

# Competitive Priorities as Operations Management Strategy Enablers

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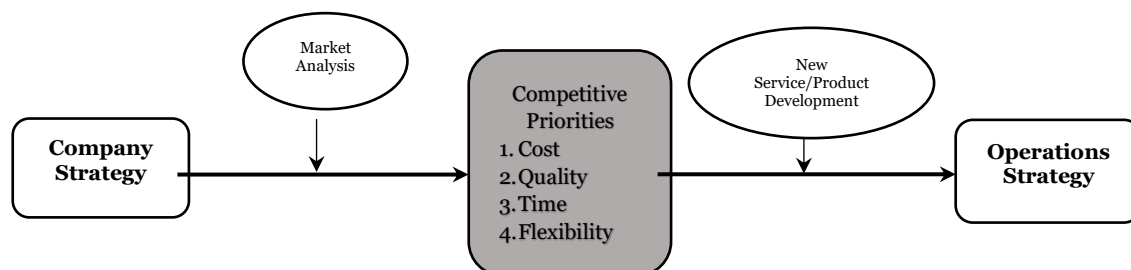
**Abstract:** This paper discusses the importance of applying competitive priorities that include cost, quality, time, and flexibility as the basis for a company's operating strategy. Some examples of successful companies applying these types of competitive priorities will be explained. However, there is no specific recipe that companies should follow in choosing the right competitive priorities, as each individual company has a different competitive strategy and resource approach. In fact, there is no guarantee that selecting specific competitive priorities will maintain the company's position in the marketplace, because selection requires a critical and continuous process across the company's conditions. In a dynamic business environment, companies should focus on strategic flexibility and innovation capabilities as additional tools to current competitive priorities. Finally, the role of the company's management is crucial, as it can carefully define the objectives of the competitive priorities and the improvement of the applied innovation strategy.

**Keywords:** Competitive priorities, operations strategy, strategic flexibility, innovation, the role of management

## Introduction

In this age of high competition, each and every company is trying to maintain its operating strategy in order to be competitive and achieve its position in the market of sustainability. According to [Krajewski et al. \(2013\)](#), operational strategy can be understood as the totality of the company's operational activities to implement the corporate strategy in supporting and developing a customer-centric business. To achieve this process, the operation strategy should link the operation decisions with the enterprise strategy, both in the short and long term, to build the enterprise's capabilities based on its resources. A company's capabilities are determined by the company's competitive priorities, which are considered the tools of

operations strategy and include cost, quality, time, and flexibility ([Krajewski et al., 2013](#)). Figure 1 shows the summary link between the company's strategy, competitive priorities, and operations strategy.



**Figure 1. Connected linked between Company Strategy - Competitive Priorities – Operations Strategy within a Company**

*(Source: Adapted and modified from [Krajewski et al. \(2013 p. 28\)](#))*

In supporting a more competitive and responsive activity, priorities should focus on the activity of the company that can perform best by optimizing its resources. However, competitive priorities need to be reviewed regularly to close any performance gaps in satisfying internal and external customers ([Hilletoft & Hilmola, 2023](#); [Krajewski et al., 2013](#)). Therefore, competitive priorities can be modified as needed and evolve with changing business conditions and customer preferences. Nevertheless, there are some questions that are not yet clear enough, such as: Can these competitive priorities guarantee companies will maintain their top position? Should each individual company implement all the tools of the competitive priorities as an operating strategy? Are there other factors that have an impact on the tools used to implement the operational strategy? What are the critical roles that should be played by top management executives?

This paper attempts to answer these questions by discussing and analyzing competitive priorities as enabling tools for operations strategies based on the experiences of various companies using the selected literature on operations management.

## Competitive Priorities and Implementations

Competitive priorities can be defined as the areas of an operational production system that a firm must adhere to in order to meet the demand of its markets under high competitive conditions. In addition, competitive priorities focus on what operations can do to support their competitiveness and respond to market wants and needs. Therefore, competitive priorities can be viewed as both strategic capabilities and operational strategy implementation tools that can help a firm create, develop, and sustain competitive advantage ([Hilletoft & Hilmola, 2023](#); [Krajewski et al., 2013](#)). Competitive priorities consist of four main dimensions, namely cost, quality, time, and flexibility.

## Cost

The first dimension of competitive priorities is cost, which is determined by lower-cost operations by distributing products or services at the lowest possible price to satisfy customers within the supply chain or process operations. Perhaps Wal-Mart is the most successful retailer to apply these competitive priorities since the late 1980s by offering a “daily low” price” strategy to its customers ([Stalk et al., 1992](#); [Zhang, 2023](#)). As a result, Wal-Mart has overtaken Kmart’s position as the leading and largest retailer in the U.S. in just a decade. The secret recipe of this strategy is based on Wal-Mart’s ability to significantly reduce its operating cost structure by applying “a cross-docking” logistics system without storing its products in the warehouse. As a result, Wal-Mart can not only mitigate and even save on its warehousing and logistics costs, but also eliminate marketing costs. Fortunately for Wal-Mart, the “cross-docking” system has been difficult for other competitors to replicate and manage because it requires continuous, interlocking communication between and among suppliers, distributors, and each point of sale. Moreover, this communication was supported by Wal-Mart's private satellite communication system across the country. It appears that Wal-Mart's competitive priorities of cost-cutting strategy have worked smoothly in the United States. Sadly, however, Wal-Mart also operates in other regions and continents or outside its home country. In late 2006, Wal-Mart closed its stores in South Korea, Germany, and the United Kingdom because sales revenue plummeted following successive operational problems ([Johnson & Mark, 2008](#)). In addition, Walmart has lost revenue in the Chinese market due to the Covid19 pandemic and fierce competition with local retailers ([Zhang, 2023](#)).

A different story comes from the enormous number of Chinese manufacturing companies that have shifted their operations to lower cost continents such as Africa in the last decade ([Sun, 2017](#)), making Africa a major manufacturing hub. These phenomena were mainly triggered by the rising costs of manufacturing companies in their home country, which in return operate at lower costs in African countries, where they not only receive lucrative tax breaks and duty-free access, but also enjoy the ease of doing business set up by most African governments. In other words, these Chinese manufacturing firms seek lower costs for the competitive priorities of their operations in order to achieve a higher profit margin for corporate performance.

However, as [Islami et al., \(2020\)](#) and [Stalk et al., \(1992\)](#) noted, simply choosing a lower-cost strategy is not enough to improve firm performance in order to survive and compete in the market. Consequently, firms should also pay more attention to other competitive dimensions such as speed, consistency, sharpness, agility, and innovativeness. Moreover, focusing on a low-cost strategy itself may prevent the firm from developing innovative products that could undermine its competitiveness in the future ([Islami et al., 2020](#); [Marshall & Fisher, 1997](#)).

[Islami et al. \(2020\)](#) and [Porter \(1996\)](#) argument, that a firm can outperform its competitors only if it differentiates itself from them by either providing greater customer value or creating comparable value at lower cost underscores this point.

## Quality

It is well known that the quality of products or services is a competitive tool in the market. Quality can be divided into two main factors, namely top quality, i.e., delivering excellent products or services to customers, and consistent quality, i.e., producing products or services that consistently meet design specifications ([Krajewski et al., 2013](#)). Toyota Motor Corporation, for example, has adopted world-class and consistent quality for its quality products through its famous Kaizen – continuous improvement system - by establishing a robust and mandatory routine quality standard ([Abobaker, 2023](#); [Watanabe, 2007](#)). This method is known as the Toyota Production System (TPS), which uses two popular procedures, just-in-time (JIT) production, i.e., producing " only "what is needed, only as much as is needed, and only when it is needed," and the Jidoka principle, i.e., "stopping production when problems are detected" ([Bahulikar et al., 2023](#); [Mishina & Takeda, 1995](#)). It is reinforced by [Hendricks & Singhal, \(1997\)](#), [Okorie, \(2023\)](#) and [Sakakibara et al., \(1997\)](#), that the implementation of JIT and effective Total Quality Management (TQM) can improve operational performance, as well as increase the efficiency of the company in the use of its resources and the overall performance of the organization.

Nevertheless, the reign of Toyota's high-value manufacturing system faced major problems in late 2009 when more than 3.8 million vehicles were recalled in the U.S. due to quality problems with the driver's seat mat ([Cole, 2011](#)). This problem was triggered by Toyota's top management's high growth targets and the increasing complexity of product manufacturing, such as the harmonization between strict government safety regulations and the increasing demand for customer requirements. In other words, Toyota faced the so-called flexibility-competition precedence problem in manufacturing its products. As [Martin \(2019\)](#) asserts, an overemphasis on resource efficiency by a company focused on a single dominant business model can negatively impact organizational resilience or flexibility. In addition, [Wise & Baumgartner \(1999\)](#) argued that it is not enough to provide a high quality product to gain customer loyalty, as the firm should also provide a combination of services that minimizes total cost.

## Time

Time is the third dimension of competitive priorities that focuses on speed of delivery, on-time delivery, and speed of development of products or services, which is known as time-based competition ([Krajewski et al., 2013](#)). This type of dimension is necessary because customers are satisfied when they can receive their products or services in a timely manner and in the right quantity. In the service industry, such as airlines, this type of competitive priority is of utmost importance. For example, Southwest Airlines, the seventh-largest domestic airline in the U.S., has proven to have the best on-time performance compared to its other five competitors by increasing employee productivity, which translates into the highest customer perception and loyalty. As a result, Southwest Airlines is the only profitable airline in the U.S. that has operated without delays for 21 consecutive years ([Heskett et al., 2008](#)). Another good example is DHL Corporation, which is considered the company with the fastest product delivery and the best on-time performance. DHL Corporation systematically realigned its service operation strategy based on customer expressed buying behavior and maintained its prominent position in the market ([Coltman et al., 2010](#)).

However, [Krajewski et al. \(2013\)](#) reminded that when implementing this strategy, the company's managers should carefully define the processes and time involved and conduct a risk analysis for each method to determine if they can save time without compromising the quality of services or products.

## Flexibility

As recommended by [Hayes & Pisano, \(1994\)](#) and [Sabri & Odeh, 2023](#), in a turbulent environment, the choice of competitive flexibility priorities may weigh more heavily than the use of competitive low-cost and quality improvement strategies because both can be easily imitated by competitors. Flexibility is a multidimensional concept that encompasses three main factors, namely *customization* - to meet customers' unique needs, *variety* - to efficiently manage a wide range of products or services, and *volume flexibility* – to cope with significant fluctuations in demand ([Krajewski et al., 2013](#)). In other words, flexibility is required to serve today's more demanding and sophisticated customers ([Lafley & Martin, 2017](#)). The best current example of this type of flexibility and competitive priorities is the widespread use of advanced 3D printing technology in additive manufacturing companies ([D'Aveni, 2018](#)), where this technology can provide exceptional product customization capability and rapid response to fluctuating market demand. The reason why 3D printing technology meets the criteria of flexibility and competitive priorities is that it can provide six different types of

advanced business model for current manufacturing and service businesses, including mass customization, diversity, segmentation, modularization, complexity, and standardisation ([D'Aveni, 2018](#)). Thus, it can be easily applied even by small enterprises such as a conventional factory to larger manufacturing with more complex and powerful enterprise structures. Interestingly, in practise, this type of technology has been shown to be chosen not only for the flexibility of competitive priorities as a working capital strategy, but also for the application of a low-cost competitive priorities strategy. In other words, this application can combine both competitive priorities as working capital in manufacturing or service companies.

## Choosing the Right Competitive Priorities

There is no exact formula by which companies should apply a particular method in selecting the right competitive priorities for their operating strategy because each company has a different competitive strategy and resource-based approach to its operations ([Collis & Montgomery, 1995](#); [Islami et al., 2020](#); [Porter, 1996](#); [Porter & Rivkin, 2012](#)). In fact, no company has applied only one competitive priority to its operations strategy. Even Southwest Airlines has used both time and low-cost competitive priorities as tools in its operations strategy ([Porter, 1996](#); [Porter & Heppelmann, 2015](#)). IBM the Corporation is another example. In the early 1980s, it used a combination of low-cost and high-quality competitive priorities for its operations strategy ([Wheelwright & Hayes, 1985](#)). As the CEO of Toyota Motor Corporation (TMC), Katsuaki Watanabe, convinced in 2007, TMC has not only chosen improving top quality as a competitive priority to satisfy its customers on its way, but also applied a combination with the other two priorities, namely the production strategy with the lowest cost and on-time delivery by implementing the sales policy of the best service networks ([Watanabe, 2007](#)). Recently, Alibaba, a giant global e-commerce platform, has succeeded in implementing all four competitive priorities for its operational strategy by creating an innovation ecosystem that connects buyers and sellers simultaneously ([Zeng, 2018](#)).

However, as recommended by [Boyer & Lewis \(2009\)](#), there is no guarantee that selecting specific competitive priorities will sustain firms' market position, as this is a critical and continuous process that relates to the overall operating conditions of firms. [Awais et al. \(2023\)](#) and [Hayes & Pisano \(1994\)](#) also argued that in a dynamic business environment, organizations should focus on strategic flexibility and innovation capabilities as additional tools to current competitive priorities in order to become a corporate milestone. In addition, [Majumdar et al. \(2023\)](#) and [Wise & Baumgartner \(1999\)](#) suggested that manufacturers should shift their focus not only on operational effectiveness but also on customer loyalty in maximizing downstream value because as competition has become fiercer, the source of competitiveness has shifted from upstream events to downstream activities ([Dawar, 2013](#)).

## The role of leadership

The role of leadership in the organization has a significant impact on deciding the right competitive priorities, as top managers have a critical role in determining the successful performance of the organization ([Kaplan & Norton, 2008](#); [Nahak & Ellitan, 2022](#); [Pisano, 2015](#); [Sadun et al., 2017](#); [Stalk et al., 1992](#)). As urged by [Islami et al. \(2020\)](#) and [Porter \(1996\)](#), organizations need strong leaders who set tough and smart decision-making strategy considering the constant changes and customer needs in the industry environment to maintain the uniqueness of the organization. As managers, they need to implement strategic and operational plans. Then, they must continuously monitor and learn the characteristics of competitors through data and the business environment to see if the strategy is successful ([Kaplan & Norton, 2008](#)).

However, as [Hayes & Pisano \(1994\)](#) and [Kathuria et al. \(2010\)](#) recommend, before implementing an operational improvement program, top managers should consider what specific capabilities and competitive priorities might be critical to the organization's successful performance because “neither capabilities nor improvement programs come in one size fits all.” In addition, [Pisano \(2015\)](#) has argued that current business leaders face challenges in recognizing evolving innovation strategies that require a continuous improvement learning and adaptation process within the organization. Moreover, especially in today's digital age, a different type of leader is required, known as a digital evangelist leader ([Zeng, 2018](#)) whose role is no longer that of a traditional manager, but rather to create an atmosphere of innovation creativity for employees. Thus, the primary role of leaders is to increase the success rate of innovation rather than to improve the efficiency of operations. This is reinforced by [Lafley & Martin \(2017\)](#) and [McGrath \(2013\)](#) statements that future leaders must develop new innovative strategies, plans, and contact channels to satisfy customers both internally and externally.

## Conclusion

This paper has discussed the importance of competitive priorities that include cost, quality, time, and flexibility as the basis for a company's operating strategy. Many successful companies apply these types of competitive priorities, including Wal-Mart (with cost competitive priority), Toyota (with quality competitive priority), Southwest Airlines (with time competitive priority), and 3-D printing technology (with flexibility competitive priority). Nevertheless, there is no specific recipe that companies should follow in choosing the right competitive priorities because each company has a different competitive strategy and

resource-based approach ([Collis & Montgomery, 1995](#); [Porter, 1996](#)). In reality, no company has applied only one competitive priority to its operational strategy. Moreover, there is no guarantee that the selection of specific competitive priorities will maintain firms' position in the marketplace, as this selection requires a critical and continuous process throughout firms' conditions ([Boyer & Lewis, 2009](#)). Therefore, [Hayes & Pisano \(1994\)](#) argued that in a dynamic business environment, companies should focus on strategic flexibility and innovation capabilities as additional tools to current competitive priorities. Ultimately, the role of executives is fundamental as they can carefully consider when the company should set the priority competitive objectives and improve the innovation strategy for each manufacturer ([Pisano, 2015](#)).

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