New Balance summary

• New Balance strategy and example of integration and fit
• Differentiating by operations in a commodity
• Competing on availability – tradeoffs with cost
• Strategic implications of JIT and lean operations
New Balance strategy

• Performance and fit (availability)
• Role of workforce
• Focus on retailer
• Process flexibility
• Process proximity
• Tradeoff of manufacturing cost and inventory
Domestic Manufacturing

Components
4.5 weeks

FG
6.4 million prs

9 weeks
2.5 plus days
Planning and materials (and in particular lean) are crucial strategically for two reasons

• They can fulfill specific goals (e.g. availability and responsiveness)

• They can be the focus of performance in a specific area (e.g. JIT can be the basis of performance goals)
Planning for responsiveness

- Small batch sizes
- Capacity (design and production)
- Inventory positioning (postponement)
- Proximity
Why is JIT still relevant

- Empty cart signals
- New order
- Amount worked on plus Buffer is fixed
Why is JIT (and lean) still relevant?

- It is more than just a planning or control system
- It is a complete system of manufacturing management and has changed the basis of competition
- It affects a large number of strategic measures (quality, waste, turnover, productivity)
- It can be the basis of a change in strategy or focus on a key goal
- The historical record is clear (even today)
- The historical record relating inventory turns and cost is particularly startling.
But what is required?

• Leveling and predictability
• Rationalization of inventory locations
• Teamwork and synchronization
• Proximity
• Focusing on flow and not inventory
• Sharing benefits and improving entire supply chain, not making it adversarial
The strategic impact of JIT:
How does inventory affect efficiency?
As inventory decreases, efficiency goes up significantly.