1 The behavior of the Ford Motor Company when Henry Ford offered his Model T only in black, best suites with the following

Select one alternative:

- ✔ Strategy as Pattern
- Strategy as Perspective
- Strategy as Plan
- Strategy as Ploy
- Strategy as Position

Maximum marks: 1

2 Strategy as Position can be compatible with

Select one or more alternatives:

- ✔ it can be reached, perhaps even found, through a pattern of behavior
- a strategy that looks out, seeking to locate the organization in a perspective of external environment
- ✔ a position can be preselected and aspired to through a ploy
- ✔ a position can be preselected and aspired to through a plan

Maximum marks: 3

3 Regarding the model about The Five Competitive Forces That Shape

Strategy, which of the following statemenst are tru?

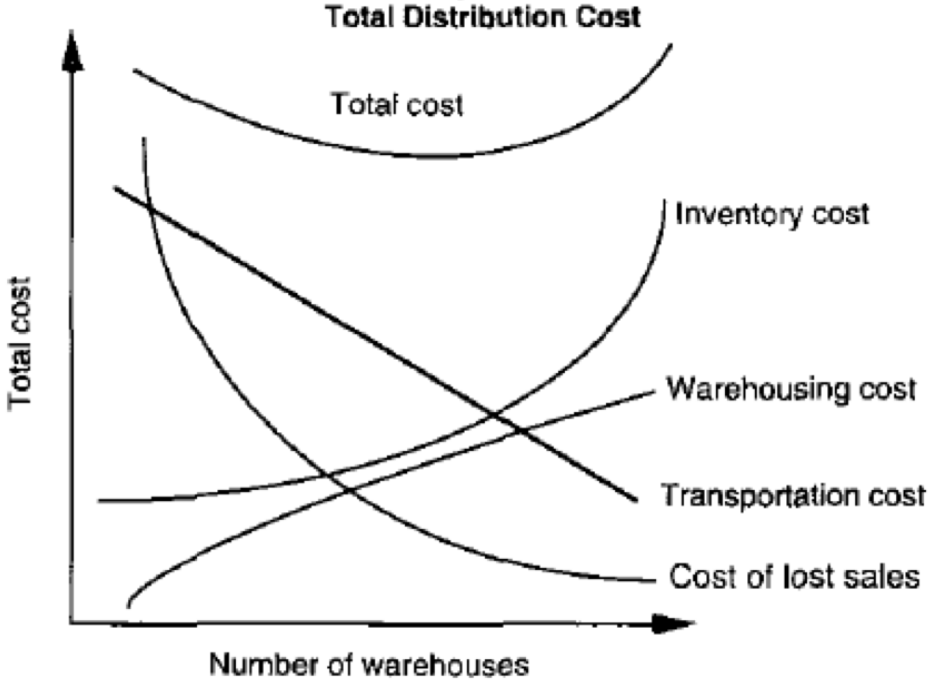
Select one or more alternatives:

- ✔ To limit the threat of substitutes, offer better value through wider product accessibility
- ✔ To scare off new entrants, elevate the fixed costs of competing; for instance, by escalating your R&D expenditures
- To neutralize supplier power, make specifications for parts really unique, and differ significantly from competitors
- ✔ To counter customer power, expand your services so it’s harder for customers to leave you for a rival
- ✔ To temper price wars initiated by established rivals, invest more heavily in products that differ significantly from competitors’ offerings

Maximum marks: 3

4 The figure shows the traditional view of Total Distribution Cost. In the course we have shown that these costs can change with a more Time-Based view on Logistics. Opposed to the traditional theories, the companies in this study, found their best distribution system while focusing on delivery times instead of the geographical distance to the customers, a factor which is not considered as significant in the traditional theories.

Figure 2
Total Distribution Cost



Which of the following statements are correct in this respect?

Select one or more alternatives:

- ✔ • One negative effect was the flow of products out from the warehouse, because of the large number of small deliveries to a large number of customers
- • The inventory costs decreased with a reduction of the number of warehouses in the distribution structure
- • The sales decreased with a reduction of the number of warehouses in the distribution structure
- ✔ • The positive effects can be related to a complete assortment in stock, which is possible with only one warehouse
- ✔ • The total distribution costs decreased with a reduction of the number of warehouses in the distribution structure
- • The transportation costs increased due to longer distances with a reduction of the number of warehouses in the distribution structure

Maximum marks: 3

5 Performance metrics must

Select one or more alternatives:

- be done by the same individual at all times
- ✔ link to business objectives
- ✔ be appropriate for the process activity being measured
- be reduntant
- ✔ provide insights into how to manage more effectively

Maximum marks: 3

6 The Supply Chain Operation Reference Model (SCOR) has 5 major processes. Which of these are included in the 5 major processes:

Select one or more alternatives:

- ✔ Plan
- ✔ Sell
- Source
- Transport
- ✔ Make

Maximum marks: 3

7 The Supply Chain Operation Reference Model (SCOR) does not include information on best practice.

Select one alternative:

- True
- ✔ False

Maximum marks: 1

8 Customer-Focused Metrics does include product support.

Select one alternative:

- ✔ True
- False

Maximum marks: 1

9 In a project for “Create a better phase out process” were the objective of the phase out process is to execute the decision of phasing out a product assuring an efficient sell out, a high service level and simultaneously keeping the inventory and scrapping cost to a minimum.
In order to get commitment for such a project, there shall be a sponsor. Who is best suited to be the sponsor for this project?

Select one alternative:

- ✔ The Director for Research and Product Development
- The Director for Marketing
- The CIO, Chief Information Officer
- The Materials Manager
- The CFO, Chief Financial Officer
- The CEO, Chief Executive Officer

Maximum marks: 1

10 Operational Effectiveness and Strategy

Michael Porter has a clear view on both Operational Effectiveness and Strategy. Describe how Operational Effectiveness and Strategy are related to each other (3p)

Answer

Operational Effectiveness Is Not Strategy

Operational Effectiveness: Necessary but Not Sufficient. Operational effectiveness and strategy are both essential to superior performance, which, after all, is the primary goal of any enterprise. But they work in very different ways. A company can outperform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs.

Operational effectiveness (OE) means performing similar activities better than rivals perform them. Operational effectiveness includes but is not limited to efficiency. It refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster. **In contrast**, strategic positioning means performing different activities from rivals' or performing similar activities in different ways.

Instead Strategy, according to Porter, is
1. Strategy is the creation of a unique and valuable position, involving a different set of activities.
2. Strategy requires you to make trade-offs in competing—to choose what not to do.
3. Strategy involves creating "fit" among a company's activities.

11 Strategic positioning

Three key principles underlie strategic positioning.

1. Strategy is the creation of a unique and valuable position
2. Strategy requires you to make trade-offs in competing
3. Strategy involves creating “fit”

Explain each one of the three principles from a "Low Cost Airlines perspective

Answer:

1 Strategy Rests on Unique Activities

Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. Southwest Airlines Company, for example, offers short-haul, low-cost, point-to-point service between midsize cities and secondary airports in large cities. Southwest avoids large airports and does not fly great distances. Its customers include business travelers, families, and students. Southwest’s frequent departures and low fares attract price-sensitive customers who otherwise would travel by bus or car, and convenience-oriented travelers who would choose a full-service airline on other routes. Most managers describe strategic positioning in terms of their customers: “*Southwest Airlines serves price- and convenience-sensitive travelers*,” for example. But the essence of strategy **is in the activities—choosing to perform activities differently or to perform different activities than rivals**. Otherwise, a strategy is nothing more than a marketing slogan that will not withstand competition. A full-service airline is configured to get passengers from almost any point A to any point B. To reach a large number of destinations and serve passengers with connecting flights, full-service airlines employ a hub-and-spoke system centered on major airports. To attract passengers who desire more comfort, they offer first-class or business-class service. To accommodate passengers who must change planes, they coordinate schedules and check and transfer baggage. Because some passengers will be traveling for many hours, full-service airlines serve meals. Southwest, in contrast, tailors all its activities to deliver low-cost, convenient service on its particular type of route. Through fast turnarounds at the gate of only 15 minutes, Southwest is able to keep planes flying longer hours than rivals and provide frequent departures with fewer aircraft. Southwest does not offer meals, assigned seats, interline baggage checking, or premium classes of service. Automated ticketing at the gate encourages customers to bypass travel agents, allowing Southwest to avoid their commissions. A standardized fleet of 737 aircraft boosts the efficiency of maintenance. Southwest has staked out a unique and valuable strategic position based on a tailored set of activities. On the routes served by Southwest, a full-service airline could never be as convenient or as low cost.

2 A Sustainable Strategic Position Requires Trade-offs

For those who argue that competitors can copy any market position, the airline industry is a perfect test case. It would seem that nearly any competitor could imitate any other airline’s activities. Any airline can buy the same planes, lease the gates, and match the menus and ticketing and baggage handling services offered by other airlines. Continental Airlines saw how well Southwest was doing and decided to straddle. While maintaining its position as a full-service airline, Continental also set out to match Southwest on a number of point-to-point routes. The airline dubbed the new service Continental Lite. It eliminated meals and

firstclass service, increased departure frequency, lowered fares, and shortened turnaround time at the gate. Because Continental remained a full-service airline on other routes, it continued to use travel agents and its mixed fleet of planes and to provide baggage checking and seat assignments, **but Southwest did not. A strategic position is not sustainable unless there are trade-offs with other positions**. Trade-offs occur when activities are incompatible. Simply put, a trade-off means that more of one thing necessitates less of another. An airline can choose to serve meals—adding cost and slowing turnaround time at the gate— or it can choose not to, but it cannot do both without bearing major inefficiencies. Quality is not always free. Southwest's convenience, one kind of high quality, happens to be consistent with low costs because its frequent departures are facilitated by a number of low-cost practices—fast gate turnarounds and automated ticketing, for example. However, other dimensions of airline quality—an assigned seat, a meal, or baggage transfer—require costs to provide.

3 Fit Drives Both Competitive Advantage and Sustainability

Southwest's rapid gate turnaround, which allows frequent departures and greater use of aircraft, is essential to its high-convenience, low-cost positioning. But how does Southwest achieve it? **Part of the answer lies in the company's well-paid gate and ground crews, whose productivity in turnarounds is enhanced by flexible union rules**. **But the bigger part of the answer lies in how Southwest performs other activities. With no meals, no seat assignment, and no interline baggage transfers, Southwest avoids having to perform activities that slow down other airlines. It selects airports and routes to avoid congestion that introduces delays. Southwest's strict limits on the type and length of routes make standardized aircraft possible: every aircraft Southwest turns is a Boeing 737**. What is Southwest's core competence? Its key success factors? The correct answer is that everything matters. Southwest's strategy involves a whole system of activities, not a collection of parts. Its competitive advantage comes from the way its activities fit and reinforce one another. Fit locks out imitators by creating a chain that is as strong as its strongest link. As in most companies with good strategies, Southwest's activities complement one another in ways that create real economic value. One activity's cost, for example, is lowered because of the way other activities are performed. Similarly, one activity's value to customers can be enhanced by a company's other activities. That is the way strategic fit creates competitive advantage and superior profitability

12 Triple A SC

In the course we have talked about Triple A Supply Chain.

Explain what we mean with a Triple A supply Chain by using 7 Eleven Japan as an example. In the description it shall clearly be stated what 7 Eleven Japan has done in order to achieve each of the three Aces.

Answer:

AGILITY
Objective: Respond to short-term changes in demand or supply quickly.

Methods:

- Continuously provide supply chain partners with data on changes in supply and demand so they can respond promptly.
- Collaborate with suppliers and customers to redesign processes, components, and products in ways that give you a head start over rivals.
- Finish products only when you have accurate information on customer preferences.
- Keep a small inventory of inexpensive, non-bulky product components to prevent manufacturing delays.

Convenience-store chain Seven-Eleven Japan (SEJ) builds supply chain agility by using real-time systems to detect changes in customer preferences and track sales and customer data at every store. Satellite connections link stores with distribution centers, suppliers, and logistics providers. SEJ reallocates inventory among stores and reconfigures store shelves three times daily to cater to different customer groups at different hours.

ADAPTABILITY
Objective: Adjust supply chain design to accommodate market changes.

Methods:

- Track economic changes, especially in developing countries. Use intermediaries to find reliable vendors in unfamiliar parts of the world. Create flexibility by ensuring that different products use the same components and production processes.
- Create different supply chains for different product lines, to optimize capabilities for each. For example, with highly customized, low-volume products, use vendors close to your main markets. For standard, high-volume products, commission contract manufacturers in low-cost countries.

SEJ's adaptability is legendary. Within six hours after the 1995 Kobe earthquake, SEJ overcame highway gridlock by mobilizing helicopters and motorcycles to deliver 64,000 rice balls to its stores in the beleaguered city.

ALIGNMENT
Objectives: Establish incentives for supply chain partners to improve performance of the entire chain.

Methods:

- Provide all partners with equal access to forecasts sales data, and plans.
- Clarify partners' roles and responsibilities to avoid conflict.
- Redefine partnership terms to share risks, costs, and rewards for improving supply chain performance.
- Align incentives so that players maximize overall chain performance while also maximizing their returns from the partnership.

SEJ fosters alignment by making partners' incentives and disincentives clear. For example, when carriers fail to deliver on time, they pay a penalty. But SEJ also helps carriers save money by forgoing the typical time-consuming requirement that store managers verify all contents of each delivery truck.

13 Strategizing

In the course we discussed three 'network paradoxes' and how these relate to a firm's strategizing. Describe each of these network paradoxes and explain how each of these relates to a firm's strategizing.

Guidelines for correction
The answer can be found in the slides from lecture May 16 and the lecture and the article:
Gadde, L-E., Huemer, L., Håkansson, H. (2003) Strategizing in industrial networks
Industrial Marketing Management, Volume 32, Issue 5, Pages 357-364

Description of the three network paradox AND how each of these relates to a firm's strategizing.

The correct answer more or less relates to the following…

The first network paradox
a)…is that even though the resources that are accessed through the firm's business relationships are crucial for the firm's development the network of business relationships also ties the company to its current way of operating and restricts the ability to change.

b)…how it relates to strategy: to identify and establish appropriate level of involvement in a firm's relationships waith individual partners

The second network paradox
a)… is that a company's relationships are one of the key means used to influence others. This makes them tools for strategic action to affect and influence others, while at the same time these others try to influence the company in the same way. Hence, the company is itself an outcome of the relationships and their development.

b)… …to balance the interplay between influencing and being influenced.

The third network paradox
a)… is that a company tries to control the surrounding network and manage relationships to obtain their own goals. The more successful a company becomes in its control ambitions the less innovative the network becomes. If one actor directs the development process the network risks becoming a hierarchy, with reduced potential for innovation.

b)… to identify adequate ambitions regarding control.

14 Dresding Medical

Describe Dresding Medical challenges from a Operational strategy perspective. In the description it shall be clear what requirements the new product range has compared to the old product range.

The new range of products

- More limited and targeted functionality.
- More of a 'consumer' type of product in so much as users can be targeted directly.
- Products still supplied through clinics, which would usually charge the customer for the products. Prices are presumably considerably cheaper than current products but expensive on a per customer basis.
- Need to persuade healthcare and insurance companies that devices can save money in the long term.
- Volumes higher and products more standardised than current range.
- Underlying technology changing fast so frequent product updates likely.
- New product development lead-times need to be less than twelve months.
- Delivery logistics capability will be needed. Production control will be important to maintain quality and reliability levels.
- Higher volume process technologies rather than laboratory style one-off manufacture.
- New suppliers need to be developed who can maintain quality levels.
- Unsure of what will constitute an acceptable order lead-time.
- Uncertain growth in demand for products but likely to be fast.
- Seen as important to meet demand, especially early in product life cycle.

Quality (spec)		2	1 1	3 3
Quality (conform)		1	1 3	2 3
Speed	1	2		
Dependability		1 2		2
Delivery flex		1 1		1
Volume flex	3	2		
Customisation		2	1	3
Cost	1 3	1	2	1
	Capacity May need to be adjusted quickly depending on demand	Supply Network New supplies will be needed / developed	Process Technology Needs investment in volume processes	Development and Organisation R&D, Mfg. and Sales less interdependent. Faster time-to market needed

Current and New product range

DRESDING MEDICAL

Since founding her company over ten years ago, Dr. Laura Dresding had never been either so anxious, or so enthusiastic about the future of Dresding Medical (DM). The company had enjoyed considerable success, both financially and in terms of market share by designing, manufacturing and supplying a range of medical equipment to hospitals and clinics throughout the USA. Starting with cardiovascular devices, their range expanded to include neurological stimulators and monitoring diagnostic devices.

'Success has come largely from our research and development culture. Although around 50 *per cent of our total manufacturing is done in-house, our core competence is an ability to understand the needs of clinicians and translate those into our products. We were among the first to expand the range and functionality of this type of equipment and integrate it with sophisticated diagnostics software. Admittedly our products tend to be relatively highly priced and we are coming under some cost pressures, but because of our technical excellence and our willingness to modify equipment to individual customer needs, we avoid too much pressure on our prices.'*

DM's operations planning and control systems had been relatively informal. A team of specialist sales technicians discussed individual clinical needs with customers and wrote a 'product specification' for manufacturing to work to. Around 70 per cent of all orders involved some form of customization from standard 'base models'. Manufacturing would normally take around three months from receiving the specification to completing assembly. This was not usually a problem for most customers; they were more interested in equipment being delivered on time rather than immediate availability. The manufacturing department was largely concerned with assembling, integrating and (most importantly) testing the equipment. Most components were made by suppliers who had been doing business with DM for some years and were capable of accommodating their strict quality requirements and their need to customize components. Laura Dresding knew the strengths and weaknesses of her manufacturing operations.

'Manufacturing is really a large laboratory. It is important to maintain that laboratory like culture because it helps us to maintain our superiority in leading edge product technology and our ability to customise products. It also means that we can call upon our technicians to pull out all the stops in order to maintain delivery promises. However, I'm not sure how manufacturing, or indeed the rest of the company, will deal with the new markets and products which we are getting into.'

Dr. Dresding was referring to a new generation of 'small black box' products, which the company had developed. These were significantly smaller and smarter devices that were sufficiently portable to be attached to patients, or even implanted. For example, a cardiac defibrillator which, when necessary, can jolt the heart into maintaining a healthy rhythm and diagnose how and why the heart has gone wrong. Other products included drug delivery systems and neurological implants. All these new products had two things in common. First, they took advantage of sophisticated solid-state electronics and second, they could be promoted directly to consumers as well as to hospitals and clinics. Dr. Dresding was under no illusions about the significance of these changes.

'On the market side we have to persuade health care and insurance companies to encourage these new devices. They may be expensive in the short-term, but they can save money in the long-term. We are hoping that customer pressure will act in our favor. What is more problematic is our ability to cope with these new products and the new market they are addressing. We are moving towards being a consumer company, making and delivering a higher volume of more standardised products where the underlying technology is changing fast. We must become more agile in our product development. A new base model currently takes over three years to develop; we cannot afford to develop the new products in any more than 12 months. Also, for the first time, we need some kind of logistics capability. I'm not sure whether we should deliver products ourselves or subcontract this. Manufacturing faces a similar dilemma. On one hand it is important to maintain control over production to ensure high quality and reliability; on the other hand, investing in the process technology to make the products will be very expensive. There are subcontractors who could manufacture the products for us; they have experience in this kind of manufacturing but not in maintaining the levels of quality we will require. We will also have to develop a 'demand fulfilment' capability which will be able to deliver products at short notice. It is unlikely that customers would be willing to wait the three months our current customers tolerate. Nor are we sure of how demand might grow. I'm confident that growth will be fast, but we will have to have sufficient capacity in place not to disappoint our new customers. We must develop a clear understanding of the new capabilities which we will have to develop if we are to take advantage of this wonderful market opportunity. Who knows, it could become the first step in transforming the whole company. I see no reason why, eventually, we should not move into running health management clinics ourselves. We are already developing technologies that could monitor patients at a distance. We can even re-programme implanted devices, without surgical intervention, based on our diagnostic systems. I know all these actual and potential changes suggest that we need to develop separate types of operation to service the different markets, but I really am reluctant to destroy the culture of technical excellence we have built up with our current operation.'