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01. Part one

1.1 Introduction

1.1.1 Operations management and Supply chain management

Operations management (OM) is critical to a business organisation. It covers the majority of the scope of the day to day business functions of a company. OM covers the areas of the business administration of business practices to deliver the maximum level of efficiency in an organisation. It focuses on developing and converting materials, resources and labour of the company into goods and services effectively and efficiently. By pursuing the expectations of OM, the management would be able to increase the profitability of an organisation effectively. When it comes to the supermarket industry, OM gets a higher level of importance. Mainly the company should deliver the effective and efficient services and product delivery to the customers whenever they have the demand for the goods.

OM aspects cover the considerations of the supply chain management (SCM). In supermarket industry, suppliers are delivering the goods to the company, and the company should pursue all the intermediary tasks of the goods handling and distribute the goods to the customers effectively. The management should be able to identify the customer demands according to various demographic and geographic concerns and conduct the SCM management activities that would satisfy the demands of the customer effectively and efficiently promptly.

1.2 Success of the company

The company is in the supermarket and retail consumer goods industry. The industry can be defined as a highly competitive area. Many local and international supermarket chains are competing in the market by implementing various strategies for achieving a higher level of market share to the supermarket chain.

Tesco (market share of 27.8%), Sainsbury's (market share of 15.8%), Asda (market share of 15.3%), Morrisons (market share of 10.4%), Aldi (market share of 7%), Co-op (market share of 6.3%), Lidl (market share of 5.2%), Waitrose (market share of 5.1%), Iceland (market share of 2.1%), and Ocado (market share of 1.4%) are the well-known supermarket giants of the UK supermarket industry. It can be seen that Lidl was able to become the seventh place considering the market share of the industry.

Lidl has achieved this success by delivering a higher level of commitment to the industry. Mainly the company focus on the satisfaction of the customers and the company delivers the

solutions which are well favoured by the customers. The company has developed their principles and values focusing on the continuous development of the company. Mainly the company delivers a higher level of priority for the customer satisfaction. It always delivers the best quality products for the lowest price ranges in the market to improve the satisfaction of the customers effectively. Not limited to that the company is improving the facilities of their stores of the supermarket network to deliver a better customer experience to improve the customer perception effectively.

The management of the company has defined various structures, processes and policies to the company considering the long-lasting sustainability of the company. The employees are pursuing the concerns of the good corporate governance to ensure the better performances of the company effectively. The business is considering the satisfaction of the Triple Bottom Line (Society, profitability and environment concerns) to ensure the stability of the company for the long run.

1.2.1 OM for the success of Lidl

Lidl maintains stronger OM functions which drive the organisation to its ultimate success. All the daily activities and functions happen in similar management model in all of its branches. The processes are well defined, and the employees need to follow the process steps to ensure the high-quality outcome of the process. All the processes of OM were developed considering the day to day business requirements of the company. The company has faced various OM challenges during the time, and the company has learnt many things by facing these challenges effectively. All the knowledge gained by facing the challenges are used for the development of the process steps of general OM functions.

The company regularly assesses the functions and process steps of the company and delivers the solutions for the improvement of the productivity, efficiency and effectiveness of the business processes by addressing the identified gaps.

1.2.2 SCM for the success of Lidl

Lidl delivers the high-quality products for the lowest prices ranges to the customers. Because of that, the company has to conduct the operations of the company under low-cost considerations, and the company focuses on the implementations of the low-cost strategies through the SCM of the company.

Better supplier relationships, adequate storage facilities and methods, demand-based product supply, outsource business processes for low-cost operations are some of the strategies followed by the company to reduce the cost factors through the SCM of the company. However, the company ensures that the customer will get the required product when the moment the customer needs it through their supermarket effectively. It defines the success of SCM of the company.

The supply chain of the company starts with gaining the high quality products from the suppliers. Mainly the company maintains positive relations with the suppliers. Because of that the suppliers are delivering the high quality products to the company. The company has implemented proper inventory management methods to ensure the quality of the goods until the product is delivered to the customer. The company always try to avoid the wastages and mainly the company expects to keep the freshness of the goods effectively.

To ensure the freshness the products the employees of the company is following strict quality control methods. Mainly the distribution of the products is done highly careful manner to ensure the quality of the goods. All these functions focus on delivering the high quality products for the customer for the lowest prices to ensure the higher level of customer satisfaction.

1.3 Problem statement

1.3.1 Supermarket models

Supermarkets pursue the various strategic models to gain the competitive advantage. Porter's generic model can be used for explaining the general strategies that the supermarkets are following to gain the competitive advantages in the industry. Some supermarkets are focusing on the cost leadership strategies. They try to deliver the low priced products to the customers while improving their cost-cutting methods of the business.

Some supermarkets are pursuing the differentiation methods which try to address all the product needs of the customer. The customer would be able to buy any product due to the higher differentiation approach of the supermarket. However, some supermarkets are trying to combine these two strategies and pursue the hybrid strategy which encourages the supermarket to deliver the highest quality products for the lowest price ranges under higher differentiation.

1.3.2 Hybrid business model of Lidl and related challenges

The company is focusing on gaining the competitive advantage of the supermarket industry by following the hybrid business model strategy. Under the strategy, the company expects to deliver the highest quality products for the lowest prices of the market. Usually, the company has to face many challenges when it comes to pursuing the hybrid strategy. Even though the company needs to face the challenges, the hybrid business model is attractive to the customers. Customers love to purchase high-quality products for the lowest prices of the market.

The customer attraction can be explained considering the customer purchase decision-making model. When the customer wants to purchase a product, the customer will research the product considering the price and quality. Various alternative solutions for the product and purchase options will be considered by the customer, and then the customer will select the option which delivers the most benefits to the customer. When the customer can get the highest quality products for the lowest price ranges, the customer will go for that option at once.

However, the company has to face the challenge when pursuing the hybrid strategy. The high-quality products are usually in the highest ranges of prices. To improve the quality of the product, it is essential to conduct a massive work and monitoring which improves the cost of the good rapidly. The company has to get these high-quality products from the suppliers for the higher prices and then the company has to add the profit margins to the product to define its final prices. Since the supplier is delivering the product for the higher cost, the company has to find the solution to reduce the intermediary price addition to the product when deciding final price of the product. To pursue the hybrid strategy, either the company has to reduce the operational and business related cost significantly or reduce the profit margins significantly. This is challenging to the development of the business and its profitability.

So the problem of implementing the hybrid strategy is it will demand the organisation to operate in the low-cost model to reduce the cost of the business operations, and support that cost reduction for delivering the high-quality products for the lowest prices ranges to the customers.

1.3.3 Problem assessment under soft system methodology

This challenging situation or the problem can be assessed using Soft System Methodology.

The problem – Lidl wants to pursue the low cost and high-quality product delivery strategy while improving the profitability and growth of the company in the supermarket industry.

Definition of the problem – Since the company is pursuing hybrid strategy, various factors are affecting the company while making it is harder to deliver the high-quality products for the lower cost in the market. Mainly the company has to lower the operational cost of the company and profit margins of the company to deliver the higher quality products for the lowest prices. It creates additional OM pressure to the company and also challenging to the profitability and growth of the company.

Root definitions of relevant systems – Lidl has been functioning in the market for many decades. Therefore the company has improved their traditional business methodologies in a much effective manner to pursue the low cost and high-quality product delivery method of the market. However, the company can implement business information system and digital technologies for the automation to reduce the cost factors of the business operations. Since the technology has developed rapidly, pursue of e-commerce methodologies would be highly supportive to the business organisation to follow the hybrid strategy.

Conceptual model – Online shopping system should be introduced to the company. The shopping system should cover all the essential aspects of e-commerce, and the customer should be able to visit the website and purchase the goods efficiently. The company will arrange the delivery facilities to the products by expanding the SCM activities of the company further.

Comparison of the model with the real world – Online shopping systems are not rare in the supermarket industry, and many business organisations are pursuing the online applications to improve the shopping experience of the customers while reducing the cost factors to the customer. The proposed model can be effectively implemented in the company, and the e-business model should address the changes effectively as well.

Changes – The company should develop the new system, and it makes many changes in the OM and SCM areas of the company. The operational staff should be well trained to handle the new business process and also it is essential to expand the SCM areas of the company to deliver the effective and efficient order delivery to the customers.

Actions – The management should evaluate the overall business process to develop the best e-commerce solution to the company. Mainly it is essential to address the changes and challenges of the changes as well. The awareness of the users and employees should be further improved regarding the new digitalised system. Ongoing change management requirements would, and the company should effectively address them as well.

02. Part two

2.1 Rich picture

2.1.1 Current method

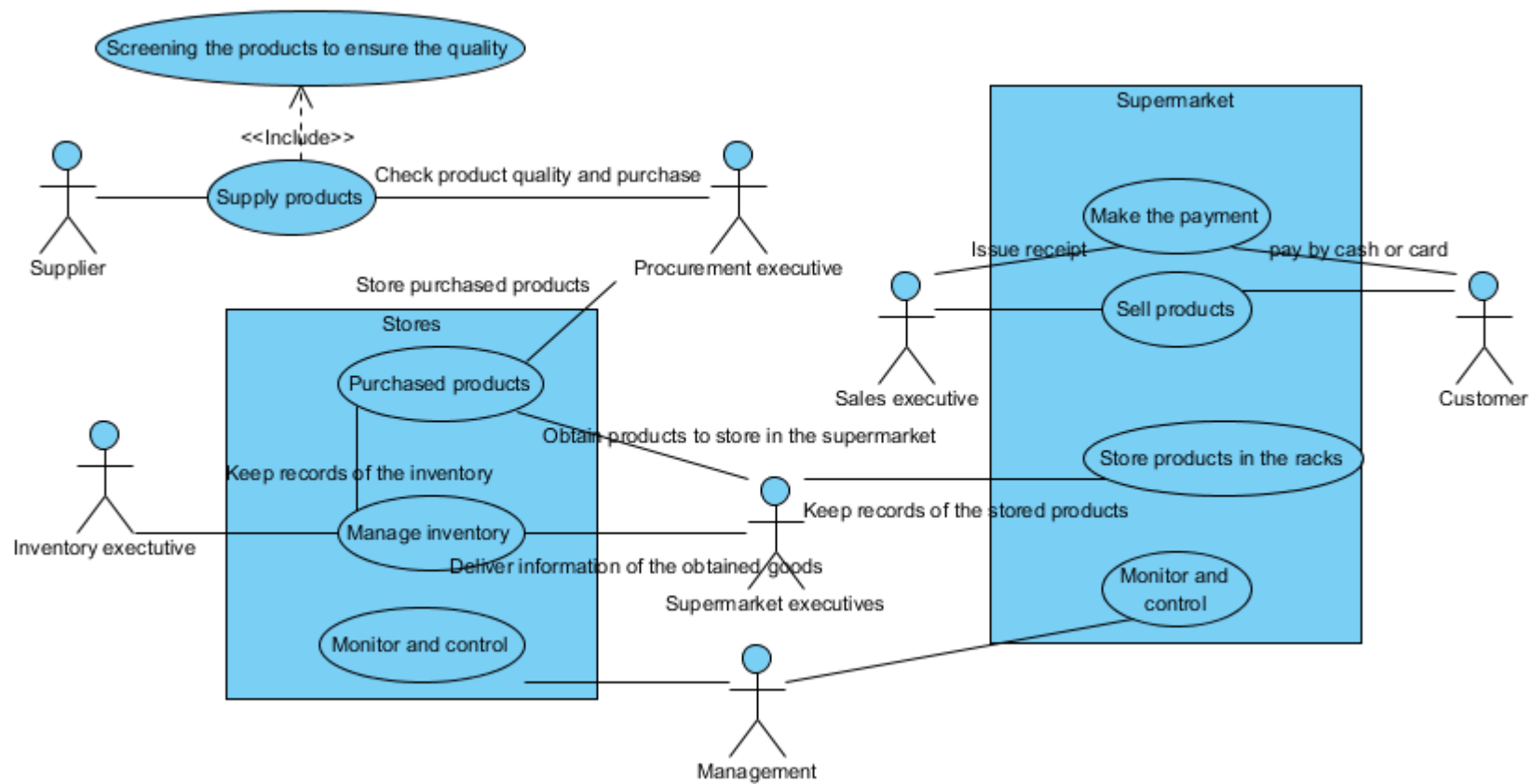


Figure 1 Current process of the supermarket

Source: Developed by the author

2.1.2 Solution with the new system

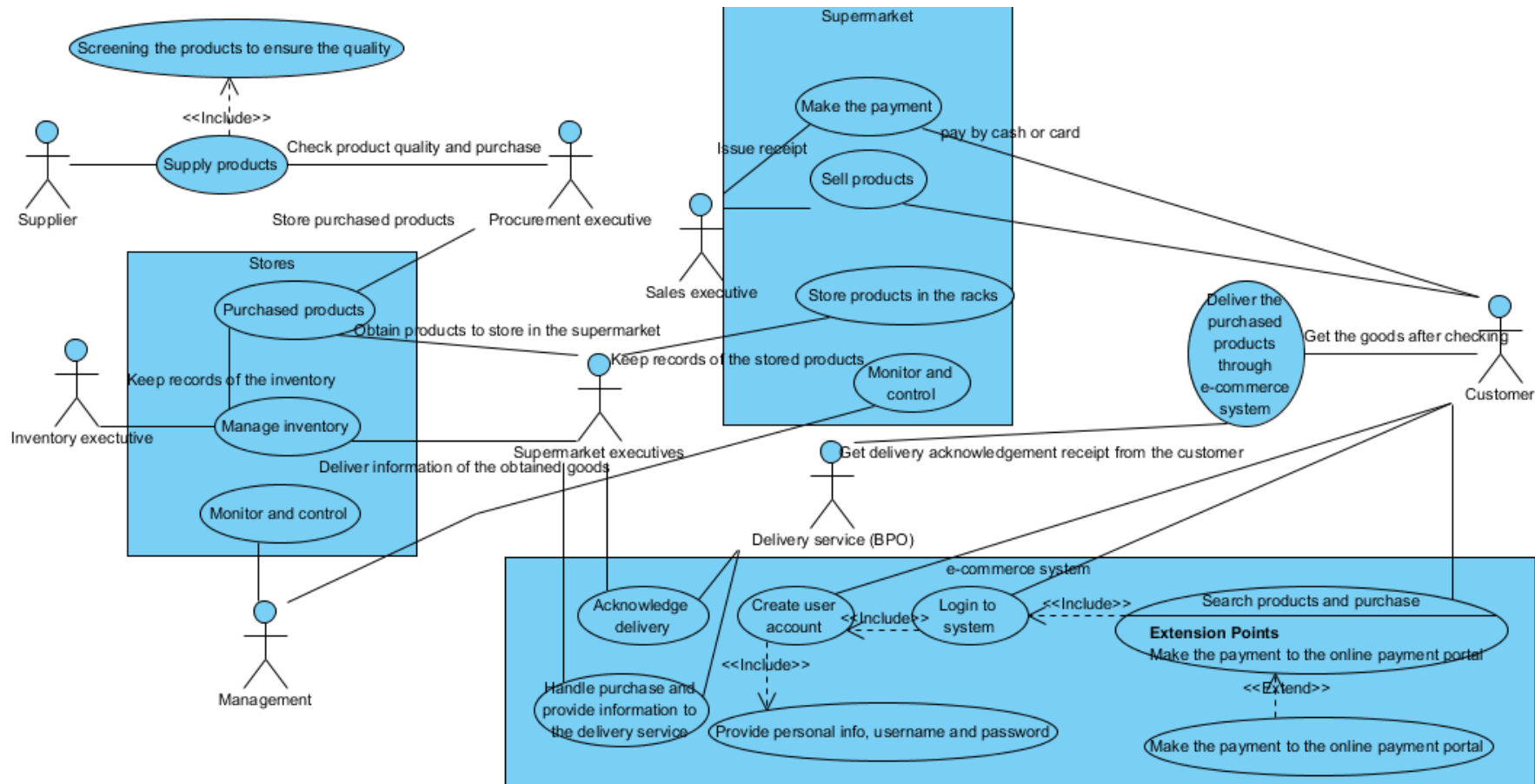


Figure 2 New solution

Source: Developed by the author

2.2 Root definitions

The strategy – The company is pursuing the hybrid strategy in the supermarket industry. The company expects to deliver the high quality products for the lowest prices and the company wants to reduce the cost of the operations. The proposed new strategy encourage the company to use e-commerce business solution to ease the selling process of the company and improve the cost reduction through the automation.

New system – The new system would improve the customer purchasing process by allowing them to use the automated e-commerce business system. The users can create an account in the system and purchase the goods accordingly. The purchase process would include the shipping/transportation cost and the customer would be able to get the products delivered to the doorstep. The new system also allows the payment processing as well.

2.3 CATWOE

Customers	People who wants to purchase goods from Lidl
Actors	Management, operational employees, suppliers, business process outsource services
Transformation process	The supermarket will deliver the goods in traditional selling methods and e-commerce selling methods. The customers will be able to reach to the supermarket goods easily.
Worldview	Increase the cost reduction solutions through the implementation of e-commerce business application to the supermarket. The customers would be able to satisfy their shopping needs anywhere they want online
Owner	Lidl Supermarket Chain, The board of directors
Environmental constraints	Supermarket regulations, Corporate governance requirements, national culture, commercial laws, privacy protection

2.4 As is process plan

Currently the company is using business automation solutions to improve the traditional business functions of the company. According to the rich picture, the company is purchasing the products from the suppliers by following extensive screening process to ensure the quality standards. Later the company store these goods and distribute them to their network effectively. However the company focuses on the protection of the freshness of the products as well. The

products are displayed in the supermarket branches and the customers can purchase them by visiting the place.

2.5 To be process plan

The new process has an extension to the previous process plan of the company. The new extended process has implemented a new e-commerce business website which allows the users to the purchase goods online. The shopping activities can be done anywhere and the products will be delivered to the customer. The customer would be able to make the payments through the payment portal of the company as well.

03. Part three

3.1 Performance management and change management

Performance management should be effectively done when implementing the new modification or the new plan in the company. When it comes to the performance management, it is essential to define the performance objectives and allow the employees and other related parties to perform according to the setup objectives. The management should monitor the improvements of the performances and deliver the necessary solutions for the performance gaps effectively. Performance management is a continuous process which demands the higher level of attention and involvement of the management of the company.

The company is pursuing the low cost and high-quality product delivery to the customers. It was identified that the hybrid strategy of the company comes with various challenges and the company has to address these challenges to improve the continuous development of the company effectively. Mainly it was identified that the company has the pressure of managing operational tasks and supply chain activities to limit the cost factors of the company to deliver the high-quality products for the lower prices. Mainly the company has to gain proper profits without focusing on the profit margin changes to deliver the goods for the lower prices.

The company is proposed with e-commerce business solution and using the new technologies the company would have the ability to address the requirements of hybrid strategy. However, when implementing the new plan, the business performance management objectives should be changed accordingly. Also, the management of the company should address the change management as well. The performance management would be done according to the below process steps.

Setup the performance objectives – Performance objectives would be established and acknowledged the objectives to the employees.

Manage performance – The employees are given various resources to improve their capabilities and skills effectively. Management support and guidance would be given to achieve the performance standard effectively.

Monitor performance – The performance evaluation would be done by the management to monitor the performances time to time. The management would address the identified gaps by motivating the employees and deliver the essential sources to improve their skills.

Reward the performance – Both financial and non-financial benefits will be given to the employees to encourage their current performances and further deliver the improving performances to the company.

The implementation of the new system would result in the changes in the organisation as well. The change management is essential to keep the correct level of performances in the company. Otherwise, the employees would show friction to the change and it would reduce their performance standards significantly. Lewin's change management model is expected use during the change management of the company. Below it was mentioned the consideration of the model when it comes to the management of change in the company.

Unfreeze – Proper awareness should be given to the employees and the customers about the new changes of the company. Mainly the employees should be given with proper understanding about the upcoming operational changes of the company effectively. The organisational readiness for the change is expected to improve during the process step.

Change – Necessary changes should be implemented during this phase. Mainly the company should focus on performances of the employees. Essential training and development opportunities should be provided to them to address their skill gaps to ensure the higher performances. The management should closely monitor the employees and the users of the system and deliver the guidance to them whenever it is necessary.

Refreeze – The organisation will continue the changed processes. The friction of the employees will be avoided in this phase, and the organisation would look for the potentials of further improvement of the current processes as well.

3.2 Balance Scorecard

Balance scorecard method will be used for the performance measurement. The balance scorecard will be described under four major perspectives, finance, customer, internal business and learning and growth.

3.2.1 Financial perspectives

Objectives	Measurement	Target	Initiatives
Improve the working capital management properly	Financial ratios of credit, debit, cash management and inventory	Credit 10% reduction Debit 25% reduction New cash investment 25% improvement	Proper debtor screening process, positive relations with the creditors,

		Resource utilisation and productivity improvement of 30%	seek opportunities for investment and improve the resource utilisation of the inventory
Improve the revenue growth through e-commerce	Revenue and gross margin should be increased	Revenue 25% increase Gross margin 45% improvement	Implement proper financial and accounting management activities
Improve the sustainability of the company	Revenue generation, operation cost and borrowing	Revenue generation 25% first year, operation cost reduction 10% and reduction of borrowing 20%	Implement proper financial and accounting management activities

3.2.2 Customers perspectives

Objectives	Measurement	Target	Initiatives
Improve the number of new customers	Increasing users of the new system	Increase the number of customers 10% each month to the new system	Deliver higher level of market penetration to increase the attraction of the customers
Improve the customer retention	Returning customers to purchase	Increase the number of returning customer 80%.	Deliver the correct good to the customer on time to improve their trust towards to the company.
Improve the customer satisfaction	Positive feedbacks from the customers	Positive feedback should improve 10% each month	Listen to the customer needs and address the needs effectively.

3.2.3 Internal business perspectives

Objectives	Measurement	Target	Initiatives
Reduce the process cost	Operational cost will be reduced	Process cost reduction 10% each trimester	Assess the process steps and implement new process improvements
Reduce SCM cost	Operational cost will be reduced	SCM cost reduction 10% each trimester	Assess the process steps and implement new process improvements
Improve the quality of the goods	Customer purchase will be improved	Implement new quality measurement methods	Encourage the suppliers to deliver the high quality products and product handling methods should be improved
Improve the supplier relations	Supplier positive interactions will be improved and they would define better negotiations	Increase the number of suppliers 25% and supplier retention should be improved 75%	Implement better negotiations with the suppliers

3.2.4 Learning and growth perspectives

Objectives	Measurement	Target	Initiatives
Improve the knowledge management and knowledge creation of the company	The employees would show higher process awareness and performance improvement	New knowledge improvement 25% within the first year of the implementation of the plan	Implement knowledge capturing methods and allow the employees to access to the knowledge effectively.

Improve the innovation and creative idea generation	The number of new idea generation will be increased.	Employees should deliver at least 500 of new ideas for the improvement each trimester.	Train the employees to adopt new methods for the new idea generation and problem solving
Improvement of employee knowledge skills and capabilities	The employee effectiveness, efficiency and performance will be improved	The employee performances should be improved 35% in the first year.	Assess the current performance and deliver the training and development opportunities to the employees
Improvement of employee satisfaction and employee retention	Reduce the employee turnover and improve the number of retaining employees	The employee turnover level should be reduced to 1%	Measure the performance of the employees and deliver the financial and non financial benefits to the employees to improve the satisfaction.

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