

Global operations management essay samples

[Business](#), [Company](#)



Introduction

The application of strategy in business is a rather new concept that has gained massive popularity among business leaders in the last two decades. A strategy is a plan of action that differentiates a business from its competitors and gives it a competitive advantage. (Garratt, 2003) defines the term strategic management as “ a process led by top executives of a company that involves strategic formulation, implementation and evaluation of a program or plan that gives the company competitive advantage over its competitors”. In focusing on strategic management, the executives of Precision Parts Ltd must focus the efforts of the company resources in achieving superior performance over their competitors.

Quantifiable objectives of Precision Parts Ltd

The most important feature of the strategic management plan is to create broad objectives that encompass the main aspects of performance in the company. Over the four year plan, Precision Parts Ltd seeks to achieve the following objectives;

Evaluating External Environment

The first phase of the strategic management plan is to conduct an environmental analysis. This is a detailed survey of the external factors that affect a business, and management has little or no control over them (Manktelow & Carlson, 2013). In business jargon, this form of analysis is known by the acronym PEST, which stands for Political factors, Economic factors, Socio-cultural factors and Technology.

- Political Factors: These refer to the political environment in which the

business operates and its impact on performance of the organization. The political feature covers legal matters such as laws relating to the industry, regulations, the power of regulating bodies and the cooperation of politicians with the company.

- Economic factors: It is important to analyze the economic environment in which the business operates. Economic factors relate to matters such as the tax regime, the type of fiscal or monetary measures employed by the government, availability of financial institutions and markets.

- Socio-cultural factors: The importance of considering the socio-cultural environment in the operations of a business cannot be underestimated. Businesses operate in the framework of a society; they derive their resources such as labor, raw materials and market for their products from the society. Businesses must consider the cultural practices and beliefs of the people in the region where they operate.

- Technology: The rapid growth and development of information, communication and technological devices has changed the way in which businesses operate. Technology is increasingly being used in businesses to improve communication, increase connectivity and consultation, improve speed and the quality of decisions made in organizations. Managers in the strategic management level must consider the impact of incorporating technology in the chain of operations to improve efficiency and gain a competitive advantage.

Evaluating Internal Environment

Other than the external PEST factors, business executives also need to evaluate the competition in the industry and the position of the business

relative to other firms. Competitor analysis is best performed by use of the Five Forces Framework which was developed by Michael Porter. This framework identifies five major forces of competition to a business; threat of substitutes, new entrants, competitors, suppliers, and buyers (Hanlon, 2012).

Porter's Five Forces of Competition

Businesses must analyze these forces of competition and their individual impact on the operations of the firm.

Threat of substitutes: Substitutes are identified as products or services from other industries that fulfill the same purpose as our product. The impact of substitutes is difficult to determine since they exist in diverse industries.

Threat of new entrants: These are new firms that are attracted to the industry by the allure of high profits. The long run effect of new entrants in an industry is the dissolution of the supernormal profits. Furthermore, new entrants may wield potentially changing technologies, capital and methods of operation that may cause upheavals in the industry (Hanlon, 2012).

Established rivals: Classical economic models indicate that rivalry in an industry is a force likely to drive profits downwards. Businesses have to be mindful of the activities of their rivals and anticipate their actions. According to (Hanlon, 2012), a strategic management plan should provide the business with enough resources and power to achieve objectives that are likely to change the rivalry in an industry. Some of the most common methods of competition in industries include; quality improvement, price wars, new innovations, product differentiation and vigorous advertising campaigns.

Power of buyers: This is expressed in a market structure where there are many sellers of a product or service and only one or few buyers. The buyers

have power to dictate the quality of goods, the level of innovation and even prices.

Power of sellers: This is an alternate situation where the sellers of raw materials or holders of resources needed in production have power over the industry. For instance, where the rights to an input of production are held by a single authority, the monopoly has power over the buyers.

Managing Human Resources in an organization

According to the sociological management model, human resources are the most important input of production. This means that the workforce or employees are the most important resource to an organization. The management must work to ensure that they retain the most qualified and competent laborers in order to gain a competitive edge over their rivals and achieve high levels of efficiency and innovation in the production process.

Focus should be paid to employees in terms of remuneration, employment benefits, favorable working environment, opportunities for career growth, recognition among peers, training and development and having open lines of communication with superiors.

The high employee turnover experienced in Precision Parts Ltd could impact their performance in the following ways;

- High cost of training new employees
- Low morale among the existing workers
- Low productivity of new workers who function at lower than optimum levels
- Cost of wastage and spoilage by new workers
- Low productivity of employees when they announce their desire to leave

the organization

- Lower knowledge base

Conclusion

For a strategic management plan to be effective, it must have a strategic fit (Pycraft, 2000). This refers to the interdependency of different events and operations in a way to create a domino effect that leads to higher performance. This means that the success of one event is likely to create a domino effect that leads to the success of other operations. Strategic fit is composed of interlocking, connected and well organized set of activities that increase the performance of the organization and proffer a competitive edge.

References

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