



CHAPTER II

Literature and Related Strategic Management Theories Review

In this chapter, literature related with a Blueprint for Change and Strategic Management to assist process selection for improvement in hard disc drive manufacturing are briefly introduced. Literature has been reviewed into 2 portions, firstly on the theory portion which consists of:

- Blueprint for Change Technique by Office of the Public Sector Development Commission
- Introduction and Implementation of Total Quality Management (TQM) By Khurram Hashmi
- Customer Relationship Management by Wikipedia, the free encyclopedia
- Knowledge Management by Larry Prusak
- Low Cost Manufacturing by Lean Strategic group

From the review, factors have been identified to be Hierarchy of Strategic Intent, Organizational Structure Types, and Strategic Management Processes which have been applied in the organization and the existing Organizational Culture.

Secondly on the Secondary Source which composed of the Interview of company's top management executives, Press Release, Information from Internet, ABC's intranet, Technology Magazines and ABC's Financial Statements (Form-10K).

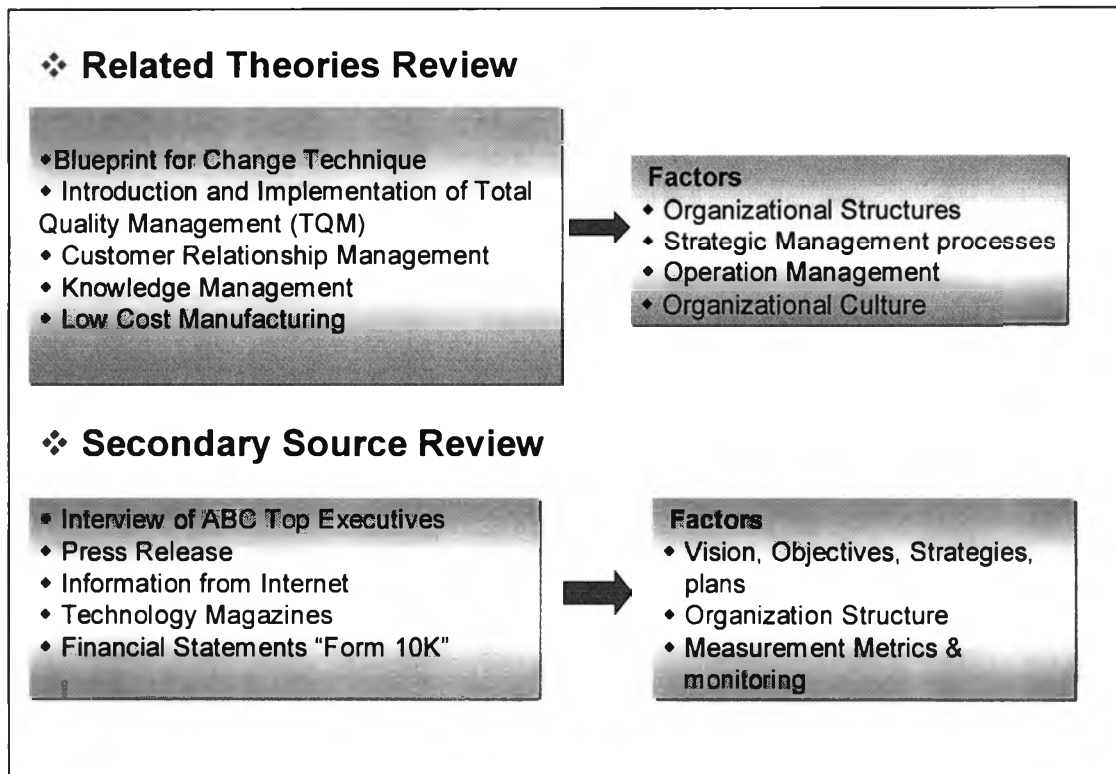


Figure 2.1: Literature and Related Strategic Management Theory Review

2.1 Related Theories Review

2.1.1 Blueprint for Change Technique: by Office of the Public Sector Development Commission

Blueprint for Change is the technique using in planning process for manage the change, many organization using this technique for preparing their organization to be ready to support new technology, IT and the cutting edge of communication. Change management need to consider the most critical process in order to fix and make the bigger improvement to accomplish the company vision.

Change Management, is the process, tools and techniques to manage the people-side of change processes, to achieve the required outcomes, and to realize the change effectively within the individual change agent, the inner team, and the wider system.

Blueprint for Change, is using as a strategic map for increasing efficiency of change management proposing to prepare and support organization to achieve company vision. The technique will enhance organization efficiency in 3 dimensions

1. Operation Management Processes
2. Customer Management Processes
3. Intangible Assets Management Processes

How to develop Blueprint for Change?

The figure 2.1.1.1 illustrate overall picture of Blueprint for Change formulation with step by step procedure as follow:

1. Analysis company vision make it clear and communicate to all employee
2. Define mission to be a guideline to achieve Vision
3. Define objective and key performance indicator
4. Define strategy by study and analyze mission then transform to action plan as a process/project improvement

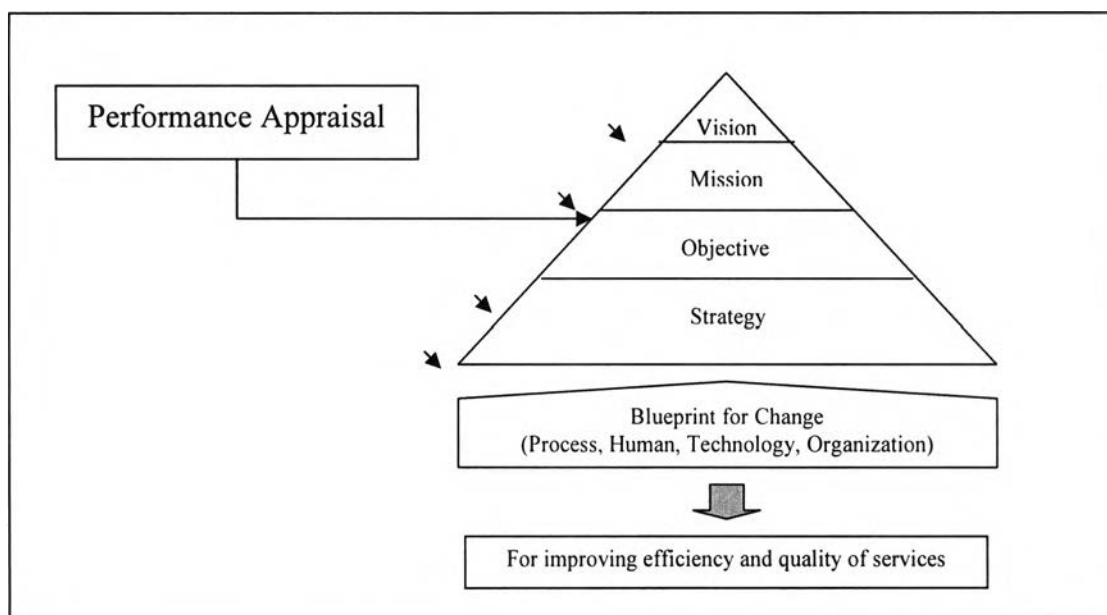


Figure 2.1.1.1: Blueprint for Change formulation from Office of the Public Sector Development Commission

2.1.2 Introduction and Implementation of Total Quality Management (TQM): By Khurram Hashmi

TQM is a management philosophy that seeks to integrate all organizational functions (marketing, finance, design, engineering, and production, customer service, etc.) to focus on meeting customer needs and organizational objectives.

TQM views an organization as a collection of processes. It maintains that organizations must strive to continuously improve these processes by incorporating the knowledge and experiences of workers. The simple objective of TQM is "Do the right things, right the first time, every time". TQM is infinitely variable and adaptable. Although originally applied to manufacturing operations, and for a number of years only used in that area, TQM is now becoming recognized as a generic management tool, just as applicable in service and public sector organizations. There are a number of evolutionary strands, with different sectors creating their own versions from the common ancestor. TQM is the foundation for activities, which include:

- Commitment by senior management and all employees
- Meeting customer requirements
- Reducing development cycle times
- Just In Time/Demand Flow Manufacturing
- Improvement teams
- Reducing product and service costs
- Systems to facilitate improvement
- Line Management ownership
- Employee involvement and empowerment
- Recognition and celebration
- Challenging quantified goals and benchmarking
- Focus on processes / improvement plans
- Specific incorporation in strategic planning

This shows that TQM must be practiced in all activities, by all personnel, in Manufacturing, Marketing, Engineering, R&D, Sales, Purchasing, HR, etc.

Principles of TQM:

The key principles of TQM are as following:

- Management Commitment
 1. Plan (drive, direct)
 2. Do (deploy, support, participate)
 3. Check (review)
 4. Act (recognize, communicate, revise)
- Employee Empowerment
 1. Training
 2. Suggestion scheme
 3. Measurement and recognition
 4. Excellence teams
- Fact Based Decision Making
 1. SPC (statistical process control)
 2. DOE, FMEA
 3. The 7 statistical tools
 4. TOPS (FORD 8D - Team Oriented Problem Solving)
- Continuous Improvement
 1. Systematic measurement and focus on CONQ
 2. Excellence teams
 3. Cross-functional process management
 4. Attain, maintain, improve standards
- Customer Focus
 1. Supplier partnership
 2. Service relationship with internal customers
 3. Never compromise quality
 4. Customer driven standards

The Concept of Continuous Improvement by TQM:

TQM is mainly concerned with continuous improvement in all work, from high level strategic planning and decision-making, to detailed execution of work elements on the shop floor. It stems from the belief that mistakes can be avoided and

defects can be prevented. It leads to continuously improving results, in all aspects of work, as a result of continuously improving capabilities, people, processes, and technology and machine capabilities.

Continuous improvement must deal not only with improving results, but more importantly with improving capabilities to produce better results in the future. The five major areas of focus for capability improvement are demand generation, supply generation, technology, operations and people capability.

A central principle of TQM is that mistakes may be made by people, but most of them are caused, or at least permitted, by faulty systems and processes. This means that the root cause of such mistakes can be identified and eliminated, and repetition can be prevented by changing the process.

Implementation Principles and Processes:

A preliminary step in TQM implementation is to assess the organization's current reality. Relevant preconditions have to do with the organization's history, its current needs, precipitating events leading to TQM, and the existing employee quality of working life. If the current reality does not include important preconditions, TQM implementation should be delayed until the organization is in a state in which TQM is likely to succeed.

If an organization has a track record of effective responsiveness to the environment, and if it has been able to successfully change the way it operates when needed, TQM will be easier to implement. If an organization has been historically reactive and has no skill at improving its operating systems, there will be both employee skepticism and a lack of skilled change agents. If this condition prevails, a comprehensive program of management and leadership development may be instituted. A management audit is a good assessment tool to identify current levels of organizational functioning and areas in need of change. An organization should be basically healthy before beginning TQM. If it has significant problems such as a very unstable funding base, weak administrative systems, lack of managerial skill, or poor employee morale, TQM would not be appropriate.

2.1.3 Customer Relationship Management: Wikipedia, the free encyclopedia

Customer Relationship Management (CRM) includes the methodologies, strategies, software, and web-based capabilities that help an enterprise organize and manage customer relationships. It is the collection and distribution of all data to all areas of the business. The general purpose of CRM is to enable organizations to better manage their customers through the introduction of reliable systems, processes and procedures for interacting with those customers.

In today's competitive business environment, a successful CRM strategy cannot be implemented by simply installing and integrating a software package designed to support CRM processes. A holistic approach to CRM is vital for an effective and efficient CRM policy. This approach includes training of employees, a modification of business processes based on customers' needs and an adoption of relevant IT systems (including software and maybe hardware) and/or usage of IT services that enable the organization or company to follow its CRM strategy. CRM services can even replace the acquisition of additional hardware or CRM software licenses.

The term itself is meant to describe the whole business strategy (or lack of one) oriented on customer needs. The main misconception of CRM is that it is only software, instead of whole business strategy. To be effective, the CRM process needs to be integrated end-to-end across marketing, sales, and customer service. A good CRM program needs to do the following:

- Identify customer success factors
- Create a customer-based culture
- Adopt customer-based measures
- Develop an end-to-end process to serve customers
- Recommend what questions to ask to help a customer solve a problem
- Recommend what to tell a customer with a complaint about a purchase
- Track all aspects of selling to customers and prospects as well as customer support.

Major areas of CRM focus on service automated processes, personal information gathering and processing, and self-service. It attempts to integrate and automate the various *customer serving* processes within a company.

2.1.4 Knowledge Management: Larry Prusak

KM is a newly emerging, interdisciplinary business model dealing with all aspects of knowledge within the context of the firm, including knowledge creation, codification, sharing, and how these activities promote learning and innovation. In practice, KM encompasses both technological tools and organizational routines in overlapping parts.

A leading KM thinker/practitioners, has identified the following items as integral components of KM:

- Generating new knowledge
- Accessing valuable knowledge from outside sources
- Using accessible knowledge in decision making
- Embedding knowledge in processes, products, and/or services
- Representing knowledge in documents, databases, and software
- Facilitating knowledge growth through culture and incentives
- Transferring existing knowledge into other parts of the organization
- Measuring the value of knowledge assets and/or impact of knowledge management

The process of KM is circular (or spiral, depending on cultural references for growth) and unending. That is, participants in the KM process may enter it at any point, and traverse it repeatedly. Additionally, each category often presents decision-making opportunities, passive and active, and the categories help identify a knowledge domain. The categories are:

- Asset Utilization
- Knowledge Evaluation
- Knowledge Improvement
- Knowledge Accumulation

- Knowledge Generation
- Knowledge Sharing
- Knowledge Protection

2.1.5 Low Cost manufacturing by Lean Strategic group

To minimize the unit cost with high quality standard product, Just-In-Time production system is the effective system to achieve the key customer satisfaction. JIT is capable to support high volume ramp up as seasonal selling target and to control inventory level such as Pull system. The process of plastic construction set did not need high skilled work force as wooden jigsaw, in each process since molding to blanking using the machine instead of human manual intervention.

2.2 Secondary Sources Review

Researcher has reviewed ABC Company Background & Milestones, Manufacturing Operations, Industry Outlook, Organizational Structure, and Organizational Culture from various secondary sources. The sources of data and information are from Press Release, Information from Internet, Technology Magazines, ABC Financial Statement (Form-10K) and Information from the Interview of ABC top executives. All related information has been consolidated and summarized as following:

2.2.1 Company's Background

Western Digital is a very well-known name. Besides hard drives, WD used to make a wide range of other electronic components; they started as a controller card manufacturer (then known as Tandon), and later produced a range of superb 32-bit Paradise video cards - though they sold this division to Phillips some years ago. Through the mid-Nineties WD hard drives consistently had the lowest access times of any on the mass-market, though their data transfer rates were usually less outstanding. Other makers have matched and even bettered WD's access times in recent years, but we've seen a steady improvement in data transfer rates. In January 1998, for example, WD's fastest desktop drive gave 131Mbit/sec. This compared well with the other

leaders: 107, 116, 127, and 132Mbit/sec from, respectively, Maxtor, Seagate, IBM and Quantum. Like Quantum, Western Digital is very strong on the desktop but don't dominate the high-end market the way Seagate and IBM do. Again like Quantum, they are pushing hard to break into the lucrative SCSI arena, and have an active R and D department. Unfortunately, their most visible recent initiatives, SDX and 3.0 inch notebook drives, came to nothing and they were forced to refocus on their heartland: fast, solid 3.5 inch drives for desktop PCs. WD were the last major maker to embrace MR head technology, largely because of component supply issues. Their thin-film drives continued to perform well just the same, and their more recent ranges of MR drives are excellent. Western Digital has a solid 14% of the hard drive market and look set to remain successful.

2.2.2 Company's Direction

Vision

ABC will be the global quality leader in its products, services, technologies and business conduct. We will have world-class employees, long-term partnerships with our customers, suppliers and communities and will deliver superior financial return to our shareholder

Mission

ABC's mission is to satisfy our customers' requirements by providing world-class products and services. We will accomplish this mission through investments in people and technologies that generate sustained profitability.

Value

- Leadership
- Customer Satisfaction
- Individual Responsibility
- Quality and Continuous Process Improvement
- Teamwork



Quality Policy

ABC Corporation will strive to exceed our Customers' requirements and expectations. We will achieve this through empowerment of world-class teams applying methods of prevention and Continuous Process improvement. Our purpose is sustained profitability through Total Customer Satisfaction. Our name must represent Quality to our Customers, our Suppliers and Ourselves.

Strategy

Strategy is the board program for defining and achieving an organization's objectives. Organizations are typically managed according to the plan. Strategic plans are designed by top management and define the broad view for organization to meet their objectives.

Strategic plans tend to look ahead several years and affect a wide range of organization activities. Strategic plans are stated in terms that look simplistic and generic but it is necessary to direct people at organization to think of the whole of their organization's operations.

The following "keys to success" initiatives are defining the way ABC work. They emphasize teamwork to reach new levels of quality in everything they do. Total Quality Management, Customer Relationship Management, Knowledge Management and Low Cost Manufacturing philosophies are central towards working smarter and generating substantial cost savings, while delivering the best products in the business to the customers as depict in Table 2.2.2.1.

Total Quality Management *Provides the Quality system strategies, tools and focus necessary to make significant gains in operating efficiencies and quality, and as a result, profitability.*

Customer Relationship Management *Create and sustain long-term, profitable customer relationships and as a critical enabling tool of the processes required to turn strategy into business results.*

Knowledge Management *Contribute knowledge sharing, any process or practical of crating, acquiring, capturing, sharing and using knowledge, wherever it reside, to enhance learning and performance in organization.*

Low Cost Manufacturing *Minimize the unit cost with high quality standard product. Thus, a competitive advantage enables the firm to create superior value for customers and superior profits for itself.*

ABC Company 2005 - PLANT GOALS			
Vision	Mission	Objective	Strategy
ABC will be the global quality leader in its products, services, technologies and business conduct. We will have world-class employees, long term partnerships with our customers, suppliers and communities and will deliver superior financial return to our shareholders.	1. To satisfy our customers' requirements by providing world-class products and services. 2. Accomplish through investments in people and technologies that generate sustained profitability	<ul style="list-style-type: none"> * Become an Employer of Choice * Develop strategic relationships with Key Customers * Provide Best-In-Class Product and Process Quality * Create World-class Manufacturing Processes * Lead the Industry in Key Technologies 	1. TQM 2. CRM 3. Knowledge Management 4. Low Cost Manufacturing

Table 2.2.2.1: ABC Company's Vision, Mission, Objective and Strategy from ABC Corporate Management

2.2.3 Industry Outlook

The near-term outlook is upbeat for all three hard drive segments desktop, high-end, and mobile (see figure). The desktop market follows more historical patterns. Cheap, highly functional drives will become pervasive and a positive market stimulus.

The market for entry-level servers will grow at about 22% per annum over the next five years, or substantially faster than the high-end, which should increase at about a 15% rate. At the high end of the market, the Unix RISC vendors and high-end Intel suppliers are competing to provide value-added solutions. Applications in the high-end segment are more centric oriented than applications in the entry-level segment, supporting corporate-wide activities. The high-end, server-class market represents the primary outlet for high-speed drives which is being infiltrated into the entry-level segment sometime later in the year. At the moment, 7,200-rpm drives account for more than 50% of the market for performance drives.

Meanwhile, at the other end of the spectrum, the market for small, 2.5-in notebook drives will advance at a respectable clip-13% annually over the next five years. The current market for this form factor is 300 GB, which should increase by year end to 400 GB (in four-platter offerings). By 2006, 2.5-in will be the dominant form factor. We also expect suppliers other than Toshiba to start offering single-platter notebook drives.