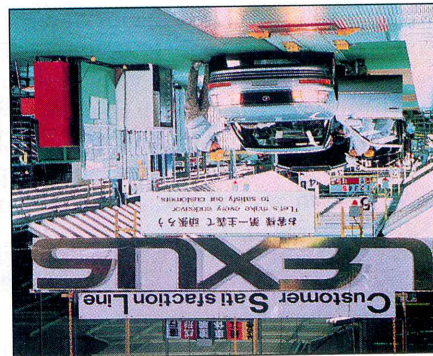


TABLE 2-3
Examples of distinctive competencies

Competency	Examples of Companies or Services
Price	U.S. first-class postage Low cost
Quality	High-performance design and/or high quality Sony TV Lexus, Cadillac Disneyland Five-star restaurants or hotels Coca-Cola, PepsiCo Kodak, Xerox, Motorola Electrical power
Time	Rapid delivery McDonald's restaurants Express Mail UPS Domino's Pizza One-hour photo Federal Express
Flexibility	On-time delivery Variety Volume Burger King ("Have it your way") Hospital emergency room McDonald's ("Buses welcome") Toyota
Service	Superior customer service Supermarkets (additional checkouts) Disneyland Hewlett-Packard IBM Nordstrom Supermarkets, dry cleaners Mall stores Service stations Banks, ATMs
Location	Convenience



Toyota, Japan's largest automobile manufacturer, also markets the upscale, award-winning Lexus line. Quality is highly valued, and workers have the authority to stop the production line if quality problems are encountered.



Automatic teller machines (ATMs) are numerous, carefully located for customer convenience, and available 24 hours. Networks have expanded to serve international customers.



Delivering groceries and specialty food items directly to the customer is a successful new e-based business. This organic produce truck delivers perishables to a customer in San Rafael, California.

competitive on a global basis in the 1990s.¹ The top two strategic issues were quality management and manufacturing strategy. The top two tactical issues were quality control, and manufacturing planning and control systems. A key element of both organization strategy and operations strategy is strategy formulation.

STRATEGY FORMULATION

To formulate an effective strategy, senior management must take into account the *distinctive competencies* of the organizations, and they must *scan the environment*. They must determine what competitors are doing, or planning to do, and take that into account. They must critically examine other factors that could have either positive or negative effects. This is sometimes referred to as the *SWOT* approach (strengths, weaknesses, opportunities, and threats).

In formulating a successful strategy, organizations must take into account both order qualifiers and order winners. Terry Hill, in his book *Manufacturing Strategy*, describes order qualifiers as those characteristics that potential customers perceive as minimum standards of acceptability to be considered as a potential for purchase. However, that may not be sufficient to get a potential customer to purchase from the organization. **Order winners** are those characteristics of an organization's goods or services that cause them to be perceived as better than the competition.

Characteristics such as price, delivery reliability, delivery speed, and quality can be order qualifiers or order winners. Thus, quality may be an order winner in some situations, whereas in others, it may be an order qualifier. Over time, a characteristic that was once an order winner may become an order qualifier, and vice versa.

Obviously, it is important to determine the set of order qualifier characteristics and the set of order winner characteristics, and it is also necessary to decide on the relative importance of each characteristic so that appropriate attention can be given to the various characteristics. Marketing must make that determination and communicate it to operations.

Distinctive competencies are those special attributes or abilities possessed by an organization that give it a *competitive edge*. In effect, distinctive competencies relate to the ways that organizations compete. As noted previously, these can include price (based on some combination of low costs of resources such as labor and materials, low operating costs, and low production costs); quality (high performance or consistent quality); time (rapid delivery or on-time delivery); flexibility (variety or volume); customer service; and location. Table 2-3 lists the major distinctive competencies and examples of services and companies that exhibit those competencies.

The most effective organizations seem to use an approach that develops distinctive competencies based on customer needs as well as on what the competition is doing. Marketing and operations work closely to match customer needs with operations capabilities. Competitor competencies are important for several reasons. For example, if a competitor is able to supply high-quality products, it may be necessary to meet that high quality as a baseline. However, merely *matching* a competitor is usually not sufficient to gain market share. It may be necessary to exceed the quality level of the competitor or gain an edge by excelling in one or more other dimensions, such as rapid delivery or service after the sale. Some of the strategies various Japanese manufacturing companies have employed since World War II are:

- *Low labor cost strategy*. Immediately after the war, exploited the (then) inexpensive labor pool.
- *Scale-based strategy*. During the 1960s, used capital-intensive methods to achieve higher labor productivity and lower unit costs.

¹Manoj K. Malhotra, Daniel C. Steele, and Varun Grover, "Important Strategic and Tactical Manufacturing Issues in the 1990s," *Decision Sciences* 25, no. 2 (March/April 1994), pp. 189-214.

order qualifiers Characteristics that customers perceive as minimum standards of acceptability to be considered as a potential for purchase.

order winners Characteristics of an organization's goods or services that cause it to be perceived as better than the competition.

distinctive competencies The special attributes or abilities that give an organization a competitive edge.