A taxonomy of manufacturing strategies in China

Xiande Zhao\textsuperscript{a,\,*}, Chee-Chuong Sum\textsuperscript{b}, Yinan Qi\textsuperscript{a},
Huaying Zhang\textsuperscript{c}, Tien-Sheng Lee\textsuperscript{a}

\textsuperscript{a}Department of Decision Sciences and Managerial Economics, The Chinese University of Hong Kong, Shatin, N.T., Hong Kong
\textsuperscript{b}Department of Decision Sciences, NUS Business School, National University of Singapore, BIZ 1 Building, 1 Business Link, Singapore 117952, Singapore
\textsuperscript{c}Management College, Tianjin University, Tianjin, China 300072

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Abstract

A taxonomy not only provides a parsimonious description of strategic groups that is useful in discussion and research, but also aids theory building. However, taxonomic studies in the operations strategy literature are scarce. Major studies that use North American or European data to develop taxonomies of manufacturing strategies contend that the applicability of their identified taxonomies to other countries remains unclear. Furthermore, the construction of theory is not complete without regular verification and replication to account for competitive paradigm shifts and new environmental imperatives. In our study, we replicated the well-acknowledged taxonomy of manufacturing strategies of [Miller, J.G., Roth, A.V., 1994. A taxonomy of manufacturing strategies, Management Science 40 (3), 285–304] using data from one of the world’s fastest growing economies—China. A taxonomy of manufacturing strategies is identified and is found to be different from the strategic clusters of Caretakers, Marketeers and Innovators in Miller and Roth. The underlying dimensions that defined our clusters are also different from those in Miller and Roth. Our study also derived an interesting insight that a taxonomy that is based on realized strength rather than emphasis on competitive capabilities can better explain a company’s financial performance.

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1. Introduction

Perceptions about the strategic value of the operations function have steadily changed since operations was suggested to be a competitive weapon (Miller and Rogers, 1956; Skinner, 1978). In recent years, an increasing number of studies have examined the conceptual and theoretical development of operations strategies. However, most research in this area has focused on investigating the relationship between a few constructs, with relatively little emphasis on the identification of strategic configurations and taxonomies (Bozarth and McDermott, 1998; Frohlich and Dixon, 2001). The development of configurations, typologies and taxonomies is fundamental to strategy research, and is particularly useful when the research goal is the determination of the dominant patterns in organizations, or when the relationships between individual variables are either poorly understood or too complex to be modeled using traditional approaches (Miller, 1996; Ketchen and Shook, 1996).

One of the most popular and referenced taxonomic studies on manufacturing strategy is Miller and Roth
Frohlich and Dixon found that the taxonomy of Miller and Roth was partially supported, replaced by a new strategic type they called Designers. Miller and Roth (1994) provided an in-depth construction of theory.

The objectives of our study are:

1. to identify a taxonomy of manufacturing strategies for Chinese companies;
2. to compare our taxonomy with the taxonomy of Miller and Roth (1994);
3. to examine the relationship between manufacturing strategy and financial performance.

2. Background

The identification of strategic groupings or configurations is an integral approach in strategy research (Bozarth and McDermott, 1998). The complexities of companies can be better understood, evaluated and analyzed through classification into a taxonomy (Ketchen and Shook, 1996; Frohlich and Dixon, 2001; Ketchen et al., 1993). Taxonomies provide “parsimonious descriptions [of strategic groups] which are useful in discussion, research and pedagogy” and reveal insights into the underlying structures of competition from the viewpoint of operations (Miller and Roth, 1994).

With reference to the framework for manufacturing strategies of Voss (1995), a taxonomic study contributes to the “compete through manufacturing” paradigm by revealing the strategic choices of capabilities that manufacturers adopt to compete.

Although China is becoming one of the world’s largest manufacturing centers, relatively little is known about the manufacturing strategies adopted by Chinese manufacturers. To date, we have been unable to identify any study in the literature that has rigorously examined the manufacturing strategies of Chinese manufacturers.

A taxonomy of manufacturing strategies will serve as a useful mechanism to better understand China’s manufacturing role and position in the global marketplace. Furthermore, China’s transformation from a centrally planned economy to a market economy presents unique problems and opportunities in the management of manufacturing activities, and makes China an interesting research setting for academics, practitioners and investors. A taxonomy of Chinese manufacturing strategies will enrich the operations strategy literature that has been built primarily from North American and European experiences.

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