Location Independent Manufacturing – Case-based Blue Ocean Strategy

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Abstract

Environmental impact, saving natural resources and ecological behavior are important factors for European manufacturing industry. Industry must concentrate production processes which are environment-friendly. The case company of this study supplies a wide range of wood processing equipment tailored to customers’ needs. The company also provides solutions to life-cycle services. Utilizing a blue ocean strategy to real business cases and in management as a part of LIM assessment was considered a good approach both from academic and industrial perspectives.

Keywords: Location Independent Manufacturing, Blue Ocean strategy,

1. Introduction

Environmental impact, saving natural resources, and ecological behavior are important factors for European manufacturing industry. Industry must concentrate to manufacture sustainable and recyclable products, but also the whole production processes have to be environment-friendly. Other important factors from a management point of view are ecological raw materials sourcing, ethical decision making, and low emission delivery. Therefore, manufacturing companies are trying to arrange their manufacturing processes and facilities to correspond these

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demands. Other well-known current and future challenges are aging, individualism, globalization, urbanization, and sustainability offer new finance possibilities but also a potential crisis. These global market’s megatrends have impacted to all manufacturing sectors and have caused a structural change in the manufacturing industry. Today’s industries are mostly pursuing towards knowledge in the global ICT globalization and sustainability paradigms which are key factors in the competition for success between companies in the global economic. Globalization, which is a key enabler of economic growth, is the most important benefit factor in the competition.

The LIM (Location Independent Manufacturing) concept has a partial answer for the challenges and needs presented by globalization, sustainability, individualism and urbanization megatrends. The LIM concept is a novel manufacturing and managing concept. It has been getting considerable attention lately in the Finnish manufacturing industry, especially among small and medium-sized enterprises. Besides its sustainability and environmental aspects, the LIM is an interesting concept since it contributes to the servitization paradigm and transformation towards industrial services.

The aim of this study is to build further understanding of the LIM by analyzing an actual LIM-concept utilization case with a company. The company that is the objective of this study supplies a wide range of wood processing production lines, machines, and equipment tailored to customers’ needs. The company also provides solutions and cooperation via maintenance and life-cycle services. The operations use a project-based organization close to the customers. The aim of the company is to improve the cost-effectiveness of their operations as well as increase their agility and strategic adaptability to respond to changing needs through new modifications of their machinery and products.

This study builds up how the Blue Ocean Strategy could help create new business opportunities to SMEs. Based on the case study, it has been analyzed how to create uncontested market leadership by reconstructing market boundaries, how to focus on the big picture, how to go beyond existing demands, and finally how to get the correct strategic sequence. The study shows that many substructures of the LIM concept exist in the everyday business environment, but new understanding is needed to get the total benefit from the changing world.

Blue ocean strategy is not a scientific tool to do an analysis of current situation. Anyhow, in this case, it defends its position because new strategy is needed to serve clients worldwide. Other analyses like SWOT has been done [1], and very valuable understanding is achieved based on that analysis.

2. Blue Ocean strategy

The companies, which compete in the rapidly changing industries, are always trying to fulfill the demands of their customers. Global markets are guiding the companies to create versatile supply for the customers’ growing demands, and that creates fierce competitions in the existing industries [2]. In the environment of competition, it is difficult for a company to create high growth in their performance parallel to the rivalries [3, 4]. This is the reason for creating new strategies which could create new values into the competition or even new marketplaces and customers. This kind of strategy has been developed, and it is called Blue Ocean strategy.

Blue Ocean strategy concept was introduced 2005 by Kim W. Chan and Mauborgne Renee in their own bestseller book [5] and articles [6, 7, 4 and 8]. In the Blue ocean term, the ocean is a metaphor for the market space in the industrial world where the companies operate. Blue Ocean means a marketplace, which is new and not defined, where the competition does not exist, or it is not yet completely organized. Companies choosing to operate in this Blue Ocean environment are trying to overcome the competition by creating new value innovations for the customer and through that create an uncontested marketplace. There is a counter-term for the Blue Ocean is Red Ocean. Red Ocean is a same well-known environment where the competition between known competitors is fierce, and it is measured by the products quality, price, and service [9]. Red Oceans are the existing markets, which will always be the ruling market in the industries. But to create more sustainable and growing operations, companies have to bend the boundaries of the industry, leave the environment of competition and create new values and markets. [4].

By definition, if the company chooses to relocate into the new market space where there is marginally competition or clearly change their products dynamics and still be competing in the Red Ocean, it is called Blue Ocean strategy. With the Blue Ocean strategy, there is a pursuit of fulfilling customers' needs by creating new values through the configuration of companies' strategies [2]. The Blue Oceans can be created from the Red Ocean by expanding existing industry’s boundaries, but the Blue Ocean could also be created from scratch to create an uncontested market which could be an opportunity to the highly profitable growth for a company [4].
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