Putting Strategy to Work

Understanding Your Organization and How it Must Change

By Amy L. Girst and Robert J. Schleyer

When Good Ideas Aren't Enough

It appeared the company did all the right things. Business analysts studied trends, surveyed customers, and evaluated the competition. Strategists assessed the company's place in the market as well as opportunities and threats. Bright people proposed good ideas. Executives devised scenarios, ordered financial plans, and challenged assumptions. Research, analysis, and brainstorming birthed a new business strategy. Enthusiasm mounted.A strong team developed an implementation road map. Announcements were made. Work began.

Ten months later, projects are behind schedule. Operations intended to be reorganized remain the same. Sales channels complain they're losing credibility with customers and prospects. The market has changed. Complacency, frustration, and resistance compete with enthusiasm.

Why does this scenario repeat itself in one organization after another? More importantly, what must a company do to avoid the pitfalls that keep great ideas from producing great results? There are three vital elements of operationalizing business strategy:

- Keen understanding of the organization and how it must change
- Solid implementation planning and management
- Deep leadership engagement in strategy execution

Too often, deficiencies in one or more of these areas are noted only after implementation begins, or not at all. Evaluation of these factors must be part of the strategy development process, while the assessment can contribute to defining and executing the strategy.

Processes, Structure, People, and Technology: How they Must Change

Unlike a good wine, even the best strategy doesn't age well. Implementation delays caused by corporate inadequacies threaten the strategy's success and the company's credibility. It is imperative that the leadership team takes a hard look at the organization's capabilities as part of the strategy development process.

Executives Need to Understand

- The company's current capabilities
- The capabilities required in the proposed business model
- The capabilities necessary to move the company from its current to its future state

This exploration of the capabilities focuses on four key aspects of any company: processes, structure, people, and technology. The formulation and execution of a successful business strategy depends on a candid analysis of these elements, an understanding of their capabilities and alignment with one another, and the effort needed to adapt them to the new strategy. Anything less jeopardizes success.

Processes

Each company has several core processes that, ideally, cut across divisions and allow the company to excel in delivering its offerings. These processes often include, for example, the acquisition of new customers, as illustrated in the graphic (page 24). Companies' core processes may differ, but it is critical that strategists can identify and understand their firm's particular processes.

What are your company's core processes? If they are difficult to identify, activities that should be seamless core processes are probably fragmented, dispersed among corporate silos, and operating suboptimally. To test the existence and quality of core processes, consider how the firm thinks about and plans change. Are discussions centered on departments or divisions, or is the discussion about processes, seen from beginning to end and from the customers' viewpoint?

After the company's core processes have been identified, they need to be evaluated:

- How effective and efficient are the firm's core processes?
- How do you know?
- Are corrective measures taken when performance slips or costs rise?

Once you understand these processes, you can visualize how your company must look in the future.

- What core processes are needed to support the proposed strategy?
- How will they be measured and managed?
- How will their costs be contained?

Imagine these processes cutting seamlessly across the firm, driving toward the same goal, as do those depicted in the graphic below. How different is that picture from your current state?

Disparities between existing core processes and the desired future state must be resolved prior to or during execution of the strategy. Issues to be addressed may include:

- Fragmented existing processes
- Inadequacy of current processes to support a new or even the existing strategy
- Misalignment of current processes
- Insufficient customer focus in processes
- Absence of, or inadequate key performance metrics
- Inadequate response when performance drops or costs increase

The following questions about resolving the differences between the existing and desired state of the core processes must then be answered:

- What will it take to close the core processes gap?
- How long will it take?
- How much will it cost?

Structure

For purposes of this discussion, structure includes the organizational structure (as represented by the organization chart) and the mechanisms by which corporate initiatives are approved. Budgets and facilities, which are closely related to organizational structure and influenced by corporate initiatives, are also addressed in this section.

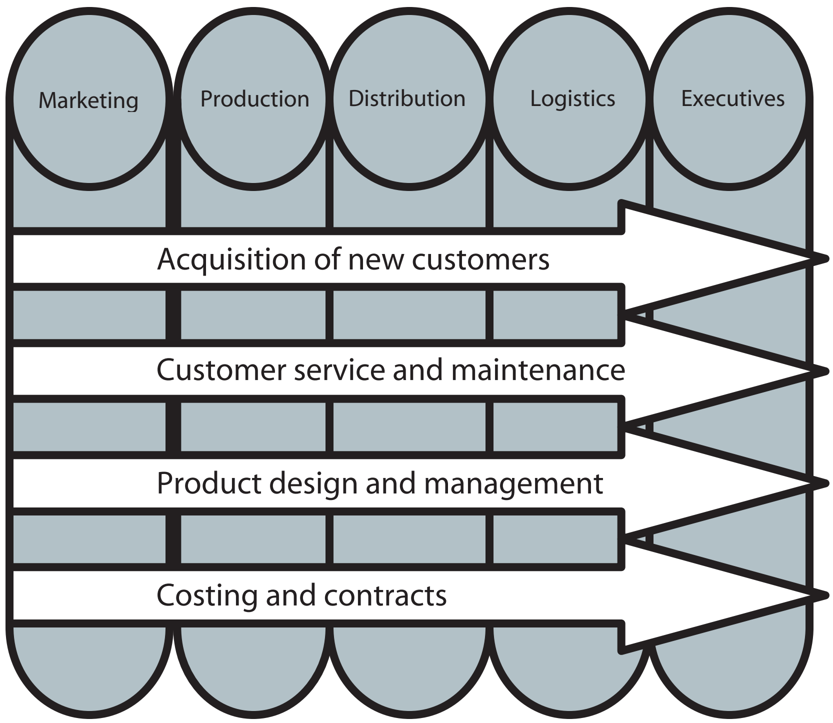
First, consider the degree to which the existing organizational structure supports the current core processes, facilitates cross-functional efforts, and approves initiatives:

- Do the reporting and matrix relationships facilitate attentive management of the core processes across departments and business units?
- Which aspects of the organizational structure hinder efforts to manage the complete processes for maximum effectiveness, efficiency, and customer focus?
- Does the current organizational structure foster collaboration between departments, for example, between Marketing and Sales, or between Sales and Customer Service?
- Do departments collectively solve problems and make improvements?
- What are the criteria and process for approving corporate initiatives?

An organization's design must be strong enough to support the proposed strategy, while at the same time flexible enough to quickly respond to a changing environment. For a firm to thrive, each part of the organization must be connected by not only the relationships represented in its organizational chart but also through a strong network of relationships and processes, and a culture of getting things done in the midst of nearly constant change.

Determine what your structures must look like to drive the new strategy:

- What organization structure is most suitable to the strategy?
- What key internal relationships are required?
- How should the company's various areas — Sales, Production, Marketing, Human Resources, IT — look after implementation of this strategy?
- How much budget must be allocated to each area?
- Where should these departments be located?
- What criteria will be used for approving and continuing existing corporate initiatives?



Finally, discuss closing the gap between the current and future structure:

- What will be the process for changing the reporting relationships and reallocating resources?
- How will the firm's key internal relationships and cultural elements be strengthened?

- What initiatives must be eliminated or delayed?
- How will you address people's concerns about the changes in reporting, resources, culture, and initiatives?
- How long will it take?
- How much will it cost?

People

People manage processes, operationalize strategy, and drive change. The next step in understanding your organization and its capacity to execute and manage the proposed strategy is evaluating your people. Once again, first explore the status quo, beginning with the most important question; do the members of this organization exhibit an unfailing commitment to execution? Anything less than a resounding "Yes!" to this inquiry signals that you have work to do. However, an enthusiastic affirmative doesn't guarantee successful strategy implementation. Important questions with respect to the capacity of the firm's people to implement strategy and manage the proposed new environment remain to be answered.

Review current performance of the firm's people and how the management team looks ahead:

- Are the right skills in place to operate the core processes?
- Does the senior management team vigorously manage the core processes?
- Do people work effectively in cross-functional teams?
- Are people regularly evaluated and offered accurate, candid feedback?
- Are people developed for the future?
- Are people in the right roles?
- Who needs to move out of the company?
- Would most people in the organization agree with your answers to these questions?

Moving on to the future state, consider what personnel are required to operate the new business model:

- What skills will people need?
- What new behaviors will be required in the future?
- How many people are needed for the firm to operate in the new way?

Evaluate the gap between behaviors and skills of the existing workforce and what is needed in the future:

- Will the gap be closed through training, hiring, or moving people, or by some combination of these three?
- Does the organization have enough people with the right skills to concurrently execute the proposed strategy, which is likely to involve changing, adding, and eliminating processes and systems, and to operate the business?
- Who must collaborate to make the required changes and implement the strategy?
- How will people be managed during the transition?
- How long will it take?
- How much will it cost?

Technology

After looking at processes, structure, and people, identify the technology needed to actualize your strategy. Too often, as companies struggle to transition from their legacy systems the cost and time of that transition become obstacles to achieving the desired technological state, and thus the desired state of the company. Technology problems are real and expensive. Many options exist for addressing technology inadequacies and each situation requires a unique solution. Some companies choose to completely abandon their current technology, or to simply put a graphical user interface on a complex array of software.

As you evaluate technology options, apply this principle: meet or exceed the customer's expectations. Contact centers and interactive web sites have become increasingly sophisticated to meet the expectations of the customer. So do not limit discussions about technology solution to debates about mainframe versus distributive processing. Focus on how to best reach, serve, and delight the customer in the most economic manner. Technology can be a competitive advantage or disadvantage. The wrong tool can spoil even the best strategy.

When evaluating technology, consider the following questions:

- Does the current technology adequately support the core processes?
- How can the firm best meet or exceed the customer's expectations?
- What plans for upgrading or acquiring technology should be discontinued if the firm adopts the proposed strategy?
- What technology changes are required to support the new business model?
- How much will they cost?
- How long will they take?

A Full Assessment

To conclude this assessment of the company's capability to implement the proposed strategy and operate in its new parameters, the team must honestly answer questions about the firm's core processes, structure, people, and technology tools:

- Can the firm properly align its processes, people, structure, and technology?
- Can people handle the velocity of change demanded by this strategy?
- When can implementation start?
- How long will it take, given the firm's resources and ongoing business demands?
- Does the firm have that much time?
- How much will it cost?

If positive answers come too quickly, it is likely that the assessment isn't realistic and the team should try again. Unrealistic assessments can endanger strategy implementation.

We experienced a firm's early and unrealistic assessment of its technology capacity.

Within the company, the firm had a reputation for proprietary technology that was thought to give it a competitive edge in the marketplace. We discovered a cumbersome technology solution that hindered workflow and increased costs. The firm was listening to "news" that was decades old. The firm's management had not kept up with the changing tech-nology landscape and relied too heavily on entrenched internal staff. Technology is a business tool, not a mysterious black box to be assigned to technology gurus and then ignored. Management needs to understand the tools they use to compete in today's world.

If well-founded concerns surface as the team considers the six wrap-up questions listed above, the team may need to modify the preferred strategy, however appealing it may be. If the team decides to proceed with the strategy despite the risk, a robust implementation plan and strong execution management become especially important.

Conclusion

Selecting a strategy before intensely analyzing the company's capabilities places success of even the best strategy at risk. Contain this risk by looking closely at the company's existing core processes, structure, people, and technology. Identify the disparity between the current state and the future state and assess your firm's ability to close the gap within time and cost constraints. Once you have assessed the time, effort, costs, and disruption associated with closing the gaps, you can formulate the detailed strategy implementation plan. ■

Amy L. Girst *is a principal of Wexford Partners (www.wexfordpartners.com). She can be reached at 773-643-3801 or via e-mail at: algirst@aol.com.*

Robert J. Schleyer *is a principal of Wexford Partners. He can be reached at 773-643-3801 or via e-mail at: bob.schleyer@wexfordpartners.com.*

Study Links Office Temperature to Keyboarding Performance

Errors Increase, Output Decreases as Temperatures Drop

If your office is too cold, chances are that you might not be typing as accurately, or as much, as you could be.

In a study evaluating the impact of indoor environmental conditions on worker productivity, Cornell University Ergonomics Professor Dr. Alan Hedge found a 74% increase in typing mistakes and a 46% reduction in typing output when office temperatures fell from 77 degrees F to 68 degrees F. The findings were presented at the 2004 Eastern Ergonomics Conference in New York.

"The purpose of the study was to investigate the link between changes in physical environmental conditions and changes in work performance," Hedge explains. "Temperature is certainly a key variable that can impact performance."

During the study, Hedge placed data loggers - or miniature temperature recorders - at nine individual workstations at the Insurance Office of America's corporate headquarters in Orlando. The loggers, which are commonly used to validate comfort complaints in the workplace, sampled air temperature every 15 minutes for an entire working month. This data was then correlated with a month's worth of ergonomic data to show how typing performance worsened as temperatures fell.

"As employees typed, we knew the amount of time they were keying, and the amount of time they were making error corrections," says Hedge. "At 77 degrees F, employees were keying 100% of the time with a 10% error rate, while at 68 degrees F, keying rate went down to 54% of the time with a 25% error rate."

Hedge estimates that the decreased productivity resulted in a 10% increase in labor costs per worker, per hour.

"This study shows that when employees get chilly, at least in this case, they are not working to their full potential," Hedge reports. "We will continue to study the impact of the environment on worker productivity with the ultimate goal of having much smarter buildings and better environmental control systems in the workplace."

More details of the study are available at:
http://ergo.human.cornell.edu/CUEHEECE_IEQDown.html