Some Multinational Corporations

<table>
<thead>
<tr>
<th>Company</th>
<th>Home Country</th>
<th>% Sales Outside Home Country</th>
<th>% Assets Outside Home Country</th>
<th>% Foreign Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citicorp</td>
<td>USA</td>
<td>34</td>
<td>46</td>
<td>NA</td>
</tr>
<tr>
<td>Colgate-Palmolive</td>
<td>USA</td>
<td>72</td>
<td>63</td>
<td>NA</td>
</tr>
<tr>
<td>Dow Chemical</td>
<td>USA</td>
<td>60</td>
<td>50</td>
<td>NA</td>
</tr>
<tr>
<td>Gillette</td>
<td>USA</td>
<td>62</td>
<td>53</td>
<td>NA</td>
</tr>
<tr>
<td>Honda</td>
<td>Japan</td>
<td>63</td>
<td>36</td>
<td>NA</td>
</tr>
<tr>
<td>IBM</td>
<td>USA</td>
<td>57</td>
<td>47</td>
<td>51</td>
</tr>
</tbody>
</table>

Reasons to Globalize

- Tangible Reasons
  - Reduce costs (labor, taxes, tariffs, etc.)
  - Improve supply chain
  - Provide better goods and services
  - Understand markets
- Intangible Reasons
  - Learn to improve operations
  - Attract and retain global talent
Reduce Costs

- Foreign locations with lower wage rates can lower direct and indirect costs

Improve the Supply Chain

- Locating facilities closer to unique resources

Provide Better Goods and Services

- Objective and subjective characteristics of goods and services
  - On-time deliveries
  - Cultural variables
  - Improved customer service
Understand Markets

- Interacting with foreign customer and suppliers can lead to new opportunities
  - Cell phone design from Europe
  - Extend the product life cycle

Learn to Improve Operations

- Remain open to the free flow of ideas
  - General Motors partnered with a Japanese auto manufacturer to learn
  - Scandinavian design ideas have been used to improve equipment design and layout

Attract and Retain Global Talent

- Offer better employment opportunities
  - Better growth opportunities and insulation against unemployment
  - Relocate unneeded personnel to more prosperous locations
  - Incentives for people who like to travel
Cultural and Ethical Issues

- Cultures can be quite different
- Attitudes can be quite different towards:
  - Punctuality
  - Lunch breaks
  - Environment
  - Intellectual property
  - Thievery
  - Bribery
  - Child labor

Developing Missions and Strategies

Mission statements tell an organization where it is going.

The Strategy tells the organization how to get there.

Mission

- Mission - where are you going?
  - Organization’s purpose for being
  - Answers ‘What do we provide society?’
  - Provides boundaries and focus
Hard Rock Café

Our Mission: To spread the spirit of Rock ‘n’ Roll by delivering an exceptional entertainment and dining experience. We are committed to being an important, contributing member of our community and offering the Hard Rock family a fun, healthy, and nurturing work environment while ensuring our long-term success.

Strategic Process

- Organization’s Mission
- Functional Area Missions
  - Marketing
  - Operations
  - Finance/Accounting

Strategy

- Action plan to achieve mission
- Functional areas have strategies
- Strategies exploit opportunities and strengths, neutralize threats, and avoid weaknesses
Strategies for Competitive Advantage

- Differentiation – better, or at least different
- Cost leadership – cheaper
- Quick response – more responsive

Competing on Differentiation

Uniqueness can go beyond both the physical characteristics and service attributes to encompass everything that impacts customer’s perception of value

- Safeskin gloves – leading edge products
- Hard Rock Cafe – theme experience

Competing on Cost

Provide the maximum value as perceived by customer. Does not imply low quality.

- Southwest Airlines – secondary airports, no frills service, efficient utilization of equipment
- Wal-Mart – small overheads, shrinkage, distribution costs
**Competing on Response**

- Flexibility is matching market changes in design innovation and volumes
  - Institutionalization at Hewlett-Packard
- Reliability is meeting schedules
  - German machine industry
- Timeliness is quickness in design, production, and delivery
  - Johnson Electric, Bennigan’s, Motorola

**Elements of Operations Management Strategy**

- Low-cost product
- Product-line breadth
- Technical superiority
- Product characteristics/differentiation
- Continuing product innovation
- Low-price/high-value offerings
- Efficient, flexible operations adaptable to consumers
- Engineering research development
- Location
- Scheduling

**Product Life Cycle**

<table>
<thead>
<tr>
<th>Category</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD-ROM</td>
<td>Sales</td>
<td>Internet</td>
<td>DVD</td>
<td>Fax machines</td>
</tr>
<tr>
<td>3 1/2” Floppy disks</td>
<td>Color printers</td>
<td>Drive-through restaurants</td>
<td>Competitive costs become critical</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.5
Product Life Cycle

**Introduction**
- Product design and development critical
- Frequent product and process design changes
- Short production runs
- High production costs
- Limited models
- Attention to quality

**Growth**
- Forecasting critical
- Product and process reliability
- Competitive product improvements and options
- Increase capacity
- Shift toward product-focused distribution

**Maturity**
- Standardization
- Less rapid product changes
- More minor changes
- Optimum capacity
- Increasing stability of process
- Long production runs
- Product improvement and cost cutting

**Decline**
- Little product differentiation
- Cost minimization
- Overcapacity in the industry
- Prune line to eliminate items not returning good margins
- Reduce capacity

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**Strategy Development and Implementation**

- **Identify critical success factors**
- **Build and staff the organization**
- **Integrate OM with other activities**

*The operations manager’s job is to implement an OM strategy, provide competitive advantage, and increase productivity*