

What is strategy

1. Operational effectiveness is not strategy
2. Strategy rests on unique activities
3. A sustainable strategic position requires **trade-off**
4. Fit drives both **competitive advantage** and sustainability
5. Rediscovering strategy

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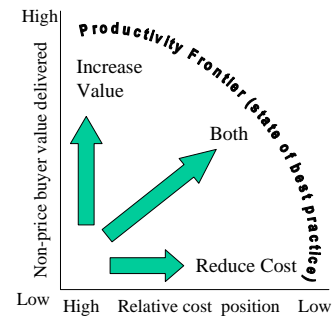
- A company achieves operational effectiveness by performing the activities necessary to create, produce, sell, or deliver a product or service better than its competitors.
- In doing so, it strive to maintain value while reducing costs, or to increase value delivered for the current low price.
- Focus on any or all of following 6 measures

1. Benchmark continuously in pursuit of best practices (Kaizen)
2. Eliminate wasted effort (Muda)
3. Employ more advance technology (JIT)
4. Motivate employees better (Pokayoke, Jidoka – empowerment, 4Ss – sifting, sorting, sweeping, spicknspan)
5. Outsource aggressively
6. Nurture a few core competencies

2

Productivity Frontier is..

- sum of all best practices at a given time
- maximum value created at a given cost
- Applies from single to total activities
- Constantly shifting outward (technology etc.)



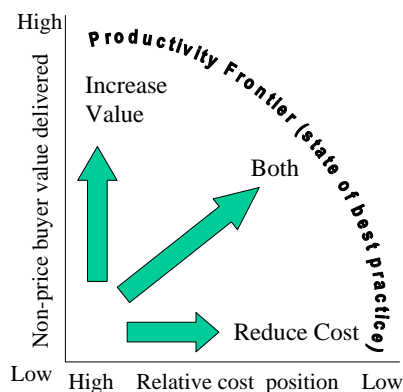
Operational Effectiveness

- Performing similar activities **better**
- Not limited to efficiency
- OE differences in companies are pervasive
- Directly affects cost and differentiation
- Constant improvement is necessary to raise standard
- BUT.....cost competitive convergence.....I.e., productivity gains are captured by customers and suppliersnot retained in superior profitability

OE IS ESSENTIAL but not sufficient

3

Operational Effectiveness VS Strategic Positioning



Operational Effectiveness means performing similar activities **better** than rivals perform them.....In contrast, strategic positioning means performing **different** activities from rivals or performing similar activities in **different** ways”

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