Executive Insights

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Turning Strategy Into Action: Why Many Organizations Are Not Fit to Deliver

Many companies find turning strategy into action very challenging, not because of a weakness in the strategy itself, but because the organization is not aligned to, or focused on, its success.

The consequences can be significant: divisions within senior management, attrition of high-performing staff, missed economic opportunities and ultimately a loss of competitive advantage.

Organizations struggling to deliver their strategy typically display three main symptoms: leadership and strategic misalignment, such as a lack of commitment from leaders on strategic direction; behavioral limitations throughout the organization, including a lack of trust and empowerment to do things differently; and an inability to effect change, often because of cultural inertia. Weak measurement systems exacerbate the problem in many organizations, making it hard to understand the status quo, the opportunities for change and how well strategic programs are being implemented.

To help companies with this problem, L.E.K. Consulting's Organizational Excellence practice has identified six critical steps organizations need to take to transform strategy into action and delivery (see Figure 1).

Figure 1
The six steps required to transform strategy into action

Source: L.E.K. analysis

Turning Strategy Into Action: Why Many Organizations Are Not Fit to Deliver was written by **Aubry Pierre** and **Philip Roux**, Partners and **Simon Horan** and **Tim McGrath**, Partners and Managing Directors. Aubry is based in Paris and London, Philip is based in London, Simon is based in Chicago and Melbourne and Tim is based in Melbourne.

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INSIGHTS @ WORK

1. Leadership and strategy

Senior management teams with a clear and compelling strategy often assume that their plans will naturally cascade down to divisional and functional groups, resulting in a cohesive approach that continually reinforces top-level goals. Unfortunately, it's common for this not to happen.

Often the leadership team is not tight enough or committed and united in its desire to implement change. This may be because, despite paying lip service to the strategy, not everyone agrees with it, or they may have a different interpretation of how they and their departments fit into the corporate plan. Perhaps they are ineffective communicators, are indecisive decision-makers or generally don't model the right leadership behavior.

In a business environment demanding constant innovation to remain competitive, leaders need to be fully committed to the company's strategy and highly collaborative with each other to deliver it, so the key priority at the start of a strategic change initiative is to fix any issues in this area.

The first step in turning strategy into action is to conduct a 360-degree analysis of leaders' alignment with the organization's strategy to ensure that everyone is on board with the goals and the plans for achieving them.

2. Core and supporting capabilities

A successful strategy requires that management teams know which capabilities are core to its delivery and which create sustainable differentiation from competitors. This also means being honest about which capabilities are less important. If you have a clear view of the capabilities you need for your strategy to be successful, you will immediately create more focus. The most valuable assessment of this often comes from employees throughout the organization. Their views often highlight any major differences in perspective between executives and middle management, or across functions and divisions, so careful and objective handling of the process is required to get to a prioritization of the organization's capabilities that everyone buys into.

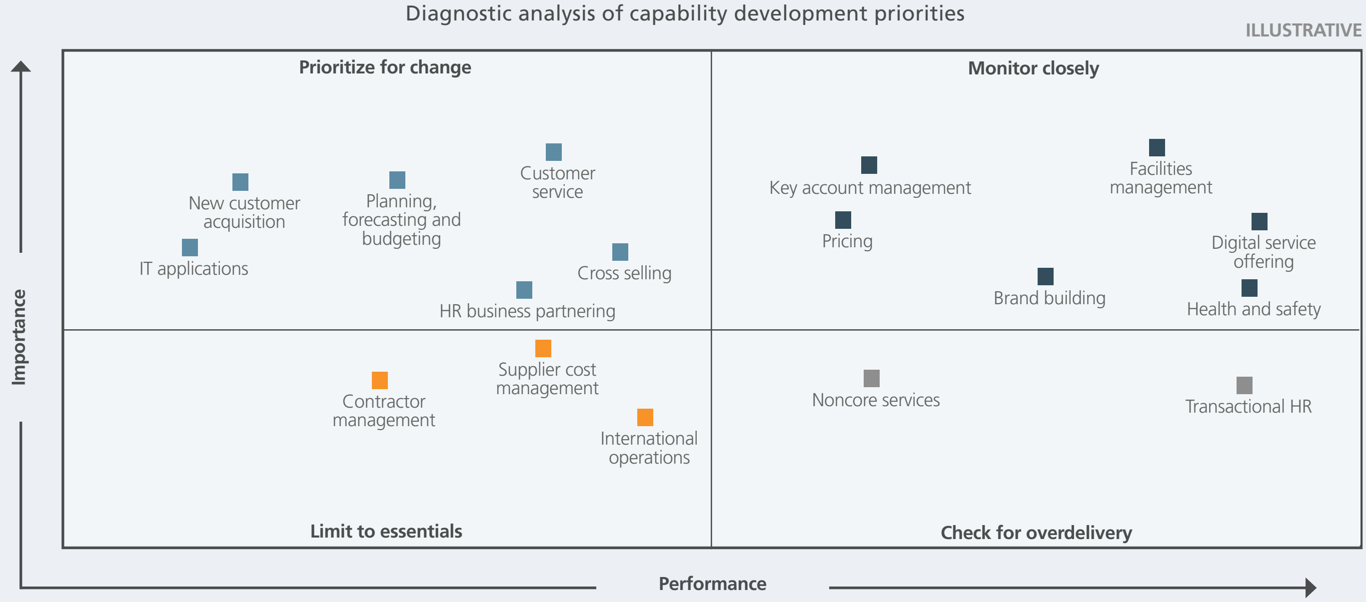
Illustrative example: capability assessment by a leading TV and film company

A leading company in the global film and television industry had significant ambitions for international growth. It wanted to replicate its home market operating model, which it considered best in class, in new territories.

An in-depth analysis of the company's capabilities showed that performance within several critical areas was poor, including customer service, sourcing and IT (see Figure 2).

Figure 2

Diagnostic analysis of capability development priorities



Source: L.E.K. analysis

As a result, the senior management team agreed that there was need for significant investment to develop a robust platform that could be expanded internationally, as well as a major review and update of core processes and functional tools.

3. Structural fluency

Understanding the extent to which the organization's structures and interfaces are optimized across organizational boundaries, be they functional, geographical or between the corporate team and the business units, is vital to successfully delivering the strategy. Typically, it is necessary to break down organizational barriers to create the effective, multifunctional teams that are needed today to, e.g., serve global clients in a consistent and seamless manner, accelerate the innovation pipeline, or implement ecommerce capabilities. Some large organizations may appear to be too complex and cumbersome for effective management, but even the most intricate matrix structures can work well if roles and responsibilities are clear and understood.

Analysis of the organization's operational structures and interfaces is best done by researching the views of the company's management, from the top through to the lower-level teams.

Illustrative example: Expedia's novel organizational structure

E-travel leader Expedia is a great example of a company whose innovative organizational structure is key to its success.

Expedia doesn't have a digital department — digital is embedded across everything the company does — and its operations are based on a continuous improvement strategy called "Test and Learn." This requires Expedia to continually organize around multifunctional project teams, while marketing has a critical internal coordination and alignment role, rather than the classic externally focused, campaign-based one. Using this approach, Expedia has built a highly effective organization with sustainable competitive advantage.

As its Senior Marketing Director for EMEA put it, "We're a tech business operating in the travel vertical, not a travel company trying to figure out the tech."

4. Process effectiveness

Making real change requires leaders to push decisions deep down into the organization to where the technical and local market knowledge is held. This calls for clear direction from the top, but organizations often fail at this, typically by not creating the decision rights in the first place, or by communicating them poorly. The result is a derailing of strategic actions. For example, ecommerce growth routinely fails when decision rights on pricing strategy and product offering are unclear among the traditional commercial units, the ecommerce teams and the business divisions. By identifying weaknesses in the decision-making processes, the organization can address these roadblocks to implementing its strategy.

5. Talent management and development

Without people who are well-motivated, who are offered quality training and who can see a career path ahead of them at the organization, strategic implementation is set to stumble. This is not straightforward to achieve — even for the world's leading companies. The three levers on successful talent management are training, performance and incentives; continuously and consistently monitoring and managing them will ensure that the company has the people in place to make the strategy happen.

Illustrative example: a global medtech company recognized what is needed to upskill its management

A leading global medtech company developed an aggressive growth strategy combining organic and inorganic initiatives. A new global entity was created to replace the old country-based organization, with four business units, three sales regions and global corporate functions. What quickly became apparent in the design phase was that the leadership itself was not up to the challenge: Most executives followed orders without question and operated in silos — collaboration and initiative were scarce.

L.E.K. supported the company in highlighting these leadership issues as perceived by peers, direct reports, senior executives and the board. Decisive action was necessary to transform the executives from being "victims" of the coming change to dynamic "actors" in the transformation.

A comprehensive leadership development program was integrated seamlessly into the overall transformation plan to help executives grow personally and contribute fully to the new strategy.

6. Change readiness

Organizations need to assess whether they have the overall capability and agility for strategic transformation — and, if they don't, fix the problem, which is likely to be complex — before engaging in the change program.

Rejection by the organization is how the best-made strategic plans routinely come unstuck. There can be multiple reasons, including general risk aversion, ongoing conflict with running the day-to-day business, disengagement of the broader employee base or trying to implement too much change at the same time.

Companies need to recognize that organizational transformation itself is a corporate mindset that needs to be adopted to deliver fundamental strategic initiatives. It requires companywide commitment to change, active management of roadblocks and a constant focus on results.

Putting strategy into action

The key to successfully delivering a strategy is addressing friction points within the organization and establishing a baseline against which progress can be measured — and enthusing, engaging and mobilizing the workforce. This is a big task and many management teams find it very tough to complete, but it is incumbent upon them to get it right if they are to deliver on their commitments.

OEX — Enabling the six-step process for strategy execution

To help management teams navigate the challenges of delivering their strategy, L.E.K. has developed OEX (Organizational Excellence), a powerful web-based diagnostic tool for measuring organizational efficiency and effectiveness. The OEX framework is based on an analysis of the six dimensions of organizational effectiveness as outlined in this paper (see Figure 1): leadership and strategy, core and supporting capabilities, structural fluency, process effectiveness, talent management and development, and change readiness.

OEX enables fast-cycle assessment of organizational performance via a short survey (20-30 minutes long) that can be deployed throughout an organization. It delivers data-rich output that provides and facilitates the following:

- Identification of key issues and friction points within the organization
- Initiation of the transformation effort
- A quantified fact base to mobilize support for required changes
- A baseline against which to measure progress

About the Authors:

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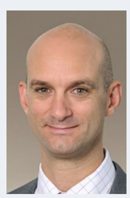

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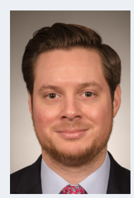

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About L.E.K. Consulting

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and rigorous analysis to help business leaders achieve practical results with real impact. We are uncompromising in our approach to helping clients consistently make better decisions, deliver improved business performance and create greater shareholder returns. The firm advises and supports global companies that are leaders in their industries — including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. Founded in 1983, L.E.K. employs more than 1,200 professionals across the Americas, Asia-Pacific and Europe. For more information, go to www.lek.com.