



The Missing Link?

By Rebecca A. Morgan
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You have a business strategy and a marketing strategy, but without an operations strategy both will fall short of your expectations.

You believe in your business strategy, and in your sales and marketing strategy. The folks in operations are working hard to deliver. Yet, there are delivery problems, unexpected cost overruns, and sales falling short of plan. Why? If you're like a lot of folks, you ended your strategic planning work too soon. You didn't create an operations strategy.

Why an Operations Strategy?

The business strategy and sales and marketing strategy, both generally accepted keys to a successful business, provide the context needed for consistent, effective decision making. They provide goals and boundaries. The folks in operations need a similar source of context, goals, and boundaries. Their traditional skills of jumping through hoops, reacting to crisis, and an occasional dose of heroism ("that Bill always comes through in the crunch.") for good measure, make good stories, and may even be within the comfort zone of many of your operations personnel. But, they don't lead to smooth, cost effective delivery of new and existing goods and services to your customers.

An operations strategy is as integral to your company's success as are the business and sales and marketing strategies.

Steps to Creating an Effective Operations Strategy

Know your markets:

The operations strategy adds value when it drives the organization to profitably and consistently satisfies the markets the company chooses to serve. The place to start, then, is by understanding market needs.

In commodity markets, price drives the purchasing decision so operations must be designed around minimized costs. However, most markets are not strict commodities. For them, while price must be perceived as reflecting value, another factor, such as customization, fast delivery, easy integration, or technical leadership, is the real order winner. A lowest-cost operation is different from one designed to deliver mass customization. Operations cannot be all things to all

people. The operations strategy focuses on what the market demands.

For each market you intend to serve, list the key criteria used by key customers in making the purchase decision, and rank them from top to bottom. No ties allowed. That ranked list guides the development of an effective operations strategy.

Know your organization:

Take a hard look at your organization. A market that looks attractive in the abstract but that requires strengths you simply do not have can't be pursued successfully now. But if that market is one you need long term, create a plan for how to gain those operational strengths.

Realistically assess company strengths and weaknesses. The operations strategy must reflect organizational realities if it is to succeed.

For example, "Lean Manufacturing" is becoming a key part of many operational strategies for manufacturers and service companies alike. The "Lean" strategy's mantra is to focus on the customer, eliminate waste, and continually improve. However, in an organization committed to a centralized command and control structure, the decentralized and responsive decision making that is at the core of Lean simply won't work. In this case, putting Lean as a cornerstone of operational strategy creates a foundation that quickly crumbles.

Strengthen the weakest link:

Looking back toward your suppliers and forward toward your market, with you in the middle, where is the weakest link? Unreliable suppliers can cause you

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Contact Rebecca A. Morgan at:
Fulcrum ConsultingWorks, Inc.
voice: 216-486-9570
fax: 216-486-9922
cell: 216-210-9109
morgan@fulcrumcwi.com
www.fulcrumcwi.com
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to fail, just as surely as your own weaknesses can. A customer who makes unrealistic demands and is not willing to help strengthen the supply chain may be the wrong customer.

Identify the weakness in the chain that limits overall success, and make sure your strategy addresses it.

Integrate with the organization:

An operations strategy that the rest of the organization cannot support is useless. The requirements and assumptions of your strategy must be consistent with the skills and intentions of other groups such as human resources and information systems.

Check your policies. Is your plan to outsource consistent with stated human resource policies? Do policies on education and training of employees support the cross-training demands of your operations strategy? Verify that your policies, the priorities of other internal

groups, the business and sales and marketing strategies, and the operations strategy are all mutually consistent. Remember, the purpose of the operations strategy is to provide a context for operational decision making that will profitably and smoothly support the markets you choose to serve. A strategy that you cannot successfully implement cannot accomplish that purpose.

Communication and follow up:

Once you have a defined operations strategy, you must ensure that your key suppliers, key customers, and your employees understand and support it. They each have a role in its success, and they can only fulfill that role if they know it exists.

Once you have defined a well thought out operations strategy, here comes the hard part: Act in accordance with it.



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cell: 216-210-9109
morgan@fulcrumcwi.com
www.fulcrumcwi.com
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