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# Managing the fit between the views of competitive strategy and the strategic role of service operations

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## KEYWORDS

Market-based;  
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**Summary** Previous research has verified the positive impact that internal strategic fit can have on business performance. However, many service organizations experience the difficulty of managing the fit between competitive and operations' strategies. Inherent within the problem has been insufficient understanding of the substantive relationships between the dimensions of competitive and operations' strategies. The purpose of this service-based business research was to investigate the characteristics of the competitive and operations' strategies of a business in order to assess the degree of fit. Strategic profiling was used as the method to investigate the characteristics of the different relationships between competitive and operations' strategies in 21 service businesses. The research results in the identification of a diverse range of organizational relationships developed by the adoption of different approaches to competitive strategy formulation and their consequences upon the strategic role of operations. The findings should be of particular interest to both strategic and operations managers as they detail a means of assessing the perceived level of strategic fit between the current competitive and operations' strategies of a business. Such an assessment can facilitate the planning of interventions for its future improvement.

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## Introduction

There is a consensus, in both strategic management and operations strategy literature, that organizations should strive for consistency between their competitive strategy and their operational capabilities (Brown & Blackmon, 2005; Swink, Narasimhan, & Kim, 2005; Venkatraman & Prescott, 1990). This interrelationship is defined as a match-

ing fit between two related variables (Venkatraman, 1989), or more precisely, the internal strategic fit of an organization (Hill & Brown, 2007). Its attainment and sustainment are claimed to augment both business competitiveness (Ketokivi & Schroeder, 2004; Smith & Reece, 1999) and customer service performance (Hill & Cuthbertson, 2011). However, although this business management paradigm has been widely disseminated, there is a lack of precise guidelines on how this business phenomenon can be measured and improved. The major impediment to the development of such guidelines has been an insufficient understanding of the substantive relationships between the dimensions of competitive and operations' strategies

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(Swink & Hegarty, 1998). Skinner (1996, p. 12) considered this lack of linkage to be "...the first and most serious problem...and the main weakness in MCS" (MCS stands for manufacturing in the corporate strategy). The need for such a linkage has also been recognized in the literature on the strategic management of service businesses (Kindström, 2010). What has underlined the need to close this knowledge gap has been the continued development of new theories and probing on strategic management practice, for example, the advancement by some researchers of resource-based sequencing (Grahovac & Miller, 2009; Pettus, 2001).

Consequently, to measure and manage internal strategic fit requires both an analysis of the competitive behaviour of a business and an audit of the fundamental proficiencies of its operations. The approach adopted in previous research (see, e.g., Hill & Brown, 2007) has been to use the competitive criteria or the stated competitive priorities of a strategic business unit (Peng, Schroeder, & Shah, 2011) as the "ways" in which an organization plans to compete. Such competitive priorities or criteria would typically include cost, quality and delivery.

The problem with using the competitive priorities of an organization is that they are too conceptually aggregated to clearly direct the proper uses of operations' resources. As Swink and Hegarty (1998, p. 375) have suggested, "each of the priorities is multi-faceted and complex, making its interpretation very much dependent on the biases of the researcher, strategy-maker, etc." Thus, more precise, disaggregated versions of what competitive capabilities constitute are needed to direct operations planning and decision-making for improved internal strategic fit. For this reason, the research question for this study was how can a more analytical examination of the internal strategic fit of a business be performed to identify the type of internal strategic fit relationship forged within it and the degree of consistency between its competitive and operations strategies.

In an attempt to resolve this analytical problem, it was decided to use "observable elements" of strategic management practice as the means for examining both the competitive behaviour of a business and the strategic management of its operations. The aim of the study was, therefore, to investigate, using identifiable observable elements, the range of potential relationships that could be forged between the choice of perspective to competitive strategy taken by a business and the strategic role of its operations. Such an analysis has not been previously carried out. Armed with this information, the nature of the current internal strategic fit relationship of a business could then be plotted on a positioning matrix to facilitate the planning of strategic management actions required to improve its alignment. Such a positioning matrix has not been previously developed and thus we consider that the development of such a strategic management tool to be the contribution of this research.

The next section of the article consists of a review of the theoretical background to this study. The first management practice analysed is the variety of perspectives of competitive strategy that are recommended to be taken when formulating a business strategy. This is followed by a discussion of a theoretical framework that links the different strategic roles that an operations function of a business

can perform with their potential competitive impact. The section on the theoretical background concludes with a review of previous attempts made to verify the strategic roles fulfilled by the operations function, in practice. The research methodology is detailed in the next section of the article and this is followed by a report on the study findings and their implications. The final section of the article consists of a discussion of the contribution of our exploratory research, the limitations of our research design and suggestions for further research.

## Theoretical background

### Views of competitive strategy: The environment – market based view and critique

During the 1990s many strategic management theorists proposed a new emphasis for the achievement of competitive advantage (Barney, 1991; Peteraf, 1993; Prahalad & Hamel, 1990; Teece, Pisano, & Shuen, 1997), bringing fresh insights into the formulation of strategy (Acedo, Barroso, & Galan, 2006; Bowman & Ambrosini, 2003). This alternative view consists of a move from an environmental and market-based perspective to one that uses a resource-based, dynamic capability and knowledge management approach to increasing competitiveness. The logic of the environment-market based perspective to business strategy formulation is grounded on understanding what is happening in the environment and then using the analysis to determine the strategic options open to the business given the current external opportunities and threats (Porter, 1979, 1980, 1991, 1996). External factors such as societal influences, environmental uncertainty and environmental dynamism (Ward & Duray, 2000), together with industry opportunities and threats provide external limits to the competitive strategy the firm may successfully adopt (Porter, 1996). This environment-market based approach encompasses not only the Porterian view but also the entry deterrence approach (Shapiro, 1989) which is based on game theory. Keeping rivals off balance, aggressive pricing strategies, and the strategic signaling of information (Porter, 1979, 1980) are all indicators of the environment-market perspective. This basic form of integration between external and internal factors has been probed and criticized (see, e.g., Barney, 1991) with questioning centred on whether competitive advantage can be created by merely evaluating environmental opportunities and threats and then forming a strategy for competing in high opportunity, minimum threat market environments (Barney, 1995).

### The resource-based view and critique

Advocates of an internal focus to strategy formulation have suggested that the achievement of competitive advantage lies in looking inside the firm for valuable, rare, imperfectly imitable and imperfectly substitutable resources (the 'VRIN' criteria; Barney, 1991) and then exploiting these resources to the hilt (Amit & Schoemaker, 1993). This resource-based view has been criticized for being static (Eisenhardt & Martin, 2000) through its failure to address the influence of market dynamism and the reality of how a firm actually evolves (Wang & Ahmed, 2007). It is also criticized for its

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