

The Hong Kong University of Science and Technology
Department of Information Systems,
Business Statistics and Operations Management

Seminar Announcement

Quick and Accurate Response: A Strategic Viewpoint

by

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Date: Friday, 30 Oct 2009
Time: 3:30 – 5:00 pm
Venue: Room 3416 (Lift 17/18)

~~~~~ All interested are welcome ~~~~~

**Abstract:**

In configuring their supply chain, a firm chooses whether to be responsive (able to deliver product to the market quickly) or efficient (slower response to the market but with some savings in fixed and/or marginal cost). In this paper, we analyze the strategic implications of a firm's decision to be responsive or efficient. For firms competing in a market with uncertain demand, we characterize the strategic choices in equilibrium. Consistent with conventional wisdom, we find that responsiveness tends to be favorable when a large proportion of uncertainty is resolved before a responsive firm must produce. Contrary to conventional wisdom, we find that even when responsiveness is costless (no fixed or marginal cost difference between responsive and efficient), there are situations where choosing to be efficient is a dominant strategy. The intuition behind this result is that the efficient firm gets to commit first, effectively staking out part of the market. Depending on the setting, the value of this first-mover advantage can exceed the cost of facing increased demand uncertainty. Furthermore, we extend the basic model to study the impact of endogenized timing, multi-production, product holdback, and costly responsiveness. We find that extra flexibility can harm the firm in the commitment game.

**Biography:**

Dr. Wang Tong is currently an assistant professor at the Department of Decision Sciences in NUS Business School. He received his PhD degree from INSEAD, France in 2008. He also holds M.Phil in Systems Engineering from the Chinese University of Hong Kong and B.Eng in Industrial Engineering from Shanghai Jiao Tong University. Dr. Wang's research interests are in the broad area of Supply Chain Management. His recent research focuses on the effect of horizontal competition on various supply chain decisions.