

CHAPTER 2: OPERATIONS STRATEGY AND MANAGEMENT

2.1 Objective

This chapter is the second of the first module on “Process Management and Strategy.” Whereas chapter 1 focused on the process view of operations, this chapter focuses on the strategic role that operations and processes play in the overall enterprise.

We start out with a brief summary of what strategy is in section 2.1. We emphasize how we can represent strategic positioning and the idea of differentiation by using the competitive product space (building on the product attributes defined in Chapter 1). We have found this graphical representation very powerful. Then we talk about the relationship of processes and the typical strategy process in a corporation. This is most easily discussed in top-down fashion (section 2.2). The key take-away of this chapter is on strategic fit as the answer to “what is the best process for an organization.” Strategic fit highlights the fact that a good process develops competencies that align or “fit” with the product attributes that customers value. Sections 2.3 discusses this idea of strategic fit, which naturally leads into the idea of focus (section 2.4). The idea of focus is operationalized by using the product-process matrix (section 2.5) to emphasize the fact that different process architectures provide strategic fit for different customer needs. We bring up the idea that focus is easier to define in the context of a firm like Shouldice where all customers (patients) have exactly the same set of needs. The Wriston manufacturing case is a good discussion of how strategic fit can be achieved when a firm is trying to serve customers with varying (and potentially conflicting) needs. The case discusses how customer needs vary based on the life cycle position of products and how Wriston can achieve strategic fit by having some part of its process focus on complexity (high variety and low volumes) while the rest of the process focuses on simplicity (high volumes and low variety). Once the corporate strategy is in place (strategic position is defined), operations strategy is finished (a process structure has been chosen and implemented), one must manage the process. The concept of the *operations frontier* is very powerful to distinguish operational effectiveness (= how good do you manage a given process) from operations strategy (= choosing a process structure that enables the execution of our strategic position). This directly leads into the idea of “trade-offs” and sustainability of competitive advantage. A historical overview nicely finishes this chapter.

We teach this chapter typically together with chapter 1. A first 100-minute class introduces chapter 1 and the strategy hierarchy of chapter 2. A second 100-minute class is devoted to two cases: Shouldice Hospital to practice a process view and exemplify the idea of strategic fit and focus. The major case, *Wriston Manufacturing*, is a second example of focus (in terms of variety and the product life cycle) and it directly brings us to the discussion of process types and the process-product matrix.

2.2 Additional Suggested Readings

For this chapter, we assign two cases with following suggested assignment questions:

- *Shouldice Hospital Case*: see chapter 1.
 - *Wriston Manufacturing Corporation: The Detroit Plant* (Harvard Case)
1. Why do overhead costs (Exhibit 2) vary so greatly from plant to plant in Wriston Manufacturing’s network?
 2. Why have managers in the Heavy Equipment Division under-invested in the Detroit Plant?

3. *What do you recommend should be done with the Detroit Plant? Justify your recommendation.*