

Chapter 2

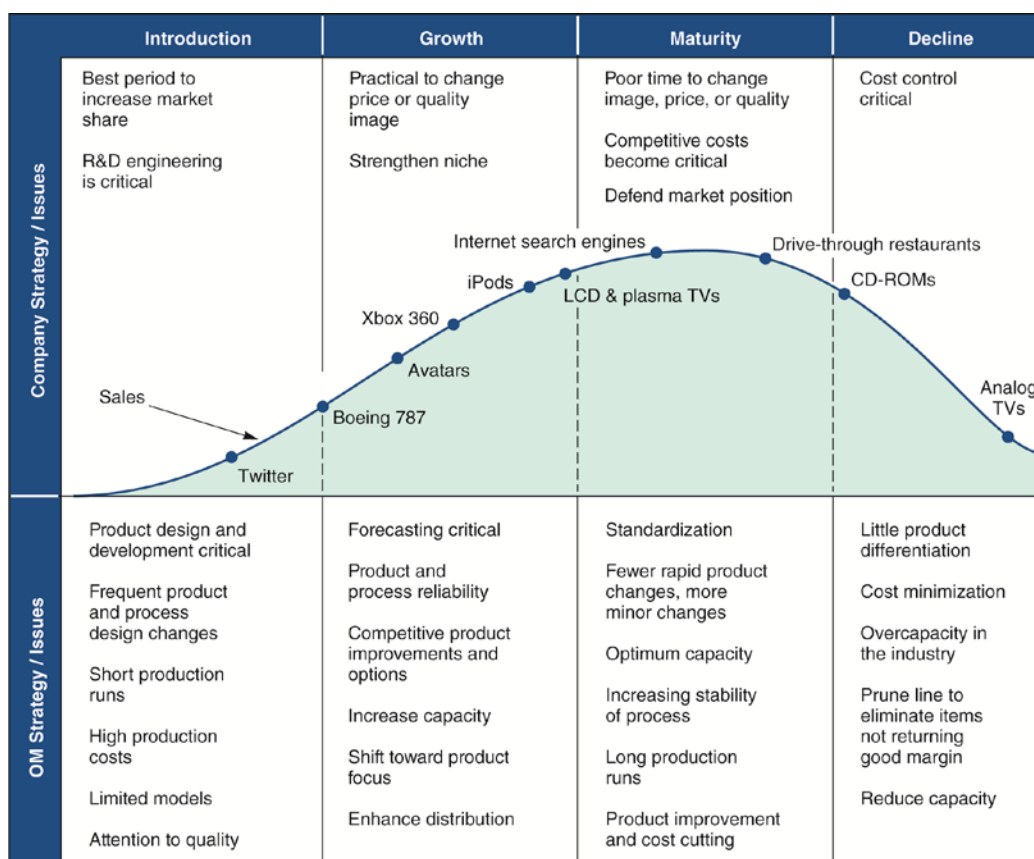
Operations Strategy in a Global Environment

Background

Of all the chapters in the book, this one has the most references to global operations. Depending on the instructor's preferences, he or she could delve further into global issues and, for example, present some practices in operations management prevalent in different countries of the world. For the strategy sections of the chapter, it is important to emphasize that these are decisions that firms make that use *operations* to earn and keep business (as opposed to, say, an advertising campaign). Picking a strategy may seem trite to some students, but it is important to emphasize that all 10 OM decisions will be geared toward the designated strategy.

Class Discussion Ideas

1. When describing the OM strategy/issues during different stages of the product life cycle, it can be a useful break to stop and ask students to identify examples from the past of when demand significantly outpaced production—i.e., the existence of “fad” items. Examples might include certain video games, hybrid vehicles, Furbies, Tickle Me Elmo dolls, Cabbage Patch dolls, or even pet rocks from the 1970s.



2. For instructors that want to expand treatment of global operations issues, Chapter 2 is probably the place. One way to do that is to have a discussion on aspects of operating in some of the largest or most impactful economies around the world, for example, Japan, Germany, China, India, and South Korea. Input from foreign students can be particularly useful here; in fact, instructors may want to ask foreign students to prepare a five-minute talk on their respective countries (potentially for extra credit). Certain cultural differences, if tactfully presented, can add some humour. International marketing provides many examples: Frank Perdue's chicken slogan, "It takes a strong man to make a tender chicken" was translated into Spanish as "It takes an aroused man to make a chicken affectionate"; Coors "Turn it loose" slogan translated into Spanish as "Suffer from diarrhea"; and a well-known favourite, Electrolux tried to sell its vacuum in America with the slogan "Nothing sucks like an Electrolux."
3. Ethical dilemmas of global operations should be discussed in class. Many countries in the world do not have strict rules about labour and other resources. In this kind of situation parent company has little to no control over working conditions, sexual harassment, and pollution. Students should be involved in the discussion of "what do you do and on what basis do you make your decision." Students might be asked to watch "Made in Bangladesh" on The Fifth Estate before coming to the class. This video is long to show in class. But, you may want to talk about the video in brief and show some highlights in class before opening the floor for discussion about global operations and ethical issues. To access this video, go to The Fifth Estate website at <http://www.cbc.ca/fifth/> and search for the episode entitled "Made in Bangladesh".

Active Classroom Learning Exercises

1. Have the students split up into small groups to attempt to identify a company (different than ones listed in Figure 2.4 on page 40) that fits into each of the 10 different strategies listed. Have each student group report some or all of its ideas to the whole class. They should support their position with references to specific actions, policies, or events that demonstrate why their opinion makes sense.
2. Have the students split up into small groups to conduct a SWOT analysis of their favourite restaurant or retail store. (Make sure that each group examines a different business.) Have each student group report its analysis to the whole class.
3. Pick an industry and ask the students to think about managing a brand new firm trying to join the industry. What strategy should their firm follow? Then ask the students to find someone else in the class with a different opinion—and each should then try to convince the other why their strategy is best. Take a poll at the end to see which strategy seemed to dominate.

Company Cases (Video and Descriptive)

1. **Video Case:** *Strategy at Regal Marine (5:27)*

Some of the key mission statement features for this family-owned business are discussed, including (1) creating best-in-class products with value, quality, and satisfaction; and (2) operating with integrity, honesty, and character. The firm employs a differentiation strategy, manufacturing distinctive and high-value luxury boats. One important means for implementing that strategy is to use very high-calibre dealers (120 of them in 40 countries) who will represent the products in a proper manner. Despite a primary strategy of differentiation, Regal Marine also continues to focus efforts on cost reduction to stay afloat in this highly competitive industry.

Prior to showing the video, the instructor might ask the students to think about ways that the 10 OM decisions for this firm support its differentiation strategy. A follow-up discussion might explore how some of those decisions might differ if the firm had pursued a cost leadership strategy. Finally, the

instructor might ask students to identify the pros and cons for this size of a family-owned company to pursue a differentiation strategy in a highly competitive industry. For example, a lack of economies of scale compared to larger competitors might make cost leadership difficult; however, branding is key when pursuing a differentiation strategy, and that also takes a serious amount of effort and investment to establish in the marketplace—presumably more challenging for smaller firms.

2. **Video Case: Hard Rock Café's Global Strategy (9:36)**

At the time of the video, Hard Rock had 106 locations in 38 countries and was looking to expand further, particularly in Europe, Latin America, and parts of Asia. Hard Rock's branding has been a key reason why it can so easily enter new markets in new countries. Considerations when expanding into a new market include: political risk, currency risk, social norms, brand fit, social costs, and business practices. The second half of the video focuses on the idea of creating a service "experience." Seventy percent of Hard Rock's customers are tourists seeking a special memory. Not only is each restaurant full of rock-and-roll memorabilia, but each piece comes with an associated story. Every restaurant has something from Elvis, the Rolling Stones, the Beatles, and Jimmy Hendrix. Restaurant designers try to link older generation musicians with newer ones. Restaurant layout also enhances the rock-and-roll experience, going beyond being a museum to including live and energetic features (e.g., audio-visual, staff members, and a bar) that produce significant sensory stimulation. Finally, a key strategy for merchandise sales is the use of location-specific logos. Despite having an e-commerce presence, a shirt with a city name can only be purchased at that city's Hard Rock Café, so tourists will buy these otherwise common-looking logo shirts to advertise/reflect on their trip to that city.

Prior to showing the video, the instructor could ask the students to identify features that make Hard Rock Café different from other restaurants, even other themed restaurants. Afterwards, a discussion could revolve around the operations decisions that support these features. A different discussion could focus on the international location decisions. What are important considerations for Hard Rock as compared to other businesses (say, manufacturing facilities)? For example, low-cost labour does not seem to even be a consideration for Hard Rock. A follow-up question might ask the students how they, if put in charge of new restaurant location decisions for Hard Rock, would find out if residents and tourists of a potential new city would be interested in that type of restaurant.

3. **Descriptive Case: Mr. Lube**

Mr. Lube stations perform oil changes, lubrication, and interior cleaning in a spotless environment. Precise task assignments and good training are designed to move car into and out of the bay in minutes. Before you discuss this case, consider post the links to the following articles about Mr. Lube:

"Mr. Lube Canada: Focus on Franchisees is lubricant for success", *The Financial Post*, available at <http://www.financialpost.com/>

"A Well-Oiled Plan: Why Mr. Lube's Stuart Suls doesn't believe in work-life balance", *YouInc* (March 18, 2013), available at <https://youinc.com/content/>

After reading the case presented in the text and also these articles students will be able to talk about Mr. Lube's strategies that make this company successful in the first place. Discussion questions given in the text can be helpful way to keep students focused in their discussion.

Cinematic Ticklers

1. *Gung Ho*, (Michael Keaton and Gedde Watanabe), Paramount Pictures, 1986

At the beginning of the movie, Michael Keaton's character travels to Japan to meet with the executive board of a Japanese automotive factory. He presents as a typical American might, while the Japanese businessmen sit in silence. The American leaves the meeting thinking that he blew the presentation.

A second set of scenes can be clipped together to illustrate some of the differences in Japanese vs. American business practices. The scenes are exaggerated to create humor, but they contain some true differences (for example, company uniforms, morning exercises, zero defect policies, strict worker absentee policies, etc.).

2. *The Simpsons Season 3: "Burns Verkaufen Der Kraftwerk,"* 20th Century Fox Video, 2003 (1991–1992)
A German company purchases the Springfield power plant, and Homer ends up being the only worker let go. There's a funny scene where Homer daydreams about living in Germany, "The Land of Chocolate."
3. *Outsourced,* (Josh Hamilton and Ayesha Dharker) ShadowCatcher Entertainment, 2006
The manager of a Seattle novelty product company learns that his entire order fulfillment department is to be outsourced to India. In order to meet the company's objectives he discovers that it is not enough to teach American values to the Indian employees; he must also learn about their culture.

Additional Assignment Ideas

1. Ask students to prepare for class by visiting several company websites and, for each company, locate the company mission and print a copy to bring to class. The students should also be asked to, if possible, determine the strategy used by the company to achieve its published mission.
2. Look at the websites for two different companies and determine how they operate in the global business environment. Students should try to address the following questions:
 - How is a global strategy in evidence from their website?
 - What sort of global operations strategy do they seem to be adopting; international, multidomestic, global, or transnational?
 - Does their facility location reflect their global strategy?
 - How much of their business is done globally?
 - How does their work force reflect their global strategy?

Additional Case Studies

Internet Case Study (on MyOMLab)

Motorola's Global Strategy: Focuses on Motorola's international strategy.

Harvard Case Studies (<http://harvardbusinessonline.hbsp.harvard.edu>)

- *Eli Lilly and Co.: Manufacturing Process Technology Strategy—1991* (#692056): Manufacturing pursues a comparative advantage in an industry where R&D is the primary competitive advantage.
- *Fresh Connections* (#600-022): Investigates how to structure operations to take advantage of the continued growth in the home meal replacement market.
- *Hitting the Wall: Nike and International Labor Practices* (#7000047): Nike must deal with a spate of alarmingly bad publicity regarding wages in developing countries.
- *Hewlett-Packard: Singapore (A)* (#694035): Product development issues when source and recipients of knowledge are separated both geographically and culturally.

- *Komatsu, Ltd.* (#398-016): Describes strategic and organizational transformations at Komatsu, a major Japan-based producer of construction equipment.
- *McDonald's Corp.* (#693028): Changing environment and competition forces McDonald's to rethink its operations strategy.
- *Southwest Airlines—1993 (A)* (#694023): Provides insights into Southwest's strategy, operations, marketing, and culture.
- *Toys "R" Us Japan* (#796-077): Documents the difficulties Toys "R" Us has as it enters the Japanese toy market.
- *Lenzing AC: Expanding in Indonesia* (#796-099): Presents the issues surrounding expansion in a foreign country.

Richard Ivey School of Business (<http://cases.ivey.uwo.ca>)

- *Daikin Industries* (#9B04D018): The president of Daikin Industries Residential Air Conditioning Shiga Factory was confronted by the prospects of an unseasonably cold summer, at a time when the Shiga factory had large quantities of its products in inventory in anticipation of strong summer sales. The president must decide whether to reduce the number of models, build a lower-cost factory outside Japan, or exit the business.

MyOMLab Resources

Visit **MyOMLab** to access cases, videos, downloadable software, and much more. MyOMLab also features a personalized Study Plan that helps your students identify which chapter concepts they've mastered and guides them towards study tools for additional practice.

Internet Resources

Business Policy and Strategy, Division of the Academy of Management	http://divisions.aomonline.org/bps
European Union	http://europa.eu
International Trade Administration	www.ita.doc.gov
Manufacturing Strategies, maintained at Cranfield University	www.cranfield.ac.uk/som
Transparency International maintains a Bribe Payers Perception Index (PBI) and a Corruption Perception Index	http://www.transparency.org
World Bank	www.worldbank.org
World Economic Forum	www.weforum.org
World Trade Organization	www.wto.org
Canadian Trade Commissioner Service (TCS)	http://www.canadabusiness.ca

Other Supplementary Material

Videos

1. *Wall Street*

This movie illustrates very different corporate missions between the established company and the one trying to take it over.