

Strategic operations management som marketing essay



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Strategic operations management (SOM) isn't only about how an organisation manages effectively its day-to-day activities. Furthermore, it provides the organisation with long-term objectives as well as strategic decisions and actions to achieve those objectives. (Slack et al., 2007, p. 63)

SOM is vital to any organisation. It is the core determinant for the organisation's success because it involves every part within the organisation. Moreover, it helps organisations to achieve organisational goal and gain competitive advantages.

The four advantages of operations management (Slack et al., 2007, p. 22) emphasise the importance of SOM:

Helps organisations reduce cost and increase the efficiency in product/service production. For Toyota case, we all recognised one its vital competitive advantage is cost; this is the evidence that SOM helps Toyota reduce cost, increase efficiency.

Increases revenue by increasing customers' satisfaction through good quality and service (we can find Toyota also focuses on customers' satisfaction and quality)

Reduces the amount of investment required for increasing operation's capacity and innovative resource deployment. In a competition world, a heavy industry like automobile always has to invest on discovering the new techniques to improve and hasten production processes. Being able to reduce these costs will help Toyota give competitive price.

Provide the basis of future innovation through building a strong base of skills and knowledge inside the company. This is also important, because it will motivate Toyota to develop the capability in order to adapt with possible change in the future.

Besides, SOM's importance can be clarified by the Top-down perspective of the four perspectives model:

Slack et al., The four perspectives on operations strategy. Operations management, 5th ed., p. 64

Top-down Perspective: the starting point of operations strategy. It supports corporate, business and functional strategies of an organisation.

At corporate level, we can see Toyota positioned itself to global, economic, political and social environment (Slack et al., 2007, p. 63). It'll help Toyota decide:

The type of business they want to do

The markets in which they will operate

Allocation of cash between different businesses

At business level, strategic decisions helps Toyota create business strategies that related to individual business units within the organisation. The business strategy will support these business units to focus on particular customer, markets and competitors.

For example when we analyse the Toyota Corporation, we find this description: Toyota runs by 3 segments: The Automobile segment designs, manufactures and sells automobiles; The Finance supports relevant financial data; and the other is responsible for housing, information and communication. (The New York Times, 2012)

So, we can see SOM in Toyota attaches individual business units to the corporate strategy by formulating the goals for individual business units.

At functional level, SOM make different departments recognise and hence support the business strategy. Different departments such as: operation, marketing, R&D... would be managed to adhere to the business objectives.

Generally, let's simplify the whole points by analysing " Toyota Global Vision" (Toyota-Global, 2012). Here, the corporate level decision focuses on: quality, innovation and human resources. Pass to the business level, business goals and strategic decisions are formulated, then Toyota will the specific performance objectives (quality, flexibility, cost). Finally, at functional level, different departments and functions will act accordingly through various techniques (JIT, TQM, JIT...) and continuous process improvement, to meet the objectives given in business level.

b) To understand Toyota from different perspectives, we should use Stakeholder Analysis to identify Stakeholders' expectations in associated with 5 performance objectives (Slack et al., 2007, p. 39) This table describe Toyota's 5 main stakeholder groups (Toyota-Global, 2012) and their expectation.

Performance objectives

Stakeholder types

Stakeholders' expectations

Quality

Customer

Shareholders

Society

Quality of product/service, safe vehicles

Speed

Customer

Shareholders

Reduce throughput time and waiting time

Dependability

Customer

Business partners

On time delivery

Flexibility

Customer

Suppliers

Toyota

Availability of different models to choose from

Cost

Customer

Toyota

Lower price and superior performance

Let's analyse each group in detail:

Customers:

Customers' expectation

How Toyota addresses?

Meet customers' expectations?

Quality

Toyota strives to do thing right at the first time. With Total Quality Management (TQM) Toyota controls the quality from development, procurement, production to after sale service, while focusing on continuous improvement.

Yes

Opportunity to feedback and receiving of the information

Listening to customer, giving timely supports.

Yes

<http://www.toyota-global.com/sustainability/stakeholders/customers/quality.html>

Safety and reliability

Offering modern technologies and information to prevent accidents such as: virtual human model, navigation system, audible system...

Recent recalls of 7 millions of cars because of faulty window switches may oppose this statement (Kollewe, J., 2012)

<http://www.toyota-global.com/sustainability/stakeholders/customers/safety.html>

Low price

By applying effective techniques on processes, Toyota can lower the costs, thus giving low price to customers. (JIT, Jidoka, Lean manufacturing...)

Yes

Dependability

Toyota production system (TPS) helps on-time delivery

Yes

Flexibility

Toyota offer a wide range of product

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Yes

[http://www.toyota-global.](http://www.toyota-global.com/company/vision_philosophy/toyota_production_system/)

[com/company/vision_philosophy/toyota_production_system/](http://www.toyota-global.com/company/vision_philosophy/toyota_production_system/)

Employees:

Employees' expectation

How Toyota addresses?

Meet employees' expectation?

Safety & health

Creating safe and healthy working environment

Yes

Pride

Motivate and inspire the employees to work with full energy.

Yes

Confidence

Guarantee a stable career and secured working conditions

Toyota has sacked 350 workers in Australia (O'Connor, P., 2012) this may cause some tensions for current employees.

Equality in all aspects

Emphasize mutual respect and harmony in work place.

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yes

Opportunity

Continuous develop HR

yes

<http://www.toyota-global.com/sustainability/stakeholders/employees/>

Business partners:

Partners' expectations

How Toyota addresses?

Meet partners' expectations?

Equal opportunity

Giving equal opportunities for all suppliers, providing clear guidelines to potential supplier.

Yes

Fairness in receiving information

All partners are well informed

Yes

Long term procurement

Open-door policy to encourage fair competition

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Yes

Stable relationship

Mutual benefit based on mutual trust

Yes

Trust

Unified cooperation with partners.

Yes

<http://www.toyota-global.com/sustainability/stakeholders/partners/#policy>

Society/Communities:

Society/community's expectations

How Toyota addresses?

Meet society's expectations?

Environment preservation

Development of eco-friendly models.

Reduce amount of CO2 in product, manufacturing, production process

Develop recyclable material, resource and product

Yes

Safer vehicle

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Produce safe vehicles to prevent accidents

Not really, because of the recent recalls.

Innovation in life style

Motivate activities concerned in environment preservation

Yes. Other automakers (Honda, Ford, Mitsubishi...) are influenced to produce this kind of product. (Schulte, M., 2012)

<http://www.toyota-global.com/sustainability/stakeholders/society/mobility.html>

Social welfare

Social welfare programs

Yes

Jobs

Provide employment opportunities to unemployed.

Yes

Infrastructure

Infrastructure development activities

Yes

Traffic safety

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Education and training

Yes

[http://www.toyota-global.](http://www.toyota-global.com/sustainability/stakeholders/society/contribution.html)

[com/sustainability/stakeholders/society/contribution.html](http://www.toyota-global.com/sustainability/stakeholders/society/contribution.html)

[http://www.toyota-global.](http://www.toyota-global.com/sustainability/stakeholders/society/environment.html)

[com/sustainability/stakeholders/society/environment.html](http://www.toyota-global.com/sustainability/stakeholders/society/environment.html)

Shareholders:

Shareholders' expectations

How Toyota addresses?

What Toyota prioritises?

ROI

Sustainable profitability

Respect for the agreements

Respect and follow the laws

Support the long-term vision for management

Dividends and shares

Dividends based on investment plans, business results, cash revenues

<http://www.toyota-global.com/sustainability/stakeholders/shareholders/>

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In addition, Globalisation has considerable influence on Toyota strategic operations management activities. Globalisation comes with plenty of opportunities as well as challenges (Slack et al., 2007, p. 680). With the help of internet, Toyota can easily be available to worldwide customers, procurements and other transaction activities will become internet-based, which helps reduce cost and enhance quality control. Let's identify what challenges and opportunities of globalisation for Toyota:

Greater competitions, wider range of customers' demands, and partners around the world.

Higher customers' awareness and expectations

Global value chains – increasing complexity & competition

Higher knowledge of culture, behaviours is required

Higher requirement of technology applications.

Continuously increase of product standards

Require more efficient and effective supply chains

Require continuous improvement and innovation

Having a clear view on the influences of stakeholders and globalisation to Toyota, we can clarify the SOM in different perspectives:

Product/service perspective

SOM in Toyota focus on transferability of products/services (Slack et al., 2007, p. 681). This means Toyota guarantees their design compatible with different hobbies and attitude of customer throughout the world. Here, Toyota considers widening range of options to cope with different cultures and customers, the R&D department will be commanded to design according to the customers' expectation.

The five performance objectives should be focused at the business level of strategy to gather and maintain customers' loyalty.

Toyota guarantees a reliable quality in every product with competitive price in order to satisfy customers' expectations. ' Provide safety and reliable vehicles that inspire enthusiasm at affordable prices. (Toyota-global, 2012)'

Relationship with suppliers and other partners is important. ' Since its establishment, Toyota has sought to work closely with its suppliers in its manufacturing activities (Toyota-Global, 2012)'

Hybrid car is a good innovation and should be developed as it meets both customers and society's demand. ' Toyota's unique hybrid system combines an electric motor and a gasoline engine in the most efficient manner. It saves fuel and reduces emissions while giving ample power. (Toyota-Global, 2012)'

Manufacturing perspective

Toyota should emphasize the quality in every product to enter global market. The TQM at Toyota is to ensure this.

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To compete with other automakers around the world, Toyota always find the ways to reduce costs, yet guarantee an acceptable quality. Again, the importance of partnership is justified, in associated with continuous development on: waste reduction, stock control, human skills, capacity planning and control, process improvement, etc.

For example, Toyota pioneers the Lean manufacturing concept, a production method that focuses on reducing waste. Specifically, Toyota use common parts and designs for multiple product lines and reducing the number of suppliers, so that Toyota can buy parts and components at greater number, with lower cost. (Ann All, 2010)

Localizing manufacturing makes Toyota effectively deal with different markets around the world. ‘ Now there are 51 bases in 26 different countries and regions. In addition, there are design and R&D bases in nine locations overseas (Toyota-Global, 2012]’

Toyota should always make continuous improvement.

Flexibility and dependability should be noticed in the manufacturing arena.

Layouts of facilities need to be adjusted properly with the culture of particular region.

Process technology development should be emphasized. Here availability of skills, serviceability and maintenance options can be exploited (Slack et al 2007 p681)

Capacity and inventory planning and control are other areas to consider.

Here Toyota JIT is helpful

Administrative perspectives

Toyota respects the different cultures and beliefs. ' Toyota is establishing a corporate culture with abundant vitality by fostering human resources that include a diverse range of individuals. (Toyota-global, 2012)'

Job design should be considered in globalisations. Here cost of labour, skill availability, cultural should be considered. (Slack et al., 2007, p. 681)

Business recovery plan should be developed to minimize the damage on reputation caused from risks.

Supplier management should be considered to increase quality, and reduce cost.

Toyota may develop knowledge management to increase knowledge base within the organisation.

Environmental-friendly is highly considered in Toyota

Because of the globalisation, Toyota may face the increases of new competitors, new products, low pricing, better quality. So, it's important to promote continuous improvement principle, whilst avoiding errors (quality problem, employee sacks) as these will damage company's reputation.

Task 02

For big organisations, global capability mostly came from their capability in manufacturing (Pepsi, Coca-cola). Then, Toyota would be also such case, as their success has been considerably contributed by manufacturing functions. (T., Ohno, 1988) shared a story about the strange growth at Toyota though many companies were suffering the economic recession.

The operation way of manufacturing function was included in TPS. The two main concept of this system include “ Jidoka” and “ Just-in-Time”: where “ Jidoka” guarantees of product quality through the prevention, in-time correction, and “ Just-in-Time” is about reducing waste and speed enhancement in work processes. (Toyota-Global, 2012)

Generally, Toyota’s global capability came from the continuous development of various long-term objectives: TPS, efficient use of resource, human skills, waste reduction, customer focus, supplier network improvements, emphasis on quality and customisation, inbound logistic management, inventory control...

For clarifying the Toyota’s competitive advantages, let’s analyse through the five performance objectives (Slack et al. 2007, p 39)

Performance objectives

Competitive advantage

How Toyota did it?

Quality

High quality

The “ Jidoka” helps prevent possible errors of product.

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The Lexus series are carefully done from the design, production, procurement, to the service delivery for customers.

Good quality helps reduce the re-works, lessen the confusion, thus increase dependability, efficiency and reduce cost(Slack et., al, 2007)

Speed

Quick delivery

Toyota's JIT principles, inventory control and inbound logistics management helps enhance the speed of production and delivery. The speed emphasis helps Toyota reduce inventories and risk (Slack et al., 2007)

Dependability

Reliable delivery

Again, the JIT, planning and control systems help Toyota to provide on-time delivery, both to internal production process and customers.

This helps Toyota increase efficiency operation, saves the time, money and gives stability to the company.(Slack et al 2007)

Flexibility

Production flexibility

Mix flexibility

Volume flexibility

Delivery flexibility

Wide range of product

Toyota develops variety of attractive and practical models such as: Camry, Prius, Varis...

Toyota's R & D division often design different models to satisfy different markets.

Toyota is able to adjust the volume in production process.

Toyota even can reschedule the manufacturing priorities.

It would help the organisation to become agile, maintains dependability, and saves time. (Slack et al 2007, p 47)

Cost

Low price

Perhaps price is the strong competitive advantage of Toyota.

Price is very important in automobile industry. However, effective cost reduction has been helping Toyota to provide favourable price. This make Toyota the leader producer in automobile industry.

The performance objectives in Toyota could be illustrated by this polar diagram:

Adapted from Slack et al., Operations management (2007), p. 55

Besides, identification of the customers' needs and expectations should be critical considered. Therefore, the order winning factors and qualifying

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factors could be appropriate to identify the competitive advantage of Toyota. Order winner is customers' key reason for buying a product/service, while qualifying factor is the minimum competitive factors required to get the attention from customers (Slack et al., 2007, p. 69.).

For Toyota the order winning factors include: standardized quality and design, low price, and dependability.

Qualifying factors are: wide range of products, quick throughput-time and quick delivery to customers (speed)

Adapted from Slack et al., Operations management (2007), p. 69

In addition, different customers and markets have different expectation, so these factors would change according to that. For example, Lexus is a luxury series of Toyota, its target market is higher income people, therefore, the order winners would be: high quality, gorgeous design... and qualifying factors are: acceptable price, quick delivery and reliable delivery.

Task 3

Analysing the operation strategy at Toyota through Top-down perspective, we see that corporate level strategy lead the organisation to long-term objectives such as: innovation, waste reduction, continuous improvement... Business level concentrates on performance objectives such as quality, cost, flexibility and dependability, and adapts the strategy according to the corporate objectives. And at functional level, different functions (manufacturing, R&D, marketing...) plan, execute and cooperate steps to achieve business objectives.

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These are evidences of how effective Toyota pursues its long-term objective:

Toyota applies TQM, Kanban, JIT in production to achieve performance objectives.

At the product/service segment, Toyota focus on innovation, quality and customer care (Toyota Code of Conduct, 2006, p. 12)

Finally, at administrative perspective, Toyota pays attention to: sustainable location decisions, long-term capacity management, continuous resource development and long-term supplier relations (Toyota Code of Conduct, 2006, p. 12)). Here, we should notice that supplier relationship is important; Toyota should manage the first and second-tier suppliers effectively to work globally because advantages come from the close relationship with suppliers (Slack et al., 2007)

These following concepts can be helpful to analyse Toyota Operation Strategy:

Product Life Cycle (PLC)

Product Life cycle

Source: Marketing FAQ, What is Product Life Cycle(PLC)?

1. Introduction stage

In introduction stage, when something new is introduced in the market, competitors will be few. Companies should develop flexibility to adapt with changes in the market (Slack et al., 2007)

For example with Toyota case, a new great model Prius Hybrid has just entered the market. Assume it is in introduction stage, then customers who purchase this model would be innovators. This model seems to be well designed in shape and technology, so competitors are few, but may not exclude big competitors such as Mercedes, BMW, GM... Then, the order winning factors here should be the design and qualifying factors should be quality, price. That means, Toyota should focus on design, and pay attention to quality and price.

2. Growth stage

This stage is characterised by sales volume and competitors increase. The objective should be keeping up with demand expectations and ensuring the quality (Slack et al., 2007)

Toyota will compete with competitors, order winners will be quality, speed and dependability (deliver according to the demand) to cope with increasing demand, and satisfying factors will be price and flexibility. We recognise that Toyota offers a wide range of product and price for different markets customers in order to attract different market segments.

Let's take the case of Toyota Camry 2012, currently it is in growth stage and the target market is average income people. It's facing a rough competition with Honda Accord, both companies emphasize the quality. Though the quality, design, performance is somewhat similar, Honda is slightly better than Toyota. However Toyota's offering variety of same type products such as: Matrix, Sienna, Avalon... providing more options for customers, which may yield more profits. (Halvorson, B., 2012)

3. Maturity stage

In this stage, the demand has a sign to fall; some competitors withdraw from the market exclude big players. The concentration should be turned to price reduction. Here, company has to deal with cost, production and supply issues (Slack et al., 2007)

Toyota's target customers now should be the mass market. Then, order winning factors will be low price, and dependability of supply. The qualifying factors are flexibility (various types of model) and quality. A wide range of product may bring some profits as Toyota already had different target markets. Consequently, Toyota should focus on cost reduction, dependability and expansion of market. We can see how Toyota applies this practice by the example of Lexus: Lexus's in maturity stage, which explains Toyota's efforts to offer a wide range of models: sedan, hybrid, SUVs... which we can find in the link below:

<http://www.lexus.com/models/allVehicles/>

4. Decline stage

Decline stage is characterised by: sales decline, more withdrawal, price competition and cost focus. (Slack et al., 2007). Here, customers are the people who follow new style late, and competitors will be less. Price war will happen and obviously, order winning factors will be low price, qualifying factors are dependability of supply. At this stage, Toyota should focus on reducing costs.

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Let's look at the Toyota Qualis model which had gone to the decline stage and it was replaced by the Innova. Toyota's trying to replace with Innova, probably they will sell the remaining Qualis with low price. (TNN, 2005. The Economic Times)

Efficient frontier

Toyota might use this approach to position its main performance objectives in order to achieve effectiveness in operation (Slack et al., 2007). With Toyota, the high variety will make the cost higher. There are some ways such as: innovation of sustainable products, increasing product life in the PLC, positioning of product at various stage in the PLC... could help Toyota limit variety. In Toyota case, there are quality, cost and variety that need to be considered properly to increase the efficiency of product

Adapted from Slack et al., Operations Management, 2007, p. 78)

Toyota can link the frontier approach with PLC to make rational decisions. Different PLC's stage requires different concentrations, Toyota may adjust its variety/quality/cost accordingly to adapt with the situation. For example, suppose Innova model reached Maturity stage in India, then Toyota would focus on cost reduction. Since Indians only prefer family car like Innova, variety should be ignored. Consequently, Toyota should sacrifice Variety to achieve cost efficiency.

Toyota's competitive advantages overview

Kanban System

A unique method developed by Toyota. Here, JIT and Lean manufacturing are applied effectively. This method helps Toyota develop the production process speed and efficiency. Therefore they can avoid inventory, waste of resources, product error and other unwanted costs. Kanban system provides some benefits such as: waste reduction, inventory avoidance, error-free manufacturing..., which help Toyota produce quality products with low cost, increase their competitiveness over other automakers. (Toyota-Global, 2012)

Relationship with Suppliers

Toyota understands the importance of having strong relationship with suppliers. As an integral part of Kanban system, suppliers are always up-to-date with new changes in Toyota. A lot of investments were done by Toyota to extend its supply network. As a result, Toyota is one of the organisations possess strongest supplier network in different areas of the world.

“ The principal measure of supplier relations in the American auto industry is the OEM benchmark Survey that is published by John Henke of Oakland University. Suppliers rank auto manufacturers using 17 measures from trust to perceived opportunity. In the 2003 survey Toyota ranked first followed by Honda and Nissan, while Chrysler, Ford and GM were fourth fifth and sixth. The survey also showed that Toyota's scores had improved over 7% over 2002. Another automotive supplier survey published annually comes from J. D. Power. The 2003 survey found that Toyota, Nissan and BMW are the best

North American automakers in promoting innovation with their suppliers.”

(David McBride, 2004)

Valuable culture

As a Japanese organisation, Toyota’s management is highly concern with Japanese’s culture. Here, the loyalty and pride is highly respected. Besides, Hofstede’s 5 cultural dimensions shows Japanese is characterised by highly regarding hierarchy authority, uncertainty avoidance and long-term orientation.

This leads to these following results:

Employees willingly follow the command from managers, so the decision making process and the implementation of decision will be faster.

The employees strive to get to perfection due to the high uncertainty avoidance. Every worker has their pride of their work, so they won’t damage their own credibility.

Long-term orientation leads every individual in the organisations to continuous development and perfection.

These cultural benefits made employees at Toyota continuously develop themselves thus get better performances. Because of this, the cultural value is considered one of Toyota’s strongest advantages.

Task 4

Let’s apply the SWOT analysis for the overall review on Toyota

Favourable

Unfavourable

Internal

Strengths

Strong global presence

Strong brand image

Strong financial performance

Effective marketing and distributions to different market segments.

Toyota production system

Continuous improvement and innovation

Strong relationship with partners

Weaknesses

Heavily relied on imports for inputs

Heavily depends on Japan and U. S. market.

Recent recalls in 2010

External

Opportunities

Increasing demand for hybrid electric vehicle

Enough capability to produce more quality, green, fuel efficiency products.

Opportunities in Asian market.

Threats

Increase competition from other automakers.

Uncertain economic condition

Usual demand is gradually changing, due to the environmental and fuel price issues.

Recommendation

Toyota should focus on their hybrid technology as the demand increases and pay attention to green technologies. Thanks to their reputation of quality and innovation, these concentrations can help Toyota get an additional competitive advantage.

The “ Build your Toyota” is a great innovation; customers can customize their own model. http://www.shopatgst.com/gstbuildyourtoyota/default.aspx?zip_code=70000&Vehicle=null&Year

The R&D section should always be invested properly as it will keep Toyota up-to-date with modern technologies. Note in mind that now the green, fuel efficiency technologies are most concerned with the society.

Keep promoting its brand in key markets, and in new-developed countries such as Russia, China, Brazil, and India. The demand in these markets is increasing due to the improvement of quality of life. Governments of China and India have reduced taxed for automobile, this may be the chance for Toyota.

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Keep observing the competitors, while focusing on the quality factors to avoid mishaps (2010 recalling) that damage their reputation and market share.

Toyota should consider applying vertical integration in the growing markets and improve the management of different portfolios.

Conclusion

As the leading manufacturer of automobiles market, Toyota has all the required conditions to continue their successful journey in the future. Though there are currently some disadvantages, Toyota can still improve by taking more responsibility in community, environment and society.

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