

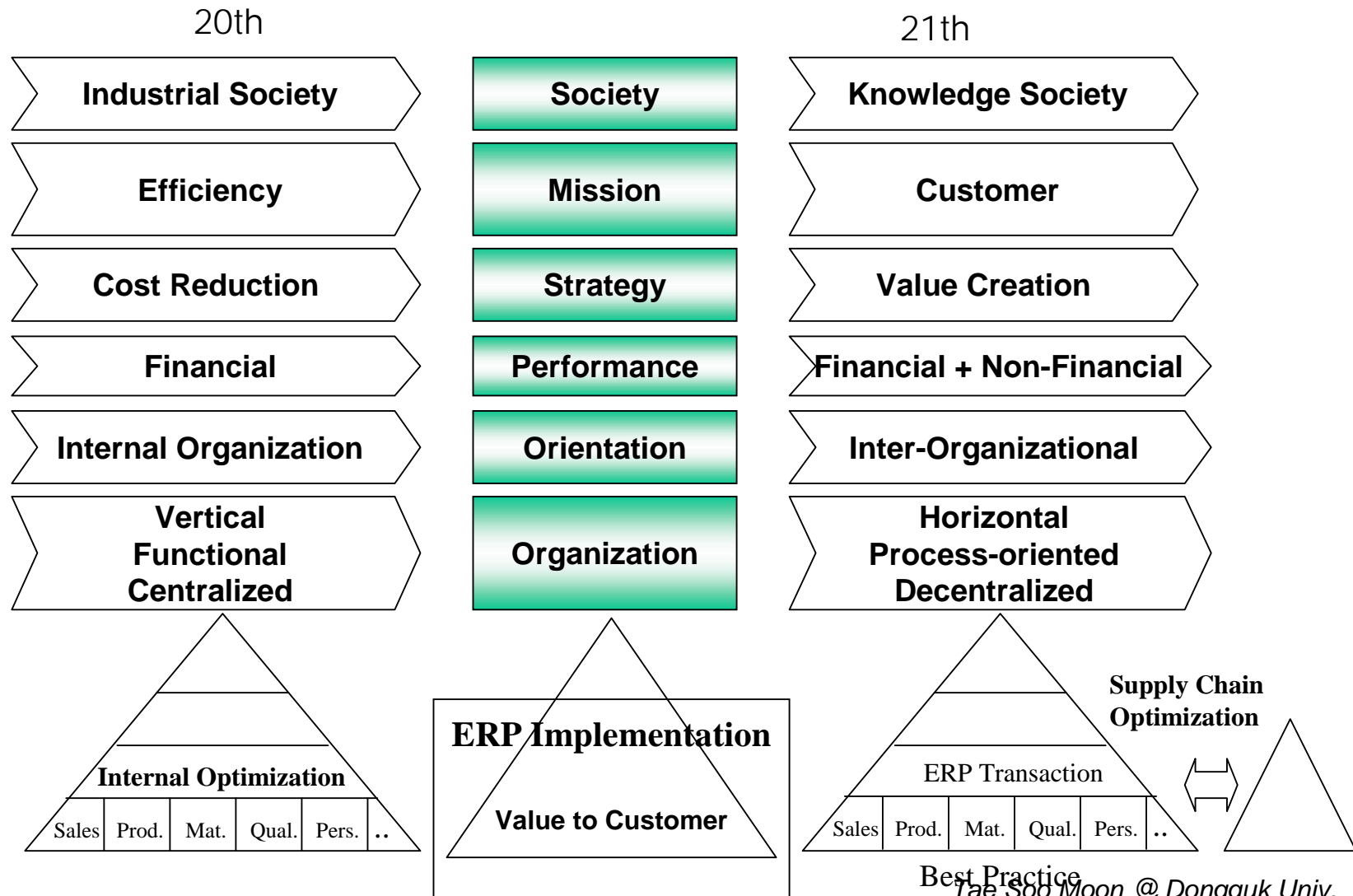
# ERP Industry and Blue Ocean Strategy

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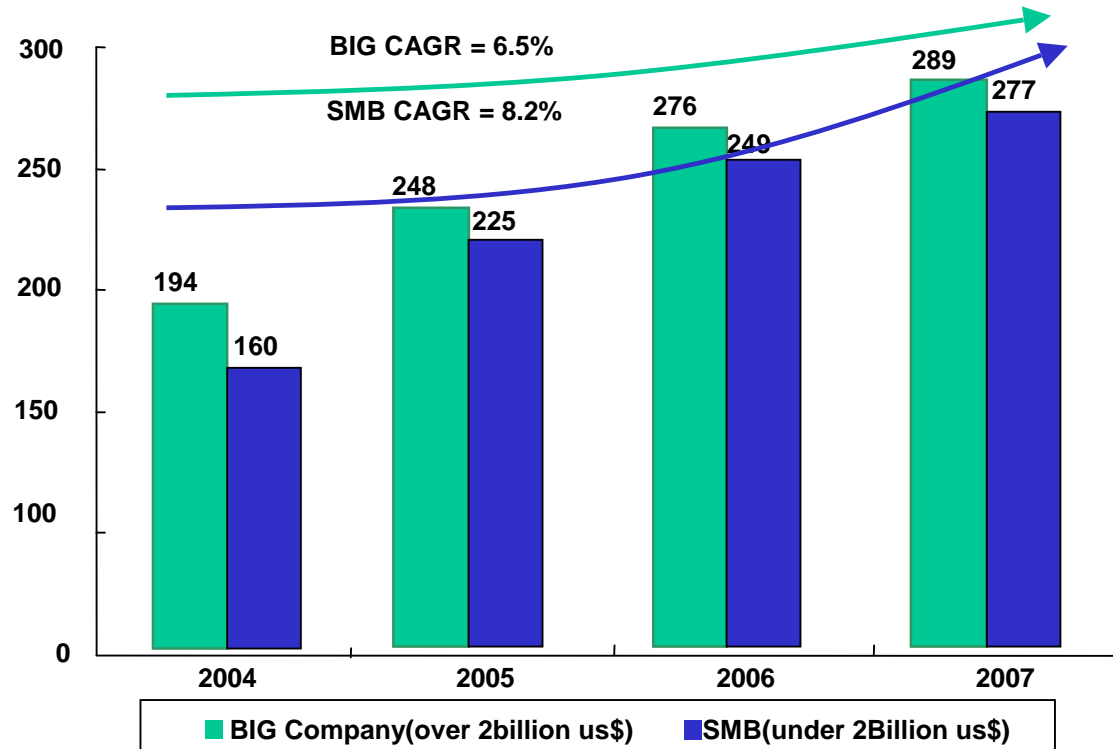
# 1. Changing Business Environment



## 2. Major trends of ERP Market in Korea

### (1) Size of Market

- Market Size of Korea ERP Industry
  - 473 Million USD, 2005
  - 527 Million USD, 2006
- Forecasted Market Size of 2007 : 567 Million USD

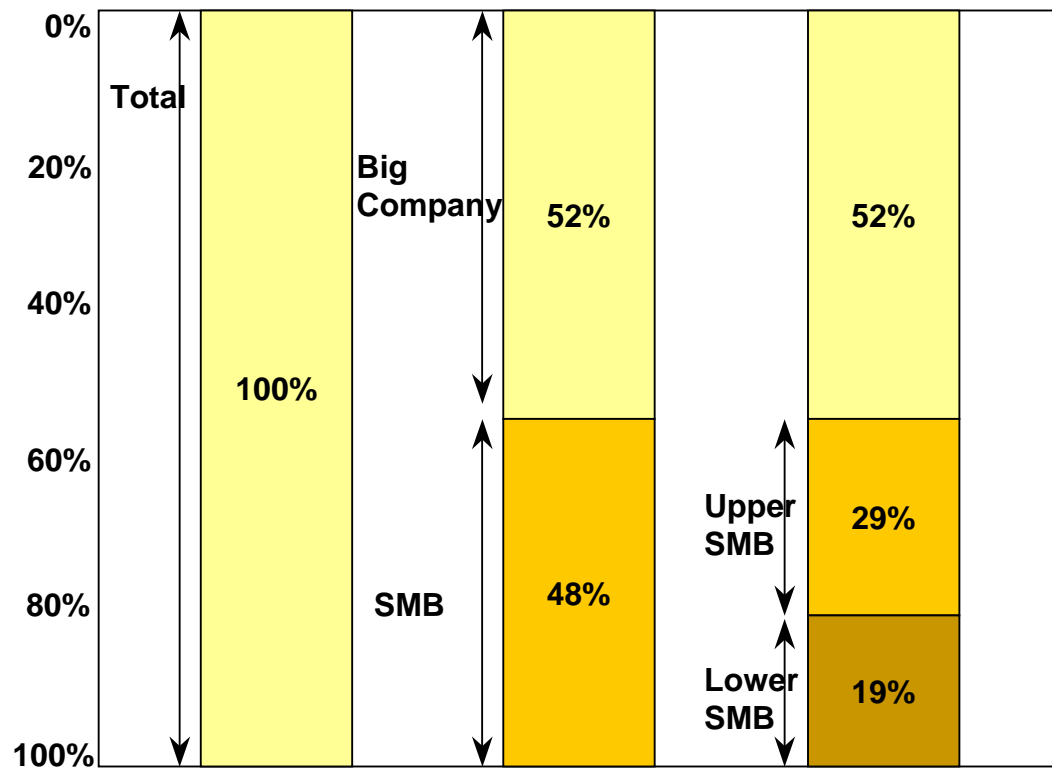


(Source) KRG(2007)

## 2. Major trends of ERP Market in Korea

### (2) ERP Market Structure in the Korea

- Big Company ( 52%), Upper SMB (29%), Lower SMB (19%)
- Big Company (Big 2), Upper SMB (Big 5), Lower SMB (Deep Competition)



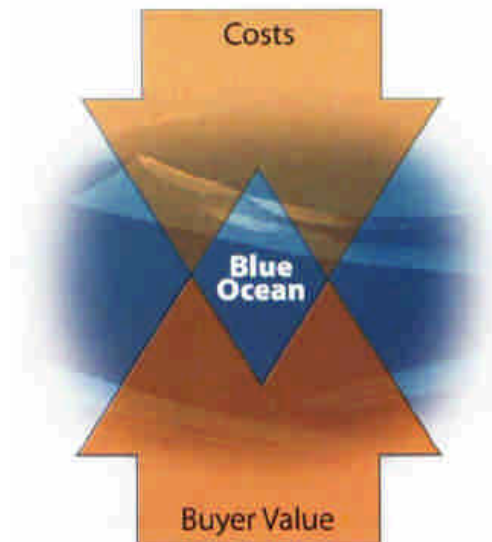
# 3. What is the Blue Ocean Strategy?

## (1) Definition

- ✓ Red Ocean V.S. Blue Ocean Strategy
- ✓ The imperatives for red ocean and blue ocean strategies are starkly different.

**Red**

- Compete in existing market space.
- Beat the competition.
- Exploit existing demand.
- Make the value/cost trade-off.
- Align the whole system of a company's activities with its strategic choice of differentiation or low cost.



**Blue**

- Create uncontested market space.
- Make the competition irrelevant.
- Create and capture new demand.
- Break the value/cost trade-off.
- Align the whole system of a company's activities in pursuit of differentiation and low cost.

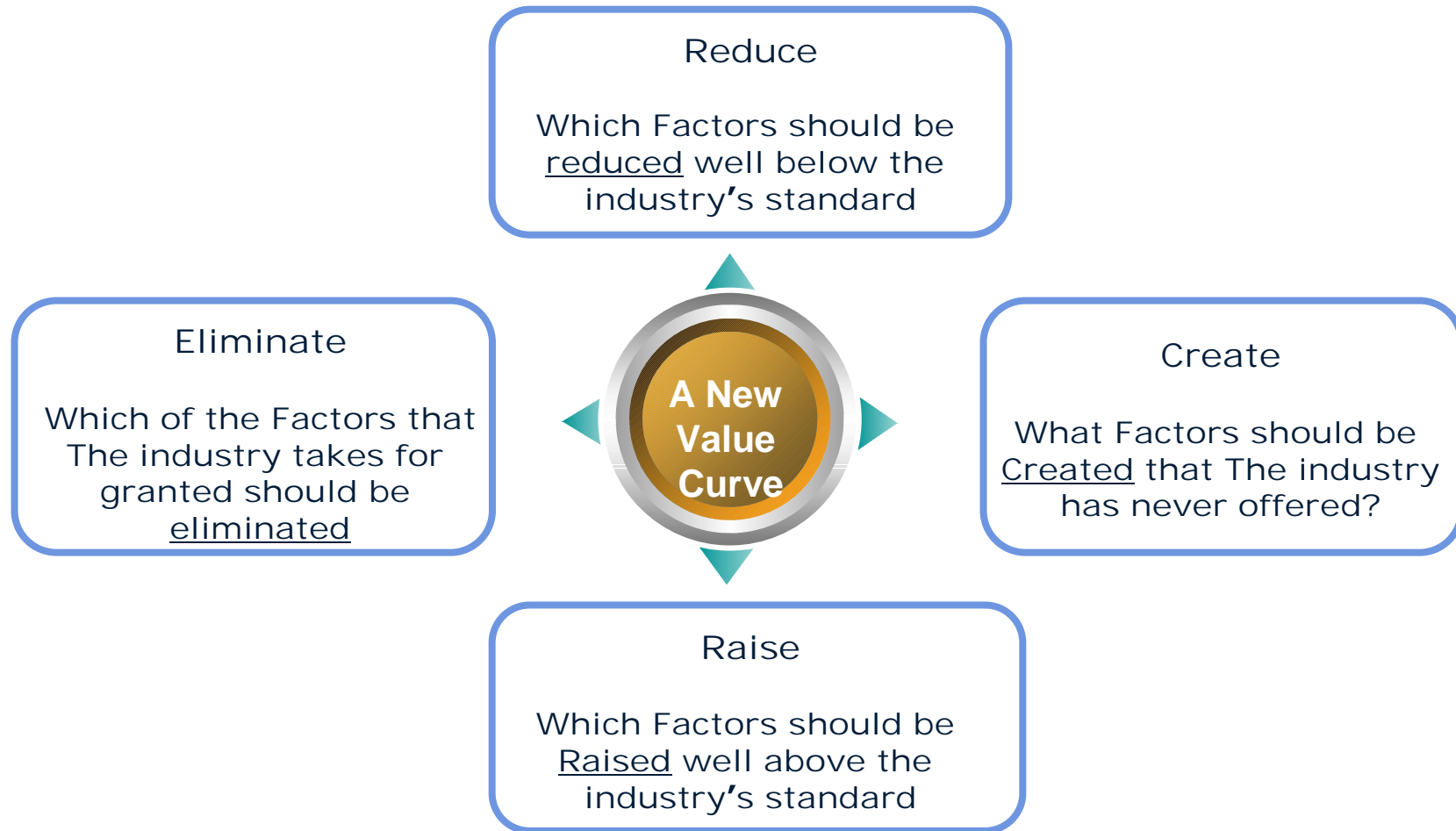
# 3. What is the Blue Ocean Strategy?

## (2) Two Strategic Logics

The Five Dimensions of Strategy	Conventional Logic	Value Innovation Logic
Industry assumptions	<ul style="list-style-type: none"> <li>• Industry's conditions are given.</li> </ul>	<ul style="list-style-type: none"> <li>• Industry's conditions can be shaped.</li> </ul>
Strategic focus	<ul style="list-style-type: none"> <li>• A company should build competitive advantages.</li> <li>• The aim is to beat the competition.</li> </ul>	<ul style="list-style-type: none"> <li>• Competition is not the benchmark.</li> <li>• A company should pursue a quantum leap in value to dominate the market.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• A company should retain and expand its customer base through further segmentation and customization.</li> <li>• It should focus on the differences in what customers value.</li> </ul>	<ul style="list-style-type: none"> <li>• A value innovator targets the mass of buyers and willingly lets some existing customers go.</li> <li>• It focuses on the key commonalities in what customers value.</li> </ul>
Assets and capabilities	<ul style="list-style-type: none"> <li>• A company should leverage its existing assets and capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>• A company must not be constrained by what it already has.</li> <li>• It must ask, What would we do if we were starting anew?</li> </ul>
Product and service offerings	<ul style="list-style-type: none"> <li>• An industry's traditional boundaries determine the products and services a company offers.</li> <li>• The goal is to maximize the value of those offerings.</li> </ul>	<ul style="list-style-type: none"> <li>• A value innovator thinks in terms of the total solution customers seek, even if that takes the company beyond its industry's traditional offerings.</li> </ul>

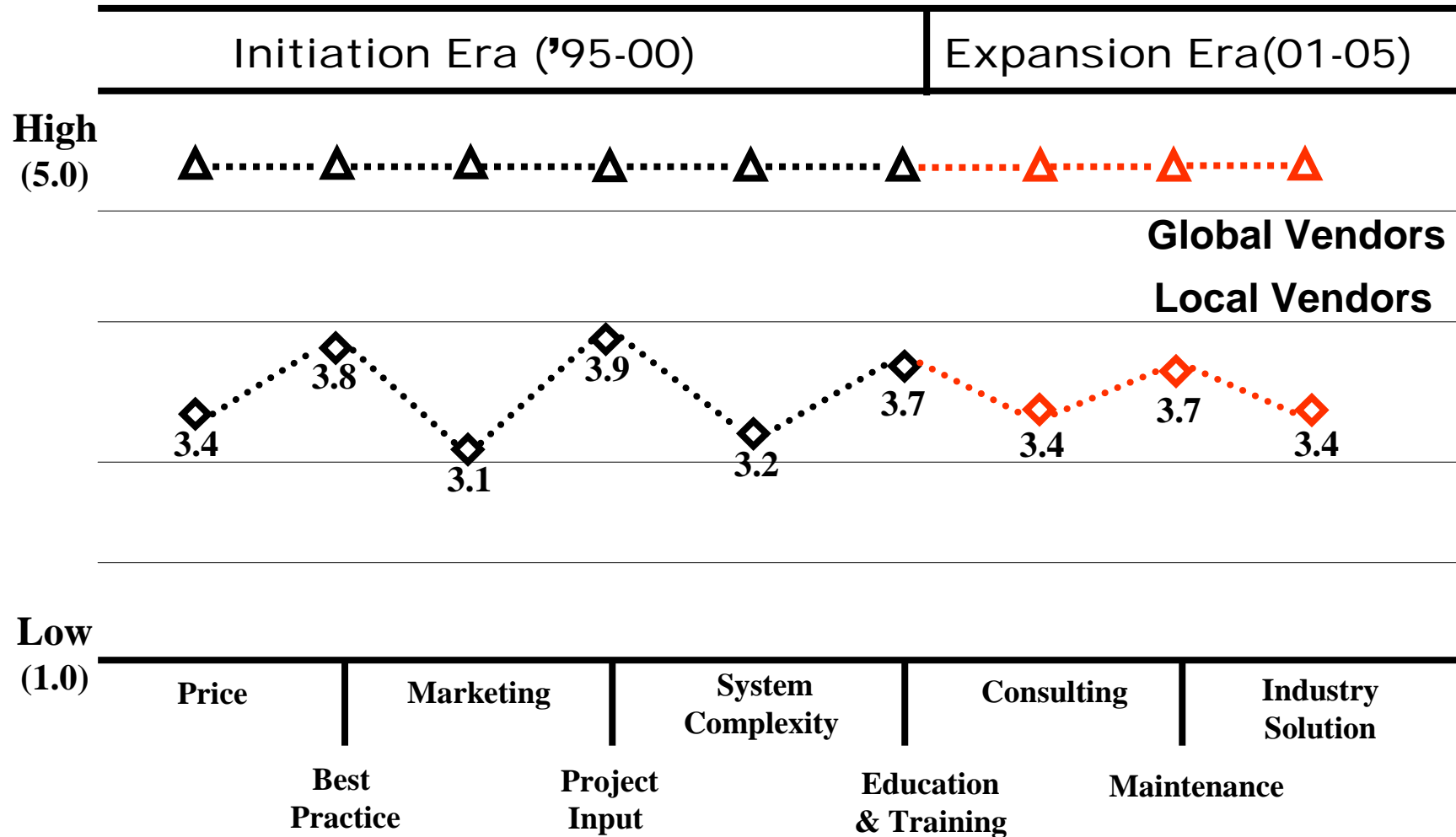
# 3. What is the Blue Ocean Strategy?

## (3) Four Actions Framework (ERRC)



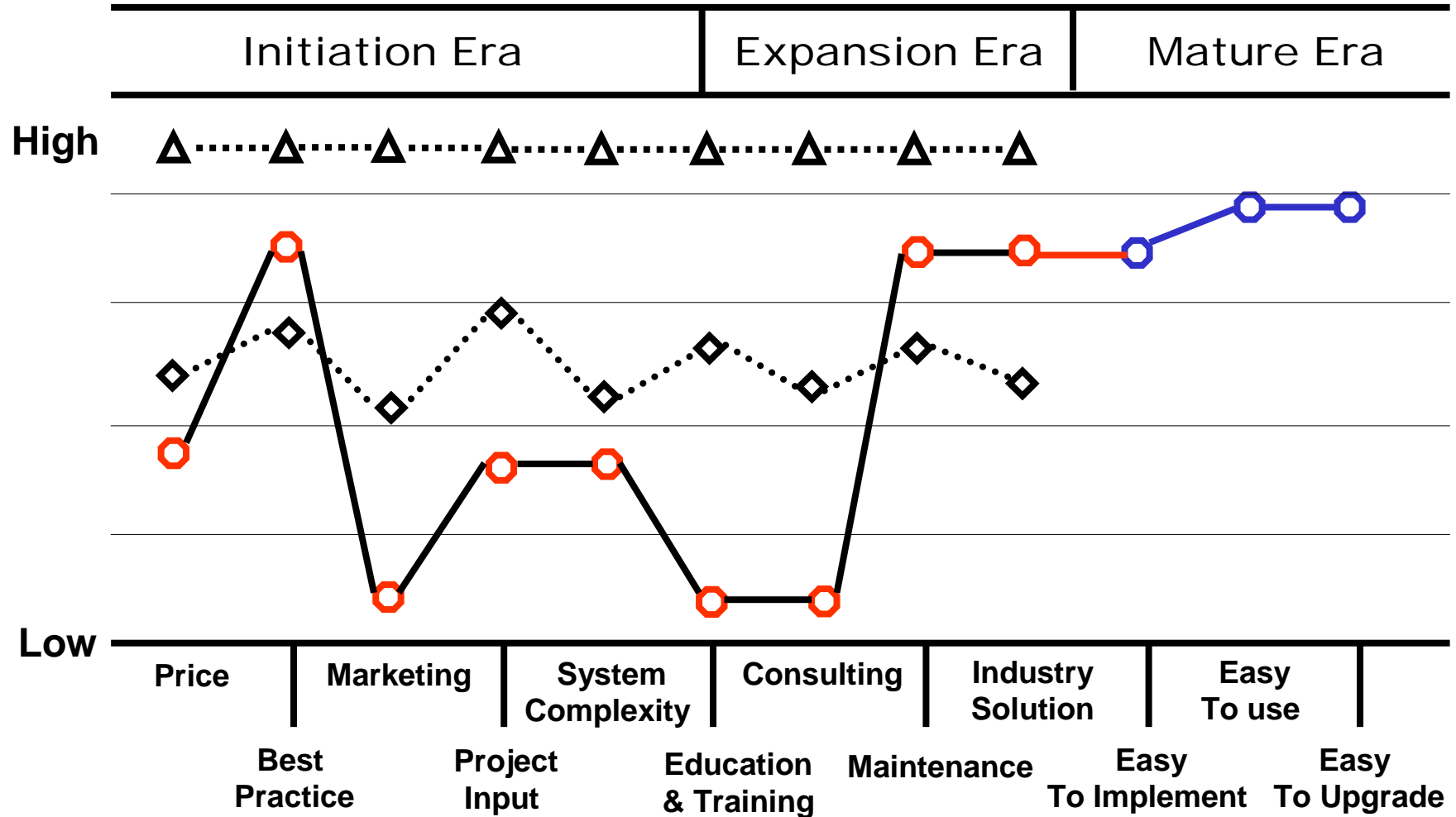
# 4. ERP Industry and the Blue Ocean Strategy

## (2) Stage 2 : Expansion (2001-2005)



# 4. ERP Industry and the Blue Ocean Strategy

## (4) Stage 3 : Mature (2006-2010)



## 4. ERP Industry and the Blue Ocean Strategy

### (7) Suggestions

- ❖ **Change Management through Extended Enterprise Application**
  - Inter-Organizational Restructuring by Cross-Functional View
  - To Define the Process/Data Ownership of Enterprise Application
  
- ❖ **Strategic Partnership with Core competences**
  - To Improve Network Competitive Ability with Outsourcers
  - Business Integration with Vertical/Horizontal Integration
  - Global Standard and Core Application Structure
  
- ❖ **Corporate Performance Management**
  - Not only Financial Performance, But Balanced Performance
  - Balanced Score Cards with 4 Perspectives
  - Internal Business Process, Growth, and Customer Perspectives
  
- ❖ **IT Governance and Total Cost of Ownership(TCO)**
  - To Link Business Strategy with IT Strategy
  - Alignment of Enterprise Application into Corporate IT Architecture
  - Effective Make or Buy Decision Making