



**Executive Briefing Report I in our series of 4 addresses the topic of:**

## OUR TRADITIONAL ALIGNMENT MODELS NEED RETHINKING

Our hypothesis: Given the rate and pace of change in our organisations our alignment models are becoming outdated.

As leaders we have historically all agreed that leadership should align with strategy, after all it is conceptually compelling and inarguable. But we have also found that, given the amount and speed of change in our strategies, the theory is simply not operationally relevant. In short, it is becoming impossible to effectively use the old strategic concept of 'aligning the organisation to the strategy'. It is more important than ever that leaders ensure that the organisation's DNA (values, culture, brand) is instilled in the minds of the leaders as this will provide the formula for sustained success.

# Table of Contents

**Moving beyond Planning is our 2007 thought leadership research. We believe it will significantly change the way executives look at their strategic leadership and planning process. We have presented our study in 4 separate reports covering :**

1. Rethinking our alignment models
2. Planning as a dynamic, real time, ongoing process
3. Leadership capability, building ahead of the performance curve
4. Policies and processes, enablers not barriers to making things happen

## **I Our research findings**

The speed and magnitude of change continues to impact organisations  
To drive high value organisations need to significantly grow, change  
and to address old strategies that no longer work  
More change at the top negatively impacts value

## **II Conclusions and Implications**

Strategy is determined by both leaders and the environment in which they operate.  
Significant changes in leaders occur frequently  
Operating in uncertain environments is becoming the norm.  
Our approach to aligning to our strategy needs to change

## **III Implementation ideas**

Paint the big picture so that the organisation is positioned for change  
Identify your Success Formula and learn when to review it  
Provide the inspiration – deliver on the employee brand promise

## **IV Mini case study**

## **V Background**





# Our Research findings

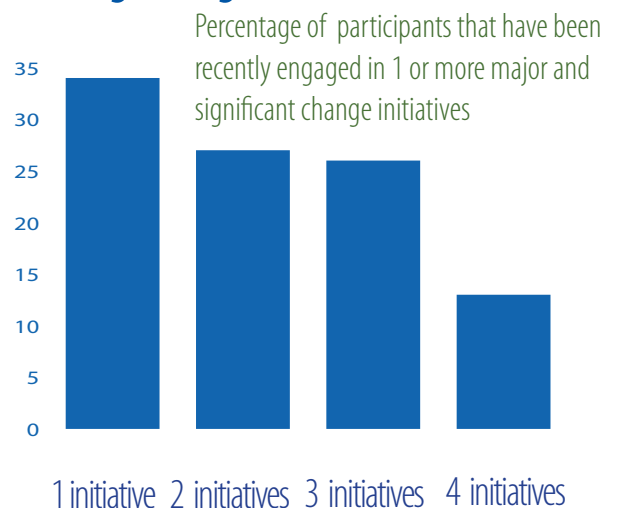
## I The speed and magnitude of change continues to impact organisations.

No one is surprised that change is significant and constant and this was reflected in our results. Every participant in our survey identified that their organisation had recently been through a major change initiative. What is surprising is that almost 70% of all the organisations had been through more than 2 significant change initiatives.

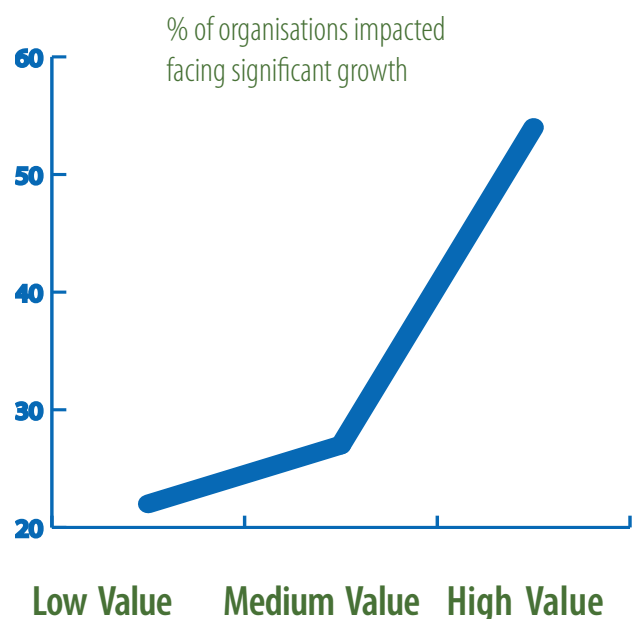
## II To drive high value, organisations need to significantly grow and change to and address old strategies that no longer work.

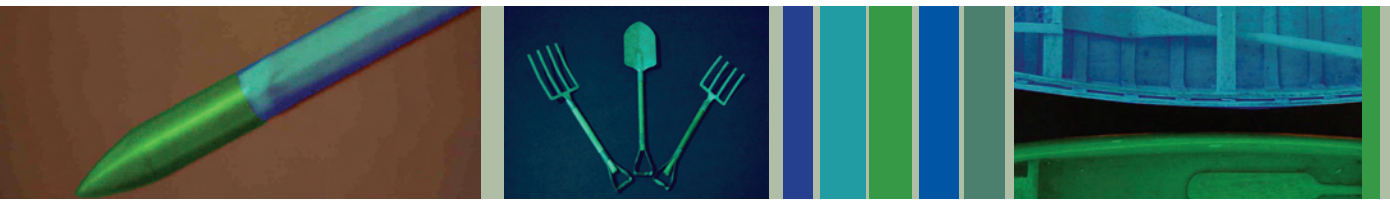
Growth is not optional – our survey shows that those organisations with high growth rates drove considerably more value (54%) than those with lower (22%) or medium growth (27%). Additionally, those who did not address old strategies that no longer worked significantly reduced their value compared to those who changed to meet the new requirements.

### Change is significant and constant



### Organisations that have significant growth drive value





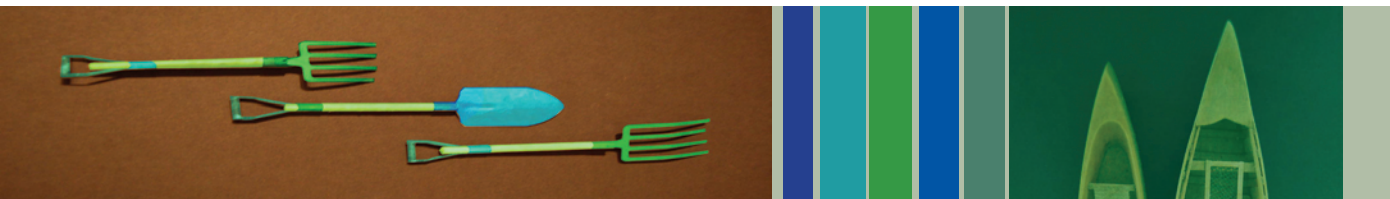
# Our research findings

**III More change at the top negatively impacts value.** We will see later in our series that if an organisation is nimble and reactive in the face of change, it is more likely to be successful. But it is a different story when it comes to making major changes of leadership. In fact, the more change at the top, our survey reveals, the more fatigued and demoralised the employees are and the less value it drives. Among low-performing organisations, 73% had been through significant leadership changes over the past two years while only 48% of the high performing organisations had seen such change.



Given the correlation between the percentage of organisations which have undergone leadership change and how respondents rate the organisation, the conclusion to draw here is that the more leadership change an organisation goes through, the less successful it is, and the less value it is perceived to offer its customers.

We also looked at this from another point of view. Do low value organisations have a significant change in leaders in hopes that new blood will be able to turn the organisation around or are the old leaders abandoning ship? In any case, high turnover of leaders is linked to the erosion of value and needs to be addressed.



# Conclusions and Implications

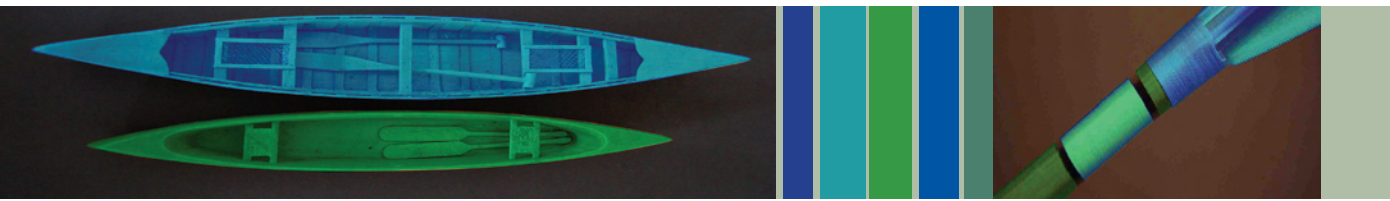
If strategy is determined by a combination of leadership decisions and the environment in which the organisation must operate, then it is the stability of these two elements that is needed to align resources and ensure focused implementation.

**Strategies are in flux:** Given the speed and magnitude of change that organisations are facing, leaders can not effectively align their organisations to strategy because strategy itself is often in constant flux and leaders can be transient.

**Leaders and agendas in constant change:** We identified in our study that 24% of respondents are in organisations that have had significant changes in leadership, while an additional 40% had been engaged in a merger, acquisition, or engaged in a significant change program over the past two years. In short, the agendas of our leaders and the leaders themselves are in constant change.

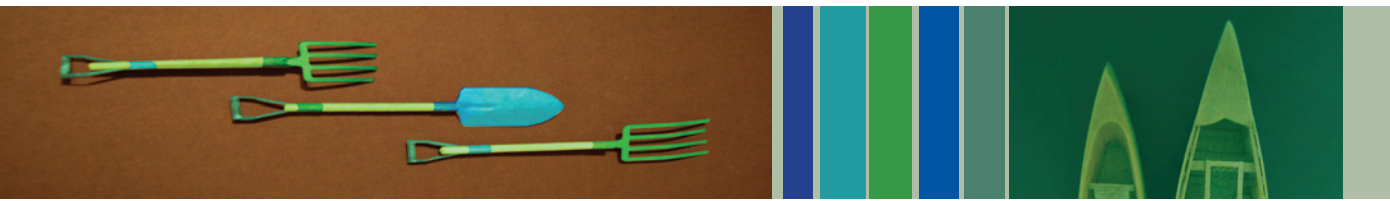
Given the instability in both our business environments and leadership ranks, we believe that clients should be aware that:

- Old alignment models continue to work where there is stability in assumptions and predictability for change.
- In less stable environments linear models and processes do not allow for an alignment process that is dynamic and flexible.



# Conclusions and Implications

- Static processes and systems do not allow for fast changes and produce a fixed mentality and promote siloed structures with little cross functional innovation, and often place planning and decision making at the centre.
- Even in our new thinking Strategic Management is still relevant – but needs to be rethought we need clarity around the business model, how we are doing competitively, and how we serve our customers and most importantly how in fact we actually make money! We need to find effective processes so that senior leaders don't simply talk strategy – they prioritise and make strategy work.
- Traditional strategy alignment models typically find a linear process that links mission and strategy to key organisational resources and building blocks such as structure, budget, planning, performance management and reward. The old paradigms need to be challenged.
- Does form really need to follow function? Perhaps a flexible structure able to rapidly adapt to emerging challenges is what is needed?
- Do we really need to align leadership development to current organisational needs? Given the level of change perhaps investment in core competencies will better prepare the employees for any given strategy they are asked to implement? Should systems and processes be aligned to strategy or simply engaged to provide short term decision making and processing support?



# Implementation Idea:

## Develop and instil the organisation's DNA

If emergent strategy is becoming a necessary guiding strategic concept then developing and instilling the organisation's DNA in the minds of the leaders is critical for sustained success. Below are outlined three ideas that you may want to consider when looking for alternatives to linear alignment models:

- I Paint the big picture
- II Identify your success formula and learn when to review it
- III Provide the inspiration – deliver on the employer brand promise

**I Paint the big picture:** To ensure that we have engaged the minds of leaders we have successfully used meaningful scenario planning as a tool to help clients think through the big picture and be prepared for emerging changes and strategies. This typically includes reviewing social/political/economic drivers of the external business environment resulting in a structure that balances efficiency (market incentives) with security (force of community) with social cohesion (regulation). We find that by mapping the organisation's potential future in this way we can review complex trade-offs as various forces compete for resources.

**II Identify your success formula and learn when to review it:** A Company's Success Formula is like a recipe. It contains the DNA, the critical ingredients of how the business will get revenues, make profits and keep solvent, and it sets out the distinctive capabilities and skills needed for success.

Leaders can drive value by increasing revenue, decreasing costs, and managing risks. By making an organisation's Success Formula explicit they can identify priorities for change and outline a program for adjustment in a simple, cost-effective way.

The Core Success Formula program is not strategic planning with which we are all familiar. The programme takes management's understanding of the Success Formula as a starting point then searches for questions that the managers decide are worth analysing. Traditional strategic planning requires putting a great deal of effort into analysis in order to get to the issues. Our approach shortens this process. Moreover, it makes leaders address the pragmatic issues of the business, instead of hiding behind planning and strategy jargon.





## Is it time to define or update your Success Formula ?

The following are examples of situations where clients may benefit from defining or reviewing their Success Formula:

**The One-Person Trap – The overloaded CEO** - The CEO, who led the firm to success, still makes the critical calls – the Success Formula is in his mind. The trap is overloaded.

**Success Formula Drift & Fade** - People come and go and the ingredients of the Success Formula fade.

**Success Formula Buckles with Growth** - Failure to enhance and formalise the Success Formula as the company grows can often lead to performance problems. Sooner or later, the organisation buckles with growth. The seeds of its undoing were sown in its inability to respond to and manage success.

**Changing business conditions demand a new look** - Management typically takes too long to discover new responses to changes in the premises underlying the Success Formula.

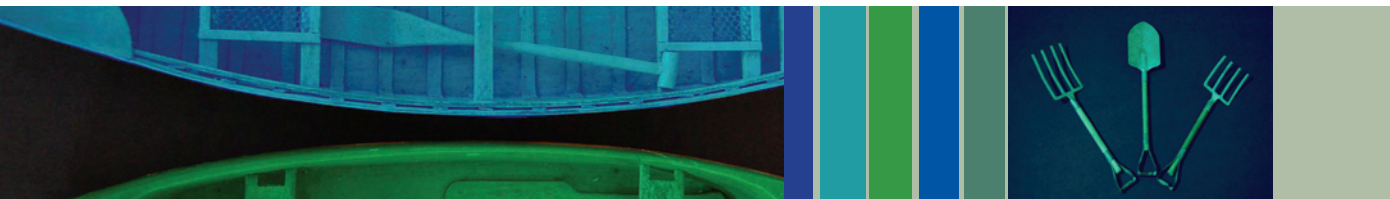
**New leadership** – demands a new Success Formula - With the introduction of a new leader come new plans and priorities reflecting the leader's economic and political aims and their distinctive cultural style – often reflected in their desire to restructure to establish their own mark.

**M&A's challenge success formulas** - If the Success Formula is not made explicit in management's rush to "the deal" costly mistakes can surface long after the final M&A or JV papers have been signed.

**Changing regulatory environment** - As organisations try to meet emerging regulatory guidelines some existing Success Formulas will be mandated to change.

**Emerging technology puts the pressure on** - As technology advances all organisations are relentlessly being impacted at all levels. This pressure demands that our Success Formulas keep pace.





**III Provide the inspiration – deliver on the employer brand promise:** In addition to setting the stage for the potential future for the organisation and clarifying the Success Formula it is equally important to provide the inspiration to anchor the organisation and its people. We have found that the values, norms and beliefs are often the glue that allow leaders to manage and survive through the needed changes in their success formula. In fact, we believe that employer branding is an act of alignment of the organisation's promises and as such we typically start these types of assignments by posing three questions:

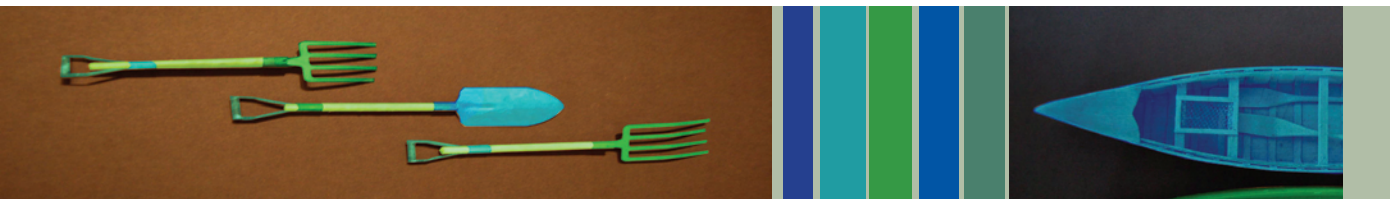
- What are the reasons for shareholders to invest in the organisation and the belief statements to support such an investment decision?
- What are the reasons for customers to invest their money in the company as a supplier of products/services and the proof statements this support this statement?
- What are the reasons for working in your organisation and the proof statements that demonstrate that this is a good organisation for high performers to invest their careers in?

The process of employer branding is by nature holistic. It is not about tinkering with terms and conditions or corporate colours in the workplace, but about the Total Employment Experience. The whole brand is synergistic and greater than the sum of its parts. Internal and external brands and messages must be linked and mutually supportive. Individual performance and people management must also reinforce the brand promise.



Your internal brand reinforces organisational values, systems, policies, strategies and culture while driving desired behaviour and actions. Its objectives include attracting, motivating and retaining current and prospective employees. Those behaviours and actions shape and define your employment reputation. And an effective internal brand must be both credible and consistent. Your brand is critical to building and retaining market share, economic value and engaged, loyal employees and investment in this area is typically linked to the following business goals:

- Increase brand equity and increase staff barriers to exit.
- Provide a competitive advantage through high brand equity.
- Support and underpin change initiatives with brand equity.



# Mini Case Study

**The organisation:** A high growth bio-technology/bio-pharmaceutical company.

**The situation:** Over a 5 year period our client moved from a company focused on R&D to generate value as an 'intellectual property' firm to an organisation focused on the manufacture of unique medical devices. They subsequently purchased additional businesses across Europe and readjusted their strategy to that of a technology platform company. From this base they were acquired and all secondary business operations were spun off to focus purely on the development of vaccines. The 9/11 crisis and the worries around vaccine for flu in the US found the firm thrust into the flu and counter bio-terrorism business. At this point they were acquired by another organisation and moved from a national market structure to a global structure and from a product-focused mandate to one of customer use. They were next acquired by a large drug development firm and have recently been re-evaluating their strategy to address the events surrounding the emerging avian flu issues.

**The client:** The Global HRD was clear in his view of what was needed. Having been through 5 changes of senior leadership, owners, and strategies in as many years it was clear that the organisation could not align to the ever changing strategy and agendas of its leaders. It needed to develop and create the capability to respond to events, as they happen.

**Square Peg Support:** We supported the organisation in developing a "straw man" of their formula for success with input from senior leaders and key informants. We designed and supported a process that resulted in a draft outline of what the organisation would look and feel like given any strategic focus – we called it the organisation DNA. It included confirming what the organisation must do to be successful and the environment in which it needed to operate including the desired culture and employer brand promise.



# Background

Our research focuses on the interaction of strategic leadership, planning and the creation of value in times of change. We have conducted this study as a result of our belief that:

- The new world demands a new view of strategic leadership
- Strategic leadership is critical to organisations. Success is not achieved by developing great strategies or plans, nor is it achieved by great leadership alone. Without a clear direction even the best leadership is ineffective and excellent strategy with poor leadership is pointless.
- Organisations often inappropriately invest significant resources into their strategic planning and management processes thus diverting executive focus away from the real emerging issues and the need to run the business in step with its changing environment.

## Our key areas of interest in this study.

- The degree of change organisations have been facing
- The competence of the leadership
- The planning and prioritisation processes
- The building of leadership capability
- The organisational structure
- The overall success of the organisation





## About the Study

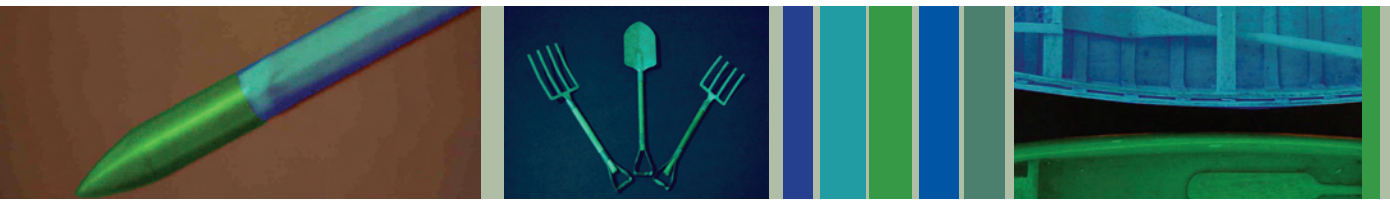
We undertook the information collection for this research in the autumn of 2006 and partnered with Reed Business Systems, the publishers of Personnel Today. Highlights of our participants include:

- 937 participants of which 85% were above the Director or Manager level
- 18% are leaders of change  
14% are line managers implementing strategy and change  
44% support strategy and change from an HQ or support perspective  
8% are change consultants and 16% had other roles
- 30% employee > 5,000  
33% employee <5,000>500  
37% employee <500
- 18% are global/international organisations  
74% are regional UK  
8% represent other global regions
- 63% private sector  
29% public sector  
8% work in the voluntary sector

## Our Benchmark of Value

We ranked an organisation's value contribution as a function of two elements:

- **Organisation success:** The degree to which they had been successful compared with their competitors or peer organisations.
- **Customer/user success:** The degree to which customers/users have received increasingly greater value from the organisation.



# About Square Peg

Square Peg is a business consulting practice that helps individuals and teams go through transitions. Our services are based on the interrelationship between business strategy, leadership and human resources. Our focus is to help clients improve performance and drive value.

As business consultants focused on the people side of change we have been supporting clients around the world since 2004 in managing a variety of enterprise-wide challenges such as organisational and cultural transformation, establishing new mandates and meeting new market expectations.

**International Boutique** Our relationship with our clients typically spans the globe including work in the UK, Europe, Africa, Asia and North America. As a small focused firm we can dedicate the attention and time required to develop long standing, valued, relationships with our clients.

**Our people** Our associates work everywhere in the world. They come from large multinational organisations and small focused speciality areas. They have been CEOs, line managers, strategists, senior leaders, HR experts. They have been in the thick of things. Our network works in multiple languages and cross-cultural settings reflecting the diversity of many of our clients.

In addition to practical expertise, our global research ensures that we deliver innovative workable solutions to help meet business challenges head on.

**Our Attitude** What we really believe sets us apart and what unites our people is the integrity we bring to our work; it is about excellence coming as standard, leadership, making things happen, and a “no-bull” attitude. Solutions need to pass the common sense test – always!

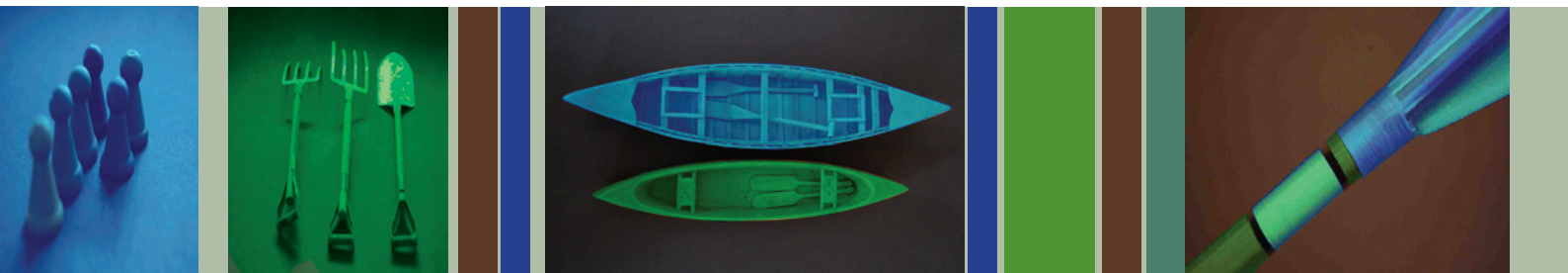
From offices in the UK and North America, Square Peg International Ltd. assists companies to capture the full value of their investment in people.

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