

Competitive strategy

Business



In the below coursework an attempt to analyze Ford Motor's operations management framework will be made.

The main reason for selecting this particular company was the current economic climate and rising fuel costs influencing both production and sales within the car manufacturing industry. It is crucial that the study will cover all aspects of the operations management within the organization on a global scale, to be able to review the changes made in the past few years to deal with various financial and economic challenges. The study will review both lower-level (daily, weekly and monthly) targets and recommendations and long term ones. A full analysis of supply chains, marketing and finance, service operations and production will be needed to be able to provide recommendations and guidelines for similar companies. Before the research and analysis would take place, it is important to review the mission statement and vision of Ford Motors to put the different factors of operations management into the context of the company's long term goals and values. Ford's mission statement is: " To become the world's leading customer company for automotive products and services.

" We can read in Ford's mission statement that the company is aiming to deliver outstanding products and services to be able to improve people's lives. According to Drejer et al. (1998) operations management is different from any other management areas, because it deals with both human and physical elements within the company. This is why it is important to examine all aspects of operations management, from a technical and personnel aspect as well. For example, a company's production will be determined by the human and technical capacities, time and location alike. By the end of <https://assignbuster.com/competitive-strategy-essay-samples-2/>

the research, we will be able to determine the function of operations management within Ford Motors and the impact the organizational competitiveness.

It is also essential to review the key concept of Ford's strategies and the implementation procedures. Operations as a competitive weapon It is important to start with a JIT and Lean analysis of Ford's Valencia operations to identify the main challenges and goals for strategic planning. Using a Productivity and Process Analysis, we will determine the main competitive aspects of Ford's operations management framework. The decisions the company had to make in the past cover the mission statement mentioned in the introductory paragraph, analyzing existing strategies and defining clear objectives for all business areas to work together to achieve a common goal. (Waters, 1999, p. 23.

) Just In Time (JIT) is a highly coordinated processing system that will make moving goods through the organization simple and efficient. Services will be performed just at the level they are needed for an optimum operation. JIT has different implications on lean production and pull (demand) systems. A balanced system developed through JIT can make the organization more competitive. The ultimate goal of a balanced and rapid flow of materials is achieved by eliminating disruptions and making systems flexible. Eliminating waste is another important task to be carried out by a successful JIT system.

According to the mission statement of Ford Motors, we can see that the company is aiming to deliver outstanding products and services. The Valencia Ford Plant has also suffered from a major over-capacity, while the

production still stagnates. This is time for Ford Motors to use its resources to develop an effective JIT strategy and reduce its operational costs in Valencia. To keep its almost 7000 employees, the best strategy for Ford is to reduce the amount of component manufacturing outsourcing to the minimum, while making necessary steps to start training employees to be competent at multiple skills. They need to keep stocks and deliver goods as quickly as possible.

At the moment Ford Valencia is planning to outsource the manufacturing of some of the components. This JIT concept can be both beneficial and dangerous. Although production can be made faster, time reduced from 15 to 8 weeks, the operations will lose control over some of the processes. However, another improvement, involving setting up Direct Automatic Delivery (DAD) systems can reduce handling time just as well, not to mention substantial savings on delivery. Ford's Consumer Driven Six Sigma is an essential part of its operations management framework.

It is important to mention that eliminating waste was always a main objective of Ford and in 2005 the company's UK plant was named as the "Best Performing Corporate Organization" as a recognition of the company's efforts to recycle materials. Although there are six Sigmas created by the company, all related to operations management, we will only cover the most important ones from the operations management perspective. Ford has made a pledge to work together with suppliers to use only 100 percent recycled materials or renewable ones. They also are committed to keep their suppliers despite the economic crisis, at the moment employing over 2000

production companies. The “ One Ford Plan” covers many of the problems within the outsourcing management.

First of all, the management had to create a process and framework to significantly reduce the \$100 million transportation costs per year. In 2008, the vice president of Ford Motor resigned and Ford returned to the old model. The new CEO was hired from outside the executive team and he did not have a full understanding of Ford operations and logistics. It is evident that today Ford has to face a huge competition from Japanese motor companies. To successfully create an operational management strategy, Ford needs to focus on a global plan, and this is what the “ One Ford” mission is about.

Pre-1994 Ford did not have a global mission, it only focused on regional operations. Looking at the Japanese competition’s results and strategies, it is evident that Ford has got a disadvantage compared to them when it comes to a global strategy. Porter (1980) describes the three major strategies to be adopted for a competitive operations management operation. The first one is cost leadership, which means lowering the cost of production enabling the company to lower its prices accordingly. Differentiation is another aspect of operations management, and it involves making the products appear valuable and different in the eyes of the customer. This differentiation can be achieved through a better or innovative design, reliability or company expertise.

The third strategy is focus, which means that an organization like Ford needs to set priorities and tangible directions to target the right types of customers

and deliver the products they are happy to pay extra for. When reviewing Ford's overall operations management strategy next, we will use Porter's "five forces model". It is essential to determine how much these five forces influence the optimum operations management strategy of Ford. (Porter, M. E. 1980.

. p. 4.) Threat of new entrants. This is a threat that is not persistent at the moment on the automotive market, as production levels are still low because of the petrol price increase in the past decade and global recession. There are still threats Ford needs to face, and these are new models being built by other companies.

Some of the leading Japanese manufacturers seem to be ahead of Ford in design, functionality and efficiency. Bargaining power of buyers Buyers can drive prices down playing rivals against each other. This is a very likely threat Ford needs to face, as the market is full of bargain-hungry customers. Prices are driven down because a;; automotive manufacturers would like to keep their production levels as high as possible. Ford needs to develop a strategy that will enable them to keep up with the competition's price reduction actions through reducing costs of production and providing extra, complimentary services. Bargaining power of suppliers Suppliers are responsible for a constant flow of parts and accessories used in production.

Through working together with these companies, Ford has developed an advantage over the competition. The recycling initiative and support provided for the over 2000 companies worldwide makes Ford appear a stable and innovative customer with long-term plans. The waste elimination

strategy also allows suppliers to produce goods at a lower cost. Threat of substitute products or services This is the major force Ford needs to deal with at the moment. Cheaper, better or more reliable suppliers are able to lure customers away from Ford, this is why providing more and setting up a competitive business structure, pricing strategy and distribution chain is essential to be able to keep their existing customers. According to Porter (2008, p.

9), " Slow growth precipitates fights for market share." This is the exact situation Ford needs to face at the moment. There is an extremely high competition consisting of a combination of advertisement campaigns and price discounts. Ford needs to focus on one segment of loyal Ford customer, who is going to stay with the company if the right incentives are offered and the standards of operation/ customer service are high. Quality and Performance For examining Ford's quality and performance strategy, we will review the recommendations of Hayes and Wheelwright (1979). The authors mention that the diagonal position of a company in the matrix will depend on the product life cycle and the production methods.

(p. 31.) Working on methods to use production capacity at the highest level, preferably at 100% can be challenging for a car manufacturer. Not using the production units to provide the best performance for the company would mean that a job will take longer to complete and the labor hours associated with personnel costs will increase accordingly. One of the main goals of Ford motors is to eliminate waste in production and the organization is working together with suppliers to increase efficiency.

Waste can be determined as resource waste and material waste. It can be a result of overproduction, which is a common scenario in the industry, waiting time or unnecessary transportation. Material waste can be processing waste or – as a result of inefficient methods of production – pre-calculated. A company should always ensure that they plan the production in a way that waste in a normal processing environment will be set to the minimum. Product defects are another source of material waste, and quality control, improvement of processing methods can provide a solution to eliminating defective products.

Therefore, we will focus on capacity planning in the next chapter, to attempt providing a guideline for the optimum operations management solution. Capacity planningJIT also focuses on capacity planning. As a broad definition, we can say that this type of planning is nothing else than forecasting future levels, capacities and planning materials and systems for production. There are different aspects of capacity planning; from the management level to the technologies needed. In order to create a suitable capacity planning model Ford will need to look ahead and find new ways of making production smoother.

One of the main problems that occur on an operations management level is that the forecasts are not accurate enough. Also, when the company takes steps to reduce the manufacturing time (like Ford did in the past years) this will result in a higher capacity for the next year. There is a need to either reduce production or start a campaign to increase market demand, to be able to fill the capacities. We can see that most car manufacturing firms

struggle with this aspect. Some operations managers are too optimistic and they plan a larger scale production than needed by the market.

This results in overproduction and extra storage costs. Another important element of capacity planning is timing, and this needs a lot of market research. Manufacturing should be scheduled for the time when customers are ready to buy the products. For example, in the UK, when the new registration number plates come out every year, there is an increased demand for new cars. The organization of resources is necessary at Ford to make sure that they are ready when the market is moving, while the company needs to avoid overproduction and using inefficient methods.

Supply chain design To examine Ford's supply chain design, we are going to use the Supply Chain Operations Reference (SCOR) model.

There are many organizational benefits of using this framework when developing an operations strategy. The SCOR framework links together performance metrics, resources and best practices into an easy to follow structure. An effective supply chain design is essential to provide excellent customer service. The design covers all customer interactions from the time the order is placed to the payment of the invoice. (Mahadevan , B. p.

294.) The aspects Ford Motors needs to focus on are On time delivery and supply chain lead time. The reliability should be kept high by making sure that the delivery performance is high, fill rate is suitable and the perfect order fulfillment level targets are met. Supply Chain Integration Supply chain lead times indicate the level of responsiveness and performance of the members of the supply chain. It is essential for Ford to continuously review

the suppliers' performance and optimize the time it takes to fulfill an order. When designing supply chains, there are a few aspects Ford needs to take into consideration.

First, it is well known that forecast errors are almost unavoidable when it comes to innovative products. These types of products also require more higher contribution. When planning the supply chain, it is important to take these guidelines into account, outsource only the necessary production while eliminating waiting and transport time to save costs. Supply chains design has to be integrated into the operations management strategy framework, as it has a great influence on performance, customer service and productivity. Supply chains help controlling costs, improving customer service, managing risk and suppliers.

The most suitable benchmarking model for Ford Motors would be the SCORmark(SM) to analyze the existing model. This benchmarking system covers all aspects of SCOR and can help the company reduce the cycle times, delivery times, as well as delivery performance. Inventory Management The purpose of managing inventory is to meet anticipated demand and to achieve a smooth operation in both delivery and production. It has an important impact on resource planning and customer service as well. Referring back to the mission statement of the company, it is evident that to achieve the organizational goals, an advanced inventory management needs to be put in place. While overproduction is the main problem car manufacturers have to face today, there is also a scenario that they might experience stock-out periods.

This can occur when a make or model reaches a point in the life cycle when parts are needed in a great volume. This is why companies need to work together with customers and suppliers to meet the demands of customers. It is evident that Ford is committed to deliver the highest quality of services and goods when customers need it, however, this might have some financial consequences as well. Ford needs to protect the company against price increases (Roy, 2005. p.

101.) while taking advantage of quantity discounts. They need to have the right type of products in at the right amount and the right time for the customer. This goal does also bring up the question of cost-efficiency. If products are delivered and manufactured at the right time, storage costs will be kept low.

While, if there is an overstock or stock-out that occurs, the company needs to pay the price; either pay extra for the storage and packaging or order emergency stock at a higher price. Overtime payments after a stock-out can damage the annual budget of a company. In order to maximize the potentials of inventory planning, a company can use either a fixed order interval system, better known as P-system or a fixed order quantity system: Q-system. We will briefly cover the difference between the two models to determine which one would be more suitable for Ford's operations management framework. Fixed Quantity System (Q) This is a model that supports long-term planning of operations.

When volumes are determined quarterly. The fixed quantities are available to call for whenever the company needs it. However, this is only true when

the supplier chain works well and there is enough flexibility provided by companies to fulfill orders under a certain amount of time. The disadvantage of this framework is that the inventory needs reviewing constantly, to make sure that no overstock or understock occurs. This might need extra resources or IT systems to be put in place.

If Ford knows the average lead time of the supplier, this might help them save money on storage. The company needs to determine the average consumption during the lead-time, taking into consideration the fluctuations of supplier output and consumption alike. Studies need to be carried out to determine the three important components: – average demand (buffer stock) – the safety stock needed – reserve stock (demand variations). The P system requires constant monitoring, however, it is an efficient tool to reduce costs and optimize company performance. Periodic Review System In this model, the period between deliveries and orders is fixed. The quantity of the order is variable, this way this framework works well for ordering materials for continuous production, when the exact volumes are not known.

There is a need to plan the increase of consumption well ahead to provide smooth operations. This type of framework will always have a higher inventory volume than the Q system, however, there is no need for constant monitoring. This model is perfect for stock that has been used for a long time and also only recommended when the supplier chain is optimized. The desired level of inventory (DLI) can be worked out by reviewing historical statistics. Building up this model is not recommended when market fluctuations are high, because the initial inventory calculations will be based on the previous period's quantities.

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When making a theoretical recommendation for Ford Motors, we would advise the company to use the Q model, as it is more suitable for unstable market conditions. Although the supplier chain of the company is reliable and stable, there are some variables that planning might dismiss when creating an operations framework. Overstocking can be dangerous for production, and although this method needs constant monitoring, there is a better possibility that supplier chains and production can be adapted to the market conditions and demand. Conclusion After reviewing the different framework models, it is time to provide Ford with a complete operations management recommendation based on the findings of studies and journals. To summarize our findings and research; Ford Motors is in a challenging situation. Production levels are reduced in the car manufacturing industry, due to the long economic crisis and reduced customer spending power.

The challenges include improving management systems to make operations not only smoother but cheaper as well. Ford has made efforts to provide distinctive advantages to its suppliers and customers and the company is committed to improve its delivery and supply channels to make the goods available where and when they are wanted. Monitoring market conditions and facing a strong competition due to the lack of demand, as we have discussed, comes with different tasks. Ford needs to focus on reducing its prices to be able to compete with Japanese manufacturers, differentiate its products through an effective design and marketing strategy and focus on the type of customer the company would like to attract in the future. We will focus on the three main aspects of competitive advantage of operations management strategies to cover all of them in detail.

Reviewing the competitive advantages of Ford Motors, we can see that the “One Ford” model does provide the company with the edge over the competition. The innovative products and efforts to reduce price will promote a cost leadership strategy. By being able to cut the prices of production and distribution (Ford has a huge chain of plants worldwide), eliminating waste using the principles of the JIT model, the company will be able to provide better solutions for customers at a lower budget. Reliability is also a main aspect of competition, and Ford can build its strategy on providing services and goods at the time customers need them. Differentiating the company from other car manufacturers is essential, and as we can see from the mission statement, Ford is planning to do this by providing high quality goods and good customer service. The company is going to be able to increase the number of loyal customers if they can achieve their goals through effective systems.

The SCOR model will allow the company reduce the time between the order placement and completion of the sale making production and delivery more efficient. The focus should be placed on customers loyal to the brand and the targeting should be started at the product creation stage. The focus should be placed on cost reduction and smoother operation, developing new models or products is not a feasible option in the current economic climate and it also requires a large sum of investment. Performance Quality control needs to be looked at to increase performance. Ford needs to keep on focusing on eliminating waste and faulty items.

This will be in line with the company’s goals to increase customer satisfaction, as well as eliminating inefficient production methods. Decisions

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need to be made regarding outsourcing in order to cut costs, making sure that the supplier chain fits into the timescales the company offers customers. Capacity planning Capacities need to be looked at, and in the current unstable market conditions they do require constant monitoring. Overproduction or underproduction might cause customer complaints or increased storage costs. Taking into consideration operations management principles, planning needs to be made based on market predictions and historical statistics.

Supply chain The well developed supply chain of Ford needs further amendments to ensure that a continuous supply is provided for customers. Supporting suppliers is one of the main focuses of Ford Motors, and this will enable them to keep their low cost, high quality partners preventing them from moving on and work for the competition. Inventory In the case of Ford Motors we would recommend using the Q (Fixed Quantity) system, which needs constant monitoring, but fits better with the company's main objectives. The company is able to monitor market fluctuation and eliminate overstock, while keeping the average buffer stock low.