

Chapter 2

Operations Strategy for Competitive Advantage

MISSIONS



Overview

- Missions and Strategies
- Competitive Advantage through operations
- Video Case: *Regal Marine*
- Strategies & OM
- *Born to be a little too wild*

Missions

Mission Possible

- The College will be a leading provider of personalized business education. Our primary focus is undergraduate education. We also offer select Master's level education and the research opportunities our programs foster.
- Our primary goal is to prepare students to make valuable contributions to their chosen profession and their communities.
- Our secondary goal is to provide high-quality, business-related training, education, consulting, and information to the Arizona community.

CBA Mission (cont)

- In pursuit of these goals we commit to the following:
 - We will foster a sense of community and promote diversity among our students, staff, faculty, and alumni.
 - We will offer a rigorous, current curriculum that is AACSB accredited.
 - We will integrate advanced technologies into the curriculum.
 - We will support and encourage our faculty in their creative and personalized delivery of our curriculum and their counseling of our students.
 - We will support and encourage our faculty's intellectual activities that enhance the art of teaching and advance knowledge in the fields of business and economics.
- At the CBA it's never business as usual... it's personal.

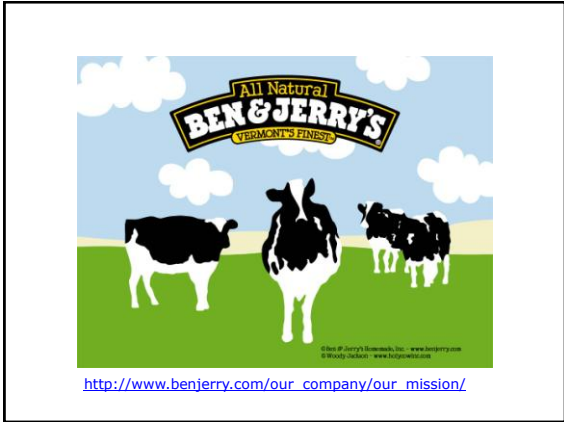
Our Mission

is a global company committed to building long-term growth in volume and profit and to enhancing its worldwide leadership position by providing nutritious food products of superior value.

Our Mission Statement

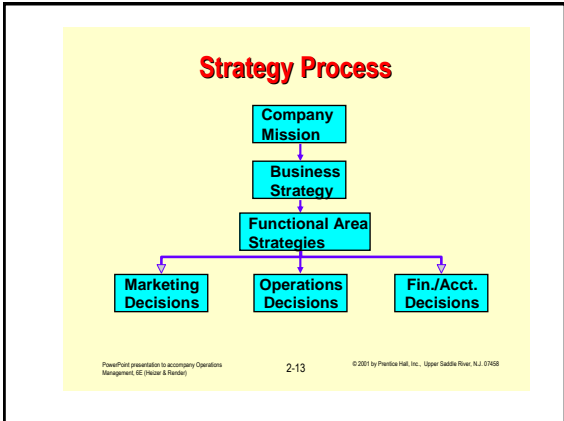
The mission of

is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.



Mission \Rightarrow Strategy

- Mission - where is the company going
- Strategy - how is the company going to achieve it's mission



Competitive Advantage Strategies

- Differentiation
- Cost leadership
- Responsiveness

Differentiation

- Uniqueness
 - Uniqueness can manifest in many ways
 - Product design
 - Service
 - Company image
 - Ideal is to implement uniqueness throughout all aspects of the organization

Cost leadership

- Cost leadership does not necessarily mean lowest cost producer.
- Achieving maximum value

Responsiveness

- Flexible response
 - Customer demand
 - Product designs
- Reliable response
 - High quality
 - Reliable delivery schedules
- Quick response

Buzz group: How do these companies compete?

- Southwest Airlines
 - Burger King, McDonald's, and Wendy's
 - Dell Computers
 - Wal-Mart
- Support your answer.

Regal Marine Video Case

- What is Regal Marine's mission?
- What is Regal Marine's competitive advantage strategy?
- 10 OM Decisions
 - Service and Product design - HR and Job design
 - Quality - Supply-chain mgmt.
 - Process and capacity design - Inventory
 - Location - Scheduling
 - Layout-design - Maintenance

OM Strategies

- OM decisions are interdependent with competitive advantage strategy of the organization.

Operations Strategies for Two Drug Companies

	Brand Name Drugs, Inc.	Generic Drug Corp.
Competitive Advantage	Product Differentiation	
Product Selection and Design	Heavy R&D; Extensive Labs	
Quality	Quality is a major priority; Standards exceed regulatory requirements	Meets regulatory requirements on a country-by-country basis as necessary

PowerPoint presentation to accompany Operations Management, 6E (Heizer & Render)

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Operations Strategies for Two Drug Companies - continued

	Brand Name Drugs, Inc.	Generic Drug Corp.
Processes	Product & modular production processes Long product runs in specialized facilities Build capacity ahead of demand	Process focus General production processes; Job Shop approach, short run;
Location	Still located in city in which it was founded	
Scheduling	Central production planning	Many short run products complicate scheduling

PowerPoint presentation to accompany Operations Management, 6E (Heizer & Render)

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Operations Strategies for Two Drug Companies - continued

	Brand Name Drugs, Inc.	Generic Drug Corp.
Human Resources	Hires the best; nationwide searches	Very experienced top executives provide direction; other personnel paid below average
Supply Chain	Long term supplier relationship	
Inventory	Maintains high finished goods inventory, primarily to ensure all demands are met	Process focus drives up WIP inventory. Finished goods inventory tends to be low

PowerPoint presentation to accompany Operations Management, 4E (Heizer & Render)

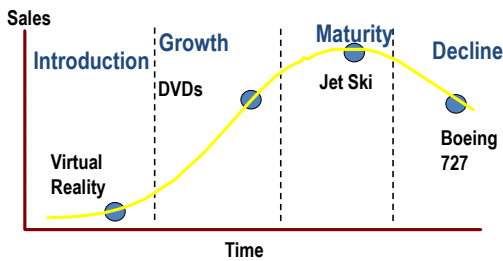
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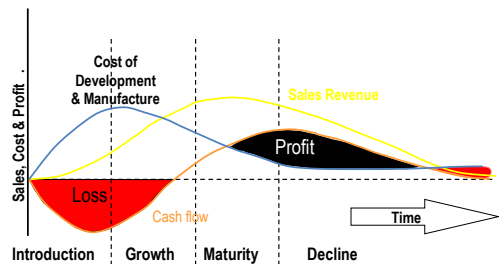
Product Life Cycle

- OM decisions are dependent on the product's life cycle.
- (see p. 159-160 8th edition)

Products in Various Stages of Life Cycle



Product Life Cycle, Sales, Cost, and Profit



Strategies and OM Decisions during a Product's Life Cycle

	Introduction	Growth	Maturity	Decline
Customer Acquisition	Best period to increase market share	Practical to change price or quality image	Poor time to change image, price, or quality	Cost control critical
Product Development	R&D product engineering critical	Strengthen niche	Competitive costs become critical	Cost control critical
Production	Short production runs	Forecasting critical	Standardization	Little product differentiation
Marketing	High production costs	Product and process reliability	Less rapid product changes - more minor changes	Cost minimization in the industry
Operations	Limited models	Competitive product improvements and options	Optimum capacity	Overcapacity in the industry
Financial	Attention to quality	Increase capacity	Increasing stability of process	Prune line to eliminate items not returning good margin
Logistics		Shift toward product focused	Long production runs	Reduce capacity
Customer Service		Enhance distribution	Product improvement and cost cutting	

OM Strategies

- OM strategies are (inter)dependent with:
 - Competitive advantage of the organization
 - Product's life cycle
 - Other OM strategies

Humor in Product Design

As the customer wanted it.



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As Marketing interpreted it.



© 1984-1994 T/Maker Co.

As Operations made it.



© 1984-1994 T/Maker Co.

As Engineering designed it.



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Born a little too wild



2001 Pontiac Aztek



2004 Pontiac Aztek

Born a little too wild

- GM forecast sales of up to 75,000 Azteks per year, and needed to produce 30,000 annually to break even. Just 27,322 were sold in 2001 with more than 50% being sold to captive rental company fleets or used by General Motors executives.

Year	Aztek
2001	27,322
2002	27,728
2003	26,928
2004	22,696
2005	*****