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OPERATIONS STRATEGY: The Missing Link

The Problem

You identified the market need. You assessed the competition and the regulatory landscape, and determined how to enter the market. Now your company has an airtight plan for sales and marketing.

So what's the problem?

There seem to be so many of them. A new crisis erupts daily. The new products are coming out late, service problems are soaking up valuable resources, promises aren't kept and margins are quickly eroding. Marketing and Sales are doing their best to protect and grow the business, but for some reason, the plans are just not happening. The hardworking folks in Operations find themselves forever expediting, fighting new product problems and explaining why orders are late and costs are higher than planned.

You are not alone. Most companies define business and sales/marketing strategies, but few have an equally well-defined Operations Strategy. But the key to long-term success is to develop one. Now.

Why Have an Operations Strategy?

For the same reason you need a business strategy and a sales/marketing strategy. Because without one, an organization is constantly in reaction mode, with no overriding plan for success.

It is common to think of Operations as the execution part of a business. Once you've figured out the business and sales/marketing strategies, the strategic work is done. The folks in operations merely need to deliver. Right?

Wrong.

That is no more true than to suggest that successful market, customer, product, financing or acquisition decisions can be made tactically, without the benefit of underlying strategy. The Operations Strategy is as integral to long-term profitability and success as is any other element of corporate strategy.

The challenge is that operations personnel are rarely trained, encouraged or expected to speak or think strategically. The "just roll up your sleeves and put out that fire" approach makes for

heroes and great stories, but not for profitability and smooth, effective operations. To change that, Operations must have a plan for how to meet customer demands profitably while avoiding constant crisis.

There is no boilerplate outline for an Operations Strategy that works for every manufacturer, but one approach is to utilize a format that provides a context for decisions in (I) production (product and process development, process technology, layout, facilities, planning and control), (II) supply chain (suppliers; customers, delivery, serviceability) and (III) integration of Operations with the rest of the organization (HR, IT, Research, Finance, Sales/Marketing, etc.).

As you determine and then define the components of your Operations Strategy, you will find it can fill in that missing link between business planning and business execution. The right Operations Strategy, well-implemented, can make the competitive difference for an organization in its chosen markets.

Developing a Successful Operations Strategy

Do your homework

Do you know in which areas your markets require you to excel, and in which you merely need to be competitive? That input will drive your Operations Strategy. If customers are buying flexibility and fast delivery while operations is focusing on lowest cost, strategy is driving your company in the wrong direction.

The process of creating and executing the Operations Strategy is successful when it enables the organization to profitably and routinely meet the needs of the markets that the company chooses to serve. The first step, therefore, is to understand and prioritize the needs of the market. These may include cost, quality, speed of delivery, accuracy of promise date, pre- and post-sales support, flexibility, technical leadership, rapid product introductions, integration with other systems and participation in customer product design. While all those factors, or others, may be important to your market, a consistent prioritization that reflects the marketplace and that your company is strategically positioned to provide puts you in the best position for success.

Each company has its own goals, its own business and market strategies, its own current status, its own skill pool, its own

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philosophy and its own ability to change. Successful operational strategy and execution requires realistic assessment of those. Stretch goals are fine, but a strategy that assumes every employee is Einstein and that money grows on trees will not increase your chances of success.

Production considerations

Invest several days observing your operations. Not the people, but the processes. What do you see that interferes with profitably meeting market-prioritized requirements? Now imagine how the physical flows, the information flows, the decision flows can be changed to enable profitable success in the marketplace.

Do walls and hallways unnecessarily separate related operations? Are people located in ways that create delayed or miscommunications? How much time is lost as they wait for information, for decisions, for required materials? Is unplanned downtime of equipment adding to costs and time? How far does product travel while being converted into finished goods? Is it always easy for all employees to know if they are working on the right thing in the right way at the right time?

As you begin to look at your operations with a different set of eyes - a strategic set of eyes, seeking out the ways that your production processes are focused on meeting prioritized market needs - you can begin to apply strategic focus.

Strengthen the weakest link

The supply chain goes both directions and more than one level deep. It extends to both your suppliers' suppliers and your customers' customers. As the concept of the weakest link communicates, your company's success in the marketplace is limited by the capabilities of the weakest link in that chain. Poor-quality suppliers will preclude your success. Overpowering their ineptitude costs time and money. Similarly, a customer unwilling to participate in enhancing the effectiveness of the chain may well be the wrong customer to have.

Each company in the supply chain has the right - in fact, the responsibility - to demand excellence from the others. But each must also be both willing and able to contribute to success. How strong is your chain? The supply chain component of your Operations Strategy defines the framework for continual focus on strengthening the whole.

Integration within your own company

The Operations Strategy cannot be created nor executed in a vacuum. Integration with the philosophy and capability of business processes, human resources, information systems, research, sales/marketing and other functional areas within the organization is integral to success.

It is common, unfortunately, for strategies to contradict existing company policies or key performance metrics. For example, pricing

policies may well undermine your efforts to level customer shipments. Evaluating buyers on price reductions, or emphasizing the analysis of indirect vs. direct labor or equipment utilization, may be inconsistent with your plans for employee involvement and reduced inventories. Human resource policies and training budgets may not support the development of cross-functional skills that operational agility requires. Modify or eliminate policies or metrics wherever they interfere with strategy execution. Recognize the contradictions, then eliminate them.

The need for timely accurate data, easily visible to those who make decisions, is well known. Exactly how to most effectively provide that information can change over time. With the common goal of improved decisions with no non-value-added reporting requirements, the operations strategy and IT strategies certainly need to be coordinated.

How good is your organization at change management? Improvement requires change, and constant improvement requires constant change. The difference between constant change and chaos is the ability to manage change. Regardless of how desperately your organization needs to improve, it cannot do everything at once. Coordination of all the various changes required through the several strategies is integral to success.

Pulling it all together

Implementing an Operations Strategy is vital to your company's long-term success. Though the prospect may be daunting, there are only three steps to accomplishing this critical goal:

1. Define an Operations Strategy that reflects the market and your organization's reality
2. Make sure your employees, key suppliers and key customers understand the strategy and are willing and able to support it
3. Behave in accordance with that strategy

Discuss it, decide it, document it, communicate it. But above all, do it.

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