

Operations Management

MGT355

HULT International
Business
School
GET PLUGGED IN TO THE WORLD



Operations strategy



Key operations questions

- ☐ *What is strategy and operations strategy?*
- ☐ *What is the difference between a 'top-down' and a 'bottom-up' view of operations strategy?*
- ☐ *What is the difference between a 'market requirements' and an 'operations resources' view of operations strategy?*



Operations strategy at Flextronics and Ryanair

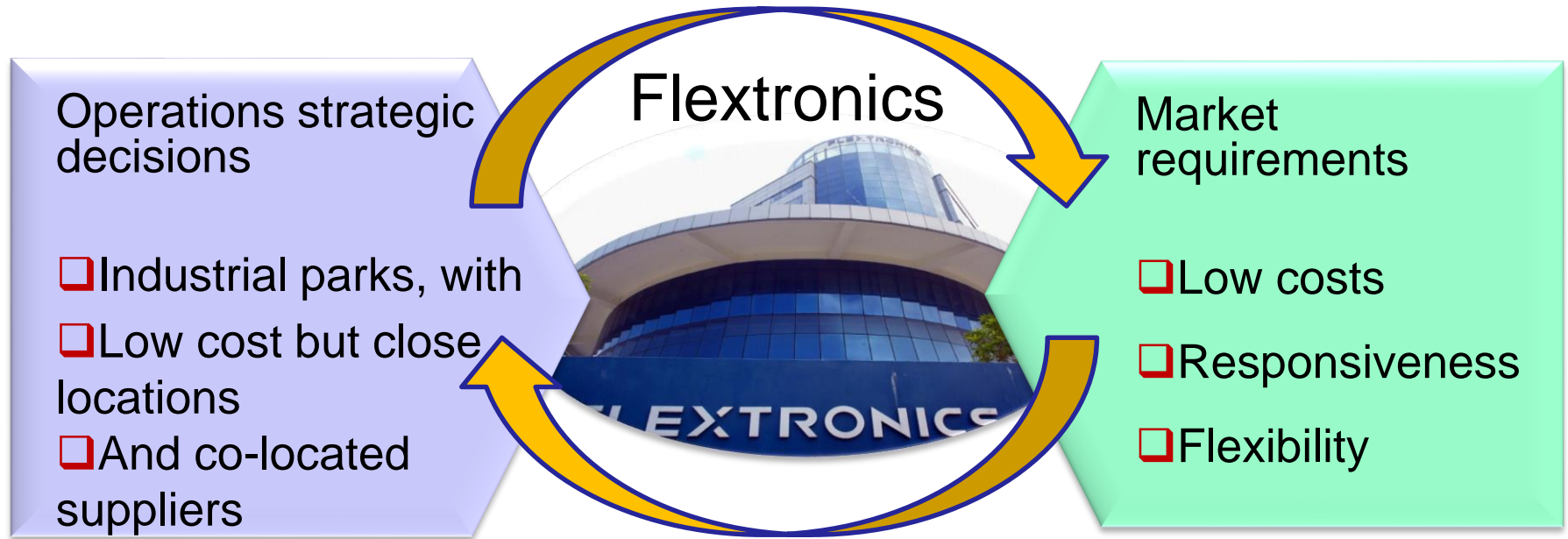


For each of these companies.....

1. What do they have to be good at to compete in their markets?
2. How do their operations help them to achieve this?



Operations strategy at Flextronics



Operations strategy at Ryanair



What is strategy?

- ❑ Setting broad objectives that direct an enterprise towards its overall goal
- ❑ Planning the path (in general rather than specific terms) that will achieve these goals
- ❑ Stressing long-term rather than short-term objectives
- ❑ Dealing with the total picture rather than stressing individual activities
- ❑ Being detached from, and above, the confusion and distractions of day-to-day activities.



Strategic decisions



Strategic decisions are 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, and move the organization closer to its long-term goals.

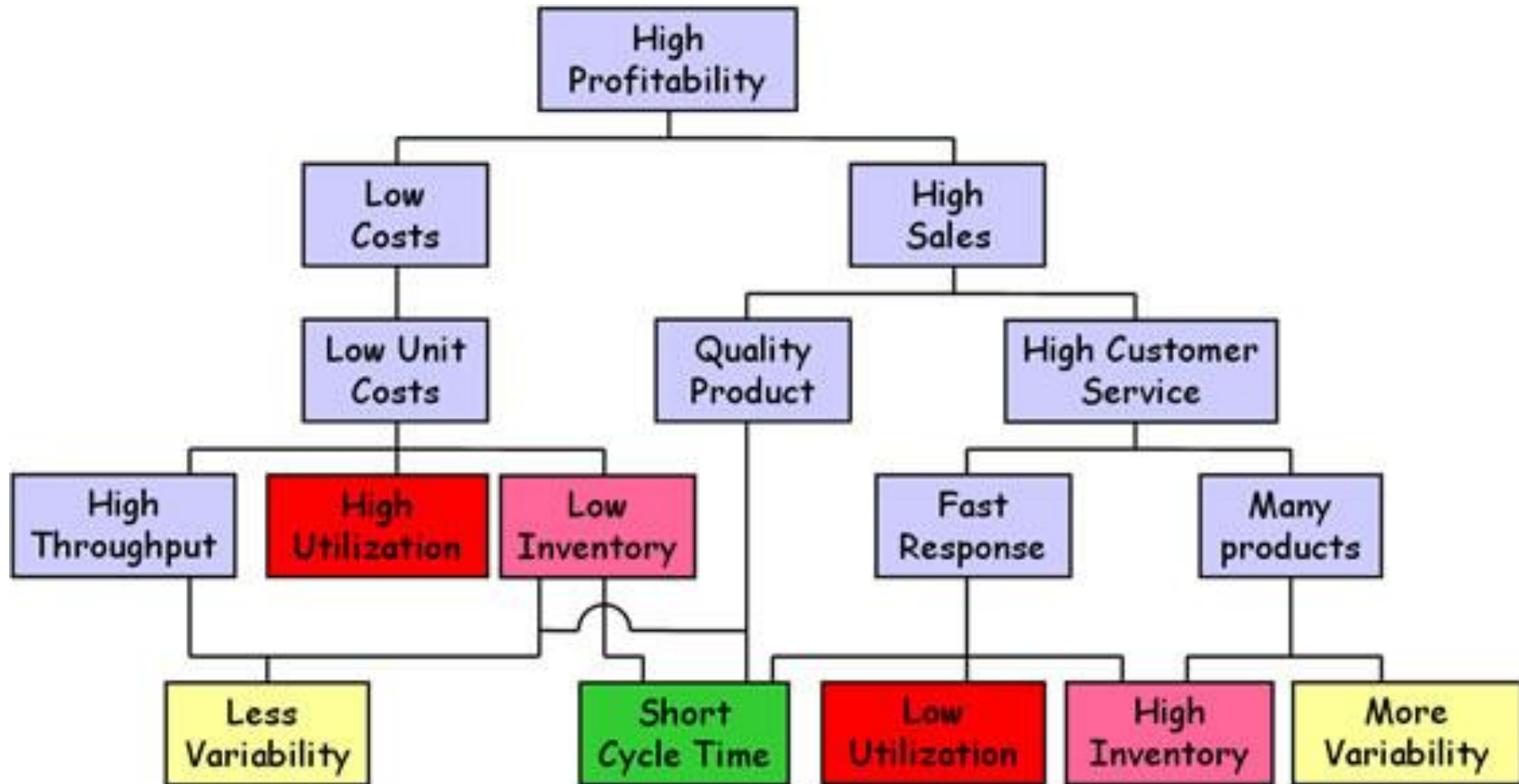


Porter's Generic Strategies

<i>Target Scope</i>	<i>Advantage</i>	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)



Strategy and Operations

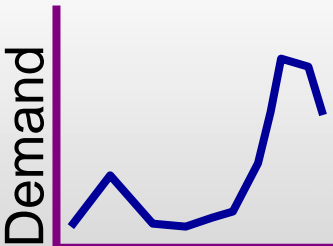
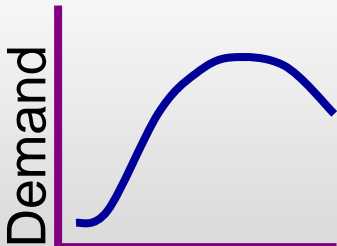


‘Operations’ is not the same as **‘operational’**

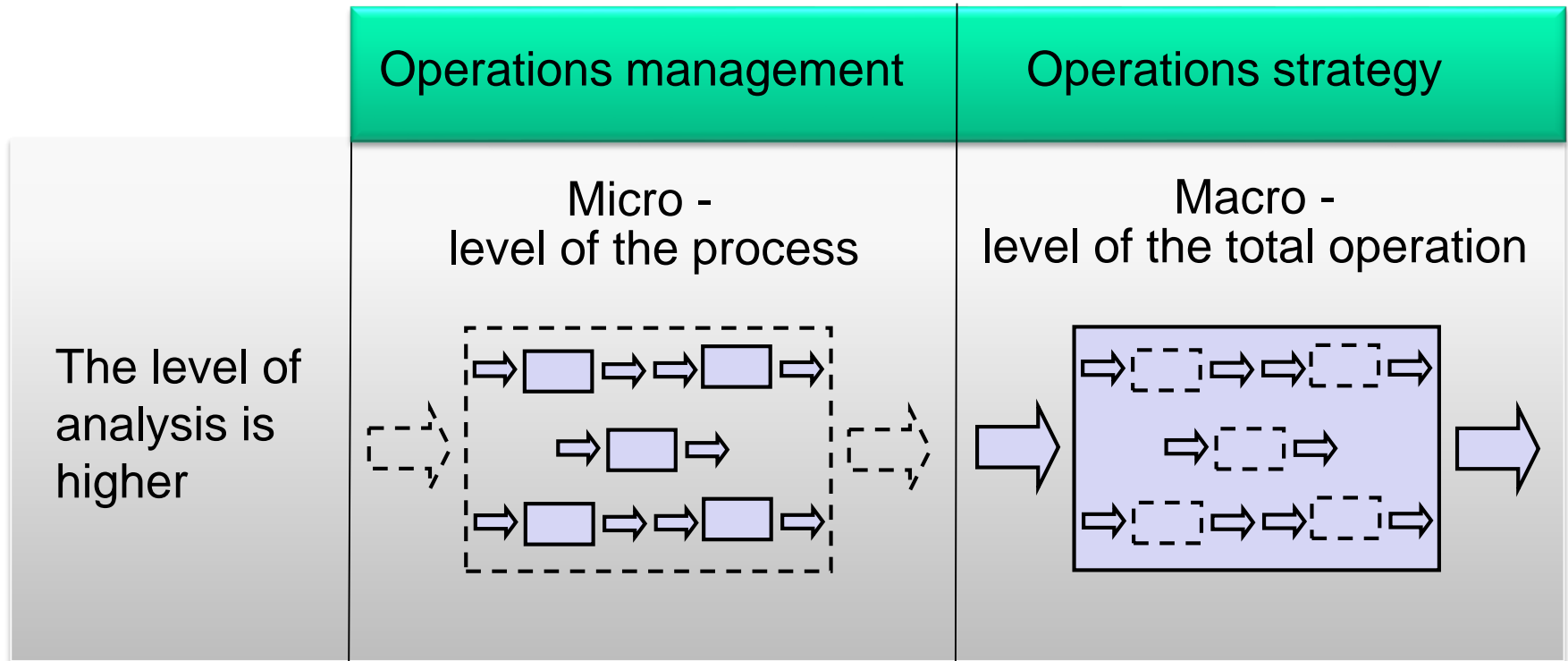
- **‘Operations’** are the resources that create products and services.
- **‘Operational’** is the opposite of strategic, meaning day-to-day and detailed.
- So, one can examine both the operational *and* the strategic aspects of operations.



How is operations strategy different to operations management?

	Operations management	Operations strategy
The time scale is longer...	<p>Short-term for example, capacity decisions</p>  <p>1-12 months</p>	<p>Long-term for example, capacity decisions</p>  <p>1-10 years</p>

How is operations strategy different to operations management?



How is operations strategy different to operations management?

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

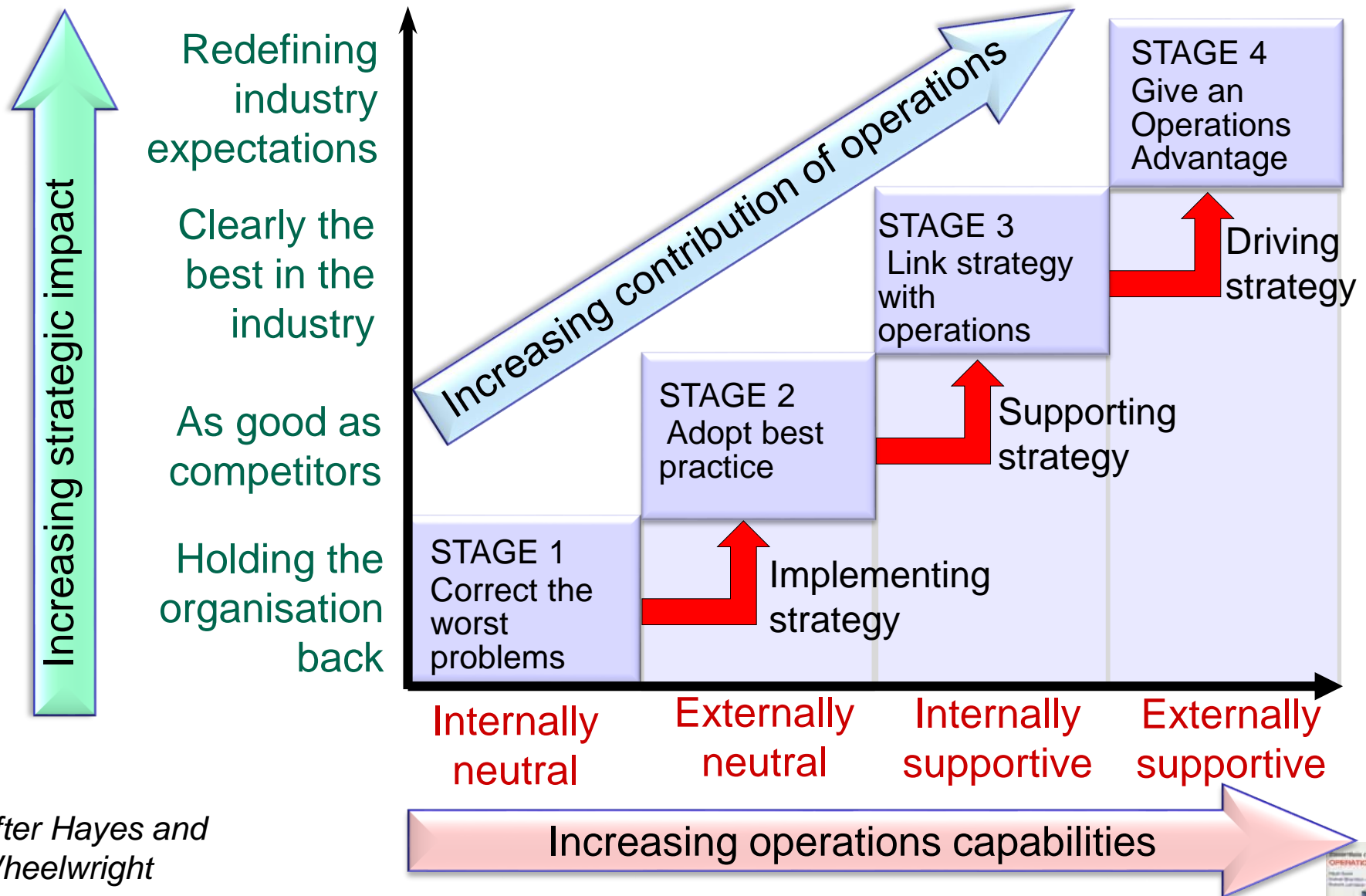


How is operations strategy different to operations management?

	Operations management	Operations strategy
The level of abstraction is higher	<p>Concrete</p> <p>For example</p> <p><i>“How do we improve our purchasing procedures?”</i></p>	<p>Philosophical</p> <p>For example</p> <p><i>“Should we develop strategic alliances with suppliers?”</i></p>



The 4 stage model of operations contribution



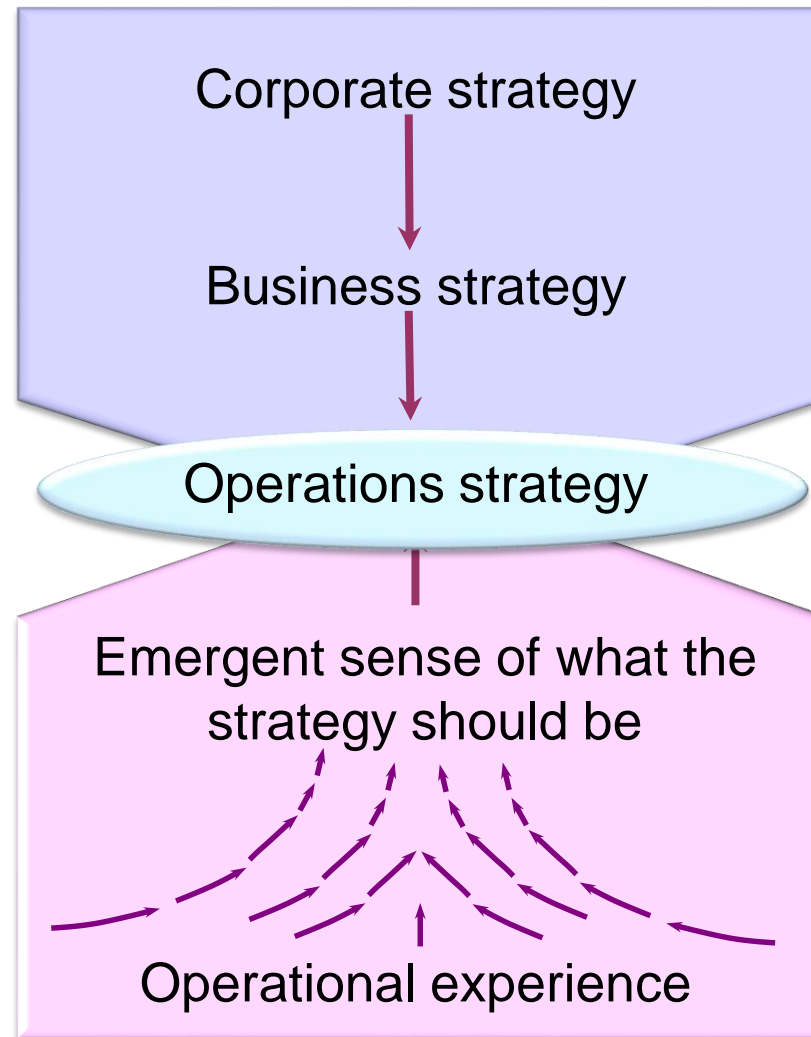
After Hayes and Wheelwright



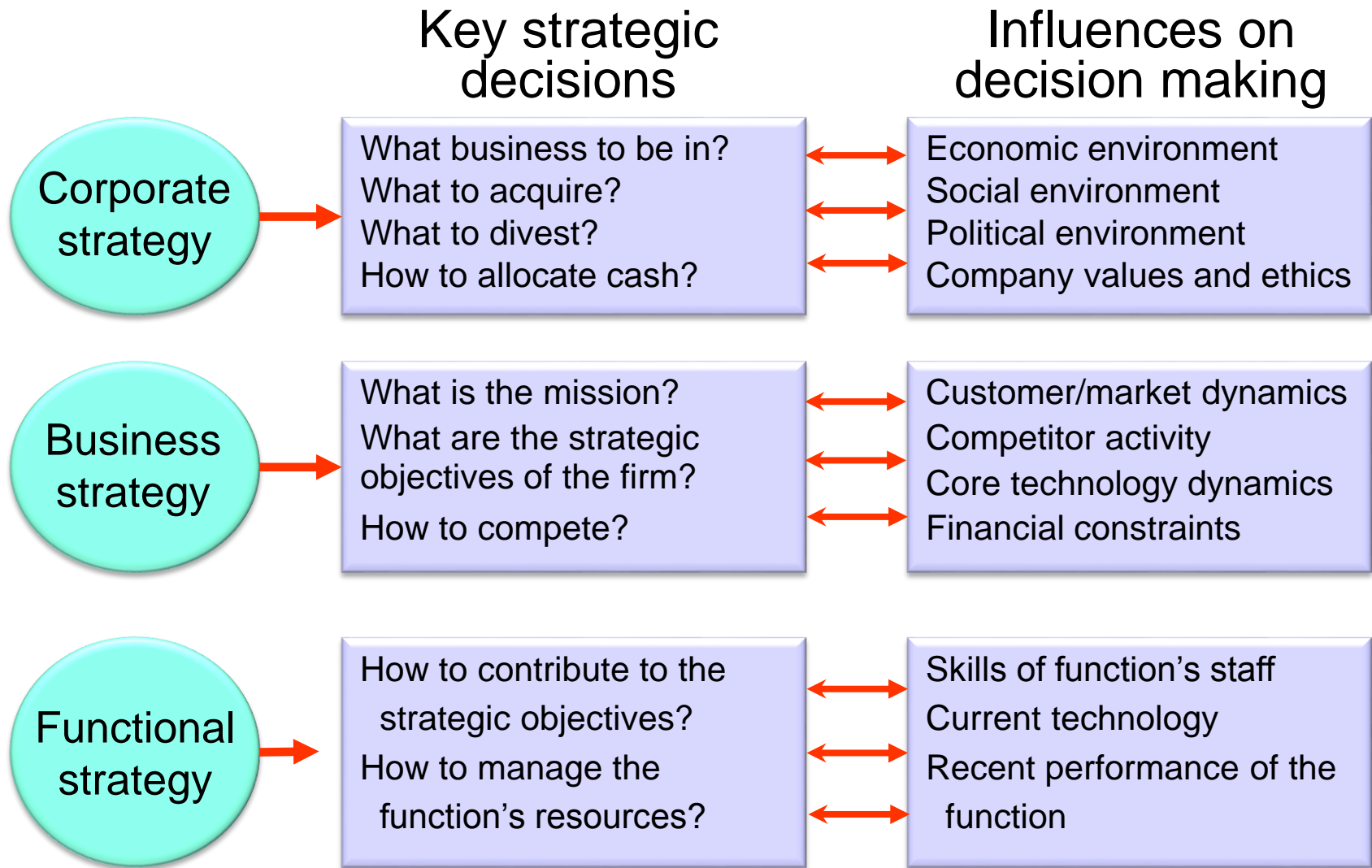
The four perspectives on operations strategy



Top-down and bottom-up perspectives of strategy

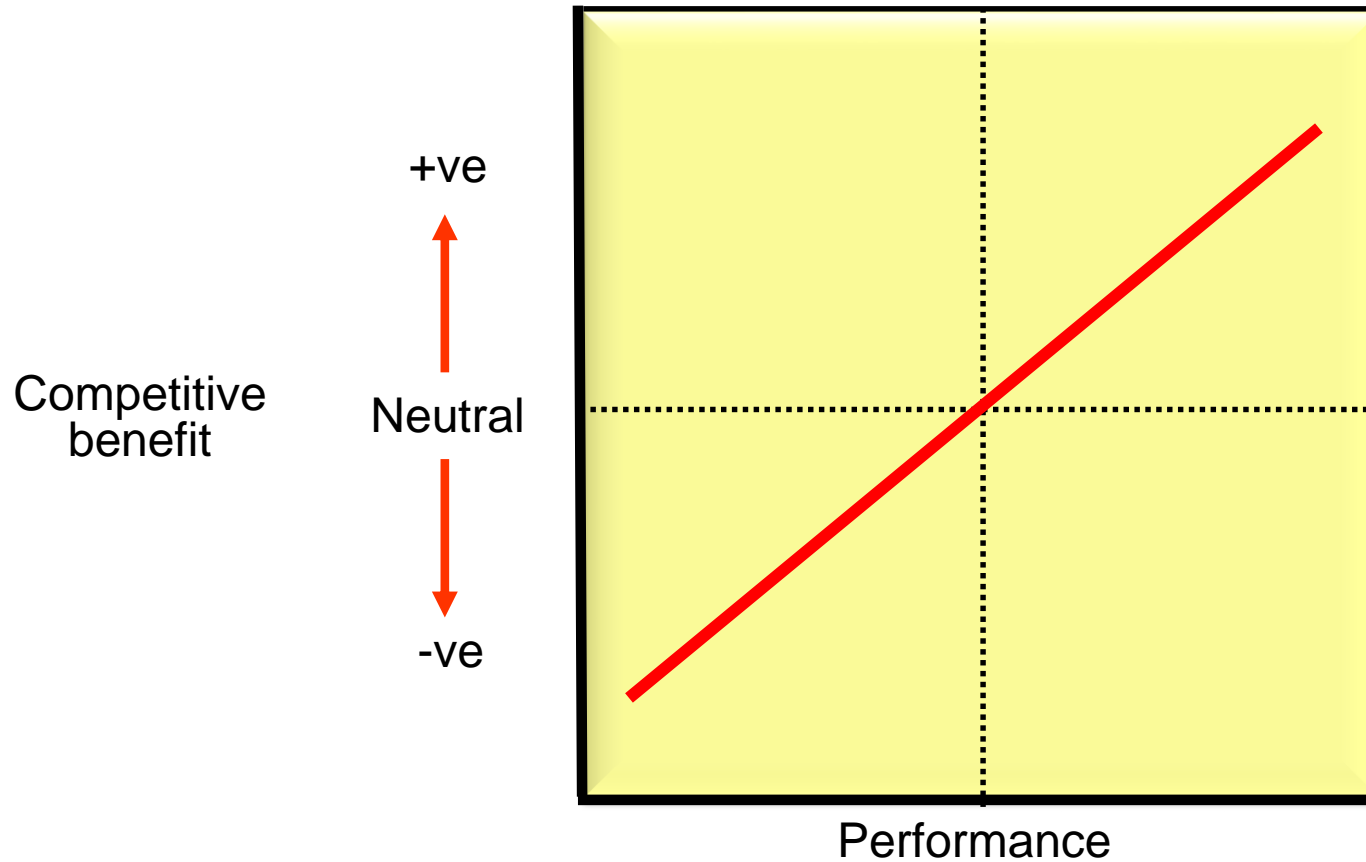


The strategy hierarchy



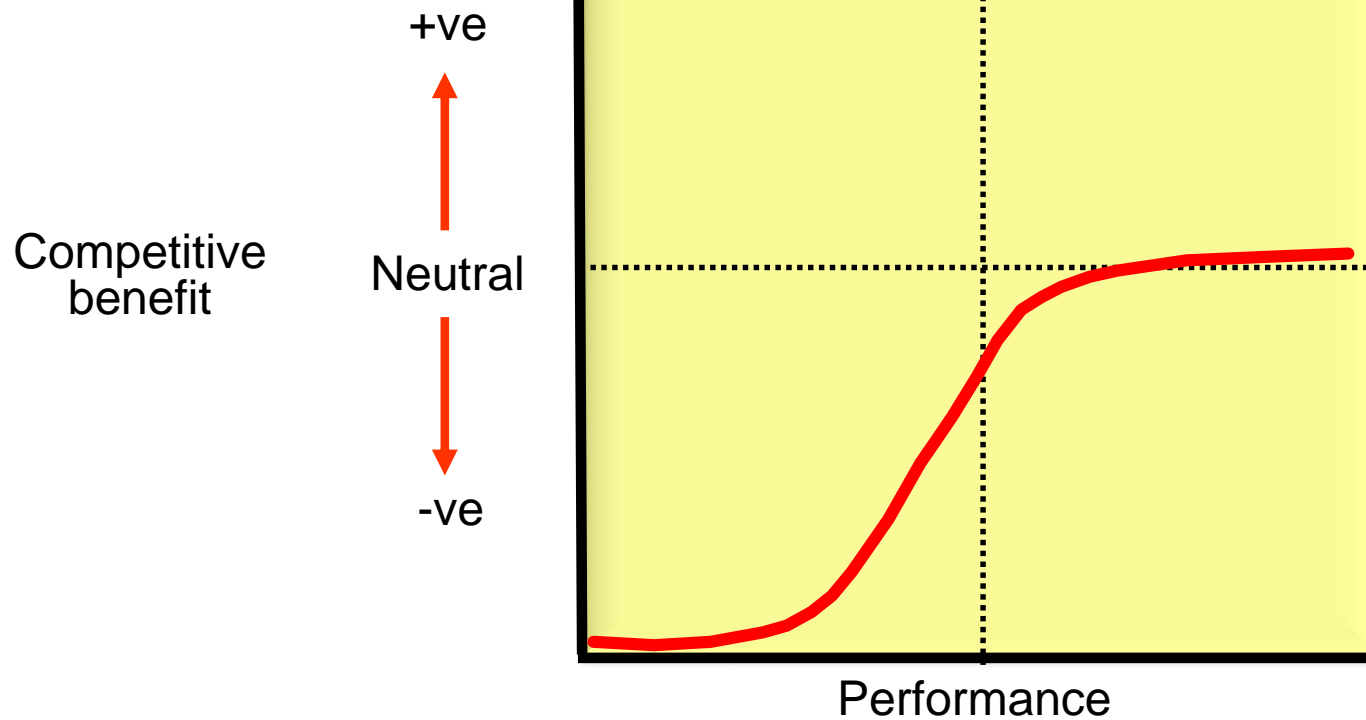
Order-winning, qualifying and less important competitive factors

Order-winning factors



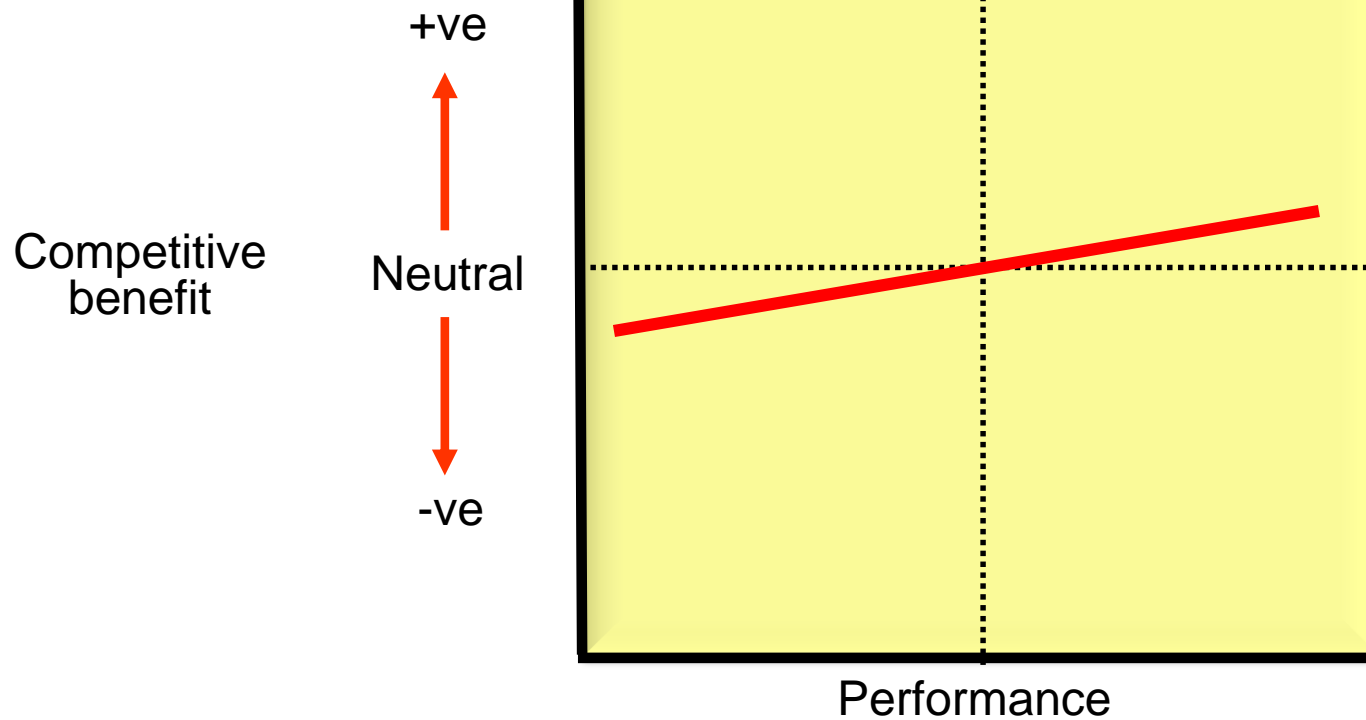
Order-winning, qualifying and less important competitive factors

Qualifying factors

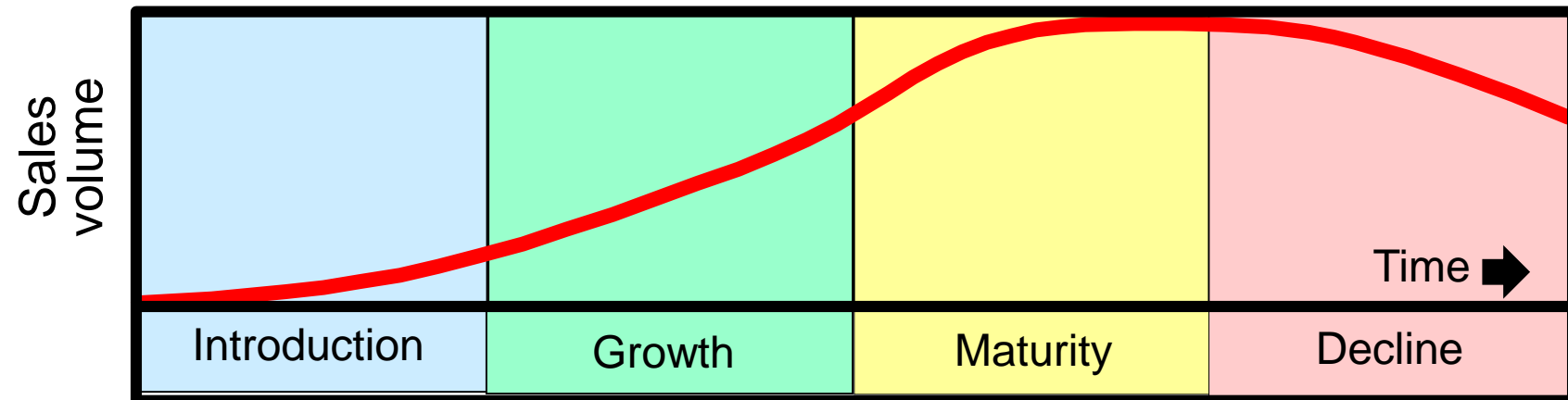


Order-winning, qualifying and less important competitive factors

Less important factors



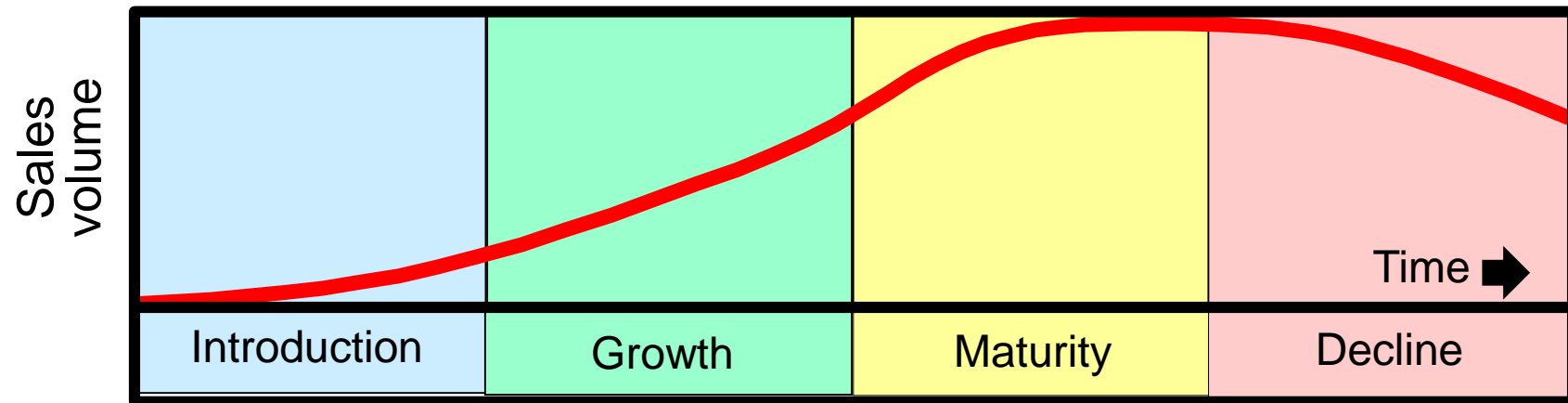
The effects of the product / service life cycle



Volume	Slow growth in sales	Rapid growth in sales volume	Sales slow and level off	Market needs largely met
Customers	Innovators	Early adopters	Bulk of market	Laggards
Competitors	Few/none	Increasing numbers	Stable number	Declining numbers
Variety of product/ service design	Customization or frequent design changes	Increasingly standardized	Emerging dominant types	Possible move to commodity standardization



The effects of the product / service life cycle



Likely order winners

Product/
service
characteristics

Availability
Quality

Low price
Dependable
supply

Low price

Likely
qualifiers

Quality
Range

Price
Range

Quality
Range

Dependable
supply

Dominant
performance
objectives

Flexibility
Quality

Speed
Dependability
Quality

Cost
Dependability

Cost



Different competitive factors imply different performance objectives

Competitive factors
If the customers value these ...

Low price

High quality

Fast delivery

Reliable delivery

Innovative products and services

Wide range of products and services

The ability to change the timing or quantity of products and services

Performance objectives
Then, the operations will need to excel at these ...

Cost

Quality

Speed

Dependability

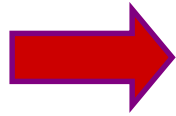
Flexibility (products/services)

Flexibility (mix)

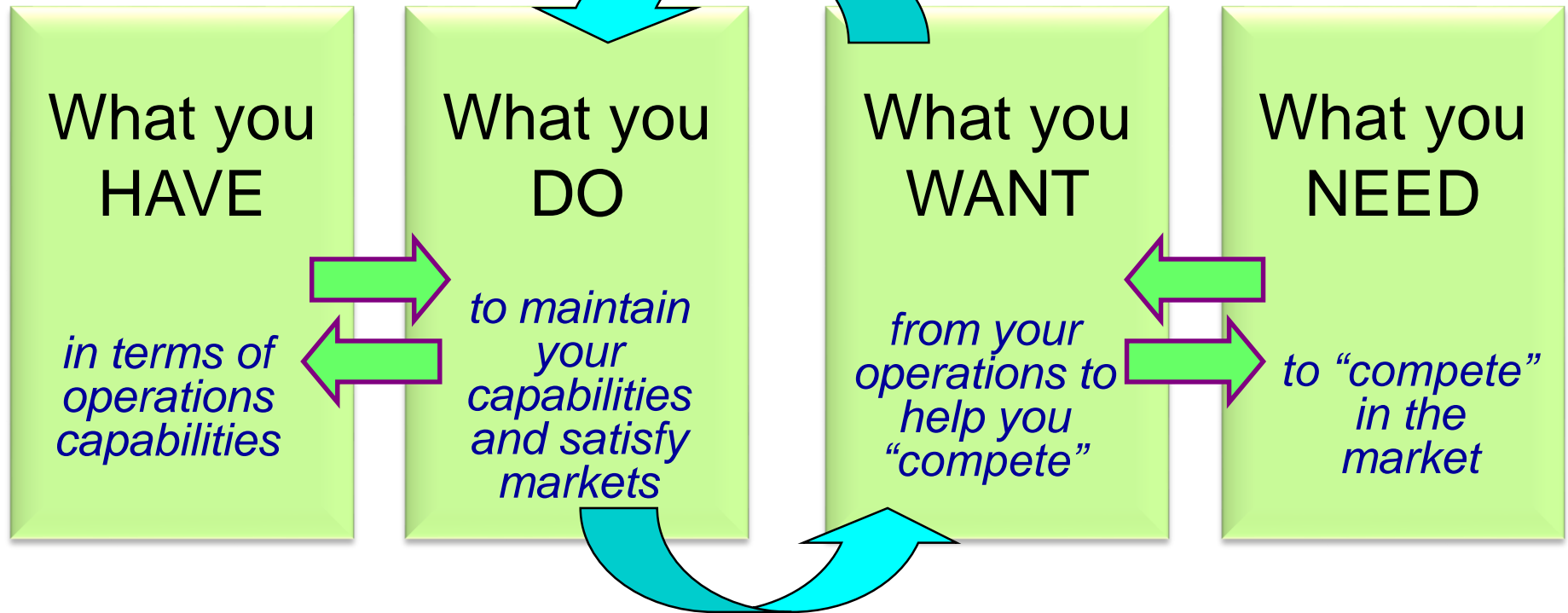
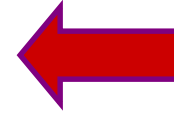
Flexibility (volume and/or delivery)



Operations
Resources



Market
Requirements



**Strategic
Reconciliation**



