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# Maximizing Your Operating Strategy

*How to best use your core competencies and business model*

Readers who have earned the Certified in Production and Inventory Management (CPIM) designation will recall that the fifth module, Strategic Management of Resources, teaches creating a coherent operating strategy to make an organization successful. It is with this background—and an eye on the economic challenges of the past year—that we ask some key questions of operations managers:

- Are your core competencies still valued?
- Is your business model still relevant?
- Is one or the other outdated and ineffective?
- Are both outdated and ineffective?

Core competencies are characteristics that are listed as strengths when performing a strengths, weaknesses, opportunities, and threats (SWOT) analysis. They consist of a set of resources, processes, and capabilities that represent the source of competitive advantage. Ideally, core competencies should provide some degree of market

system and answers the question ‘How are we going to make money to survive and grow?’”

The Massachusetts Institute of Technology Sloan School of Management research paper “Do Some Business Models Perform Better than Others?” indicates that the means and methods a firm employs often make or break new ventures. According to the report, the business models with the higher probability of success are the ones that are “optimized to reduce the upfront investment, accelerate the revenue/receivables cash inflow, obtain cogent and reliable customer feedback often and earlier, and take other measures to reduce the investment risk.”

The key difference between a core competency and a business model is that a core competency is the foundation upon which a company builds its set of competitive advantages; meanwhile, the business model underscores the set of trade-offs that an organization makes by leveraging its core competencies in order to differentiate itself in the marketplace.


To clarify, let’s look at Apple and Microsoft. Both companies, after their initial startup phases, offered essentially the same thing—an operating system

and a set of software applications for the growing computer industry. While their core competencies were similar, Apple also had the competency to design and manufacture computers. Its business model was predicated on a powerful operating system and applications that only ran on Apple computers, thereby driving sales. Microsoft’s business model was to simplify the ability to use computers

and sell more operating systems that could appeal to an increasing number of users.

While both companies had similar core competencies, they had different business models. Ultimately, this resulted in Microsoft winning the market and Apple becoming a trendy, new age product that did not appeal to the masses. Of course, Apple rejuvenated itself—partly, by partnering with Microsoft so that its operating system would run on Apple computers. More recently, the company faced a crowded, commodity market and yet was able to introduce a mobile phone that is one of the hottest products ever.

Apple’s decision to allow other operating systems on its computers represents a significant business model change. Most importantly, its ability to coordinate a highly complex supply chain mated extremely well with its existing engineering and design competencies, giving the business the ability to differentiate itself in a new way. Instead of remaining a computer software and hardware specialist, Apple has morphed into an innovative consumer products company with a technology slant.

Do your core competencies provide the differentiation necessary to weather this downturn? Is your business model really helping your company recover? Is it time for an overhaul? 

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leverage or, at least, a means by which a company can differentiate itself. After all, as we learned in the CPIM module, it is extremely difficult for two entities competing in identical ways to co-exist for very long.

BusinessDictionary.com defines a business model as “a description of means and methods a firm employs to earn the revenue projected in its plans. It views the business as a

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