

Managing Production/Operations

Chapter 2 Supplementary Material

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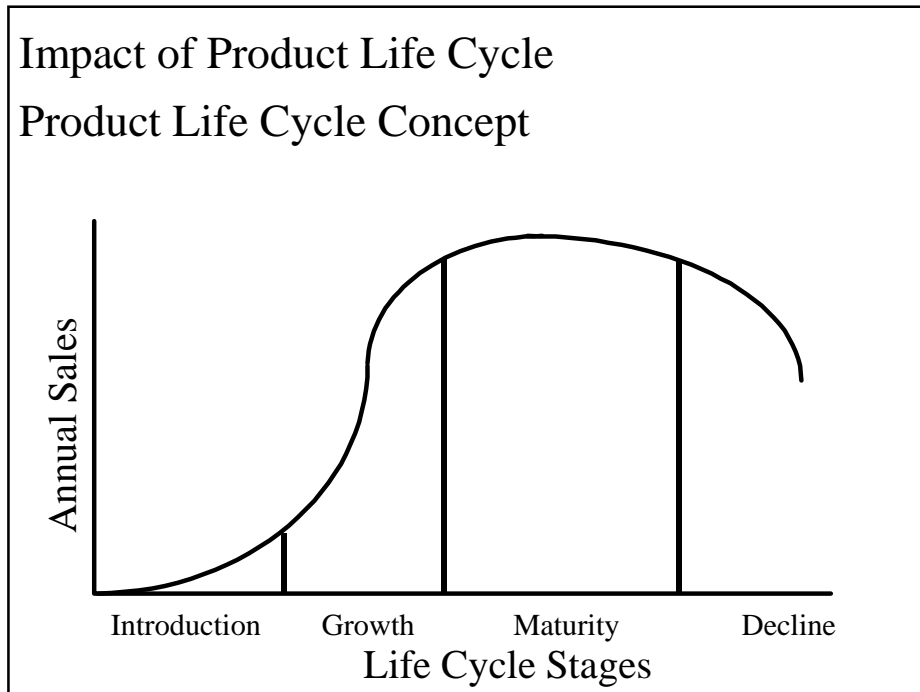
Operations Strategy

Managing Production/Operations--Operations Strategy
 _Operations Strategy Development Stage 2-Formulation

Primary Decision	Positioning the Production System
Supporting Decisions	Product/Service Plans Process/Technology/Outsourcing Plans Strategic Resource Allocation Capacity/Location/Layout Plans

Operations Strategy Positioning Issues
Nature of Product/Service Offerings
Nature of Production Process
Nature of Inventory Policy

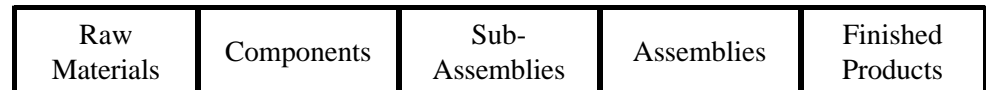
<u>Product/Service Plans</u>
Nature of Product/Service Planning
Impact of Product/Service Planning
Product Characteristics Established
Production Process Implied
Production System Design Influenced
Impact of Product Life Cycle (See last page of handout)



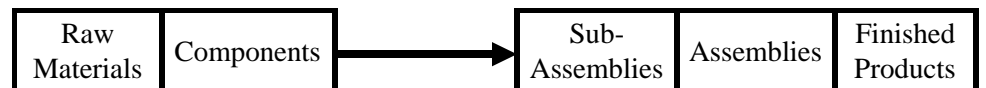
Outsourcing Plans

Degree to which production processes/organizational activities are carried out on an in-house or out-company basis

Activities Performed In-House



Activities Performed Out-Company and In-House



Adapt to Product Life Cycle Stages

Issues Involved:

- Adjust for Service Elements (pp. 50-51)
- Understand the Nature of Services
- Make Service Positioning Choices
- Adapt to Product Life Cycle Stages (pp. 52-53)
- Coordinate Functional Strategies (pp. 52-54)

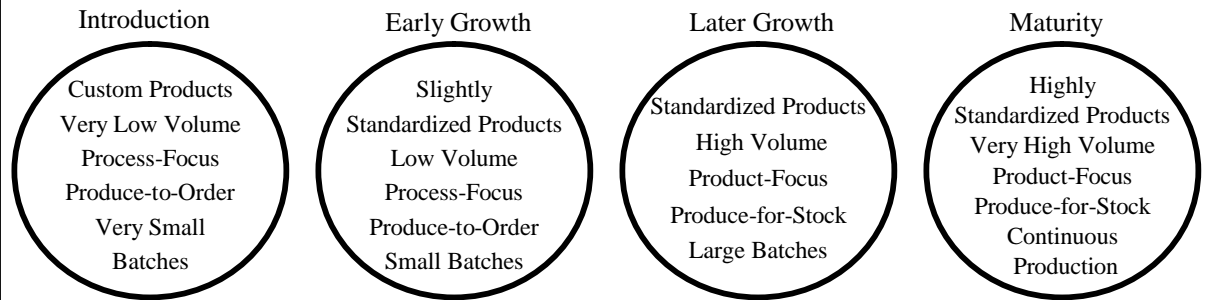
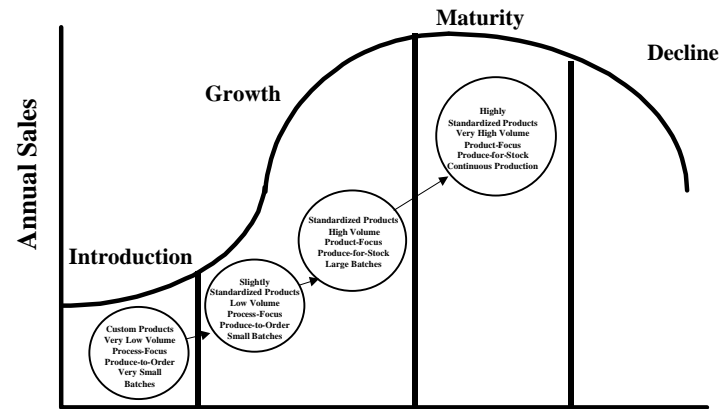
Adjust for the Nature of Services

Understand the Nature of Services

Comparison Factor	Product Traits	Service Traits
Nature of Item	Tangible/ Inventoried	Intangible/ No Inventory
Customer Contact	Relatively Low	Relatively High
Lead Time Required	Relatively Long	Relatively Short
Type of Process Used	Capital-Intensive	Labor-Intensive
Nature of Quality Standards	Objective	Subjective

Make Service Positioning Choices

Type of Service Design		
Type of Process		



Coordinate Functional Strategies

Process/Inventory Policies	Product/Volume Alternatives			
	Custom/ Low	Custom/ High	Standard/ Low	Standard/ High
Product-Focus/ Produce for Stock				X
Product-Focus/ Produce to Order			X	
Process-Focus/ Produce for Stock		X		
Process-Focus/ Produce to Order	X			

Operations Strategy--Supplementary Items	<u>Strategy Issues During a Product's Life Cycle</u>		
<u>Examples of Organizational Mission statements</u>	PLC Stage	Company Issues	Operations Issues
<p>The mission statements of several organizations are given below. To what extent are the characteristics of a mission statement found in these statements?</p> <p><u>GENERAL MOTORS</u> GM is a highly integrated business engaged primarily in the manufacture, assembly, and sale of automobiles, trucks and related parts, and accessories classified as automotive products. Nearly all of GM's products are marketed through retail dealers, distributors, and jobbers in the U.S. and Canada and through dealers and distributors overseas. To assist in merchandising GM products, GMAC and its subsidiaries offer diverse financial services and certain types of insurance to both dealers and customers.</p> <p><u>CUMMINS ENGINE COMPANY</u> The company manufactures and sells a diversified line of in-line and V-type heavy-duty diesel engines, components, and replacement parts in worldwide markets. Substantially all of the company's sales are attributed to engines, parts, and related products. The company's principal market is the U.S. on-highway truck industry, with every major U.S. truck manufacturer offerings Cummins engines as standard or optional equipment.</p> <p><u>GENERAL PORTLAND CEMENT COMPANY</u> The company's philosophy is that "We manufacture and sell cement, but we market concrete." The company's main job is seen as manufacturing top-quality cement and working closely with customers to develop new uses for concrete while expanding current uses.</p>	Introduction	Best period to increase market share R&D engineering critical	Product design/ development critical Frequent product/ process design changes Excess capacity Short production runs Highly-skilled labor High production costs Limited number of models High emphasis on quality Quick removal of defects
	Growth	Practical to change price/quality/image Marketing critical Strengthen niche	Forecasting critical Product/process reliability critical Competitive product improvements and options Increase capacity Shift toward product orientation Enhance distribution
	Maturity	Poor time to increase market share/ change image/price/quality Competitive costs critical Defend position via new approaches to promotion and distribution	Standardization of product/process Less rapid product changes/shift to minor annual model changes Optimum capacity Increase stability of production process Reduced needs for skilled labor Longer production runs Improved products/ reduced costs
	Decline	Cost control critical	Little product differentiation Minimize costs Overcapacity in industry Prune items not returning good profit margins Reduce capacity