

Executive Insight >> Thought Leaders

Better Process Podcast Industry Report on Organizational Strategy

An Interview with Charlesmore Partners' Edward Ferris

Podcast Transcript

About Better Process Podcast

Based in Colorado and across the US via Skype, the Better Process Podcast interviews small and mid-sized manufacturing companies, and the companies that service these companies. Shows are free to download from iTunes (search for Better Process Podcast in iTunes music store) and are available most business days. More information on the show can be found at <http://www.BetterProcess.com>. The Better Process Podcast is the voice of the small and mid-sized manufacturing firm.

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Ken Rayment: Focusing on industry as a whole (i.e. your customers) what are some of the largest challenges that small and midsize manufacturing firms are facing today?

Edward Ferris: Companies clearly face many challenges today – globalization and intensifying competition, rising costs, shifting industry structures, new compliance standards and shareholder scrutiny, environmental concerns, the rate of change in information and other core technologies etc.

One significant area of challenge is organization. Building and leveraging an organization capable of delivering our business strategies is increasingly a particularly complex and difficult challenge for senior executives.

There are multiple reasons for this. Let me just highlight four material factors that challenge us.

Firstly, talent – the right type of talent we need to drive the performance of our businesses – is increasingly in high demand and shorter supply. We have to compete more rigorously – and in different ways - for the talent we need.

Secondly, employee expectations are shifting and increasingly diverse. Not only do these talent warriors expect different things from their employment relationship nowadays, but our workforces are sufficiently diverse – ethnically, culturally, demographically – with quite disparate needs and priorities - that one size fits all human resource strategies no longer work.

Next, Industry structures are changing and our organizational architecture looks quite different today with strategic partnerships and alliances extending the value chain, outsourcing and insourcing arrangements – nationally and globally, customers reaching back more deeply into our organization, virtual and networked working arrangements etc.

Line-of-sight is replaced by more lateral leadership, position power by mutual reciprocity and strength of interpersonal relationships, economic independence by more interdependence and risk and wealth sharing. Learning to lead in this context requires different mindsets and skill sets, and the development and application of new business, accountability and interaction practices.

Finally, over 70% of the value of most companies is now considered to be intangible - knowledge, methods, capabilities, relationships, brand. Almost all of these intangible assets are driven, in one way or another, by human talent. Protecting and leveraging intangible assets is critical to current and future shareholder value.

So put all of these factors together and managing the organizational side of business is quite different that it was even ten years ago.

Ken Rayment: What are some of the solutions to these issues?

Edward Ferris: Firstly we need to examine and understand how these dynamics affect our business and then determine how best to respond and adapt accordingly.

We call this organizational strategy... because these issues are indeed very strategic ones that have long term implications for how successful a business will be in the future.

Most companies develop their business strategy in some formalized, purposeful way. This typically translates into decisions on positioning, investment, growth goals and strategies, major initiatives to pursue; through this process though – certainly in our experience – many companies do not apply the same degree of rigor to the organizational implications of the strategy as they do to the financial, commercial, marketing, product and operational elements. Strategies then oftentimes 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.

Conversely, effectively developed and implemented organizational strategy helps companies convert strategic intent into the longer-term business results that they seek. We know that top performing companies leverage their organization more effectively than their rivals and derive over 64% more profit per employee than next-tier performers; these results occur – in large part – because a high performing organization has been purposefully developed that is capable of delivering these superior business results.

Let me make one other point though. In an ideal world organizational strategy is developed as an integral component of business strategy. This being said, retrofitting can also work providing a conscientious effort is made to link organizational development activities explicitly to business strategy needs. Indeed 47% of CEOs

and Human Resources executives admit their talent management strategy is not aligned with their business strategy – so there is a lot of catch-up going on.

Looking strategically at one's organization is a multi-faceted endeavor requiring explicit consideration of such key elements as organizational design and structure, operating standards and performance needs, organizational culture and relationships, competencies and skill mix, capability needs and talent management systems and practices. You decide how you need to structure, staff and act for high performance.

Out of this examination comes a gap analysis and a transformation plan that is the blueprint to execute from. Organizational change takes time and is implemented over multiple, overlapping time horizons. The organizational strategist is always looking into the future and determining what structures, practices and capabilities will be necessary to deliver the business strategy - and then backing up to decide what needs to be done when, in order to be ready for the future.

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. Organizational considerations are frequently kept at the level of new organization charts, headcount and labor cost data and big program-of-the-period determinations.

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.

In summary therefore, we encourage companies to make sure that diligent and strategic consideration is given to the organizational implications of strategy, that they take a long-term view of organizational needs and then develop and implement organizational strategies of consequence that assure organizational readiness to deliver strategy.

In this way a company will not only be better positioned strategically and competitively, but also can more effectively respond to and indeed leverage those new reality organizational challenges that I highlighted a few minutes ago.

Ken Rayment: How is your company positioned to address some of these issues?

Edward Ferris: Charlesmore Partners is a somewhat unique management consulting firm in so far as we specialize in helping companies develop and execute organizational and talent strategies.

We work with executive teams to draw out the organizational implications of business strategy and then help them build and implement transformational initiatives that – over time - develop an organization capable of delivering strategy.

Our consultants are all seasoned business managers who understand organizational performance and what is required to deliver it. Our indepth knowledge of organizational design, culture, leadership requirements and talent management practices has been honed over multiple years of executive and operating experience in tough, multinational businesses. By applying these competencies and experiences to a client's business circumstance we help improve organizational capabilities and performance.

We are headquartered in greater Philadelphia and have consultants in all major US regions, in India and in the UK. Our clients range from operating divisions of large corporations to entrepreneurial start-ups. We have worked extensively in the mid-market range and in the industrial and manufacturing sector.

Thank you for the opportunity to share our views on this important topic with your listeners.

Interview date: July 23, 2008



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