

Operations strategy



Source: courtesy of Justin Waskovich

What is strategy?

Strategic decisions – means those decisions which ...

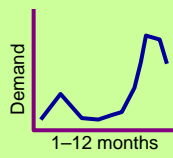
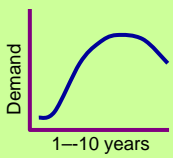
- Are widespread in their effect on the organization to which the strategy refers
- Define the position of the organization relative to its environment
- Move the organization closer to its long-term goals.

'Operations' is not the same as **'operational'**

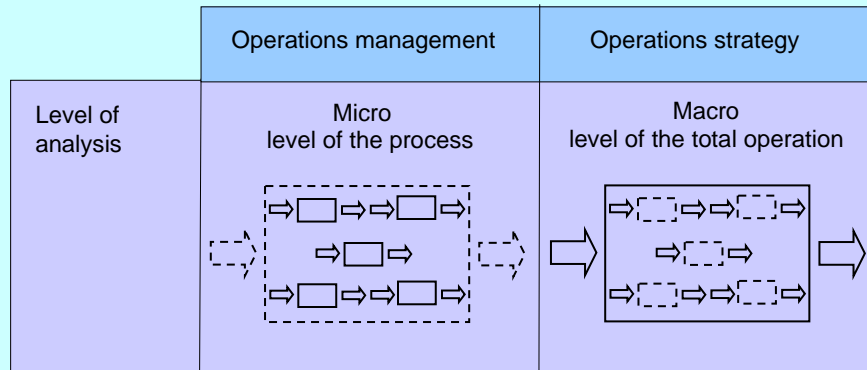
- **'Operations'** are the resources that create products and services
- **'Operational'** is the opposite of strategic, meaning day-to-day and detailed
- So, one can examine both the operational *and* the strategic aspects of operations

Operations strategy is different from operations management

Example: capacity decisions

	Operations management	Operations strategy
Time scale	Short-term capacity decisions  Demand 1-12 months	Long-term capacity decisions  Demand 1-10 years

Operations strategy is different from operations management



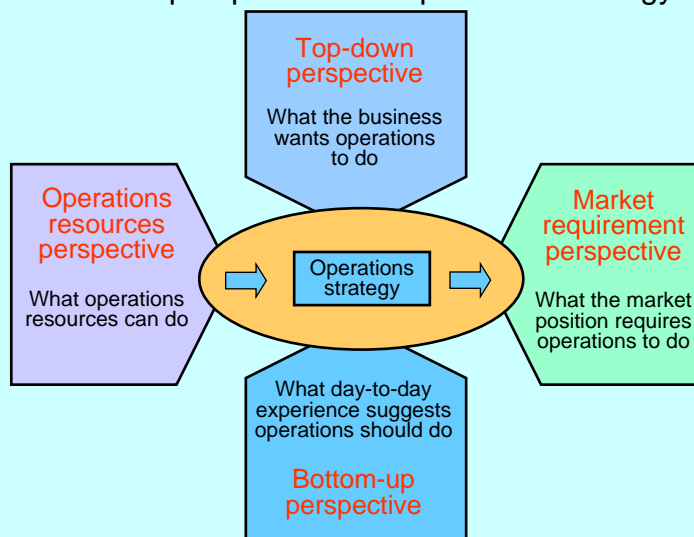
Operations strategy is different from operations management

	Operations management	Operations strategy
Level of aggregation	<p>Detailed</p> <p>For example</p> <p><i>“Can we give tax services to the small business market in Antwerp?”</i></p>	<p>Aggregated</p> <p>For example</p> <p><i>“What is our overall business advice capability compared with other capabilities?”</i></p>

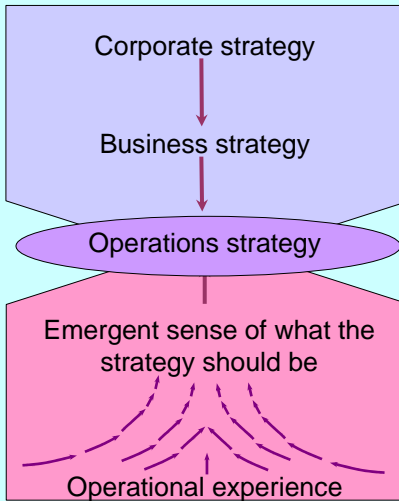
Operations strategy is different from operations management

	Operations management	Operations strategy
Level of abstraction	Concrete For example <i>"How do we improve our purchasing procedures?"</i>	Philosophical For example <i>"Should we develop strategic alliances with suppliers?"</i>

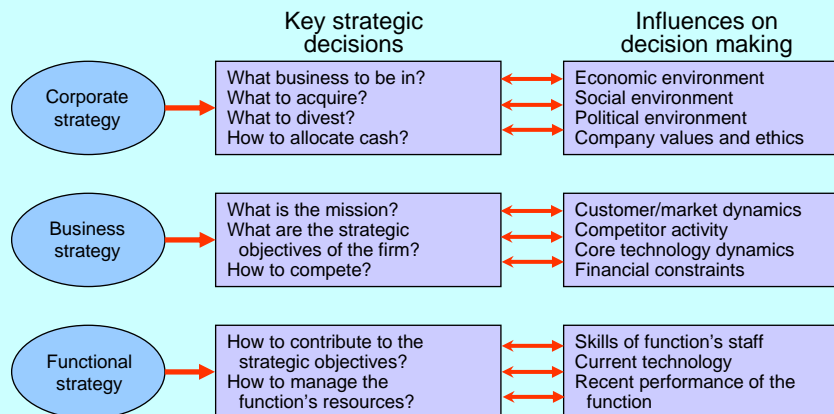
The four perspectives on operations strategy

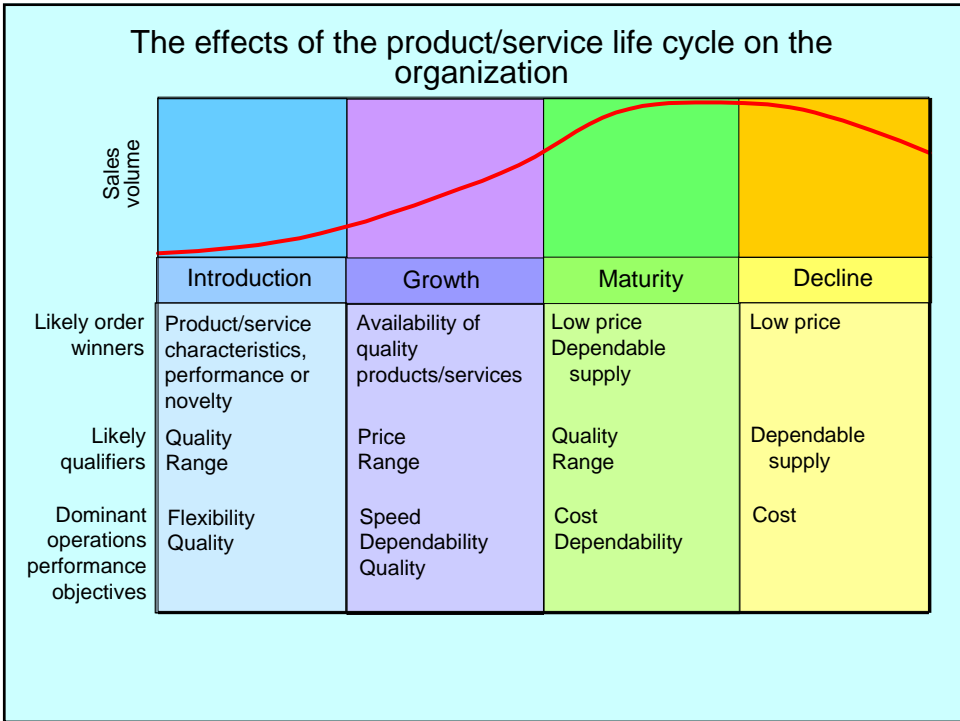
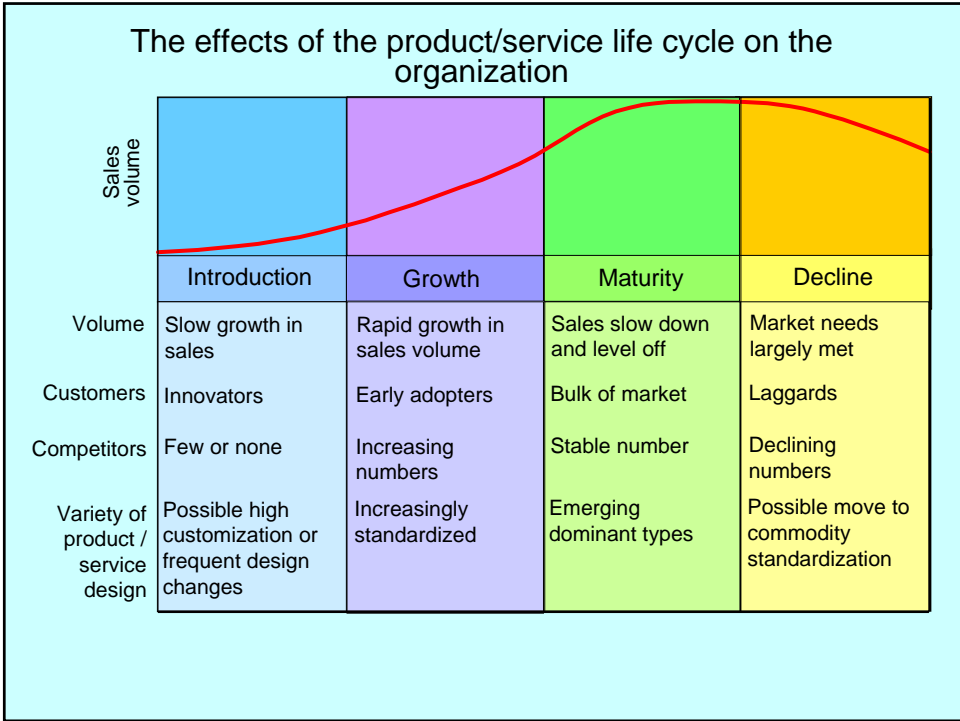


Top-down and bottom-up perspectives of strategy

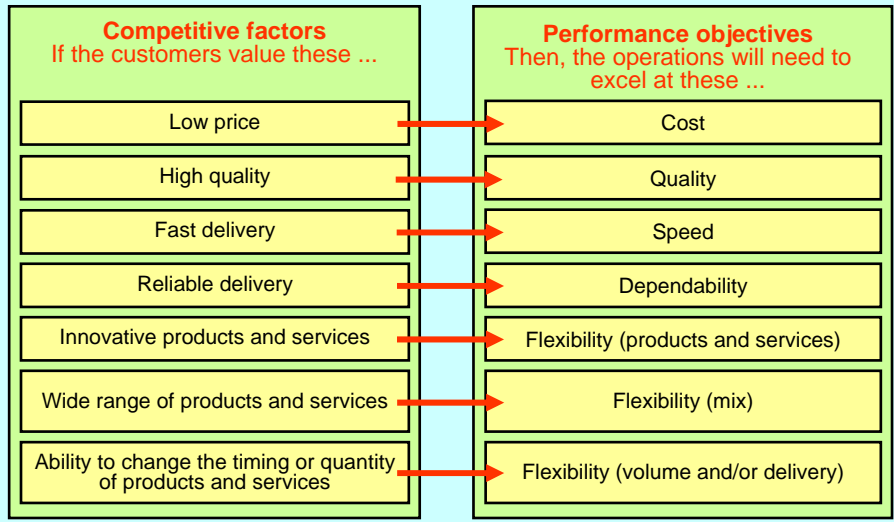


The strategy hierarchy

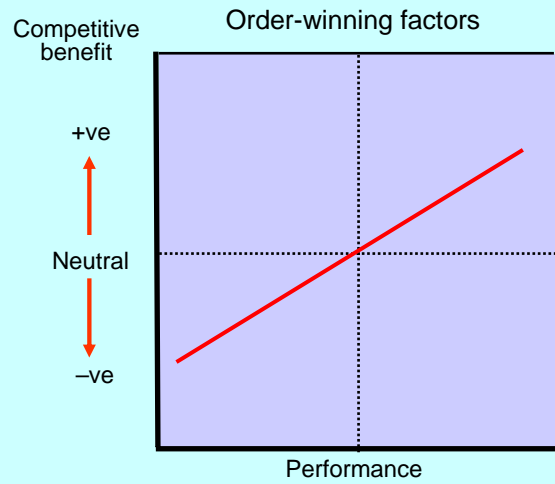




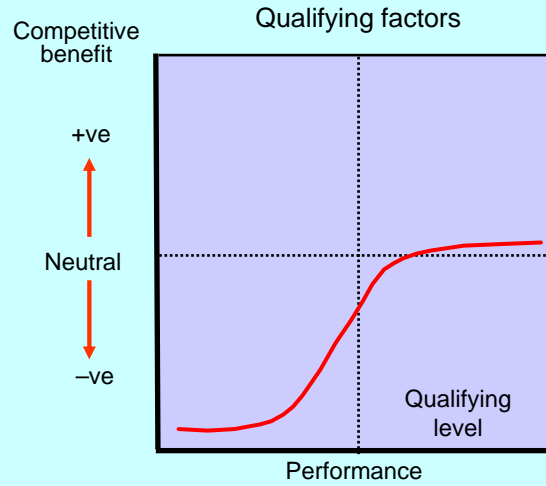
Different competitive factors imply different performance objectives



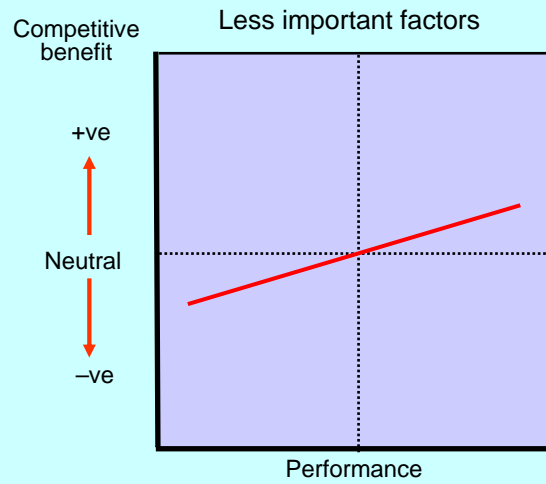
Order-winning, qualifying and less important competitive factors



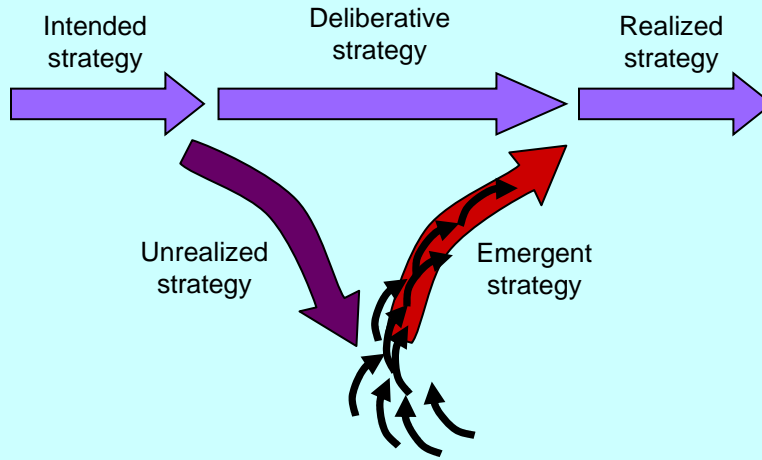
Order-winning, qualifying and less important competitive factors



Order-winning, qualifying and less important competitive factors



Mintzberg's concept of emergent strategy



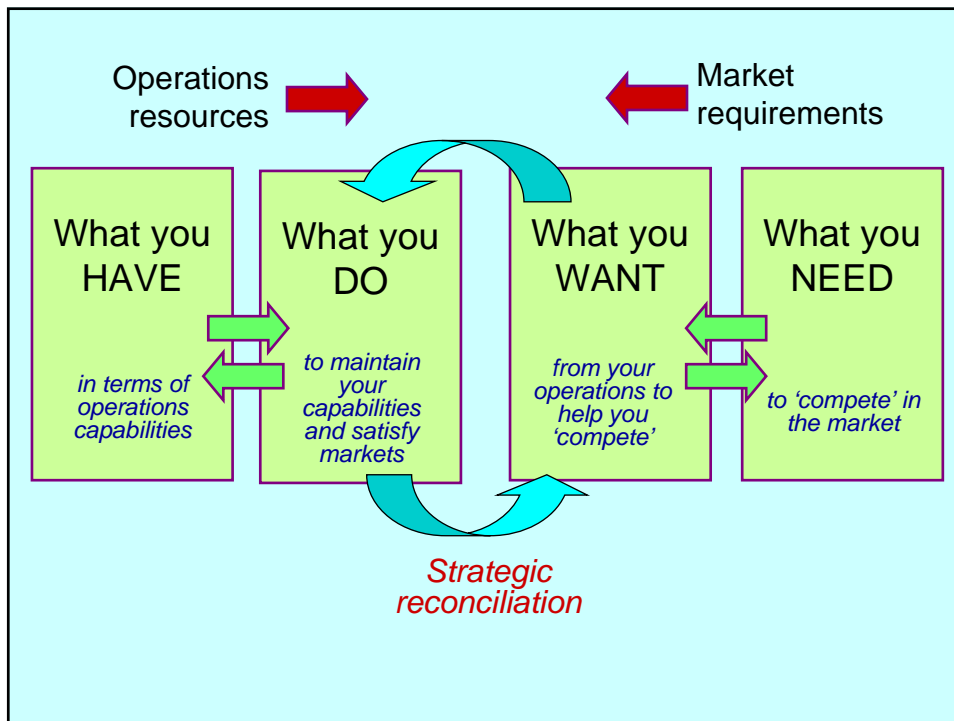
Market requirements and operations resources perspectives of operations strategy



Operations strategy reconciles the requirements of the market with the capabilities of operations resources

Operations strategy is ...

'... the decisions which shape the long-term capabilities of the company's operations and their contribution to overall strategy through the on-going reconciliation of market requirements and operations resources ...'



The challenge of operations strategy formulation

An operations strategy should be:

- Appropriate ...
- Comprehensive ...
- Coherent ...
- Consistent over time ...

An implementation agenda is needed

- When to start?
- Where to start?
- How fast to proceed?
- How to coordinate the implementation programme?

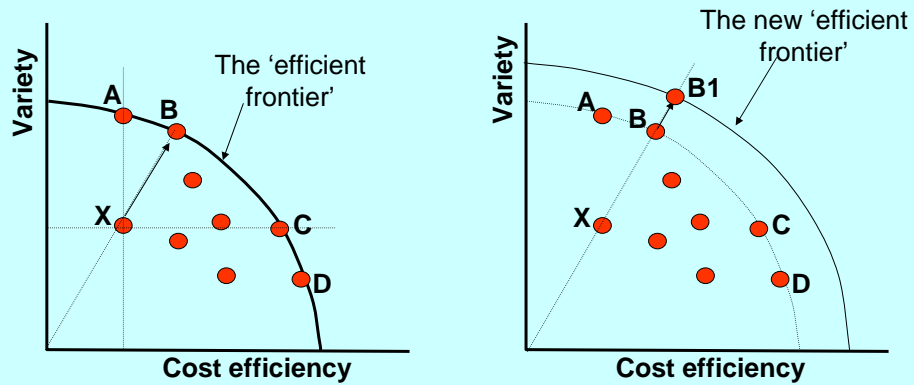
The **five P's** of operations strategy implementation

- **Purpose** – a shared understanding of the motivation, boundaries and context for developing the operations strategy
- **Point of entry** – the point in the organization where the process of implementation starts
- **Process** – how the operations strategy formulation process is made explicit
- **Project management** – the management of the implementation
- **Participation** – who is involved in the implementation

Trade-offs

- *“Do you want it good, or do you want it Tuesday?”*
- *“No such thing as a free lunch.”*
- *“You can’t have an aircraft which flies at the speed of sound, carries 400 passengers and lands on an aircraft carrier. Operations are just the same.” (Skinner)*
- *“Trade-offs in operations are the way we are willing to sacrifice one performance objective to achieve excellence in another.”*

The 'efficient frontier' view



Key Terms Test

Strategic decisions

Decisions that are widespread in their effect, define the position of the organization relative to its environment, and move the organization closer to its long-term goals.

Top-down

The influence of the corporate or business strategy on operations decisions.

Bottom-up

The influence of operational experience on operations decisions.

Key Terms Test

Market requirements

The performance objectives that reflect the market position of an operation's products or services; also a perspective on operations strategy.

Operations resource capabilities

The inherent ability of operations processes and resources; also a perspective on operations strategy.

Business strategy

The strategic positioning of a business in relation to its customers, markets and competitors; a subset of corporate strategy.

Key Terms Test

Functional strategy

The overall direction and role of a function within the business; a subset of business strategy.

Emergent strategy

A strategy that is gradually shaped over time and based on experience rather than theoretical positioning.

Competitive factors

The factors such as delivery time, product or service specification, price, etc. that define customers' requirements.

Key Terms Test

Order-winning factors

The arrangement of resources that are devoted to the production and delivery of products and services.

Qualifying factors

Aspects of competitiveness where the operation's performance has to be above a particular level to be considered by the customer.

Less important factors

Competitive factors that are neither order-winning nor qualifying; performance in them does not significantly affect the competitive position of an operation.

Key Terms Test

Product/service life cycle

A generalized model of the behaviour of both customers and competitors during the life of a product or service; generally held to have four stages: introduction, growth, maturity and decline.

Resource-based view (RBV)

The perspective on strategy that stresses the importance of capabilities (sometimes known as core competences) in determining sustainable competitive advantage.

Intangible resources

The resources within an operation that are not immediately evident or tangible, such as relationships with suppliers and customers, process knowledge, new product and service development.