

Competition based on Operational effectiveness alone is mutually destructive due to wars of attrition, that can be addressed only by limiting competition

Operational improvements are dramatic, but not translates in to sustainable profitability

TQM, Bench marking, Time based competition, Outsourcing, partnering, re-engineering, change management

Management tools of productivity, speed and Quality

Operational effectiveness - *Performing similar activities better than Rivals includes efficiency, defect reduction..*

Companies must be flexible to respond to market chages

Have to benchmark continuously to achieve best practices

Nurture few core competencies to be ahead of rivals

Operational effectiveness is not strategy

cost generated by performing activities like producing products/services

Performing particular activities more efficiently than competitors results in to cost advantages

Must outsource to gain efficiencies

"Customer Needs " based positioning

Variety based positioning

Customers accessibility based positioning

Performing *different* activities than Rivals or Similar activities

*Different ways*

Strategic positioning

Heart of strategy - rejected as too static - is half truth and dangerous

Positioning

Superior profitability

Result

Must deliver greater value to customer or create comparable value at lower cost or Both

Company can outperform rivals only if it can establish a " difference that it can preserve "

First order fit - simple consistency between each activity

second order fit - When activities are reinforcing

Third order fit - Optimization of effort

Fit locks out imitators by creating a chain that is as strong as its strongest link

Fit

Strategy

Organisation superior performance

What is Strategy?

Strategy is Creating fit among a company's activities..

Strategy is the creation of unique and valuable position, involving different sets of activities

Managers must clearly distinguish Operational effectiveness from Strategy. Both are essential but different

Operational agenda involves continual improvement everywhere and No trade-offs.Failure to do this creates vulnerability even for companies with good strategy

Operational agenda is the proper place for constant change, Flexibility and relentless effort to achieve best practice

In contrast Strategic agenda is the right place for defining a unique position, making clear trade-offs and tightening fit. it involves continual search for ways to reinforce and extend the companies position

The strategic agenda demands discipline and continuity; its enemies are distraction and Compromise