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ГОДИШЕН ЗБОРНИК НА ФАКУЛТЕТ ЗА ТУРИЗАМ И БИЗНИС ЛОГИСТИКА

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FACULTY OF TOURISM AND BUSINESS LOGISTICS

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OPERATIONS STRATEGY AND COMPETITIVENESS - CASE STUDY AND ANALYSIS

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Abstract

The purpose of this paper is to present the operations strategy and management of certain strategically important operational tasks, also to explain how a successful company should create business strategies for each business process that will actually be a competitive strategy focusing on market positioning and strengthening competitive advantages. Operations management is one of the most crucial factors for a business or an organization. With the help of operations management, an organisation can enhance its key aspect, which is to provide services or products in accordance with the demands and needs of the customers. The operational function has a great value as a competitive weapon in the company's strategy and, consequently, plays an important role in the implementation of the corporate strategy. Creating a sustainable competitive advantage is the key to the success of modern companies. All of this will be presented in the following text through a case study with analysis of the company Ikea.

Key words: perspectives, priorities, success, competitive advantages, productivity.

1. Introduction and literature review

Operations management include effective and efficient maintenance of processes regarding the design and management of products and services along with supply chain management. The study of operations management involves every level including strategic, tactical, and operational. *(De Toni, 2016)* The primary areas of operation management that are focused by the organization are quality management, supply chain management and cost. *(Carlson, 2015)* A firm's operations capabilities can be viewed as a portfolio best suited to adapt to the changing product/service needs of the firms customers. *(Chase, R.B., Jacobs, F.R. & Aquilano, N.J., 2006) Wheel-wright, S.C. & Hayes, R.H.,* described four generic roles that manufacturing can play within a company: internally neutral, externally neutral, internally supportive and externally supportive. The availability and proper utilization of the key organizational dynamics go a long way in determining the probabilities of success of the operational strategies and the entire corporate strategies of the organization. *(Godward, T. & Deck, M., 2008)* Operations managers must work closely with marketing in order to understand the competitive situation in the company's market before they can determine which competitive priorities are important. *(Reid, R.D., 2013) Moves B., Godward T. and Deck* M., suggest that successful management of operations strategy requires facilitation and integration of key organizational factors that include management systems, organizational culture, information and technology systems, and process innovation. *Bell Helicopter* has demonstrated success in incorporating its operations strategy into the overall corporate strategy of the organization. Industries become more or less attractive over time, and competitive position reflects an unending battle among competitors. Even long periods of stability can be abruptly ended by competitive moves. *(Porter, M.E., 1985)* A set of competitive operations capabilities facilitates efficient exploitation of resources resulting in better profit margins and higher sales volumes through superior products and *services (Größler & Grübner, 2006).* Thus, they provide a superior value for the customer and therefore form a non-substitutable and inimitable strategic asset which needs to be managed and maintained to achieve a long-term payback *(Sansone et al., 2017)*. Therefore, it can be concluded that operations capabilities create the basis for competition between manufacturing firms. (*Hallgren, 2007)*

2.Operations strategy

Operations management (OM) is the business function that plans, organizes, coordinates, and controls the resources needed to produce a company's goods and services. It involves managing people, equipment, technology, information, and many other resources. Operations management is the central core function of every company. Organizations can be divided into two broad categories: manufacturing organizations and service organizations, each posing unique challenges for the operations function. *[Reid, R.D. & Sanders, N.R., 2013] Operations strategy* can be viewed as a part of planning process that coordinates operational goals with those of larger organization. Since the goals of the larger organization changes over the time , the operations strategy must be designed to anticipate future needs. A firm's operations capabilities can be viewed as a portfolio best suited to adapt to the changing product/service needs of the firms customers. *[Chase, R.B., Jacobs, F.R. & Aquilano, N.J., 2006, p.24]* The role of operations strategy is to provide a plan for the operations function so that it can make the best use of its resources. Operations strategy specifies the policies and plans for using the organization's resources to support its long-term competitive strategy. Operations strategy is the plan that specifies the design and use of resources to support the business strategy. This includes the location, size, and type of facilities available; worker skills and talents required; use of technology, special processes needed, special equipment; and quality control methods. The operations strategy must be aligned with the company's business strategy and enable the company to achieve its long-term plan. *Wheelwright S.C. & Hayes R.H., described four generic roles* that manufacturing can play within a company, from a strategic perspective. While they specifically discuss the manufacturing function, the term operations can be substituted with no loss in relevance. *These generic roles are labeled stages 1 to 4. (Image 1) [Wheelwright, S.C. & Hayes, R.H., 1985, p.99-109]*

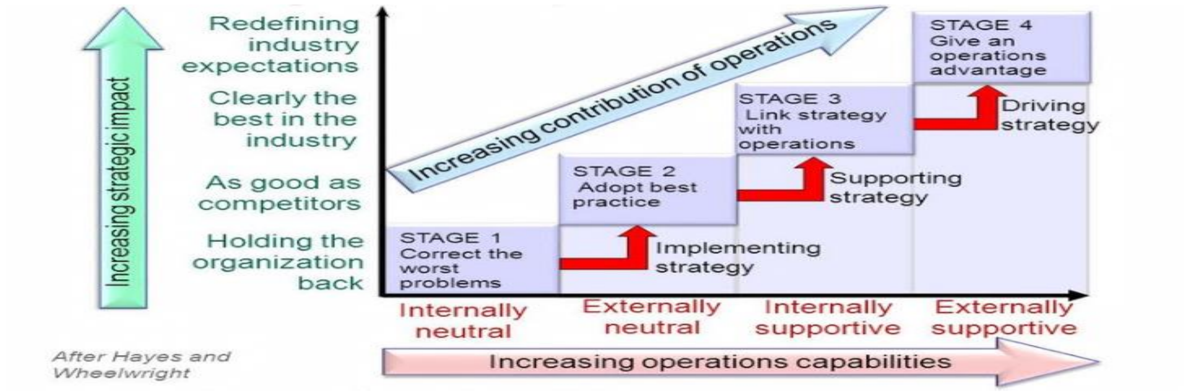

Image 1: The four-stage model of operations contribution

Source: https://nigelchetty.com/new-blog/2020/3/3/four-stage-model-of-operationcompetitiveness

Bell Helicopter has demonstrated success in incorporating its operations strategy into the overall corporate strategy of the organization. In 2008, the global leader in aircraft manufacturing announced the rationalization of the company's product line through concentrating on the production of the popular models that are in high demand. The management of Bell Helicopters projects to yield significant increase in the production capacity of the company and subsequent increase in its capacity to meet customer demands from this pragmatic strategy. *[Helicopter, B., 2008] Tom Godward and Mark Deck* suggest that successful management of operations strategy requires facilitation and integration of key organizational factors that include management systems, organizational culture, information and technology systems, and process innovation. The availability and proper utilization of the key organizational dynamics go a long way in determining the probabilities of success of the operational strategies and the entire corporate strategies of the organization. *[Godward, T. & Deck, M., 2008] The need for an operations strategy* that reflects and supports the corporate strategy is not only crucial for the success of the corporate strategy but also because many decisions are structural in nature. In other words, the results are not easily changed. The operations strategy focuses on specific capabilities of the operation that give the company a competitive edge. Operations strategy decisions are critical in this process because they serve as a linkage between the business strategy and all the other operations decisions. In turn, decisions regarding operations strategy directly impact decisions on organizational structure and infrastructure of the company. These capabilities are called *competitive priorities*. By excelling in one of these capabilities, a company can become a winner in its market. Operations managers must work closely with marketing in order to understand the competitive situation in the company's market before they can determine which competitive priorities are important. *[Reid, R.D. & Sanders, N.R., 2013]*

2.1. Operations strategy in manufacturing

The main objectives of *manufacturing strategy* development are to translate required competitive dimensions into specific performance requirements for operations, and to make the plans necessary to ensure that operations capabilities are sufficient to accomplish them. The steps for prioritizing these dimensions are as follows:

1. Segment the market according to the product group.
2. Identify the product requirements, demand patterns, and profit margins of each group.
3. Determine the order-winner and order-qualifiers for each groups.
4. Convert order-winners into specific requirements.

The process of achieving a satisfactory manufacturing segmentation that maintains focus is often a matter of deciding which product group fit together in the sense that they have similar market performance characteristics or place similar demands on the manufacturing system. *[Chase, R.B., Jacobs, F.R. & Aquilano, N.J., 2006, p.35]*

2.2. Operations strategy in services

Operations strategy in service firms is generally inseparable from the corporate strategy. For most services, the service delivery system is the business, and hence any strategic decision must include operations considerations. A marketing decision to add a new route for an airline or to add new in-flight services may be made despite operations protests about feasibility (just as in manufacturing). *[Chase, R.B., Jacobs, F.R. & Aquilano, N.J, 2006, p.36]* Goods and services differ from each other in many ways. As a result, the service strategy should be formed taking into account the following strategic aspects: *Less barriers*: sometimes services are often not patented and capital investment is low, competitors can easily get involved in the activity. *Less involvement of commercial technology*: it is based more on people involved in technology. *Costs are difficult to measure:* prices are difficult to compare with each other competitors have a great opportunity for customers. *Acquisition is risky:* Acquisition is mostly for people who can leave whenever they want, unlike machinery. *Location matters*: a good location is a key strategic move for a service company.

2.3. Four perspectives on strategy

Financial perspective: Under the financial perspective, the goal of a company is to ensure that it earns a return on the investments made and manages key risks involved in running the business. The goals can be achieved by satisfying the needs of all players involved with the business, such as the shareholders, customers, and suppliers. The shareholders are an integral part of the business since they are the providers of capital - they want to be sure that the company is continually generating revenues and that the organization meets goals such as improving profitability and developing new revenue sources.

2. Customer perspective: The customer perspective monitors how the entity is providing value to its customers and determines the level of customer satisfaction with the company's products or services. Customer satisfaction is an indicator of the company's success. How well a company treats its customers can obviously affect its profitability. It enables the organization to step out of its comfort zone to view itself from the customer's point of view rather than just from an internal perspective. Some of the strategies that a company can focus on to improve its reputation among customers include improving product quality, enhancing the customer shopping experience, and adjusting the prices of its main products and services. The customer perspective is at the heart of the strategy and defines how growth will be achieved. There are three different ways to differentiate: *[Treacy, M. & Wiersema, F., 1995, p.31-38]*

a. *Product leadership*. A product leadership company pushes its product into the realm of the unknown, the untried, or the highly desirable.

b. *Customer intimacy*. A customer–intimacy company builds bonds with its customers: it knows the people to whom it sells and the products and services it needs.

c. *Operational excellence.* Operationally excellent companies deliver a combination of quality, price, and ease of purchase that no one else can match.

Image 2: Four perspectives on strategy

Source: https://www.training-evaluation-metrics.com/training-goals-and-company-strategy.htm

3. Internal business processes perspective: A business' internal processes determine how well the entity runs. A balanced scorecard of *Kaplan and Norton* puts into perspective the measures and objectives that can help the business run more effectively. Also, the scorecard helps evaluate the company's products or services and determine whether they conform to the standards that customers desire. A key part of this perspective is aiming to answer the question*, "What are we good at?"* The answer to that question can help the company formulate marketing strategies and pursue innovations that lead to the creation of new and improved ways of meeting the needs of customers. This perspective defines the business processes and specific activities that the organization must master in order to support the customer value proposition. It is important for a strategy not only to specify the desired results, but also to describe how the results will be achieved. As Porter M. states, "The essence of strategy is in the activity - choosing to perform activities differently or to perform different activities than rivals." *[Porter, M.E., 1996, p.77]*

4.Organizational capacity and learning and growth perspective: Organizational capacity is important in optimizing goals and objectives with favorable results. The personnel in the organization's departments are required to demonstrate high performance in terms of leadership, the entity's culture, application of knowledge, and skill sets. Proper infrastructure is required for the organization to deliver according to the expectations of management. For example, the organization should use the latest technology to automate activities and ensure a smooth flow of activities. (https://corporatefinanceinstitute.com/resources/knowledge/finance/balanced-scorecard/]

2.4. The notion of Trade-offs

Central to the concept of operations strategy is the notion of *operations focus and trade-offs*. The underlying logic is that an operation cannot excel simultaneously on all competitive dimensions. Consequently management has to decide which parameters to performance are critical to the firm's success and than concentrate the resources of the firm on these particular characteristics. For example, if company wants to focus on speed of delivery, it cannot be very flexible in its ability to offer a wide range of products. Similarly, a low-cost strategy is not compatible with either speed of delivery or flexibility. High quality is also viewed as a trade-off to low cost. For firms with large existing manufacturing facilities, Skinner suggests the creation of a *„plant-within-a-plant"* (PWP) concept, in which different locations within the facility are allocated to different product lines, each with their own operations strategy. Under the PWP concept, even the workers are separated to minimize the confusion associated with shifting from one type of strategy to another. *[Skinner, C.W., 1974, p.113-122]* A strategic position is not sustainable unless there are compromises with other positions. Trade-offs occur when activities are incompatible so that more of one thing necessitates less of another. *[Porter, M.E., 1996, p.68] „Straddling"* occurs when a company seeks to match the benefits of a successful position while maintaining its existing position. It add new features, services, or technologies onto the activities it already performs.

2.5. Order-winner and order-qualifiers

Terry Hill, a professor at Oxford University, has coined the terms order winner and order qualifier to describe marketing-oriented dimensions that are key to competitive success. An *order-winner* is a criterion that differentiates the products or services of one firm from another. Depending on the situation, the order-winner criterion may be the cost of the product (price), product quality, and reliability, or any of the other dimensions developed earlier. An *order-qualifier* is a screening criterion that permits a firm's products to even be considered as possible candidates for purchase. Professor Hill states that a firm must requalify the order qualifiers every day it is in business. It is important to remember that order-winning and order-qualifying criteria may change over the time. *[Hill, T., 2000]*

2.6. Measuring productivity

Operations management is responsible for managing the transformation of many inputs into outputs, such as goods or services. A measure of how efficiently inputs are being converted into outputs is called *productivity*. Productivity measures how well resources are used. It is computed as a ratio of outputs (goods and services) to inputs (e.g., labor and materials). The more efficiently a company uses its resources, the more productive it is. *A measure of how efficiently an organization converts inputs into outputs:*

$$\textbf{Productivity} = \frac{\boldsymbol{output}}{\boldsymbol{input}}$$

This equation can be used to measure the productivity of one worker or many, as well as the productivity of a machine, a department, the whole firm, or even a nation. *[Reid, R.D. & Sanders, N.R., 2013]*

For example, *Bluegill Furniture*, a small furniture shop focuses on making kitchen chairs. The weekly dollar value of its output, including finished goods and work in progress, is \$14,280. The value of inputs, such as labor, materials, and capital, is approximately \$16,528. When the total productivity measure is calculated, the following is obtained:

$$\textbf{Total productivity} = \frac{\boldsymbol{output}}{\boldsymbol{input}} = \frac{\$\mathbf{14,280}}{\$\mathbf{16,528}} = \mathbf{0,864}$$

3. Competitiveness and its importance in operations strategies

Competition is at the core of the success or failure of firms. When talking about business, competitive advantage refers to the factors or attributes that allow a given company to produce more affordable or higher quality services or products than its competitors. A competitive advantage is what makes an entity's goods or services superior to all of a customer's other choices. While the term is commonly used for businesses, the strategies work for any organization, country, or individual in a competitive environment. *[U.S Department of State Africans Young Leaders Initiative, 2020]* Competitive advantage refers to factors that allow a company to produce goods or services better or more cheaply than its rivals. These factors allow the productive entity to generate more sales or superior margins compared to its market rivals. Competitive advantage is what makes an entity's products or services more desirable to customers than that of any other rival. Competitive advantages can be broken down into comparative advantages and differential advantages. Comparative advantage is a company's ability to produce something more efficiently than a rival, which leads to greater profit margins. A differential advantage is when a company's products are seen as both unique and of higher quality, relative to those of a competitor. *[Twin, A., 2021]* Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Two central questions underlie the choice of competitive strategy. The first is the attractiveness of industries for long-term profitability and the factors that determine it. The second central question in competitive strategy is the determinants of relative competitive position within an industry. Even long periods of stability can be abruptly ended by competitive moves. ***[****Porter, M.E., 1985, p.1-2] Porter* explained that a company must create clear goals, strategies, and operations to build sustainable competitive advantage. The corporate culture and values of the employees must be in alignment with those goals. Porter researched hundreds of companies to identify the three *primary ways companies achieve a sustainable advantage*: cost leadership, differentiation, and focus.

1. Cost leadership: Cost leadership means companies provide reasonable value at a lower price. Firms do this by continuously improving operational efficiency. That usually means paying their workers less. Some compensate for lower wages by offering intangible benefits such as stock options, benefits, or promotional opportunities. Others take advantage of unskilled labor surpluses. As these businesses grow, they can benefit from economies of scale and buy in bulk.

2. Differentiation: Differentiation means companies deliver better benefits than anyone else. A firm can achieve differentiation by providing a unique or high-quality product. Another method is to deliver it faster. A third is to market in a way that reaches customers better. A company with a differentiation strategy can charge a premium price, which means it usually has a higher profit margin. Companies typically achieve differentiation with innovation, quality, or customer service. Innovation means they meet the same needs in a new way.

3. Cost Focus: Focus means the company's leaders understand and service their target market better than anyone else. They either use cost leadership or differentiation to do that. The key to a successful focus strategy is to choose a very specific target market. Often it's a tiny niche that larger companies don't serve.

3.1. Competitive priorities/dimensions

There are some broad categories of competitive priorities:

Cost or Price: Price is the amount a customer must pay for the product or service. If two products are comparable in quality and differ in price, customers will buy the product or service that has a lower price. Although the price is the competitive weapon used in the marketplace. profitability is related to the difference between price and cost. Hence, the cost is an important variable that can allow lower prices that may still be profitable for the firms. To compete based on price, the production function must be capable of producing the outputs at a low cost. *(https://www.googlesir.com/competitive-dimensions-of-operations-management/)*

Quality: Quality refers to the ability of the product or service to met the requirements of the customer and achieve customer satisfaction for the firm selling the goods and services. generally quality relates to the customer's perceptions of how well the product or services will serve its purpose. Generally, customers are often willing to pay more for or wait for delivery if products of superior quality.

Product or Service Differentiation: Refers to any special features (such as design, cost, quality, convenience of use, warranty, etc.) that cause a product or services to be perceived by the customer as more suitable or attractive than the product or service offered by the competitors.

Dependability as a Supplier: A supplier who has a reputation for dependability (like, keeping the promised delivery schedule) or who can meet customer demand through off the shelf availability of the product has a strong competitive advantage. Customers are often willing to compromises on cost or price or even quality to obtain on tie delivery when they need an item. The production managers must develop the ability of the productive system to the product on time by scheduling and coordinating all the elements of the system.

Flexibility/Service: This refers to the ability of a firm to respond to changes demanded by the customer. The changes might relate to increases or decreases in volume demanded or to changes n the design of product or service or changes in the delivery time. A firm having higher flexibility can have a competitive advantage over other firms. The ability to be flexible depends a great deal on the design of the productive system and the

process technology employed by the firm. Also, the service offered by the firm before and after-sales, and in providing repair service and spare parts quickly ad effectively add to the competitive position of the firm.
Time: Time to perform certain activities refers to several aspects of an organization's operations such as: How quickly a product or service is delivered to a customer (like speed to market or minimum lead time to supply); How quickly new products or services are designed, developed, and launched to the market (speed to market of new products or services) and; The rate at which improvements in products or processes are made.
Customer Service: Service might involve after-sales services that are perceived by customers as a value-added, for example, delivery, set up or installation, warranty/guarantee repairs, technical support, or extra attention such as courtesy, keeping the customer informed, and attention to even little details or small problems of customers.
Employee Productivity and Managerial Expertise: Managers and other employees are the people at the heart and soul of any organization. Competent and motivated employees including managerial personnel can provide a distinct competitive edge by their expertise, skill, and creative ideas.

4. Case study: Ikea- operations strategy, competitive advantages and swot analysis

IKEA is one of the best furniture retailers in the world. The company not only manages to ensure efficient processes, but also strives to create modern furniture at a cost effective and to create sustainable competitive advantage through better shopping options for the customers. The operations process of IKEA Furniture converts inputs into outputs, through an effective operations management strategy. Notably, the IKEA Company was established about 60 years and headquartered in Sweden. The key idea that governed furniture production was, so long as their furniture price was effective and of high quality, then their customers would travel from out of town to come and buy their products and be able to self-assemble them. The mission of the company was formulated by its founder Ingvar Kanprad, which states that the company's mandate is to offer a wide variety of functional furniture at a quality and price that is attainable by majority populations. In effect, the principles of the company are driven towards facilitating an attainment of the company's mission regarding providing both economic and quality products (IKEA Retailing Worldwide 8). Notably, the organization's primary principle is concerned with the production of a wide range of functional products by enforcing high-quality standards. *IKEA's operational strategy* involves a set of actions and decisions that dictate the objectives, the role and activities of the organization in support of the organizations' business strategy. The operations strategies of the business relay and are dependent on the mission statement of the company that seeks to ensure high-quality products at an affordable price. Notably, the company's business idea is based on the premise of simplicity. In effect, the company seeks to maintain that they do not carry out expensive advertisements and that the catalog offers self-service (*Williams, 2008).* Consequently, these elements all contribute to the production of cheap priced furniture as they seek to collaborate with one another. Further, the company's emphasis on certain quality standards implies that they only focus on a small number of suppliers for the supply of key products. Also, these key suppliers are minimal in number meaning that they can be monitored by the company adequately. The flat packaging idea ensures that the company can save storage space when keeping the furniture in stock. *Porter M.E. (1980*) asserts there are basic businesses strategies – differentiation, cost leadership, and focus – and a company performs best by choosing one strategy on which to concentrate. Generic strategies can be successfully linked to IKEA performance through the use of key strategic practice. IKEA positioned itself as both a cost leader as well as differentiator. It distinguishes itself from its competitor by providing a better shopping experience, a new concept of lifestyle, a wider range of product, a simultaneous service which involved customer's participation. As customer have to delivery and assemble the flat packed furniture by themselves, this unique delivery system also partly contributed to IKEAS low cost strategy. IKEA managed to distinguish itself from other furniture merchants by successfully making its customers around the world believe that instead of selling furniture, it was selling a lifestyle by offering a much wider range of home products. With a Hybrid strategy, IKEA was simultaneously achieving differentiation and a price lower than competitors which enables it to achieve greater volumes. In this case of IKEA, their sustainable competitive advantage is attained through an additional quality services offered to their customers at the stores. As it is, customers try to identify buyers with an ability to offer high value at minimal costs. Consequently, IKEA has learned of this strategy and implements it. As a means to provide added value and attract more customers, the company offers superior services compared to other competitors in the furniture industry (*Harrison, N., 2012, p.68*). One thing that the company representative does when meeting with a potential customer is to carry a catalog, measuring tape, note paper, and pens.

4.1. Ikea Swot Analysis

Strenght: These factors are usually cited as skilled management, manufacturing facilities available and good profit product line available in business. *(Finlay, 2000*) IKEA has strong internationally brand name recognition. IKEA's branding attracts the major demographic customers. Business model of IKEA is unique in its construction as it has no direct competitions on like for like basis. IKEA's products offer values to customer by

delivering low price and innovative products. IKEA carries degree of specialist skills and knowledge within key production areas. *(Edvardsson, B. & Enquist, B., 2009)*
Weakness: Those internal factors that prevent the achievement of successful projects are mainly barriers in communication channels, insufficient resources and conflicts between departments. *(Finlay, 2000)* IKEA promotes the low pricing model but services to customers are not satisfactory. Retention of customer focuses that customers should be happy fully with the business services. To repeat business with the same customer base IKEA has to work out on its services that are given to customers. Practices of ecommerce have become necessary for businesses to compete with modern technological world. IKEA needs to adopt such practices for the efficiency of its business. *(Levine, J., 2007)* IKEA has no direct competitors. Presence of direct competitor boosts the company performance.
Opportunities: Strong network of vendors, healthy relationships with suppliers and prevailing good market conditions these all add values to the project. *(Finlay, 2000)* Opportunity available to IKEA is growing demand for green products and growing demand for low price products by the customers. Due to liquidity crunch and high inflation demand for low price products is increasing. IKEA is moving towards the global status because of the development of Eastern and European models. *(Edvardsson, B. & Enquist, B., 2009)*
Threats: Final factor of SWOT analysis is threat. Threat represents the external factors that can threaten the success of project. *(Finlay, 2000)* Various competitors are entering in market and offering the low cost household and furniture products and causing the threat to IKEA's business. Due to recession in economy, trend of consumer's spending and disposal of income has reduced. First time buying pattern by consumers is also threat as consumers spend less when they enter in the market. *(Ikea, 1995 & Levine, J., 2007)*

1.2. Wall-mart as a competitor of Ikea

Wal-Mart is indirect competitor of IKEA. Wal-Mart runs a chain of large stores whereas IKEA deals only with the home furnishing. Wal-Mart offers extensive products and home furnishing is from one of its product lines. Wal-Mart is biggest public company while IKEA is private company. Wal-Mart has world recognized retail brands as IKEA's. IKEA has no direct competitors but Wal-Mart has to compete with the direct competitors also. IKEA focuses on the low priced product strategy which will affect Wal-Mart as more customers are moving towards IKEA for home furnishing. Wal-Mart strategy is focused on human resource management and development and IKEA strategy gives emphasize to low price products to customer. Services given to customers by IKEA are not up to the mark. Wal-Mart can grab customers form IKEA by focusing on the services and by giving values to customer. Wal-Mart by using the information technology to assist its logistic systems can precede the IKEA. Information technology can become the core competence of Wal-Mart and by using this core competency Wal-Mart can excel IKEA. *(Lewis, E., 2005)* IKEA can compete vigorously with Wal-Mart by fulfilling the demand of customers. Demands for greener products, demands for low priced products and demand from low carbon footprints are increasingly. IKEA by serving these demands can gain the opportunity to become successful and strong competitor of Wal-Mart in home furnishing product line. IKEA by developing the Eastern and European models can increase its market shares and Wal-Mart profitability can decline. By providing customer with low priced products IKEA can attract the customer in this economic recession period where customers are not spending their income. By offering the low priced products to the customer Wal-Mart can do extremely well with IKEA. To overcome the threat of low buying pattern of consumer Wal-Mart can take better measures than IKEA as Wal-Mart is running huge retail business than IKEA. IKEA is providing only home furnishing products. It has more skills and knowledge as it is dealing only with this product line and also IKEA is providing innovative and less price products. IKEA strengths have increased from Wal-Mart in home furnishing products because it is focusing only on this product line. IKEA and Wal-Mart differ in number of ways. For the constructive comparison market segmentation and target market for both IKEA and Wal-Mart has to be considered. Target market of IKEA is only consumers of home furnishing while Wal-Mart deals with huge target market. Influence of IKEA on Wal-Mart is less because Wal-Mart is running huge industry. Market segmentation of Wal-Mart is different from IKEA like Wal-Mart focuses on different demographic segmentation, Psychographics and life style segmentation and behavioral segmentation. Target market of IKEA is different as it is only providing products to consumers who are keen in home furnishing whereas home furnishing is only the niche of Wal-Mart. Strategies of IKEA and Wal-Mart are also dissimilar. IKEA focuses on the low priced and innovative products to customer whereas Wal-Mart focuses on the human management and development of human skills.

5. Conclusion

Operational effectiveness refers to the basic business processes needed to run a business. Free market economies and rapid globalization underscore the need to be proactive and anticipate change to keep pace or better stay ahead of the competition. To meet this competitive challenge, every business needs to focus on strategic planning in managing their operations - what is known as "Operational Strategy". The operational strategy is a collective template of coordinated decisions to formulate, reformulate and allocate the organization's resources. These decisions provide a competitive advantage to support the overall strategic initiatives of the firm or strategic business unit. A company's competitiveness refers to its relative position compared to other firms in the local or global market. As a result of the impact of globalization on the economy and growing market dynamics, competition between companies has changed in recent decades. Shorter product life cycles, price pressures, or high research and development costs for better products have made it difficult for today's companies to compete against their competitors for profit. But also, the challenge of meeting high levels of customer quality and demand for services has weakened a company's ability to differentiate itself from its competitors. Strength of companies includes characteristics within the organization that adds value to the business and resulting in the ultimate success of organization. Threat is the negative public image towards business, week vendor relationship, inadequate resources, and unavailability of market for the final product. Weaknesses address the internal factors within the business. Opportunity factor of companies deals with the external elements that will help the business in the completion of successful projects. Retention of customer is possible when their desires are fulfilled along with these desires' customer demands good services from the company. Those companies that are providing good customer service are becoming successful.

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