

Operations Management

Chapter 2 – The Global Environment and Operations

*Power Point presentation to accompany
Heizer/Render, Operations Management, 12th Ed.*

Learning Objectives

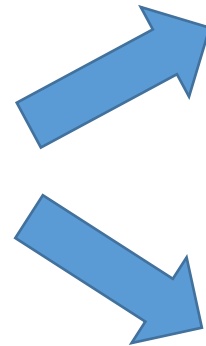
When you complete this chapter you should be able to:

1. Define mission and strategy
2. Identify and explain three strategic approaches to competitive advantage
3. Identify and define the 10 decisions of operations management
4. Identify and explain four global operations strategy options

Strategy Development and Implementation

To build a competitive advantage, each firm should form a strategy

The strategy should
be established in
light of:



1. Determination of Corporate Mission:

2. Understanding the environment :

Strategy Development and Implementation

Mission

Economic success (survival), is the result of identifying missions.

Ex: **satisfy a customer's needs and wants.**

- We define the organization mission as:



Its purpose, what it
will contribute to
society

statement tell an
organization where
it is going

Mission statement can be thought of as the intent of the strategy (what the strategy is designed to achieve).

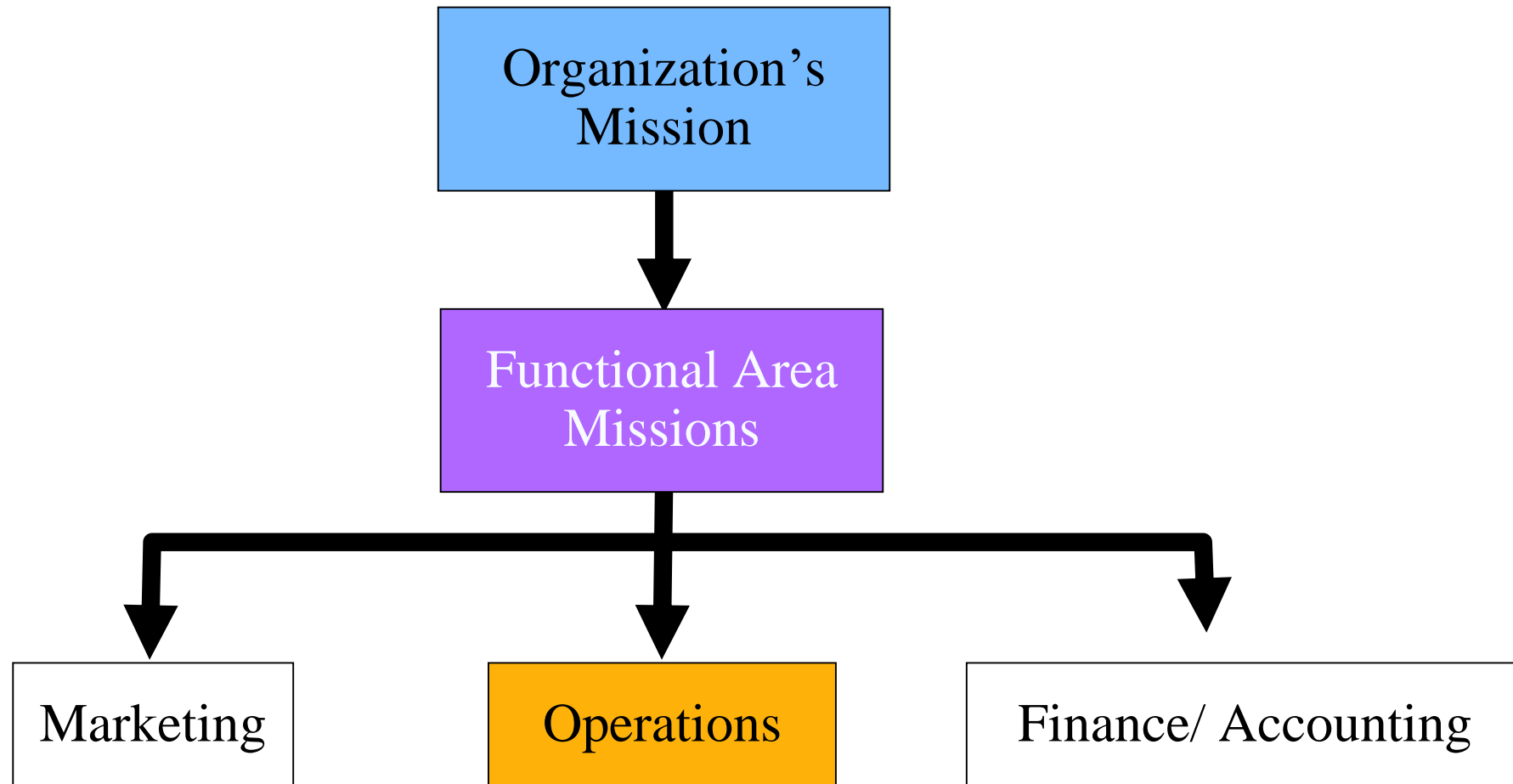
Strategy Development and Implementation

Mission

Developing good strategy is difficult but it is much easier if the mission has been well defined.

Once an organization mission has been decided each functional area within the firm determines its supporting mission.

Strategy Development and Implementation



Strategy Development and Implementation

Each functional area has strategy for achieving its mission



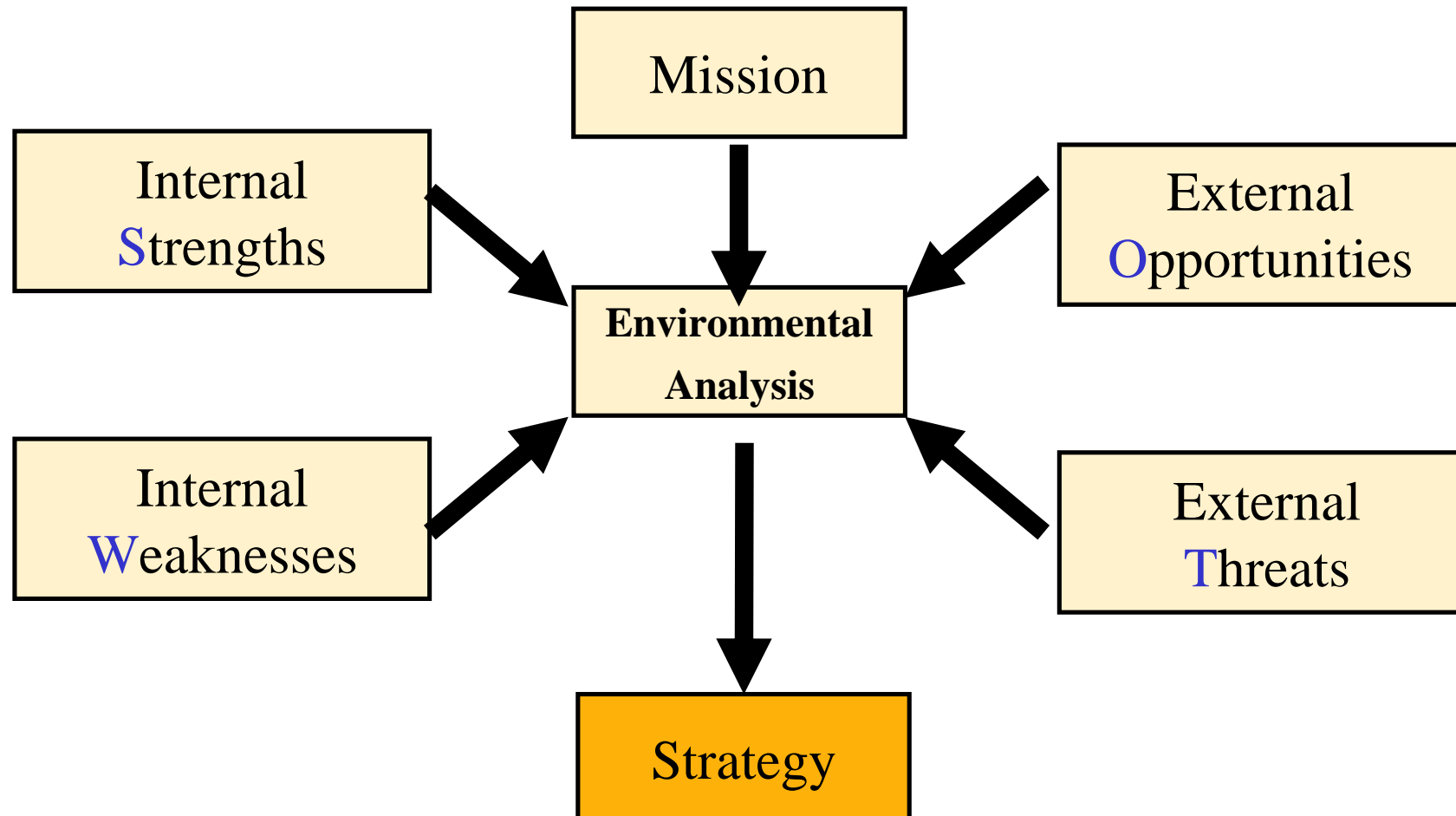
for helping the organization reach the overall mission.

The operations manager's job is to implement an OM strategy, **provide competitive advantage**, and increase productivity



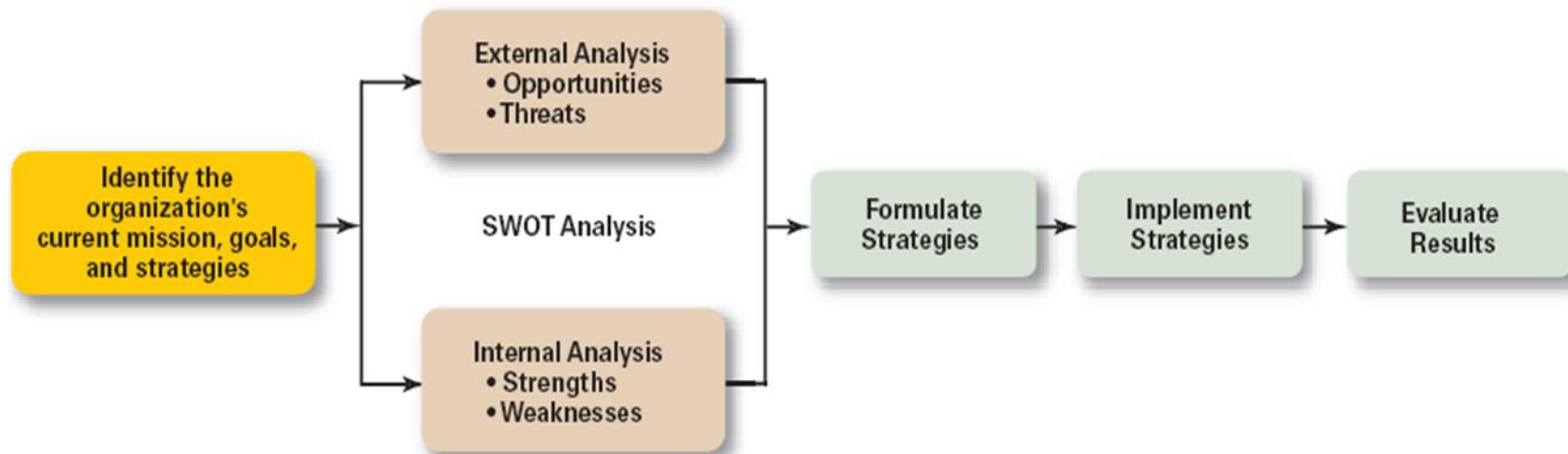
Strategy Development and Implementation

With the mission established, strategy and its implementation can begin.



Strategy Development and Implementation

Strategy is an organization action to achieve the mission.



Strategies for Competitive Advantage

Firms achieve missions in three conceptual ways:

- (1) differentiation,
- (2) cost leadership, and
- (3) response.

This means operations managers are called on to deliver goods and services that are

- (1) better, or at least different,
- (2) cheaper, and
- (3) more responsive

Strategies for Competitive Advantage

- Pure forms of these strategies may exist but operations management will more likely be called on to implement some combination of them

let us briefly look at how management achieve competitive advantage via differentiation, low cost, and response.

Competing on Differentiation

- Differentiation is concerned with providing uniqueness.
- Attempting to create a unique and distinctive product or service for which customers will pay a premium. It is rewarded for its uniqueness with a premium price
- Uniqueness can go beyond both the physical characteristics and service attributes to encompass everything that impacts customer's perception of value

Competing on Cost

- Seeking to attain the lowest total overall costs relative to other industry competitors.
- If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry

A low cost strategy does not imply low value or low quality.

Competing on Response

➤ The third strategy option is response. Response is often thought of as

flexible

Flexibility is matching market changes in design innovation and volumes

reliable

Reliability is meeting schedules

quick

Quickness is Timeliness in design, production, and delivery

Strategies for Competitive Advantage



10 Strategic OM Decisions

Differentiation, low cost, and response can be achieved when managers make effective decisions in 10 areas of OM.

1. Goods and service design
2. Quality
3. Process and capacity design
4. Location selection
5. Layout design
6. Human resources and job design
7. Supply chain management
8. Inventory
9. Scheduling
10. Maintenance

Strategic Options to Gain a Competitive Advantage

- 28% - Operations Management
- 18% - Marketing/distribution
- 17% - Momentum/name recognition
- 16% - Quality/service
- 14% - Good management
- 4% - Financial resources
- 3% - Other