Operations Strategy

What is Strategy?

Strategy is seen as complex in nature due to a high degree of uncertainty in future consequences arriving from decisions, integration is required of all aspects and functional areas of business and major change may have to be implemented as a consequence of strategic choices made. Operations strategy is concerned with both what the operation has to do in order to meet current and future challenges and also is concerned with the long-term development of its operations resources and processes so that they can provide the basis for a sustainable advantage

Levels of Strategy. Strategy can be seen to exist at three main levels within the organisation:

- At the highest or corporate level the strategy provides very general long-range guidance for the whole organisation, often expressed as a statement of its mission.
- The second level of strategy is termed a business strategy and may be for the organisation or at the strategic business unit level in larger diversified companies.
- The third level of strategy is termed the operational or functional strategy were the
- functions of the business (e.g. operations, marketing, finance) make long-range plans which support the business strategy.

Operations Competitive Priorities

- Cost
- Time
- Quality
- Flexibility

Cost

If an organisation is competing on price then it is essential that it keeps its cost base lower than the competition. Then it will either make more profit than rivals, if price is equal, or gain market share if price is lower. Cost is also important for a strategy of providing a product to a market niche, which competitors cannot provide.

Time

The time delay or speed of operation can be measured as the time between a customer request for a product/service and then receiving that product/service. Speed is an important factor to the customer in making a choice about which organisation to use.

Quality

Quality covers both the quality of the product/service itself and the quality of the process that delivers the product/service. Quality can be measured by the ‘cost of quality’ model were costs are categorised as either the cost of achieving good quality (the cost of quality assurance) or the cost of poor quality products (the costs of not conforming to specifications).

Flexibility

Flexibility is needed so the organisation can adapt to changing customer needs in terms of product range and varying demand and to cope with capacity shortfalls due to equipment breakdown or component shortage. Types of flexibility include product flexibility which is the ability to be able to quickly act in response to changing customer needs with new product/service designs and volume flexibility which is the ability to be able to decrease or increase output in response to changes in demand. Volume flexibility may be needed for seasonal changes in demand as services may have to react to demand changes minute by minute.

Detailed information on this topic: Operations Management – Albert Porter, BookBoon.com, 2011