DEFINITION OF OPERATIONS STRATEGY

Operations strategy is the total pattern of decisions, which shape the long-term capabilities of any type of operation and their contribution to overall strategy, through the reconciliation of market requirements with operations resources Operations strategy is concerned with the reconciliation of market requirements and operations resources.

It does this by: Satisfying market requirements (measured by competitive factors) by setting appropriate performance objectives for operations taking decisions on the deployment of operations resources, which effect the performance objectives for operations

Operations Strategy Examples with the rapidly changing marketplace in recent years, some companies have excelled in part due to their strong operations strategies. Here a few examples: **Amazon:** Once known for books, Amazon is now known as the go-to platform for online shoppers of any product. Its distribution network is widely touted and even includes experiments with drone delivery.

Apple Computers: Apple is long recognized in operations circles for its operational excellence and supply chain management. Walmart: This retailing giant managed to undercut many competitors on the price and variety of a wide range of products. FedEx: FedEx made speed of delivery its calling card, achieving it with excellent operations.

IKEA: The world’s largest furniture retailer undercut many home goods

Process of operations Strategy

Formulation of operations strategy is the practical process of articulating the various objectives and decisions that make up the strategy.

¬ It is essentially about different ways of aligning plans, activities and objectives.

¬ It will be a relatively occasional activity, although operations strategy consideration may form part of the annual planning cycle. Many detailed formulation models have been developed.

Monitoring and control involves tracking performance, scanning the environment, interpreting the information that it detects, and responding appropriately.

Controlling risk through prevention strategies (where an operation seeks to prevent an event occurring), mitigating strategies (where an operation seeks to isolate an event from possible negative consequences) and recovery strategies (where an operation analyses and accepts the consequences from an event but undertakes to minimize, alleviate or compensate for them).

HILL FRAMEWORK FOR OPERATIONS STRATEGY FORMULATION

Hill (2005) provides an iterative framework that links together the corporate objectives; which provide the organizational direction, the marketing strategy; which defines how the organisation will compete in its chosen markets, and the operations strategy; which provides capability to compete in those markets**.**

The framework consists of five steps:

1. Define corporate objectives

2. Determine marketing strategies to meet these objectives

3. Assess how different products win orders against competitors

4. Establish the most appropriate mode to deliver these sets of products

5. Provide the infrastructure required to support operations

Step 1 Corporate Objectives

Involves establishing corporate objectives that provide a direction for the organization and

Performance indicators that allow progress in achieving those objectives to be measured.

The objectives will be dependent on the needs of external and internal stakeholders and so

will include financial measures such as profit and growth rates as well as employee practices

such as skills development and appropriate environmental policies.

For example

Switzerland based Rolex watch companies are facing a threat from smart watches so switz watch companies are offering around 85 %of price value to clear unsold watches until to generate revenue, to keep their sales volume and keep their profitability in much lower way. These kind of *strategies will evolve reduction in sales volume finalized goods industry as well as to revive an clock watches prices at par with smart watches Analog watch incorporates digital version along with added value features compete with smart watches.*

Step 2 Marketing Strategy

• This involves identifying target markets and how to compete in these markets.

For example

Adidas covers the market for youngster's sport persons are the target market so them strategy evolves a product range pricing comfortless and value for money which attracts the target segment their advertisement and promotional strategies where used sport personalities to attract the target age group.

Step 3 How Do Products Win Orders in the Market Place

This is the crucial stage in Hill's methodology where any mismatches between the requirements of the organization's strategy and the operations' capability are revealed. This step provides the link between corporate marketing proposals and the operations processes and infrastructure necessary to support them. This is achieved by translating the marketing strategy into a range of competitive factors (e.g. price, quality, delivery speed) on which the product or service wins' orders. These external competitive factors provide the most important indicator as to the relative importance of the internal operations performance objectives.

The five basic internal operation's performance objectives allow the organization to measure its operation's performance in achieving its strategic goals. The performance objectives are Quality, Speed, Dependability, Flexibility and Cost. At this stage it is necessary to clarify the nature of the markets that operations will serve by identifying the relative importance of the range of competitive factors on which the product or service wins' orders.

Hill distinguishes between the following types of competitive factors, which relate to securing customer orders in the marketplace.

 Order-winning factors – They are key reasons for customers purchasing the goods or services and raising the performance of the order-winning factor may secure more business

 Qualifying factors – Performance of qualifying factors must be at a certain level to gain business from customers, but performance above this level will not necessarily gain further competitive advantage.

From the descriptions above it can be seen that it is therefore essential to meet both qualifying and order-winning criteria in order to be considered and then win customer orders.

Step 4 Delivery System Choice (Structural Decisions)

Process Types are ways of describing the general approach taken to designing and managing processes. They are based on two important factors in process design: the volume and variety of the products and services that an organization processes.

Step 5 Provide the infrastructure required to support operations

Planning and Control in Operation is about reconciling market requirements (demand) with the operation's resources (supply). Planning determining the timing and nature of actions that should take place in the future. Control is when as the operation is ongoing, determining what action to take if there is a significant deviation from what should be happening. In reality planning and control activities are intertwined in an ongoing organization. Competitive strategy and customer prioritizes.

STRATEGIC FIT

Requires that both the competitive and supply chain strategies of a company have aligned goals. It refers to consistency between the customer priorities that the competitive strategy hopes to satisfy and the supply chain capabilities that the supply chain strategy aims to build.

For a company to achieve strategic fit, it must accomplish the following:

1. The **competitive strategy and all functional strategies** must fit together to form a coordinated overall strategy. Each functional strategy must support other functional strategies and help a firm reach its competitive strategy goal.

2. The **different functions in a company** must appropriately structure their processes and resources to be able to execute these strategies successfully.

3. The **design of the overall supply chain and the role of each stage** must be aligned to support the supply chain strategy.

How Is Strategic Fit Achieved?

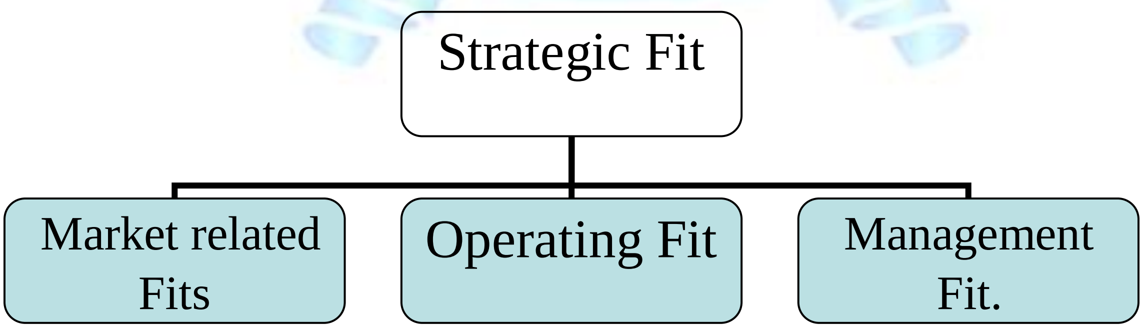
To achieve strategic fit, a company must ensure that its supply chain capabilities support its ability to satisfy the needs of the targeted customer segments. There are three basic steps to achieving this strategic fit, which we outline here and then discuss in more detail

1. Understanding the Customer and Supply Chain Uncertainty: First, a company must understand the customer needs for each targeted segment and the uncertainty these needs impose on the supply chain. These needs help the company define the desired cost and service requirements. The supply chain uncertainty helps the company identify the extent of the unpredictability of demand, disruption, and delay that the supply chain must be prepared for.

2. Understanding the Supply Chain Capabilities: Each of the many types of supply chains is designed to perform different tasks well. A company must understand what its supply chain is designed to do well.

3. Achieving Strategic Fit: If a mismatch exists between what the supply chain does particularly well and the desired customer needs, the company will either need to restructure the supply chain to support the competitive strategy or alter its competitive strategy.

Classification:



Market related fit arises when value chains of different businesses overlap so that the products can be used by same customers, marketed and promoted in a similar way and have a common distribution channel (common dealers and retailers)

Market related fit could be of following types:

1. Common sales force to call on customers
2. Advertising related products together
3. Use of same brand names
4. Joint delivery & shipping
5. Joint after-sale service & repair work
6. Joint order processing & billing
7. Joint promotional tie-ins
8. Cents-off couponing, trial offers, specials
9. Joint dealer networks

Operational Fit arises when different businesses work along in order to explore opportunities for cost-sharing or skill transfer.

Types of Operational Fits are:

1. Procurement of purchased inputs
2. R&D/technology
3. Manufacture & assembly
4. Administrative support functions
5. Marketing & distribution

Benefits of Operating Fits.

As both businesses, tend to work together they often save lot on cost. The companies are able to tap into more economy of scale and/or economies of scope. Both the businesses often tend to increase operation efficiency through sharing of related activities.

Management Fit revolves around a comfort that is built between both the businesses in terms of some comparable units like Entreasures, Administration and various administrative activities, operating problems. It allows accumulated managerial know-how in one business to be used in managing another business.

It is necessary that business management should take actions to capture benefits, as they do not just happen. Benefits with sharing potential must be recognized so that activities to be shared are merged and coordinated. When skill transfer takes place, a means must be found to make it effective.