Developing Operations Strategies: What, Why, and How?

December 2015
Report Agenda

• What Is An Operations Strategy
• Developing The Right Operations Strategy
• Managing A Strategy To Achievement
• Three Steps To Developing The Right Operations Strategy
What Is An Operations Strategy?

Strategy is not a vision, mission, goals, priorities, or plans.

- It results from strategic choices about how to operate
  - “How to enable the business strategy”
  - “How to provide the needed customer services”
- Choices are necessary because:
  - There are different ways to operate in every channel or market
  - Differentiated services are what bring and maintain customers
  - The right choices and execution of those determine the winners
Developing The Right Operations Strategy

It's about needed operations capabilities!

- Capabilities
- Maximize Economic Value
- Target Customers
- Value Proposition
### Key Questions To Ask

<table>
<thead>
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<th>Question</th>
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<tbody>
<tr>
<td>Are our supply chains flexible enough to support new strategies?</td>
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<td>Are we meeting our margin targets? Can we improve and how?</td>
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<td>Is our supply chain performance differentiating us from competition?</td>
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<td>Is our organization aligned to support our strategies?</td>
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<tr>
<td>How can we better optimize inventory, improve our S&amp;OP process, and become more demand driven?</td>
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1. **Strategy Before Structure:** Identify the capabilities needed to achieve the desired growth and service levels.

2. **Determine The Right Structure:** Tailored capabilities to achieve the desired service performance levels.

3. **Implement It Successfully:** Deliver on-time and on-budget to realize needed ROIs.
Managing Any Strategy To Achievement

What capabilities are needed to deliver products to markets effectively and efficiently, in order for business strategies to be achieved?

Source: Kaplan-Norton
Master Class 2009
Delivering Supply Chain Excellence

Identifying operations strategy drivers and contributors is key.
Operations strategy (what) needs to come before structure (how).
Developing The Right Operations Strategy

The Advanced Solutions Workshop (ASW) utilizes a three step process to develop the right operations strategy.

**SCAN**
- *How is Omnichannel impacting Supply Chains*
- *Where do our Supply Chains fall short of Customer Expectations*
  - Where is time and cost in our Supply Chain Journey?
- *What opportunities could improve our supply chains?*
- *Do these opportunities impact supply chain costs, time, disruption?*
  - *How do we qualify benefits?*

**FOCUS**
- *Set Evaluation Criteria*
- *Prioritize Initiatives*
- *Define Opportunity Initiative Plan*

**ACT**
ASW preparation, execution, and follow-up are keys to success.

STEP 1: Plan and Prepare for the ASW
- Gain exposure and knowledge
- Develop and qualify improvement opportunities
- Develop Workshop Materials

STEP 2: Conduct ASW
- Cross-Functional team
- Executive participation
- Professional Facilitation & Thought Leadership
- Graphics Capture

STEP 3: Workshop Outcomes Report Out
- Formulate a report and roadmap
- Final team review and signoff

It Is About The Work Process
Prepare For The ASW: Establish The Current AS-IS State

Preparation is Key

- Map the supply chain flows of product, information, cash, and work:
  - Product flows and processes from port of origin to end delivery
  - Capacity assessments
  - Compare (benchmark) processes and performance levels
  - Review supply chain information technologies
  - Develop SWOT analysis and assessment document with improvement opportunities

- Capacity assessment

For the ASW we now have:

- Deep understanding and documentation of current business and supply chain
- Documentation of key statistics
- Benchmark GAP analysis
- Summary of existing capacity

Map Work, Information, and Product Flows
Conduct The ASW To Determine Operations Strategy And Needed Capabilities

**SAMPLE AGENDA**

**TIMES** | **ACTIVITIES**
---|---
9:00 | Kick-off
9:15 | Review Project to Date
9:30 | Strategic Intent
10:00 | Leading Practices
12:00 | Lunch
1:00 | Brainstorm Scenarios
3:30 | Clarify Long Term Vision
5:00 | Day 1 Closing

**DAY 2 (Additional Activities / Sessions)** – Define Alternatives, Quantify, Assess Risk, Project Planning

**DAY 3 (1 Week Later)** – Review for Group Refinement & Approval

**ROLES**

- Facilitator
- ASW Leader
- Executive Sponsor
- Program Manager
- Everyone Else: Participants

**BREAKOUTS**

- Functional Areas: have detail sessions with narrow focus
- Cross functional in nature with emphasis on functional area
- Operational in understanding, senior leaders for decisions

**RULES**

- Everyone Participates/ No One Dominates
- Group Genius - Build on Each Others' Ideas
- Stay Focused and Engaged
- Trust the Knowledge in the Room

**All About Our Customers**

**Success Through What We Can Control**

**Quality & Service as Defined by The Customer**
ASW Exercises Are Used To Structure The TO–BE Direction

- The Goliath’s are aggressive
- Market share in segment is under attack
- eCommerce is firing on all cylinders – a definite growth engine
- Opportunities and associated risks must be understood and strategies developed to mitigate risk and improve performance
Breakout Teams Address Issues Rapidly And Iteratively

Identify key supply chain events required to meet customer needs – start with the customer!
Together the team creates the vision for the operating strategy that enables the future.
An ASW Answers Key Questions

What do customers expect?
What services do we need to provide?
What capabilities do we need?
What gaps must be filled?
Develop The Operational Capabilities To Achieve The TO-BE

Leveraging the work products from the previous two steps, develop, review, finalize, and document the preferred operations strategy and the roadmap to achieve.

- Stakeholder (internal and external) reviews
- Formulate initiatives
- Change management considerations
- Benefits potential - how the strategy enables profitable growth
- Qualification of initiatives and ROI
- Risks and dependencies
- Documentation of supply chain capabilities
- Prioritized initiatives, transition plans, and timelines to achieve the capabilities
Validate The Initiatives

Determine the impact and viability of opportunities.

**EVALUATION CRITERIA**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Time to Benefit</th>
<th>Level of Investment</th>
<th>Magnitude of Benefit</th>
<th>Ease of Implementation</th>
<th>Rank</th>
<th>Owner/Sponsor</th>
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<tr>
<td>Posteriordan</td>
<td>1 Yr.</td>
<td>L/H</td>
<td>H</td>
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<tr>
<td>Sourcing GC</td>
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<td>VM1</td>
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<td>WHIL StreamShip</td>
<td>2-3 Months</td>
<td>L/L</td>
<td>L-M</td>
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<td></td>
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<tr>
<td>Test Supply Order</td>
<td>1.5 Yrs.</td>
<td>L/H</td>
<td>H</td>
<td>H</td>
<td>B2</td>
<td></td>
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<tr>
<td>3 Parties/ Separated Markets</td>
<td>&lt;1 Yr.</td>
<td>L</td>
<td>?</td>
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<td>A4</td>
<td></td>
</tr>
<tr>
<td>NA Network Optimization</td>
<td>1.5 - 2 Yrs.</td>
<td>L Study</td>
<td>H</td>
<td>H</td>
<td>A2</td>
<td></td>
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<tr>
<td>Per-Asset Range Review</td>
<td>Now</td>
<td>L/L</td>
<td>M</td>
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<tr>
<td>Consolidate Center Capabilities</td>
<td>&lt;1 Yr.</td>
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"Don't adapt to what we have... look to what we should be..."
Work products occur sequentially through the ASW process.
ASW outputs include diagnostics, opportunity matrix, capability, and resource gaps, criteria for supply chain effectiveness, and detailed action plans (or Roadmap).

Facilitated Workshops & Client Interviews

Opportunities Assessment

Resource & Capability Gaps

Strategic Plans by Identified Opportunity
Make Operations Strategy A Reality

- Get Buy-In on the Initiatives
- Establish a Realistic Timeline
- Confirm the Goals, Expectations and Budget
- Develop Detailed Plans for Each Initiative
- Manage the Process
- Don’t Forget About Organizational Impact