

# TURNING STRATEGY INTO ACTION

Why many organizations fall short

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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. Talent availability, especially at the senior ranks, is often perceived to be a particularly serious issue in China, due to a lack of required capabilities among candidates, according to a 2017 Hay Group survey of human resources professionals in China.

Organizations which struggle to deliver on their strategy typically display three main symptoms: 1) leadership and strategic misalignment, such as a lack of commitment from leaders on strategic direction; 2) behavioral limitations throughout the

organization, including a lack of trust and empowerment to do things differently; and 3) an inability to effect change, often because of cultural inertia. These symptoms are exacerbated for international companies operating in China because distance, language and cultural assumptions can increase misunderstanding.

Weak measurement and communication systems further contribute to 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.

## ■ 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, this

often does not happen.

It could be as simple as the China strategy not being aligned with the corporate strategy. The question often on executives' minds is: what can be expected of China? The answer is now often that it is not simply a top-line driven strategy anymore, and the focus has switched somewhat to the expectation of efficiency in China.

The leadership team may not be 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



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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.

**Illustrative example: an organization optimization to recommit to executing existing China strategy for a global pharmaceutical company**

A leading global pharmaceutical company would like to streamline and optimize its China operation model to achieve operational goals and execution efficiency. L.E.K. supported the company in assessing its current operation model, optimized the organizational design, developed supporting enablers, implemented the process plan and activated the new model.

The company's China leadership team demonstrated clear

and strong commitment to supporting its China growth goals and proposed "interdependence of the key functions" as the overall philosophy of the organization set-up. Interdependence means equal and collaborative relationships among headquarters, regional teams and support functions, along with balanced responsibility and accountability. This interdependence theme has since been mentioned in almost every meeting in both the Shanghai home office and regional offices and field forces.

Reviews conducted post-launch continue to highlight the leadership alignment. The clear signal from the top adds credibility to the strategy and leads to the company acting as one despite the multiple reporting relationships for China vs region, corporate vs division and function vs business.

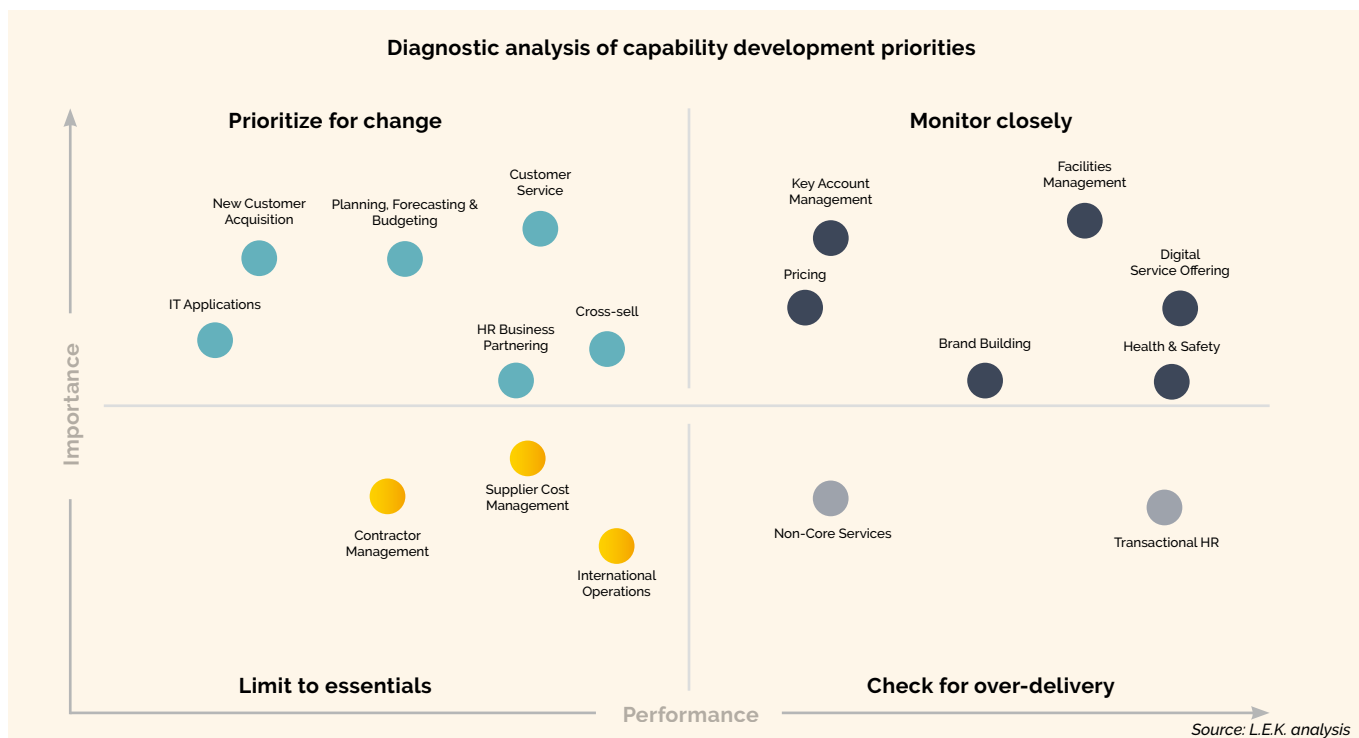
tion from competitors. This also means being honest about which capabilities are less important. If you have a clear view of the capabilities you need for your strategy to be successful, you will immediately create more focus.

In a vast country like China, the key capabilities needed to be successful in tier-1 cities might not be the same as those for expansion into tier-3 cities, nor are the resources and investments the same. Pharmas in China, for example, have mostly stopped the incremental sales force expansion to get incremental sales into the next smaller city and next smaller hospital. Depending on the portfolio, entire regions or products are now being partnered out, as core skills required a change from clinical promotions to hospital access and margin maintenance.

The most valuable assessment of this often comes from employees within 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.

**Core and supporting capabilities**

A successful strategy requires that management teams know which capabilities are core to its delivery and which create sustainable differentia-



**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: Diagnostic analysis of capability development priorities).

As a result, the senior management team agreed that there was a 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.

**Putting strategy into action**

Those of us in China know that despite all the headwinds mentioned by AmCham member surveys and the whiffs of trade wars on the horizon, expectations for growth in China continue to be high and executing a growth strategy remains

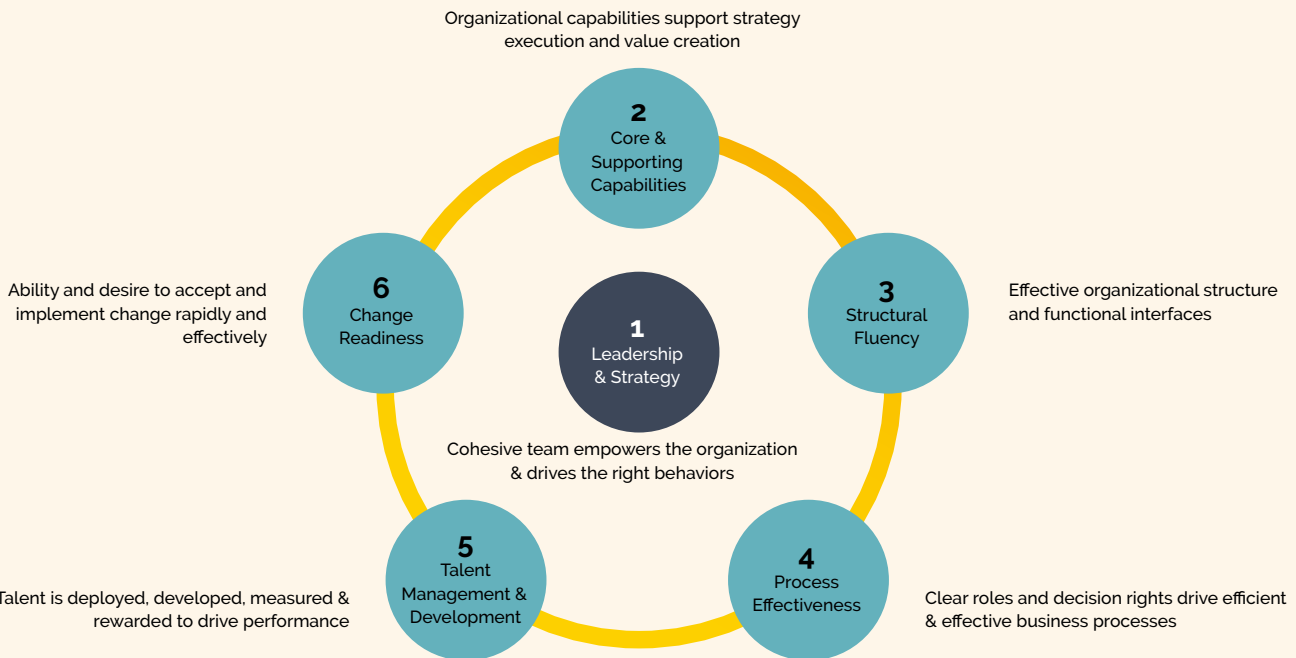
“ A successful strategy requires that management teams know which capabilities are core to its delivery... This also means being honest about which capabilities are less important ”

top-of-mind. Starting with leadership and strategy, and the core and supporting capabilities are clearly the right steps. The process doesn't stop there, however, and needs to move on to addressing structure, process and talent considerations.

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. **I**



**The six steps required to transform strategy into action**



Source: L.E.K. analysis