

## OPERATIONS STRATEGY: A PRACTICAL VIEW<sup>1</sup>

### INTRODUCTION

Much has been written in management literature about business and operations strategy. The aim of this note is not to delve into already published knowledge, but to collect it and reflect it in a document that extracts its essence which is easy to understand for inexperienced people or those with little knowledge (although they need to have business experience). It is also intended to provide knowledge with practicality.

**Business strategy** has to provide a way and be a guide that allows company survival in the long term. For this reason, it is necessary that external and internal (employees) clients, suppliers and shareholder's needs are always satisfied.

On the other hand, **operations strategy** should be integrated with business strategy, it should be reflected in a formal plan and it should produce a consistent decision-making pattern as a result. The strategy should provide competitive advantages in order to add to marketed products or services certain features which are able to bring value to customers. These features are called "*distinctive competencies*".

Operations are not aligned with business strategy in several companies. It is not unusual that decision-making in operations shows inconsistencies, having a short term approach. As a result, operations are isolated from the company and synergies with other areas break down.

This note recommends the development of an operations strategy derived from the business strategy that helps the company to become more competitive and thus more profitable. We offer the reader a model to order his ideas and to assist the development of his own operations strategy.

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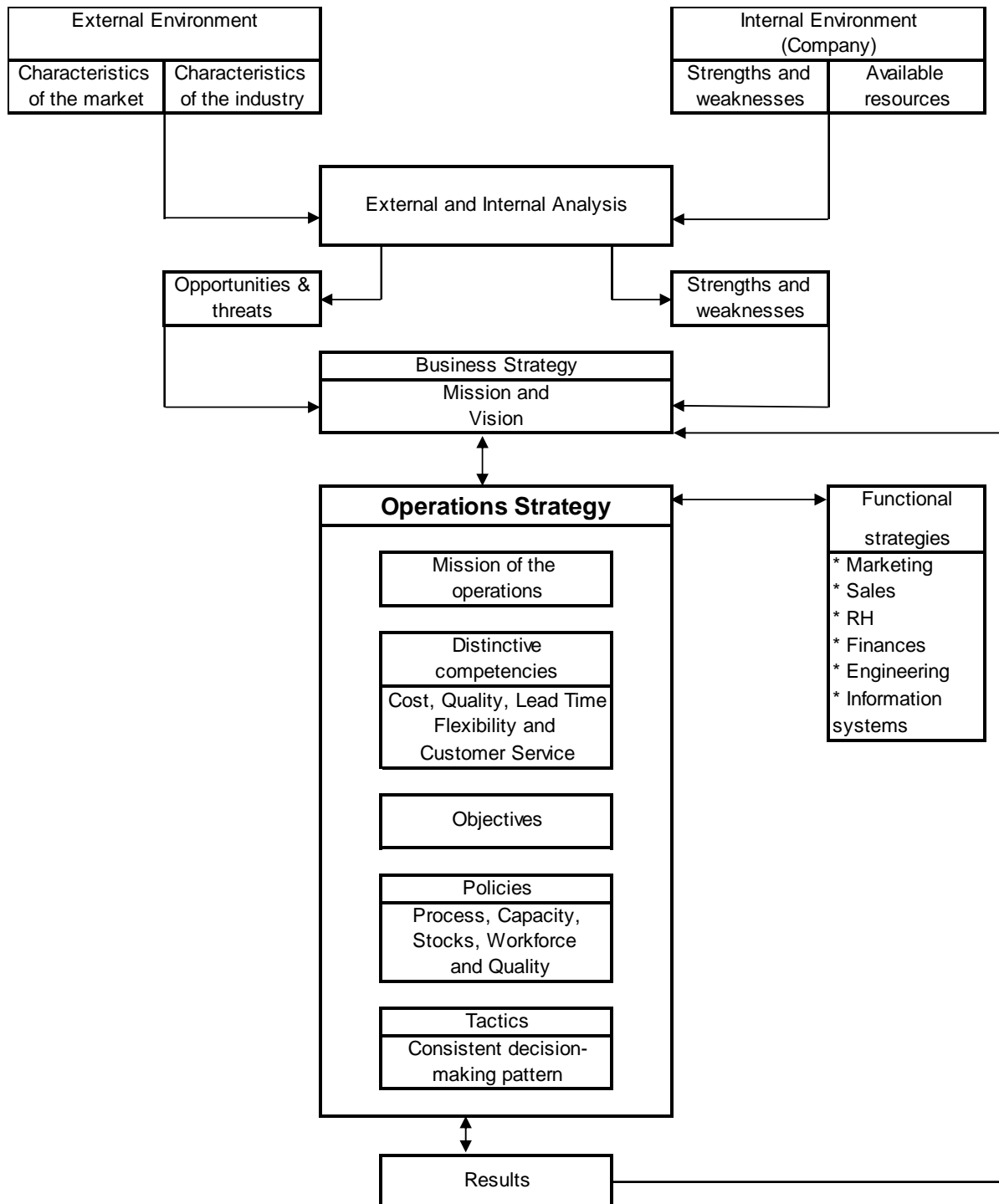
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**OPERATIONS STRATEGY ELEMENTS**

Operations strategy is a specific set of actions which are chosen, ordered or stimulated by the company's general strategy and implemented from Operations (see figure 1).

**Figure 1**  
**Operations strategy, its elements and business strategy relationship**



Operations strategy must lead decision-making and the taking of operations actions, consistently united with distinctive competencies. In simple terms, it should specify how the company will produce and manage its distinctive competencies.

In the long term, it is dedicated to establish and develop operations resources in the best possible way. This means that there is a high degree of compatibility between these resources and business strategy.

Some of the key issues include long term decisions related to capacity, location, processes, technology and terms. We must not forget that decision-making in operations will greatly define the company's financing needs and the type of personnel required.

In order to achieve *world class*<sup>2</sup> status through operations, these must be coherently integrated with the rest of the company's functions.

Operations must fulfil two important roles to strengthen the company's general strategy:

- From an internal point of view, operations must provide a management system to the company in order to gain competitive advantage in the market.
- From an external point of view, operations must promote the company to be able to supply superior products and services, through their distinctive competencies, in order to be the best option for customers.

Operations strategy must lead to the development of policies, as much in the choice of processes as in the design of the infrastructure (controls, procedures, systems, etc.), which are consistent with the distinctive competencies. Several companies share access to the same technologies, meaning that these areas do not usually differ from one company to another. What makes them different are the shape and the degree in which their processes and infrastructures are coordinated in order to produce distinctive competencies.

## **STRATEGIC DECISIONS IN OPERATIONS**

An operations strategy suitably established helps to choose appropriate courses of action in order to achieve the goals set by the organisation.

Several strategic decisions have to be taken under the responsibility of Operations.

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<sup>2</sup> Being a world class company means that the company's excellence in management is similar to that in the best organizations internationally. These organizations are effective and efficient in the usage of resources, they have high customer satisfaction, they have organized, aligned and integrated processes with reliable, efficient and appropriate information systems and they have mutually beneficial relationships with their suppliers, among other characteristics.