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The Enabled Enterprise: How to Build the Capabilities for Sustainable Success

February 13, 2014 by **Andrew Dyer** and **Rich Hutchinson**

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In This Article

- CEOs have an obligation to make their company stronger in a sustainable way. Unless they do this, they will have failed.

- To succeed, they need to create an *enabled enterprise,* where the right people with the right skills are supported by the right organizational structure, processes, and tools.

- The best way to do this is to launch an enablement program: identify the capabilities to win, build a cohort of better managers, and construct a next-level business platform.

- Ultimately, the CEO must serve as the chief enablement officer.

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CEOs are facing an extraordinary test. Enduring competitive advantage is hard to achieve in a time of great uncertainty and volatility: sector leaders are no longer sure to stay at the top for very long, and new challengers—often state-owned or family-owned companies that are unburdened by legacy business models—are attacking the profit heartlands.

CEOs know, nevertheless, that they have an obligation to make their companies stronger in a sustainable way. If they can't, they will be seen to have failed. In the end, it is not what you achieve in the short term that matters, it is what you leave behind for the long term—what we call the *perpetuity principle*.

How can CEOs guarantee success? The answer is clear: they need the right people with the right skills supported by the right organizational structure, processes, and tools. If they have all this, they stand the best chance of outpacing their rivals in a fast-changing world.

Some companies already possess the necessary portfolio of capabilities to win. We call them *enabled enterprises*.

The Fitness Factor: How Companies Can Become Enabled

"Only the fittest survive" is a mantra of business. In a fast-changing world, the fitness factor is doubly important. So CEOs need to build or strengthen their capabilities to win, and they must do so in an enduring way.

In our view, the best approach is to follow what we call an *enablement program*—a carefully planned portfolio of projects run by a company's current and future leaders. This provides general managers with an appropriate mix of technical, managerial, and leadership skills as well as a strong business platform to maximize their effectiveness. The program can be designed for a whole enterprise, for a business unit, or even just for a function.

Such a program is challenging to implement. It takes time and dedicated attention over several months, even years. But for the CEO of a company undertaking this task, the prize for all the effort is huge: a permanent uplift in the capabilities of the company—a game-changing transformation.

To be successful, it is necessary to hone the right capabilities while tackling a serious current challenge—for instance, managing through cycles of repeated change, repricing a suite of products or services, or applying lean techniques to manufacturing operations.

Another success factor is to provide ongoing evidence of progress, typically in the form of financial or other tangible benefits. Such evidence helps to justify the sustained investment needed to fund the journey.

How to Conduct an Enablement Program: A Step-by-Step Guide

An enablement program has three steps. The first focuses on the capabilities required to win. The second and third focus on implementing the twin pillars of an enabled enterprise: management and the business platform.

Step One: The Capabilities to Win. For an enterprise or business unit, a portfolio of strategic capabilities might include leadership, change management, lean or efficient manufacturing, pricing, procurement, sales force effectiveness, or talent management. For a function, the capabilities will be more specific; within pricing, for instance, they might include price setting, renegotiation, and discounting.

To identify the capabilities, we recommend conducting a capability maturity assessment—a kind of corporate health check designed to determine what the company needs to do in order to build or strengthen the skills and systems required to lift the enterprise, business unit, or specific function to the next level. For instance, are sufficient time and resources dedicated to the right capabilities? Usually such an assessment is comparative, allowing a company to benchmark itself against its competitors.

Once an assessment has been completed, the company should put together a portfolio of projects for building or strengthening the capabilities and design a roadmap to sequence their delivery. A dedicated team or program management office must be created to ensure that the roadmap is followed.

Step Two: Better Managers. It is essential for a company's employees to have the right technical, management, and leadership skills to run the business. Therefore, the company should undertake an employee assessment of different cohorts of people: leaders, high performers, and middle managers, as well as those working in the corporate function, the front office, and the back office. With the information gleaned from this process, the company can begin the all-important task of investing in a coordinated initiative to improve skills—to drive up the quality of the average. At the same time, the company must take the opportunity to remove underperformers and recruit people who are better qualified.

A key feature of this initiative is to customize curricula for specific cohorts and individuals. For instance, a lean curriculum could have 24 modules arranged along five themes: lean principles, business requirements, operational improvement, performance governance, and people management. Different people are then selected to complete varying numbers of modules.

But the real challenge is making the lessons stick. If the skills and business systems are to be properly embedded across the firm, then the leaders need to promote a "learn, do, teach" approach. This, in our view, is the secret of sustainable success.

Study after study shows that people and organizations really start to develop when they have to apply their newly learned knowledge or skills. As Confucius observed about 2,500 years ago: "I hear and I forget. I see and I remember. I do and I understand." An enablement program, however, goes one step further—getting freshly tutored employees to teach their colleagues. Teaching, even more than doing, really locks in the learning.

Typically, an enablement program includes a series of workshops, tutorials, and other activities led by the employees themselves. Some companies create corporate universities to conduct these sessions and to offer formal certification.

Step 3: Next-Level Business Platforms. The best people need the best organizational structure, processes, and tools—the components of a business platform—to maximize their impact and effectiveness. Properly developed, a business platform fosters the free flow of information around the company and helps improve the decision-making process.

Upgrading the operational tools that form the backbone of IT—the databases, computer systems, and other technical apparatus—should be a high priority. Next, a company must streamline the business processes—the collection of rules and regulations that ensure, among other things, the smooth supply of raw materials, the delivery of products to warehouses or customers, and the timely payment of bills.

When redesigning the organizational structure, a company must address the clarity and layering of roles, together with the alignment of key employees to the overall corporate strategy, through incentives and appropriate accountability. The company should also tackle the decision-making tools for customer relationship management, human resources management, and enterprise resource planning.

How an Enablement Program Works: Two Case Studies

The only way to fully appreciate the power of an enablement program is to see it in action. Here, we describe two stories of enablement—one about a pest control company, the other about an energy company.

Case 1: Pricing. The top executives at a company we'll call PestControl were concerned about the company's struggle to grow its customer base. After conducting a capability assessment, they came to the conclusion that a chaotic, decentralized system of pricing—which permitted account managers to offer their own discounts without reference to companywide guidelines—was to blame: managers were selling their products far too cheaply and doing little to retain key customers. What was to be done?

The executives decided to launch an enablement program to transform the company's pricing capability—and profitability—and to do so in a way that ensured that the improvements could be maintained over the long term.

They began by reforming the business platform, which included the tools and processes critical to an effective pricing operation. Among other things, the executives created new analytics tools, price-setting protocols, processes for monitoring account profitability, and a national account review.

One new tool, accessible to account managers on their iPads, helped set pricing targets for new accounts. This had a marked effect on profitability. For example, an account manager had suggested selling a product for $465, based on their previous approach. But following the tool's recommendation, they raised the price to $500—and the deal still went through.

One of the new processes involved creating a "pricing council," composed of a cross-functional group of executives tasked with making pricing decisions for strategic accounts. This helped to ensure that valuable customers were retained.

Meanwhile, PestControl rolled out a "train the trainers" program to create better managers. The program provided senior account managers with the technical know-how for using the new tools, guidance on how to identify and remove low-profit accounts, and strategies for teaching these lessons to their teams.

As a result of these efforts, the company soon realized 250 basis points of improvement—which made a powerful case for the value of the program and helped keep the skeptics on board.

Case 2: Change Management. A few years ago, a company we'll call EnergyCo discovered a giant oilfield in deep water. But to extract this black gold, the company needed to fund a multibillion-dollar investment. To help pay for it, the company resolved to control its costs across a range of activities by launching a change-management enablement program to improve productivity.

The complexity was staggering: more than 500 cost-cutting initiatives were unveiled, and more than 1,000 people were charged with delivering them. This is why it was necessary to create a dedicated program-management office.

The enablement program, which is still ongoing, focuses on helping those people acquire the right practical skills. Some skills—such as developing a roadmap, monitoring key performance indicators, handling automated data and facilitating effective meetings—are intended for individuals. Others are intended to foster collaborative supportive behavior and teamwork, such as proactively reaching out to stakeholders, refusing to "shoot the messenger," and being open and transparent.

With so many people to train, the program has a variegated approach. The skills for individuals are developed in a series of formal training sessions designed for different levels of expertise. At the most rudimentary level, performance is subject to self-assessment. At "guru" and "expert" levels, there is a more rigorous performance review, since people at this level are expected to teach their colleagues. For teams, the senior leaders take charge of the learning process, following a prescribed and proven framework.

As a result of the work completed so far, EnergyCo has been benefiting from greater productivity and cost savings amounting to several billion dollars—and it has been able to divert funds to support the once-in-a-lifetime growth opportunity waiting to be tapped at the bottom of the ocean.

The Critical Role of the CEO as Chief Enablement Officer

A key success factor for any enablement program is the active participation of a company's leadership. To a significant degree, the CEO must also function as a chief enablement officer.

A successful enablement program delivers immediate benefits to the bottom line. But what makes a program truly enabling is the extent to which the capabilities developed to deliver those benefits are woven into the business and cultural fabric of the company.

What companies should get from an enablement program is not just a new set of skills and tools but also a new way of working. In other words, the next time the CEO has a problem to fix, the company shouldn't have to embark on a broad capability-building program. The legacy of an enablement program should be a long-lasting approach to solving problems together with a tangible infrastructure for embedding the solutions in the company.

Only the CEO, who has the high authority to take a holistic view, can drive the changes that need to be made across a company. But it is not just the CEO's power that makes an enablement program a task for the top executive. In the end, it is the obligation of the CEO to create a stronger, fitter, more enabled company.

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