

Operations Management Business Strategy and Competitiveness

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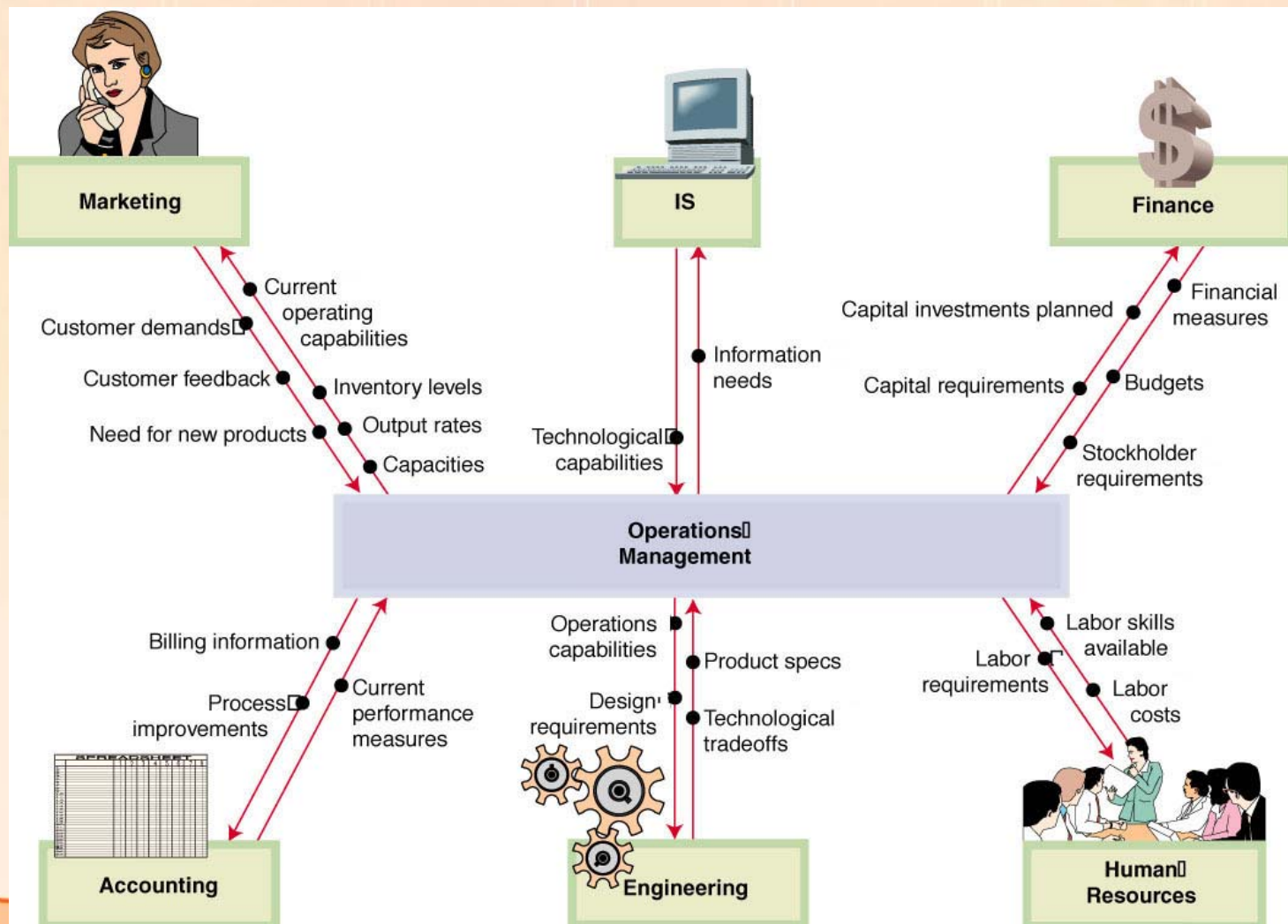
Introduction

Operations management:

The business function responsible for planning, coordinating, and controlling the resources needed to produce a company's products and services

Information Flows

To & From Operations



Service Vs Manufacturing

Services:

- *Intangible product*
- *No inventories*
- *High customer contact*
- *Short response time*
- *Labor intensive*

Manufacturing:

- *Tangible product*
- *Can be inventoried*
- *Low customer contact*
- *Capital intensive*
- *Long response time*

E-commerce

- *Internet & related technologies enable new methods of business transactions:*
 - *E-tailing creates a new outlet for retail goods & services with global access and 24-7 availability*
 - *Internet provides a cheap network for coordinating supply chain management information*
- *Developing influence of broadband & wireless*

The Role of Business Strategy

Business Strategy:

- *The firm's long-range plan based on an understanding of the marketplace*
- *Defines how a company intends to differentiate itself from competitors*
- *Individual employees & functional units use the strategy to align their efforts with each other to accomplish the overall game plan*

Operations Strategy

- OM Strategy:

- *The long-range plan for the design & use of the operations function to support the overall business strategy:*
 - *The location, size, & type of facilities*
 - *The worker skills & talents required*
 - *The technology & processes to be used*
 - *How product & service quality will be controlled*
- *Operating efficiency \neq an operating strategy*

Developing a Business Strategy

Mission:

- *A statement defining what business the firm is in, who its customers are, & how its core beliefs shape its decision-making*

Environmental scanning:

- *Monitoring the external environment for market opportunities & competitive threats*

Core competencies:

- *Internal strengths & weaknesses of the firm (e.g.: personnel with special expertise, access to unique technology, & things the firm does better than competitors)*

Putting it all Together

Environmental
Scanning:

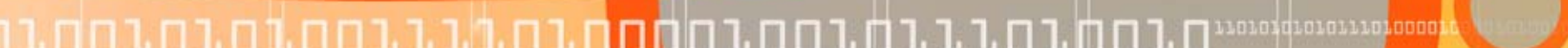
Monitoring the business environment for market trends, threats, and opportunities

Mission:

Statement that defines
What our business is;
Who our clients are;
and How our values
define our business

Core Competencies:
Our unique strengths
that help us win in the
marketplace

Business Strategy:
Defined long-range plan
for the company



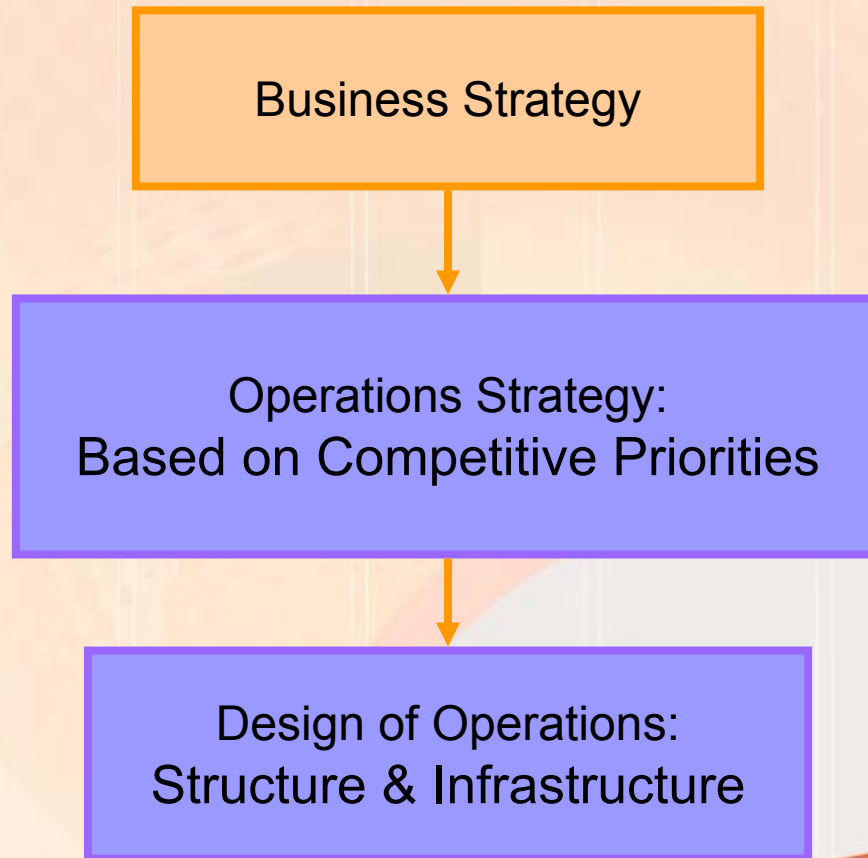
Developing an Operations Strategy

Identify the competitive priorities required to support the business strategy:

Common priorities include:

- Cost: low production costs enables the company to price its product below competitors
- Quality: higher performance or a more consistent product can support a price premium
- Time: faster delivery or consistent on-time delivery can support a price premium
- Flexibility: highly customized products or volume flexibility can support a price premium

Translate Priorities Into Design



Design of Operations

Structure:

- *Facilities*
- *Flow of work*
- *Technology*

Infrastructure:

- *Planning & control systems*
- *Work design & compensation*

Competing on Low Cost

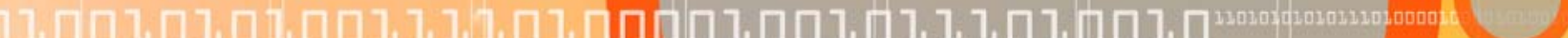
Eliminate wasted labor, materials, and facilities

Emphasize efficient processes & high productivity

Often limit the product range & offer little customization

May invest in automation to increase productivity

Examples of Service Organizations



Competing on Quality

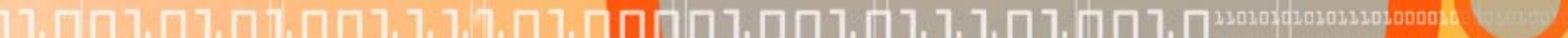
High performance design:

- *Superior features, high durability, & excellent customer service*

Product & service consistency:

- *Error free delivery*
- *Close tolerances*

Examples of Service Organizations



Competing on Time

Rapid delivery:

- *How quickly an order is received after the order is placed*

On-time delivery:

- *Sometimes items can arrive too quickly*
 - *JIT firms try to avoid clutter of excess inventory*
- *Ability to deliver exactly when expected*
 - *Not too early or too late*
 - *Example of Service Organizations*

Competing on Flexibility

Product flexibility:

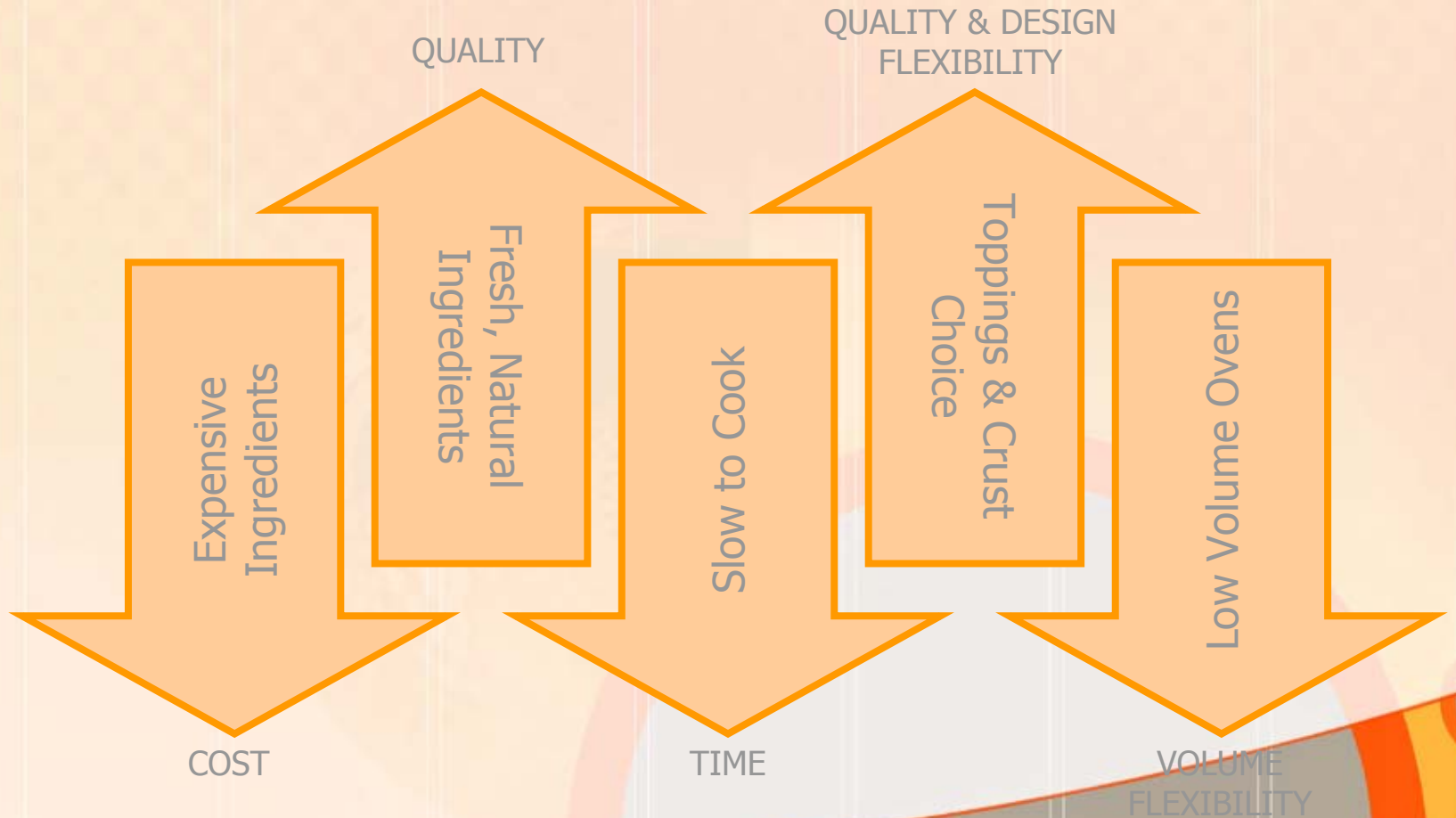
- *Easily switch the production process from one item to another (substitution)*
- *Easily customize output to meet the specific requirements of a customer*

Volume flexibility:

- *Rapidly increase or decrease the amount of product being produced to match demand*
- *Examples of Service Organizations*

Understand Tradeoffs

Example: Made-to-Order Pizza



Distinguish Order Qualifiers from Order Winners

Order Qualifiers:

- *Competitive priorities that a product must meet to even be considered for purchase*
- *Generally, represented by features shared by all competitors in a given market niche*

Order Winners:

- *Competitive priorities that distinguish the firm's offerings from competitors & ultimately win the customer's order*

Case of Mango languages

Environmental Scanning

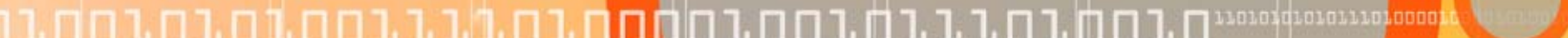
Competitive Priorities – Good to Great

Translate into Design



Conclusions

Final Thoughts



Questions??

