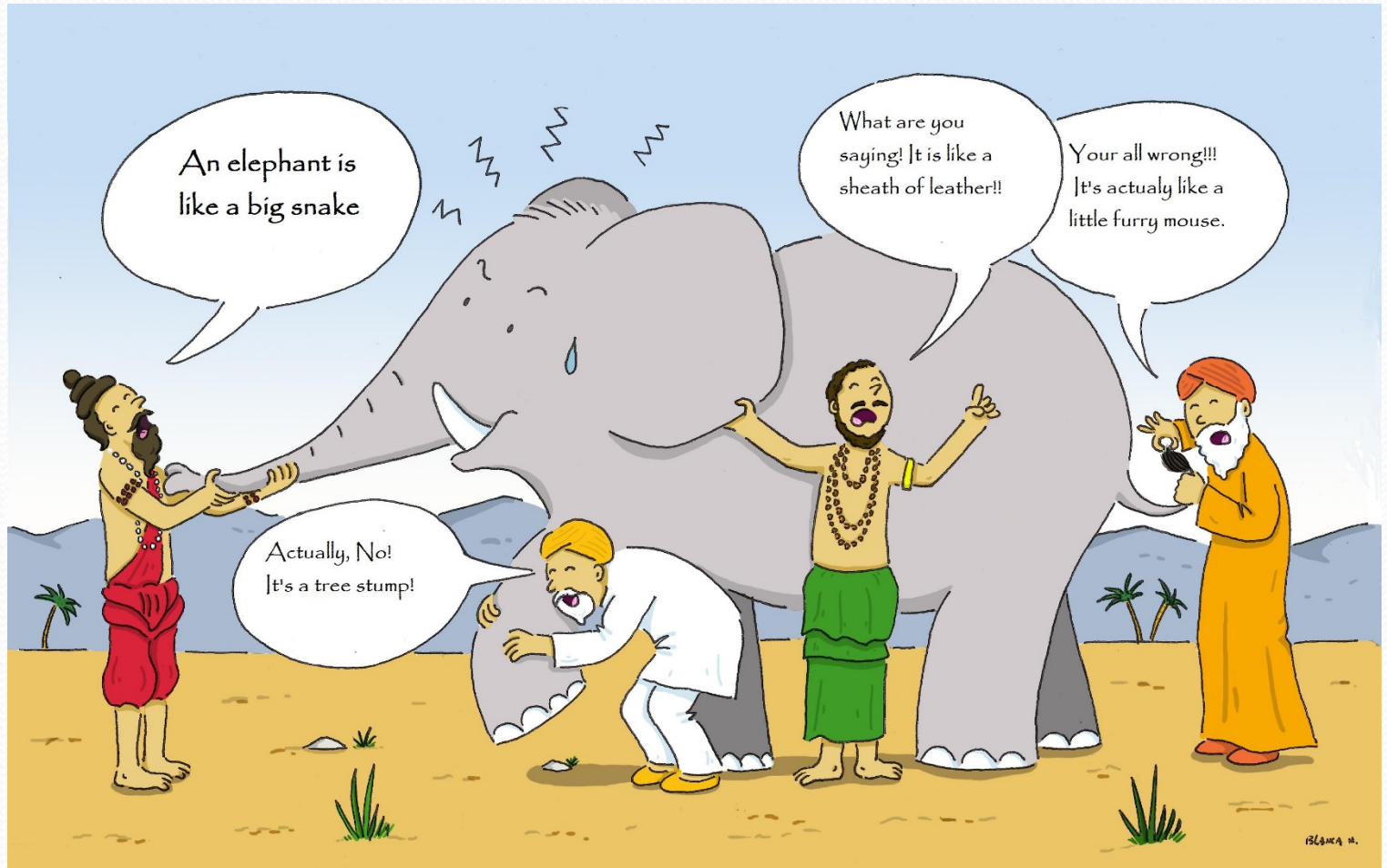


# Operations Strategy and competitiveness

- Mission/Strategy
- Operations Priorities
- Strategy Development

# What is strategy?



# WHAT DO WE MEAN BY *STRATEGY* ?

- ◆ What is our present situation?
  - Business environment and industry conditions
  - Firm's financial and competitive capabilities
- ◆ Where do we want to go from here?
  - Creating a vision for the firm's future direction
- ◆ How are we going to get there?
  - Crafting an *action plan* that will get us there

# WHAT IS *STRATEGY* ABOUT?

- ◆ Strategy is all about *How*:
  - *How* to outcompete rivals.
  - *How* to respond to economic and market conditions and growth opportunities.
  - *How* to manage functional pieces of the business.
  - *How* to improve the firm's financial and market performance.

# WHY DO *STRATEGY* ?

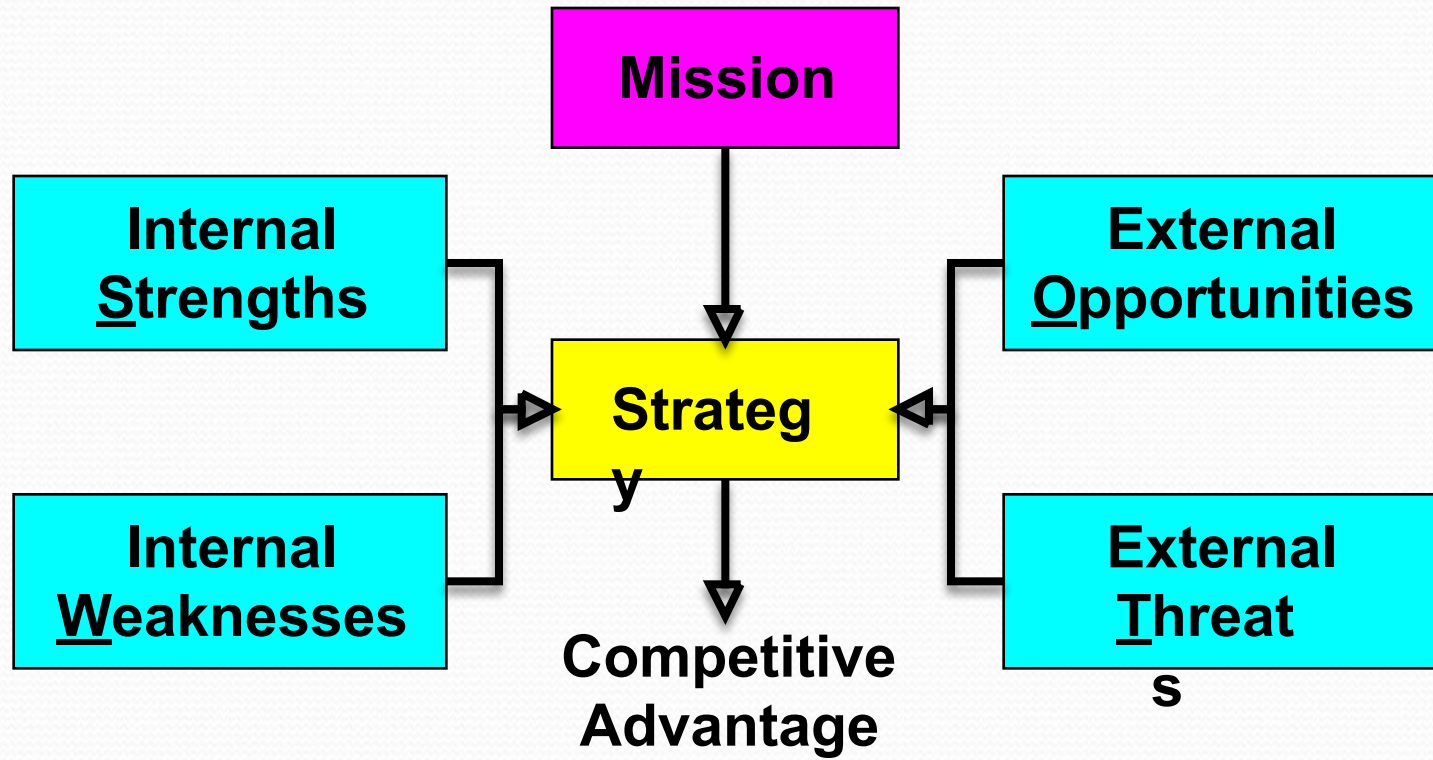
- ◆ A firm does strategy:
  - To improve its financial performance.
  - To strengthen its competitive position.
  - To gain a sustainable competitive advantage over its market rivals.
- ◆ A creative, distinctive strategy:
  - Can yield above-average profits.
  - Makes competition difficult for rivals.



# Strategy

- Each of a firm's strategies should be established in light of:
  - The **threats** and **opportunities** in the environment,
  - The **strengths** and **weaknesses** of the organization.
- Ultimately, every strategy has an attempt to answer the question, “**How do we satisfy a customer?**” within these constraints.

# SWOT Analysis to Strategy Formulation

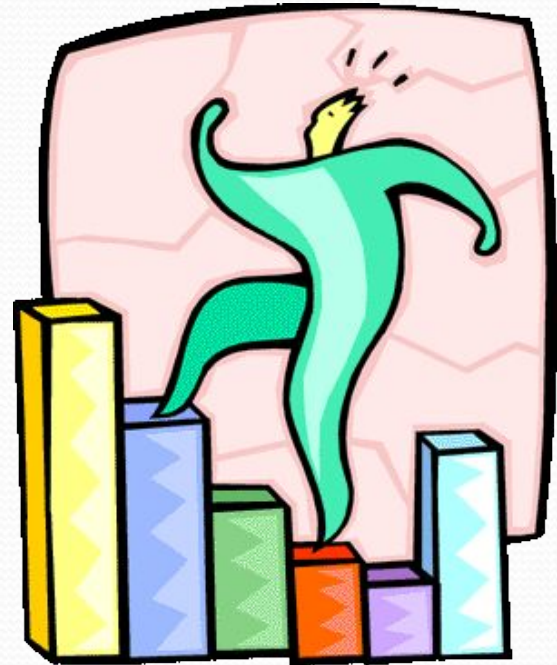


# Mission

□ ***Mission - where are you going?***

- ***Organization's purpose for being***
- ***Answers 'What do we provide society?'***
- ***Provides boundaries and focus***

□ ***Strategy - how you are going to get there***

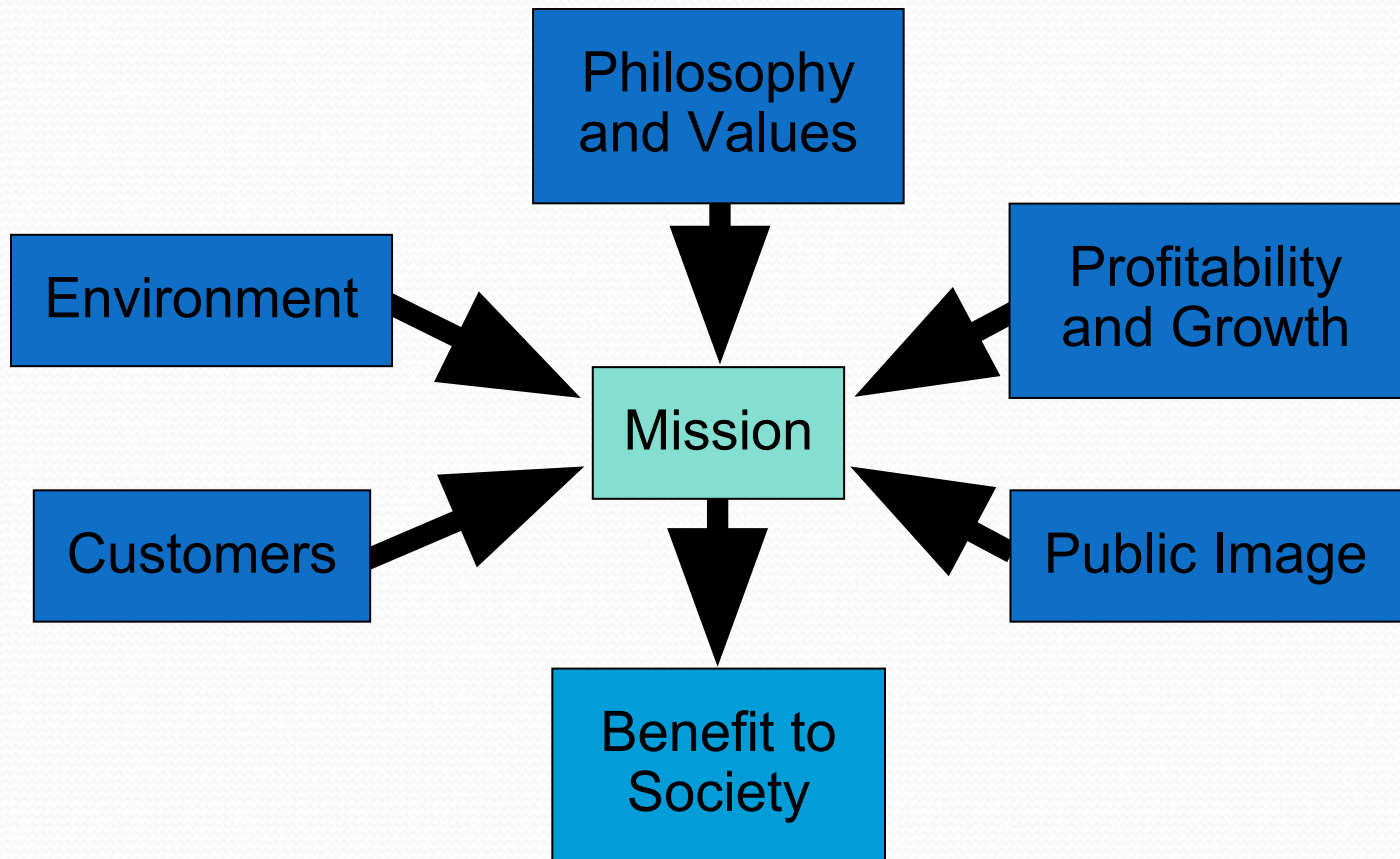




# Sample Mission - Samsung

“at Samsung, we follow a simple business philosophy: to devote our talent and technology to creating superior products and services that contribute to a better global society.”

# Factors Affecting Mission



# Strategy

- ***Action plan to achieve mission***
- ***Functional areas have strategies***
- ***Strategies exploit opportunities and strengths, neutralize threats, and avoid weaknesses***





# Strategies for Competitive Advantage

- Firms achieve missions in three conceptual ways:
  1. Differentiation – better, or at least different
  2. Cost leadership – cheaper
  3. Response – rapid response



# Competing on Differentiation

- Uniqueness can go beyond both the **physical characteristics and service attributes** to encompass everything that impacts customer's perception of value
  - Safeskin gloves – leading edge products
  - Walt Disney Magic Kingdom – experience differentiation
  - Hard Rock Cafe – dining experience

# Competing on Cost

- Provide the maximum value as perceived by customer. Does not imply low quality.

- Southwest Airlines – secondary airports, no frills service, efficient utilization of equipment
- Wal-Mart – small overheads, shrinkage, distribution costs
- Franz Colruyt – no bags, low light, no music, doors on freezers

# Competing on Response

- **Flexibility** is matching market changes in design innovation and volumes
  - Institutionalization at Hewlett-Packard
- **Reliability** is meeting schedules
  - German machine industry
- **Timeliness** is quickness in design, production, and delivery
  - Johnson Electric, Bennigan's, Motorola





# *strategies and tactics*

- **Strategies** are plans for achieving goals.
- strategies are the **road maps** for reaching the destinations
- organizations have overall strategies called *corporate strategies*, which relate to the entire organization, and they also have *functional strategies*, which relate to each of the functional areas of the organization.



# *strategies and tactics*

- **Tactics** are the *methods* and *actions* used to accomplish strategies.
- They are more **specific** in nature than strategies, and
- They provide **guidance** and **direction** for carrying out actual *operations*,
- Which need the **most specific** and **detailed plans** and **decision-making** in an organization.

# Strategy Development Process

## **Environmental Analysis**

**Identify the strengths, weaknesses, opportunities, and threats.  
Understand the environment, customers, industry, and competitors.**

## ***Determine Corporate Mission***

***State the reason for the firm's existence and identify the value  
it wishes to create.***

## ***Form a Strategy***

***Build a competitive advantage, such as low price, design, or  
volume flexibility, quality, quick delivery, dependability,  
after-sale service, broad product lines.***

# Operations Strategy

- The **corporate strategy** provides the overall direction for the organization. It is broad in scope, covering the entire organization.
- **Operation strategy** is narrower in scope, deals primarily with the **operations aspect of the organization**.
- **Operations strategy** is concerned with **setting broad policies and plans for using the resources of a firm** to best support its long-term competitive strategy.



# Operations Strategy

- An **operations strategy** involves decisions that relate to the **design of a process** and the **infrastructure** needed to support the process.
- **Process design** includes the selection of appropriate technology, sizing, the process over time, the role of inventory in the process, and locating the process.
- **The infrastructure decisions** involve the logic associated with the planning and control systems, quality assurance and control approaches, work payment structures, and the organization of the operations function.

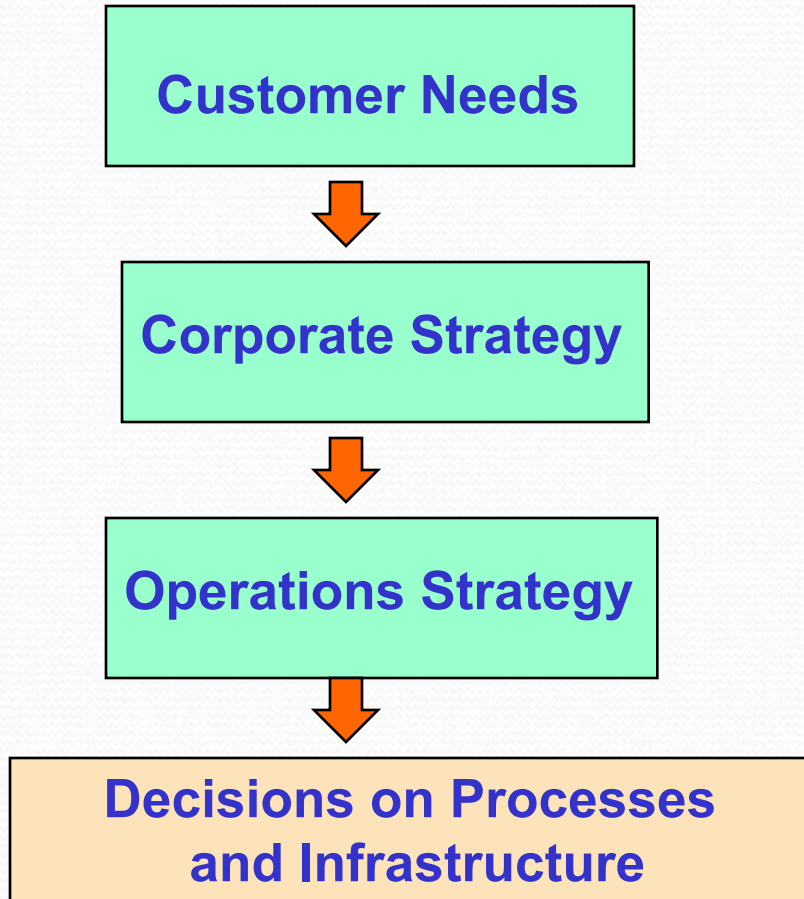


# Operations Strategy

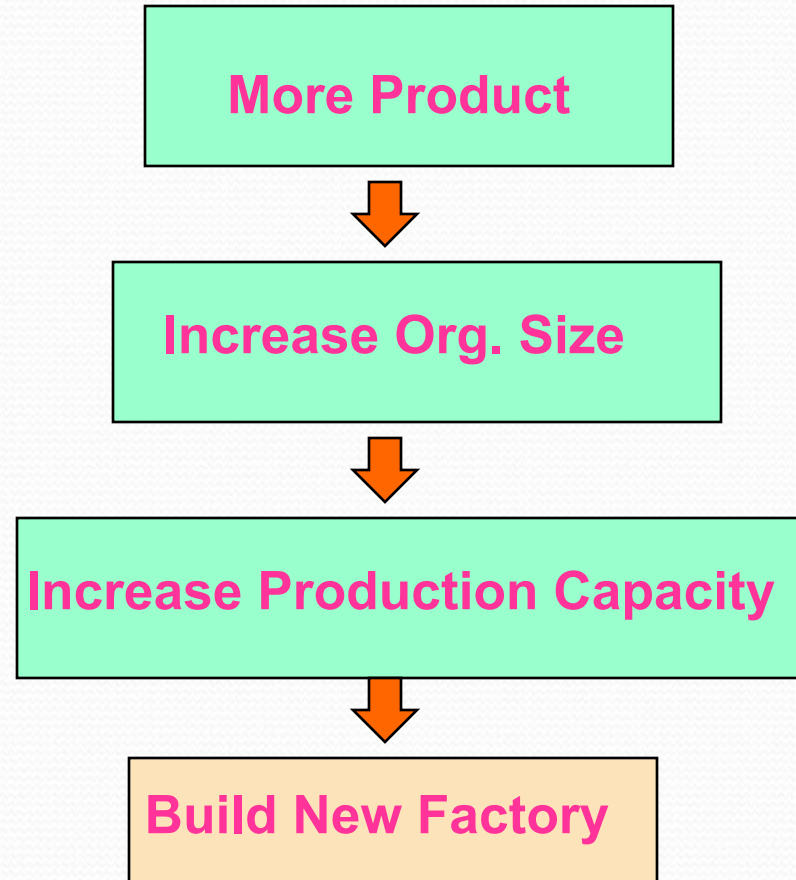
- **Operations strategy** can be viewed as part of a planning process that coordinates operational goals with those of the larger organizations. Since the goals of the larger organization change over time, **the operations strategy must be designed to anticipate future needs.**
- The operations capabilities of a firm can be viewed as a portfolio best suited to adapt to the **changing product and/or service needs of the firm's customers.**

# Operations Strategy

## Strategy Process



## Example



# Operations Competitive Dimensions

- **Given the choices that customers face today, how do they decide which product or service to buy?**
- Different customers are attracted by different attributes. Some customers are primarily interested in the cost of a product or service, and correspondingly some companies attempt to position themselves to offer the lowest price.
- The major competitive dimensions that form the competitive position of a company include the following.



# Operations Priorities (Competitive Dimensions)

- **Cost**
  - Make the Product or Deliver the Service Cheap
- **Quality**
  - Make a Great Product or Deliver a Great Service
- **Delivery Speed**
  - Make the Product or Deliver the Service Quickly
- **Delivery Reliability**
  - Deliver It When Promised
- **Coping with Changes in Demand**
  - Change Its Volume
- **Flexibility and New Product Introduction Speed**
  - Change It
- **Other Product-Specific Criteria**
  - Support It



# Strategy Development

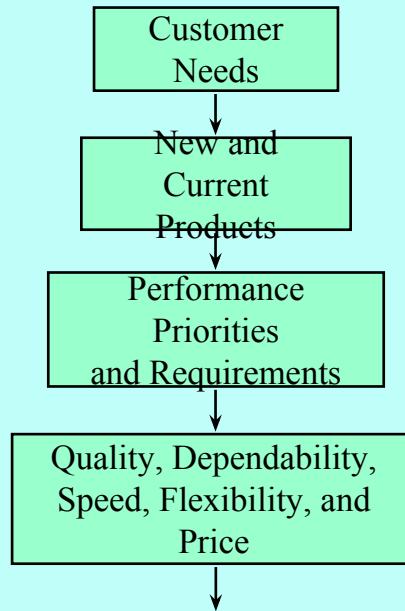
- Operations strategy cannot be designed in a vacuum. It must be linked **vertically to the customer** and **horizontally to other parts of the enterprise.**



# Strategy development

- Fig. below shows these linkage between **customer needs**, their performance priorities and requirements for manufacturing operations, and the operations and related enterprise resource capabilities to satisfy those needs.
- Overlying this framework is senior management's strategic vision of the firm.
- The vision identifies, in general terms, the target market, the firm's product line, and its core enterprise and operations capabilities.

# A Framework for Manufacturing Strategy



## Enterprise Capabilities

### Operations & Supplier Capabilities

Technology	Systems	People	R&D	CIM	JIT	TQM	Distribution
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### Support Platforms

Financial Management	Human Resource Management	Information Management
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# Operations Strategy development

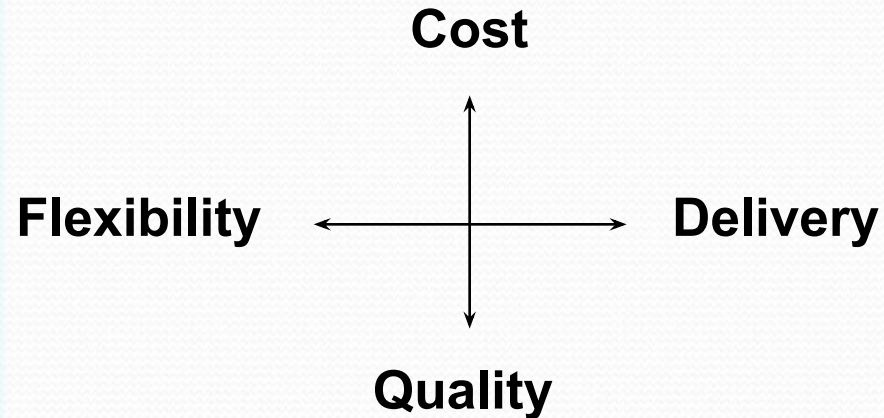
## ● Operations Objectives

- Four general operations objectives are possible: **cost, quality, delivery, and flexibility.**
- Objectives in operations should be stated in **specific, quantitative and measurable terms.**
- They are the results that operations is expected to achieve in the short and long run.

# Dealing with Trade-offs

For example, if we **reduce costs** by reducing product quality inspections, we might **reduce product quality**.

For example, if we improve customer service problem solving by **cross-training personnel** to deal with a wider-range of problems, they may become **less efficient at dealing with commonly occurring problems**.



# Order Qualifiers and Winners

- ❑ In formulating a successful strategy, organizations must take into account both order qualifiers, and order winners.
- ❖ *Order qualifiers* are the basic criteria that permit the firms products to be considered as candidates for purchase by customers
- ❖ *Order winners* are the criteria that differentiates the products and services of one firm from another



## Order Qualifiers and Winners - Continued

- **A brand name car can be an “order qualifier”**
- **Repair services can be “order winners”**

**Examples: Warranty, Roadside Assistance, Leases, etc**

# Preconditions to Implement a Strategy

One must understand:

- Strengths & weaknesses of competitors and new entrants into the market
- Current and prospective environmental, legal, and economic issues
- The notion of product life cycle
- Resources available with the firm and within the OM function

# The Principal Components of the Strategy Execution Process

1. Staff the organization with managers and employees capable of executing the strategy well.
2. Build the organization's capabilities required for successful strategy execution.
3. Create a strategy-supportive organizational structure.
4. Allocate sufficient budgetary (and other) resources to the strategy execution effort.
5. Institute policies and procedures that facilitate strategy execution.
6. Adopt best practices and business processes that drive continuous improvement in strategy execution activities.
7. Install information and operating systems that enable personnel to carry out their strategic roles proficiently.
8. Tie rewards and incentives directly to the achievement of strategic and financial targets.
9. Instill a corporate culture that promotes good strategy execution.
10. Exercise the internal leadership needed to propel strategy implementation forward.



# Impetus for Strategy Change

- Changes in the organization
- Stages in the product life cycle
- Changes in the environment