MAXIMIZE STRATEGY EXECUTION BY ALIGNING ORGANIZATIONAL RESOURCES

By Katarina Kling, Ph.D. & Flavio Kosminsky

Strategy without execution is like a sports car without horsepower. It looks great in the driveway, but impresses no one out on the road. It is no wonder, then, that CEOs rarely lose sleep over the design of strategy, but rather worry about the "power" of their companies to deliver the strategy's intended results.

Maximizing your company's potential – and ultimately your results – depends on accelerating the alignment of strategy, organizational models and people. In other words, success requires that people with the right profile and motivation find your company to be an environment that is conducive to flawless execution. This is a difficult process that is aided greatly by an objective and robust analysis of a company's people and culture, and can be developed through multi-dimensional employee assessment, the foundation to business transformation.

Execution Often Falters

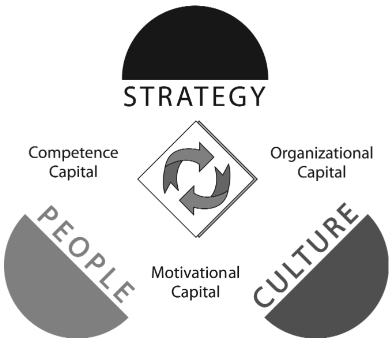
The concern about execution is not misplaced. Writing in the July-August 2005 issue of *Harvard Business Review,* Michael C. Mankins and Richard Steele estimate that, on average, most strategies deliver only 63 percent of their potential financial performance.

Why does this happen? In their survey, Mankins and Steele identified the leading reason for performance loss as a failure to have the right resources, including human ones, in the right place at the right time. Poor communications and poor action planning completed the top three list. Success, then, appears to hinge on those most volatile variables: people and whether they have the organizational support structure, information, skills, tools and motivation to execute the plan.

Invest your "Capital" for Success

Organizations have at their disposal three types of "capital" to support strategy. If all three are not in harmony, execution is compromised (see Figure 1).

Figure 1: The Foundation of Effective Strategy Execution



Organizations have at their disposal three types of "capital" to support strategy. If all three are not in harmony, execution is compromised. Employee assessment and the resulting "snapshot" of your organization's culture can be used to ensure that people with the needed skills are available (competence capital), that they are motivated in ways they value (motivational capital), and that the organization's internal structure supports the entire effort to execute on strategy (organizational capital).

1. Competence capital is the measure of the proper fit between a strategy's requirements and the skills and experience of employees. If your new direction calls for development of innovative products, do your people have the design capabilities necessary, or is your R&D too focused on trimming costs of production and support? Maybe, after years of pounding the market with a low-cost, volume-oriented strategy, your workforce has lost the creativity required for innovation.

2. Motivational capital is the organization's ability to meet its employees' expectations so that they are motivated and driven to perform at their best. Does your company nurture the "right" behaviors among your employees? Do employees feel that the organization provides a career path that is aligned with their career motives? Are employees being rewarded in ways that are meaningful to them? Are they allowed to make decisions they believe are right?

3. Organizational capital measures the fit between your company's strategy and the organizational model. What your organization prizes must align with your strategic drive, or failure will follow. For example, if you want to move toward selling value-added services, performance appraisals need to include a measure of your sales pipeline, not just the number of visits or successes. If you do not provide incentives for those hard-to-pull opportunities, the sales team will focus on the low-hanging fruit, not necessarily the ones you want.

Minimizing the Unpredictable

Getting every aspect of your organization moving in the same direction to support your strategy is both a science and an art. Through Korn/Ferry International's employee assessment work, we have found that the resulting objective information greatly enhances the "science" side of the equation.

Our proprietary assessment tool is based on the work of behavioral scientists Kenneth R. Brousseau, Ph. D., and Michael J. Driver, Ph.D., working with their colleagues Rikard Larsson, Ph.D., Katarina Kling, Ph.D., and Patrick L. Sweet, Ph.D. All are affiliated with Decision Dynamics, a firm that specializes in behavioral assessment systems.

The assessment methodology provides an easy-to-use interface that quickly analyzes and reveals an individual's leadership and decision-making styles, as well as career motives, which are what the person wants from his or her job (e.g., security, achievement, creative expression). The analyses are scientifically rigorous and statistically validated, utilizing Korn/Ferry's proprietary database of executive profiles worldwide as benchmarks to establish key factors for evaluating skills, behavioral competencies and experience.

Information obtained about an organization's employees can then be aggregated to create a powerful overview of the corporate culture and its relationship to the three forms of capital described earlier. This wider organizational view captured by Korn/Ferry's assessment reveals how your company actually operates and how your employees perceive it to operate. These are two distinct yet powerfully connected attributes that determine the effectiveness of strategy execution. The organizational analysis developed through employee assessment centers on three factors: a company's strategic drive, its organizational model and its people. Strategic drive is the term we use to describe the company's major thrust in terms of how it plans to succeed in the market. Our model identifies where your company's strategy fits in four dimensions:

1. Expert – a strategy in this category is based on competing through quality and reputation of reliability
2. Competitive – this strategy focuses on market share, volume, aggressive pricing and the effort to dominate the market
3. Learning – companies in this dimension base their business strategy on diversification in products and services
4. Entrepreneurial – these organizations are risk takers, and the first movers into new markets

Figure 2: Sample Assessment Model

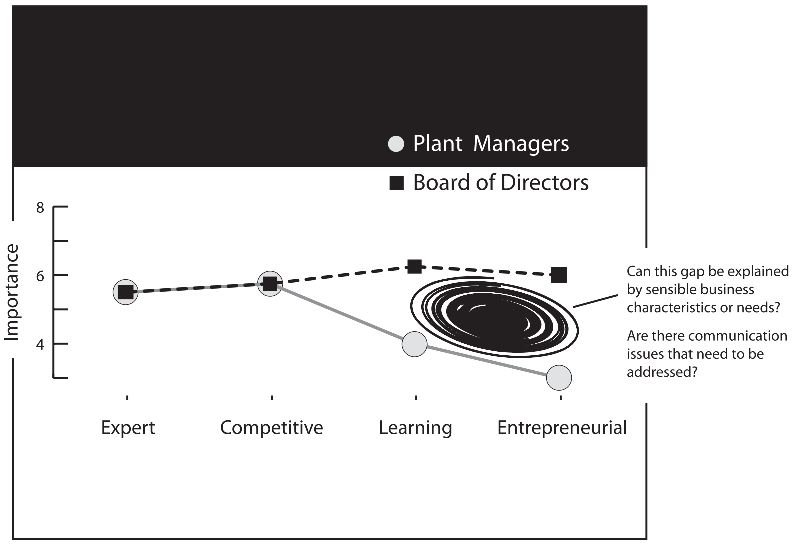


Figure 2 represents the analysis of a hypothetical manufacturing company. A quick glance confirms that the company's board of directors see product diversification (learning) and speed (entrepreneurial) as key drivers of strategy, but the manufacturing executives are basing their decisions on producing high volume at the lowest cost within rigid quality and reliability requirements (expert and competitive). This mismatch will certainly undermine a strategy that demands first-to-market, breakthrough products.

Our assessment model further offers an objective view of three basic elements of a company's organizational model:

- **Organizational structure** – this consists of lines of authority, reporting and coordination, as well as real and perceived career paths and decision-making authority. Organizational structure is significant. For example, if your strategic drive is innovation (learning), do people have the freedom to explore ideas? If your desire is to dominate the market (competitive), are people held accountable for aggressive goals?
- **Valued behaviors** – these are defined loosely as "the way things are done here." So, let's say your strategic drive is to be an industry expert. Are your people reliable, precise and always on top of the latest skills? Or, perhaps, your strategy is to be the first mover (entrepreneurial). Do you allow people to take risks without fear of punishment for failure?
- **Rewards and recognition system** – here is where an organization's true intentions are revealed, because it demonstrates the tangible and intangible ways that employee behaviors are reinforced. For example, a company with an "expert" strategic drive would need to give technical employees control of R&D spending and of their professional skills development. If this is not occurring, or those employees do not perceive that it is occurring, an "expert" strategy will not come to fruition.

Organizational Alignment in Action

One of the largest global information technology service providers wanted to re-focus its strategy from transaction-based outsourcing to a more value-added model. Korn/Ferry's assessment of the company's employees (and, consequently, its culture) unveiled two significant impediments to success. The sales and delivery force was not ready for the different requirements of a value-added model, and the new system, as designed, did not properly support the "old" portfolio of services. The risks were clear. Quality could be compromised and defections by employees and customers were likely, with corresponding negative impacts on results and profits.

With this knowledge in hand, the company's leadership team revised its plan. It created a business unit to focus on the more value-added work. This allowed the firm to leverage its existing clientele and IT infrastructure, and move in the desired direction without compromising its previous success.

Again, the assessment instrument and model addresses the most important ingredient in successful execution: people. By identifying their emotional competencies, career motives and styles of leadership, communication, thinking and decision-making, executives can determine if employee skills match those necessary to reach a strategy's goals and ultimately achieve the expected results.

With the organizational analysis in hand, CEOs and their management teams can either decide to make the necessary internal changes, provided such investment is sound, or re-focus the strategy to better capitalize on the culture and the people. In today's business environment, where market forces demand quick reaction and today's advantage can be quickly overcome by competitors, the wealth of information obtained through assessment serves as a reality check, preventing a response that is destined to fail.

Becoming an Organizational Designer

As with any endeavor involving human beings, defining an organization's culture is not a black-and-white exercise. Yet, among the shades of gray, it is possible to identify dominant traits. These can be analyzed, and gaps between the behaviors and skills that exist within an organization and those that are needed to execute the new strategy are revealed.

In finding ways to address the gaps, however, it is important to remain flexible enough to accommodate diverse needs. The most creative and productive workplaces employ individuals with a cross-section of skills and career motives. Organizations need to support a pluralistic environment through the ability to motivate different people in different ways. Assessment provides the keys to this by giving managers insight into appropriate motivators for each individual in a clear and objective way.

Assessment also addresses directly what executives in the Mankins and Steele study voted the number one reason for ineffective strategy execution – poor allocation of resources. By determining employees' decision-making and leadership styles, organizations can make better assignments, or provide coaching or training where necessary to boost individual and team performance. It is a highly effective, scientifically sound method for ensuring you have the right person in the right place at the right time.

While aligning an organization's strategy, structure and human resources is a challenging endeavor, the benefits are clear. Senior managers today, whether they are responsible for the human resources function or not, should be organizational designers. They must understand what "tools" they have available and what marketplace "battles" they can – and probably will – win. Employee assessment and the application of those findings to organizational culture alignment provide the answers that leaders need to propose developmental actions that will allow people to perform at their fullest potential, maximizing the results of the company.

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For more information, visit the Korn/Ferry International Web site at www.kornferry.com or the Futurestep Web site at www.futurestep.com.