

Executive Insight >> Thought Leaders

Organizational Strategy

A Trilogy of Thought Leaders

Effective organizational strategy enables a company to develop an organization capable of delivering its strategy.

In this trilogy of articles, we argue that few companies look at their organization as strategically as they could and should, and suggest that this is surprising considering the extent to which organizational capabilities and performance now drive business value.

We start by explaining why organizational strategy matters; we contend that absent effective organization strategy, gaps and misalignment will frustrate business strategy and desired performance objectives will not be met. It's as simple as that.

Then, in the second article, we define and clarify the discipline and requirements of organizational strategy; namely it is a lucid description of how the organization needs to change – over time - in order to be able to deliver the strategy of the enterprise and an actionable plan of how to make the transformation. This requires both the thinking and analysis to compare current state to desired state and define the gap and the execution requirements to make the requisite changes happen.

Finally in the third article we lay out a framework for the effective implementation of organizational strategy; this article centers on how to best formulate and effectively implement organizational strategy so that strategic intent is converted into sustaining and differentiating results.

Despite the challenges of the current economy, taking the long view has never been so vital for business leaders; tomorrow's competitive advantage will only be achieved and sustained if your organization is good enough; effective organizational strategy provides the framework and the means to build the requisite organizational capabilities.

These three thought leaders – never previously published together - provide an essential foundation for business and human resource executives to understand the nature and importance of organizational strategy and how to integrate it into their strategic agenda and the operating fabric of their business.

Contents	Page
1. Why Organizational Strategy matters	2
2. So what is Organizational Strategy anyway?	4
3. Implementing effective Organizational Strategy	8

Why Organizational Strategy Matters

Top performing companies successfully leverage their organization more effectively than rivals and derive over 64% more profit per employee than next-tier performers

A regional bank in the northeastern United States recognizes that unless it changes its business model its long-term viability as an independent is under threat as financial service giants invade its turf.

A European pharma knows that it must rapidly unbundle its enterprise to stay competitive and shift its business from a research orientation to one that is commercialization-centric.

An Indian manufacturer seeks to globalize but is constrained in its growth by a leadership glass ceiling and an ingrained culture that rejects outsiders.

Three companies, on different continents, in different industries; all dealing with a strategic or discontinuous inflection point and needing to change foundationally to stay competitive; all facing new realities and tough choices.

Are they that different than most companies today? Issues of competitiveness, leadership, globalization, talent shortage and strategy implementation affect most companies. The short answer is no.

Their particular circumstance might be strategically more complex, but like any company they need to be able to build an organization capable of delivering their strategy. Today's organization is rarely fully equipped to deliver tomorrow's desired business results and varying degrees of transformation will be required to assure that strategic intent is fully realized.

Unfortunately while most companies convert their business strategies into detailed and actionable plans, the same degree of acuity and rigor is rarely given to the organizational implications of the strategy. Organizational considerations are frequently kept at the level of new organization charts, headcount and labor cost data and big program-of-the-period determinations.

Indeed 47% of CEOs and Human Resources executives admit their talent management strategy is not aligned with their business strategy and 54% acknowledge that senior managers do not spend enough quality time on talent management, period.

What is really required is a skillfully designed, purposeful, and actionable organizational strategy that lays out a detailed roadmap of those transformations necessary to meet the requirements of the future.

Organizational Strategy

Effective organizational strategy takes a holistic and integrative view of organizational needs over contiguous time horizons and maps out a portfolio of initiatives to transform the organization from its current state to a desired state.

Consideration and definition is given to different organizational elements such as design and structure, operating standards and culture, competencies and skill mix, performance capabilities and requirements and talent management systems and practices. Diligent gap analysis and strategic organizational design expertise combine to forge an integrative transformation path forward for the enterprise; rigorous implementation discipline makes sure that strategic intent converts to desired and sustainable results.

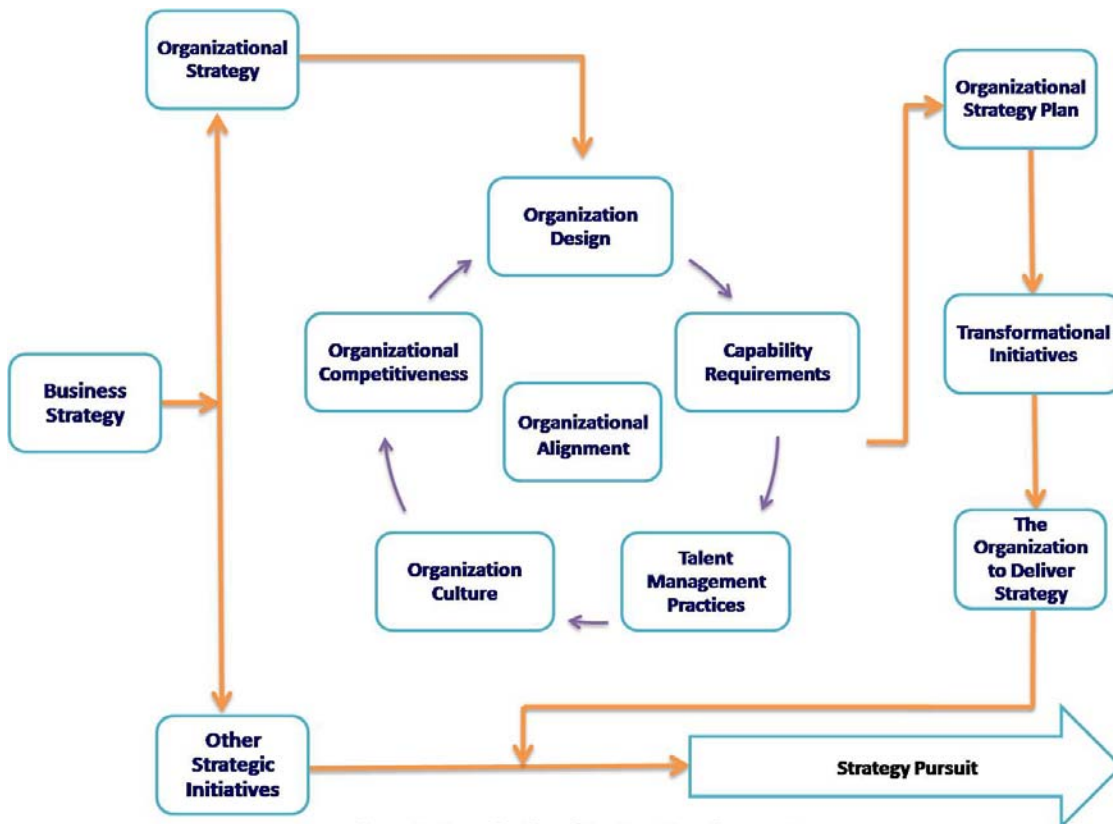


Figure 1: Organizational Strategy Development

Copyright (c) 2008. Charlesmore Partners International. All Rights Reserved.

Few companies though look at their organization as strategically as this - which is surprising considering the extent to which organization capabilities and performance drive business value today.

We contend that absent such consideration and definition, gaps and misalignment will frustrate business strategy and desired performance objectives will not be met. It's as simple as that.

Talent Market Dynamics

The intensifying competition for talent is consistently cited by executives as the most important global business trend of the foreseeable future and over 70% of the value of most companies is now considered to be intangible - knowledge, methods, capabilities, relationships, brand.

Moreover, overlay the following:

- ◆ The top 500 US companies will lose half their managers in the next 5 years to retirement
- ◆ 62% of senior human resource managers worry about company-wide talent shortages; 75% say attracting and retaining talent is their #1 priority
- ◆ 83% of employees are likely in the job market; 40% of mid-managers maintain relationships with recruiters
- ◆ The typical American company spends 50 times more to recruit a \$100,000 professional than it spends on training them in a given year

Against this backdrop the absence of disciplined and formalized organizational strategy in the executive suite is surprising to say the least.

We say it again:

Top performing companies successfully leverage their organization more effectively than rivals and derive over 64% more profit per employee than next-tier performers.

That's why organizational strategy matters

Developed and implemented effectively organizational strategy enables companies to convert strategic intent into sustainable and high performance results.

So What is Organizational Strategy Anyway?

Effective organizational strategy enables a company to develop an organization capable of delivering its strategy

Here's a puzzle. A search on Google for "organizational strategy" is not a particularly fruitful endeavor. You'll find Charlesmore Partners buried between listings of family business and entrepreneurial sites and a couple of academic tomes.

One reason is that it's not a term that has yet come into business-vogue; a more serious and important reason is that we really don't practice it that much. At a time when business leaders increasingly recognize the importance of organizational leverage and its connection to enterprise value, ironically and disappointingly organization priorities are most often relegated to the operating agenda.

So while most companies develop their business strategy in some formalized, purposeful way that typically translates into strategic plans on market positioning, investment, growth and major initiatives to pursue, the same degree of rigor is rarely applied to the organizational implications of strategy.

This is a mistake, particularly as strategies frequently stall in implementation - not because they are flawed in design, but because the organization is under-equipped to be able to deliver on the strategy.

Given this, it is hardly surprising that 47% of CEOs and Human Resources executives bemoan that their talent management strategy is not aligned with their business strategy; the key though is to do something about it.

We would argue that for a company to confidently pursue its strategy – which by definition is perhaps the most important task of executive management – organizational considerations cannot be relegated to the operational agenda; if they are, responses are most likely to be situational, reactive and tactical in nature and lack the purpose, alignment and integration necessary to create a unified, cohesive high performance organization.

Indeed, we contend that absent skillfully designed, purposeful, and actionable organizational strategy, gaps and misalignment will frustrate business strategy and desired performance objectives will not be met.

So what is organizational strategy anyway?

Simply put, organizational strategy is a clear definition of how the organization needs to change – over time - in order to be able to deliver the strategy of the enterprise and an actionable plan of how to make the transformation. This requires both the thinking and analysis to compare current state to desired state and define the gap, and the execution capabilities to make the requisite changes happen.

Key strategic considerations include:

- ◆ **The extended structure of the enterprise** (and what re-configurations, reach extensions and strategic relationships will be necessary to deliver the espoused strategy)
- ◆ **The new skills and capabilities that will be required** (and how this will affect workforce composition and talent acquisition and development needs; which process and operational capability improvements will be necessary)
- ◆ **The talent management practices necessary to create a high performance workforce** (and what adjustments will be needed to create a climate that stimulates and engages the total organization for peak performance)

We believe the centerpiece of corporate strategy for most large organizations should be the re-design of their organizations. We believe this for a simple reason: It's where the money is.

Lowell L. Bryan and Claudia I. Joyce;
Mobilizing Minds, McGraw Hill, 2008

- ◆ **The operating culture of the business** (and how it might need to change to fit the value proposition and operating style required)
- ◆ **The performance results that will be needed** (and what will be necessary to achieve them)
- ◆ **The purposeful integration and fit of all operating activities to assure total enterprise alignment to the cause**

Figure 1: Organizational Strategy Key Considerations



To be clear, organizational strategy doesn't start once business strategy is formed; it's integral to strategy development and determination. Questions of organizational capability, potential and implication should certainly inform and shape the strategy dialog as much as assessment of market opportunity and investment choice.

Organizational strategists develop and test varying scenarios to make sure that as strategy forms, organizational impact is known and changes required are possible and realistic within the time and cost parameters being contemplated. For there is no point in conceiving of a strategic position or change strategy that a company is unable to deliver upon because the organization cannot reasonably pull it off.

Talent is a strategic issue, and a human capital strategy is an intrinsic part of any business strategy. This means understanding the value of talent, and recognizing the critical components of business strategy that require us to think through the talent and organizational implications and options.

Peter Cheese et al: The Talent Powered Organization, Kogan Page, 2007

More normally though this examination provides clarity and definition of what will be required – organizationally – to convert strategic intent into results, and provides the blueprint for organizational action to be subsequently pursued.

Figure 2: Organizational Strategy Time Horizons



Effective organizational strategists understand acutely the organizational drivers of competitive advantage and combine the knowledge and skill sets of savvy business executive, organizational futurist and performance zealot. They are skilled in designing organizational strategies and building talent practices that create high performance organizations, and are credible and accomplished at leading and implementing change. The organizational strategist thinks, plans and acts over multiple time horizons (see Figure 2) recognizing that capabilities take time to build or acquire, and transformation takes time to orchestrate; laying the requisite organizational foundations and sequencing implementation phases are important preconditions to make sure that change sticks and sustains.



In today's world – where over 70% of the value of most companies is now considered to be intangible - knowledge, methods, capabilities, relationships, brand – all linked directly or indirectly to human capital, and where top-performing companies derive over 64% more profit per employee than next-tier performers, the lack of an organizational strategy of consequence is increasingly a competitive impediment.

Developed and implemented effectively organizational strategy enables companies to convert strategic intent into sustainable and high performance results; we urge business leaders – as a priority - to build organizational strategy capability into their business, and its development and execution into their strategic agenda rather than continue to let its absence frustrate strategy.

Implementing Effective Organizational Strategy

"I've often said that there's only one thing that wakes me up in the middle of the night. It's not our financial performance or economic issues in general. It's worrying about whether or not we have the right skills and capabilities to pull the strategy off..."

David R. Whitwam
Ex-Chairman and CEO
Whirlpool Corporation

In previous articles in this series we've looked at [why organizational strategy matters](#) and [what it actually is](#). The more challenging question though is how to best formulate organizational strategy and how to implement it effectively so that strategic intent is converted into sustainable and high performance results.

The first step is to be sure that you understand your business strategy so you have a clear view of what the organization needs to deliver upon. This will include purpose, market positioning, key strategic initiatives and priorities, required tradeoffs and integrations, performance standards and deliverables, timing and sequencing.

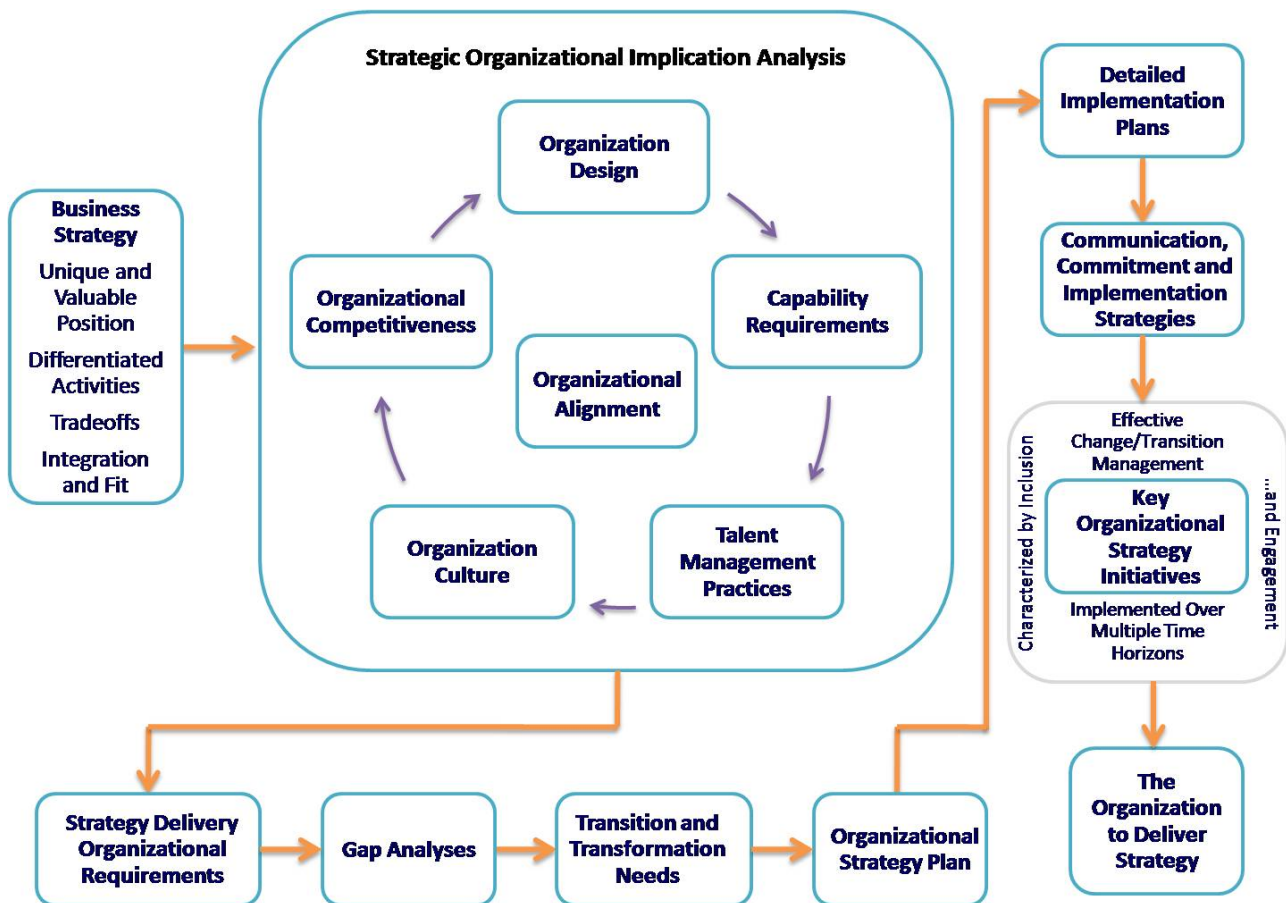
This may sound obvious, but many companies don't do a good job of strategy development and implementation, let alone communication. Oftentimes this is because executives misunderstand strategy and confuse the strategic and operating agendas. Moreover human resource plans and activities frequently stay firmly rooted in operations and fail to serve or advance the strategic requirements of the business. Candidly, this will need to change if long-term competitive advantage is to be realized and sustained; companies will need to develop, acquire or contract the requisite competencies to plug these gaps.

A firm and foundational understanding of business strategy allows an organizational strategist to explore the organizational implications of the strategy and to determine, develop and lead those organizational initiatives necessary to build an organization that is capable of delivering the strategy.

Looking strategically at one's organization - identifying the implications of strategy and deciding what (organizationally) needs to be done – in order to be ready and able to deliver strategy is a skilled and multi-faceted endeavor. It requires explicit consideration of such key elements as organizational design and structure, competencies and skill mix needs, talent management systems and practices, organizational culture, operating standards and performance needs, organizational alignment and fit. One needs to decide how to structure, staff and act in order to be able to deliver the strategy and lay out plans and priorities over multiple time horizons to be able to build the necessary organizational capabilities.

Figure 1 illustrates the key components and sequencing of effective organizational strategy development and implementation.

Figure 1: Organizational Strategy Implementation Model



Copyright (c) 2008. Charlesmore Partners International. All Rights Reserved.

Macro considerations include:

- ◆ How should we best structure and organize to be able to deliver strategy?
- ◆ What capabilities do we need to improve or to add in order to deliver strategy?
- ◆ How do we build a high performance/high commitment workforce good enough to deliver strategy?
- ◆ How do we create an operating environment suitable to deliver strategy?
- ◆ How do we sharpen our edge so that we leverage our uniqueness and deliver differentiated value?
- ◆ How do we assure synergy of operation and action?

Underpinning each question is a wealth of contextual discovery, implication analysis, organizational foresight, functional knowledge, systems-thinking, and pragmatism. The questions may be relatively straightforward; the answers are rarely so. Indeed complexity, tough choices, and tradeoffs abound. Legacies confound along the way and courage and dispassion become essential bedfellows.

“Establishing the plan at most represents 5% of the challenge; 95% of the challenge now lies in its execution.”

Carlos Ghosn
President and CEO,
Nissan and Renault

At the end of it all emerges a plan of key strategic organization initiatives, mapped out over multiple time horizons, defined in detail, expressed with clarity and secured through discernable and credible subject-matter expertise. It will have been vigorously debated, negotiated and facilitated through to an eventual executive-team-agreed-upon design-freeze, and you'll be ready to begin the process of

transforming your organization to one capable of delivering strategy.

As Ghosn points out though, you are still only 5% along; you have to make the changes happen and sustain. To do so will require skilled communication capabilities and seasoned organizational savvy to secure the commitments and organizational buy-in necessary, as well as skilled program and change management proficiency. Curve-balls and new circumstances will keep you on your toes and ever-adaptive, tenacity and stick-to-it-iveness will define your character, and inclusion and broad-based engagement will assure your success.

A Case in Point

By way of illustration, one particular company that occupies a valuable niche position in the global medical device industry saw developing economies as significant growth markets over the next five – ten years. Its business was sound, but not particularly profitable. Years of doing business internationally had not translated into global mindset or practices. Product development was centered in two locations – North America and Europe; products were designed with a local orientation and an export mentality; leveraging local manufacturing capacity and legal entity financial results were blatant priorities; you could drive to most suppliers within a couple of hours; sales reps often competed against each other for international orders. Candidly, the organization was less an impediment to global growth than a foundational barrier.

Amongst the many clear realities facing a new CEO was that he couldn't get from here to there without transformational change; espousing new values and expecting the organization to miraculously globalize was clearly not going to happen. In fact, what was required was a carefully constructed organizational strategy that – over time – built the practices, capabilities and mindsets of a global company. It is an ongoing journey that involves new leadership, extensive organization development activity, a new organizational architecture, new operating, information and communication systems and practices, a global P&L tied to a new reward system, the

development of a global product portfolio, lean manufacturing centers of excellence and a global fulfillment and distribution process. The organizational transitions are immense as the company preserves institutional knowledge, while foundationally changing its modus operandi.

For our purpose here, suffice it to say that business-as-normal human resources activities could not have closed the gap; well-conceived organizational strategy provided the framework, the plan and the solutions to commence and execute the conversion process.



In this series of articles we have argued that few companies look at their organization as strategically as they could and should, and suggested that this is surprising considering the extent to which organization capabilities and performance drive business value today.

We contend that effectively developed and implemented organizational strategy enables companies to convert strategic intent into sustainable and high performance results and continue to reference that top performing companies have been shown to successfully leverage their organization more effectively than rivals, deriving over 64% more profit per employee than next-tier performers. Indeed we believe that absent effective organizational strategy, gaps and misalignment will frustrate business strategy and desired performance objectives will not be met. In our view, it's as simple as that.

We hope that this series of articles have provided helpful insight into the newly emerging discipline of organizational strategy. To explore in more depth, please contact us; we'd be delighted to help.

The type of strategic organizational initiatives any one company centers on will vary by circumstance and need. Sample organizational strategy initiatives chosen by some of our clients can be found at Appendix A.

Oftentimes companies pursue 2 – 4 major and several minor organizational initiatives, and sequence them over time in order to be able to most effectively manage change and transition.

Appendix A

Sample Organizational Strategy Initiatives

The type of strategic organizational initiatives any one company centers on will vary by circumstance and need. Choices made by some of our clients include:

- ◆ Create a customer-centric operating culture in order to deliver brand promise and realize choice of value discipline
- ◆ Build a systemic process to develop successive generations of globally minded, capable and experienced leaders

- ◆ Create transnational organization capability to leverage global efficiency and national responsiveness on a worldwide basis
- ◆ Build the organizational capability and culture to successfully implement Lean
- ◆ Transform the human resources function from administrative agent to strategic partner
- ◆ Build the organizational capability and the research practices to cut product development cycle time in half
- ◆ Create an industry-leading employer-of-choice working environment by fusing performance management, professional development, career progression and pay awards into one integrative talent management process
- ◆ Build integrated marketing organizational practice and capability that combines segment, channel and specialist expertise into brand-deepening holistic campaigns
- ◆ Re-engineer employee recruitment and selection practices to improve candidate quality, shrink time-to-fill, accommodate fluctuating demand and reduce total hiring cost by 50%
- ◆ Build a high performance organization characterized by skilled, engaged and productive employees capable of meeting stretch revenue and profit goals
- ◆ Develop a global sales process and capability to leverage distributed sales and technical expertise, optimize transnational account relationships and pursue major cross-border sales projects

Oftentimes companies pursue 2 – 4 major and several minor organizational initiatives, and sequence them over time in order to be able to most effectively manage change and transition.

For more information, contact us today:

www.charlesmore.com
connect@charlesmore.com
1.215.353.6472



Executive Insight Thought Leaders showcase our latest thinking on leadership, business management and organizational practice. Each issue features one or more articles by Charlesmore consultants or our business friends and colleagues on important management topics. The publication also regularly features the results of our research in specific industries, geographic areas, or topics. Executive Insight Thought Leaders are published monthly at www.charlesmore.com as well as emailed to a confidential subscriber list around the world. Add yourself to this exclusive distribution list by emailing subscribe@charlesmore.com.