DMK International (3) – Mission of the Business

DMK International plans are designed to become a number one software outsourcing company in China.

-- DMK International Corporate Vision

Mission of the Business

In this chapter, we discuss the Mission of DMK International as a starting point of formulation of their business strategy. The DMK SF team worked with business executives at DMK International to formulate the following mission of the business using the different steps of the Hax methodology

Step 1: Definition of Time Frame

For the case of DMK International, which is in the software outsourcing industry, a three-year timeframe from mid-2004 to mid-2007, was deemed appropriate as a planning horizon. This takes into account the growing offshore outsourcing industry, the changing competitive and geographical landscape, evolving political factors and other aspects that make this an appropriate timeframe for this industry.

Step 2: Determination of Business Scope and Unique Competencies

In this step, we examine the existing business scope along Customer, End User, Channel, Complementor, Geography, Services, and Product dimensions and the new business scope (i.e. additions to existing scope) along the same dimensions. Unique existing competencies that set DMK's business apart are explored and new unique competencies required in the future are also explored. The identified business scope and unique competencies are then prioritized.

Customer Scope

DMK's existing customers can be divided into five categories (see Table 1). The priority of each is assessed with five grades; from the lowest, "– –", "–", "E", "+", and "+ +".

Table 1: Customer Scope for DMK International

EXISTING CUSTOMER SCOPE	− −	−	**E**	+	+ +
Japan based Corporations					●
Joint Ventures in Japan					●
China based Corporations			●		
Government departments of China			●		
US based Corporations				●	

NEW CUSTOMER SCOPE	− −	−	**E**	+	+ +
US based IT professional services firms					●
Joint Ventures in the US				●	
Europe (UK, Germany, others) based corporations			●		
Europe based IT professional services firms			●		
Joint Ventures in Europe			●		
Latin America based IT professional services firms		●			
Latin America based joint ventures	●				

Japan based corporations, such as GE Japan, AIG, Kawasaki, etc., and joint ventures in Japan, such as the JBCC joint-venture with IBM, are among DMK's most important customers. The deep understanding of Japanese culture and language is a unique competency of DMK. This combined with their high-quality and low-cost services creates significant value for Japanese customers who are seeking low-cost IT off-shoring services. Japan based customers do not have to change their documentation, hire additional people to serve as translators or change their decision making procedures when working with DMK. These provide a competitive advantage when compared to India based outsourcing companies, that may have advantages in terms of industry experience, number of skilled workers and technology expertise. Currently, 70% of DMK's revenue comes from Japan.

Though China based corporations and Government departments of China are existing clients, they are not a large part of the revenue of DMK (1.4% of revenue). DMK is one of the top 10 software export companies in China and the first ever Chinese software company that passed the SEI-CMM Level 5 assessment as a whole. The Chinese market is expected to grow in size. Though there are some good reasons to target Chinese market, it is difficult to expand business in China at this time. The effort to expand in China will be significant because DMK is only known locally around the city of Dalian in China and DMK does not have connection with companies and government bodies in other cities. The existing connection of other companies becomes an entry barrier for DMK.

With the help of strategic partnerships with clients such as GE, DMK has started targeting US based corporations. 23% of DMK's revenue comes from the US. DMK has a cost advantage over Indian companies. However, a couple of disadvantages create significant barriers in developing the US market:

1. English as the language of business: This is improving rapidly as the student population of China has embraced the learning of English as a foreign language. However, it will still remain a deterrent in countries where English is the only medium of business for the next few years.

2. Expertise in the high-end of the software outsourcing value-chain: DMK has significant expertise in the development, testing and maintenance phases of the software application development lifecycle but is weak in business analysis, architecture and design. This is a significant barrier to developing the US market (or the UK market in the future).

DMK's new customer scope addresses these disadvantages and helps build both its current and future markets. DMK's new customers can be divided into seven categories (see Table 1). The key change in DMK's customer scope is targeting local consulting companies and software service providers at the high-end of the software services value chain that provide industry specific business consulting and analysis, technology architecture, and high-level design services. These organizations are facing significant cost challenges and are being squeezed out of the market place by low-cost offshore service providers. An exclusive relationship with DMK will provide such firms the ability to become competitive on cost (for example with Indian off-shoring companies, given the significant cost differential between India and China) while maintaining existing relationships with end-clients and leveraging their deep knowledge of the end-client's business. A dedicated DMK team will fully integrate with each customer (i.e. high-end service provider) providing them a deep bench for resource flexibility, CMM level 5 and six-sigma processes and quality of service. In turn, DMK will overcome barriers related to language, culture, industry expertise and business analysis, architecture and design skills in working with end-customers. In order to fully embrace this intermediary customer tier, DMK will need to provide non-compete guarantees and develop efficient processes for integrating with the working style and culture of each customer. Joint Ventures in the US may be another mechanism to achieve the same result.

Similar intermediary service providers and joint venture relationships in the UK, mainland Europe and Latin America are future customer targets for DMK. Latin America is an uncultivated market for outsourcing firms. Indian outsourcing firms have not penetrated Latin America, despite cost differentials, mainly because the dominant language is Spanish or Portuguese. The higher cost differential with China, the significant Japanese settlement in countries like Brazil, and an intermediary channel strategy might make DMK better equipped to penetrate this market. DMK also has experience in successfully getting into foreign-language markets (Japan) by providing services in-line with the local culture/language. Applying this experience to other non-English speaking countries, DMK may successfully enter the market where other competitors have not been successful.

However, this needs to be tested in a small scale for validation before significant investment. Note that DMK has tried entering the Korean market through a direct strategy similar to Japan, but the benefits are yet to be reaped.

End-user Scope

For the most part, DMK has been serving large corporations and government departments (only in China). With high-end service providers as customers, DMK can expand its end-user scope to include mid-sized corporations, local state and federal governments, and non-profit organizations (see Table 2). Mid-sized corporations, government departments, and non-profits are extremely cost conscious but are not targeted by large offshore service providers due to the smaller size, country specific regulations, and one-off projects. Smaller offshore service providers lack the quality of service, compliance needs, and do not have the sales and marketing clout to reach them.

Table 2: End-user Scope of DMK International

EXISTING END-USER SCOPE	− −	−	**E**	+	+ +
Large-sized corporations				●	
Government Department in China			●		

NEW END-USER SCOPE	− −	−	**E**	+	+ +
Mid-sized Corporations					●
State and Federal Governments				●	
Non-profit organizations			●		

This results in these markets being under served and highly fragmented. The new customer scope will allow DMK to better penetrate these highly fragmented end-user segments through local intermediary service providers and in the process bring significant value to these end-users. Additionally, through its new customer scope, DMK will be able to provide end-to-end service to its end-users.

Channel Scope

DMK currently provides outsourcing services via direct contracts with end-clients and through joint ventures (currently only with IBM). DMK's new channel scope will include complementary service-providers, including consulting organizations and software service providers, focused at the higher-end of the value chain (see Table 3). This enables DMK to provide services that span the entire software service value chain and accumulate industry and skill learning in the process.

Table 3: Channel Scope of DMK International

EXISTING CHANNEL SCOPE	− −	−	**E**	+	+ +
Direct				●	
Joint Ventures				●	

NEW CHANNEL SCOPE	− −	−	**E**	+	+ +
Exclusive off-shoring partnerships with complementary services firms					●

Complementor Scope

DMK's current complementor scope includes software and hardware product vendors. Strategic clients like GE also serve as complementors – helping DMK build six-sigma process capabilities and domain expertise. In future, as its service expands further upstream of the IT development process, the experience to do more strategic and architectural service becomes important. Alliances with business consulting and IT Strategy/Architecture consulting firms are necessary to obtain the knowledge for the high-end of the software services value chain (see Table 4).

Table 4: Complementor Scope of DMK International

EXISTING COMPLEMENTOR SCOPE	− −	−	**E**	+	+ +
Software and hardware product vendors				●	
Clients				●	

NEW COMPLEMENTOR SCOPE	− −	−	**E**	+	+ +
Business Consulting, IT Strategy/Architecture consulting firms at the high end of the software services value chain					●

Geographical Scope

DMK has provided high-quality / low-price service to Japan based organizations (see Table 5). With its deep understanding of the culture and language of Japan and its unique expertise in IBM mainframes among China based outsourcing companies, Japan will continue to be very profitable and a growing market for DMK.

Table 5: Geographical Scope of DMK International

EXISTING GEOGRAPHICAL SCOPE	− −	−	**E**	+	+ +
Asia					
Japan					●
China				●	
USA (expand to target non-metros)					●

NEW GEOGRAPHICAL SCOPE	− −	−	**E**	+	+ +
Europe					
United Kingdom			●		
European Union			●		
Latin America		●			

The US has been a source of strategic partners and complementors for DMK, with clients like GE, IBM and AIG. In this sense, US will be the most important for the next phase of growth. DMK should also target service providers that service the non-metro regions in the US as these geographies are currently less penetrated and under served.

Geographically, Europe and Latin America has been left untouched by DMK. The UK market requires less overhead than mainland Europe and Latin American markets, because there is less of a language barrier, but this means more competition. As already discussed in Customer scope, Latin America can be a potential target in which DMK can clearly differentiate from competitors, using a non-direct strategy. However, this market needs to be tested and the timing to enter Latin America should be kept open and considered with care.

Service Scope

DMK current service scope extends across application development, systems integration, systems migration & data conversion, and maintenance & support, as shown in Table 6. Application development on the IBM mainframe continues to be a sought after service given the abundance of system maintenance needs. This service scope should be kept in high priority for DMK. Corporate intranets and other web portal spending are projected to be one of the top areas for growth in Internet technologies sector during the first decade of the 21st century. DMK also sees a great opportunity in this service scope and is setting high priority.

As DMK expands its service upstream, the company should develop the ability to provide detailed technical design, which is the one-level up from their current services. Partnering with complementary service providers it should expand service in the order of application design, architecture design, requirement analysis, and outsourcing ROI analysis.

Table 6: Service Scope of DMK International

EXISTING SERVICES SCOPE	− −	−	E	+	+ +
Application Development					
Enterprise Information System (EIS)			●		
Customer Relationship Management (CRM)		●			
Enterprise Resource Planning (ERP)		●			
E-Commerce			●		
Mainframe				●	
Business Intelligence (BI)			●		
Portals				●	
System Integration					
Enterprise Application Integration (EAI)			●		
Web Services			●		
System Migration and Conversion		●			
Maintenance and Support			●		

NEW SERVICES SCOPE	– –	–	E	+	+ +
Offshore Extensions for Local Service Providers providing unconditional non-complete and allowing them to white label DMK's offshore services as their own.					●
Outsourcing ROI Analysis (thru complementors)				●	
Business Requirements Gathering (thru complementors)				●	
Systems/Application Architecture (thru complementors)				●	
Systems/Application Design (thru complementors)				●	
Detailed technical design (partnering with complementors)					●

Product Scope

Note that DMK is a services organization and does not sell products in the true sense of it. We therefore look as product scope for DMK as it relates to pre-built software components that enhance service delivery for DMK.

DMK is eager to support cutting-edge software platforms to add to its service offerings. It started by providing software services for IBM mainframes and other legacy systems (see Table 7). By expanding to support new software platforms, DMK has started to build more business with existing customers. Technology frameworks (e.g. J2EE and .NET frameworks) help with rapid code development and reduce the cost of service to clients. Hence, these remain areas for DMK to continue investing in. As it continues to expands, DMK needs to leverage competencies/expertise of its strategic/exclusive partners and expand its product scope to build (1) horizontal application frameworks such as portal solution toolkits or content/document management toolkits and (2) vertical industry solution sets such as wealth management frameworks for financial services or B2B integration framework for the energy sector. Such solutions will enhance customer integration and provide the ability for continuous improvement in process, cost, and time to market.

Table 7: Product Scope* of DMK International

EXISTING PRODUCT SCOPE	– –	–	E	+	+ +
J2EE framework for application development			●		
Microsoft .NET framework for application development			●		
ETL tools for System Migration/Conversion		●			
Data models for (Energy, Education & Training, Publishing, Finance & Insurance, HR)		●			

NEW PRODUCT SCOPE	– –	–	E	+	+ +
Portal framework for (Plumtree, Epicentric, SharePoint)					●
Content/Doc Management frameworks (Vignette, Interwoven, Documentum, MS CMS)					●
B2B supplier management framework for the Energy industry				●	
Collaboration framework for academic institutions		●			

*Note that DMK is primarily a services company. All products listed are frameworks developed to facilitate rapid custom software development.

Unique Competencies

DMK's existing competencies (see Table 8) are all important to attract and retain customers, especially Tier-1. Certified high quality service, cost advantage to Japanese domestic firms, and profound understanding of Japanese language and culture lowers the entry barrier to the Japanese market for outsourcing companies like DMK based in China, while the barrier is still high for other competitors. This combined with its unique IBM mainframe expertise in China makes this a unique competency for DMK.

Table 8: Unique Competencies of DMK International

EXISTING UNIQUE COMPETENCIES	− −	−	**E**	+	+ +
High maturity in Software development processes. First company to obtain SEI CMM level 5 certification in China					●
Six-Sigma certified project and operational managers to ensure data driven analysis and predictability					●
Low cost of China based delivery					●
Japanese language and cultural strength.					●
Expertise in IBM mainframe technologies					●

NEW UNIQUE COMPETENCIES	− −	−	**E**	+	+ +
Ability to build teams that can integrate seamlessly to form extensions of other service organizations					●
Comfort in business/professional relationships with other cultures of targeted geographies.				●	
Strength in technical design and knowledge of specific business domains for solutions development.					●

As it embraces its new business scope, DMK teams need to integrate seamlessly with customers who are themselves service providers and have unique methodologies and cultures. DMK needs to have the ability to quickly integrate with customer teams (more than it currently does with end-users) through structured processes and communication techniques. Integrating networks and leveraging other collaboration technologies can go a long way in this regard. Enhancing its capabilities on technical design and knowledge of specific business domains are also important to deliver on its new business scope.

Step 3: Challenges from changes in the Mission

In this step, we identify the challenges that arise in stretching the organization from its existing state to include the changes we expect in building new capabilities and transforming to the new business scope, discussed above. This also serves as the first step in identifying strategic thrusts for the business.

Challenges from changes in Customer Scope
- Ability to build teams that can integrate seamlessly to form extensions of other service organizations.
- Develop familiarity and comfort in other foreign cultures.

Challenges from changes in End-User Scope
- Need to build intermediary channel to gain access to mid-sized corporations
- Need to build partnerships with service providers focused on servicing state and federal governments
- Need to build intermediary channel to gain access to non-profit organizations

Challenges from changes in Channel Scope
- Need new sales and marketing strategy that targets services organizations in high-end of services value chain

Challenges from changes in Complementor Scope
- Need new sales and marketing strategy that targets services organizations in high-end of services value chain

Challenges from changes in Product Scope
- Deeper expertise in industry verticals is required to build solutions sets
- Focused effort required to build horizontal application frameworks

Challenges from changes in Service Scope
- Ability to build teams that can integrate seamlessly to form extensions of other service organizations.
- Lack of strength in technical design
- Lack of network of complementors at high-end of software services value chain

Challenges from changes in Geographical Scope
- Develop familiarity and comfort in business/professional relationships with new foreign cultures

Challenges from changes to Unique Competencies
- Lack of knowledge in European and Latin American cultures
- Lack of dominant technical design strength

Step 4: Mission Statement

The above analysis inspires the following Mission Statement for DMK:
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
- Seamlessly integrating with complementary local service providers
- To service 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 America markets

Table 9: The Mission of the Business

	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 partnerships that allow white labeling of DMK services
Complementor Scope	Hardware and software product companies	Business Consulting, IT Strategy/Architecture consulting firms
Geographic Scope	Japan and China with limited presence in the US	US, UK. 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 based 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	1. High maturity in Software	1. Ability to build teams that can integrate

	Now	Future
Competencies	development processes - First company to obtain SEI CMM level 5 certification in China. 2. Six-Sigma certified project and operational managers to ensure data driven analysis and predictability. 3. Low cost of China based delivery.4. Japanese language and cultural strength.	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.

Industry Structure

Offshore outsourcing for IT services is an emerging industry that came about as these two trends became more and more apparent:

1. Developed countries such as US and Japan have huge IT service demands and cost of their IT service keeps rising.

2. Developing countries such as India and China are able to provide high quality IT services with their well-trained and experienced human capital, as well as improved infrastructure.
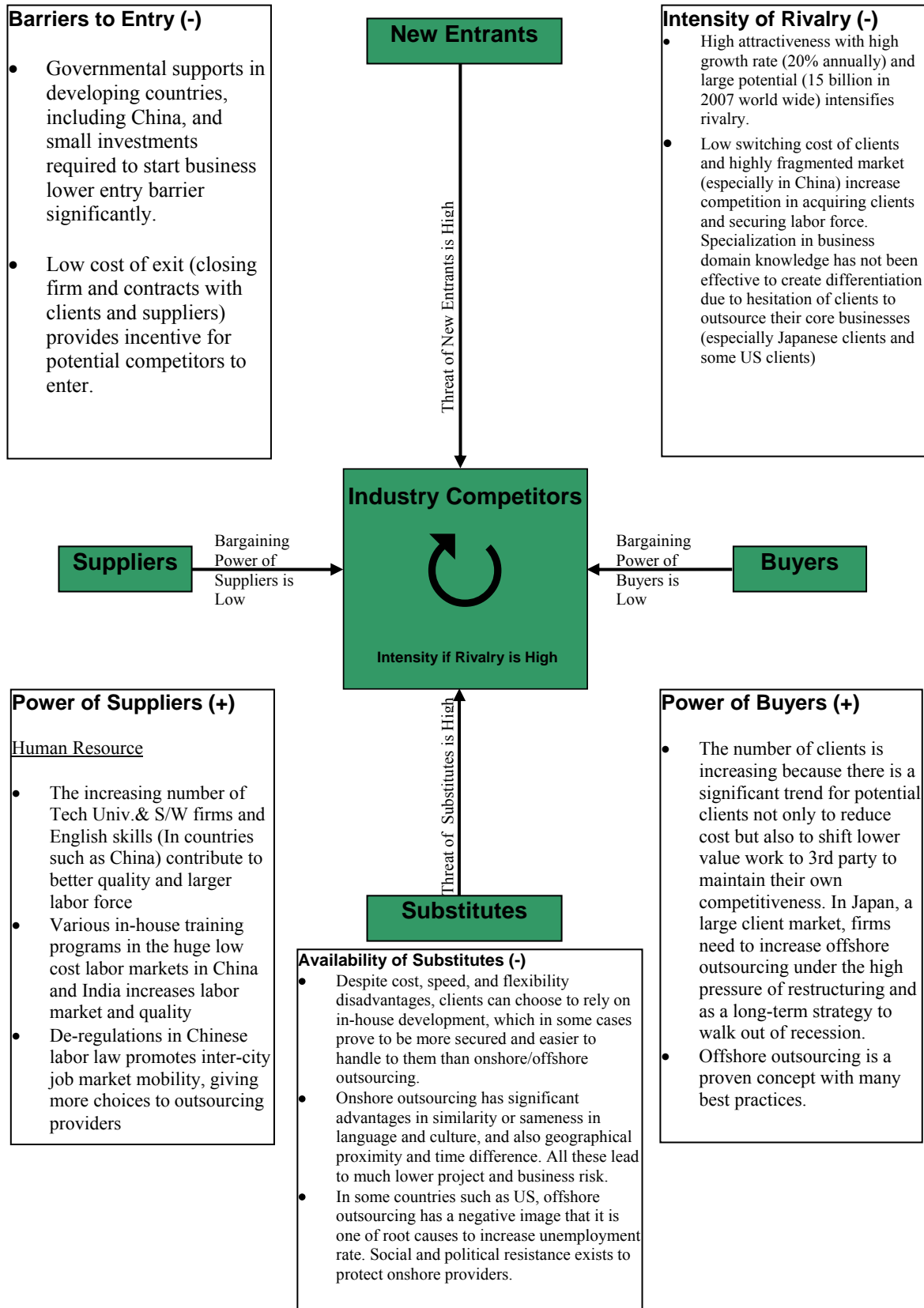
This creates good economical sense for developed countries to send their IT work offshore to countries such as India and China, to enjoy high quality deliverables, at great cost savings.

The offshore outsourcing industry is dynamic and characterized by key economical, political, and social elements. We will analyze the industry by using Porter's Five-Forces model, and elaborate on key areas in each of the five forces (see Figure 10).

Entry Barrier (-)

The entry barrier for this industry is low for several key reasons. Software service firms are in a human intensive business. They do not own much inventory and are practically able to get into business once personnel that provide service deliverables are in place. Therefore, their initial investments are small. Also, several governments in developing countries such as India, China, and Philippine have goals to make outsourcing business a strategic competitive advantage for their countries. Those countries provide significant support and incentives such as tax reduction for firms getting into outsourcing business. Lastly, since a firm is able to exit this industry without significant cost (such as cost of closing firms and obligations of terminating contracts with clients and suppliers), new firms are able to enter this industry relatively easily.

Figure 10: Five-Forces Analysis of Software Offshore Outsourcing Industry

Barriers to Entry (-)

- Governmental supports in developing countries, including China, and small investments required to start business lower entry barrier significantly.

- Low cost of exit (closing firm and contracts with clients and suppliers) provides incentive for potential competitors to enter.

New Entrants

Threat of New Entrants is High

Intensity of Rivalry (-)

- High attractiveness with high growth rate (20% annually) and large potential (15 billion in 2007 world wide) intensifies rivalry.

- Low switching cost of clients and highly fragmented market (especially in China) increase competition in acquiring clients and securing labor force. Specialization in business domain knowledge has not been effective to create differentiation due to hesitation of clients to outsource their core businesses (especially Japanese clients and some US clients)

Industry Competitors

Intensity if Rivalry is High

Suppliers → Bargaining Power of Suppliers is Low

Bargaining Power of Buyers is Low ← **Buyers**

Power of Suppliers (+)

Human Resource

- The increasing number of Tech Univ.& S/W firms and English skills (In countries such as China) contribute to better quality and larger labor force
- Various in-house training programs in the huge low cost labor markets in China and India increases labor market and quality
- De-regulations in Chinese labor law promotes inter-city job market mobility, giving more choices to outsourcing providers

Substitutes

Threat of Substitutes is High

Availability of Substitutes (-)

- Despite cost, speed, and flexibility disadvantages, clients can choose to rely on in-house development, which in some cases prove to be more secured and easier to handle to them than onshore/offshore outsourcing.
- Onshore outsourcing has significant advantages in similarity or sameness in language and culture, and also geographical proximity and time difference. All these lead to much lower project and business risk.
- In some countries such as US, offshore outsourcing has a negative image that it is one of root causes to increase unemployment rate. Social and political resistance exists to protect onshore providers.

Power of Buyers (+)

- The number of clients is increasing because there is a significant trend for potential clients not only to reduce cost but also to shift lower value work to 3rd party to maintain their own competitiveness. In Japan, a large client market, firms need to increase offshore outsourcing under the high pressure of restructuring and as a long-term strategy to walk out of recession.
- Offshore outsourcing is a proven concept with many best practices.

Bargaining Power of Supplier (+)

Suppliers in this industry are human resources or human capital, which plays a significant role in the quality of the deliverables from outsourcing providers. The bargaining power of suppliers is relatively low, making this force attractive to players (such as DMK) in the industry. In India and China, the labor force markets for IT business are expanding and their quality is improving as the number of technology universities and software firms increase. The level of English skills has greatly improved with education in English becoming a standard increasingly. In the case of China, de-regulations in Chinese labor laws that promotes inter city job market mobility, have helped outsourcing firms with more choices in labor markets. Another favorable aspect is that local and foreign companies have set up various in-house training programs in China that greatly increased quality of the labor force.

Under the above trends, DMK has been successful in bonding with top technology universities in China to employ top talents for system design, programming, and managerial positions, by supporting university events and maintaining informal relationships.

Bargaining Power of Buyer (+)

Bargaining power of buyers is likely to remain moderate to weak, especially with the increase in the number of clients who come to understand that offshore outsourcing is a proven concept with many best practices. There is a significant trend for potential clients not only to reduce cost but also to shift lower value work to 3rd party to maintain their own competitiveness. Especially in Japan, offshore outsourcing demands have been increasing rapidly under high pressure of company and business process restructuring. Many major Japanese companies and influential business organizations are looking at offshore outsourcing as a long-term strategy to walk out of recession.

Threat of Substitutes (-)

The typical substitute of outsourcing is buyer's in-house or onshore development. Despite cost, speed, and flexibility disadvantages of in-house and onshore support, clients may still opt for in-house strategy for reasons including better security, control, cultural fit and communication, all of which adds up to reduced risk.

The level of how substitutes can be a threat depends on factors such as the nature of the service demands - whether it has high business operation impact, is sensitive to intellectual property risk, project is less labor intensive but more architectural system design - and also the outsourcing maturity and experiences of buyers. Nevertheless, the high quality and the many existing onshore providers located next or very close to the buyers will always have distinct advantages over offshore providers.

Lastly, in some countries such as US, offshore outsourcing has a negative image that it is one of root causes of increasing unemployment rates. Social and political resistance exists to protect onshore providers.

The strategy DMK is taking to minimize the threat is to strengthen local capabilities at customer touch points, such as hiring onsite local Business Relation Managers, Project Leaders stationed at customer sites as well as providing its services through local service providers – complementing them to make them competitive.

Intensity of Rivalry (-)

Regardless of rapid expansion of the market size, rivalry in this industry is intense, and is getting more intensified. Firstly, the competition comes from the market's attractiveness. For example, according to one of IT research firms, Meta Group, this industry is estimated to become $15 billion in market size by 2007, with 20% annual growth rate. Secondly, clients are able to switch outsourcing firms without significant expense. Thirdly, the industry is very fragmented, with many small firms. They generally have to compete with each other not only in acquiring new clients, maintaining its existing clients, but also compete for capital resources in the market and government support. Finally, in Japan and US which are DMK's current target markets, some clients tend to hesitate or set certain limit on outsourcing their core or non-core business processes to offshore providers, opting instead to use a local body-shopping approach. This sometimes makes offshore outsourcing firms not able to differentiate themselves by demonstrating their technological and managerial strength.

Under this industry and market environment, DMK leads competition by employing its several unique core competences, such as high quality in system development (CMM level-5 & Six-Sigma), and deep cultural understanding of its significant clients (as we described in mission statements). DMK's sustainability is facilitated by its bonding with its suppliers and selected customer segments. As a result, despite its short history from 1996, DMK ranked among the top 10 software export companies, as well as among the top 30 IT companies with the highest growth potential in China.

Competitive Positioning

In this section we analyze the competitive positioning of DMK using Porter's Value Chain framework. Specifically, we analyze each of the primary activities and support activities of the firm to determine sustainable competitive advantage for the business.

DMK's competitive advantage arises primarily from a combination of high quality of service and relatively low cost. See Figure 12 for a detailed analysis of DMK's value chain.

Primary Activities

Key primary activities that provide competitive advantage include:

Operations:

   The Company's operations excel in quality of service, methodologies, and program management based on a TQM/Six-Sigma approach. Process standards are SEI CMM level 5 compliant. Their cost structure is very competitive when leveraging experienced staff from China. DMK's organization structure is flexible enough to mobilize resources for quick response. DMK is very capable in providing total solution to customers through complementary partnerships.

Marketing:

   Benefiting from geographic position, the company has strong culture and language advantage for Japan based project, especially related to IBM mainframe technologies. They also have the ability to leverage their strong strategic partnerships with blue chip clients such as GE and IBM for marketing and sales.

Services:

   DMK has strength in application development, system integration, legacy system migration, and 24x7 maintenance. With strong partnerships and alliances with all major software and hardware vendors, DMK can bundle software and hardware with their services to provide total solutions. They also have a strong bench for rapid response to skill and resource needs. In addition, each client is staffed with dedicated business relationship manager for quick decision making.

Figure 11. Value Chain Analysis

Firm Infrastructure	•Great synergy between executive management & investor providing strong, consistent vision for organization •Strong corporate culture with aggressive, hardworking & passionate team. •Flexible organization structure – teams form and disband seamlessly based on client projects •Frugal and lean organization that is very cost conscious			
Human Resource Management	•Highly motivated employees •Proprietary ERP and dedicated owners for project staffing; Flagship partners for sub-contracting •Language & culture advantage for Japan projects			
Technology Development	•Dominant IBM mainframe service provider in China Proprietary frameworks to facilitate rapid deployment •Expertise in mainstream software technologies used in the marketplace •Strategic partnerships with software and hardware providers			
Procurement	• Value added reseller of software and hardware to provide one-stop solutions for clients •Cost advantage in development tools			
	•Robust recruiting programs using internal referrals, relationships with universities, sourcing firms, career fairs, advertisements •Standard contracts with flexibility by country	•Consistent methodologies and strong program management based on TQM/Six-Sigma approach •Mature processes that are SEI CMM level 5 compliant •Low cost advantage •Flexibility in mobilization resources for quick response •Ability to providing total solution through partnerships •Sophisticated pricing strategies – T&M, Fixed price, value based, retainers, JVs	•Structured processes for user acceptance testing, Knowledge Transfer, Documentation and final implementation and rollout •Standard warranty structures and processes	•Language and cultural advantage for Japan •Blue chip client roster •Ability to leverage GE's brand recognition and network. •Strategic alliances •Strong investor connections •Low cost, CMM5 and Six-Sigma are marketing assets	•Application development •Systems Integration • Legacy system extensions or migration •24x7 Maintenance and support of critical business systems •Bundled software and hardware to provide total solutions •Strong bench for rapid response to skill/resource needs. •Dedicated business relationship managers for quick decision making
	Inbound Logistics	Operations	Outbound Logistics	Marketing	Services

Support Activities

Great synergy between executive management and DMK's investors enables the building of a strong and consistent vision for future growth. A strong corporate culture with highly motivated employees, results in aggressive, hardworking and a passionate team. In technology development, they are the dominant IBM mainframe service provider in China. DMK has expanded its services to include most of the major software technologies used in the marketplace. The company is also well-positioned in its strategic partnerships with major hardware and software providers.