

From Business Strategy to Operations Strategy

Lecturer : Mr. Vaibhav Sai Sri



European Institute of Innovation, Entrepreneurship and Technology

Lessingstraße 79,

13158 Berlin, Germany.

Email: info@eiiet.com

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Learning Objectives

- To understand the role of operations management within an organisation.
- Identify the relationship of organisational management with the corporate and business strategy.
- Evaluate how operations strategy supports competitive priorities.
- Study the transformational model and identify transformed and transforming resources.
- Distinguish between manufacturing and service operations.
- Study the process types and their implications to the business organisation.
- Identify structural and infrastructural decision areas in operations management.
- Evaluate capacity planning, facility location, and layout decisions.

Introduction- Business Strategy

- It is the long-term organisational plan which it uses to compete effectively within a specific industry or market.
- It defines how the firm creates value for customers and achieves a sustainable competitive advantage over rivals.
- It focuses on:
 - ❖ The **target market** the firm chooses to serve.
 - ❖ The **value intention** it offers.
 - ❖ The **competitive priorities** that guide operational decisions.
 - ❖ The **allocation of resources** to support those priorities.

Introduction- Business Strategy, Cont.

- It helps in answering “How will the organisation compete and win in its chosen market”?
- It is of three types:
 - ❖ **Corporate Strategy** for the overall scope and long-term direction.
 - ❖ **Business Strategy** identifies how the organisation competes in a specific market.
 - ❖ **Functional Strategy** for executing business strategy into departmental plans.

Key message:

Operations strategy is not stand alone.

It is derived from business strategy.



Corporate, Business and Functional Strategy : An understanding

It defines:

- Target customers.
- Value proposition.
- Basis of competition.

1. Corporate strategy:

- defines the overall scope and direction.

Key Decisions involves:

- Diversification vs. specialisation
- Mergers and acquisitions
- Vertical integration
- Global expansion

Corporate, Business and Functional Strategy : An understanding, Cont.

- Global expansion
- Allocation of resources across business units

2. Business Strategy:

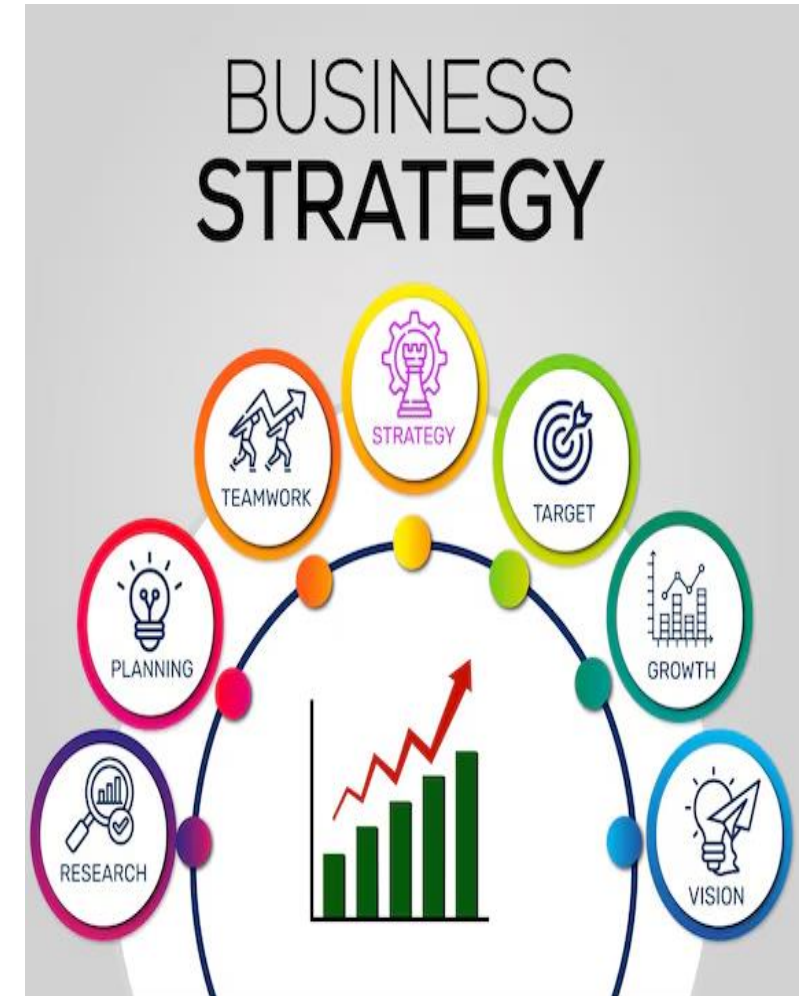
-determines how the firm competes.

3. Functional Strategy:

- identifies departmental level strategies that support business strategy.

It helps:

- Translating business strategy into departmental action plans.
- Allocate resources and build capacity.
- Coordinate with other functions.



Strategic Role of Operations in Organisation

- **Alignment with Organisational Strategy** that support the corporate and business strategies.
- **Creation of Competitive Advantage** that enable firms to deliver superior value to customers.
- **Process Design and Efficiency** that improves productivity, reduces waste, and ensures consistent quality.
- **Capacity and Resource Planning** which ensure that organisation meet demand efficiently at minimal cost.
- **Supply Chain Integration** across the supply chain which allows business to enhances organisational responsiveness.
- **Quality Management and Continuous Improvement** by implementing systems such as Total Quality Management (TQM), Lean operations, and Six Sigma.
- **Innovation and Technology Adoption** due to implementing advanced technologies, automation, and digital systems.

Competitive Priorities in Operations Management

- **Cost (Low-Cost Operations)** by producing goods or services at the lowest possible cost while maintaining quality.
- **Quality (High Product and Service Quality)** that meet or exceed customer satisfaction, brand reputation, and long-term competitiveness.
- **Fast Response Time** by align operations such that services are delivered as soon as orders are posted.
- **Delivery Reliability (Dependability)** by providing service/products within the time as promised.
- **Flexibility** for adapting to changes in demand and product variety.
- **Sustainability and Environmental Responsibility** by implementing practices like reducing waste, conserving energy, and minimising carbon footprint of the operation.

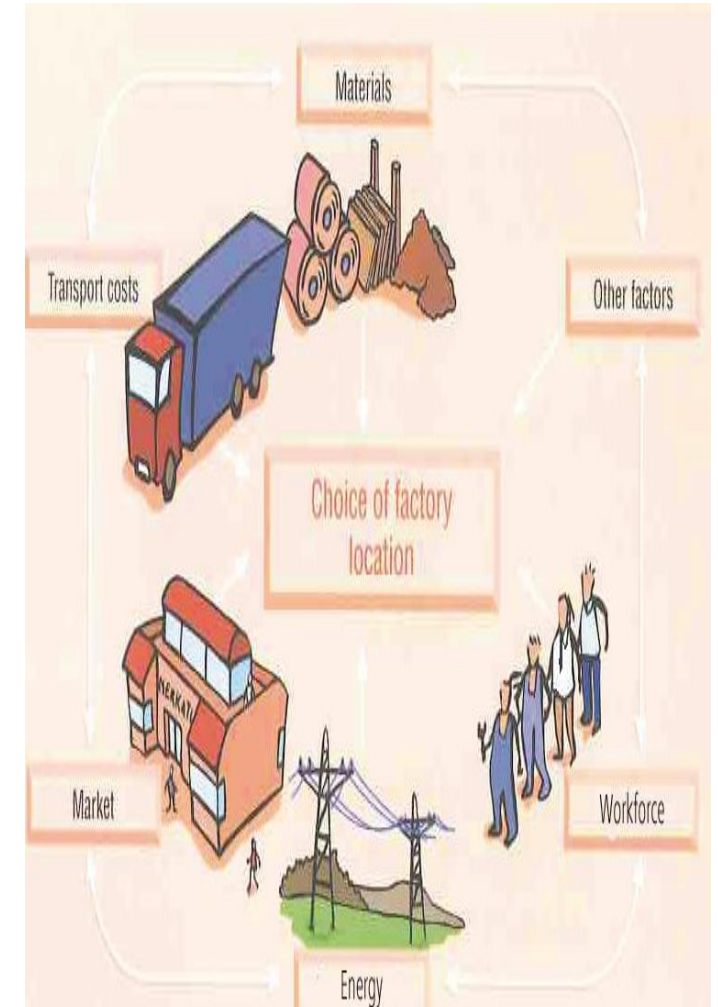


Role of Operations in Achieving Competitive Advantage

- **Efficient Resource Utilisation** which minimises production costs and improves productivity that help business long-term survivability.
- **Improving Product and Service Quality** by maintaining high quality standard through process control, standardisation, and other procedure.
- **Speed and Responsiveness to Customer Demand** allowing business to respond fast to improve customer experience.
- **Operational Flexibility** allows companies to introduce new products and customise services.
- **Integration with Supply Chain Activities** which ensure smooth supply chain coordination during the production and delivery of service.
- **Building Operational Reliability and Consistency** that builds trust with customers and business partners.

Strategic Decision-Making in Operations

- **Process Strategy Decisions** help in deciding how goods and services will be produced or delivered.
- **Capacity Planning** helps avoiding underutilisation or shortages and ensures smooth operational performance.
- **Facility Location Decisions** by considering factors like transportation costs, market proximity, labour availability, etc.
- **Facility Layout Design** to optimise workflow, reduce delays, and improve operational efficiency.
- **Technology and Equipment Selection** by choosing appropriate technologies, machinery, and information systems that fasten service delivery.



Strategic Decision-Making in Operations, Cont.

- **Supply Chain and Supplier Management** for ensuring smooth material flow and timely delivery.
- **Quality Management Systems** for monitoring and improving product and service quality.
- **Workforce and Human Resource Planning** which ensures that employees can effectively support operational goals.
- **Inventory Management** for deciding how much inventory to maintain and when to replenish it.
- **Continuous Improvement and Innovation** to maintain competitiveness by encouraging process improvement, adoption to new technologies and others.



Operations in Manufacturing Industries

- **Transformation of Raw Materials into Finished Goods** through structured production processes.
- **Production Planning and Scheduling** by deciding what products will be produced and when.
- **Process Selection and Production Systems** by deciding on product variety, production volume, and efficiency requirements.
- **Quality Control and Standardisation** by monitoring production processes and detecting defects to ensure that products meet customer expectation.
- **Inventory and Materials Management** which ensure that materials are available when needed.
- **Technology and Automation in Production** that improve productivity, reduce human error, and increase efficiency.
- **Maintenance and Equipment Management** to prevent production disruptions.
- **Cost Control and Productivity Improvement** through efficient resource utilisation, waste reduction, and process optimisation.

Operations in Service Industries

- **Service Delivery and Customer Interaction** to ensure that services are delivered as demanded.
- **Service Process Design** by organising service workflows, identifying steps, and ensuring that resources support smooth service operations.
- **Quality of Service and Customer Satisfaction** by emphasising on high levels of service quality.
- **Human Resource Management in Services** by focusing on recruiting, training, and motivating staff to provide high-quality customer service.
- **Technology and Digital Services** to improve efficiency and customer experience regarding the service being delivered.
- **Service Flexibility and Customisation** to meet individual customer needs by quickly adapting and offering personalised experiences.
- **Performance Measurement in Services** by evaluating performance through indicators such as waiting time, service speed, and service reliability.

Differences Between Goods and Service Operations

Aspect	Goods Operations (Manufacturing)	Service Operations
Nature of Output	-Produces tangible products that can be seen, touched, and owned (e.g., cars, electronics, clothing).	- Produces intangible services that cannot be physically possessed (e.g., healthcare, education, hospitality).
Customer Involvement	- Customers usually do not participate directly in the production process.	- Customers are often directly involved in the service delivery process.
Inventory and Storage	- Products can be stored as inventory and sold later.	- Services cannot be stored; they must be delivered when the customer requires them.

Differences Between Goods and Service Operations, Cont.

Aspect	Goods Operations (Manufacturing)	Service Operations
Production and Consumption	- Production and consumption occur separately; goods are produced first and consumed later.	- Production and consumption occur simultaneously while the service is being delivered.
Quality Measurement	- Quality can be measured through objective standards, specifications, and defect rates.	-Quality is often subjective and depends on customer perception and experience.
Location of Operations	- Facilities are often located based on cost efficiency, logistics, and access to raw materials.	- Service facilities are usually located close to customers to improve accessibility.

Differences Between Goods and Service Operations, Cont.

Aspect	Goods Operations (Manufacturing)	Service Operations
Standardisation	Manufacturing processes are usually highly standardised to increase efficiency.	Services often require customisation to meet individual customer needs.
Labour Intensity	Production relies more on machines, automation, and technology.	Services are generally more labour-intensive, relying on employee skills and interaction.
Production Process	Often uses assembly lines or continuous production systems.	Typically uses service processes involving direct interaction with customers.

Managing Customer Contact in Service Operations

- **Designing Service Processes for Customer Interaction** by organising service steps, ensuring clear communication, and structuring workflows.
- **Managing Service Encounters interaction** between the customer and service staff or systems to create a positive customer experience.
- **Balancing Efficiency and Customer Satisfaction** which demand attention to individual customer needs and expectations.
- **Managing Waiting Time and Queues** by deploying effective queue management systems that reduce waiting times and improve customer satisfaction.
- **Customer Feedback and Service Improvement** by collecting and analysing customer feedback to identify service gaps.
- **Service Standardisation and Consistency** which ensures that customers receive a consistent level of service quality.

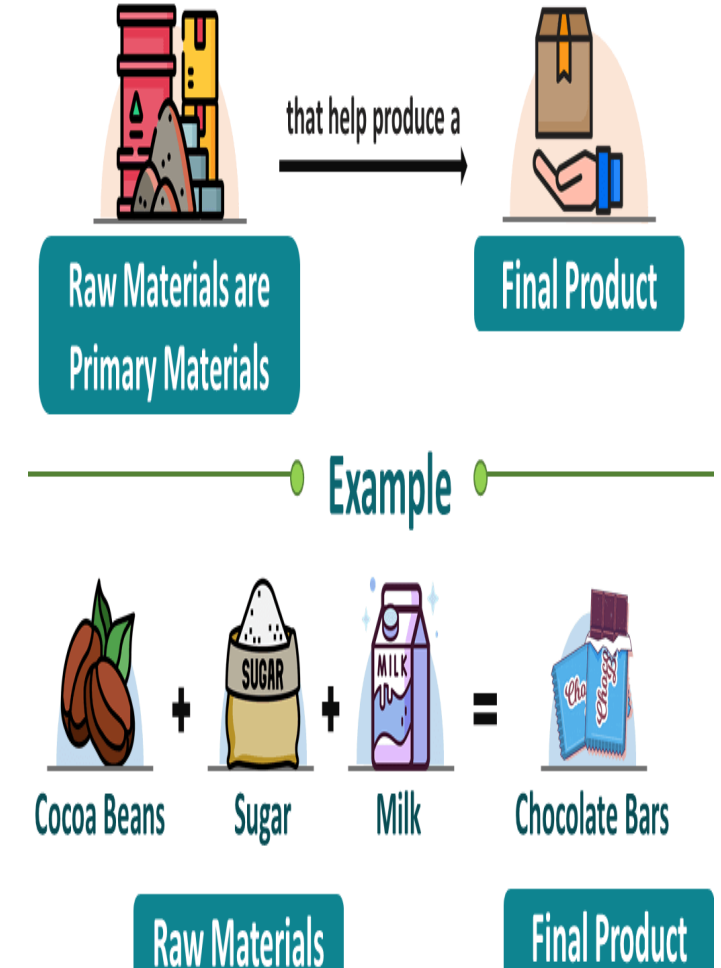
Transformed Resources

Types:

- **Materials as Transformed Resources** are raw materials that are converted into finished products through manufacturing processes.
- **Information as a Transformed Resource** like data which are collected, processed, analysed, and converted into useful outputs.
- **Customers as Transformed Resources** during the service process. Ex: in healthcare patients receive treatment; in education, students gain knowledge and skills.

Transformation Process:

- involves the use of transforming resources (such as facilities, machines, and employees) to convert transformed resources into outputs which create value for customers.



Transforming Resources

Types:

- **Human Resources (Workforce)** who operate machinery, manage processes and provide services to customer.
- **Facilities and Infrastructure** are physical environment where operations activities take place. Ex: factories, offices, hospitals, hotels, etc.
- **Equipment and Machinery** that help transform raw materials into finished products. Ex: machines, tools, and production equipment.
- **Technology and Information Systems** which help improve process control, decision-making, and operational efficiency.

Transformation Process:

- resources work together to perform the activities required to convert inputs into outputs.

Types of Transformation Processes

- **Physical Transformation** involves changing the form, shape, or composition of materials.
- **Locational Transformation** is the changing the location of goods or people from one place to another to create value.
- **Exchange Transformation** occurs when ownership of goods or services is transferred from seller to buyer.
- **Storage Transformation** involves stocking goods or materials until they are needed.
- **Physiological Transformation** refers to changes in the physical condition of people. Ex: healthcare services, medical treatments, fitness centers, tec.
- **Psychological Transformation** involves changing the mental state, knowledge, or emotional condition of customers.
- **Informational Transformation** refers to processing and converting data into useful information.

Outputs and Value Creation

Types of output:

- ❖ **Tangible**- manufactured products.
- ❖ **Intangible**- can not be measured in quantity but creates value to customers.

Stages involved in Value Creation:

- **Value Creation through Transformation** by transforming raw materials into finished products.
- **Customer Value and Satisfaction** by delivering products or services that meet expectations.
- **Operational Efficiency and Value Generation** by reducing waste, optimising resource utilisation, and improving productivity.
- **Innovation and Added Value** by introducing new products, improving processes, and adopting new technologies.



Measuring Operational Effectiveness

- Refers to the ability of an organisation to use its resources efficiently to produce goods or services.

It measures:

- **Productivity of the organisation** by using ratios such as output per labour hour or output per unit of input.
- **Quality Performance of the products** through indicators such as defect rates, customer complaints, product returns.
- **Cost Efficiency** by analysing production costs, operating expenses, and cost per unit of output.
- **Delivery Speed and Reliability** measure the time required to produce and deliver goods or services.
- **Capacity Utilisation** measures how effectively an organisation uses its production or service capacity.
- **Flexibility and Responsiveness** by adjusting to changes, product variety, or customer wishes.
- **Customer Satisfaction Metrics** measure if operational performance meets customer expectations and delivers value.

Quality Management in Operations

- Involves planning, controlling, and improving processes.

Strategies involved are:

- **Quality Planning** identifies customer needs, set performance standards, and develop procedures to meet exaptation.
- **Quality Control** monitors production or processes to detect and correct defects.
- **Quality Assurance** by focusing on defects and improve processes to ensure regulatory compliance.
- **Total Quality Management (TQM)** emphasises in maintaining and improving quality across all organisational activities.
- **Continuous Improvement** by minimising waste, improving efficiency, and enhancing product or service quality.

Tools used in Quality managements are:

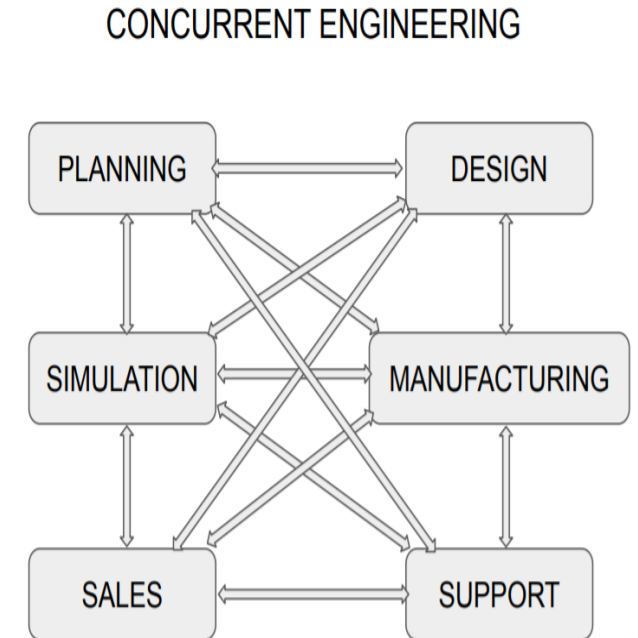
- control charts, process analysis, benchmarking, and performance measurement systems.

Speed and Time-Based Competition

- Refers to the strategic use of speed in operations to gain a competitive advantage.

Some strategies implemented are:

- **Quick Response to Customer Demand** improves competitiveness in rapidly changing business world.
- **Efficient Process Design** eliminates of unnecessary activities and help organisations complete operations faster.
- **Use of Technology and Automation** help reduce processing time and improve operational speed.
- **Supply Chain Speed and Coordination** with suppliers and logistics partners that ensure faster delivery of materials and finished goods.
- **Concurrent Engineering** to ensure that all the units works simultaneously to achieve objectives.



Dependability and Reliability

- Dependability refers to ability to deliver the service as promised.
- Reliability refers to consistent and stable service delivery.
- They both help in building long term customer trust in the organisation.
- Some of the strategies implemented are:
 - ❖ **Standardised Operating Procedures (SOPs)** to ensure tasks are performed reliably and uniformly.
 - ❖ **Effective Production Scheduling** to ensure that products/services are delivered on time as committed.
 - ❖ **Preventive Maintenance Programmes** by regularly maintaining machines, tools, and systems.
 - ❖ **Reliable Supplier and Strong Partners** to ensure timely delivery of raw materials and components.
 - ❖ **Quality Management Systems** reduce defects and ensure consistent performance.
 - ❖ **Inventory Buffer and Safety Stock** to prevent production delays caused by supply disruptions.

Flexibility in Dynamic Markets

- Refers to the ability to adapt to quick changes and requirements without compromising the quality.
- It has following types:
 - **Product Flexibility:** the ability of operations to produce a variety of products or services using the same production system.
 - **Volume Flexibility:** the capacity of organisation to increase or decrease production levels based on demand fluctuations
 - **Mix Flexibility:** the ability to change products or services produced without major disruptions.
 - **Delivery Flexibility:** allows organisations to adjust delivery schedules or respond to urgent customer requests.
 - **Use of Flexible Technologies:** allow organisations to modify production processes quickly and efficiently.
 - **Flexible Workforce Management:** enable organisations to respond effectively to changes.
 - **Supply Chain Flexibility:** help organisations respond quickly to supply disruptions.

Cost Control and Productivity

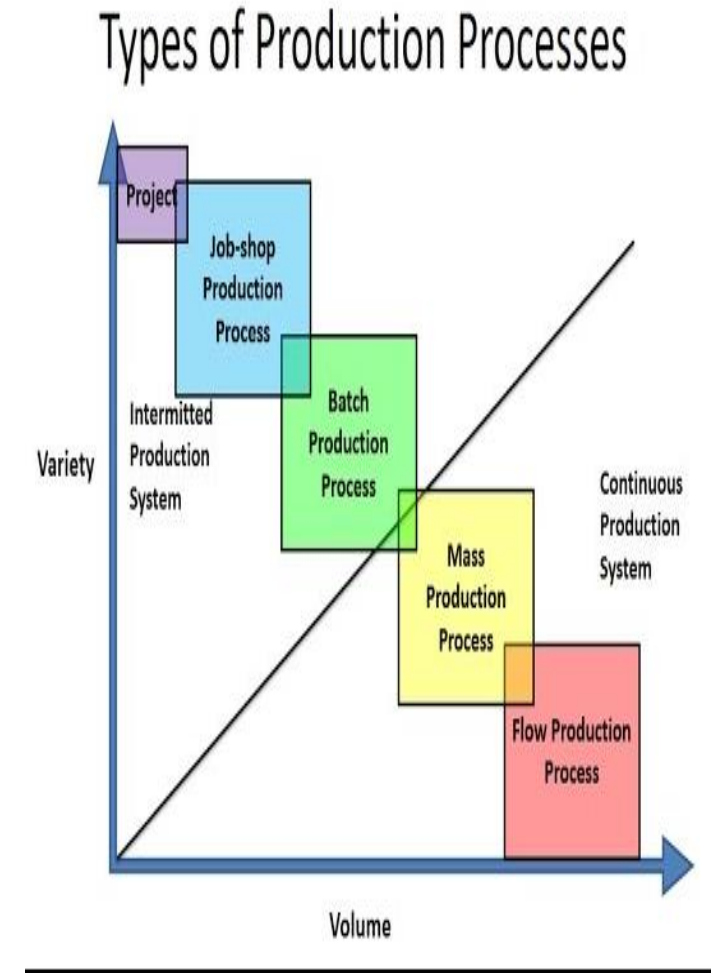
- Cost control refers to production and delivery of service within the estimated cost.
- Productivity measures organisational efficiency to transform inputs into outputs.
- Some of the strategies deployed are:
 - ❖ **Efficient Resource Utilisation:** such as labour, equipment, and materials efficiently to reduce waste and improve productivity.
 - ❖ **Process Improvement and Waste Reduction:** by identifying inefficiencies in operational processes and eliminating unnecessary stages.
 - ❖ **Technology and Automation:** helps increase production efficiency, reduce errors, and lower operational costs.
 - ❖ **Inventory and Materials Management:** by ensuring that materials are available when needed.
 - ❖ **Continuous Improvement and Operational Efficiency:** for higher productivity through better process design, improved coordination, and efficient use of resources.

Structural & Infrastructural Decision Areas

- **Structural Decision Areas** involves:
 - ❖ **Capacity Decisions** by determining the level of production or service capacity required to meet present and future demand.
 - ❖ **Facility Location** for factories, warehouses, or service centers which are easily accessible.
 - ❖ **Facility Layout** for arranging tools, workstations, and departments within a facility to ensure efficient workflow and production.
 - ❖ **Process and Technology Selection** that support operational efficiency and product quality.
- **Infrastructural Decision Areas** involves:
 - ❖ **Workforce Management** through recruitment, training and employee involvement in activities.
 - ❖ **Quality Management Systems** by monitoring processes and strategies to improve service quality.
 - ❖ **Production Planning and Control** by managing production schedules, workflow coordination, and operational planning.

Process Types

- **Project Process** to produce unique and highly customised products or services by organising activities around specific objectives and timelines.
- **Job Process (Job Shop)** is performed according to specific customer requirements and chores often require skilled labour and flexible equipment.
- **Batch Process** allows moderate product variety and production volume by producing groups of similar products in batches rather than continuously.
- **Line Process (Assembly Line)** for high-volume production of standardised products by arranging stations in sequence.
- **Continuous Process** to produce very large volumes of highly standardised products.



Aligning Process Design with Business Strategy

- **Supporting Organisational Objectives** for strategic goals such as cost leadership, product differentiation, or rapid market responsiveness.
- **Matching Competitive Priorities** especially when it comes to cost efficiency, quality, speed, flexibility, and dependability.
- **Selecting Appropriate Process Types** that best support the product characteristics, production volume and strategic objectives.
- **Efficiency and Flexibility** which ensures a balance between operational efficiency and adaptation ability to changing market demands.
- **Integrating Technology and Innovation** to improve productivity, reducing errors, and supporting strategic growth.
- **Enhancing Customer Value** by delivering products and services that meet customer expectations.

Technology and Process Innovation

- involves introducing advanced tools, systems, and processes that improve organisational performance.
- helps organisations increase production speed, reduce human error, and improve consistency in manufacturing processes.
- Some of the strategies implemented are:
 - ❖ **Adoption of Automation and Robotics**
 - ❖ **Implementation of Digital Information Systems**
 - ❖ **Use of Computer-Aided Technologies**
 - ❖ **Integration of Smart Manufacturing Technologies**
 - ❖ **Investment in Research and Development (R&D)**
 - ❖ **Collaboration with Technology Partners**
 - ❖ **Flexible and Scalable Technology Systems**

Forecasting and Demand Management

Forecasting:

- Refers to the process of predicting future trend based upon the past and current business data.
- Helps business in operational decision making like capacity planning, inventory management, production scheduling, and supply chain coordination.
- It is of following types:
 - ❖ **Qualitative methods** based in expert judgment and market research.
 - ❖ **Quantitative methods** based on statistical models, time-series analysis, and regression techniques.
 - ❖ **Short-Term** for immediate operational planning such as scheduling and inventory control.
 - ❖ **Long-Term Forecasting** for strategic decisions like facility expansion and technology investment.

Forecasting and Demand Management, Cont.

Demand management:

- Refers to influence and control customer demand to balance them with organisational capacity.
- Helps business to coordinate effectively with suppliers and distributors to guarantee timely availability of materials.
- Some of the techniques involved are:
 - ❖ **Using of Information Systems** by using digital tools and analytics software to collect data, analyse demand patterns, and improve accuracy.
 - ❖ **Managing Demand Variability** through strategies like flexible capacity, pricing adjustments, and promotional campaigns.
 - ❖ **Continuous Evaluation and Improvement** by regularly monitoring performance to refine forecasting models to improve reliability and operational planning.

Performance Measurement & Continuous Improvement

Some of the strategies are:

- **Establish Clear Performance Metrics** by defining Key Performance Indicators to evaluate operational effectiveness.
- **Monitor Productivity Levels** by comparing outputs produced with inputs used.
- **Measure Quality Performance** for detecting defect rates, service errors and product returns.
- **Track Delivery and Time Performance** through measures such as lead time, cycle time, and on-time delivery rates.
- **Use Benchmarking for Performance Comparison** by comparing the operational performance with industry standards.
- **Encourage Employee Participation** for identifying operational problems and participate in quality improvement.

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13158 Berlin, Germany.

Email: info@eiiet.com

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