Managing Supply Chain and Operations An Integrative Approach 1st edition Foster Solutions Manual

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Chapter 2 Solutions Manual

Integrative Learning Exercise

This chapter focuses on strategy. As a result, this exercise is designed to get the students to think about SC&O strategy. They are to go to the popular press to research a company and find out about its strategic planning and mission. The exercise should be used to spark a discussion on issues such as core competence, the voice of the customer and market, and how SC&O managers have to make choices to allocate resources.

Integrative Experiential Exercise

This activity involves visiting a company to review its strategy process and content. The students should report on whether the company uses a cost, differentiation, or focus strategy. They should then discuss order winners and qualifiers. This will allow you to start a discussion on winners, qualifiers, and strategy.

Discussion Questions

1. **What is the purpose of strategy?**

   Strategy is a long-term plan that defines how the company will win customers, create game winning capabilities, fit into the competitive environment, and develop relationships. Strategy includes long-term planning that is performed at the highest organizational levels. The purpose of strategy is to provide a roadmap for growth and provide a basis for aligning operational subplans.

2. **What are the steps of strategic planning?**

   All planning starts with a forecast and requires an understanding of the economic environment. Mission and vision also help to inform strategic decision making. Management use the forecast, mission, and vision, coupled with customer research and market analysis, to set strategic plans. From the strategic plan, operational subplans are established in the areas of finance, operations, supply chain management, information systems, human resources, and marketing.

3. **Why is it important for strategic planning to consider the lifetime value of the customer?**

   Switching costs and differentiation can enhance the likelihood of capturing the lifetime value of a customer. SC&O strategists must address (1) the willingness of consumers to switch to or from their product and (2) how differentiated consumers perceive their product or service to be from the competitor's products or services.

4. **Why are customers important to the strategic planning process?**

   Strategists must understand key customers' needs in order for a firm to survive and prosper. Customers are the judge and jury in competitive advantage. No matter how

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many of your shareholders, your competitors, or the media praise your company, your customer decides your long-term success.

5. Why should strategic planners not treat all customers the same?

SC&O managers understand that customers are not all equally valuable. Some customers simply are not worth the cost or effort to serve. The 80/20 rule, also called the *Pareto's Law*, suggests that 20 percent of customers account for 80 percent of revenues. The key for strategy makers is to identify the very best customers and to provide outstanding service to those top customers.

6. What is the difference between a company's core competency and a skill that the company is really good at doing?

Core competencies are those capabilities that tie most closely to their customer values and that provide companies with a unique competitive advantage. Skills that a company are really good at doing may be of no value to their customers or may not represent a unique competitive advantage.

7. How does a firm know which capabilities they should create and foster?

Companies should focus on those capabilities that tie most closely to their customer values and that provide companies with a unique competitive advantage.

8. What is the five forces model and why is it important to strategic planning?

This model helps companies understand how all competitors and supply chain members influence their ability to compete. There are five considerations in this model:

- Threat of new competitors
- Threat of substitutes
- Bargaining power of customers
- Bargaining power of suppliers
- Rivalry within the industry

9. How do relationships create sustained, competitive advantage for firms?

Relationships can be leveraged to reduce costs, appropriate value from a partner with complementary core competencies, and create synergistic value.

10. How are complementary relationships different from synergistic relationships?

Complementary relationships occur when companies that clearly understand their core competencies need another firm's competencies in order to maintain world-class service. Generally, these companies understand that they hold a competitive advantage in one area but do not have expertise in another. A synergistic

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relationship is a relationship between two companies that are committed to work together in a way that the result is greater than the sum of the individual parts.

11. How does aligning strategic, functional, and operational plans help strategic execution?

Strategies form the rationale for tactics and operations because they drive what middle tier management must accomplish to win and keep customers. For example, once a company determines that it is going to be a low price competitor, its tactics are also going to focus on cost reduction and efficiency and its day-to-day operations are going to focus on efficiency. Strategy sets the stage for tactics and operations.

12. How do firms ensure that execution of strategic plans is effective?

When supply chain managers select the correct functional strategies to complement their needs, strategies are supported, and execution becomes easier.

13. How does aligning strategic levels help make strategy execution more effective?

Aligning strategic levels ensures that functional and operational plans work on a tactical level to achieve the overall strategic goals of the firm.

14. What role do functional strategies have in strategy execution?

Functional strategies or operational subplans are one to two year goals that help the firm "win a battle, but not necessarily win the war." They are where "the rubber meets the road" in terms of strategy implementation.

15. How can firms achieve SC&O sustainability?

Firms can achieve SC&O sustainability by implementing quality-based environmental management systems, sometimes referred to as sustainability management, engaging in life cycle costing, implementing supplier sustainability scorecards, managing their reverse logistics processes, and finally by managing their customer's preferences regarding sustainability.

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Case: Zara

Questions

1. What is Zara's competitive advantage?

Zara's competitive advantage is its ability to get new designs into its shops in five weeks, compared to the six to nine months that is common in the industry.

2. How has Zara aligned its processes with its marketing requirements?

Zara has aligned its manufacturing to make small batches quickly and has structured its distribution for rapid deliveries—by truck or air—to all of their stores. It also produces much of its own product in its own production facilities, and it imports the rest, often partly finished or undyed, allowing it to react quickly to changes.

3. What problems do you see looming for Zara?

The major issue that Zara could face in the near future is the invasion of its space by a competitor who can react equally fast to changing trends and market conditions. Zara also faces competition from local competitors who offer similar clothing on a smaller scale. This question provides an opportunity for students to apply the five forces.

4. What opportunities has the company created through excellent SC&O management?

Zara has created the opportunity to react quickly to changes in fashion, allowing them to maintain their front position as a fashion leader. They have also been able to reduce costs by avoiding overproduction of unsuccessful merchandise.

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