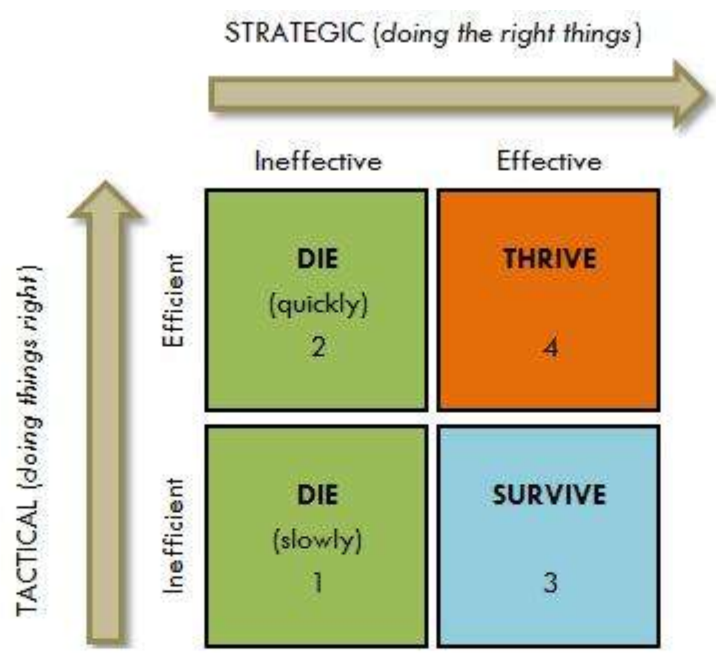
OPERATIONAL VERSUS STRATEGIC
Why it is important to understand the difference…

By JP Kalmeijer & Rich Koontz
Contact Rich at Rich.Koontz@cognegy.com
Contact JP at JP.Kalmeijer@cognegy.com

Very often absorbed by the daily routine of running a business, it can be hard to set time aside for strategic reflection. However both strategic and tactical levels of thought are critical to the survival and success of a business.

For many businesses the tactical decisions will come as second nature, it is what they do and what they are (fairly) good at. However it is even more important to reflect strategically on the business at regular intervals, through a business planning process, monthly board meetings or a C-level role, either with or without the help of outside advisors. As we will illustrate it is not only about *doing things right* but even more about *doing the right things*.

A very easy way of separating the strategic from the tactical is to use the model developed by Malcolm McDonald[i] introduced in his book marketing Plans – How to prepare them, how to use them.



STRATEGIC

The horizontal axis represents the **'quality' of the strategic choices** made and in this simplified model it varies from ineffective to effective. Strategic decision making is all about making up one's mind about 'what' to do.

For example: the decision to market products via retail channels or just online, the decision to develop business nationally or seek international expansion. It is all about *doing the right things* for the business.

Obviously an effective strategic choice can only be made with the right intelligence, the knowledge of understanding one's competitive environment[ii] and a detailed understanding of the business's capabilities and limitations. For two companies active in the same market environment the same strategic choice is not necessary as optimal for Company A as it could be to Company B.

TACTICAL or OPERATIONAL

The vertical axis represents the **'quality' of the operational activity**, and it varies from inefficient to efficient. Tactical activity is all about 'how' one executes the tasks assigned, it is about *doing things right*.

Using the same example mentioned in the above paragraph, a business now having chosen to distribute products via 'brick and mortar' retail, has to develop the right sales and trade marketing (tactical) activity to get product listed and then moved off the shelf.

Having explained both axes let us explore the 4 boxes or quadrants.

Each box shows the outcome of a specific combination of strategic choice with operational efficiency.

Quadrant 1: Ineffective Strategy and Inefficient Operations

The worst of both worlds, the business has opted for the wrong strategic direction and is executing poorly. This business is dying, but because it is operationally inefficient it is not even doing a good job at that.

The company will slowly die.

Quadrant 2: Ineffective Strategy but with Efficient Operations

This is the real killer combination, the wrong strategic choice but a team that is very operationally efficient. For example a Pharmaceutical company has a world class representative organization to get the message out to the medical corps, but it has badly positioned its product against competition. More doctors will know faster that the competitive product is far superior. Just digging the hole quicker than anybody else.

The company will die and will do it quickly.

Quadrant 3: Effective Strategy with Inefficient Operations

Typically companies in this quadrant have led the way into opening a new market, maybe even a new industry but were never able to bring it to operational efficiency. Most competitors are executing their strategies better and have pushed them to the side.

Important is to recognize this situation and not to change the strategic direction but work on the operational efficiency.

The company will survive.

Quadrant 4: Effective Strategy and Efficient Operations

Everything is in tune.

It is the CEO or business owner's responsibility - of any business small or large – to undertake a regular strategic review of the business and ask: *are we doing the right things*?

Strategic reflection on the business at regular intervals can be achieved in various ways: through a continuous business planning process, at monthly board meetings or through the appointment of appropriate C-level role(s). It should be understood that managers – *even high level ones* – have difficulty to think strategically. Typically they are unable to escape the grasp of the day-to-day fire fighting and tend to remain stuck on the matters that are urgent now. The CEO should therefore surround himself on a regular basis with the right intellectual sparring partners to reflect on what is business critical and not just urgent.

[i] Malcolm McDonald Author of 'Marketing Plans' – Butterworth & Heinemann – 4th edition 2001

[ii] Competitive environment as defined by Porter's 7 forces involve: competition, complementors, substitutes, partners, regulation (government), end users and new entrants.