The operations management

From the operations management perspective, there are two schools of thought on how an organization should build its competitive capabilities (i. e., which competitive priorities should it emphasize). The first viewpoint says that an organization always faces a series of tradeoffs in that a focus on one priority (e. g., quality) results in other priorities (e. g., cost, speed, etc.) suffering. The other side says that no tradeoffs need be present and that a company can build capabilities so as to be a leader in multiple dimensions (e. g., have high quality, be fast to respond, and have low cost… these companies are often referenced as being ' World Class' organizations). Which side of the debate do you believe is most valid (provide supporting examples as applicable)?

No one competitive priority will ensure an organization's competitive advantage. In fact, a combination of all competitive priorities is essential to an organization's success. However, organizations generally make trade-offs among their competitive priorities and focus their efforts on one or two key dimensions. As such, no firm today can sacrifice quality simply to reduce costs, or concentrate on flexibility to the extent that it would make their goods and services unaffordable. Instead, the organization must select the priorities it chooses to emphasize, in order to maintain or build market share. Selection is then based on: a) the priority most critical to customers and/or potential customers; b) no, or few, competitors competing on that particular priority (i. e. a competitive advantage); or c) the organization's strengths that support the particular priority. Moreover, the choice of competitive priority is essentially a combination of recognizing associated trade-offs and exploiting the organization's core capabilities. Again, cost, quality, time, flexibility, and innovation are all important competitive priorities to an organization’s success; however, an organization’s operations function is incapable of achieving all competitive priorities simultaneously.

Our text depicts one example of making tradeoffs with regard to competitive priorities. Dell Computers manufactures PCs, (1) with high goods quality, (2) configured to customer specifications, and (3) tries to deliver them quickly to customers. However, Dell is not always the least expensive computers available, and customer must wait longer to receive a Dell computer as opposed to picking one off the shelf at a local retail store. In Dell’s case, high quality goods and flexibility are top competitive priorities, while cost and delivery time are of somewhat lesser importance.

For this question, select one of the following organizations: Subway, Chili’s Grill & Bar, or Bonefish Grill. Using your selection, describe what you think are the organization’s order winner, qualifiers, and loser with logical justification for your selection. Also, provide an assessment of the organization’s design/structural (e. g., delivery process design, technology, capacity) and infrastructural (e. g., work force, quality system, support systems) components in terms of how these support (or fail to support) the operations strategy.

Bonefish grill has numerous order winners that get the customer through their doors, and keeps them coming back. Order winners are goods and service features and performance characteristics that differentiate one customer benefit package from another, and win the customer’s business. For Bonefish Grill, one of these order winning characteristics is the quality of its food. On any given night, Bonefish Grill offer a wide variety of fish selections from around the globe. From Wild Gulf Grouper, Alaskan Halibut and Chilean Sea Bass to Snake River Rainbow Trout and Norwegian Salmon, its market-fresh fish is cooked to perfection over a wood-burning grill and then topped with the customer's choice of one of its complementary signature sauces. Another one of Bonefish Grill's order winners is its servicescape. Both its exterior and interior facilities provide a unique experience for the customer a reasonable price. The value of it products, service, and experience has proven to be well worth the cost for its customers. The exterior immediately suggests a high-class, southern Florida " place-to-be". Walking instead, the atmosphere is dark, yet warm, and again, conveys class. Bonefish claims that " special is the feel of a big city bar that's not far from home. It's a wood-burning grill that swaps out boredom and routine for a dinner that opens your eyes". And, having been to Bonefish numerous times, I agree. Finally, Bonefish Grill's service level is yet another one of its order winners. For the price, the service is outstanding. Each server and bartender don a " chef's coat" and is very knowledgeable and friendly. Bonefish Grill contends that " it's chef-coat service that's not about being stuffy, but all about knowing what you need. It's feeling good about the food, the people and the bill each time you walk through the door." There is little question that for the price, customers keep coming back for the quality, atmosphere, and service. It is not surprising that these order winners complement Bonefish Grill's competitive priorities, and help to align the organization's resources with its customers' needs, and further affords it to maintain its competitive advantage. Personally, I've dined at Bonefish Grill numerous times, and I think that it live up to promise: the food is unique, fresh and well prepared; the atmosphere lives up to its up-scale, yet casual eloquence; and that all aspects of its service, from hostess, to server, to bartender meet or exceed expectations.

I think that Bonefish Grill's order qualifiers within its market-specific class are lead-time, reliability, and brand-equity. Order qualifiers are the competitive priorities that a company must meet if it wants to business in a particular market. Customers expect a minimum performance level regarding lead-time (e. g. wait times for a table, and wait time from order placement to delivery). Again, reliability is another characteristic that customers require a minimum level of performance. Customers expect room to parks their cars, friendly staff, food cooked to order, and quick (but not rushed) payment for their bill. Superior performances on these order qualifiers, by themselves, will not give the company a competitive advantage.

The main order loser for Bonefish Grill is cost. The question becomes: does the cost justify the experience? If the cost for food and drink and, indirectly, atmosphere is too high for the customer, they will not choose Bonefish Grill. Cost must be kept to a reasonable level, or customers will take their business elsewhere.

Structural Components:

Process Design

- Similar facilities and menu, with nightly specials
- Facilities, food, and service exude high class value

Technology

- A leader in fresh fish transportation and preparation

- Modern facilities, including: sleek electronics, custom lighting, hardwood floors, and commissioned artwork

Service Capacity

- Growth by franchising additional stores, but added carefully
- Maximized (direct relationship for franchisees)

Infrastructural Components:

Work Force

- Partner relationship with entrepreneurs
- Operators are medium turnover, and pay is above average for wait staff

Supprt Systems

- Direct link between operations and corporate marketing strategies
- Bulk contracts

Quality Control

- Centralized purchasing
- Food inspection

Each of these operations strategy components supports Bonefish Grill's competitive priorities and mis sion of providing the customer with a unique , high-value dining experience, featuring: fresh seafood, polished service with casua l, yet hip atmosphere.

3. Innovation (as evidenced by new product/service design and development) is often referenced as a key component to a sustained competitive advantage with radical innovations (e. g., Apple's iPhone or Amazon's online book delivery) having a more significant impact than

incremental innovations (e. g., Subway offering pizza or Southwest adding a new route). Knowing this, why would over 90% of all service innovations be incremental in nature? In your answer be sure to address the specific characteristics that differentiate services from products.

In recent times, services have dominated the global economy and gained in importance, while the importance of goods has declined. Still, most improvements to service activities are incremental in nature. For example, stores stay open longer; manufacturers create e-commerce websites; airlines, casinos and supermarket chains enhance loyalty card programs. These improvements are indeed useful and often necessary, but they are limited in the kind of returns they can produce. Rarely does a company develop a service that creates an entirely new market (e. g. iPhone).

Services differ from products in several ways, and contribute to the incremental nature of service innovation.

Tangibility is one key difference between services and products. Products entail extensive research & design and a lengthy prototyping process (allowing for radical innovation). Services, on the other hand, are intangible and customer-specific, and exist to effect change on the customer or to provide a lasting memory or experience. Modeling potential new service ideas is not as prevalent as for products, and firms too often fall back on incremental innovation that promote cost or feature improvements on existing technology or service designs.

Another characteristic that differs between services and products is inseparability. Services are created and consumed at the same time, and cannot be inventoried like products. An example of an incremental service innovation is redecorating hospital and/or implementing a new patient database. Patients still goes to the hospital to receive their service, but these are not radical changes and do not create a new service market. However, with improving technology has led to radical service innovations such as advising patients via privacy-protected e-mail or voice mail and can monitor patients' health through telemedicine. Conventional services normally require that the customer must interact (many times physically) with the service provider to receive its benefits. Radical service innovations, through technology advancements, have transformed many formerly inseparable services into services that can be consumed at any time or place.

Lastly, variability is another difference between services in products that leads to incremental service innovation. It is extremely difficult to standardize a service offering because there are so many confounding variables. Before Starbucks, coffee shops were still fairly widespread; however they did were little to offer a standardized high-quality product and service experience.

Starbucks brought about radical innovations in the coffee service industry by brewing coffee of uniform quality (which pioneered the development of premium-priced drinks) and by emphasizing a relaxing atmosphere. Before this radical innovation, service variability allowed for incremental innovation, at best.

A company's production facility, consisting of two identical machines, currently caters to only product A. The annual demand for the product is 4, 000 units. Management has now decided to introduce another product, B that uses the same facilities as that of product A. Product B is expected to have an annual demand of 2, 000 units. In view of the uncertainties involved in producing two products, management desires to have an overall 10 percent capacity cushion. Given the following additional information, how many machines are required to meet the expected production levels? (Assume 8 hours/shift, 2 shifts/day, 250 days/year, and no overtime)

In the purchasing on the new machines required to meet expected production, the company has outlined three potential options for production. The first involves purchasing the new machines (the cost listed is a total purchase price) and completing all production in-house. An alternate option would be to lease the necessary equipment for a small fee then pay a per-unit fee for the general wear and tear on the leased machinery. The final option would involve outsourcing the entire operation which would involve covering a contract fee then paying per-unit for each of the different types of products that are manufactured. Given the relevant information, which option would you recommend (support with your analysis with any relevant calculations)? Be sure to discuss the rationale (i. e., the positives and negatives) of your decision knowing that there is a good probability that production numbers could increase over time. (Assume the same basic materials, labor requirements, and overhead costs for both products A and B when produced in-house)

THEREFORE, AS DEMAND FOR PRODUCT B INCREASES, OUTSOURCING IS ALWAYS THE BETTER OPTION.

I think that outsourcing the entire operation is the best choice, given the current demand. Furthermore, only if there is a significant demand for product A, does purchasing become a reasonable solution. However, there are several advantages and disadvantages to outsourcing that the company may want to consider. The primary advantages of outsourcing are: (1) Reduce overhead – frees up resources, (2) minimizes capital expenditure – releases capital for investment elsewhere in the business, and avoids large expenditures in the early stages of the business, and (3) improves efficiencies through economies of scale. Disadvantages of outsourcing include: (1) quality problems, (2) Loss of managerial control, and (3) tied to the financial well-being of another company. In this case, with a trusted outsourcing partner, I believe that benefits of outsourcing far outweigh the risks.