

Executive Insight >> Thought Leaders

So What is Organizational Strategy Anyway?¹

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.

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

¹ This article is the second in a series of three Executive Insight Thought Leaders on the subject of Organizational Strategy. Read also: [Why Organizational Strategy Matters](#). The third article *Implementing Effective Organizational Strategy* will be published shortly.

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)
- ◆ **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.

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.

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

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.

(Maybe the business-lexicon fashionistas and Google
might also one day get the memo...)

Next Month: Implementing Effective Organizational Strategy



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