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*

<table>
<thead>
<tr>
<th>Time scale</th>
<th>Operations management</th>
<th>Operations strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term capacity decisions</strong></td>
<td>Demand</td>
<td>1–12 months</td>
</tr>
<tr>
<td><strong>Long-term capacity decisions</strong></td>
<td>Demand</td>
<td>1–10 years</td>
</tr>
</tbody>
</table>
Operations strategy is different from operations management

<table>
<thead>
<tr>
<th>Level of analysis</th>
<th>Operations management</th>
<th>Operations strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro level of the process</td>
<td>[Diagram]</td>
<td>[Diagram]</td>
</tr>
</tbody>
</table>

Operations strategy is different from operations management

<table>
<thead>
<tr>
<th>Level of aggregation</th>
<th>Operations management</th>
<th>Operations strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed</td>
<td>&quot;Can we give tax services to the small business market in Antwerp?&quot;</td>
<td></td>
</tr>
<tr>
<td>Aggregated</td>
<td>&quot;What is our overall business advice capability compared with other capabilities?&quot;</td>
<td></td>
</tr>
</tbody>
</table>
Operations strategy is different from operations management

<table>
<thead>
<tr>
<th>Level of abstraction</th>
<th>Operations management</th>
<th>Operations strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concrete</td>
<td>For example</td>
<td>Philosophical</td>
</tr>
<tr>
<td></td>
<td>“How do we improve our purchasing procedures?”</td>
<td>“Should we develop strategic alliances with suppliers?”</td>
</tr>
</tbody>
</table>

The four perspectives on operations strategy:

- **Top-down perspective**
  - What the business wants operations to do

- **Market requirement perspective**
  - What the market position requires operations to do

- **Operations resources perspective**
  - What operations resources can do

- **Bottom-up perspective**
  - What day-to-day experience suggests operations should do
Top-down and bottom-up perspectives of strategy

Corporate strategy → Business strategy → Operations strategy

Emergent sense of what the strategy should be
Operational experience

The strategy hierarchy

Key strategic decisions
- What business to be in?
- What to acquire?
- What to divest?
- How to allocate cash?

Influences on decision making
- Economic environment
- Social environment
- Political environment
- Company values and ethics

Corporate strategy
- What business to be in?
- What to acquire?
- What to divest?
- How to allocate cash?

Business strategy
- What is the mission?
- What are the strategic objectives of the firm?
- How to compete?

Functional strategy
- How to contribute to the strategic objectives?
- How to manage the function’s resources?

Influences on decision making
- Customer/market dynamics
- Core technology dynamics
- Financial constraints

Skills of function’s staff
- Current technology
- Recent performance of the function
### The effects of the product/service life cycle on the organization

<table>
<thead>
<tr>
<th>Sales volume</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
<td>Slow growth in sales</td>
<td>Rapid growth in sales volume</td>
<td>Sales slow down and level off</td>
<td>Market needs largely met</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Innovators</td>
<td>Early adopters</td>
<td>Bulk of market</td>
<td>Laggards</td>
</tr>
<tr>
<td><strong>Competitors</strong></td>
<td>Few or none</td>
<td>Increasing numbers</td>
<td>Stable number</td>
<td>Declining numbers</td>
</tr>
<tr>
<td><strong>Variety of product / service design</strong></td>
<td>Possible high customization or frequent design changes</td>
<td>Increasingly standardized</td>
<td>Emerging dominant types</td>
<td>Possible move to commodity standardization</td>
</tr>
</tbody>
</table>

### The effects of the product/service life cycle on the organization

<table>
<thead>
<tr>
<th>Sales volume</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Likely order winners</strong></td>
<td>Product/service characteristics, performance or novelty</td>
<td>Availability of quality products/services</td>
<td>Low price</td>
<td>Low price</td>
</tr>
<tr>
<td><strong>Likely qualifiers</strong></td>
<td>Quality Range</td>
<td>Price Range</td>
<td>Dependable supply</td>
<td>Dependable supply</td>
</tr>
<tr>
<td><strong>Dominant operations performance objectives</strong></td>
<td>Flexibility</td>
<td>Speed</td>
<td>Cost</td>
<td>Cost</td>
</tr>
</tbody>
</table>
Different competitive factors imply different performance objectives

<table>
<thead>
<tr>
<th>Competitive factors</th>
<th>Performance objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the customers value these ...</td>
<td>Then, the operations will need to excel at these ...</td>
</tr>
<tr>
<td>Low price</td>
<td>Cost</td>
</tr>
<tr>
<td>High quality</td>
<td>Quality</td>
</tr>
<tr>
<td>Fast delivery</td>
<td>Speed</td>
</tr>
<tr>
<td>Reliable delivery</td>
<td>Dependability</td>
</tr>
<tr>
<td>Innovative products and services</td>
<td>Flexibility (products and services)</td>
</tr>
<tr>
<td>Wide range of products and services</td>
<td>Flexibility (mix)</td>
</tr>
<tr>
<td>Ability to change the timing or quantity of products and services</td>
<td>Flexibility (volume and/or delivery)</td>
</tr>
</tbody>
</table>

Order-winning, qualifying and less important competitive factors

Order-winning factors

Competitive benefit

+ve

Neutral

-ve

Performance
Order-winning, qualifying and less important competitive factors

- Qualifying factors
- Less important factors

- Competitive benefit
  - +ve
  - Neutral
  - -ve

- Performance

- Qualifying level
Mintzberg’s concept of emergent strategy

Intended strategy  \rightarrow  Deliberative strategy  \rightarrow  Realized strategy

Unrealized strategy  \rightarrow  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

The new ‘efficient frontier’

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.

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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.

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.