



Executive Insight >> Thought Leaders

Why Organizational Strategy Matters

Top performing companies successfully leverage their organization more effectively than rivals and derive over 64% more profit per employee than next-tier performers

A regional bank in the northeastern United States recognizes that unless it changes its business model its long-term viability as an independent is under threat as financial service giants invade its turf. A European pharma knows that it must rapidly unbundle its enterprise to stay competitive and shift its business from a research orientation to one that is commercialization-centric. An Indian manufacturer seeks to globalize but is constrained in its growth by a leadership glass ceiling and an ingrained culture that rejects outsiders.

Three companies, on different continents, in different industries; all dealing with a strategic or discontinuous inflection point and needing to change foundationally to stay competitive; all facing new realities and tough choices.

Are they that different than most companies today? Issues of competitiveness, leadership, globalization, talent shortage and strategy implementation affect most companies. The short answer is no.

Their particular circumstance might be strategically more complex, but like any company they need to be able to build an organization capable of delivering their strategy. Today's organization is rarely fully equipped to deliver tomorrow's desired business results and varying degrees of transformation will be required to assure that strategic intent is fully realized.

Unfortunately while most companies convert their business strategies into detailed and actionable plans, the same degree of acuity and rigor is rarely given to the organizational implications of the strategy. Organizational considerations are frequently kept at the level of new organization charts, headcount and labor cost data and big program-of-the-period determinations.

Indeed 47% of CEOs and Human Resources executives admit their talent management strategy is not aligned with their business strategy and 54% acknowledge that senior managers do not spend enough quality time on talent management, period.

What is really required is a skillfully designed, purposeful, and actionable organizational strategy that lays out a detailed roadmap of those transformations necessary to meet the requirements of the future.

Organizational Strategy

Effective organizational strategy takes a holistic and integrative view of organizational needs over contiguous time horizons and maps out a portfolio of initiatives to transform the organization from its current state to a desired state.

Consideration and definition is given to different organizational elements such as design and structure, operating standards and culture, competencies and skill mix, performance capabilities and requirements and talent management systems and practices. Diligent gap analysis and strategic organizational design expertise combine to forge an integrative transformation path forward for the enterprise; rigorous implementation discipline makes sure that strategic intent converts to desired and sustainable results.

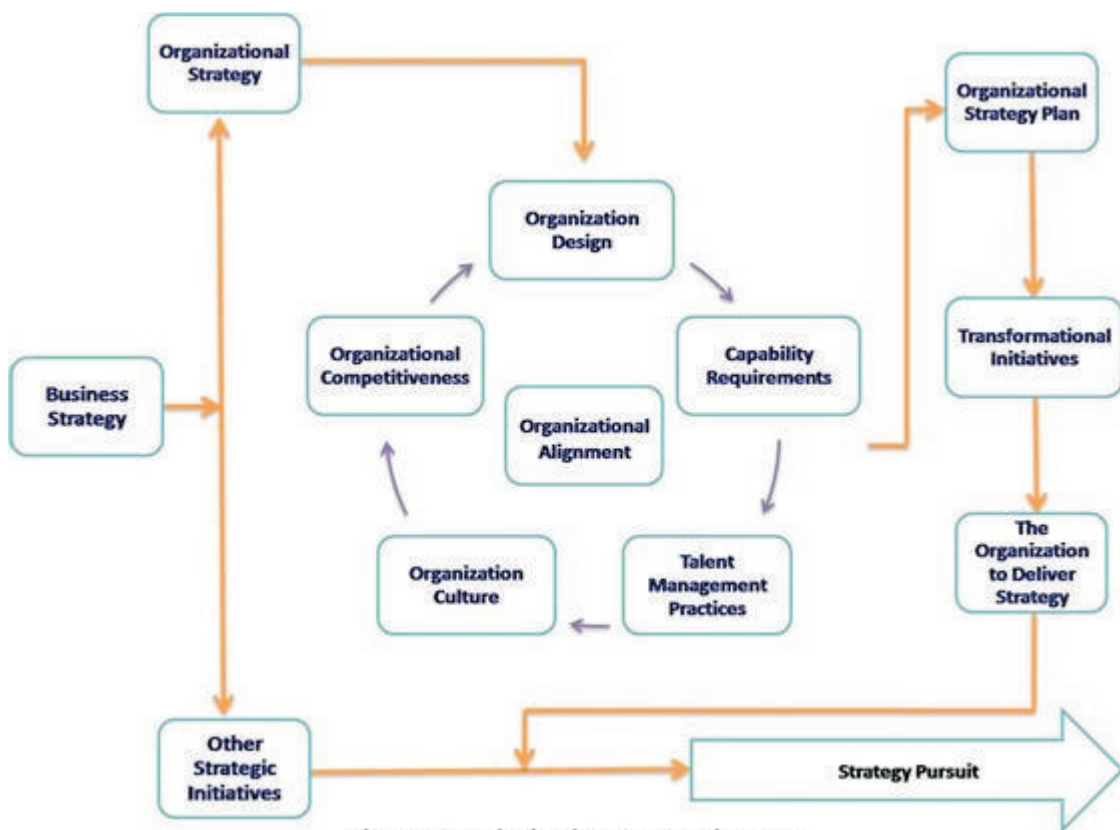


Figure 1: Organizational Strategy Development

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Few companies though look at their organization as strategically as this - which is surprising considering the extent to which organization capabilities and performance drive business value today.

We contend that absent such consideration and definition, gaps and misalignment will frustrate business strategy and desired performance objectives will not be met. It's as simple as that.

Talent Market Dynamics

The intensifying competition for talent is consistently cited by executives as the most important global business trend of the foreseeable future and over 70% of the value of most companies is now considered to be intangible - knowledge, methods, capabilities, relationships, brand.

Moreover, overlay the following:

- The top 500 US companies will lose half their managers in the next 5 years to retirement
- 62% of senior human resource managers worry about company-wide talent shortages; 75% say attracting and retaining talent is their #1 priority
- 83% of employees are likely in the job market; 40% of mid-managers maintain relationships with recruiters
- The typical American company spends 50 times more to recruit a \$100,000 professional than it spends on training them in a given year

Against this backdrop the absence of disciplined and formalized organizational strategy in the executive suite is surprising to say the least.

We say it again:

Top performing companies successfully leverage their organization more effectively than rivals and derive over 64% more profit per employee than next-tier performers.

That's why organizational strategy matters

Developed and implemented effectively organizational strategy enables companies to convert strategic intent into sustainable and high performance results.

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Next Month: So What is Organizational Strategy Anyway?

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