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## Clarifying Strategy Is Simple. Aligning Your Organisation Is Not.

By R. Lynch, A. Román and G. Mac Críosta

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A clearly defined and shared understanding of strategy is required before resources can be optimally aligned. Problems arise where strategy is insufficiently defined or remains trapped in some executive office in a shroud of mystery, inaccessible to those needed to deliver it.

Consider the case of a U.S. CEO of Storage Device Company. When we first met him he was bouncing a tennis ball in his office. He looked up and said "I can't even get a sign posted on the property, how can I expect to get my strategy executed?" After a week of probing we determined that he had bigger problems: his leadership team was not aligned on the operating model, vision, growth strategy or business strategy. It was evident that they didn't have a process to address these issues.

Across the pond, a C-level executive in a public sector organisation was facing an enormous challenge: shifting strategies to create a better customer experience at lower costs. While the organisation had a diverse range of clients, including other government departments, businesses and citizens, it was not clear to the organisation's staff who their customers were and how best to serve them. Value had been lost in a flurry of bureaucratic activities. A new way of working was badly needed. Accordingly, the executive had to rebuild the organisation's operating model, propel its growth and align

new talent with a workforce who had deeply ingrained ways of working. While the strategic intent was both clear and statutory, the organisation was slow to respond. The executive lamented that the organisation lacked a process to generate alignment around the operating model and future vision.

In these two circumstances, both organisations had a strategy. What they lacked was alignment, buy-in and understanding of the strategy with a clear path to execute it. As a result, good people were left to improvise or work in isolation to address enterprise dysfunction. Unfortunately the results are all too familiar: slow execution, project overload, frustrated talent and lost opportunity.

Mobilising resources around a shared view of strategy is among the most important work of leaders. Our experience suggests that many leaders don't spend, or do not appreciate, the time required to create shared mindset at the top, let alone across and down in their organisations.

## Alignment Challenge #1: Agreement on the Operating Model

Defining a company's Operating Model is relatively straightforward as there are limited choices: Holding Company, Allied or Integrated (see sidebar on next page). This choice defines the relationships among the businesses in the company and how investments are allocated among them.

Whether a company is Integrated (like McDonald's or Ryanair), Allied (like Unilever or Alcatel-Lucent) or a Holding Company (like Tyco International or Total Produce) matters in strategy execution. This is especially true when companies shift models (see Figure 1 on next page).

HOLDING COMPANY
Wholly self-contained brands/businesses with dedicated core and support work. The businesses are tied together only by a common funding source and financial requirements.
ALLIED
Each business contains the core work required to create advantage autonomously. Issues of common interest are identified and leveraged across boundaries.
INTEGRATED
Single business, requiring a single business strategy for competitive advantage. Important business issues are formulated centrally and tailored for local needs to optimise the entire business.

When senior leaders perceive a different Operating Model from the one that their organisation has, inefficiencies abound and opportunities to maximise resource utilisation are not pursued. Not understanding the Operating Model can have serious consequences. For example, a company with an Allied Operating Model acted like a Holding Company and bought 11 Human Resource Information System models for its different businesses. They should have bought only a few and saved millions of dollars. A company that should have embraced an Integrated Operating Model acted as a Holding Company and presented different faces to the same customer (and multiple invoices), simultaneously demonstrating poor customer service and incurring redundant costs across sites and regions. Lastly, when a company with an Allied Operating Model (with multiple business strategies), acting as an Integrated Operating Model (one business strategy), forced the strategy of one business onto another business competitors ate their lunch and the business went into turnaround mode.<sup>1</sup>

Senior leaders' explicit choice of Operating Model is pivotal in guiding strategic investment decisions in people, process and technology.

### Alignment Challenge #2: Real Functional Alignment Around the Business Strategy

Companies need a primary business focus: how the company chooses to compete. They also need a primary customer value proposition: why targeted customers want to buy from this company. Depending on the organisation, there are usually only a few choices. More often than not, leaders are not explicit about how the business will create advantage/distinctiveness.

Business Strategy determines the way that a specific business will create distinctiveness, including the products/services it offers, the markets it serves, and the capabilities required to execute the strategy.

Leadership teams often do not define strategy in operational terms such as the company's primary business focus (e.g., product/service, customer/market, technology, production capacity or distribution) or the primary customer value proposition (e.g., price, quality, speed, experience, or innovation). Companies with rival business focus and customer value propositions wind up with competing priorities, dissatisfied customers, and frustrated staff.

As the Storage Device CEO stated at a leadership summit, "The answer to this business focus question means we either double R&D spending or we invest in new distribution channels; we don't have the money to do both!" (See Figure 2).

A clearly defined business strategy provides criteria for making tradeoffs explicit and diffuses office politicking.

### Alignment Challenge #3: Rallying Around the Growth Strategy

If a company wants to grow, there are about a half a dozen strategies to close the growth gap. So why don't leaders rally around the growth plan? Our experience is that they don't often talk about it.

For the past decade leaders have been rewarded for cost reduction and cost containment. To compete in the global arena, Boards demanded dramatic improvement in efficiencies. Companies such as General Electric, Toyota, and Bouygues Telecom led the way, fueled by hopes of 10x productivity improvements from their Six Sigma or Lean programs. With a clear focus on the bottom line and tantalising ROIs, companies invested heavily to get lean, outsource non-strategic work, and improve the quality of their products.

Today, there is a new CEO agenda. According to the Conference Board, "Companies worldwide are shrugging off a relatively slow growing global economy and focusing on people, performance, reconnecting with customers, and reshaping the culture of work. They also see a renewed commitment to customers, innovation, and the corporate brand, aided by the use of big data, as keys to driving growth".<sup>2</sup> Leaders across the globe are zeroed in on not only what

Figure 1: Operating Model Alignment. Adapted from *The Capable Company* (Blackwell-Wiley)

OPERATING MODEL COMPONENT	INTEGRATED	ALLIED	HOLDING
BUSINESS STRATEGY	One	Many	Many
CUSTOMERS	Same	Shared	Many
CORPORATE ROLE	Resource allocations	Protocol definition	Financial roll-ups and analysis
HUMAN CAPITAL	Common	Some shared	Independent
IT SYSTEMS	Common	Common	Different
ENABLING PROCESSES	Centralised	Centralised	Decentralised

**Figure 2: Business Strategy Choices.** Adapted from *The Capable Company* (Blackwell-Wiley)

BUSINESS FOCUS	CUSTOMER VALUE PROPOSITION				
	PRICE	QUALITY	SPEED	EXPERIENCE	INNOVATION
PRODUCT/SERVICE					Today
CUSTOMER/MARKET					
TECHNOLOGY					
PRODUCTION CAPACITY					
DISTRIBUTION			Future		

gets done but more importantly on how things get done.

While not losing sight of the bottom line, the focus has shifted to the top line. Most companies know how to grow through product leadership. A more spotty record is closing a growth gap (the difference between growth goals and what the existing business can likely achieve). When the gap is large, leaders are forced to turn to adjacencies, including New Growth Platforms. New Growth Platform expert Don Laurie goes on to say that “Good strategy, understanding of markets and technologies, and analytical support will not ensure that the growth gap will be closed. Instead, the most significant elements of success are found in the answers to the following questions:

- Is there an enterprise growth gap?
- Is the leadership team unified around growth goals and the path to them?
- Is the organisation designed to achieve the growth that has been identified?
- Is the source of growth clear?
- Can the innovation process deliver new businesses that will achieve the growth goals?”

Growth requires leaders to balance running the business and learning to change the business at the same time. It is this balance between maintaining a strong core and adjusting to threats and opportunities in business adjacencies that is the central tension surrounding growth.<sup>3</sup>

#### Alignment Challenge #4: Addressing Adaptive Change

Organisations are set up to handle “technical” challenges. Executives are comfortable applying a well-practiced set of methods and tools to a well-understood and clearly defined problem. Command and control works well in this model as there are obvious causal links between action and effect. Adaptive challenges are the “wicked problems” that organisations face. They are messy, boundaries aren’t clear and they tend to be systemic in nature. They require resources to be mobilised (whether you control the resources or not) in areas where there is limited experience in how to think through to the answer.<sup>4</sup> The immediate reaction is to apply technical challenge solutions to an adaptive challenge. This approach is doomed to failure as the predictive nature of these approaches fails in the face of uncertainty.

Take a large bank faced with the adaptive challenge of how to succeed in a new world of digital finance. The bank chose a traditional focus on cost elimination and outsourced functions to achieve an optimal level of cost efficiency and predictability. This approach ultimately crippled the bank by limiting its ability to adapt in uncertain times. The bank should have considered the loss of flexibility and agility when outsourcing capabilities.

Even if leaders address these questions, after years of leaning out the business,

many are unprepared to deal with the adaptive challenges associated with growth and new business models (see Figure 3 on next page). People have to be comfortable with experimentation, failure and learning. This is an unsettling spot for many leaders who grew up on command and control and have mastered the technical know-how to fix the problem.

#### Alignment Challenge #5: Mobilising Talent in New Ways

If your business model is changing, strategy becomes everyone’s job. Leaders and employees, therefore, need to be aligned to get the most from their natural energy.

New generations of workers with fresh perspectives are driving a mindset shift around how organisations run and adapt. Great talents want to be engaged in the process, expand their reach, and educate their minds. In short, they want creative freedom and they want to connect to the strategic mission.

Organisations like Northeastern University and Google recognise that mobilising today’s talent requires different tactics. The first step is to recognise generational differences and act accordingly. To align these segments around an organisation’s strategy, a new lens is required – the lens of engagement.

From the organisation’s perspective:

- There is a new focus on “learning as you go,” or “rotating” between jobs and responsibilities to get a feel for what you want to do. This is not a new phenomenon. It has been happening for years in Silicon Valley, where talent stays at a job for less than six months and hops to the next opportunity. What’s different now is that these programs shouldn’t be selective in organisations. Talent should be a source for inspired new business models. That won’t happen if talent isn’t allowed to gain broad experiences and shape new perspectives. Employees want to be given creative channels and voices in strategy alignment and execution.



- As new generations reshape the talent landscape, understanding their motivation is key. Millennials are motivated less by individual success. Growing up on social media, they are inspired more by environments that allowed them to grow and learn. These evolving motivations move us from a focus on individual successes to growth and learning that contributes to the whole organisation. The concept of “paying your dues” and moving up the hierarchy through time served is already a thing of the past in companies like Saint Jude’s, Google, and Apple.

- Make strategy real to people through an integrated and transparent approach. People want their ideas to directly connect and drive the execution of the organisation’s strategy. This fosters engagement by creating a shared mindset about the possibilities and enabling innovation.

- Failure is an option. New generations moving into the talent pool are not afraid to fail and are far more resilient. They bounce back quicker and improve when given the freedom to do so.

From the leadership’s perspective:

- Command and control is an obstacle to alignment. Embrace the challenge and look to leverage the energy that your people bring to the table. Your management team needs to lead and motivate. Their teams expect that.

- Look to attract diverse talent and best arrange them into highly effective teams to support alignment and innovation.

### Summary

Here are some alignment lessons applied at great companies either by design or inspired stumbling forward:

- Make time for the strategy work. If your organisation is not executing your strategy or is doing so in an ad hoc manner, fix the process.


- Get clear on the operating model and the impact of this decision on the unique businesses and the unique capabilities that are required to execute strategy.

- Clearly communicate one’s business strategy and make trade-offs explicit in organisation communications. Hold

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yourself and others accountable to the shared vision.

- Spend time outside your organisation to learn how to reframe challenges and discover new opportunities.

- Forget about command and control; start dealing with the important adaptive challenges in your organisation. Leave titles at the door and find the best talent to align and guide the organisation forward. 

### About the Authors

Rich Lynch is a Vice President at Accelare, Inc. – creators of WorkFit, a collaborative, enterprise tool for taking strategy to execution ([www.accelare.com](http://www.accelare.com)). He is author of *The Capable Company*.

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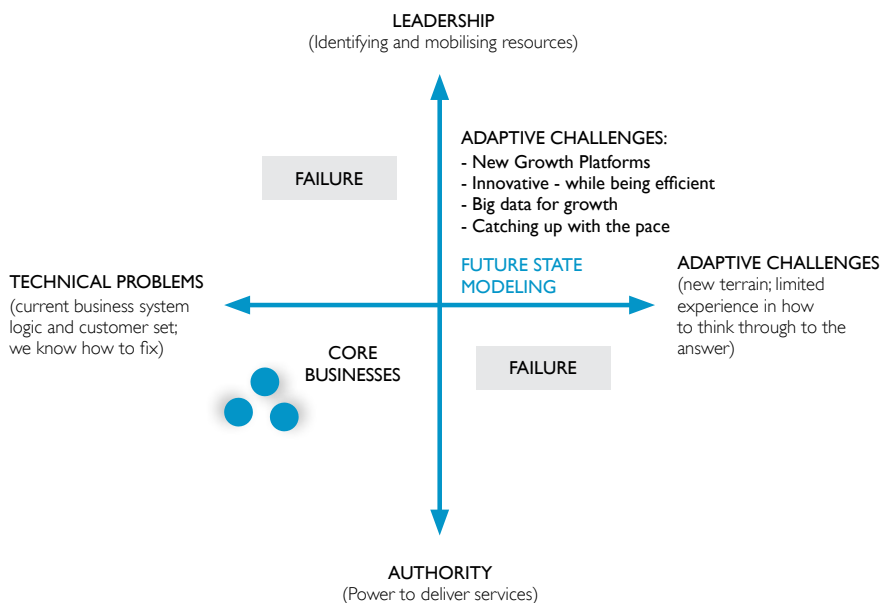
Gar Mac Criosta is a Principal at Archtexx, a Frankfurt based consulting firm intent on re-wiring the way organisations do strategy and transformation. Gar is currently establishing Archtexx’s United Arab Emirates presence.

The authors are soon to publish *Strategy Made Simple (as well as inspiring and real)*.

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Figure 3: Adaptive Challenges



Source: Donald L. Laurie, Oyster International, LLC



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