Chapter 2

Competitiveness, Strategy, and Productivity
Chapter 2: Learning Objectives

- You should be able to:
  1. List the three primary ways that business organizations compete
  2. Explain five reasons for the poor competitiveness of some companies
  3. Define the term strategy and explain why strategy is important
  4. Discuss and compare organization strategy and operations strategy, and explain why it is important to link the two
  5. Describe and give examples of time-based strategies
  6. Define the term productivity and explain why it is important to organizations and countries
  7. Provide some reasons for poor productivity and some ways of improving it
Chapter Focus

- This chapter focuses on three separate, but related concepts that are vitally important to business organizations:
  - Competitiveness
  - Strategy
  - Productivity
Why Some Organizations Fail

1. Neglecting operations strategy
2. Failing to take advantage of strengths and opportunities and/or failing to recognize competitive threats
3. Too much emphasis on short-term financial performance at the expense of R&D
4. Too much emphasis in product and service design and not enough on process design and improvement
5. Neglecting investments in capital and human resources
6. Failing to establish good internal communications and cooperation
7. Failing to consider customer wants and needs
Hierarchical Planning

Mission

Goals

Organizational Strategies

Functional Strategies

Tactics
Mission, Goals, and Strategy

- **Mission**
  - The reason for an organization’s existence

- **Goals**
  - Provide detail and the scope of the mission
    - Goals can be viewed as organizational destinations

- **Strategy**
  - A plan for achieving organizational goals
    - Serves as a roadmap for reaching the organizational destinations
Tactics and Operations

- **Tactics**
  - The methods and actions taken to accomplish strategies
  - The “how to” part of the process
- **Operations**
  - The actual “doing” part of the process

Tactics

The methods and actions taken to accomplish strategies
- The “how to” part of the process

Operations

The actual “doing” part of the process
Strategy Formulation

- Effective strategy formulation requires taking into account:
  - Core competencies
  - Environmental scanning
    - SWOT

- Successful strategy formulation also requires taking into account:
  - Order qualifiers
  - Order winners
Key External Factors

1. Economic conditions
2. Political conditions
3. Legal environment
4. Technology
5. Competition
6. Markets
Key Internal Factors

1. Human Resources
2. Facilities and equipment
3. Financial resources
4. Customers
5. Products and services
6. Technology
7. Suppliers
8. Other
Operations Strategy

- Operations strategy
  - The approach, consistent with organization strategy, that is used to guide the operations function.

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<thead>
<tr>
<th>Decision Area</th>
<th>What the Decisions Affect</th>
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<tr>
<td>Product and service design</td>
<td>Costs, quality, liability, and environmental issues</td>
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<tr>
<td>Capacity</td>
<td>Cost, structure, flexibility</td>
</tr>
<tr>
<td>Process selection and layout</td>
<td>Costs, flexibility, skill level needed, capacity</td>
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<tr>
<td>Work design</td>
<td>Quality of work life, employee safety, productivity</td>
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<tr>
<td>Location</td>
<td>Costs, visibility</td>
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<tr>
<td>Quality</td>
<td>Ability to meet or exceed customer expectations</td>
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<td>Inventory</td>
<td>Costs, shortages</td>
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<td>Maintenance</td>
<td>Costs, equipment reliability, productivity</td>
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<td>Scheduling</td>
<td>Flexibility, efficiency</td>
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<tr>
<td>Supply chains</td>
<td>Costs, quality, agility, shortages, vendor relations</td>
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<tr>
<td>Projects</td>
<td>Costs, new products, services, or operating systems</td>
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