

Strategy and
operational
effectiveness in
perspective
management essay



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Organizational improvement is only achieved if strategic priorities can be translated into an effective operational execution. The lack of a detailed and structured plan that coordinates the multiple available resources, within the frame conditions, such as time and cost, it is often the reason why many companies fail to successfully deploy and implement strategic plans. Success requires both, Strategy and Operational Effectiveness.

Area Managers should have a clear idea of the difference between operational effectiveness and strategy. It is clear that both are equally important and, naturally, essential for business success. The operational area involves continual improvement, which is necessary to achieve superior profitability. A failure to do this creates vulnerability even if a good strategy is present. The operational agenda is the place where a company shall suit constant change, flexibility and continual efforts to reach best practices. On the contrary, the strategic agenda involves defining a unique position, short and long-term performance targets, making clear trade-off and tightening fits.[1]

Strategy and Operational Effectiveness in Perspective

Strategy development

The intrinsic value of a strategy is to create an intellectual framework where the business can compete. An Organization must choose between three generic strategies[2]: COST: Becoming the lower cost producer in the marketplace will make it cost leader, DIFFERENTIATION: By offering something different, extra or special. FOCUS: by dominating a niche market (subset market sector).

By addressing one of these generic strategies will drive companies into creating their strategic plans. In summary, the creative part of developing a strategy is finding the sweet spot that aligns the company capabilities with customer needs in a way that competitors cannot match. The following graph summarizes the idea in perspective:

“ In Synthesis, Strategic positioning means performing different activities from rivals or performing similar activities in a different way”.[3]

Another common definition of strategy is: “ The means of getting from where you are now to where you want to be and with competitive advantage.”

COST STRATEGY: Performing activities generates Cost, and **COST ADVANTAGE** arises from performing some particular activities more efficiently than competitors. Ex. Wall-Mart or IKEA.

DIFFERENTIATION STRATEGY: Differentiation arises from the choice of activities and how they are performed. Activities such as create, produce, sell, deliver, etc, are the unit of this competitive advantage. This leads to the creation of a product or service that is considered unique for its characteristics. Ex: Apple Computers, Nike.

FOCUS STRATEGY: Using this strategy the company focus its efforts in a narrow market, segmenting and tailoring to better meet the needs of its customers. Ex is Ryan air or Southwest Airlines.

Operational Effectiveness

“ Operational Effectiveness means performing similar activities better than rivals perform them.” Any number of practices that allow an organization to better utilize its inputs by, for example, reducing defects in products or developing better products faster. A company can outperform rivals only if it can establish a difference that it can be preserved. It must deliver greater value to customers or create comparable value at lower cost, or do both.

For example some companies are able to get more out of their inputs by eliminating wasted efforts, used advanced technology, motivate personnel better or have a better insight into managing some activities.

Operational effectiveness is about having functions in the organization that work well. These functions are the organization skills used to implement the strategy.

All the mentioned points above make a positive difference in the company operations, therefore operational effectiveness is greater. This is an important source of difference in profit among competitors because it affects costs directly and therefore creates a differentiation.

Improvements in Operational Effectiveness may require capital investments, personnel with different skills or new ways of managing activities.

On the diagram below we show how Operational Effectiveness and Organizational Strategy sit side by side and aim to organization success.

It is important to outline the importance of both, strategy and OE. Simply because a company is good at something does not guarantee success. It must have a good strategy.

It is clear from the points discussed above that to achieve organizational success both Strategy and Organizational Effectiveness must be translated together into a detailed action plan that should include clear direction as to who will do it, what will they do, when will they do it, what resources are required and what costs are required.

Apply project Management to implement it.

The implementation of business strategy has been the subject of increased study and search for solutions, especially since the process from strategy formulation to strategy implementation is not efficient. Project-based strategy implementation has demonstrated an increase in the success in many cases.

Strategy implementation translated into an action plan can be considered as a company internal project. Strategy implementation is an operations-driven activity, involves organizing, budgeting, motivating, supervising and leading to make it work as intended.

Strategy implementation includes, but is not limited to:

Allocating resources to “ strategic” critical activities.

Establishing supportive policies.

Creating a corporate culture.

Exerting leadership.

Creating best practices programs for continues improvements.

We can highly increase the chances of implementation success if project managements processes are utilized during the implementation.

Project Management methodology involves coordinate resources towards and agreed common goal. It provides people with a straightforward way to get together to work out what is wanted, how to do it, and who is to do what.

Project management methodology involves coordination of resources (people and materials) to achieve a unique, common and agreed goal.

Processes for all aspects of getting the project implemented are coordinated and tracked with a project management methodology and the outcome for the organization is proven savings in both time and money.

In summary, a project management approach to organizational strategies is becoming an opportunity for successful implementation. Project management requires deliberate planning and action to create the conditions for success and put in place the strategy, leadership, goals, process, systems and structure to direct and exploit the dynamic nature of project work. If work today is done through projects then it will undoubtedly enable an organization to meet whatever strategic and operational challenges may come its way.