

TOPIC 2

Operations Strategy & Competitive Priorities

MIB2307 Operations Management | Topic 2

International Business Program

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Learning Outcomes

By the end of this topic, students will be able to:

- 1 Define operations strategy and explain its role in organisational success
- 2 Describe the four perspectives of operations strategy formulation
- 3 Explain the five competitive priorities: Quality, Speed, Dependability, Flexibility, and Cost
- 4 Distinguish between order-winning and order-qualifying factors
- 5 Apply competitive priority analysis to real business scenarios

Definition of Operations Strategy

"Operations strategy is the total pattern of decisions and actions which set the role, objectives and activities of the operation so that they contribute to and support the organisation's business strategy."

— Slack and Lewis (2011)



Pattern of Decisions

Consistent choices guiding operations



Role & Objectives

Clear purpose aligned to goals



Supports Business Strategy

Operations as a strategic weapon

The Four Perspectives on Operations Strategy

1

Top-Down

What the business wants operations to do? Strategy flows from corporate → business → operations level.

2

Bottom-Up

What day-to-day experience suggests? Emergent patterns from operational reality shape strategy.

3

Market Requirement

What the market position requires operations to do? Customer needs drive performance priorities.

4

Operations Resource

What operations resources can do? Capabilities and competences inform strategic choices.

Strategic Reconciliation

Operations strategy balances Market Requirements with Operations Resources

Market Requirements

- Market Segmentation
- Market Positioning
- Competitor Activity
- Customer Needs

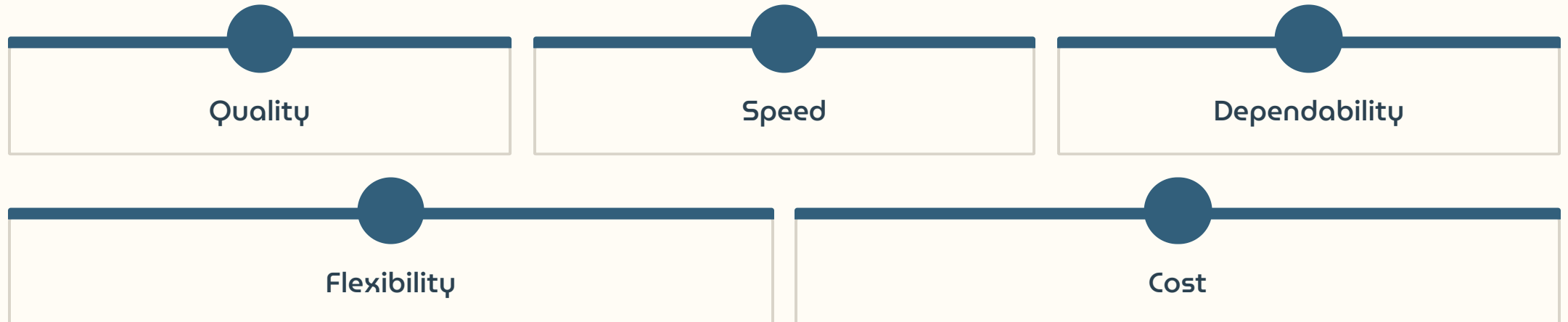


Strategic
Reconciliation

Operations Resources

- Operations Processes
- Operations Competences
- Capacity & Technology
- Supply Networks

Performance Objectives:



Competitive Priorities

The five dimensions that define how operations compete in the marketplace

1

QUALITY

Doing things right

2

SPEED

Doing things fast

3

DEPENDABILITY

Doing things on time

4

FLEXIBILITY

Changing what you do

5

COST

Doing things cheaply

Competitive Priority 1: Quality

Doing things right — meeting or exceeding customer expectations

Product Quality

Conformance to specifications, durability, reliability of goods/services

Process Quality

Consistent operations processes that minimise defects and errors

Service Quality

Speed, responsiveness, and reliability of service delivery

Perceived Quality

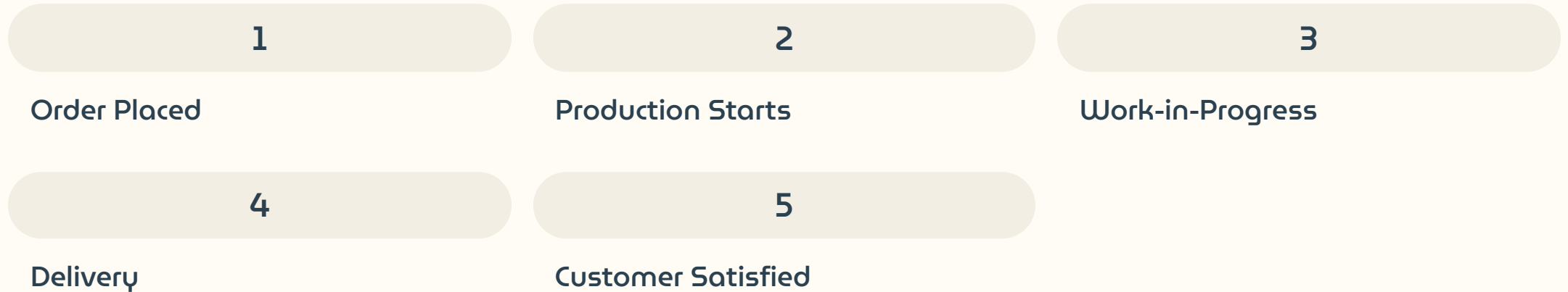
Customer's subjective evaluation of excellence and value



Customer influence: High quality → competitive factor = 'high quality product/service'

Competitive Priority 2: Speed

Doing things fast—minimizing time between order and delivery



Total Lead Time ←————→

Why Speed Matters

- Reduces inventory costs by shortening production cycles
- Increases customer satisfaction through faster delivery
- Enables faster response to market changes
- Example: Amazon same-day delivery as a speed-based competitive advantage

Competitive Priority 3: Dependability

Doing things on time—keeping delivery promises reliably

Internal Dependability

- Reliable internal processes reduce disruptions
- Stable scheduling enables better planning
- Reduces cost of rework, overtime, and emergency fixes
- Builds trust between departments

External Dependability

- Customers can rely on delivery schedules
- Builds long-term customer loyalty
- Reduces customer safety stocks
- Enhances brand reputation and trust

  Real-world example: Toyota's Just-in-Time system depends entirely on supplier dependability to eliminate buffers.

Competitive Priority 4: Flexibility

Changing what you do — the ability to adapt to changing requirements

1

Product/Service Flexibility

Ability to introduce new or modified products quickly

2

Mix Flexibility

Ability to offer a wide range of products/services simultaneously

3

Volume Flexibility

Ability to change output levels up or down efficiently

4

Delivery Flexibility

Ability to change delivery timing or quantities on request



Competitive Priority 5: Cost

Doing things cheaply — the ultimate result of all other competitive priorities

Cost Drivers

1	Labour Costs Wages, benefits, training
2	Materials Raw materials, components, supplies
3	Overhead Facilities, equipment, utilities
4	Quality Costs Rework, scrap, inspection
5	Supply Chain Procurement, logistics, storage

The Cost Advantage

Cost leadership is achieved not just by cutting costs, but by excelling at Quality, Speed, Dependability, and Flexibility — each improvement reduces waste and total cost.

How Other Priorities Reduce Cost

- Quality ↑ → Defects ↓ → Rework costs ↓
- Speed ↑ → Lead time ↓ → Inventory costs ↓
- Dependability ↑ → Disruptions ↓ → Emergency costs ↓
- Flexibility ↑ → Waste ↓ → Changeover costs ↓

Competitive Factors → Performance Objectives

Customer needs translate directly into operations priorities

If the customer values ...		Operations must excel at ...
Low price	→	Cost
High quality product/service	→	Quality
Fast delivery	→	Speed
Reliable / dependable delivery	→	Dependability
Innovative products and services	→	Flexibility (Product)
Wide range of products and services	→	Flexibility (Mix)
Ability to change timing/quantity	→	Flexibility (Volume/Delivery)

Order Winners & Order Qualifiers

Terry Hill (1995; 2005) — How operations compete in the marketplace

Order Qualifiers

MINIMUM STANDARD

"Factors needed just to compete — without these, the firm cannot qualify for consideration."

- Threshold performance criteria
- Failure = losing orders (order losers)
- Example: Up-to-date technology in high-tech industries
- Example: Basic cleanliness for restaurants

Order Winners

COMPETITIVE EDGE

"Factors that actually win orders over competitors in the marketplace."

- Factors that truly differentiate the firm
- Drive customer purchase decisions
- Example: Taco Bell's FACT (Fast, Accurate, Clean, Timely)
- Example: Amazon's delivery speed and reliability

ACTIVITY 1

Competitive Priority Analysis

Scenario

You are a consultant hired by a mid-sized airline in Southeast Asia. The airline is facing pressure from both budget carriers (low-cost) and premium carriers (high-service). Your task is to define a clear operations strategy by identifying competitive priorities.

Tasks

01

Identify 3 Order Qualifying and 3 Order Winning factors for this airline.

02

Rank the five competitive priorities (Quality, Speed, Dependability, Flexibility, Cost) from most to least important. Justify your ranking.

03

Explain how operations resources and processes can support one of your chosen order winners.

 20 minutes |  Groups of 3-4 |  Present 1 key finding to class

Activity 1 — Worksheet

Fill in the table with your group's analysis

Factor	Order Qualifier ✓	Order Winner ✓	Priority Dimension
Safety record			
On-time departure			
Price / Fare			
In-flight service			
Loyalty program			
Booking flexibility			

Competitive Priority Ranking (1 = Most Important):

Priority	Rank (1-5)	Justification
Quality		
Speed		
Dependability		
Flexibility		
Cost		

Topic 2 Summary

Key Takeaways



Operations Strategy

Total pattern of decisions aligning operations with business strategy



5 Competitive Priorities

Quality · Speed · Dependability · Flexibility · Cost



Order Winners

Factors that beat competitors and drive customer choice



Four Perspectives

Top-down, Bottom-up, Market Requirements, Operations Resources



Order Qualifiers

Minimum threshold criteria — failure means losing orders



Strategic Reconciliation

Balancing market requirements with operations resources