THE STATUS OF STRUCTURAL AND INFRASTRUCTURAL DECISIONS OF OPERATIONS STRATEGY IN A NICHE STEEL PRODUCING FIRM AND THEIR EFFECT ON FIRM PERFORMANCE - A CASE STUDY

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ABSTRACT

This study was commissioned to study the status of the structural and infrastructural practices that affect operations strategies and to investigate the effect of these decisions on firm operational performance. The study was in an operational environment in a niche steel making industry in the South African context. Operations strategy is conceptualised as a set of decisions or practices with regard to structure and infrastructure variables. These strategic decisions influence a firm's abilities to successfully to attain competitive priorities such as cost, quality, delivery and flexibility.

The research was quantitative. Primary data on competitive priorities, decision areas and manufacturing strategies was collected through a questionnaire from a sample of 86 managers while secondary data on organisational performance was collected from the financial data on the public domain and customer feedback surveys. The response rate was 66%.

The study found high levels of strategy awareness, strategy formality and a dominant top-down approach to strategy formulation. A trade-off between flexibility, costs, quality and delivery existed. The niche producer is pursuing a flexibility priority while sacrificing the other objectives. On one hand, the results did not support the 'sandcone' theory.

The existence of strong relationships between priorities [flexibility, cost and delivery] with structural decision [plant production capacity] was evident as well as that of flexibility and cost with facilities outstanding. The manufacturing strategy could not be clearly delineated: the niche producer is pursuing a mixed approach with elements from several manufacturing strategies.

The financial performance of the organisation was poor over the five year period of study. Despite the strategy efforts, the manufacturing strategy is not attaining the desired organisational performance. Therefore, the company is urged to re-consider its manufacturing strategy approach.