



BUILDING **A FIT-TO-WIN** ORGANISATION

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Despite having spent years and countless millions on optimising their operations, 61% of companies (according to the Economist's Intelligence Unit!) find themselves frustrated with the same problem. They have difficulty executing short and mid-term strategy and fail to reach their strategic objectives because of gaps in their organisation.

A company's organisation is its body. Like an elite athlete who has trained to be the best in one sport, many companies excel at certain activities but lack fundamental, holistic fitness: a body capable of adapting to real-life physical challenges. Conventional exercise regimes emphasise certain muscle groups and aptitudes, but do not systematically combine muscle groups to work with one another.

This lack of holistic fitness in a company leaves it unable to perform well outside of the gym, so to speak. The real business world is volatile, uncertain, complex and ambiguous (VUCA). Using a 6-step holistic approach, companies can ensure consistency with the mid- and long-term strategy and deliver performance in terms of growth and profitability.

WHAT WE CALL: FIT-TO-WIN



ABOUT THE AUTHOR

Virginie Fiacre is a Principal at EFESO Consulting in Paris, France. She specialises in strategy and organisation, and has led major transformation projects for French and international companies.

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1

HOLISTIC VERSUS SPECIALISED FITNESS

There is a revolution going on in the world of personal fitness right now. Called CrossFit, it combines weightlifting, sprinting and gymnastics. Adherents train to enhance 10 key physical qualities: stamina, power, cardiovascular/respiratory endurance, strength, flexibility, speed, agility, coordination, balance and accuracy. Its growth has been rapid. In just 20 years CrossFit has become a \$4 billion brand².

CrossFit has its fans and its detractors. But one thing is for sure: it is a clear sign of renewed interest in holistic fitness. CrossFit aims to “best prepare trainees for any physical contingency — not only for the unknown, but for the unknowable.” It takes a whole-body approach to health and fitness.

CAN YOUR ORGANISATION SAY THE SAME?

The parallels between corporate fitness and human fitness are striking. Like many people, companies have spent the past decades working on specific abilities. Although they have seen progress in certain parts of their business, executives are still confronted with shortcomings that leave them scratching their heads. They have reorganised, optimised and streamlined different functions. They have reduced hierarchy and clarified strategy. They have deployed the latest tools and skilled up their workers. But they still have difficulty working as a cohesive unit or body.

In our experience, many companies lack holistic fitness—they are not “fit-to-win”. Although individual parts of the whole may be world-class, the overall organism lacks the coordination and fitness required to handle “the unknown and the unknowable” to take a phrase from CrossFit. Just as an elite sprinter makes a poor marathon runner or a record-setting weightlifter may have difficulty carrying shopping bags up the stairs, many companies excel in one area to the detriment of their everyday operations.

FIVE REASONS ORGANISATIONS NEED TO GET FIT-TO-WIN

1. AGILITY:

All companies, whatever their size and sector, operate in an environment that is increasingly VUCA: Volatile, Uncertain, Complex and Ambiguous. They are subject to unforeseen externalities like sudden price volatility, geopolitical events and even climatic change.

Consequently, to reach their mid- and long-term strategic ambitions, companies have to be able to continuously and rapidly adapt to this changing environment. Implementing strategy is not like running in a straight lane. It is more like ducking and weaving through an obstacle course in the fog. To achieve their ambition and remain in the race, they have no other choice than to have an organisation that is agile enough to adapt.

“The role of leadership is to have a clear point of view about the future and build an organization that can navigate towards that destination through good times, and importantly, also in bad times”.

Harish Manwani,
Chairman of Hindustan Unilever Limited.

2. STRATEGY EXECUTION:

The vast majority of companies (61% according to the Economist’s Intelligence Unit¹) face difficulties in executing their short-term strategy and do not succeed in fully reaching their objectives. The main reasons for this lack of success are:

- Lack of consideration for the required strategic capabilities that need to be developed;
- Misalignment of resources vs. ambition;
- Lack of communication and direction;
- Cultural resistance;
- Low motivation.

Closing these gaps through design and implementation of an efficient organisation enables companies to focus on the potential for growth.

3. COST OPTIMISATION:

Regardless of their strategic objectives, most companies try to reduce their overhead costs by 3-5% annually to at least keep pace with inflation. Companies also need to finance their strategies with an optimised allocation of resources, to defend their positions in mature zones or to seize significant market shares in emerging countries. Such objectives require organisational transformation that goes beyond basic operational adjustments. It can lead to 10% to 20% of organisation cost reduction while ensuring strategy achievement. So a cost-optimised organisation enables companies to allocate resources to growth.

4. SYNERGIES:

Companies that have mainly grown through successive mergers and acquisitions operations often combine various business models, creating a patchwork of structures, processes and cultures and generating complexity costs and performance losses. Moreover, companies work in networks with their partners, which also have their own organisational specificities. With a properly and carefully designed organisation, and considering the scope of the extended company, these companies

can achieve synergies, better manage complexity and unite people around a shared strategy and objectives. They must integrate what can be integrated while being open to the fact that certain business may need to remain independent to be successful.

5. ENGAGEMENT:

Lastly, the Baby Boomers are retiring and are being replaced by a new generation of Generation Y workers (25 to 35 years old) who have significantly different expectations of the corporate world. This so called "now" generation wants everything immediately and is impatient in all aspects of life, including work. When the company fails to deliver on its promises or the vision that motivated them to work for the company in the first place, they switch to another; they do not engage in long-term relationships.

At the same time, finding work is a real concern for Generation Y. Companies face the challenge of attracting and retaining talents in the context of economic instability. An organisation that is properly designed to take Generation Y expectations into account, especially in terms of rewards, processes and culture, will be better equipped to develop employee loyalty and commitment.



This leads to the inevitable conclusion that a high-performance organisation — one built for agility and flexibility with cost effectiveness and the ability to manage complexity — will have a competitive edge.

"All organisations are perfectly designed to get the results they are now getting. If we want different results, we must change the way we do things".
Tom Northrup.

YOUR ORGANISATION IS YOUR BODY

As with human fitness, it is easy to find excuses to not change. Focusing on whole-body fitness is harder than targeting specific muscle groups. One of the biggest challenges is that there is no blueprint for individual fitness — each company, like each body, is different. A regime that works for one company could be ineffective or worse for another.

The changing landscape has made the work of organisational fitness much more difficult than in the past, because:

- Complexity of the business environment has increased: segmented and fragmented markets, new geographical coverage, complex routes to market and fast changing competition.
- Management is more complicated: Centralised structures have been replaced by decentralised, hybrid and matrix ones.
- Organisations are becoming more multidimensional and managing more interfaces, internally and externally, driven most notably by mergers and acquisitions.

The dimensions of organisational scope have expanded progressively. The changes mentioned above have forced companies to rethink the boundaries of the organisation that they are trying to transform.

• FUNCTION:

At first, the organisation improvement was focused on the performance of macro functions (finance, marketing, R&D, etc.) measured and driven by KPIs. In the past, this was enough to achieve excellent results.

• PROCESS:

Another path to improvement was to focus on process, with specific approaches like "lean". This went beyond the functional "silo" approach and was successful.

• BUSINESS ACTIVITY:

Companies then began to improve their organisational performance based on business activities, combining functional and process approaches. This allowed them to decide where to position the business activity within the organisation (centralised, decentralised, distributed by zone, by product line, ...) and determine ownership (make or buy).

Even if a company has successfully managed these dimensions, there are still additional areas of improvement that need to be dealt with:

• MOMENTUM:

For functions, the effort must be focused on driving KPI improvements deeper into all functions while avoiding being trapped in a reporting-led bureaucracy.

• CONTINUOUS IMPROVEMENT:

After standardising industrial processes, it may be worth standardising them in other areas (HR, planning, etc.), across entities, regions and with external partners and in fostering a culture of continuous and systematic improvement.

• FLUIDITY:

Post-merger decisions about organisation are not permanent, and need to be continuously reviewed.

Now that the factors impacting a company's fitness are understood, the next step is to redesign the fitness regime so that it covers the extended value chain — the whole body. And companies — like people — struggle at that.

CASE STUDY: The Secret Behind the Swoosh

Nike's sales grew by 65% between 2009 and 2015, reaching more than 30 billion dollars, with a tripling of market capitalisation over the same period. How did they do it?

In 2008, Nike began the transformation of its organisation to improve the pace of innovation in order to better meet the changing needs of professional and amateur athletes in terms of products and services and offer them a real experience.

Nike went **from a matrix organisation structured by product line** (footwear, apparel and equipment) and geographic area **to an organisation structured by sports** (basketball, soccer, golf, running, etc.) in a matrix with geographical divisions and product categories. The teams, managed by specially recruited leaders, are **experts focused on their markets**. They know them inside and out and can follow and even anticipate constant changes.

In line with the structural modifications, **responsibilities and decision-making processes were also reviewed**, with decision-making being delegated to the most appropriate level in the hierarchy, from the employee to top management, according to the areas and topics. The aim was to **improve the quality, speed and flow of decisions** and accelerate their implementation.

Changes in behaviour driven by the CEO have also helped develop **a strong organisational culture**. This attracts and retains people who feel that they **belong to a "tribe with a purpose"**. In Nike's case, the tribal identity is "we have the best-kept secrets."

This sports-based organisation has enabled Nike to successfully provide comprehensive solutions to athletes, to better target innovations and increase its responsiveness to market developments.

The new organisation has given the company more agility in what Mark Parker, CEO, calls a "high-velocity world where things are accelerating."

Nike can rightly say that it is a **"growth company"**.

2

EFESO'S FIT-TO-WIN APPROACH

Faced with the complexity described in the previous chapter, the temptation is to design an organisation that is as simple as possible and, given the continuous search for resource optimisation, favour low-cost solutions. It is as if an athlete decided the best way to get fit was to stick to running. Although a simple and/or low-cost organisation may be right for some companies and appropriate to specific business models, neither simplicity nor affordability guarantee holistic fitness. The right level of cost and complexity for the organisation has to be determined within each company. A tailor-made holistic approach is the only way to achieve it.

6 HOLISTIC STEPS TO A FIT-TO-WIN ORGANISATION

It is essential, in today's world, to break down organisational and emotional barriers to release the full potential of companies and employees. A manager cannot simply change a few team members or only look at the company's macro-structure. Taking up challenges and excelling in strategic capabilities require the perfect alignment—or holistic fitness—of the organisation and culture and the total commitment of teams. Moreover, the concordance of all the organisational components and culture is essential.

STEP 1

Visualise the future state: Clarify the vision

“Visioning” consists of clarifying/defining where the company wants to be in decade by projecting itself in the future. It is when the athlete decides what kind of physical capabilities he or she wants to acquire to meet the physical challenges of tomorrow. Each athlete's vision is different.

What new markets, new client or customer needs, new usage patterns, and new technologies are coming? How does the company think it can take advantage of them? Effective projection relies on thorough knowledge of the trends likely to impact the ecosystem and transform the business in the next decade.

STEP 2

Lifestyle choices: Define the strategy on the path to the vision

CrossFit requires more than just a pair of trainers. It takes such a level of personal commitment that it often leads adepts to totally change the way they live, from what they eat to how they sleep. They have to make strategic decisions.

Building a company strategy capable of reaching the vision requires making specific choices to win in the market place, by creating sustainable advantages and superior value relative to competition, while taking assets, capabilities and culture into consideration. The process is driven by ambition (the “Why?”) and answers two questions: “Where to play?” and “How to win?”.

The major advantage of this approach (always starting from the vision and the strategy) is that it helps companies stay a step ahead of the competition by designing the organisation with the future in mind, rather than the past. It also focuses on ensuring that the company has the capabilities, talents, activities and technologies it will take to be healthy and win the battles of the future.

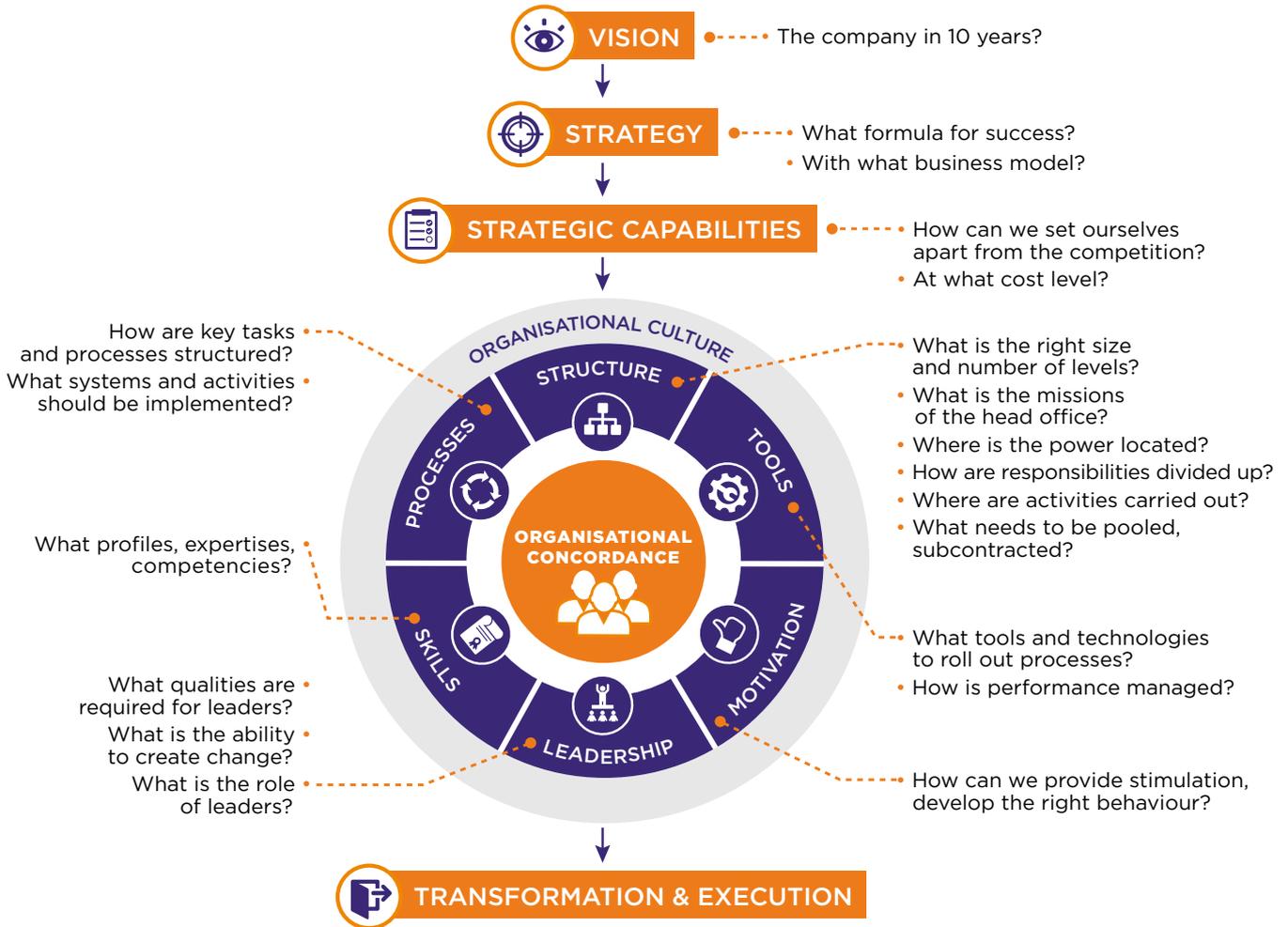
STEP 3

Identify key strengths: Define strategic capabilities

Before hitting the “box” or gym for the first time, someone new to CrossFit spends time with an instructor, who analyses the athlete's existing aptitudes and what strengths need developing. The goal is build on what he or she is already good at and to address his or her weaknesses.

Identifying strategic capabilities and distinctive assets that are difficult to copy give a company an edge over competition and sustainably create value for customers. Strategic capabilities are a unique combination of competencies and processes. Core competencies are the special knowledge, skills, and technological know-how that distinguish one firm from the other. Strategic processes are the business processes used to deliver the special know-how in the form of products, services, and other solutions that have high value to customers and other stakeholders.

Today's industry leaders have identified what makes the significant difference compared to their competitors and designed their organisations accordingly. For instance,



Zara, the Spain-based retailer owned by Inditex, has strong capabilities in the area of supply chain management. In the food industry, Lactalis created significant performance by generating value through the acquisition and integration of companies (35 in seven years). Coca-Cola derives its strength from highly refined bottling, distribution and merchandising capabilities, enabling it to execute more effectively at a retail level.

Key strategic capabilities are usually a mix of existing and new ones. To determine the organisational adjustments needed to deliver flawlessly on the strategy, it is important to perform a gap analysis of capabilities. This sets the framework for building the six organisational components in the next step.

STEP 4
Training programme:
Design the six organisational components and ensure concordance

A CrossFit training regime deftly mixes exercises to develop a wide range of physical properties (stamina, power, etc.) in a quest to achieve holistic fitness. Similarly, companies have to pick the right regime for their organisation. The challenge at this step is to select the most appropriate configuration for each component and ensure concordance between them. The goal is to design the most appropriate and cost-effective “system” to deliver the expected performance in line with the strategy.

1. STRUCTURE
The spinal column

During phases of growth, companies have a tendency to multiply hierarchical levels in the organisation, maintaining grey areas regarding their respective roles.

To make sure the organisation has the right structure, it is important to define the logic of the structure (function, geographic, customer, product-based, etc.) best adapted to the type of business and strategy, and answer six questions:

- What is the right size and number of levels?
- What is the mission of the head office?
- Where is the power located?
- How are responsibilities divided up?
- Where are activities carried out?
- What needs to be pooled, subcontracted?

The ideal structure resulting from this approach varies from one company to another. For example, Xavier Fontanet, former CEO of Essilor, recommended a flat structure with a maximum of six levels and 12 reports per manager, to limit bureaucracy and politics and maximise an individual’s responsibilities and opportunities of evolution within the group. At Pernod Ricard, the company has adopted a highly decentralised organisation build around six brand companies and 80 local market companies.



2. PROCESS: The nervous system

The major challenge in process design is defining the right level of asymmetry. The objective is to identify the processes that should be standardised throughout the company to maximise value creation and develop a competitive advantage, and to simplify them in line with best practices, while developing networking. Standardisation, simplification, and even automation of the process, as well as reducing the number of processes, mechanically reduces costs. Furthermore, the contributors to the processes and the tasks are clarified.

Another objective is to identify the processes that give a company the responsiveness and flexibility required to successfully enter new markets, rapidly develop its market share and stay a step ahead of the competition, especially in emerging markets. It is about defining the right balance between global and local, not only for each process as a whole, but also for the different sub-processes.

The company needs to identify the key processes and prioritise them according to their level of contribution to the strategic capabilities. The processes extend from the core to outsourcing. Then, the concepts of “lean” and “continuous improvement” must be integrated into the process design. It is therefore important to develop a complete set of KPIs to be able to measure progress and the contribution of improvements versus strategic objectives.



3. TOOLS: The exercise equipment

To be fit-to-win, the company needs the right tools and technologies, including digital and IT tools, to execute its activities and processes. Tools also include the dashboards and warning system needed to track and manage KPIs.

Because digital technologies eliminate the need for intermediaries and provide horizontal communication channels, they have a significant impact on the way an organisation functions. Digital changes how employees communicate with each other and how the company collaborates with external partners. It also influences decision making by simplifying the consultation of stakeholders, opening the way to remote working, and leading companies to adapt their management to this new, more mobile context.

As for IT tools, they are often the weakest link because the IT solution design is not fully and consistently integrated within the overall transformation plan. IT is a lever of transformation, like the other tools.

To be efficient, tools must be aligned with the structure's design - especially shared service centres - and include external partners. They must enable proper management of the supplier relationship in case of strategic outsourcing.



4. COMPETENCES: The athletic skills

Here the key issues are related to identifying the skill sets, knowledge and experience required to fit with the structure, processes, core values of the company and expected behaviours and consequently to increase the mastery of strategic capabilities.

Companies need to move from standardised profiles to high, value added heterogeneity. Organisations must be multi-cultural, multi-generational and multi-expertise, to

successfully grow in new markets and develop new business. It is also crucial that companies:

- Detect existing talents
- Allocate talent relevantly to enhance strategic agility and flexibility
- Build a development programme to keep talent
- Attract talent to fill gaps



5. MOTIVATION: The personal drive

Financial compensation is not enough to motivate employees today. To sustain a person's motivation as it relates to the redesigned organisation and develop the sense of belonging, companies have to develop a comprehensive motivation system that includes:

- Sharing of strategic vision and objectives to get the team's buy-in.
- Translating macro objectives into individual ones.
- Defining and aligning the human and financial drivers that contribute significantly to developing individual motivation.
- Adapting the salary structure to facilitate the implementation of the organisational components, and specifically structure and processes.



6. LEADERSHIP: The brain

Considering its interaction with other five components, leadership is the sixth and last component to be designed. For companies, it consists of:

- Defining where leaders should be positioned at all levels of the organisation.
- Specifying their roles according to the position, the decision making process, the governance model and the processes to be implemented.
- Describing the expected profiles to achieve these roles, including the ability to develop teams' empowerment.
- Position people in the organisation who match the profiles. Not only high-potential talent, but those who display engagement with the organisation's transformation project and who are willing and able to promote change.
- Supporting and developing leaders through adapted training and coaching, especially on change management.



CONCORDANCE: A well-balanced athlete

Changes to any or all of the six organisational components will upset the balance between them. Striking the right balance is called concordance. The right level of interaction between all the components and also with the organisational culture must be in place to ensure the performance of the new organisational model.

The more precisely balanced the components are, the more coordinated the athlete — or company — is. For example, picking the right structure will facilitate adoption of the right processes and the responsibilities defined in the processes must correspond to roles identified in the structure. Similarly, motivation level of employees can accelerate acceptance of a new structure with new areas of responsibility by not just linking incentives to individual performance but also to cross-functional objectives. In parallel, the role and place of individuals within the structure must meet their expectations if their personal motivation is to increase.

CONCORDANCE

The more precisely balanced the components are, the more coordinated the company is.





STEP 5

Find the right gym: Integrate cultural reality and expected change

All groups of people have a culture. CrossFit gyms are called boxes. More than just a place to work out, boxes are communities of likeminded athletes who train together. Finding the right box with the right community is key when it comes to progressing in CrossFit. And box owners must strive to create the right culture, in which all athletes thrive.

Organisational culture is the way things get done in the company. Specifically, it refers to the invisible, powerful force that influences the way people behave. The organisational culture reflects the collective wisdom that comes from the lessons people learn as they adapt and survive together over time.

Companies usually work on the six components but forget about culture or do not see the potential impact. It is essential to gain insight into how the current dimensions of the culture and its underlying elements relate to the goals and strategy of an organisation.

Scientific research over the last two decades has shown, in fact, that only certain elements of organisational culture have a direct impact on the organisation's long-lasting performance³.

When evaluating culture, it is important not to base the evaluation on a single point of view, such as the perception of members of the community itself. This usually only produces a sense of the organisational climate or the subjective opinion of the day. Culture, by contrast, refers to an evolving context and is based on a collective learning process over time. For a thorough cultural analysis, the company needs to conduct assessment at different organisational layers, performed by cultural experts.

The comprehensive culture assessment model is based on the scientific evidence³ that organisations that outperform their industry peers have common cultural features. This model consists of three dimensions: creation of movement, capability to move, and moving together as one. The output of the assessment is clearly formulated. The objective is to focus on cultural blockers and to identify change actions, because changing or creating a culture directly is not possible. Culture develops through

trial and error, and can only evolve out of mutual and shared learning experiences. However, cultural blockers can be removed or at least mitigated by changing the related and underlying behaviours. As a result, the organisational culture will change in the desired direction.

STEP 6

Programme management: Perfectly execute the organisation transformation

Surveys show that poor programme objectives, organisation and management are the major causes (56%) of programme failure⁴. Organisational transformation programmes are not immune from these issues. Like a poorly designed training programme, poor execution of the programme can result in discouragement, frustration or worse, injury.

That is why this approach integrates the key success factors for execution excellence: a clear organisation transformation programme including change management and an outstanding programme management.

A clear organisation transformation and change management programme

The organisation's transformation programme comprises a comprehensive transformation master plan which gets the vision right and facilitates the transformation with:

- Detailed and prioritised actions, including quick wins, with measurable objectives, adequate resources, clear roles and responsibilities, and realistic time frame.
- Sufficient control, governance and KPIs.
- Aligned stakeholders' interests.

The master plan is complemented with the creation of core team that has the required skills and power to drive the change effort. This team needs support from the company to achieve successfully its missions.

Furthermore, the company needs to communicate clearly and specifically to each individual, with clear, credible and sincere messages about the redesigned organisation (what, why and how) to get the right level of buy-in from the employees. In effect, the complexity is generated by the number of people involved in the organisation's transformation, the heterogeneity of their profiles, their capability to understand and integrate the transformation issues, and their emotional perception. Communications, associated with strong leadership, is key during the entire transformation process to mobilise people for action and to keep them mobilised.

In addition, it is key for companies to start the transformation roll-out with the creation of the sense of urgency and to build tailor-made change management to address the hidden barriers detected in the organisational culture assessment and in a change readiness evaluation (which can be done at any time before step 6).

Outstanding programme management

Once the transformation programme is defined, the major challenge for companies is to successfully steer its roll-out. In addition to a strong and sustainable leadership, powerful programme management is required to increase the chance of success.

Programme management needs first to assess performance and manage risk continuously and adapt accordingly. Available tools include: tools to track key milestones and deliverables, performance dashboards and project audits, project risk management and benefit tracking .

Another objective of programme management is to maintain and stimulate the efforts and level of involvement during roll-out. Companies can help their employees by regularly publishing visible and positive results, starting with quick wins, which will help fight inertia and scepticism.

Finally, programme management must provide feedback and share learning and best practices through dedicated meetings, an intranet, toolkit and knowledge management. Continuous learning drives individual empowerment at all levels, developing new behaviours and building sustainable organisational capabilities.

CONCLUSION

Holistic fitness is here to stay. Whether it is for bodies or organisations, being fit-to-win is the foundation of healthy development. It depends on having the right organisational components and developing the organisational culture that enables companies to master the required key capabilities and serves the strategic objectives. Above all, it requires proper execution of the transformation programme, which companies can achieve thanks to a relevant selection of the approach to transformation and of their leaders.

The transformation process, like a training programme, is a never-ending story. The benefits disappear when you stop, and a prolonged pause can undo years of effort. Perseverance, support and self-awareness are the key to long-term success. Companies need the collective and managerial will to succeed. It pays to have likeminded athletes and instructors at your side. And you need to be conscious that the process will have highs and lows, good days and bad ones. Becoming a Fit-to-Win organisation is a journey to greater stamina, strength and agility — exactly what companies need to meet the challenges of a VUCA world.

¹ "Why good strategies fail - Lessons for the C-suite" - The Economist Intelligence Unit, March 2013.

² www.forbes.com/video/4078395263001/

³ "The characteristics of a High Performance Organisation" (2010) - A.A. de Waal.

⁴ Standish Group International - 2015 CHAOS Factors of Success.

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