The link between operations strategy and business performance has long been asserted, but few operations strategy studies have explicitly handled the effects of environmental factors. In general terms, the business environment consists of the myriad forces which are beyond the control of management in the short run, and thus suggest threats and opportunities to the firm. This research contrasts the operations strategy emphasis of low and high profit companies in response to various environmental conditions.

In environments with higher dynamism (market volatility caused by innovation, changes in technology, or changes in taste), higher performing companies emphasized a strategy based on delivery performance, flexibility, and quality. Low performers emphasized those priorities along with cost reduction, implying that a lack of focus hurt them.

In environments with greater competitive hostility, successful firms responded with an emphasis on delivery performance, whereas less successful firms once again lacked focus and emphasized a strategy based on all four competitive priorities.

In environments with labor shortages, successful firms focused on achieving flexibility, whereas lower performing companies showed no significant common strategic response.

A key insight from this paper is that successful companies that occupy dynamic or hostile environments are less likely to emphasize cost reduction strategies than poor performers facing the same environmental conditions. In other words, good performers in such environments adopt strategies that enable differentiation based on operations capabilities, whereas poor performers typically pursue differentiation and cost reduction and pay the price for their lack of focus.