

Manufacturing Strategy
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Module No. #01
Lecture No. #03
Operations Strategy

welcome friends, to the third session of this course on, Manufacturing Strategy. in our earlier two sessions, we discussed the importance of manufacturing, in the development of a nation. we see, that the government of India, is focusing on the sector of manufacturing, as a major player for creating jobs, for the large number of youth of this country. at the same time, we also focused, that manufacturing can provide, competitive advantage to the organisations.

Unfortunately, the role of manufacturing, is not seen by many top thinkers, to provide the competitive advantage for the organisation. Therefore, we focused, that how manufacturing can provide, that advantage to the organisation. moving further, we discussed the output, in terms of quantities, in terms of the share of manufacturing, by some of the major economies. we discussed about the, development of China, as a major manufacturing hub.

And, we also discuss, that how that advantage is moving away from China. Now, in this particular session, we are going to focus, on the operations strategy. Because, manufacturing, which is primarily a production activity. But, since we are living in an era, where most of our GDP is coming from the services sector. So, the operations strategy, can be a broader term, which can take care of your production strategy, and which can take care of your services strategy also.

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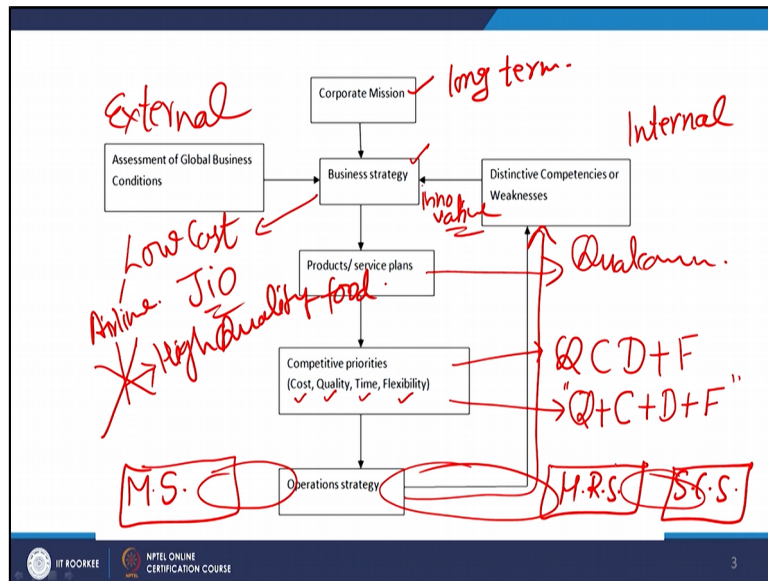
Traditional Way of Working

Given the many factors a company must consider, both internally and externally, it must develop **operations strategies** that will achieve its business strategies and corporate mission.

so now, if I see, the traditional way of working in the organisation. Now, in the traditional way of working in the organisation, we normally see, that we have a top strategy of the organisation, which is the corporate level strategy. And, considering the strength or the factors, which are available in the internal and external environment, which we get from the SWOT Analysis.

if you do the SWOT Analysis of the organisation, you consider, what are the internal factors, in your strength, what are the internal factors, which provide weakness to you, what are the external factors, which gives you opportunity, and what are the external factors, which are posing threat to you. And, based on this internal and external analysis, you develop the operations strategy, to achieve the Business Strategy, or the corporate level goals, of your organisation

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so, what I want to say, that this diagram gives you the idea, that first, we said the corporate level mission, which is a long-term activity. And, it is more like a philosophical statement, for the organisation, that we want to achieve, a very high level of customer satisfaction, we want to achieve, that level of market share, we want to be the number one company, in the Fortune 500, etcetera, etcetera. So, that is a more kind of a philosophical statement.

that is the top-level activity, at the organisation, in terms of strategic management. with this corporate level mission, we develop the Business Strategy of the organisation. And, though the primary driving force of the Business Strategy, is the corporate mission. But, the global business conditions, that what is the scenario at the global level. And, what are your strengths and weaknesses? what are your competencies? what are your weaknesses? all these things contribute, in the development of this Business Strategy.

So, corporate mission, and the Business Strategy, both are the top-level activities, in any organisation. Now, the development of long-term activities, into this Business Strategy, is actually the conversion of that philosophical statement, into some achievable goals. That is the importance of Business Strategy. An executive in the organisation, understands Business Strategy more clearly, because here, you have some achievable targets in front of you.

and obviously, the external environment. this is the external environment component. And, this is your internal environment component. So, your mission statement, the external environment of the business, internal environment of the organisation, all these three things give you, the Business Strategy formulation. Then, with the help of this Business Strategy,

the product and service plans are finalised. what type of product and service plans, you want to have for your organisation?

So, in case of Business Strategy, you want to have, let us say, a very innovative company. And, once you want to be very innovative company, you have a product and service plan, like for an example, take Qualcomm. So, they have a very clear cut product and service plan, that these many number of patents, we need to file every year. So, if you are going to be an innovative company, accordingly you will make your, product and service plan.

on the other hand, if you want to be a low cost company, that is your Business Strategy, that I want to have, the lowest possible cost of this product. so accordingly, your product and business plan, will be there. And, the example of Reliance Jio, is in front of us. So, the Business Strategy will translate, into the product and service plans. So, what type of Business Strategy, you want to have, accordingly, you will design, you will come, with that type of products and service offers.

So, if you want to have, a low cost company. And, you want to offer, like, if you want to have a low cost airline. So, in low-cost airline, if you offer, very high quality food during flight, it is going to increase, the cost of your air ticket. and then, the objective of low-cost airline, will not be achieved. So, this is the poor designing of product and services. So, you have to be very careful, that what type of Business Strategy, you are having.

And, according to that strategy, you need to develop your product offer, you need to develop your service offer. when we are developing this product and service offer, the important thing, from the point of view of the operations strategy are, cost, quality, time, flexibility. these are important components, of the competitive priority, which can provide competitiveness to the organisation.

So, whether you want to be a low cost company, whether you want to be a very high quality provider of the products, whether you want to have time advantage, you want to deliver very fast, so that can also be a competitive priority. how much flexibility, you are offering? So, these are different types of, competitive priorities. Normally, in language of Operations Management, we call them as QCD. that is, quality, cost, delivery time. and then, you have also added the dimension of flexibility, into it.

So, now we have, QCDF. that are the different types of competitive priorities, you can have in your product and service plans. But, this competitive priority, should also flow from the, corporate mission, and then Business Strategy. if the competitive priorities, not in sync with your top-level activities, then again, you are not going to take the competitive advantage out of it.

and finally, once you decide, that what type of competitive priorities, you want to have in your products, in your services, accordingly, you will design your operations strategy. So, as I mentioned, that in my traditional way of thinking, the Operation Strategy, is a result of, this entire activity, this entire set of flow of activities, starting from the corporate level mission, then formulation of Business Strategy, the product process plan, deciding the competitive priorities, and then finally you come to the formulation of Operation Strategy.

when we will discuss, in our subsequent sessions, we will focus, that even this Operation Strategy, even this operation strength, can also help us in formulation of my Business Strategy. Though, we have made, one arrow here, which is focusing on this aspect, that how my Operation Strategy can provide, different types of competitiveness and weaknesses. And, these things should be taken into account, for formulation of my Business Strategy. But, there can be, much more.

there can be much more, which are important, in formulation of Business Strategy, and where my operation strength can contribute. And, that will be the major, you can say, output, that can be the major strength, of the subject of manufacturing strategy, that my operational strength, can contribute significantly, in development of my business level strategy. now, going further, in this traditional way of thinking, where Operation Strategy, is a result of Business Strategy,

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we see, that competitive priorities, are the most important thing, which are shaping my Operation Strategy. now, the competitive priorities, are very important thing to understand, that what is the competitive priority. Now, competitive priorities are our abilities, our abilities to fulfil the customer requirement, in a different way, than my competitors. if my competitors, are fulfilling the requirements, needs of my customers, in X way. So, I should be able to fulfil the requirement, in a Y way.

So, X is the way, followed by competitors. And, Y is my way. So, the competitors are following, a different way of fulfilling the customer's requirement, that is the X way. And, I am following, a different way of fulfilling the customer's requirement, that is the Y way. for example, in our country, to deliver a packet, from one end to another end, we traditionally used, the post office services. And, in the post office services, the objective is to help people, in delivering their packets, from one location to another location.

And, in that, the only objective is, to keep the cost minimum of delivery. So, that was the traditional way of delivering the packets. when courier companies started, they followed a different way of delivering the packet, where they offered faster deliveries, and secure deliveries. So, these are the competitive priorities, for a courier company, as conventional way of delivering, the post office way of delivering, was the low-cost method.

So, the earlier priority was the low-cost. But, courier company took a different priority, that is the faster delivery, and secure delivery. So, with that way, you can understand, that how I can be a different thing, than my competitor. And, if I am following a different way, that becomes

my competitive priority. Now, in terms of Operations Management, four important competitive priorities, we will regularly discuss.

the one is cost, that is one very important competitive priority. the second is, quality, QC. And, third is, delivery performance. So, QCD. And, fourth is the flexibility. So, nowadays, we require, either competitive priorities related to low production cost, delivery performance, the high-quality products and services, and then customer service, and flexibility. when you see, that how over a period of time, different organisations exploited, these competitive priorities, then probably this concept will be more clear to you.

So, now let us see, the cost related priorities. when we talk of low production cost, you need to see that, example of China, as a whole, is the most beautiful example, that how Chinese organisations, completed the whole world, on the basis of low production cost. So, they set, low production cost, as their competitive priority. And, Chinese government also enabled, that infrastructure in which, Chinese organisations could provide products, at the low production cost.

whether they followed economies of scale, whether the factor cost of inputs were low, whether they have large-scale production facilities, whether they have lot of state interventions into their manufacturing activities, all those things were designed, to achieve the competitive priority of low production cost. So, that is, one very important thing. And, if you orchestrate, everything around a particular competitive priority, certainly you are going to take the advantage of that.

So, the low production, cost China is a very perfect example, for that thing. then comes, the high-quality, QCD. So, quality is also a very, very important aspect, of the competitive priority. organisations like Toyota, are the best example to understand, that how one can get the benefit of this quality, as a competitive priority. Toyota set very high benchmark of quality, for their production facilities.

And, we know, the success of Toyota, all through the globe, is because of their ability to produce high-quality products. if you talk of, in present scenario, Apple is another very important name. and, in the field of mobile markets, electronic gadgets, Apple's name is one of the name, which comes with, very high quality products and services. Now, Apple is also

able to rule the market of mobile, only because of their ability to produce very high quality products.

And, in our previous sessions also, we discussed this point, that Walmart is number one company, in the Fortune 500 list. But, in terms of profitability, in the list of Fortune 500, Apple is the number one company. So, if you have this type of quality, as your competitive advantage, then you can certainly take the lead, in the overall manufacturing, irrespective of industry. So, whether I am talking of Toyota, so Toyota is no longer limited to automobile only.

Toyota's quality functions, Toyota's quality revolution, is followed in many other kind of industries. Similarly, Apple is not limited to mobiles. Apple's ability to produce, very high quality product, is now going into automobiles, is now going into the consumer durables, may be in shoes, may be into FMCG's. so, when you are developing that, how competitive advantage can be taken, from either cost, or from quality, people across industries, follow your way of doing the work.

Then, third important thing is, delivery performance. Now, delivery is taken into two very important things. Now, in case of delivery, whether you are making faster delivery, that is one aspect of delivery performance, that you are able to deliver products, at a faster rate. the second important is, your ability to bring products, at a faster rate. So, one is, how quickly you are delivering the products. And, how quickly, you are bringing new products, into the market.

So, that is also a very important aspect. And, the companies like Samsung, they are actually getting the advantage. they are now into the forefront of their fields, because of their ability to bring new products, at a very fast rate. on the other side, companies like Amazon, companies like Flipkart in India, these companies are able to take the market share, in the field of e-commerce, because of their ability to deliver products at a faster rate.

and therefore, even if you have the good delivery performance, for that matter, companies like Maruti in India, because of their very able delivery performance, they are able to catch, large amount of market share, of the Indian car users. So, delivery performance can also give

you, a very good competitive advantage, but you need to design your entire ecosystem, so that you can achieve that competitive priority.

Then, flexibility. the customer service, is also becoming, a very important competitive priority. Nowadays, customers want, very specialised products. And, when customers want a specialised products, it is not possible to produce products in large volumes. So, you need, flexible manufacturing systems. So, flexibility is also becoming, a very important competitive priority, that you are able to incorporate customisation, or high degree of customisation, in your production system.

So, if you are able to provide, more customised products, to your market, to your customers, obviously, this is going to give you, much more advantage. So, customer service and flexibility, is also becoming a very key role, or that is becoming a very important thing. the very popular example of flexibility, is coming from company known as, Dell. Dell, was known for providing customised computer machines, to its customers.

And, you can remember, that we used to visit Dell's website, for designing our unique machines. But, over a period of time, we do not want that kind of uniqueness, in our machines. and therefore, now, most of us give order of similar type of machines. But, Dell developed a system, where customers can take, the advantage of flexibility.

And, nowadays, even in case of automobiles, even in case of consumer durables, even in case of various other luxury products, we need this high degree of flexibility. Because, we want to be unique, that kind of mind set is coming, in the customers. And, to fulfil that needs of the customer of uniqueness, you need to design your manufacturing system, so that, it can fulfil the requirement of this uniqueness.

So, nowadays, if I summarise this entire discussion of the competitive priority of cost, quality, time, and flexibility, we see that, nowadays, it is not possible in the coming scenario, when we will be seeing the different type of manufacturing, because of more automation, because of more information technology related development, that you can survive with only one or two type of competitive priority. customer will require, a combination of all these things.

Earlier, the examples, which we discuss, survived, or are surviving, only because of, one particular type of competitive priority. but the time is coming, where customers are looking that, it is not either or. they want high quality products. they want these products, at low cost. they want faster delivery, as well as, very high degree of innovativeness. And, at the same time, they want, customised products. So, all these things, are going to be, simultaneously, coming in the arena of manufacturing, quality, high quality, superior quality, low cost, faster deliveries, right time deliveries, and flexibility.

So, the new challenges, or you can say, the competencies, which organisations need to develop, should be not limited to only one particular type of competitive priority. we discussed, these things in the past. But, the organisations of future, require competitive priorities, where QCDF can coexist. So, this is the new phenomena. And, if we can develop that type of competitive priorities in my organisation, then probably, I can put my Operation Strategy, to provide the major input to the Business Strategy.

So, that is the overall idea, of that, how Operation Strategy, should help the Business Strategy. what is the traditional way? And, how this traditional way, is going to be chased, in the future? the other important thing, which I will like to discuss, almost in the end of this session, that the Operation Strategy, which was the major part of discussion, of this particular session. but similarly, as we are discussing the Operational Strategy, there can be a Marketing Strategy, there can be a Human Resource Strategy, there can be a Supply Chain Strategy, etcetera.

So, all these are the, functional level strategies. we need to see, that these functional level strategies, are not in silos. we need to have, a good sync between, these functional level strategies. if that sync is missing, you cannot take again, the competitiveness, or the strength of a particular type of functional strategy. because, if your operational strategy, is not in sync with the marketing strategy, so whatever strength you have, you are not able to take those strength, to your customer.

Because, marketing is responsible, to reach out to the customer. similarly, the type of skills. Because, Human Resource Strategy provides you the, what type of talent you are requiring, what type of talent you will require. and therefore, your Operation Strategy requires, a very close connection with, Human Resource Strategy also. And, for that matter, Human Resource

Strategy should also be closely connected, with the Marketing Strategy. what type of talent you require, to go to the market?

So, all these functional level strategy, must be intermingled properly. if that intermingling is not proper, then again, there will be a problem, of converting the strength, at the functional level, to the advantage at the business level. So, we discussed, just a quick recap, that we discuss, that in our traditional method, of understanding the operational strategy, or developing the operational strategy, we have a corporate level mission, which is converted into Business Strategy, where we take the inputs from internal, as well as external factors.

And, this Business Strategy, is then translated into the competitive priorities. And, based on the competitive priorities, we develop our Operation Strategy. we discussed in detail about the competitive priorities, which are abbreviated as, quality, cost, delivery, and flexibility. And, based on these competitive priorities, we make our Operation Strategy.

But, we also emphasise, that operational strategy, being a functional level strategy, we need to have a strong intermingling, we need to have a proper sync between, various functional level strategies, so that, we can achieve the objectives of, our business level strategy. and, the functional level strategy, can provide inputs, to the formulation of business level strategies. So, with this, we come to end of today's discussion. thank you, very much.