

# **PRODUCTION / OPERATIONS MANAGEMENT**

**Review of Production and  
Operations Management  
21 Sept 2022**



**What is Production  
Management ?**

**What is Production /  
Operations?**

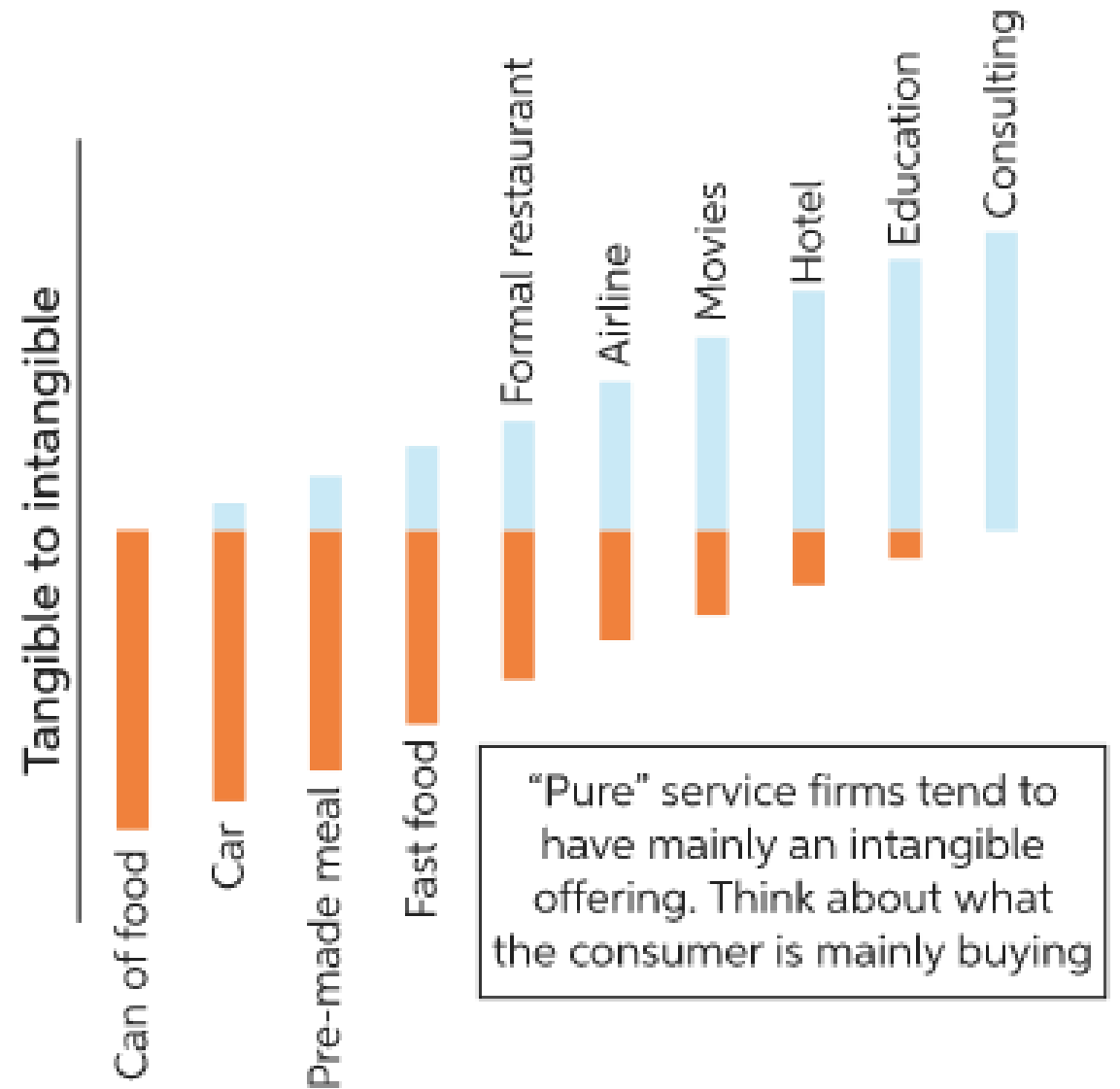
**What is Management?**

# What is production ?

Creation goods and services.

What is difference between goods and services?

Transfer funds between banks, liver transplant, filling up hotel room, education of a student - **Services**



The production activities of tangible and intangible products are called operations = Need managing

# Definition of OM /PM

**Production / Operations management (POM)** is the set of activities that create value in the form of goods and services by **transforming inputs into outputs**

Give one example of a product you frequently use

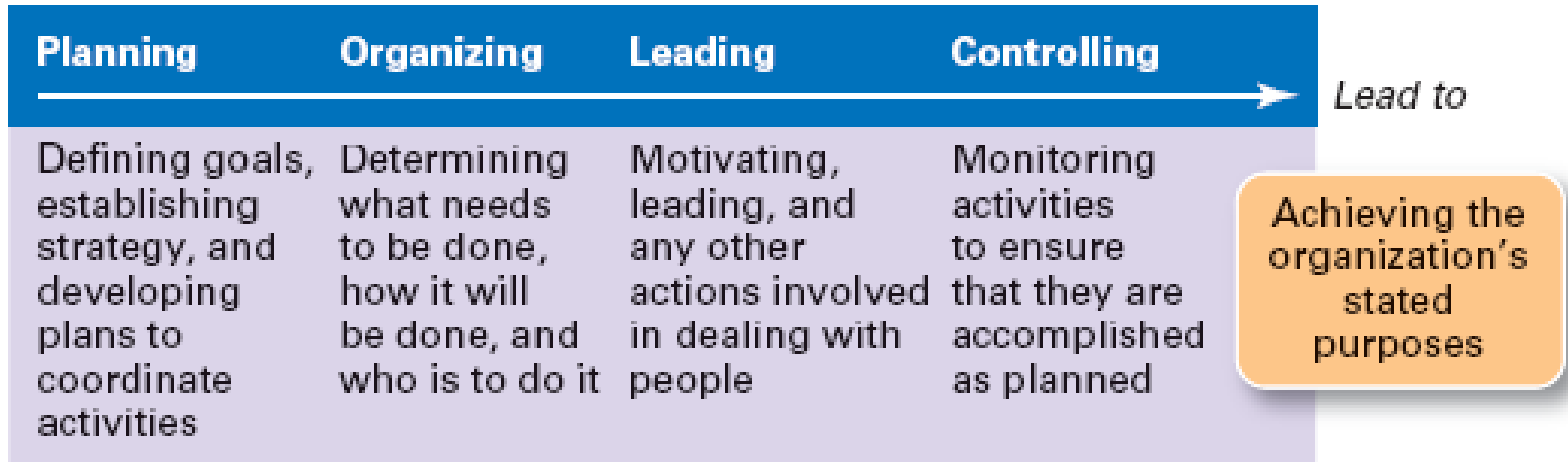
Give one example of input.

Give one example of output.

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## Exhibit 1–3 Management Functions

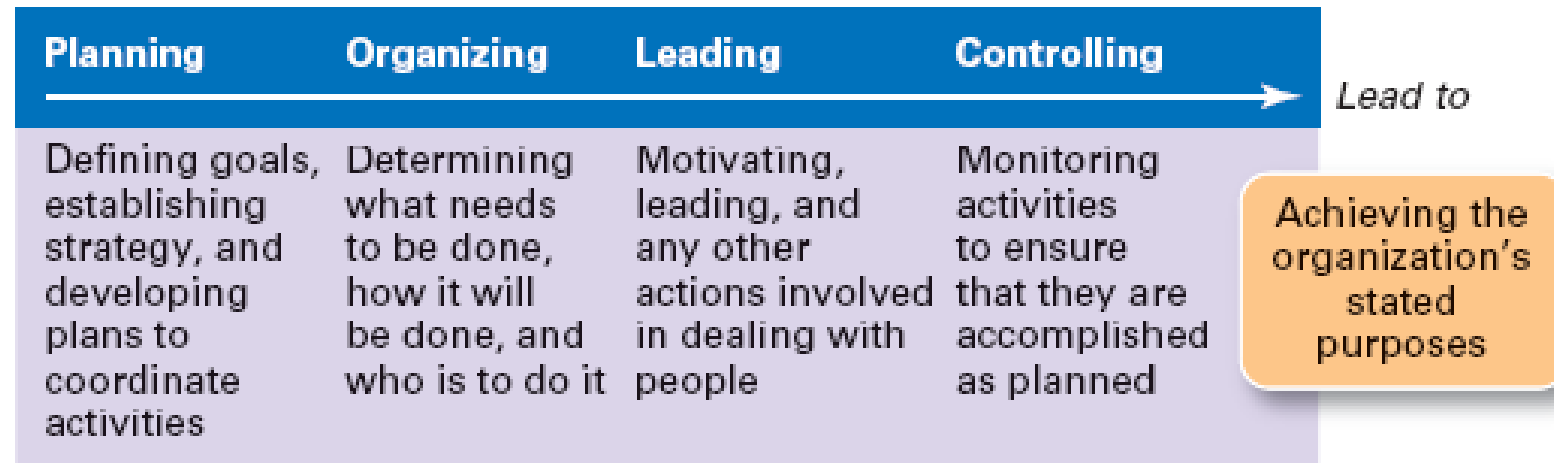
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## Exhibit 1–3 Management Functions

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Why is Production Management  
important?

Why study Production Management?

# Why study Operations Management?

What is goal of any operations?

**Need to study how people organize themselves**

**Need to know how to produce the goods and services**

**Need to understand the job of Operations Manager**

**Companies must survive through increasing effective operations =  
Need OM knowledge**





# Strategy

What is strategy?

How are strategies developed?

What strategies can be used to achieve our mission?

Action plan to achieve mission  
Functional areas have strategies.

Strategies exploit **opportunities** and **strengths**, neutralize **threats**, and avoid **weaknesses**

**Competitive advantage - Firms compete based on 3 strategies**

**1. Differentiation - better or different = UNIQUENESS**

**2. Costs leadership - cheaper than competitor**

**3. Response - responsive, delivery time, On time or promised, efficient services**

# Differentiation (Unique)

**Product features - any examples**

**Experience difference - engage customers - service quality - any examples?**

Uniqueness - beyond both the physical characteristics and service attributes to encompass everything that impacts customer's perception of value



# The World's First Tatami Starbucks! Kyoto Ninenzaka Yasaka Chaya





# Competing on costs

Any examples?

**Low cost leadership =  
achieving maximum value as  
defined by customers  
Low cost or cheap does not  
mean low value or low quality**



# Competing on Response

## How you define response?

Reliable and Quick

What is reliable? What is quick?

Flexible =Able to match market changes such as design innovations, or volume fluctuations

Reliability is meeting schedules

And dependable accurate services (information in website, etc)

Timeliness is quickness in design, production, and delivery

**Ability to respond, change, and adapt to new situations including Covid pandemic now**

# OM's Contribution to Strategy

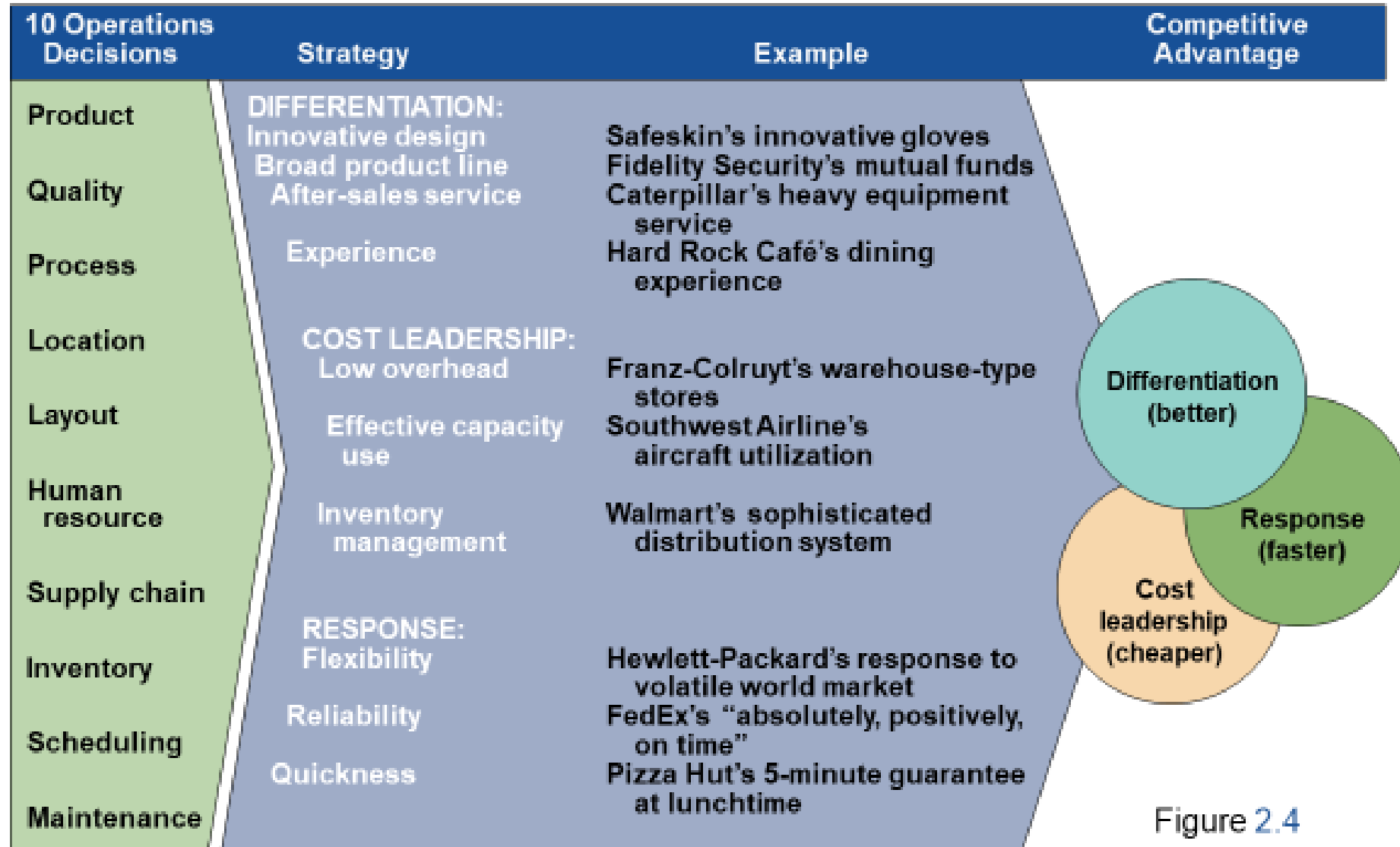


Figure 2.4

# Strategies and Issues During Product Life Cycle

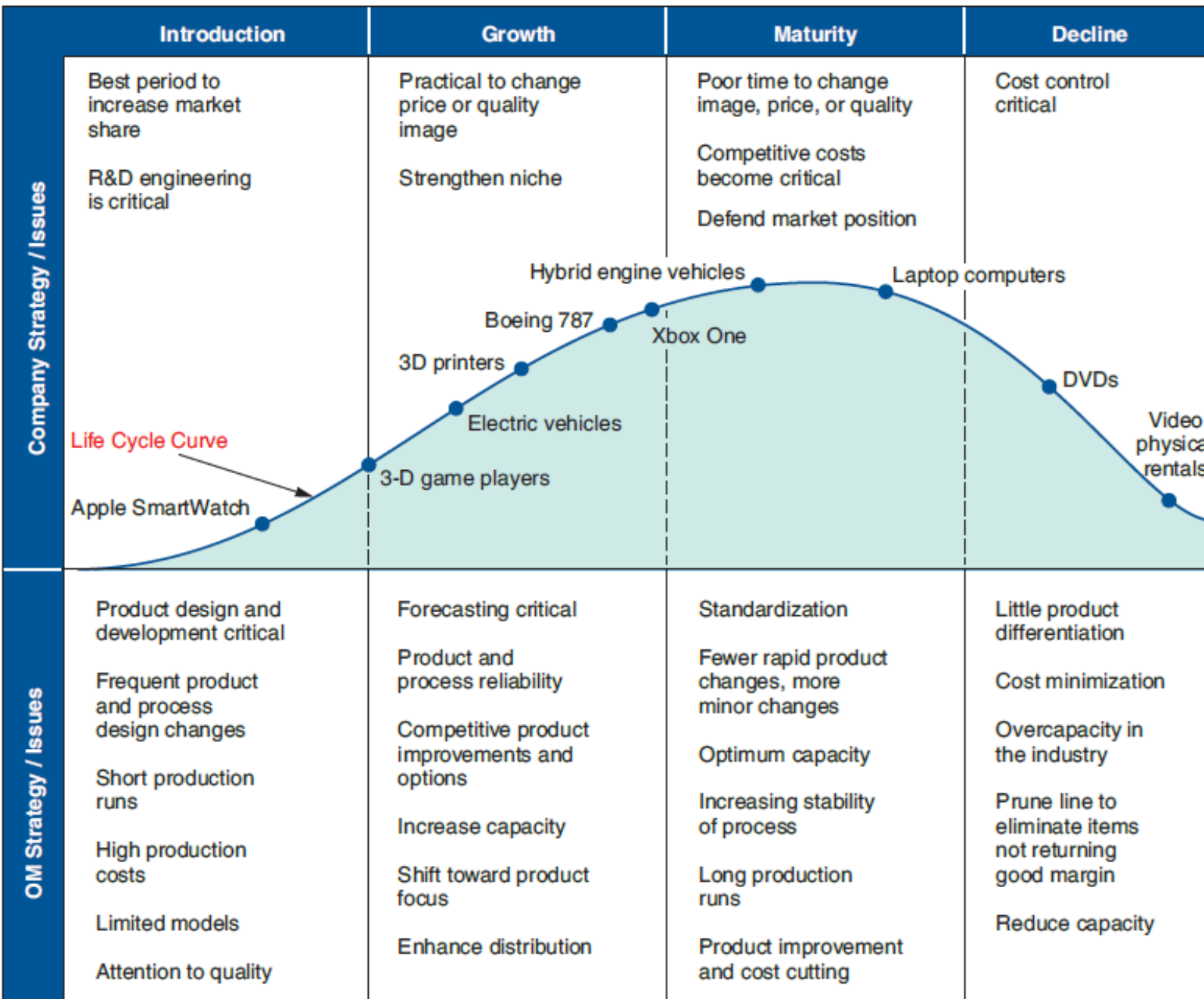


Figure 2.5

# Strategy Development and Implementation

## Strategy Development Process

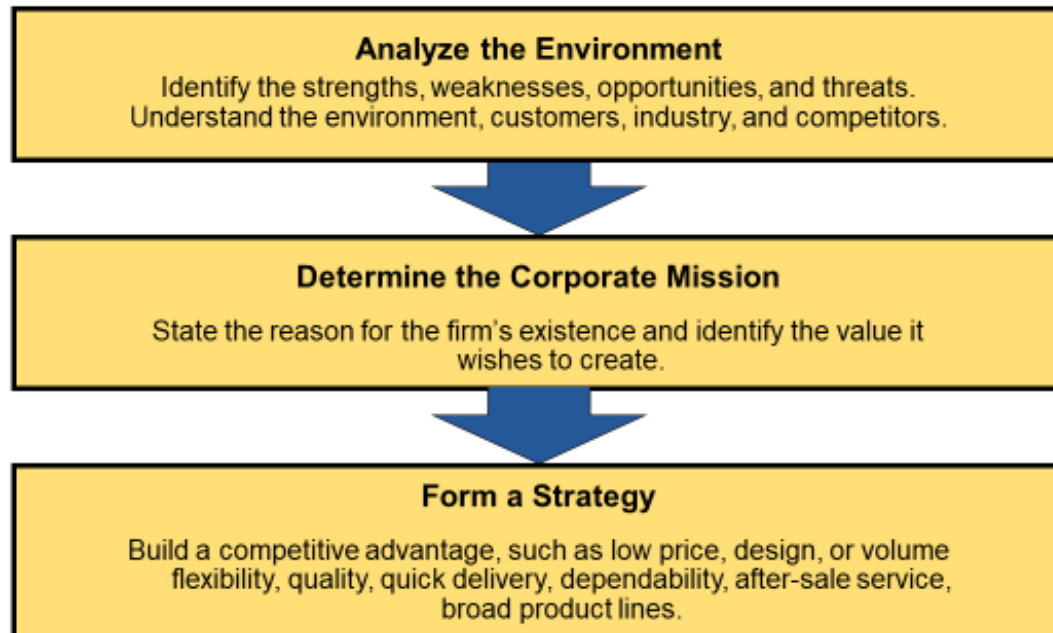


Figure 2.6

## SWOT Analysis





## Identify **K**ey **S**uccess **F**actors and Core Competencies

**KSFs** = activities necessary to achieve mission -  
must get right - Delivery Process for FedEx

**What are core competencies?**

**Set of skills, talents, and capabilities of the firm  
to win market**

# KSFs and Core Competencies

Honda's core competence is the design and manufacture of gas-powered engines. This competence has allowed Honda to become a leader in the design and manufacture of a wide range of gas-powered products. Tens of millions of these products are produced and shipped around the world.

Automobiles



Julie Luch/Shutterstock

Generators



American Honda Motor Co., Inc.

Motorcycles



Courtesy of www.  
HondaNews.com

Water Pumps



American Honda Motor Co., Inc.

Marine Motors



American Honda Motor Co., Inc.

Race Cars



American Honda Motor Co., Inc.

4-Wheel Scooters



American Honda Motor Co., Inc.

Snow Blowers



American Honda Motor Co., Inc.

For car company ?? what are key activities must have to compete??

## Develop strategies - example Southwest airlines

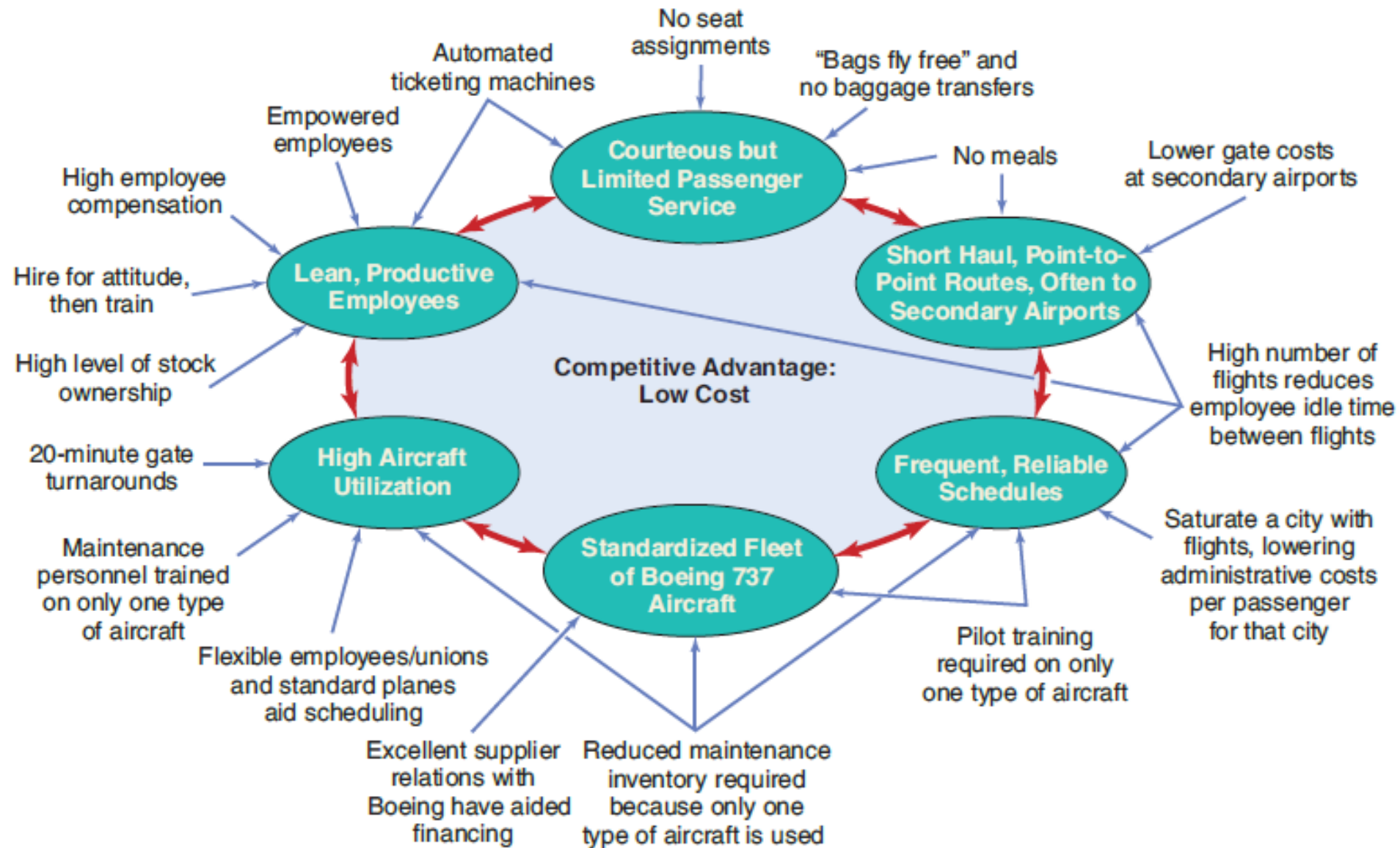


Figure 2.8

### Activity Mapping of Southwest Airlines' Low-Cost Competitive Advantage

To achieve a low-cost competitive advantage, Southwest has identified a number of key success factors (connected by red arrows) and support activities (shown by blue arrows). As this figure indicates, Southwest's low-cost strategy is highly dependent on a very well-run operations function.

# Implementing the Strategies

**TABLE 2.1**      **Operations Strategies of Two Drug Companies\***

COMPETITIVE ADVANTAGE	BRAND NAME DRUGS, INC.	GENERIC DRUG CORP.
	PRODUCT DIFFERENTIATION STRATEGY	LOW-COST STRATEGY
Product selection and design	Heavy R&D investment; extensive labs; focus on development in a broad range of drug categories	Low R&D investment; focus on development of generic drugs
Quality	Quality is major priority, standards exceed regulatory requirements	Meets regulatory requirements on a country-by-country basis, as necessary
Process	Product and modular production; long product runs in advance of demand	Process focused; general production processes; "job shop" approach, short-run production; focus on high automation
Location	Still located in city where it was founded	Recently moved to low-tax, low-labor-cost environment
Layout	Layout supports automated product-focused production	Layout supports process-focused "job shop" practices
Human resources	Hire the best; nationwide searches	Very experienced top executives hired to provide direction; other personnel paid below industry average
Supply chain	Long-term supplier relationships	Tends to purchase competitively to find bargains
Inventory	Maintains high finished goods inventory primarily to ensure all demands are met	Process focus drives up work-in-process inventory; finished goods inventory tends to be low
Scheduling	Centralized production planning	Many short-run products complicate scheduling
Maintenance	Highly trained staff; extensive parts inventory	Highly trained staff to meet changing demands

Spring 2022 semester



Fall 2022

\*Notice how the 10 decisions are altered to build two distinct strategies in the same industry.



# Global Operations Strategy Options

What is international business?

## International business

A firm that engages in cross-border transactions.

## Global strategy

A strategy in which operating decisions are centralized and headquarters coordinates the standardization and learning between facilities.

## Multidomestic strategy

A strategy in which operating decisions are decentralized to each country to enhance local responsiveness.

## Multinational corporation (MNC)

A firm that has extensive involvement in international business, owning or controlling facilities in more than one country.

## International strategy

A strategy in which global markets are penetrated using exports and licenses.

Figure 2.9

### Four International Operations Strategies

Source: See a similar presentation in M. Hitt, R. D. Ireland, and R. E. Hoskisson, *Strategic Management: Concepts, Competitiveness, and Globalization*, 8th ed. (Cincinnati: Southwestern College Publishing).

