Leaving money on the table—when management can't deliver the strategy, and what to do about it

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The Commercial division of a multinational consumer pharmaceutical company (X-co) was treading water in the marketplace. Although it was achieving sales targets, there was a sense that the organization was not fully meeting customer needs, and that it was missing opportunities, resulting in lost revenues. Senior managers were aware of these opportunities, having developed and communicated a customer-segmentation marketing strategy that the entire organization had been buzzing about. But four years had passed and there was little evidence that the strategy would ever get implemented.

On the surface, the business appeared positioned to implement and execute the strategy, and it was not clear what was getting in the way. Marketing and Sales were business drivers, and other departments were charged with supporting the commercial efforts. Although Marketing and Sales tended to operate independently from the rest of the organization, senior marketing managers were dedicated and accountable to lead the implementation of the strategy. Additionally, support functions were mandated and willing to support the implementation, but the work was never done. After four years of failing to implement the strategy, the President called in COREinternational to help find out what was preventing them from being successful.

Four factors influencing strategy implementation

What was going wrong for X-co? Although senior management believed they had identified and addressed all the factors necessary to effectively execute the strategy, they had missed some of the four critical questions to consider:

- Do I have **the right strategy**?
- Do I have **the right structure** to deliver the strategy?
- Do I have **the right people** capable of doing the right work?
- Is there **the right balance of individual and team work** to deliver the strategy?

The right strategy

Most companies are able to craft clear strategies that answer the questions "where do you want to go, and what do you have to do to get there?" Not all companies review those strategies at the appropriate time. In this area, X-co did the right thing.

The President sensed that the market place had changed and reviewed the strategy. He found the competition's continued product focus meant no one had yet reaped the rewards of a customer segmentation approach. Further market research and pilot studies indicated the strategy was still valid, and the related market opportunities were still waiting to be tapped.

The right structure

Organization structure is the distribution of accountability and authority into roles down and across an organization. The President is accountable for the effective design, staffing, and management of the organization so the right work is assigned to the right roles to execute the strategy. Considerations include the following:

- How many layers of management are required in the organization?
- What executive roles are required, and what should their work be?

- What level of oversight is needed to ensure delivery of the business plan is balanced against longer-term business growth?
- What management systems need to be in place to support delivery of the strategy?

When work is properly defined at executive levels, there is clear differentiation between the President's work and that of the executive team. In well-structured organizations, this pattern of differentiation is repeated as accountability and authority are cascaded down—executive and general management work is clearly distinguishable from operational management work, which is clearly differentiated from that at the front line. If executive managers cannot clearly articulate their work and how that work adds value to their direct reports, they are likely to slip into and undertake their direct reports' work, causing compression. Indications of compression are

- executive roles performing work with an operational rather than a strategic focus.
- ill-defined roles that result in work being duplicated or missed.
- unclear decision-making authorities, where decisions are continually bumped up to senior levels.
- under-performance.

At X-co, symptoms of ineffective structure included late product launches, failure to ramp up new segments, conflicting internal priorities, and operating issues repeating themselves year after year. The President did not have direct managerial accountability for the Marketing and Sales executives, nor did he have direct visibility into their work. Senior managers within Sales and Marketing were not working together; nor were they taking advantage of support available in other areas of the business, preferring instead to create their own support functions. The EVP Sales & Marketing, VP Marketing, Marketing Directors, Senior Product Managers, and Product Managers all focused their time and energy on the development and execution of the annual product plans, with little consideration given to gaining strategic advantage over the competition through the desired customer focus. Product Managers were accountable to deliver product P&L, and there was no clearly differentiated work focus or value provided by their managers or their managers' managers. With this information in hand, the President could fix the organization structure.

A new organization structure was implemented to reduce tensions, minimize turf issues, improve execution, and promote more collaborative ways of working. The EVP role responsible for Sales & Marketing was eliminated and the President took on direct accountability for the work of the Sales VP and the Marketing VP, as well as for ensuring an integrated commercial strategy. Support work was moved back from Marketing and Sales to the appropriate support functions.

The right people

Even when the work is well designed and the structure is clear, another impediment to success is the ineffective matching of people to work. Hiring great people has often been suggested as the panacea to organizational problems: bring in great people and anything is possible! But however great the people, if their competencies and skills do not match role requirements, they are unlikely to deliver the plan. Square pegs in round holes lead to failure. To deliver results, managers need to first get clear about the work, and then select people whose capability and interests match the defined work.

Executive team members cannot abdicate their accountability for ensuring the right people, not just at the next level down but at the level below that. They must be confident that incumbents two levels down are capable of successfully executing their roles to deliver the plan, and they must also be assessing these individuals as internal candidates for promotion to ensure sustainability.

With the EVP role eliminated, the Marketing VP completed the design and implementation of the marketing strategy, ensuring the balancing of the strategy against delivery of the annual plan.

A new team was established made up of company veterans and recruits from other industries familiar with customer segmentation.

The right balance of individual and team work

In successful companies, executive team members focus on general management of the business:

- Balancing what is good for one area against what is good for the whole.
- Prioritizing and deploying resources across the business.

People often say, "We want to eliminate silos." But if there is a need for different functions (Sales, Marketing, HR), there will be silos. The key is to ensure effective links and communication between those silos so they work together rather than in isolation. Silos are problematic when executives are so focused on the success of their part that the success of the whole is more or less ignored. In X-co, the general management work of looking across the entire organization to prioritize work, make trade-offs, and appropriately allocate resources was missing, also affecting relationships further down in the organization.

The President brought the senior management team together to decide what work would be done individually, in subsets, or by the entire senior management team. This work resulted in a senior management focused on the commercial success of the business and established the framework for employees at all levels to work together cross-functionally to deliver the strategy and business plan. Marketing Directors were asked to focus on developing and improving the cross-boundary processes necessary to execute the strategy, while Product Managers continued to focus on delivering the annual plan within the context of the systems, processes, and support provided by their management team.

The results

After reviewing the strategy, changing the structure, ensuring the right people were in role, and achieving a better balance between individual and team work, X-co experienced the following dramatic performance improvements:

- The customer-segmentation strategy that had been stalled for four years was implemented within six months once the new organization structure was in place, and
- The company achieved its four-year revenue targets within the first year. It then established new four-year revenue targets, which were achieved in the subsequent fiscal year.

In summary

Productivity is a key factor in an organization's ability to compete. Whether investing capital in growth or engaging the front line to achieve operational goals, senior management work is critical in leading productivity improvement initiatives. Strong business performance requires an effective, productive senior management team, and this should not be left to chance. A systematic approach of establishing the right strategy, supported by the right structure, the right people, and effective teamwork, will provide a solid platform for success.

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As a partner with COREinternational inc. since 1997, Michael Brush has worked with many of Canada's largest companies in structuring to deliver strategy and improve corporate performance. For more information on how your company can get the most from its senior managers, call (416) 977-2673 ext 13.