

Robert H. Hayes, Harvard University

1. 60s, many Western companies ...act as if they had “solved the problem of production” and focused on other matters, such as marketing, finance and acquisitions.
2. They appeared to have decided that manufacturing had become routine, that it no longer had much strategic impact, that its role had been reduced largely to implementing the plans and designs created by others, and therefore it did not required the direction, constant attention, and personal involvement of top management. In short, no longer was there any need for “the strategic management of manufacturing.”
3. 70s and 80s, Japanese competitors penetrated Western markets without reliance on superior product designs, clever marketing or superior financial resources BUT on sheer manufacturing prowess – on the ability to provide some combination of lower cost, better performance or features, fewer defects, faster delivery, and greater responsiveness to customers’ specific needs.

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4. Japanese proved that a manufacturing organization could be powerful source of competitive advantage if it were properly configured, equipped, and motivated, and that it is dangerous to think it had solved a manufacturing problem because Kaizen will uncover new opportunities
5. A need to balance properly all the factors involved in complex decisions, be highly informed about their competitive environment, had to have detailed and sophisticated understanding of manufacturing and process technology.
6. Unfortunately, many Westerners derived their conclusion of Japanese success to TQM, JIT production, supplier scheduling, Kanban shop floor control, QFD, Employee involvement and Concurrent Engineering.....collectively known as Lean Manufacturing.
7. Not all successful Japanese adopt “Toyota system” hence there is no single Japanese model because competitive advantage arises out of differentiating yourself from your competitors in some advantageous way.

Competitive Strategy

- Key to success or failure of this effort is how much competitive power the firm can realize in each of the business areas in which it is engage.
- Competitive power is the ability of a firm to defeat competing companies vying to secure market share....and that depends on your customers' voice on quality, price, delivery and service.....eg. Proton G2

Competitive Strategy Matrix

		Major functional areas							Key elements of competitive power	Greater competitive power
		R&D	Purchasing	Production	Marketing & Sales	Finance	Personnel	Others		
Product	Line									
	Quality									
	Cost -> Price									
	Delivery									
	Service									
	Convenience of purchase									
	Terms of payment									
	Selling skills									
	Personal connections and obligations									
	Corporate image									

Omni-directional vs Focused Strategy

Omnidirectional :- catch up and overcome rivals in QPDS.

Focused :- establish clear lead to differentiate in selective elements of QPDS.

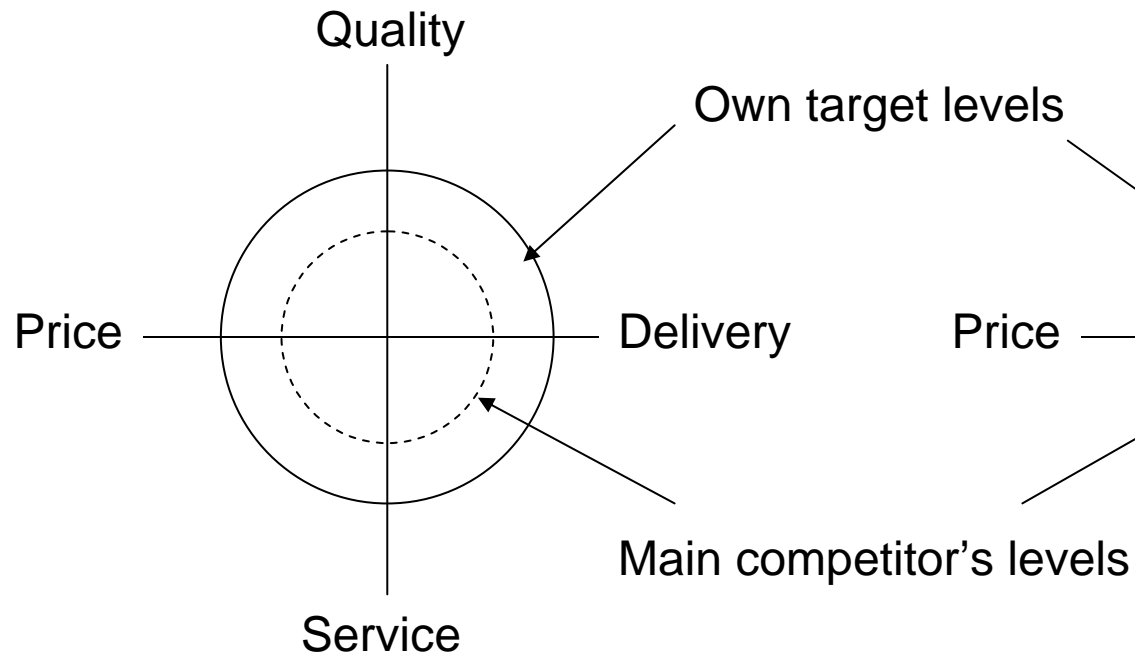
Class Discussion:-

What strategy is appropriate in various scenarios.

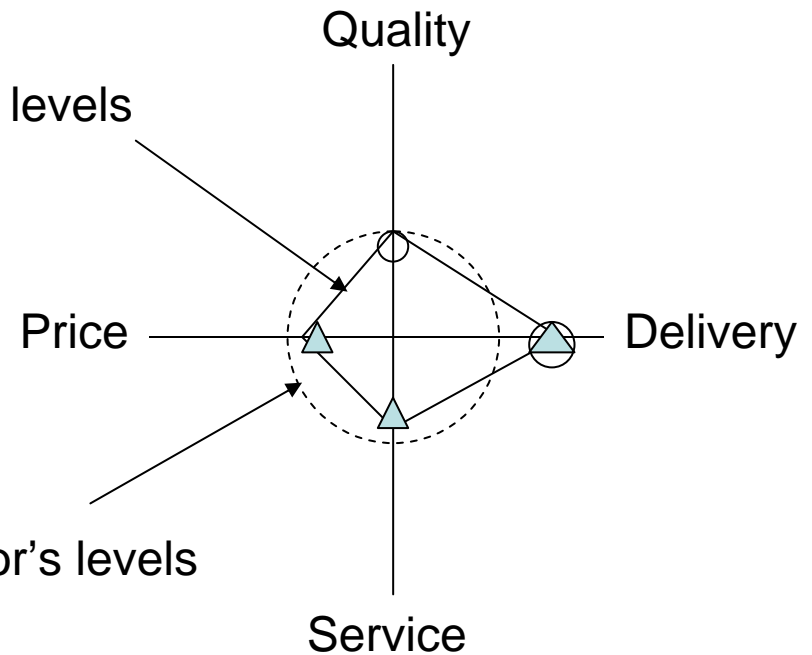
Does it help if a company is in a sunset situation?

Competitive Strategies

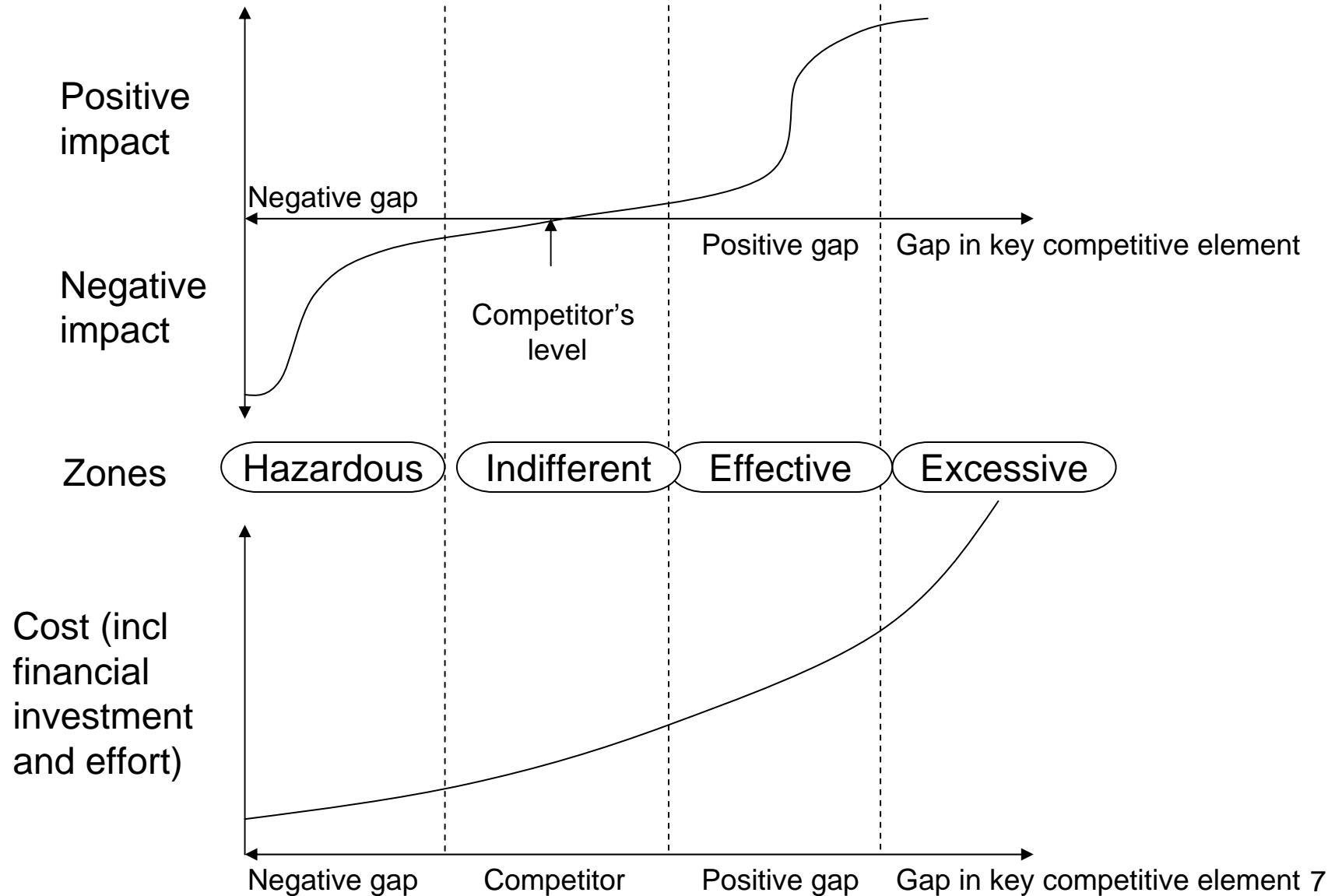
A. Omnidirectional



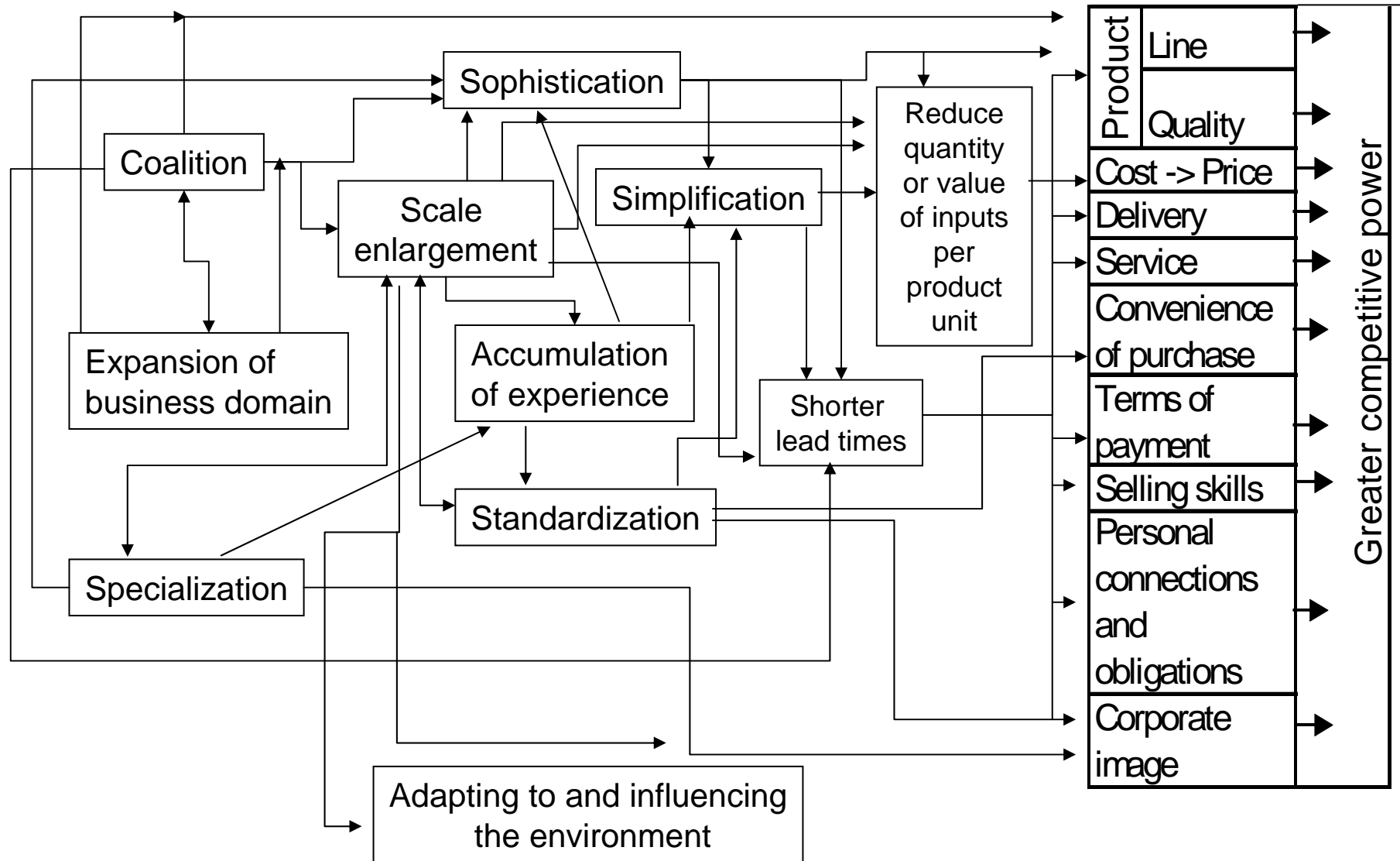
B. Focused



Impact of Competitive Gap



Key Principles for Increasing Competitive Power



OIP Approaches to Simplification

Its about Outputs, Inputs and Processes.

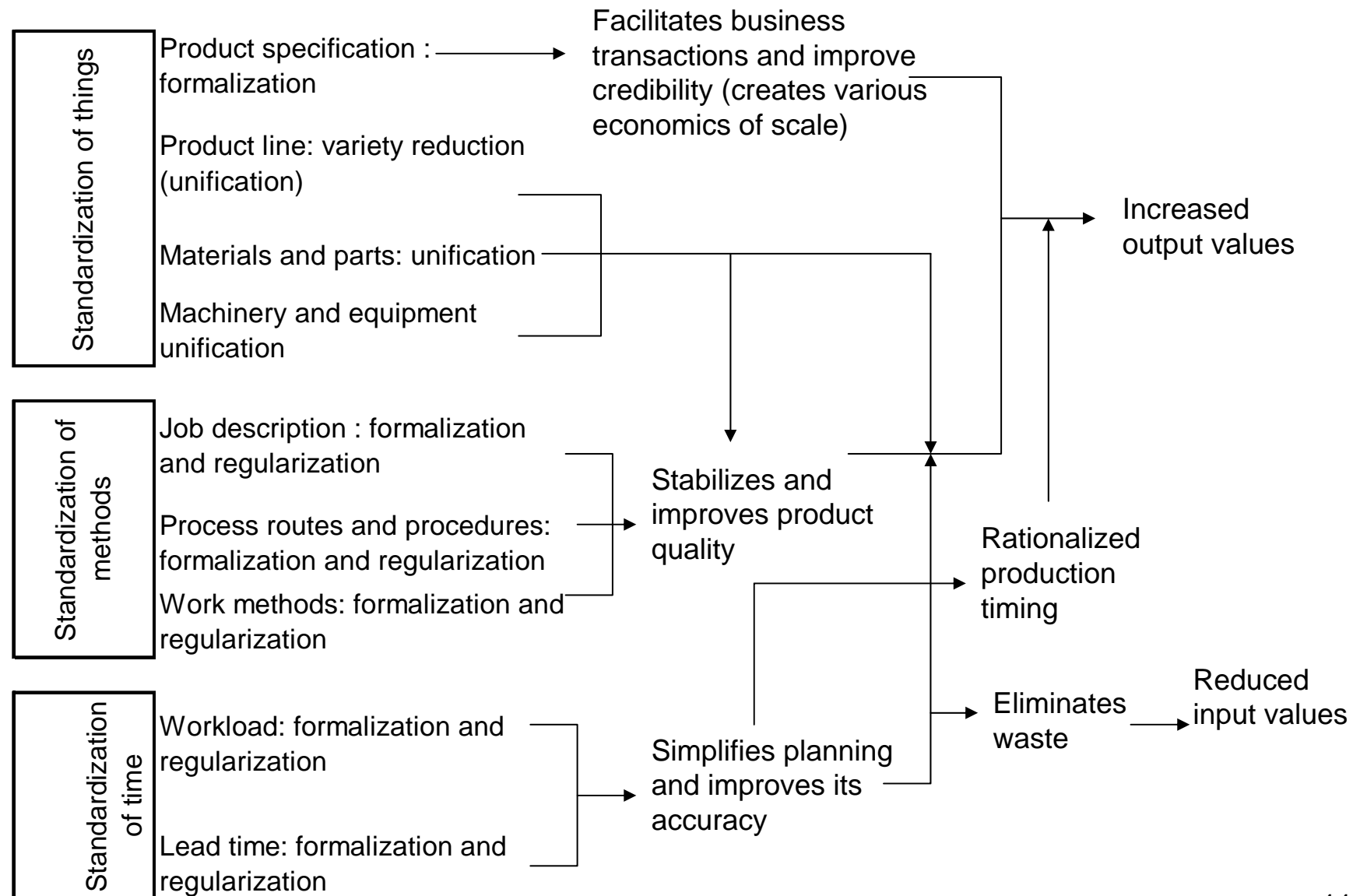
- What are the **essential outputs** of the production system i.e. the value of goods and services produced.
- What are the **essential inputs** of the production system (the raw materials, equipment, labor, etc., introduced)?
- What are the **essential conversion processes** of the production system (the treatments and production processes used)?

Key Benefit of Simplification

Reduce risks in time and cost of execution !!

1. **Formalization** : adopting common forms or symbols in order to promote a shared awareness among all concerned and thereby improve communication.
2. **Unification**: making similar items identical for common use in order to promote economies of scale.
3. **Regularization**: establishing rules and procedures to ensure that the most effective methods take hold.

Main Types of Standardization and Their Effects.



Boosting competitive power through technological progress

- **Product technology** sophistication – view from rule 657 in regularly replacing with with new ones of lower cost and higher performance
- **Process technology** sophistication – take the extreme example of nanotechnology vs silicon assembly.
- **Management technology** sophistication – its about business processes in SCM and DCM

What is the impact of specialization on competitive power?

- Focus: limiting the business domain to a specific range and concentrating available resources on it.
- Division of labor: splitting the work into small parts and assigning individuals or groups to each part.
- Class Discussion: the rise of out-sourcing and contract manufacturing as a new perspective in specialization.

Main Elements of Scale Advantage

Category

1. Machinery and equipment costs
2. Labor costs
3. Materials costs
4. Marketing and administrative costs
5. Other advantages

Scale advantage

- Reduced fixed equipment cost per product unit as a result of increased production volume (including increases in lot sizes)
- Relative cost advantage of larger-capacity equipment
- Greater production efficiency of special-purpose machines
- Reduction of unit labor costs through labor-saving
- Reduction of materials and utility costs through higher yield and efficiency
- Lower purchasing costs of materials and utilities through volume discounts
- More efficient application of administrative and marketing fixed costs as a result of larger sales volumes
- More effective advertising and sales promotion
- Wider technological coverage and accelerated progress of R&D activities
- Increased specialization of support staff
- Broader product line
- Enhanced corporate image and increased influence on surroundings

Costs and Scale Enlargement

