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Operations Strategy

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Strategy

All companies, to survive over time, have to build and keep a specific advantage that **differentiate** them from competitors.

Managing this differentiating advantage is the essence of strategy.

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Strategic Levels

Corporate

Resource allocation between different market and products

In which business?

Business Unit

What are the markets needs and how to satisfy them.

How do we compete?

Functional

Support the company in satisfying market needs

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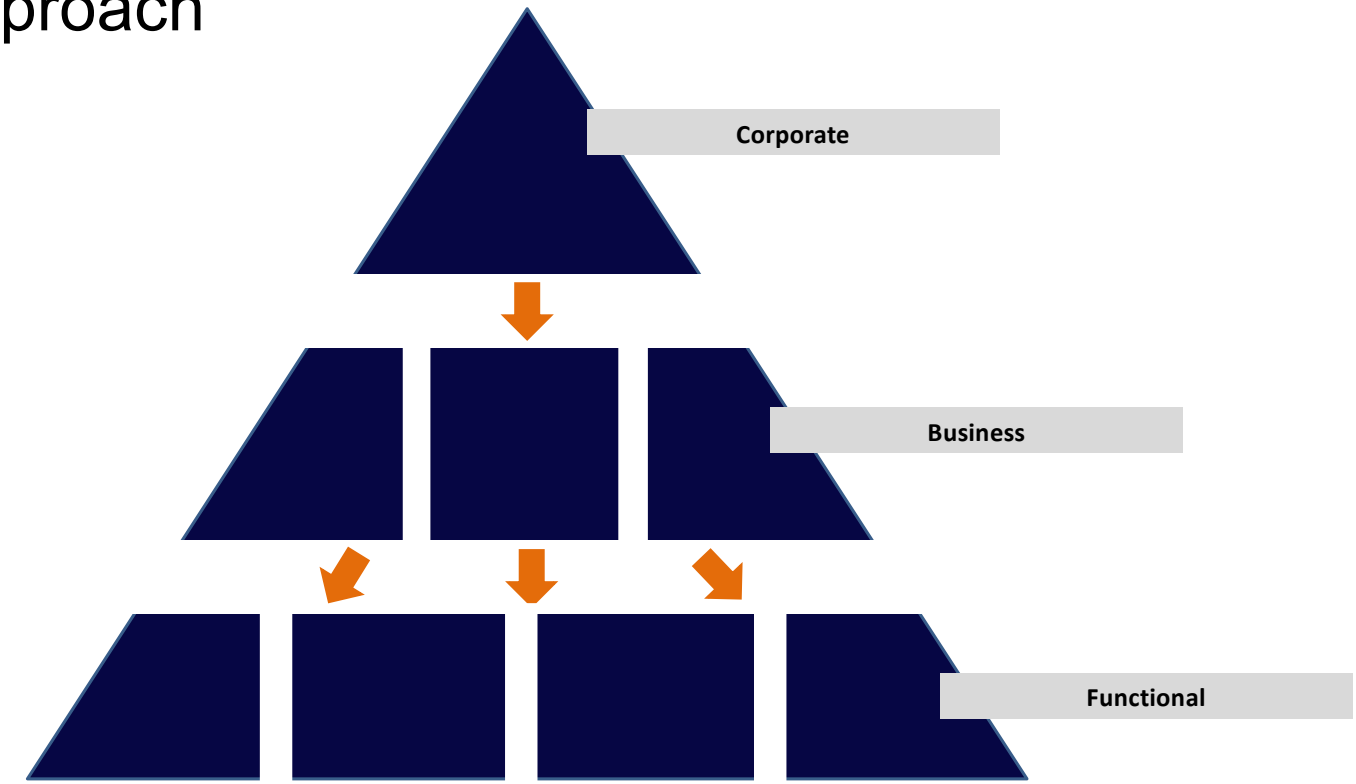
Traditional Approach



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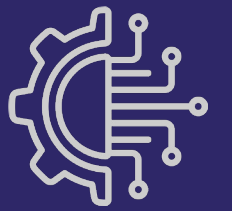
Relevant factors outside the company

Offer - Demand

Customisation

Globalisation

Speed of technological development



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Factors influencing company´s resources

- Economical (wealth increase)
- Cultural (education level)
- Social (authority acknowledgment)
- Technological innovation
- ICT

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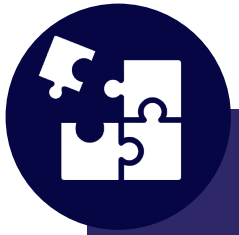
Innovative Approach



Functional strategies can neither be independent one from another, nor can they be the sequential outcome of the Business strategy; rather VPs of main Functions have to communicate and interact to define the strategy at the Business Unit and Corporate level.

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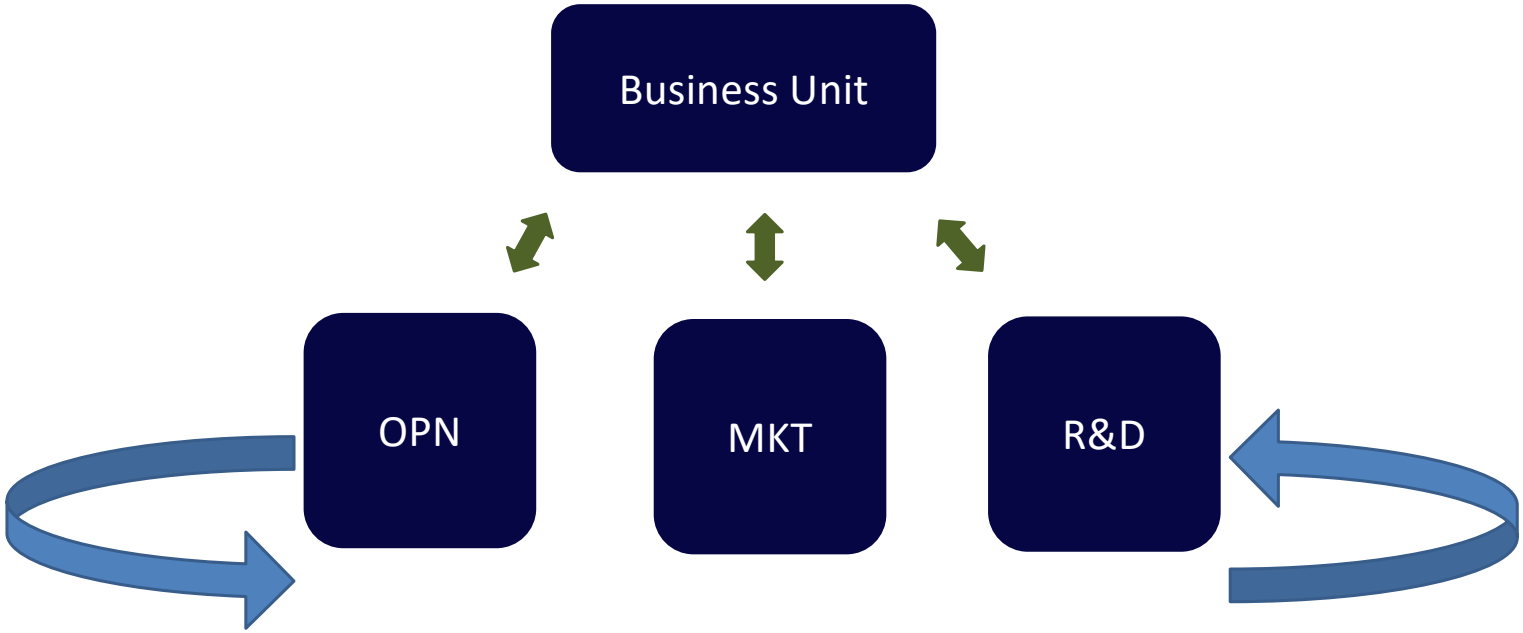
Integration and Bi-direction



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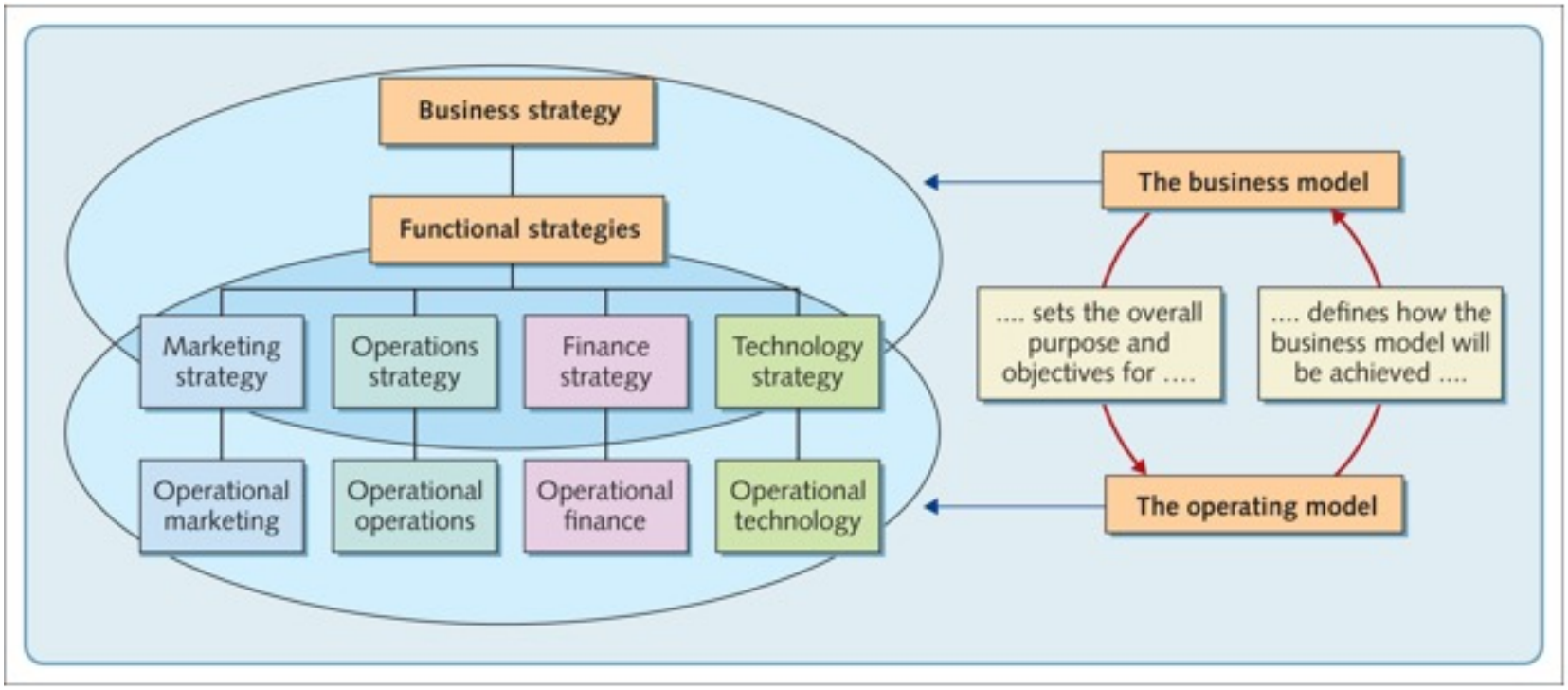
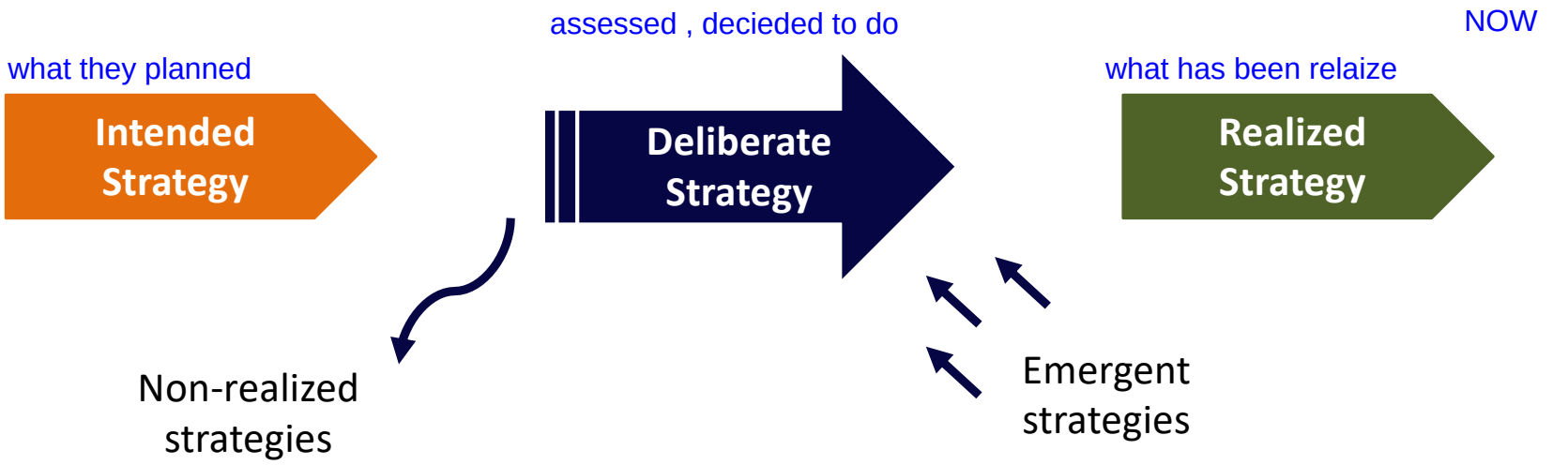
Strategy


Business strategy
Functional strategies
Marketing strategy
Operations strategy
Finance strategy
Technology strategy
Operational marketing
Operational operations
Operational finance
Operational technology
The business model
.... sets the overall purpose and objectives for ....
.... defines how the business model will be achieved ....
The operating model

Strategy

development over time



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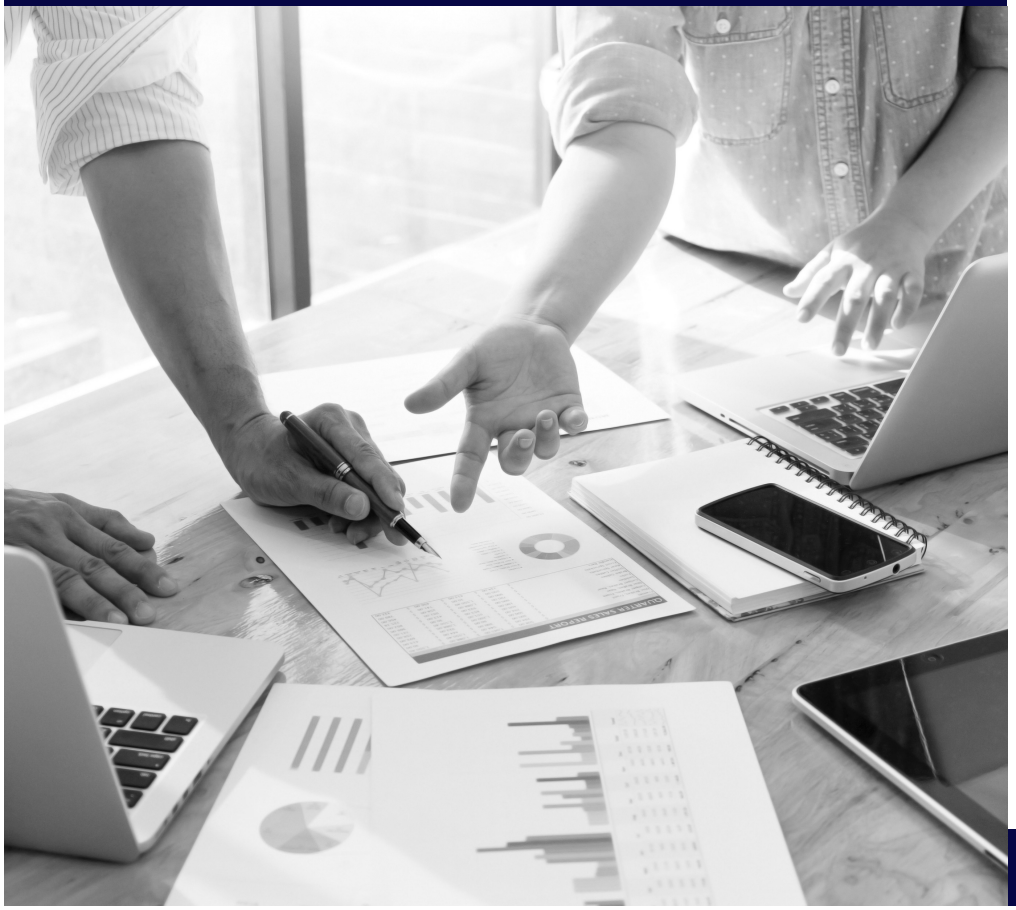
where to go and how to get there?

Why is strategy important?



To create a sustainable advantage, it's necessary to have a significant amount of **time**

This advantage is rarely the outcome of just one excellent critical choice. It's the outcome of many little good choices

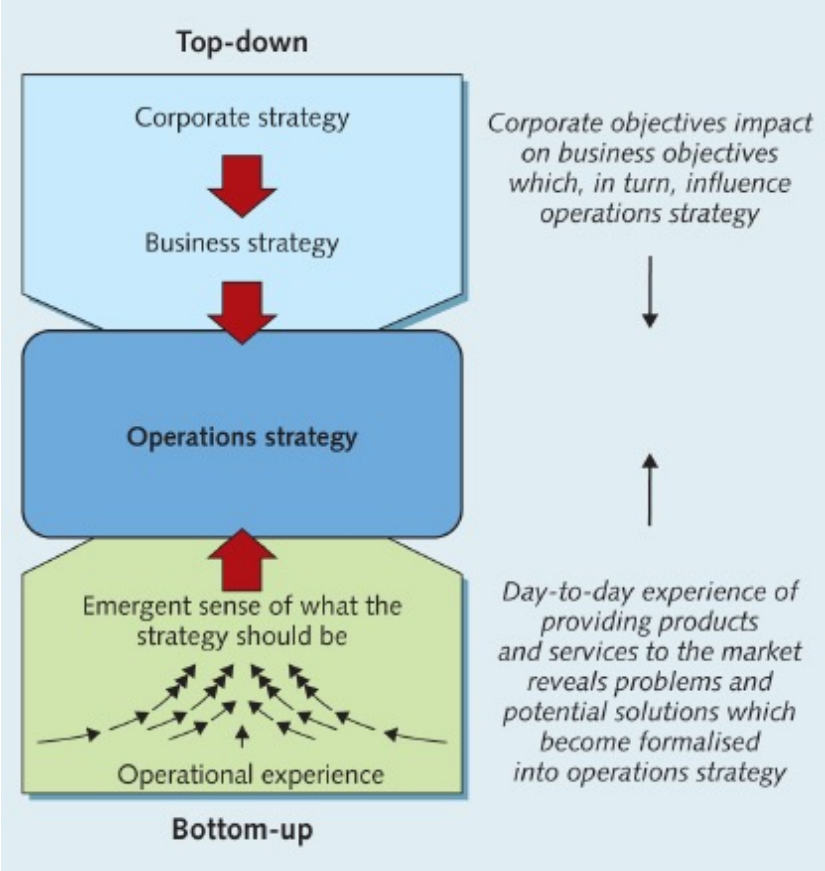
To take many little good choices a clear line is needed

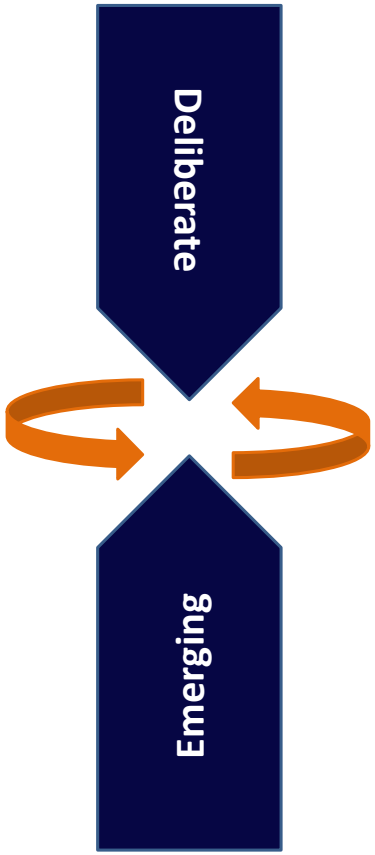
➡ **Deliberate Strategy**

In highly turbulent environments it's not possible to plan everything in advance:

➡ **Emerging Strategy**

Strategy





balance

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when we look at what customer wants

The voice of the customer

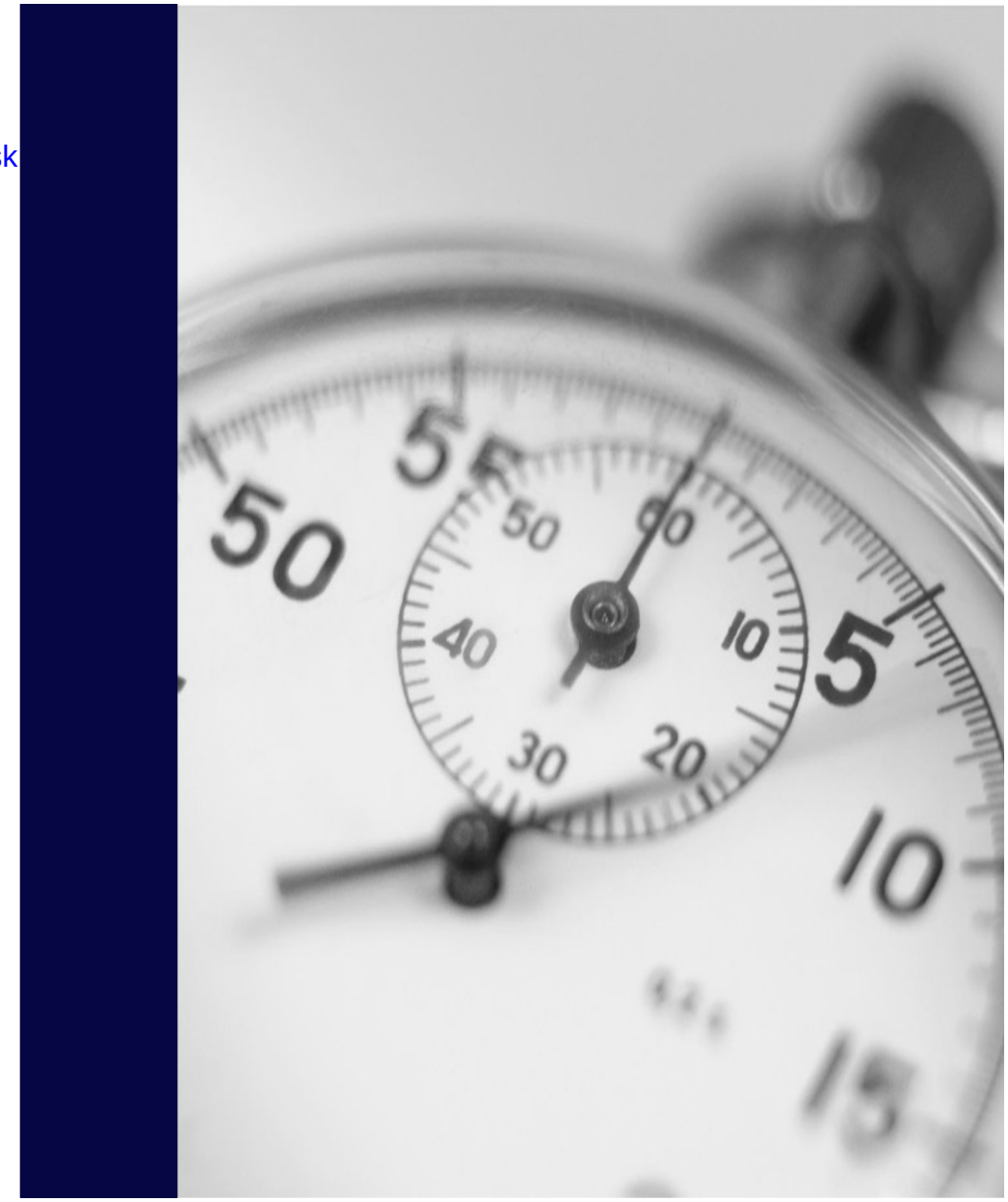
the performances that is related to operations

customer can see for choosing

Customer - Time

how long does is take to ask
to get it
place the order / deliver

- Time to formulate the offer
- Time to confirm the order
- Time to deliver (Delivery speed)
- Delivery reliability (Timeliness) oct 15th deadline
- ..



price => Sales, Finance, Marketing

Customer - Price

- Purchase cost of the produce
- Usage
- Maintenance
- Update/Upgrade/Expansion
- Disposal
- ..

  full life cycle cost

Customer - Quality

- Quality of Design (specifications)
  match with customer needs
- Quality Conformace (NB: only in field)
  ability to deliver the system/product with the same performance
  external conformance from customer

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Customer - Flexibility

change something with little effort

- Product new product with small effort,
- Customisation % of product you can customize
- Variety
- Plan ability to change in customer order before delivering it. measure by frozen horizon (time before delivery date you can't change)

Customer - Service

- DELIVERY (MTS) make to stock
- Goods availability at the warehouse
- OTHER AREAS
- Training
- Technological improvement
- After-sale support …

- Time
- Price
- Quality
- Flexibility
- Service

These are targets **difficult to achieve** and it is not possible to reach the maximum value in all dimensions

It’s necessary to align Operations and Market!

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Market-operations aligment

Customer needs
Market positioning
Analysis of competitors' actions

segment them
position close to them
consider competitors

Desired performances

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Operations strategy: Desired performances

refernce skeem

Stake – Holders

market

Market	Desired Perf. OPS
	

market segment

Achievable Perf. OPS	LEVERS descistion we take		
	Design		Management
	Structural	Infrastructural	

operation strategy

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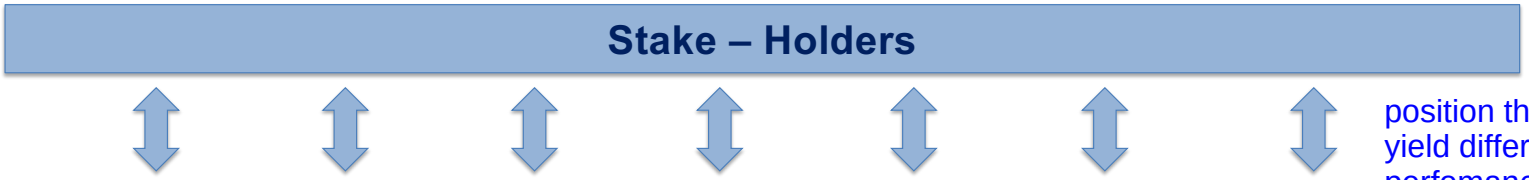
Operations strategy: Achievable performances



position the lever and system yield different certain perfomances

Market	Desired Perf. OPS

Achievable Perf. OPS	LEVERS		
	Design		Management
	Structural	Infrastructural	
	• Production capacity sizing and division • Strategic Make/Buy • Technological process • Layout • Automation level	• Responsibility allocation and decentralization level • Team vs individuals • Incentivization systems • Information flows between different levels	• Operations planning systems • Capacity management systems • Maintenance politics • Quality control • Costs control procedures

like the GAZ in car so if you push it, put it in ceratin position, the car will move faster

key point / act on levers

align them.
kinda swot

levers of our system to create different performances
levers are decisions

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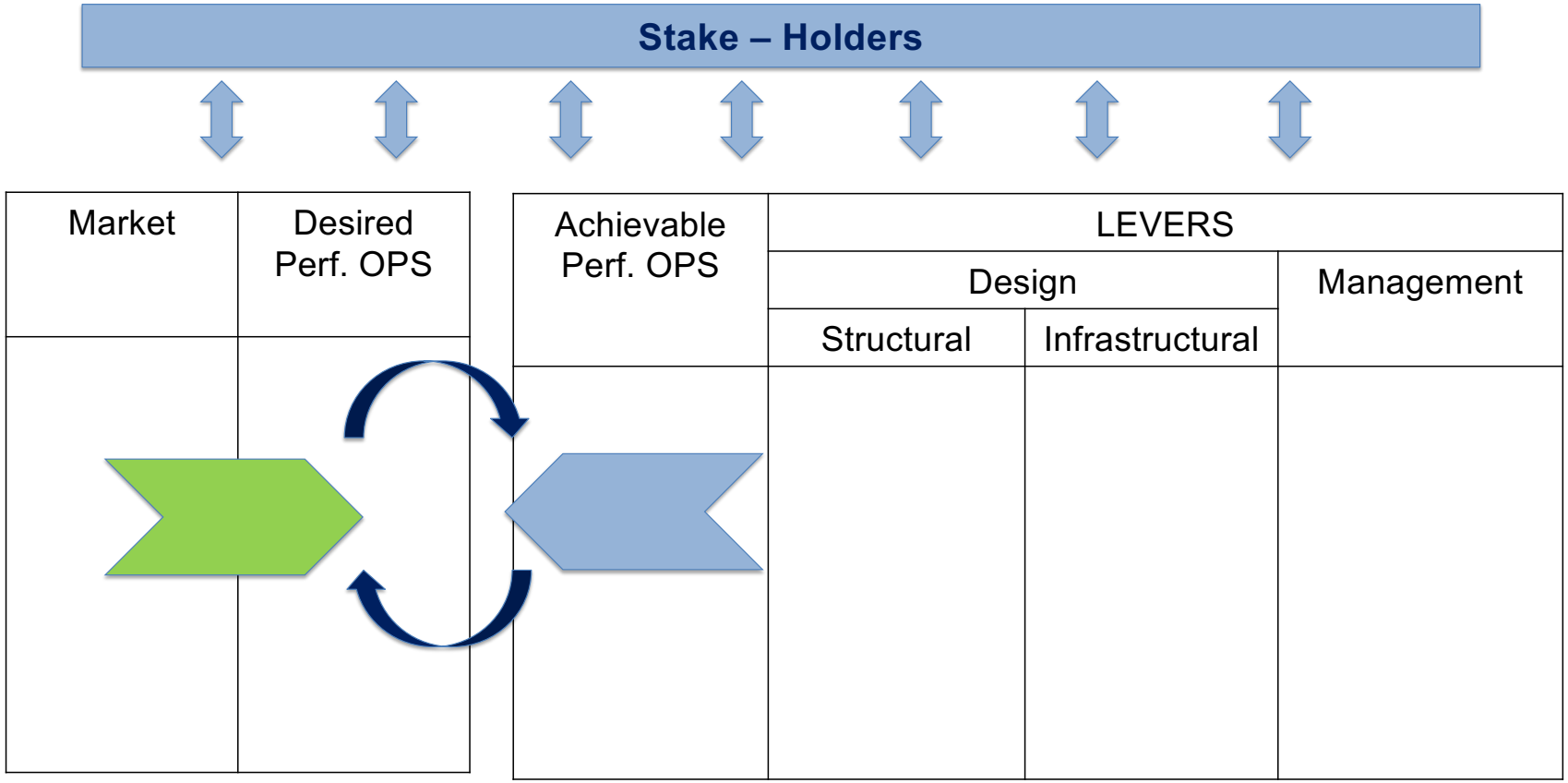
you have different levers (GAZ, brake, gear,...), condition of envioremnt,

find the relationship between levers and performances. ex: increasing the delivery speed => what are the levers ?

Objectives alignment: Reconciliation



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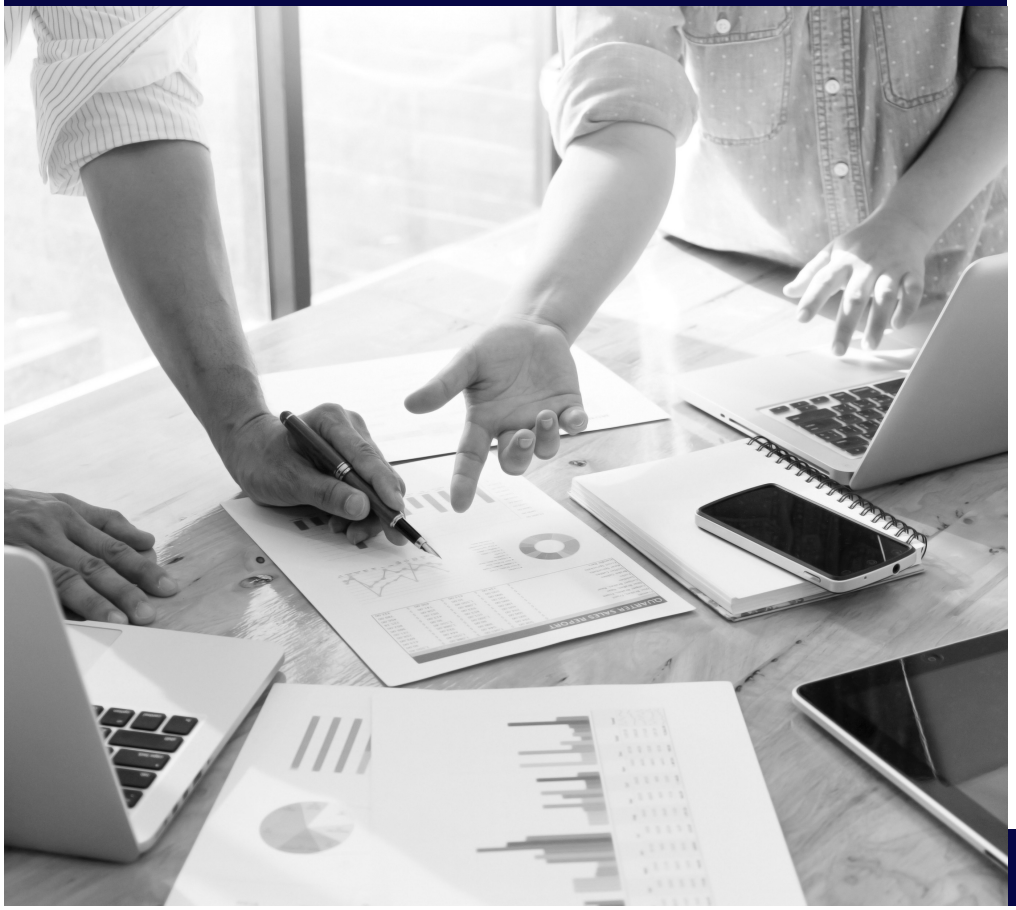
Strategic Levers



depending on company ...
there is a long list in refrences

1. Structural design

hardware, buidling, automations, ...

softwares, origaniaztional structure, process, activities

2. Infrastructural design

system

3. Delivery management

how to manage every day functionisng functions

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1. Structural design choices

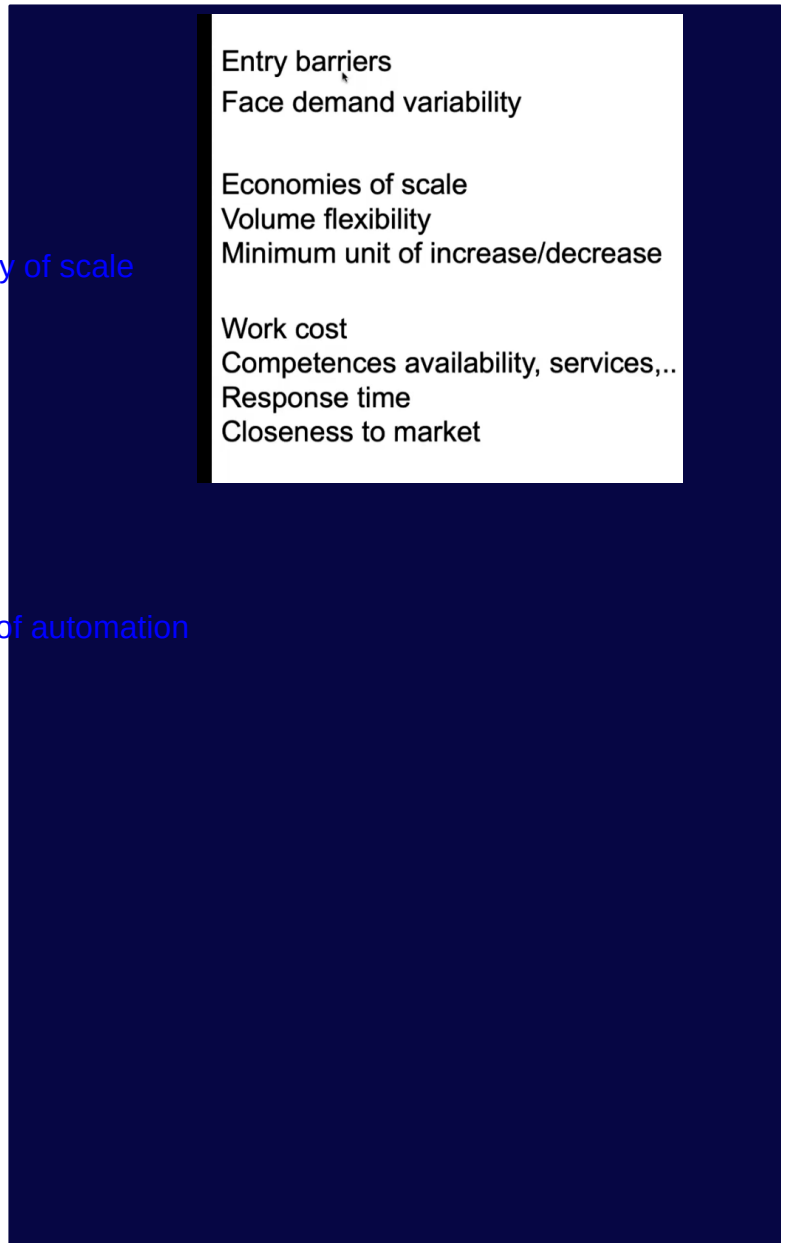
hardware

installed in company not production capacity

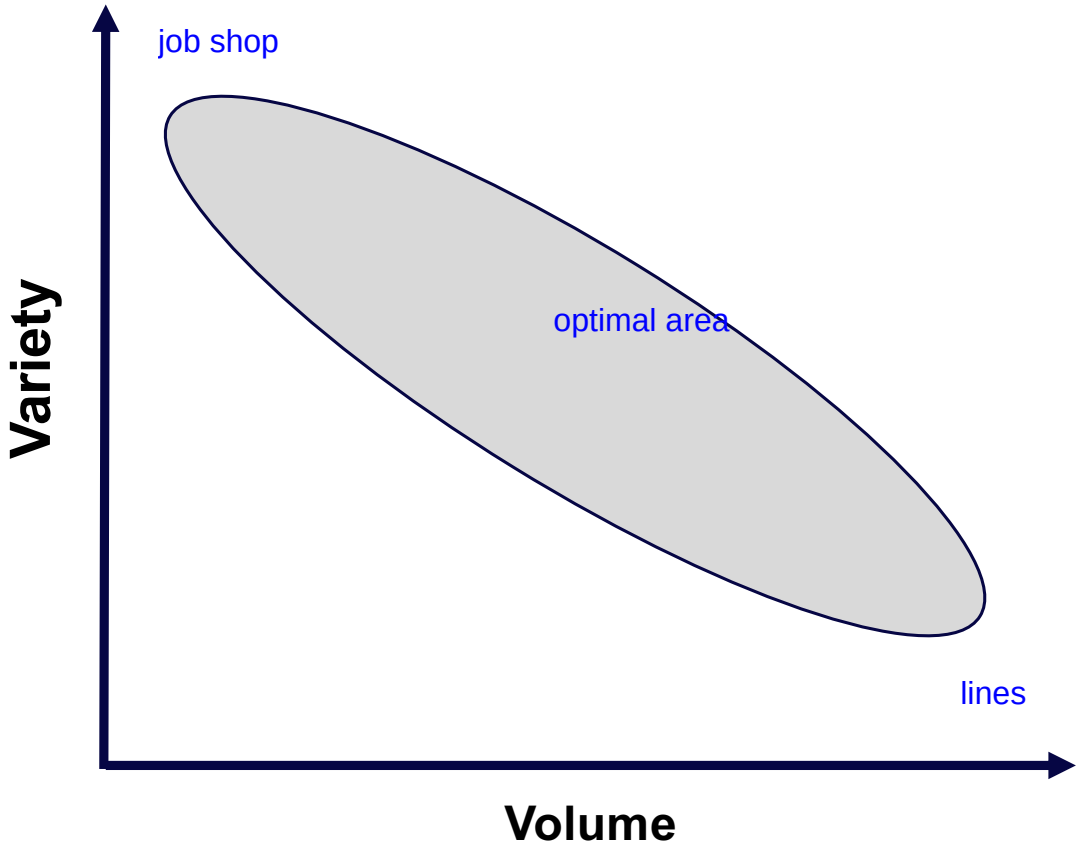
where to build factories

economy of scale

- Overall production capacity, its division and localization (coming up next)
- Strategic Make or Buy internal or outsource or buy
- Technologic process and equipment which one to adopt what degree of automation
- Mechanization/automation grade
- Plant system configuration (coming up next)
- Supply chain configuration (e.g. choosing the distribution channel)



Plant design: types of production systems



2. Infrastructural design choices

- Competences needed and their management
- Responsibility allocation
- Team vs individuals
- Managing by objectives or procedures
- Functions integration (Design and Manufacturing, Marketing and Planning, ...)
- Incentive system
- Information flows between:
  - Different functions
  - Different hierarchical levels

3. Delivery management choices

- Operations planning and control system
- Choice of how to meet demand (e.g. MTS, ATO, MTO) engineering to order
-
- Choice of how to realize the product
- Supply chain coordination systems
- Maintenance managing and realization systems preventive predictive , ...
- Continuous improvement systems

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Thank you!

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