How effectively an organization meets the wants

Business, Organization

Competitiveness

How effectively an organization meets the wants and needs of customers relative to others that offer similar goods or services Business compete using

MARKETING

Identifying consumer wants and/or needs is a basic input in an organization’s decision making process, and central to competitiveness. The idea is to achieve a perfect match between those wants and needs and the organization’s goods and/or services. Price and quality are key factors in consumer buying decisions. It is important to understand the trade-off decision consumers make between price and quality.

Advertising and promotion are ways organizations can inform potential customers about features of their products or services, and attract buyers. Business compete using

OPERATION

Product and service design should reflect joint efforts of many areas of the firm to achieve a match between financial resources, operations capabilities, supply chain capabilities, and consumer wants and needs. Special characteristics or features of a product or service can be a key factor in consumer buying decisions. Other key factors include innovation and the time-to-market for new products and services.

Cost of an organization’s output is a key variable that affects pricing decisions and profits. Cost-reduction efforts are generally ongoing in business organizations. Productivity(discussed later in the chapter) is an

important determinant of cost. Organizations with higher productivity rates than their competitors have a competitive cost advantage. A company may outsource a portion of its operation to achieve lower costs, higher productivity, or better quality. Location can be important in terms of cost and convenience for customers. Location near inputs can result in lower input costs.

Location near markets can result in lower transportation costs and quicker delivery times. Convenient location is particularly important in the retail sector. Quality refers to materials, workmanship, design, and service. Consumers judge quality in terms of how well they think a product or service will satisfy its intended purpose. Customers are generally willing to pay more for a product or service if they perceive the product or service has a higher quality than that of a competitor. Quick response can be a competitive advantage. One way is quickly bringing new or improved products or services to the market.

Another is being able to quickly deliver existing products and services to a customer after they are ordered, and still another is quickly handling customer complaints. Flexibility is the ability to respond to changes. Changes might relate to alterations in design features of a product or service, or to the volume demanded by customers, or the mix of products or services offered by an organization. High flexibility can be a competitive advantage in a changeableenvironment. Inventory management can be a competitive advantage by effectively matching supplies of goods with demand. . Supply chain management involves coordinating internal and external operations (buyers and suppliers) to achieve timely and cost-effective delivery of goods

throughout the system. 9. Service might involve after-sale activities customers perceive as value-added, such as delivery, setup, warranty work, and technical support. Or it might involve extra attention while work is in progress, such as courtesy, keeping the customer informed, and attention to details. Service quality can be a key differentiator; and it is one that is often sustainable.

Moreover, businesses rated highly by their customers for service quality tend to be more profitable, and grow faster, than businesses that are not rated highly. Managers and workers are the people at the heart and soul of an organization, and if they are competent and motivated, they can provide a distinct competitive edge by their skills and the ideas they create. One often overlooked skill is answering the telephone. How complaint calls or requests for information are handled can be a positive or a negative. If a person answering is rude or not helpful, that can produce a negative image.

Conversely, if calls are handled promptly and cheerfully, that can produce a positive image and, potentially, a competitive advantage. Key EXTERNAL factor:

1. Economic conditions. These include the generalhealthand direction of the economy, inflation and deflation, interest rates, tax laws, and tariffs.
2. Political conditions. These include favorable or unfavorable attitudes toward business, political stability or instability, and wars.
3. Legal environment. This includes antitrust laws, government regulations, trade restrictions, minimum wagelaws, product liability laws and recent court experience, labor laws, and patents.

4. Technology. This can include the rate at which product innovations are occurring, current and future process technology (equipment, materials handling), and design technology.
5. Competition. This includes the number and strength of competitors, the basis of competition (price, quality, special features), and the ease of market entry.
6. Markets. This includes size, location, brand loyalties, ease of entry, potential for growth, long-term stability, and demographics.

Key INTERNAL factors:

1. Human resources. These include the skills and abilities of managers and orkers; special talents (creativity, designing, problem solving); loyaltyto the organization; expertise; dedication; and experience.
2. Facilities and equipment. Capacities, location, age, and cost to maintain or replace can have a significant impact on operations.
3. Financial resources. Cash flow, access to additional funding, existing debt burden, and cost of capital are important considerations.
4. Customers. Loyalty, existing relationships, and understanding of wants and needs are important.
5. Products and services. These include existing products and services, and the potential for new products and services.
6. . Technology. This includes existing technology, the ability to integrate new technology, and the probable impact of technology on current and future operations.
7. Suppliers. Supplier relationships, dependability of suppliers, quality, flexibility, and service are typical considerations.

8. Other. Other factors include patents, labor relations, company or product image, distribution channels, relationships with distributors, maintenance of facilities and equipment, access to resources, and access to markets.

PRODUCTIVITY MEASURE

Productivity measures are useful on a number of levels.

For an individual department or organization, productivity measures can be used to track performance over time. * This allows managers to judge performance and to decide where improvements are needed. * For example, if productivity has slipped in a certain area, operations staff can examine the factors used to compute productivity to determine what has changed and then devise a means of improving productivity in subsequent periods. Productivity measures also can be used to judge the performance of an entire industry or the productivity of a country as a whole.

These productivity measures are aggregate measures. In essence, productivity measurements serve as scorecards of the effective use of resources. Business leaders are concerned with productivity as it relates to competitiveness: If two firms both have the same level of output but one requires less input because of higher productivity, that one will be able to charge a lower price and consequently increase its share of the market. Or that firm might elect to charge the same price, thereby reaping a greater profit.

Government leaders are concerned with national productivity because of the close relationship between productivity and a nation’s standard of living.

High levels of productivity are largely responsible for the relatively high standards of living enjoyed by people in industrial nations. Furthermore, wage and price increases not accompanied by productivity increases tend to create inflationary pressures on a nation’s economy. Improving Productivity A company or a department can take a number of key steps toward improving productivity:

1. Develop productivity measures for all operations. Measurement is the first step in managing and controlling an operation.
2. 2. Look at the system as a whole in deciding which operations are most critical. It is overall productivity that is important.

Managers need to reflect on the value of potential productivity improvements before Okaying improvement efforts. The issue is effectiveness. There are several aspects of this. One is to make sure the result will be something customers want. For example, if a company is able to increase its output through roductivity improvements, but then is unable to sell the increased output, the increase in productivity isn’t effective. * Second, it is important to adopt a systems viewpoint: A productivity increase in one part of an operation that doesn’t increase the productivity of the system would not be effective. * For example, suppose a system consists of a sequence of two operations, where the output of the first operation is the input to the second operation, and each operation can complete its part of the process at a rate of 20 units per hour.

If the productivity of the first operation is increased, but the productivity of the second operation is not, the output of the system will still be 20 units per hour. Develop methods for achieving productivity improvements, such as

soliciting ideas from workers (perhaps organizing teams of workers, engineers, and managers), studying how other firms have increased productivity, and reexamining the way work is done. Establish reasonablegoalsfor improvement. Make it clear that management supports and encourages productivity improvement. Consider incentives to reward workers for contributions. Measure improvements and publicize them. Other factors that affect productivity include the following: Standardizing processes and procedures wherever possible to reduce variability can have a significant benefit for both productivity and quality. Quality differences may distort productivity measurements. One way this can happen is when comparisons are made over time, such as comparing the productivity of a factory now with one 30 years ago. Quality is now much higher than it was then, but there is no simple way to incorporate quality improvements into productivity measurements. Use of the Internet can lower costs of a wide range of transactions, thereby increasing, productivity. It is likely that this effect will continue to increase productivity in the foreseeable future. Computer viruses can have an immense negative impact on productivity. Searching for lost or misplaced items wastes time, hence negatively affecting productivity. Scrap rates have an adverse effect on productivity, signaling inefficient use of resources. New workers tend to have lower productivity than seasoned workers. Thus, growing companies may experience a productivity lag. Safety should be addressed. Accidents can take a toll on productivity. A shortage of information technology workers and other technical workers hampers the ability of companies to update computing resources, generate and sustain growth, and take advantage of new opportunities. Layoffs often affect

productivity. The effect can be positive and negative. Initially, productivity may increase after a layoff, because the workload remains the same but fewer workers do the work—although they have to work harder and longer to do it.

However, as time goes by, the remaining workers may experience an increased risk of burnout, and they may fear additional job cuts. The most capable workers may decide to leave. Labor turnover has a negative effect on productivity; replacements need time to get up to speed. Design of the workspace can impact productivity. For example, having tools and other work items within easy reach can positively impact productivity. Incentive plans that reward productivity increases can boost productivity.