

Building organization capability

FIDE
Dinner presentation

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Goals for Today

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- **THINK:**
 - About the how to redefine organizations as capabilities
 - About how to diagnose and build capabilities
- **BEHAVE:**
 - Identify things that you can do to strengthen your organization capabilities to deliver strategy
- **FUN:**
 - Enjoy the experience together

Outline: Building organization capability

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How do we compete to win?

Competitiveness is not strategy

How do we organize to compete?

Organization is not structure

How make do we create a new way of working

intellectual agenda (top down)

behavioral agenda (bottom up)

process agenda (side to side)

leadership agenda (leadership brand)

How do boards respond?

Competitiveness is not strategy

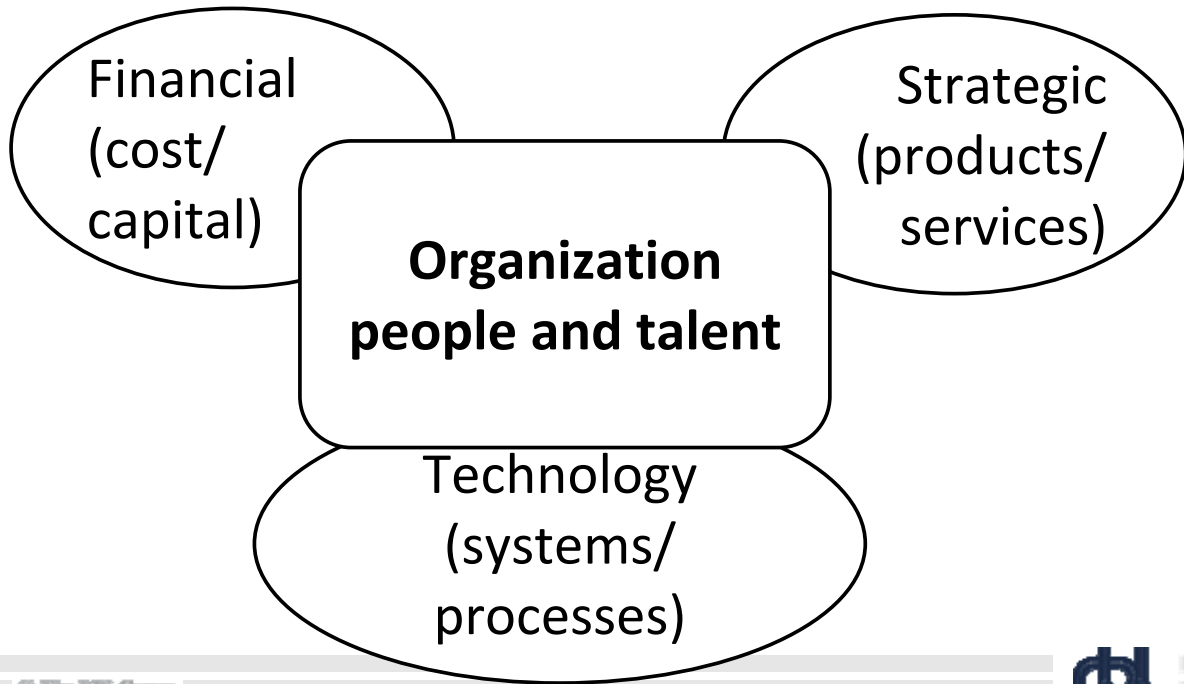
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Competitive Advantage

Competitive advantage is

- Uniqueness: something we do that our competitor can not easily copy
- Value: something we do that our customers value (pay for)

Competitiveness is not strategy: sources of competitiveness

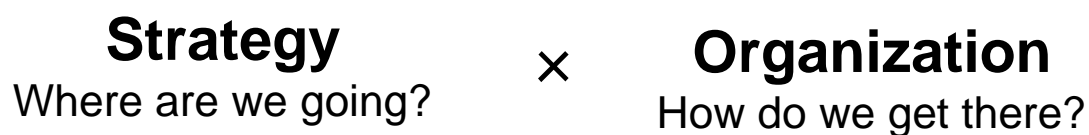


Competitiveness is not strategy

Sources of competitiveness	Value How much value does it add to customers?	Uniqueness How easy is it for our competitors to copy?	Priority for my company (divide 100 points)
Strategic: right vision, mission, products			
Financial: access to capital, capital structure			
Technology: information systems and work processes			
Organization: right people and ability to get things done			

Competitiveness is not strategy, but strategy * organization

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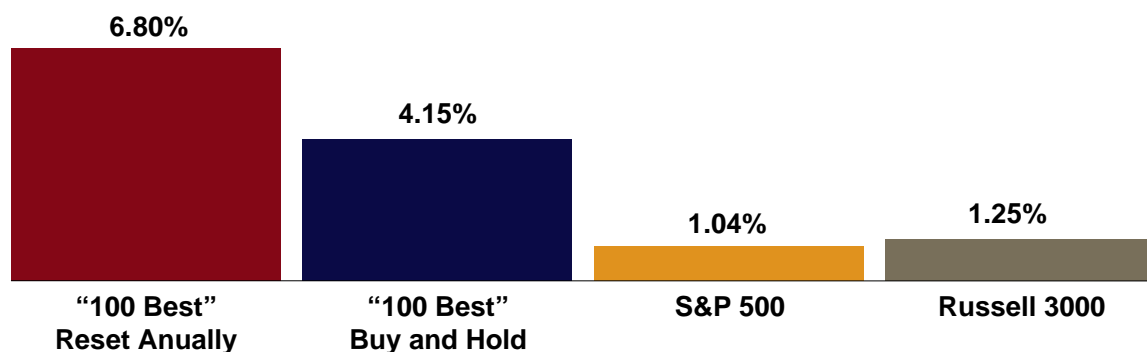


Testing the hypothesis

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UBS found that the Fortune Best Companies to Work For outperform the market

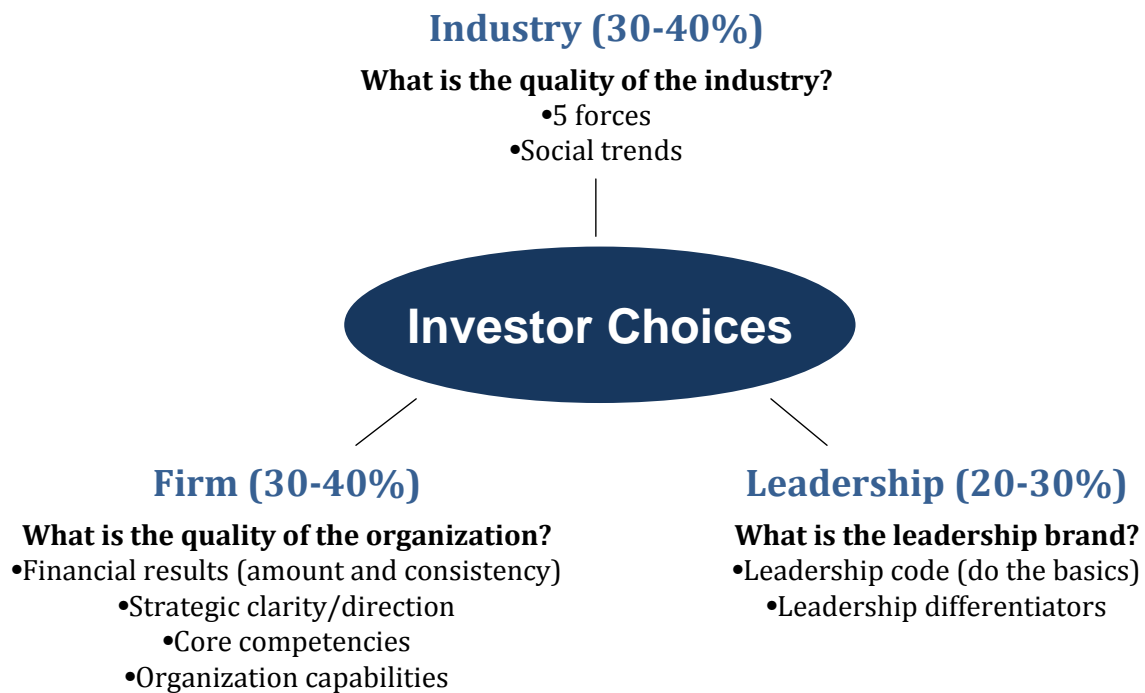
100 Best" vs. Stock Market 1998-2008



- ◆ The Reset Anually portfolio invests equal dollar amounts (at the beginning of 1998) in the stock of each of the 1998 100 Best publicly traded companies.
- ◆ Portfolio is liquidated at the end of 1998 and the proceeds invested in the 1999 list by buying equal dollar amounts of each publicly traded firm on the 1999 list.
- ◆ Process of liquidating the portfolio at the end of the year and using the proceeds to invest in the new list of 100 Best is repeated for all years covered in the charts.

Synthesis: A framework for investor choices

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Competitiveness = strategy * organization

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Outline: Making a transformation happen 11

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Organization is not structure

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When you think of an organization, what comes to mind?

What are some organizations you admire? Why?

What is organization capability?

Define an organization less by its hierarchy than by its capabilities.

Capabilities represent what the organization is known for and/or good at doing.

Capabilities turn strategy into action and sustained results (a pattern, not an event).

What organization capabilities might exist?

TALENT:	Intellectual capital, know-how, competencies, skills, commitment, workforce
SPEED:	Agility, adaptation, flexibility, cycle time, responsiveness
SHARED MINDSET:	Culture, values, shared agenda (“what matters”)
LEARNING:	Knowledge management, sharing best practices
COLLABORATION:	Boundaryless, teamwork, sharing information
INNOVATION:	Administrative innovation, product creation, strategic innovation
ACCOUNTABILITY:	Performance, execution, implementation
LEADERSHIP:	Competencies, bench strength, quality of management, leadership brand
STRATEGIC CLARITY:	Shared agenda, strategic priorities, shared point of view
EFFICIENCY:	Reengineering, reduce costs
CUSTOMER SERVICE:	Customer-focused organization, customer intimacy
SOCIAL RESPONSIBILITY:	Sustainability, philanthropy, employability, values
RISK:	Disruption, predictability, variance

What organization capabilities might exist?

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Outline: Making a transformation happen 16

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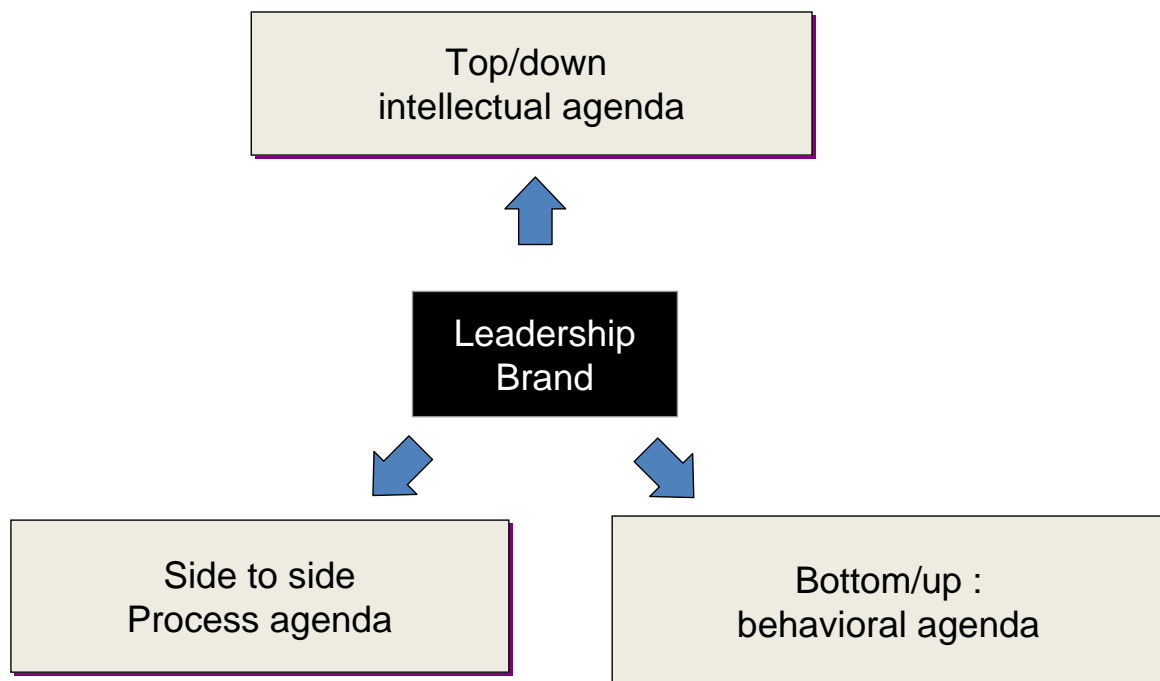
process agenda (side to side)

leadership agenda (leadership brand)

How do boards respond?

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Intellectual Agenda

Hints for Intellectual Agenda

- Have a clear and simple message (strategy as story)
- Build a communication plan:
 - What we share
 - Who we share it with
 - When we share it
 - How we share it
- Be consistent with the message
 - Why we are doing it
 - What it is
 - How it will affect you

Behavioral Agenda

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Hints for Behavioral Agenda

- Make it real to employees; “teach correct principles, let them govern themselves”
- Ask employees to “own” the ideas
- Make employee behaviors specific (more of/less of)
- Have leaders do “work out” to remove unnecessary work

Behavioral Agenda

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Process Agenda

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Hints for Process Agenda

- Adapt systems to align with strategy story
 - Staffing: who we hire and promote
 - Training: how we train people
 - Performance management: how we reward
 - Decision making
 - Information technology
- Make sure processes align with strategy and customer

Leadership Agenda

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Hints for Leadership Agenda

- Focus on leadership not just leaders
- Make sure that leadership behaviors align with strategic story
- Have leaders behave as if they are committed, in public and in private
- Hold leaders accountable for the delivery of the new strategy



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Board governance

CEO succession

Compensation for senior executives

Coaching, advising, consulting

Board governance 26

Assess board governance

- Strategic clarity: are we clear on where we are going? Do we have a strategic story?
- Fiscal responsibility: are we managing the financial risks appropriately?
- Organization capability: do we track the key organization capabilities we require for success?
- Talent bench: do we have successors in place
- Management of risk: are we aware of risks for the business?
- Board review: do we regularly review board members?

What organization capabilities might exist? 27

Potential key capabilities	Given you business pick the top 3
TALENT: Intellectual capital, know-how, competencies, skills, commitment, workforce	
SPEED: Agility, adaptation, flexibility, cycle time, responsiveness	
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Premier Governance Series Event, June 2009

CEO Succession 28

Eight questions boards should ask about CEO succession

1. Do you invest adequate time to CEO succession?
2. Do you have a definition of what the future requirements are for new CEO?
3. Do you have regular assessment of CEO today and candidates for tomorrow?
4. Do you invest in developing your CEO today and candidates for future?
5. Do you build the senior team as a team?
6. Do you attend to the next generation of leaders for future succession?
7. Do you encourage a regular talent management process?
8. Do you manage the CEO transition?

CEO Succession

Define your competencies for the future

Type of competence	Today What are we good at	Challenges and Strategy	Tomorrow What will we need
Technical	1 What are we good at technically?	3 What are our challenges ahead?	4 Given our challenges and strategy, what must we improve technically?
Social	2 What are we good a socially?	What is our strategy to respond?	5 Given our challenges and strategy, what must we improve socially?

Compensation for senior executives

- Compensation philosophy: do we have a compensation philosophy (purposes, beliefs, goals)
- Do we have clear standards (behaviors and outcomes)
- Do we tie financial rewards to standards (base pay, incentive, long term)
- Do we tie non financial rewards to standards

- Availability: are we accessible to senior leaders to offer counsel?
- Input vs. control: do we offer counsel rather than give direction
- Coach: do we coach business leaders on both behaviors and results
- Relationship equity: do we transfer relationship equity to business leaders?

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For more information

- For more information about any of the material covered in this session, please contact:

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