A practical guide to optimize your business operations

Are your company's operations a source of competitive advantage? Learn how innovations can unlock your company's full potential with this practical guide.

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With globalization and new technologies opening doors to innovative ways of working, improving operations have created some great success stories in today's business world — as seen in Zara, Ikea and Amazon, to name a notable few.

Operations Management for Executives (McGraw Hill, 2017) by IESE's **Philip Moscoso** and **Alejandro Lago** — in collaboration with **Marc Sachon**, **Natalia Yankovic**, **Jaume Ribera** and **Carlos Rodríguez-Lluesma** — looks at how to capitalize on operations as a source of competitive advantage. The book also includes very practical advice on redesigning and innovating corporate processes to help realize a company's full potential.

Managing operations basically means using resources to do things in the most suitable way. And by "doing things" the authors are referring not only to producing or manufacturing products, but also to improving R&D, customer service, supplier management and even sales processes.

The objective is to deliver on the promise made to customers with efficiency (short term) and sustainability (long term). If managed well, this becomes a valuable point of differentiation vis-a-vis the competition, explain the authors.

Moscoso and Lago approach operations management from the point of view of senior management. The result is a practical guide that sets out to provide clear explanations of the concepts and methodologies at play. They analyze the impact of operations management on

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all areas of the enterprise — including sales, finance and strategy — and highlight key factors to help unleash the full potential of a company.

In 15 chapters, the book covers the traditional areas of operations management — such as process design, capacity analysis, inventory management, work flows and quality control. It also tackles advanced topics — such as lean management, smart procurement practices and supply chain management — and topics that similar books tend to gloss over — such as the human and organizational aspects of operations, innovation and project management. In addition to looking at industrial environments, the book also examines how to manage operations in service companies.

The authors recommend an incremental approach that begins with understanding and safeguarding day-to-day operations. They then focus on the design of operations systems that make sense for the company's strategy. Finally, the authors look to mechanisms for improvement and innovation.

Understanding day-to-day operations

In their analysis of operations management, Philip Moscoso and Alejandro Lago first stress how important it is to properly understand the behavior of a system's four fundamental variables:

- **Processes**: The sequence of activities through which inputs are transformed into outputs.
- **Capacities**: The configuration of the types and quantities of resources used to ensure that the system can process the volume of items (products, customers, etc.) in the desired amount of time.
- **Flows**: How long products (or customers) take to make (or serve) and where they accumulate (or wait), as well as the management systems available for their planning and control.
- **People and organization**: How to best utilize the people engaged in the system with an effective management plan. Human capital and organizational structure define a system over the short and long terms, the authors note.

Dealing with a value chain as a whole, the management of each part has an impact on overall performance, and so the authors highlight how to control and adjust the balance of costs, flexibility and speed in order to deliver on the promises made to customers.

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Designing the operational strategy

In the second section of the book, Moscoso and Lago cover operational design with a view to ensuring its consistency with a company's competitive strategy.

To this end, the authors recommend analyzing the entire value chain required to produce a product or service and its different variables. This includes examining the structure and typology of processes, the types and location of productive capacities, the flows within the supply chain (including purchases and relationships with suppliers), and customer service management.

The authors emphasize the need to develop designs that prioritize flexibility and responsiveness above and beyond efficiency. In particular, they recommend:

- **Segmenting processes** to find the most suitable approach according to the level of specialization required.
- **Determining capacity requirements** and using frameworks that may combine fixed capacity (which tends to be cheaper) and more flexible models that take into consideration the costs, responsiveness and levels of expertise for production facilities in various locations.
- **Planning the four main stages of the supply chain** (that is, sourcing, production, distribution and delivery), while fostering coordination and collaboration among all those involved.
- **Assessing which activities may be outsourced to third parties**, considering the economic impact and operating risks (linked to the supply), as well as the strategic risks (linked to the impact on the client and the pace of innovation).
- **Developing the customer interface** to help ensure service consistency, responsiveness and an emotional connection with the customer, including mechanisms for measuring and monitoring customer service.

Improvement and innovation

In the final section, the authors note that even the most successful models can become obsolete over time. Operations demand ongoing assessments and innovations, they emphasize.

Moscoso and Lago explain that staying competitive over the long term requires managing operations for quality and continual improvement and, at the same time, innovating and

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experimenting with completely different ways of doing things — including new ways to manage orders, manufacture products and serve customers.

This last point requires the company to rethink not only how things are carried out, but also what it wants to do and for whom. The authors suggest a number of possible actions, such as:

- Exploring ways to serve **unsatisfied** or **unserved customers**.
- Incorporating **more value-added** and **personalized services**.
- **Restructuring the value chain** by changing the roles of its components.
- Betting on **customer collaboration** to create value.
- Taking advantage of **new technologies** to innovate operations.

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