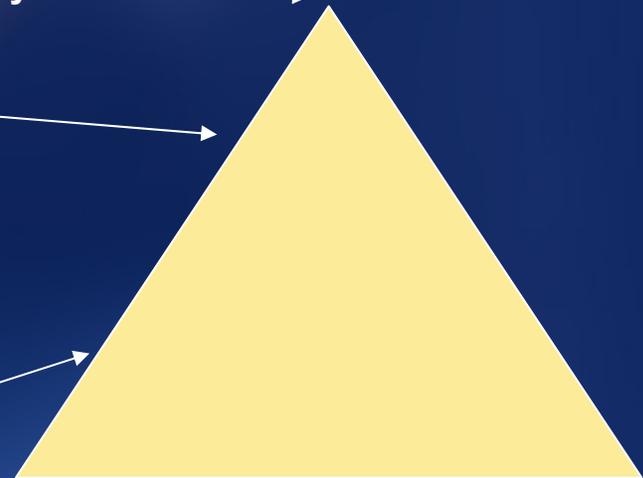
Outsourcing Information Technology from China

The Mission Statement

DMK - Building the Outsourcing Model of the Future

Become the #1 provider of Business Process Outsourcing and IT Services in China:

- Analyzing, designing, developing, deploying, and maintaining software systems and solutions.

- Delivering the highest quality of service and unparalleled value

- Integrating seamlessly with complementary local service providers

- Servicing large and mid-sized corporations, government departments and non-profit organizations

- Through experienced, passionate and hard-working associates driven to provide outstanding service

- Focusing first on Japan, China and US, and expanding next into Europe and Latin American markets

The Transformation of DMK

	Now	Future
Customer Scope	Primarily large corporations, Government departments of China	Expand to include Service providers at the high-end of the software services value chain.
End-User Scope	Large Corporations, Government departments in China	Expand to include mid-sized corporations, State and Federal government departments, non-profit organization
Channel Scope	Direct, Joint Venture	Exclusive offshore service delivery partner-ships that allow white labeling of DMK services
Complementor Scope	Hardware and software product companies	Business Consulting, IT Strategy/Architecture consulting firms
Geographical Scope	Japan and China with limited presence in the U.S.	U.S. and U.K. expand into countries where language of business is non-English and where cost of IT services is higher than China. (Indian firms do not have language advantage while China-based firms have significant cost advantage.)
Service Scope	Lower end of software services value chain: Application development, system integration, system conversion/migration, maintenance and support	Integrated service that captures the entire value chain through strong collaboration with complementors at the high-end of the software services value chain
Product Scope	Technology base such as J2EE framework, Microsoft.NET framework, etc. for rapid code development	1. Horizontal Application frameworks such as Portal toolkits, Content Management toolkits, etc. 2. Solutions frameworks such as wealth management solutions for financial services, employee portals as HR solutions, etc. that leverage competencies/expertise of strategic and exclusive partners
Unique Competencies	1. High maturity in Software development process - First company to obtain SEI CMM level 5 certification in China. 2. Six-Sigma certified project and operations managers to ensure data-driven analysis and predictability. 3. Low cost of China-based delivery 4. Japanese language and cultural strength	1. Ability to build teams that can integrate seamlessly to form extensions of other service organizations 2. Develop familiarity and comfort in business/professional relationships with other cultures based on geographic expansions 3. Develop strength in technical design and knowledge of specific business domains for solutions development

Strategic Agenda

Strategic Thrusts	CEO	CFO	RP US	RP China	RP Japan	VP Operations	VP HR	VP Sales	VP Mktng	Business Processes	Performance
Build Internal Capabilities											
1 Invest in people, train and motivate. Hire outstanding talent. Develop strong technical design capabilities.	2	2		2		①	1		2	OE	Attrition, # of recruits, per
2 Expand nationally leveraging government programs to develop global delivery centers throughout China.	①	2		1		1	2	2	2	OE	Growth in GDC, # of emp profit margin
3 Work with exclusive channel partners to develop horizontal frameworks (portals, content/doc management) and industry specific solution sets (energy, publishing, financial services) for rapid development.	1		2	2	2	①		2	1	I	Decrease in project execu in client satisfaction, incr competitiveness
Solidify Core Markets											
4 Dominate IBM mainframe outsourcing market in Japan through aggressing sales and marketing programs.		2			1	2	2	①	1	CT	Increase in profitable mar
5 Strengthen strategic relationships (e.g. IBM, GE, Kawasaki, Unisys) through deep customer understanding/integration and continuous improvement.	1	2		①	①	1		2		OE	Increase in client satisfac size of relationship and p
Build US market											
6 Develop strong direct-marketing program to target the intermediary service provider channel.	2	2	1			2		2	①	CT	High quality sales leads i consulting and IT service
7 Actively pursue US based Consulting/high-end IT Service firms to become their exclusive provider of design, development, & maintenance services	2		1			2		①	2	CT	Increase in US market sh # of exclusive partners ar
8 Develop an engagement program with processes to ensure long-term, successful integration of offshore DMK team with local service firm.			①			1	2	2		I	Client satisfaction, increa profitability of client
Expand to other markets											
9 Expand to UK and test EU (Germany, France, Italy) using an intermediary partnership network similar to US-strategy.	1	①	2			2	1	1	2	B	Increase in UK market sh partners/projects
10 Enter and test the Latin American market (Brazil, Mexico, Chille) also through an intermediary partnership network.	1	①	2			2	1	1	2	B	Targeted relationships/pr geographies

Strategic Agenda: Quality Tests

Dimension	Description
Comprehensiveness	The agenda extends across all of DMK's services, geographies and market segments including customers, end users, channels and complementors
Stretch	Performance measures for each thrust provides achievable but stretch goals for the organization.
Monitoring and Control	Milestones established throughout the process allow for continuous monitoring and change in strategy if and as required.
Motivation	The mission combined with clear strategic thrust energizes the organization with a common set of goals and flexibility to innovate and grow.
Vulnerability	No material vulnerabilities have been identified at this time. Aligning execution with this strategic agenda will be critical to the success of DMK.