
PRIORITY MANAGEMENT – A DIRECTION TOWARDS COMPETITIVENESS

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Abstract:

In a time when the most of us have to cope with globalization, the key for surpassing the negative effects produced by it, resides in choosing the right strategy. This necessary involves a performance management. Through this paper we propose priority management as an efficient way of thinking about gaining the vital competitive advantage.

Keywords: *priority management, the Pareto law, 1-3-6 method, competitiveness, efficiency*

1. Introduction

Nowadays globalization is often mentioned for designating the correlations between national economies as well as the international economic flows in the background of the world economy.

The internationalization of economic activities represents a higher stage in the development of the above mentioned correlations which contains the world economy, all the countries and all field of activity.

Once integrated in the European Union, Romania must advance on this higher stage of development and this situation is possible just by increasing its competitiveness as well as all the individual components of the national economy.

Considering all this it is clear that we need a viable strategy at a microeconomic level as well as at a macroeconomic level, in order to survive in this competitive environment in an efficient manner through a high quality strategy.

At a macroeconomic level, the representatives of the state should conceive a new national strategy, applicable most efficiently as soon as possible. The state must

interfere in assuring the proper background for the economic development, therefore it must settle a list of priorities.

At a microeconomic level, the entrepreneurs collate themselves with major difficulties in choosing a proper strategy which will assure their companies' survival. The solutions proposed in both cases are multiple and not always applicable considering the limited resources and time that we dispose of.

Considering the fact that resources are limited, the strategy must be based upon establishing a reduced number of objectives which represent real priorities. If these priorities are well determined, the effects will have a bigger positive impact on the achievement of the objectives that were not initially considered a priority.

In the current crisis context, concentrating on the achievement of diverse objectives can lead to inappropriate allocation of the efforts (human, financial and organizational).

According to the Pareto Principle, 20% of the efforts lead to 80% of the effects. On this principle, now more than ever, these efforts that normally would be "lost" must be conserved or redistributed.

Taking into account all this, we propose a new way of thinking: priority management. Priorities represent a way of achieving the objectives. When the priorities are clear and specific, the organizations are aware of the new strategy, the way in which they should allocate resources, energy and time.

Priorities give the organization clarity and concentration. Without priorities, companies tend to do everything and to lose precious resources and energy by implementing measures that are inefficient.

The objectives of the paper are:

1. Supporting the utility, efficiency and effectiveness of priority management as a new way of approaching managerial thinking;
2. Demonstrating the applicability of priority management at a microeconomic level (case study Apple);
3. Demonstrating the applicability of priority management at a macroeconomic level (increasing Romania's competitiveness at a global level).

2. Priority management in the contemporary world

Time is perceived and managed differently depending on the culture, company and person. The perception of time always depends on the number and complexity of our daily activities, of their rhythm, of the demands for surviving in a high competitive environment. It is obvious that time is a resource that is never enough or forthcoming in key moments. It is a resource that must be rationalized, controlled and optimized.

The big amount of assignments, the lack of delegation and prioritizing are just a few of the most important problems of the nowadays business environment.

The increasing rhythm of life, the big amount of unexpected problems and the pressure of dealing with „urgent“ problems have stimulated the creation of a new way of thinking named priority management.

Time management has always been very important but with a vital condition, to marshal time! Nowadays we have to dose time in order to manage the activities that make you gain the competitive advantage. This means setting priorities.

Priority management is a discipline that deals with setting objectives, strategic planning, quality control and project management.

This practice needs a measurable specification of assignments, an objective quantity evaluation of all the strategies. It needs also to be adjusted to the proposed objectives.

Priority management can be applied at a lower scale as well as at a higher scale. We can use this new way of thinking at top management, product planning, technical management, software engineering or systemic engineering. It is a discipline with a high range of applicability.

The advantages of priority management:

- A lower rate of failure;
- A bigger probability of achieving our objectives;
- High flexibility of actions when change occurs;
- Flexibility when it come to the usage of resources;
- Increasing efficiency.

The disadvantages of priority management:

- It consumes time for documentation;
- High volume of work for measuring activities;
- Often evaluation activities.

Priority management is necessary for the efficient usage of limited resources. Before taking decisions regarding priorities, we have to collect information about the available resources. Not even foreknowledge or calculations can not accurately foresee the amount of resources we will require. We can't be certain of the budget that we'll receive or the people we'll dispose of for our activities so we can't prioritize correctly before the change process.

We have to wait and see how things are going and prioritize considering current trend. Nature does the same. Our body signals the need of water, food, and sleep on the bases of current data. This is the model we have to use in all types of decision that we take according to priority management.

When selecting priorities, one has to keep in mind 4 criteria: what is important, what is urgent, long term versus short term, realistic versus visionary. If we do not make choices because we have the idea that we can do everything, most of the times the result is not the expected one. We need the moral strength to choose the right equilibrium, knowing that some of the measures will not be so efficient (Covery, 2008).

Making a less good decision when it comes to priorities can have more than one source. It might be the case that the manager is scared to make the selection of just a few priorities, thinking that he could face all challenges.

In most cases it is necessary to choose the most unpopular priorities which implies a selection from an ocean of possibilities.

Managers have to do a slow work which implies sorting and selecting adequate priorities from multiple possibilities. One can settle good objectives and still select priorities wrong. In case you chose badly the objectives, you will have for sure the wrong priorities and your business will be in danger.

A big problem of nowadays managers is project delay. Most managers agree that they are postponing many activities and that is why they do not achieve the desired results. There are methods of combating this delay and implicitly improve the management process for a company. These are called prioritization methods.

3. Prioritization methods

The current economic environment is characterized by a series of measures that wait to be applied in order to get out of the economic crisis. Managers as well as persons from the higher levels of society have to ask themselves and find the answers for questions like: do we dispose of the necessary resources for putting in application the strategic plans of recovering after the crisis? Which should be our priorities? Which are the activities that assure the best results in the given situation in a short time? Which are the activities that are not relevant now?

Most of the times, managers take many responsibilities on a short or on a long term. In order to have success or in order to survive on the market, they have to know how to prioritize their activity and how to settle doable objectives.

In order to correctly and efficiently apply priority management it is necessary the utilization of a series of methods that can lead to a result with an immediate applicability.

The Pareto principle

The **Pareto principle** (also known as the **80-20 rule**) states that, for many events, roughly 80% of the effects come from 20% of the causes.

Vilfredo Pareto observed in 1906 that 80% of the land in Italy was owned by 20% of the population; he developed the principle by observing that 20% of the pea pods in his garden contained 80% of the peas. It is a common rule of thumb in business; e.g., "80% of your sales come from 20% of your clients."

For a manager, the value of the Pareto principle resides in the fact that it reminds him to concentrate on the 20% that matter. From all the things that he does during a day only 20% really matters. Those 20% produce 80% of the results this is why a good manager identifies those 20 % activities.

When the manager is pressured by time or problems, he has to remember to concentrate on the 20 %. If he has to let go of a certain activity in one day, he has to make sure that the certain activity does not make part of the 20% that matter. A manager has not only to work intelligent but work intelligent at things that matter.

Efficiency versus effectiveness

Efficiency = doing things right

Effectiveness = doing the right things

Many times when it comes to elaborating a strategy people forget about effectiveness and concentrate their effort towards efficiency. Unfortunately no matter that you **do things right**, it is difficult to obtain excellence and competitive advantage if you do not **do the right things**.

The next example illustrates very well the difference between the two terms:

Soviet Union in the 1930's: "due to Stalin's ambition of increasing industrial production, all the factories received objectives that had to be fulfilled. Failure meant punishment, prison or even death. A nail factory received a very difficult assignment: to double their quantity of nail production expressed in kilograms. The objective was fulfilled by producing a smaller number of bigger and heavier nails. The nails were totally useless, but they respected the quantity objective settled by the government. Efficient? Yes! Effective? No!

The 1-3-6 exercise

The 1-3-6 exercise is an instrument that helps the companies prioritize their objectives. By implementing this exercise, you can prioritize the most important outcome and the actions and measures that you have to implement in order to achieve this outcome. Also with the help of this exercise, we can establish very clearly, which are the things that we have to stop doing for a while, because priority management is a process that works step by step.

1 – The most important outcome that one wants to improve;

3 – The three things that one can do, that would have the most positive impact on improving the most important outcome;

6 – The six things that one has to stop doing in order to have the resources for doing the three things with the most positive impact on achieving the most important outcome.

A company's resources are limited so in order to obtain an efficient activity, it has to use prioritization in the process of allocating these resources.

The biggest problem that managers have to face today is the selection of priorities for the company. Many consultancies have noticed that and they are offering to the companies their services for choosing priorities. This service is most common seen in the U.S. and Canada.

One of the most known consultants in priority management is Dan Coughlin. He holds many seminars each year about the importance of choosing right your priorities and about how you can do that using the 1-3-6 exercise. According to Coughlin, this exercise is a healthy and viable practice for the success of a company.

The correlation between The Pareto Rule and The 1-3-6 exercise

In our attempt to develop a more efficient instrument that would help us implement the priority management, we correlated the Pareto principle with the 1-3-6 exercise. The main goal for this correlation was to find an efficient method for prioritizing a company's objectives. The use of this method demands the pursuit of 3 steps.

First step: Identifying the primary objective

The Pareto Rule says that a 20% effort leads to 80% from an outcome. When applying this principle, we have to analyze the objectives and to select the one that is producing the most important outcome for us.

The selected objective would represent the 1st from the 1-3-6 method. By correlation it results that this objective leads to 80% outcome.

Second step: Identifying the 3 things that have the most positive impact on improving your primary objective

In this stage we already know the primary objective. Now we have to analyze and to identify the 3 things that can be done in order to improve this objective. By correlation it results that these 3 things are in fact represented by the 20% effort of the company.

Third step: The last step of this method demands the manager's ability to give up 6 things in order to have more resources for doing those 3 things that have the most positive impact on improving the primary objective. These 6 things the manager decides to give up represent the 80% effort of the company which provides only 20% effect, which means a secondary result.

4. The applicability of the concept at a micro level - Case study Apple

The Silicon Valley companies are those that have always developed and implemented new management strategies. Bill Hewlett and David Packard have applied management by walking around, an approach that was more focused on the communication between executives and employees. This type of approach developed in the past years, being used by companies which realized that the human resource is their most valuable one. Nowadays, a Silicon Valley company called Google is probably the best example for how to apply this theory in order to obtain excellent results for the company.

Another strategy that appeared in the Silicon Valley is the one that Steve Jobs, CEO Apple uses. In 1997, Apple inc. was managed by another CEO and the

company's financials were getting worse. From a 8% market share in the early 90's, Apple fell to only 3% market share in 1997. Locally in the US the status was slightly better with a market share of 7%, but it was still a bad position for a company that fought for a while with the giant Microsoft.

After Jobs left in the late 80's, the company tried to remain in competition with Bill Gates, but even though they made numerous efforts they failed. In the 90's Apple made many unprofitable investments which have deteriorated the financial status of the company but also its image. Even so, the Apple brand was still an appreciated one.

The path on which Apple was directed made the board decide to bring back Steve Jobs. He came and did immediately an analysis of the company's status. His first decision was to restructure the management, which according to Jobs was the main reason for the bad times Apple is facing. The big amount of bad investments that generated costs instead of profit, were the main argument for Jobs decision to change the management. His next move was towards to Apple's clients.

First of all, Steve Jobs analyzed the market for Apple products in the US. He wanted to find out for whom are these products relevant, which are the company's clients, what's their structure and why did they remained loyal to Apple.

The collected data has shown that 80% from those working in advertising, webdesign, press or creative content how Jobs called this market segment were using Apple for their applications. Also 64% of the websites were created using Apple products. Another thing that Jobs found out was that more than 60% of the PC's used in education were supplied by Apple, which generated an income of approximately 2 billion dollars.

After seeing all these information, Jobs decided to use a prioritization strategy of the company's efforts. This prioritization implied dividing the clients in 2 parts, professionals and amateur users. After this division, Jobs decided to sell 2 types of products for each category namely laptops and desktops. Of course these products were built accordingly to the user category's requirements. Besides this product segmentation, Jobs dropped out 70% of Apple's projects that were meaning only loss for the company. By doing that he had more resources for following out his prioritization strategy.

Jonathan Ive, creation director of the Ipad: *"We don't make very much stuff. That's a very important part of our approach to what we do which is to not do a lot of unnecessary stuff, but just to focus and really try very sincerely to care so much about the few things that we do. I think that one of the things that we are good at as a team, is gently moving this fragile ideas along a bit so they become just a little more robust and you can actually see what they are."*

Jobs realized that he has to focus more on the advantages that Apple still has, so he started to promote the Apple brand because it was still a successful one. The promoting campaign that followed was a total success for the company because it showed to the public that Apple is not dead.

The reports regarding the economic status of the company in the year 1998 have shown the efficiency of Jobs strategy. The company recorded in the first trimester of 1998 a net profit of 47 million \$ after having a net loss of 160 million in the last trimester of the past year. These results speak for themselves and prove that the priority management is a viable and successful strategy for a company.

5. The applicability of the priority management concept at a macro level

At the beginning of the XXI century, the world's economy is influenced by the globalization process which has a significant economical, political and cultural impact over all countries. Networks of relationships and dependencies acquire a growing potential to become international and global. Globalization and competitiveness are complementary and this is explained by the speed at which technology is changing, reducing product lifecycle.

According to the World Bank competitiveness is defined as *the set of institutions, policies, and factors that determine the level of productivity of a country*. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. In other words, more-competitive economies tend to be able to produce higher levels of income for their citizens.

Increasing the competitiveness has become, in the last decades, a primordial coordinate for the social-economic development strategies of most countries in the world, mainly of the developed ones, of the sector development strategies in national economies and business strategies.

The assertion of the globalization phenomenon, which has enlarged the confrontation arena of the economies, sectors and companies, has emphasized the importance of their competitiveness in gaining a favorable positioning in the international competition, and therefore, has obliged the "players" to take ample measures of stimulating the activity of the determinant factors and of superior capitalization of their effects (Russu, 2008).

A very efficient process through which one can establish the factors that have the most positive impact on increasing the competitiveness position of Romania in the international competition is a specific method of priority management namely the 1-3-6 exercise.

1 – the main objective towards which all the efforts should be concentrated on is increasing Romania's competitiveness, advancing in the hierarchy made by the World Economic Forum from the 64th place in 2009, with an overall score of 4.1.

This is one of the most famous instruments of classifying the countries based on their competitiveness, through which their weak and strong points are identified. This report is based on the Global Competitiveness Index.

The Global Competitiveness Index (GCI) taken into consideration for this report evaluates over 100 countries based on a number of factors that influence the

business environment, grouped in 3 main development stages (factor-driven, efficiency-driven and innovation driven stage). These stages are made up of 12 pillars that not only are they related to each other, but they tend to reinforce each other: institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, market size, business sophistication, innovation.

It is clear that different pillars affect different countries differently: the best way for Romania to improve its competitiveness is not the same as the best way for US. This is because Romania and US are in different stages of development: as countries move along the development path, wages tend to increase and, in order to sustain this higher income, labor productivity must improve.

Although all 12 pillars matter to a certain extent for all countries, the relative importance of each one depends on a country's particular stage of development. To take this into account, the pillars are organized into three sub indexes, each critical to a particular stage of development.

The *basic requirements sub index* groups those pillars most critical for countries in the factor-driven stage. The *efficiency enhancers sub index* includes those pillars critical for countries in the efficiency-driven stage. And the *innovation and sophistication factors sub index* includes the pillars critical to countries in the innovation- driven stage.

The specific weights attributed to each sub index in every stage of development are shown below.

Table 1.

Sub index	Factor-driven stage (%)	Efficiency-driven stage (%)	Innovation-driven stage (%)
Basic requirements	60	40	20
Efficiency enhancers	35	50	50
Innovation and sophistication factors	5	10	30

Countries are allocated in stages of development based on two criteria. The first is the level of GDP per capita at market exchange rates. A second criterion measures the extent to which countries are factor driven.

In the 2009 report, Romania was ranked as being an economy in transition from the efficiency-driven stage to the innovation-driven one. Due to this positioning, we have to take into consideration the pillars that form the first two development stages, and further analyze the pillars that characterize the stage we are in now, the efficiency-driven one.

The pillars are: institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, market size.

3 – the three factors that have the biggest contribution in achieving the main objective have to be selected from the 10 pillars that are relevant for the position held by our country.

The selection criteria is based on the calculation made based on the rankings and weights offered by the report for each Index and Sub index. (Appendix)

The analysis results indicate the following factors:

- *Infrastructure*

This factor represents a priority because, after the correlation between the weight it had in the GCI and its ranking, it appeared that this factor has a very low contribution (0.27) which positions it on the last place.

- *Technological readiness*

Although 3 out of the 8 factors that form this pillar are considered a competitive advantage of our country (Appendix), the weak score of the other factors have positioned it on the penultimate place, with an overall contribution of just 0.323.

- *Goods market efficiency*

The 5 out of 15 factors considered a competitive advantage (Appendix) were not enough to influence positive the positioning of this pillar, having a contribution of just 0.357 in the calculation of the GCI.

The scores obtained by these three pillars after our calculations based on the World Economic Forum Report from 2009 are the lowest hence this are the competitive disadvantages with the highest influence over the competitiveness of our country.

- a) An efficient **infrastructure** is essential for the competitiveness of a country. It is crucial for the proper activity of the economy because the means of transport are the vital link between resources and commercial agents. The efficient ways of transportation for goods, people, services like quality roads, a developed railway system, airports and sea harbors, allow the entrepreneurs to offer their goods and services on the market in real time and also assure the movement of the employees to their work places. The economies are also influenced by the quality offered by the electricity suppliers and also by a telecommunication network that can bear a rapid flux of information which can sustain the business communication and the decision process of the commercial agents.
- b) The **technological readiness** pillar measures the speed at which an economy increases the productivity of the industries through technological upgrading. In the context of globalization, technology has become a crucial element for the competitiveness and prosperity of the companies, especially the ones that operate in the IT field. In Romania, the technological upgrading is rarely met. In general, the companies run their business with old, inefficient and obsolescence equipments. Moreover, a big drawback in the normal running of

the activity is represented by the lack of equipments which can facilitate the communication and the gathering of information.

- c) **Goods market efficiency** – the countries with an efficient goods market are capable of producing the exact mix of products and services needed to satisfy the demand, as well as to assure their effective trading in the economy. A healthy competition, both domestically and internationally, is important for market efficiency and thus business productivity, as it provides conditions for efficient firms that produce the required goods to be the prevailing ones. The best climate for the exchange of goods requires a minimum intervention of the state in the business environment. Slower economic growth with declining trade and rising unemployment increased the pressure put on the Government to take measures in order to protect the domestic companies. A limitation of the global trade in the case of developing countries would have negative effects on the long-term growth.

The goods market efficiency depends also on the demand conditions such as the consumer's orientation or their sophistication. Due to cultural reasons, in some countries the demand may be higher than in others. This may create a competitive advantage because it forces companies to become more innovative and customer oriented, leading to the implementation of the necessary discipline to achieve market efficiency.

6 – The six pillars that should not be prioritized have been determined based on their weight in the GCI and their score.

These pillars are the following:

- Institutions,
- Macroeconomic stability,
- Health and primary education,
- Higher education and training and labor market efficiency,
- Financial market sophistication,
- Market size.

The decision of not prioritizing these six pillars is based, on one hand on the assessment of some of them as being a competitive advantage for our country by the World Economic Forum (i.e. market size), and on the other hand on our calculations from Appendix.

According to the 2010 Global Competitiveness Report, Romania has dropped 3 positions in this ranking. The same as in the previous report the infrastructure is still the weakest point for the country's competitiveness, hence the urgent need to prioritize this pillar. Now more than ever it is important to focus on developing the infrastructure, keeping in mind that the economy is showing signs of recovery. Although the analyzed parameters have changed this year, the overall situation of Romania's competitiveness is still badly affected by the condition of the basic requirements that help a country's

development. Moreover the crisis has led to the decrease of the GDP per capita with approximately 19%, causing the drop from the transition to innovation stage to the efficiency driven stage.

It is now vital to properly prioritize the main factors that enable us to return in the transition stage to innovation and which will also ensure a sustainable development for Romania.

6. Conclusions

As we have demonstrated the utility of priority management is undeniable. This managerial mindset is a way to avoid the development of strategies based on objectives that cannot be achieved with the resources we have today.

Managers must make a mental work, which involves sorting and selecting appropriate priorities in an ocean of complexity and possibilities.

When selecting priorities they must choose from four criteria: what is important, what is urgent, short term versus and long term and what is realistic versus visionary. If they don't make choices, out of desire to do everything, the result will be confusing. Managers must have the psychological power to choose the right balance, knowing that some measures will not be as effective as others.

The key in the 1-3-6 method is not choosing the three factors that contribute directly to achieving the objective, but identifying and dropping straight the factors that don't have the same positive impact.

At the microeconomic level, using this strategy, companies could exceed the deadlock moments and even more, to streamline operations and develop a performance management. This practice has proved its usefulness several times, as we showed in the case study regarding the American company Apple. They have managed to overcome a difficult moment in the trajectory of business development in 1997 due to the implementation of a restructuring strategy and prioritization of activities.

Recognizing the efficiency of this practice at the microeconomic level, we can implement the same principle at the macroeconomic level. We are aware of the fact that at this level there are several variables that must be taken into account, but with a fair and objective evaluation we are confident that priority management may be viable solution for a healthy economy that increases the competitiveness.

Romania's position in the hierarchy based on the Global Competitiveness Index (GCI) of the Global Competitiveness Report prepared by the World Economic Forum for 2009-2010, reflects both the development stage we are in now, in transition from an efficiency-driven economy to an innovation-based economy and at the same time, provides clear benchmarks in terms of strengths and weaknesses of the national economy.

The development of certain key directions identified in terms of contribution to the competitiveness index, will lead to Romania's climbing in the hierarchy of developed countries, namely to advance to the stage of innovation-based economy.

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Crt. Nr.	Pillars	Pillars' weight	Score	Pillars contribution in the GCI	Ranking
1	Institutions	10%	3,7	0,37	5
2	Infrastructure	10%	2,7	0,27	9
3	Macroeconomic stability	10%	4,6	0,46	2
4	Health and primary education	10%	5,5	0,55	1
5	Higher education and training	8,5%	4,3	0,365	6
6	Good market efficiency	8,5%	4,2	0,357	7
7	Labour market efficiency	8,5%	4,3	0,365	6
8	Financial market sophistication	8,5%	4,4	0,374	4
9	Technological readiness	8,5%	3,8	0,323	8
10	Market size	8,5%	4,5	0,3825	3
11	Business sophistication	5%	3,8	0,19	-
12	Innovation	5%	3,1	0,155	-
Total		100%		4,1	