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Ever wonder what makes some companies succeed where others fail? Well, I believe I've cracked the code. In fact, I'm so sure that in 2005 I walked away from my career in Corporate America and bet the farm on my ability to help companies succeed. I established **enlight** to help clients combine **STRATEGY**, **STRUCTURE** and **EXECUTION** to create value for customers, employees and investors. In the following pages and future editions, we'll provide some enlightenment on these topics. This issue focuses on **STRUCTURE**.

Enjoy!



Amy H. Fulford, PRESIDENT

inside)

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There are three critical components of any successful business:

STRATEGY, STRUCTURE and EXECUTION. No company can achieve and maintain success without appropriate attention to each component and a deep understanding of their interdependencies. The second component in establishing or maintaining a successful business is to define the **Structure**.

The importance of **Structure** is often overlooked, either due to insufficient knowledge about the fundamentals of organizational development or belief that a company's **Structure** is static. **Structure** is both dynamic & foundational. Employees are constantly joining the company, getting promoted and moving on to new challenges. And, this flow works best when there is a fundamental infrastructure to support it. Training, development and constructive feedback should be ongoing activities – not simply annual box-checking exercises. At the same time, the underlying infrastructure should be periodically evaluated to ensure that it adequately supports the Strategy. Changes to **Structure** should be thoughtful, well-orchestrated and proactive.

The **Structure** is the critical link between Strategy and Execution. The **Structure** forms the infrastructure that supports the organization in its quest to Execute the Strategy. An appropriate **Structure** maximizes the likelihood that the business will achieve success. An optimized **Structure** improves operating efficiencies and creates value for employees. In creating a sound structure, think of **Structure** as the “how” and “where” of the business when answering the following questions referring to Strategy.

HOW DO WE ALIGN THE ORGANIZATION TO ACHIEVE THE STRATEGY?

The answer to this question starts with an understanding of the core capabilities that are required to accomplish the Strategy. The next step is to sketch out an organization chart that demonstrates ideal roles, responsibilities and reporting relationships. This should be compared with the current organization to identify gaps, redundancies and other opportunities. For example, if the company sells commodities then lowest cost production is the single most important capability. The ideal **Structure** may have a team of people dedicated to improving production processes and evaluating alternative means of production. Alternatively, a high-end consumer electronics company may invest in substantial research and development, product design and marketing resources. Meanwhile, they may even outsource actual production of the components.

WHERE ARE THE PEOPLE WITH THE CAPABILITIES CRITICAL TO THE STRATEGY?

Answering this question also starts with an understanding of the capabilities that are required to achieve the Strategy. Once this is defined, executives must objectively evaluate current employee skills to determine which ones are properly equipped, and where they are sitting in the organizational chart.

Matching roles & responsibilities with appropriate skill sets is critical – if employees are not in the right roles, they will be ineffective and eventually frustrated enough to either leave or, worse, become complacent. For the areas where skill gaps are defined, the company must determine whether the current employees can develop the skills to fill the gap or new employees with the appropriate skills should be recruited. A robust **Structure** is more than an organizational chart, but a strategy for managing the company's entire employee base, individually and collectively. This includes recruiting, retention, training, development and succession strategies.

There are countless business books, and every day another drove hits the shelves. It's virtually impossible to filter through all of them to determine which ones are actually worth the purchase price, much less a coveted chunk of your free time. We see it as our mission to help you hone in on the resources and tools that will be most valuable as you navigate your way to success.

BOOK



Good To Great by Jim Collins

OK, so this recommendation may seem cliché. *Good to Great* is probably the most trumpeted business book in recent history. As far as we're concerned, this attention is well deserved. Collins elegantly lays out the path between mediocrity and greatness: Disciplined People, Disciplined Process & Disciplined Action. He points out that Strategy alone does not account for a company's transition to greatness – many mediocre companies have sound Strategies. His focus on people, process and actions directly relates to our focus on Structure & Execution in addition

to a sound Strategy. The best Strategies are worthless in the absence of disciplined people, processes and actions.

Collins breaks down the path to greatness into two phases: Buildup and Breakthrough. Buildup includes the following components: 1) Level 5 Leadership 2) First Who...Then What 3) Confront the Brutal Facts, while Breakthrough includes the following: 1) Hedgehog Concept 2) Culture of Discipline 3) Technology Accelerators.

Executives must be keenly aware of the impact of the company's **Structure** on its ability to Execute. An optimized **Structure** ensures that the right people are in the right roles, the appropriate skills are developed and that the company creates value for employees. At the same time, an optimized **Structure** that is tied to the Strategy is a necessary, but not sufficient, ingredient for success. Sustained business success results from the combination of a sound Strategy with an optimized **Structure** and disciplined Execution.

Through our experience, we've identified the key elements of a good **Structure**.

Organizational Design

- The actual Structure of the organization, or what it looks like on an org chart
- Considers the importance of specific functions relative to the company's Strategy

Training & Development

- Curriculum to develop key functional, managerial and leadership skills in employees
- Equips employees to improve performance in current roles and prepares them for future roles

Recruiting & Retention

- Attraction of new employees with desired skills & retention of top performers
- Includes targeting the search, managing career paths, mentoring and rewards & recognition

Performance Management

- Timely, constructive and actionable feedback about performance v. expectations
- Begins with clarity about expectations and metrics, includes formal and informal assessment

Succession Planning

- Managing talent across the entire organization to ensure a robust talent pool for critical positions
- Ensures continuity of operations and simplifies the overall talent management process

Process Design

- Development of key processes in light of the Strategy
- Ensures clarity about roles and responsibilities; liberates employees

The components of each phase relate back to **enlight's** model of Strategy, Structure and Execution. Level 5 Leadership – which Collins defines to be the nirvana of great leaders – embodies a blend of modesty and willfulness with humility and fearlessness. At **enlight**, we consider great leadership to be a key component of developing the Strategy. First Who...Then What refers to getting the right people on the bus and putting them in the right seats...and getting the wrong people off the bus as quickly as possible. According to Collins, "People are not your most important asset. The right people are." This concept is, of course, at the core of our views about Structure. Finally, Confronting the Brutal Facts – while never losing hope – is a critical component of Execution at **enlight**.

As for the Breakthrough components, the Hedgehog Concept is core to **enlight's** views about Strategy. It is critical to know what you can be best in the world at, and to incorporate that into your Strategy. The objective of Collins' Culture of Discipline is to avoid

We've also defined the **top 5** factors that indicate whether or not an approach embodies both the letter and the spirit of a good **Structure**.

1 CLARITY

Ensure roles, responsibilities and expectations are clearly and frequently communicated throughout the organization. Each employee should know how he or she contributes to company success.

2 EFFICIENCY

Reward continuous improvement and efficient operations in all facets of the company. Avoid bureaucracy and carefully manage matrix organizations.

3 EMPOWERMENT

Give employees authority consistent with their responsibility and allow them to exercise that authority freely. Ensure employees know when they are expected to seek input or elevate decisions.

4 RESULTS-ORIENTED

Focus efforts on achieving the desired results – financial or otherwise – and eliminate any activities that are not tied to delivering results or maintaining legal compliance & integrity.

5 RESPECT

Demonstrate respect for all customers & employees – regardless of role, background or skills – to instill confidence and establish a culture of respect.

hierarchy and bureaucracy by hiring disciplined people who employ disciplined thought and action to achieve results. This approach to Structure is elegant and effective. And, using Technology to Accelerate Execution (as opposed to allowing it to define Strategy or Structure) is one of our many Execution tenets.

Of course, there is no recipe or template for greatness. Collins points out that none of the Good to Great companies launched a program or campaign that was designed to achieve greatness. They just had disciplined people, processes and actions in common. The bottom line is that executives must focus on making the company the best that it can be, and if they are disciplined greatness may follow. However, equipped with Collins' wisdom and insights, we can certainly increase the odds of success.

Good to Great: You, too, can achieve greatness with Disciplined People, Processes and Actions.

Letter

FROM AMY

This issue of **Enlightenment** is dedicated to the topic of Structure and its role in enabling clients to Execute their Strategies. Without a Structure that is aligned with the Strategy, it is virtually impossible to successfully Execute a company's Strategy over time.

The Structure includes the infrastructure created by the people and processes that enable the company to Execute the Strategy. Structure is the critical link between crafting the Strategy and successfully Executing it. The importance of Structure is often overlooked or relegated solely to the human resources department. Even worse, many companies refine the Strategy and never consider the resulting impact on Structure. Any time a company modifies its Strategy, the Structure should be reevaluated to ensure that the employees can effectively be mobilized to Execute.

Since **enlight** helps clients develop and implement Strategies that achieve transformational change and accelerate organic growth, we consider Structure in two ways:

- Aligning the current Structure to deliver the current Strategy
- Optimizing the Structure to Execute the newly defined growth Strategy

One of our first initiatives with any client is to evaluate the extent to which the organization is Structured to deliver the current Strategy. This is because transformational change can only be successful if it is built on a solid foundation. At **enlight**, we develop alignment plans for any aspects of the Structure that will prohibit successful transformational change. Likewise, once we've identified the ideal growth Strategy for a client, we craft a new plan to align the Structure to Execute this new Strategy.

At **enlight**, we help clients think differently about their people and how to deploy them to maximize results. An artfully designed Structure creates value for employees while maximizing the company's ability to Execute the Strategy. Creating value for employees includes providing them with the appropriate mix of challenge, opportunity and support to develop, contribute and benefit. Employees who feel valued are more likely to contribute their discretionary effort and less likely to jump ship when a new opportunity presents itself – both of which ultimately add more money to the bottom line.

ABOUT ENLIGHT

enlight is a boutique management consulting firm that helps clients craft Strategy, optimize Structure and manage Execution to create superior value for customers, employees and investors. **enlight's** approach is unique because it combines analytical rigor with a practical understanding of a company's culture, capabilities and context – its industry, customers and competitors – to achieve sustainable competitive advantage and deliver superior financial results. **enlight** is founded on the knowledge that the secret to business success is an artful combination of analysis and leadership. This perspective is embodied in **enlight's** mantra: *evaluate. inspire. profit.*

enlight was founded in 2005 by Amy H. Fulford, a business strategist with a deep commitment to unique insight and superior client service. Amy honed her skills through a variety of roles at Boston Consulting Group, Alcoa Inc., Procter & Gamble and Huntington Bank. She holds a BS in Economics and Government from Centre College in Danville, KY and an MBA in Strategy and Finance from the University of Chicago Graduate School of Business.

enlight's staff includes diverse people, experiences and ideas – all brought together by our commitment to excellence.



OF THE TIMES

When thinking about Structure in today's complex world, it is impossible to ignore the realities of matrix management. Just like many other things, matrix management seems to have taken on a new level of complexity in recent years. Matrix management has gotten a bad reputation over the years thanks to countless dual (or worse, triple and quadruple) reporting structures signified by the dreaded "dotted line accountability." Serving multiple masters is not an easy thing, especially when those masters seem to operate in isolated silos and rarely – if ever – communicate with each other.

At enlight, we think of matrix management across four dimensions:

■ Functional Management

Functional management includes all the usual functional suspects: finance, production, marketing, sales, human resources, etc.

■ Product Management

Product management is based on either specific products or on the underlying production methods, ie: companies with multiple production methods often feel that organizing around the production capabilities is the key to success. (This is not necessarily a recipe for success.)

■ Regional Management

Regional management is based on the nuances of the various geographic sub segments.

■ Customer Management

Customer management is based on either specific large customers, or more likely, groups of customers with similar needs or attributes.

At enlight, we believe that it is impossible to avoid the complexity of matrix management. How can we expect individual functions to operate without the benefit of input and interaction, not only among themselves, but also with product, regional and customer context? The same is true for each of the dimensions of enlight's matrix management model. It is the holistic combination of each of these

perspectives that provides the complete picture of what the company needs to do to successfully **Execute** its **Strategy**.

The unfortunate reality is that most companies do not apply the concepts of matrix management appropriately. Just as with other critical decisions related to the **Strategy, Structure** and **Execution** of a company, matrix management decisions must be both thoughtful and pragmatic. Without such an approach, matrix management decisions become ad-hoc, resulting in cumbersome reporting relationships that do not align at the highest levels of the company. A matrix reporting structure that is not well planned and well managed frustrates employees and stifles **Execution**, which is precisely the opposite of the intended outcome.

So, what's an executive to do? The best defense is a good offense. First, answer key questions such as: Which dimension most closely relates to the company's critical differentiation – functions, products, regions or customers? How and when should the various dimensions interact to **Execute** the **Strategy**? How do we ensure that the executive accountabilities are aligned with the resulting matrix management scheme? Next, design the optimal matrix reporting scheme for your company and then establish some guidelines to ensure that day to day management of the **Structure** is effective and efficient. Appropriately adapting the **STRUCTURE** will ensure that the company is best positioned to **EXECUTE** the **STRATEGY**.