

Executive Insight >> Thought Leaders

Implementing Effective Organizational Strategy¹

"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.

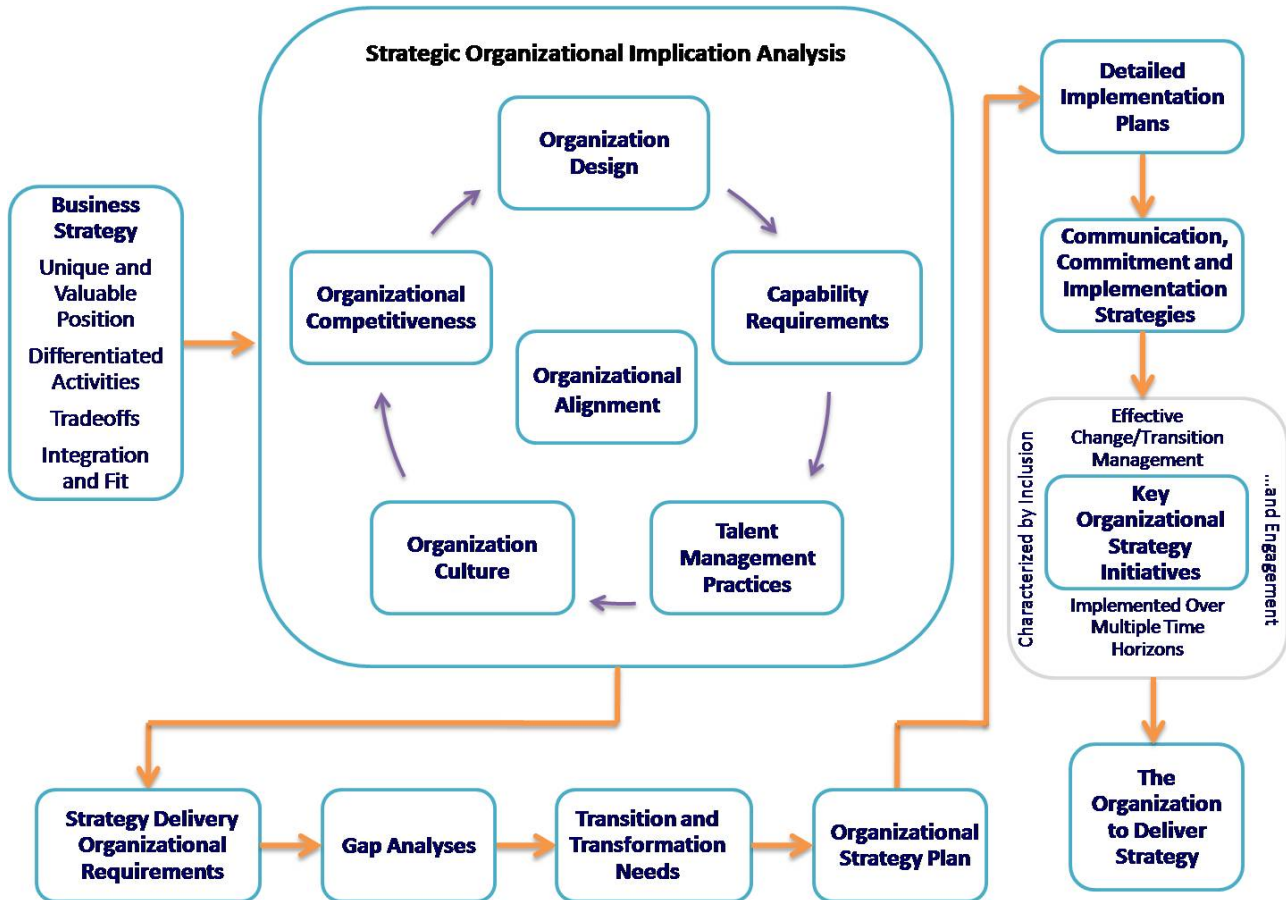
Looking strategically at one's organization - identifying the implications of strategy and deciding what (organizationally) needs to be done – in order to be ready and able to deliver strategy is a skilled and multi-faceted endeavor. It requires explicit consideration of such key elements as organizational design and structure, competencies and skill mix needs, talent management systems and practices, organizational culture, operating standards and performance needs, organizational

¹ This article is the final article in a series of three Executive Insight Thought Leaders on the subject of Organizational Strategy. Read also: [Why Organizational Strategy Matters](#) and [So What is Organizational Strategy Anyway?](#)

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



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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?

"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

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.

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 the preceding articles in this series 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

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