

# STRATEGY

## Chapter Two

# Company Aspirations Beyond Making a Profit

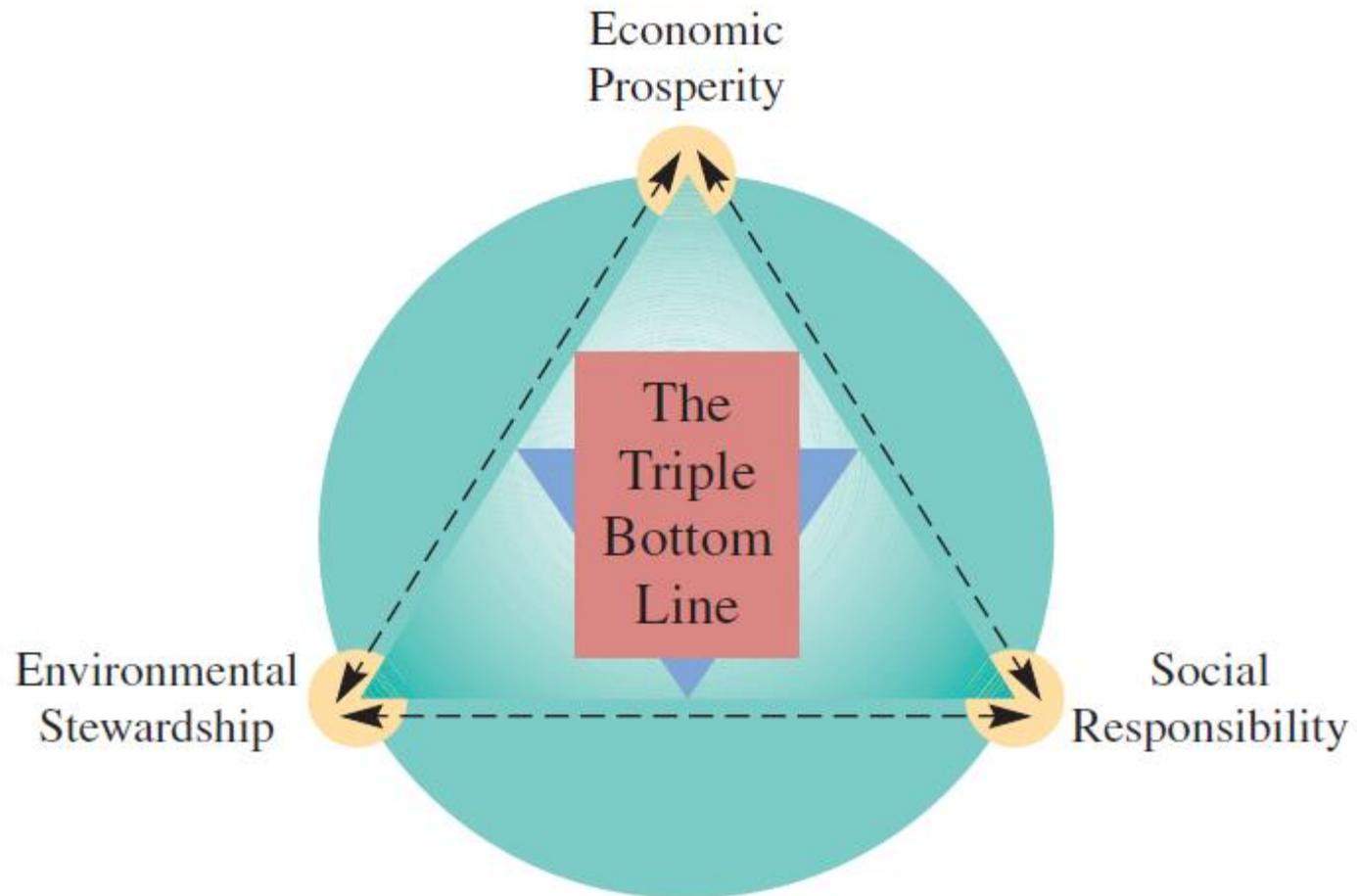
## Cliff Bar's Aspirations (an example)

- 1. Sustaining our Planet—Keep our impact on the planet small, even as we grow.
- 2. Sustaining our Community—Be good neighbors. Give back to the community.
- 3. Sustaining our People—Create an environment where people can live life to the fullest, even from 9 to 5.
- 4. Sustaining our Business—Grow slower, grow better, and stick around longer.
- 5. Sustaining our Brands—Make what people actually need. Never compromise quality.

# Sustainable Strategy

- The firm's strategy describes how it will create and sustain value for its current shareholders
  - ▣ Shareholders – individuals or companies that legally own one or more shares of stock in the company
  - ▣ Stakeholders – individuals or organizations who are directly or indirectly influenced by the actions of the firm
- Adding a sustainability requirement means meeting value goals without compromising the ability of future generations to meet their own needs
- Triple bottom line – evaluating the firm against social, economic, and environmental criteria

# Triple Bottom Line



# Operations and Supply Chain Strategy

- Setting broad policies and plans for using the resources of a firm – must be integrated with corporate strategy
  - ▣ Corporate strategy provides overall direction and coordinates operational goals with those of the larger organization
- Operations effectiveness – performing activities in a manner that best implements strategic priorities at a minimum cost

# Formulating an Operations and Supply Chain Strategy



# Competitive Dimensions

## Price

- Make the product or deliver the service cheap

## Quality

- Make a great product or delivery a great service

## Delivery Speed

- Make the product or deliver the service quickly

## Delivery Reliability

- Deliver it when promised

## Coping with Changes in Demand

- Change its volume

## Flexibility and New-Product Introduction Speed

- Change it

# Trade-Offs

- Management must decide which parameters of performance are critical and concentrate resources on those characteristics
- For example, a firm that is focused on low-cost production may not be capable of quickly introducing new products
- Straddling – seeking to match a successful competitor by adding features, services, or technology to existing activities
  - ▣ Often a risky strategy

# Order Winners and Order Qualifiers

- Order qualifiers are those dimensions that are necessary for a firm's products to be considered for purchase by customers
  - ▣ Features customers will not forego
- Order winners are criteria used by customers to differentiate the products and services of one firm from those of other firms
  - ▣ Features that customers use to determine which product to ultimately purchase

# SC Risk Examples

- Japanese Tsunami (March 2011).
- In 1996 General Motors experienced an 18-day labor strike at a brake supplier factory.
- This strike idled workers at 26 assembly plants and led to an estimated \$900 million reduction in earnings.
- In 1997 a Boeing supplier's failure to deliver two critical parts led to a loss of \$2.6 billion.

# Assessing Risk Associated with OSCM Strategy

- All strategies have an inherent level of risk
  - ▣ Uncertainty in the environment causes supply chain planners to evaluate the relative riskiness of their strategies
- Supply chain risk is the likelihood of a disruption that would impact the ability of a company to continuously supply products or services
  - ▣ Supply chain coordination risks are associated with the day-to-day management of the supply chain
  - ▣ Disruption risks are caused by natural or manmade disasters

# Risk Mitigation Framework

- 1. Identify the sources of potential disruptions and assess a type of vulnerability.
  - ▣ Focus on highly unlikely events that would cause a significant disruption to normal operations.
- 2. Assess the potential impact of the risk. Here the goal is to quantify the probability and the potential impact of the risk.
  - ▣ Could be based on financial impact, environmental impact, ongoing business viability,
  - ▣ Brand image/reputation, potential human lives, and so on.
- 3. Develop plans to mitigate the risk. A detailed strategy for minimizing the impact of the risk could take many different forms, depending on the nature of the problem.

# Productivity Measurement

- Productivity is a measure of how well resources are used
- Productivity =  $\frac{\text{Outputs}}{\text{Inputs}}$
- Productivity is a relative measure
  - ▣ Must be compared to something else to be meaningful
    - Operations can be compared to each other
    - Firms can be compared to other firms
- Partial productivity measures compare output to a single input
- Multifactor productivity measures compare output to a group of inputs
- Total productivity measures compare output to all inputs