



Operational Analysis: Aligning Overall Performance with Strategic Planning

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Operational analysis is conducted in order to understand and develop operational processes. Using various mathematical models, statistical analyses, and logical reasoning methods, operational analysis aims to determine whether each area of the organization is contributing effectively to overall performance and the furthering of company strategy.

Most notably, operational analysis is a strategy that works to ensure that your operations plan is aligned appropriately with your strategic planning. By examining the current performance of the operational portion of an investment, and then measuring that against an established set of performance parameters and goals, operational analysis can reveal company strengths and weaknesses as well as any opportunities for improvement.

Ideally, a thorough operational analysis should seek to examine a number of functional areas including strategic planning, customer results, and business results, financial performance, and quality of innovation. The objective of this process should principally be to reassess existing processes and determine how objectives might be better met, how costs could be saved and even, on occasion, if a particular function is worth being performed.

Conducting Operational Analysis

Though it is often considered overly complex, operational analysis is a relatively simple process that is well worth the effort. Through a few manageable steps, companies can assess their productivity and reallocate investments to ensure activities are in line with company strategy.

First and foremost, a schedule must be established. This schedule will outline the timeline and resources necessary for completing the operational analysis. This stage also includes the gathering of any necessary resources.

Next, information must be collected. Methods of data collection vary depending on the operation being assessed. However, in all cases, strategies and methods ought to be outlined first and then adhered to during the process. Also, all data collection ought to provide key insights into actual performance in comparison with strategic planning and performance goals.

Lastly, a gap analysis should be performed. This entails identifying and reporting performance, cost, and benefits based on an analysis of the actual performance data. This should all be considered in comparison with company goals. Such a comparison permits the company to determine the root causes behind any gaps. Then it becomes possible to determine what, if any, additional functionality or resources are necessary in order to align actual performance with company performance goals.

Operational Analysis Goals

Thorough operational analysis ought to address a few principal questions in its effort to ascertain if operations are efficiently meeting strategic planning. The first key area to be considered is whether financial and resource investment is delivering planned output to the optimum consumer base.

Operational analysis can also determine if there is any existing need for additional investment in order to satisfy customer demands, or if any other adjustments ought to be made, such as lowering prices for the same level of services. Adjustments might also include considering shifts in resource allocation so as to ensure that planned output is being produced at the lowest possible cost.

Operational analysis will also look closely at whether the current level of financial and resource investment is sufficient to meet strategic goals. This process will look at how other similar businesses are accomplishing this work and determine if the company is working in the best, most cost-efficient way. Operational analysis can recommend areas where investment could be reallocated or streamlined, as well as areas of production that could use additional resources.

In addition, an operational analysis will assess if there are better or lower-cost ways of meeting customer needs, aligning with company strategies, and achieving benefits. This also entails looking closely at operations to determine if any financial or resource investments could be combined with others to more effectively meet strategic and organizational goals. In some cases, technology or other methods could be utilized to meet strategic goals more efficiently or at lower cost.

Lastly, operational analysis investigates the financial performance of the business, determining whether the cost of production is compatible with the performance numbers and meets strategic goals. Ideally, a thorough examination of the business's operational processes ought to determine the financial success of the business, by considering whether the current investment is being used effectively, to yield optimum results. This process also entails considering corrective actions that will allow tasks to be performed effectively and within specified fiscal limits. This is achieved through cyclical appraisals for rationality and cost efficiency.

In Summary

Operational analysis is an efficient means of determining if operational assets are contributing effectively to performance and in alignment with strategic planning. In conclusion:

- The efficiency of operations for the furthering of company strategy can be established through a few simple steps. Operational analysis primarily involves the collection of information and the analysis of that data. A comparative study ought to be drawn up, comparing actual performance with performance goals, so that a gap analysis can be conducted and adjustments may be made.
- Operational analysis looks closely at financial and resource investments, and determines whether adjustments must be made so that the company's strategic goals may be met in an efficient, cost-effective manner.
- Operational analysis is also an excellent method of assessing the financial performance of the business, determining whether the cost of production is compatible with performance numbers and strategic goals.

Operational analysis is an important part of a business's self-assessment. Los Angeles executives who feel that their businesses are not equipped to perform the task internally may want to consider contracting with a CFO services provider. Such a service will have the resources and expertise to look closely at your business, provide an objective assessment, and recommend corrective action.

References and Further Reading

IT Investment Performance Measurement and Performance Reporting Policy: What is Operational Analysis?
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