

Jomer & Co

Align your organization behind the strategy

The three essential leadership questions we usually phrase when meeting senior executives are:

- What is the environment in which your organization must compete and win?
- What are those few things your organization must do outstandingly well to win and keep on winning in this environment?
- How will you mobilize your organization to implement these things faster and better than your competitors?

This white paper explores the third of these essential questions in terms of how to align the organization behind the strategy to enable a successful strategy execution. Most senior executives we talk to state that they, personally, are aligned behind the strategy. But every second also say they have doubts when it comes to their peers. In other words, what we hear them say is *"I'm fully on board, but many are not"*.

*So, how well aligned are you behind your company's strategy?
And how aligned do you think your organization and peers are?*

The obvious purpose of a strategy is to generate winning results, so to draw a line between strategy and execution is a pointless distinction that does not help the company in any way. In fact, it may be damaging. A strategy that fails to produce a winning outcome is simply a failure.

Our research¹ suggests that 58% of top executives are not satisfied with the output from their strategy promise. Put differently, there is a strategy-to-execution gap close to 60% among the researched top executives in terms of how they perceive their strategy promise and the actual strategy output. The causes of this gap are often not visible to top management. Leaders then sometimes pull the wrong levers in their attempts to turn around performance, pressing for better implementation and execution when they actually need a better strategy, or opting to change direction when they really should focus the organization on implementation and execution.

Choosers and doers, mind the gap

Progressive management thinkers have been talking about employee empowerment for years, but there is still a clear distinction between "choosers and doers" in many organizations. When executives solely focus on attaining buy-in for their strategy, they do not ask themselves *"What would I think if I were on the receiving end?"*

Our experience tells us that employees do not like or benefit from this simplified buy-in approach, since it creates an artificial distinction between strategy and execution. As always, upstream theories, and decisions based on those theories, constrain

¹ Jomer & Co Research: Strategy Creation and Implementation 2013.

downstream experiences. The strategy-to-execution approach, in which leaders dictate the strategies and expect subordinates to mechanically follow, need to be further developed into an approach where senior executives and managers empower employees by allowing them to use their best judgment in the scenarios they encounter when implementing the strategy.

A simplistic strategy-to-execution approach tends to fail at multiple levels when only top management (the brain) thinks and chooses, and the organization (the body) does what the brain tells it to do. Strategy is not just choosing and execution is not just doing. Everyone from the top all the way down to the bottom makes choices under constraints and uncertainty. Each time an employee responds to a customer request or a query from a stakeholder, he or she makes a choice about how to represent the company, a choice directly relating to the fundamental values of the organization and impacting its value.

Strategic learning

The very fact and recognition that learning is central to successful adaptation has given rise to a body of thinking that has come to be called the learning organization. Such an organization facilitates the learning of its members and continuously transforms itself. Learning organizations have developed to remain competitive in the business environment as a result of the pressures facing modern organizations.

Strategic learning is a key ingredient of a learning organization and aims at generating learning in support of future strategic initiatives that will, in turn, foster knowledge that leads to improvements in business performance.

Strategic Learning is a systems approach to strategy and execution that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so

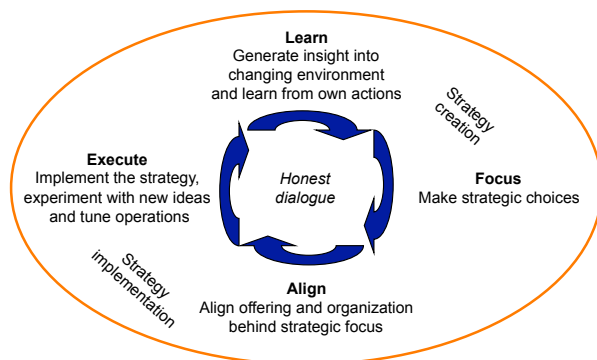


Figure 1. The Strategic Learning strategy process

that it benefits customers, employees, shareholders and society. The Strategic Learning strategy process has a four-phase dynamic cycle of Learn, Focus, Align, and Execute. See fig. 1. These phases are build on one another and repeated to create and sustain winning performance. The more often an organization repeats this cycle, the better it becomes in doing it, thus enhancing its adaptive capability. The result is a process of ongoing renewal that characterizes a truly adaptive organization.

Senior executives and managers have a set of tools for translating strategy into action. They can redraw their organizational charts, redesign their business processes, realign employee incentives, or build sophisticated IT systems to track performance. Despite of this, critical strategic initiatives may stall, and important work goes undone when strategy is left up in the air. Execution fails for a variety of familiar reasons. Employees disengage because they do not buy in to the company's priorities and they become dissatisfied and unproductive. Functional silos hinder the coordination necessary for

companies to seize new business opportunities. Metrics and organizational structures obscure accountability for projects and initiatives. Strategy execution becomes even more difficult when executives are charged with managing the activities not only of their direct reports but also of a far-flung network of suppliers, partners, knowledge workers, and colleagues in different time zones around the world.

There is an old story about an airplane pilot who announces to his passengers that he has good news and bad news: the good news is that they are ahead of schedule; the bad news is that he does not know where they are heading. This story might sound ridiculous for an airline pilot, but may be a reality for many organizations. All too often, people are asked to work extremely hard without fully understanding how their tasks support the strategic direction. Many executives assume that their people understand the company's overall strategy and how their work contributes to it, when the sad reality is that they may be ahead of schedule, but not certain where they are heading.

Often invisible, lack of strategic context is one of the most pernicious causes of unnecessary complexity and frustration in many organizations. The reality is that senior executives are not able to ensure that initiatives fit together perfectly at all levels. The only way to truly align things is to make sure that all employees make the connections themselves. First of all, this requires that everyone has a reasonably shared understanding of the overall strategy, and secondly, that everyone makes it their business to position their individual decisions around what, how, and when to do things in the context of the overall plan. In other words, it is not enough to have a strategy known only to the management team. The strategy needs to be widely shared, understood, and used as a basis for individual and team decisions.

The need to align before executing the strategy

Turning strategy to action by making a horizontal move East to West, i.e. from Focus to Execute, may seem like the shortest way to success. See fig. 2. However, our experience tells us that it is rather the opposite. In efforts to execute the strategy and improve performance, many organizations only addresses structural measures, since moving lines around the organizational chart seems the most obvious and simple solution, and the changes are visible and concrete as well. Such steps may reap some short-term efficiency, but they address only the symptoms of dysfunction, not the root causes. Some years later, these companies usually end up in the same position as they started. Structural changes may be part of the path toward improved execution, but it is better to think of it as the capstone, and not the cornerstone, of the strategy implementation. Successful strategy execution often has to do with things such as clarifying roles and

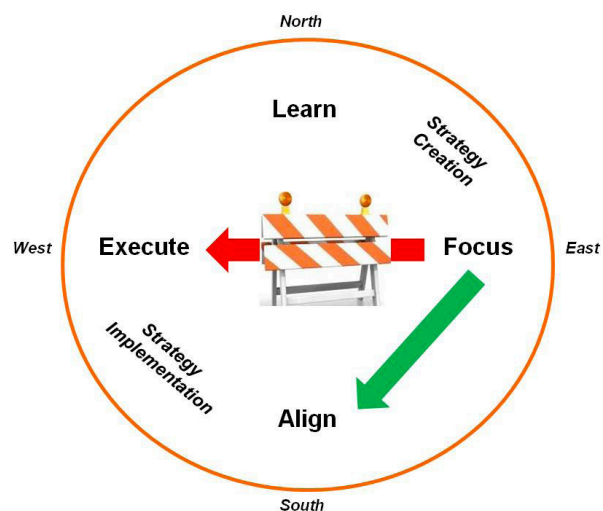


Figure 2. Going directly from strategy creation to execution reduces the chances of a successful implementation

responsibilities and making sure people have the information they need for their work. When you get these things right, the correct structure and motivators often become obvious.

Having said that, our experience says that when a company fails to execute its strategy, the first thing senior executives and managers often do is to restructure, when instead the solution often call for a very different approach. You need to make a South West move to align the organization behind the strategy before starting the execution.

Aligning the organization

When the strategic choice has been made, i.e. when the company's formula for winning has been formulated, the company is ready to tackle the issues of strategy implementation. The major question then is, *"How do we get our organization to do what we want it to do?"*

There is no "magic bullet" for effectively executing the strategy. In large, complex organizations, this can be a daunting task. For many executives, this is the hardest part of all. The right disciplines, measurements, and accountabilities must be applied, and follow-through must be relentless. Too many senior executives as well as strategy analysts tend to ignore the impact operating managers have on strategy outcomes, assuming that these managers are too tied up with operational requirements. Hence, the "silo-logic" of traditional thinking is not enough, and a systems view of the organization needs to be applied. For implementation of any strategy to be successful, all the key elements of the system must reinforce each other to support the strategy. Note that 94% of the variations in employees' performance can be traced to an organization's system². Therefore, it is important to focus on understanding and developing the organization as a system. Taking a systems view is to look from an outside-in perspective to understand how demand, value and flow will result in a better fulfillment of the customers' and stakeholders' needs. A single part of the organization cannot do this on its own. It is necessary to examine each element in turn and make the changes necessary to ensure that they are acting in concert to support the strategy. See fig. 3.

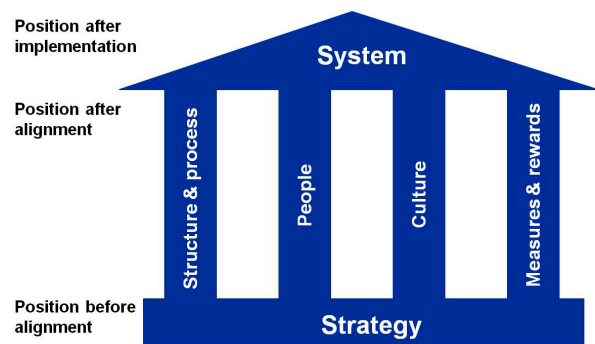


Figure 3. Successful strategy implementation requires alignment of the organization in its broader sense before execution

As stated earlier, an organization is much more than the straight and dotted lines between the boxes in the organizational chart. The key dimensions or pillars for organizational alignment are:

- Structure and processes
- People
- Culture
- Measurements and rewards

² W.E. Deming, in Scholtes, 1998.

Structure and processes

Unclear roles and responsibilities paralyze decision-making and impede information flows, separate performance from rewards, and prompt workarounds that subvert formal reporting lines. When information does not flow horizontally across different parts of the company, units behave like silos, forfeiting economies of scale and transfer of best practices³. Structures and processes, respectively, determine the location of the decision-making power and the flow of work and information.

A structure may be viewed as the physical embodiment of the system's pattern of the organization, and determines the placement of power and authority in the organization. It usually refers to the span of control needed at each level of the structure and the level of centralization versus decentralization. Another structural aspect is the formation of departments, dependent on functional expertise, products, workflow processes, markets, customers and geography. Key items for consideration when aligning structure behind the strategy are chain of command and forums for decisions and dialogue, hierarchy of management and specialist levels, configuration of management teams, guiding principles, policies and operating procedures.

Processes refer to the horizontal end-to-end workflows that often cross the organization's structure and follow the value chain of the industry. Processes are at the very heart of every organization because they are the means through which companies create value for their customers. There are also enabling processes for internal customers, e.g. business planning and budgeting. Key items for consideration when aligning processes behind the strategy are who is the customer, the natural motion of work and information, number of functional departments that vertically cuts through the end-to-end process, job and role descriptions and remits, distribution of decision rights, accountability, policies and operating procedures.

People

People are usually an organization's largest and most valuable asset and people are the most important force making and sustaining the strategy. Hence, primary emphasis has to be on people and their requirements. The people dimension governs selection, rotation, training, and development of competences, capabilities and skills. It produces the talent required by the strategy and structure of the organization, generating the skills and mindsets necessary to implement the chosen direction. This dimension also aligns and builds the organizational capabilities to execute the strategic direction.

Failure to communicate the strategy causes frontline workers to invent their own strategies. Our experience shows that to influence people and to engage people in the strategy, you need to think high-touch rather than high-tech. Passive communication through print and electronic media is usually far less effective than face-to-face dialogues. Yet, many leaders are reluctant to interact with their people. To succeed, you must make a deliberate effort to connect leaders with employees, and empower line managers to discuss the impending changes with authority. Too often, we mistakenly

³ Inspired by the thinking of Jay Galbraith.

assume that our reasoning is clear to others because it is clear to us. We must take the time to be explicit about the choice we have made and the reasons and assumptions behind that choice, while allowing the opportunity for those downstream to ask questions. Only when the people immediately downstream understand the choice and the rationale behind it, they will feel empowered rather than artificially constrained.

You have to get the strategy story straight. People talk. So to maintain credibility and trust, be sure to deliver consistent messages to every group of employees. Alignment of roles, responsibilities, and relationships behind the strategy will foster new skills and attitudes. Aligned patterns of people coordination will also increase employee participation, collaboration, and information sharing. Key items for consideration when aligning people behind the strategy are levels of generalists versus specialists, levels of flexibility, ability to manage insecurity and conflict, need for capability, competence, mindset, skills and leadership development.

An often neglected aspect of the people dimension is the “wisdom of the crowd”, i.e. the company’s collective intelligence. With help of technology, it is today quite easy to tap into the collective intelligence, which offers valuable input when aligning. Surprisingly few senior executives make serious attempts to engage their organizations in honest dialogues about their strategic and organizational issues. As a result, they lose the benefits of a sincere open dialogue to build common commitment that drives rapid change, improve performance, and increase the organizational vitality. Engaging in an honest dialogue means to focus on the essential questions. *Do we have a distinct and clear strategy that managers and employees believe in? Do we have the capacity to implement the strategy?* Honest answers to these questions will not be given without allowing for a collective, public conversation. By “collective” we mean that several levels of management across important functions and value-chain activities have to be engaged. By “public” we mean that senior managers need to keep everyone three to four levels below them informed about what has been learned, as well as what the redirecting changes and actions will be.

Culture

Culture beats strategy every time. Culture is the behavior of the people who are part of an organization and the meanings that these people attach to their actions. Culture usually includes the organization’s vision, beliefs and values, norms, style of management, working habits and language, symbols, rituals and routines. Stories and myths, built up about people and events, are also part of culture and convey a message about what is valued within the organization.

Culture can be viewed as the pattern of collective behaviors and assumptions that are taught to new employees as a way of perceiving, and even thinking and feeling. Organizational culture affects the way people and teams interact with each other, with customers and with stakeholders. The route to aligning culture behind the strategy requires time and effort and is tightly linked to people and the diversity of people. See fig. 4. Since many organizations have discovered that “culture eats strategy for breakfast”, it is essential to demystify and assess the culture and then identify the strategic leverage points that need to be aligned.

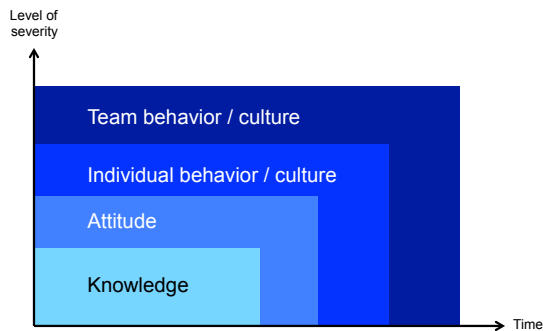


Figure 4. Culture is the pattern of collective behaviors and aligning culture to strategy requires time and effort

Assumptions, unwritten rules, rituals, personal goals and feelings that develop over time may be more difficult to grasp. The challenge in defining and aligning the culture behind the strategy is to understand that perceptions, judgments, attitudes and feelings of the workforce are as significant in shaping actual behaviors as the formal mechanisms of structure, processes, measures and rewards. Any change to formal mechanisms must acknowledge the filtering layers that shape the actual behavior. The ability to connect emotionally with the workforce and redirect

values and attitudes is a key factor in closing the cultural gap, thus changing behaviors and commitments. Armed with an understanding of how culture is formed, the path to aligning culture behind the strategy becomes clear. When you get the culture “right”, then most other things, like great customer service or building a good brand will just happen naturally.

Measurements and rewards

The purpose of the measurement and reward system is to align the objectives of the organization behind the strategy, and reward for adequate behaviors. It provides clarity, direction, motivation and incentive for completion of the strategic direction. The measurement and reward system need to be congruent with the structure and processes to support the strategy. Measurement and reward systems are effective only when they form a consistent package in combination with the other dimensions. An important part of governance is the measurement and comparison of the employee’s actual performance with the agreed targets and standards. Ideally, when employees have been involved in the target setting process and choosing the actions to be followed, they are more likely to fulfill their responsibilities.

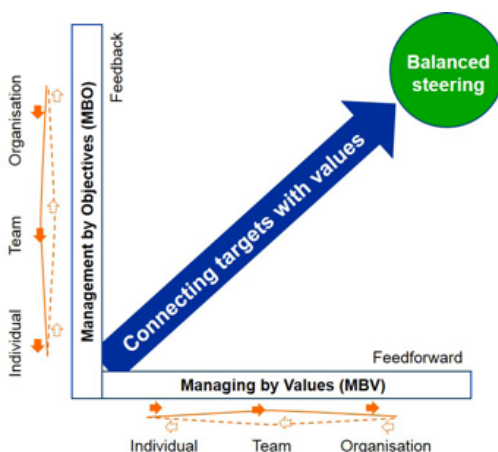


Figure 5. Connecting targets with values for balanced steering

Management by objectives is a widely used approach, and the process for defining objectives so management and employees agree and understand what needs to be done to reach the targets is crucial. In addition, an important part of strategy alignment is also to focus on how the targets are reached. Therefore, management by values should be a complementary part of performance management when aligning measurements and rewards behind the strategy. See fig. 5. Hence, values enhance the understanding of the necessary behaviors to reach the targets. Genuine success does not come from proclaiming values, but from consistently putting them into daily action. When people get aligned around shared values and united, they often accomplish extraordinary results.

Key performance targets for consideration when aligning measurements and rewards behind the strategy are mission and overall purpose, customer satisfaction, employee engagement, resource efficiency, process efficiency, product and service quality, shareholder value as well as value for other significant stakeholders. The relevant mix of performance targets then has to be underpinned by the relevant set of capabilities for achieving the targets. Monitoring performance and adjusting measurements and rewards to the strategy in response to problems is a revitalizing process with a purpose to create a learning capability of adapting to a changing competitive environment. The organization has to know how to continuously monitor its behavior, and in effect, to learn how to learn. Aligning the measurement and reward systems behind the strategy should be done early in the process.

Leadership evolution

Many of the senior executives and managers we support in strategy implementation have come to understand that key to successful execution is to align structures and processes, people, culture, measurements and rewards behind the strategy. Many of them are also reducing the reliance on managerial authority, formal rules and procedures, and narrow divisions of work in favor of creating enhanced collaboration, effective teams, information sharing, and delegating responsibility and accountability down in the organization. In effect, they are moving from the hierarchical and bureaucratic model, which has characterized corporations for long, to what we call a task-driven organization, where what has to be done governs who works with who, and who leads who.

How can we help?

It is impossible to eliminate risks when aligning the organization behind the strategy, but we argue that it is possible for companies to significantly improve their chances of success when it comes to strategy implementation if they enhance their tool kit with the described views and processes.

Jomer & Co has long experience and knowledge of aligning organizations behind their strategies and supporting senior managers in their strategy execution. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running an Alignment Workshop with the management team is a fast way to understand the opportunities and barriers for strategy execution.
- Conducting a Strategy Audit with focus on the organization's readiness for strategy execution provides insights to the effectiveness of the company's current or planned strategy, as well as guidelines for increasing strategic effectiveness.
- Engaging in Strategic Coaching of senior managers' challenges supports and assists them individually in ongoing strategy implementation and execution work.
- Conducting a Strategic Metalog, where we support senior management teams to establish the right working conditions for an honest dialogue about strategy implementation by deploying a dedicated internal task force that collects the organization's honest opinion in a structured way.

- Running the Alignment phase of the Strategic Learning strategy process gives management a comprehensive approach to strategy execution.

Jomer & Co

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

For contact and more information, please email info@jomer.se.