

# Why should organisational capability building matter more to strategists?

**Dexis Strategic**

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In the past, business transformation, growth and large-scale performance improvement inevitably took the form of restructuring by removing management layers, supply chain management and more astute use of financial resources accompanied by:

- Taking advantage of cost economies through scaling up or globalising the business
- Contracting out non-core skill sets to focus on 'what we do best'
- Business process reengineering, of core and support processes
- Better exploiting IT and operational technologies.
- Mergers and acquisitions.

These transformation tools are now commonplace – they are *business as usual*. The sustainably transformed organisations of the future will put capability development at the heart of their transformation strategy.

### Capability, people and culture

The people component of an organisation's resources is frequently referred to as 'our most valuable asset' but, in truth, strategists have always preferred leveraging performance from other resources.

Why? Because working with people as a strategic resource is exceptionally difficult.

From an analytical perspective, strategists are unable to accurately estimate the output value from investments in people, be they qualitative or quantitative investments. People as individuals are unpredictable. As a collective resource-class they are an analytical nightmare.

So, why should strategists change their traditional practices and shift the spotlight to organisational capability, with an emphasis on people and culture? There are at least two good reasons:

- The volatility of all sectors is now at a level where the traditional approach of 'Goals-strategies-priorities' is inadequate. Customer churn, competition, regulatory change, technology disruption and community scrutiny are so changeable that set-and-forget strategy fails. Organisations should build their underpinning capability to allow them to adapt more easily to unpredictable forces.

- Many organisations are fast running out of options. They now recognise that it is virtually impossible to achieve sustainable business transformation through traditional structural adjustment, systems refresh and financial acumen. There is no performance advantage to be gained from things all organisations can do relatively easily.

## Supplementing organisational capability with good basic strategy

Good strategy always results in change – big change. Therefore, in addition to capability development, all strategists should remember that strategy is transformational and attempting too much of it at one time will result in mediocrity.

With good strategy ‘less is more’. Yet we still see many strategic plans that redefine strategy as high-level business plans. They detail how to run the organisation better, but not how to transform it. Running an organisation better is a good thing, but it is not “strategic”.

Every organisation has three performance requirements and only one is strategic:

### **Run the business + Improve the business + Transform the business (strategy)**

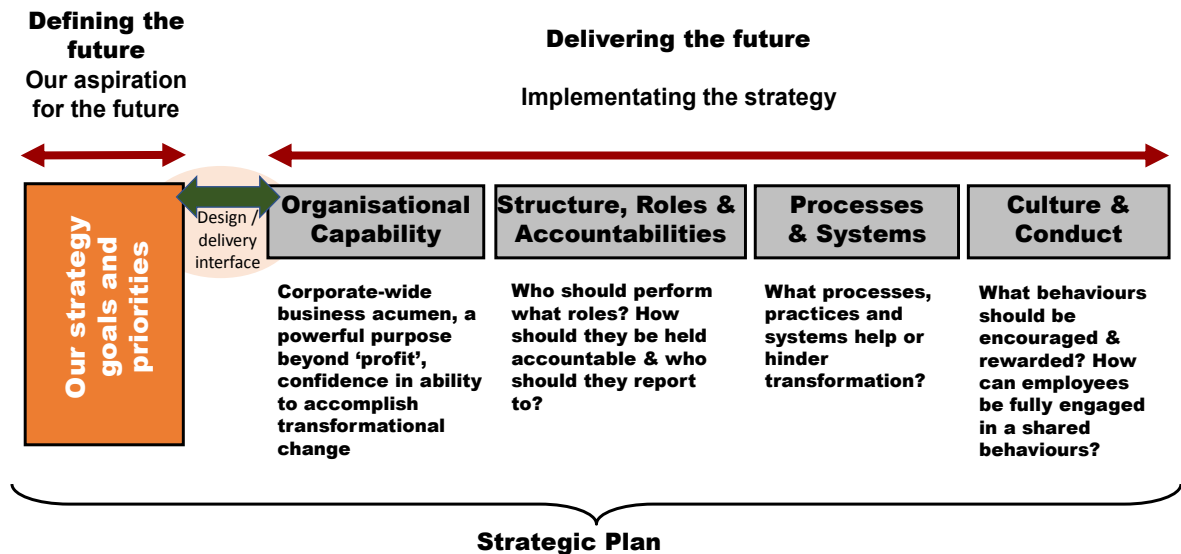
Running an organisation efficiently and improving its operational performance is a basic management accountability. Without adequate operational performance, leaders may never get the opportunity to work on strategy. But placing operational priorities at the forefront, no matter how bright the spotlight, does not make them strategic.

## Some requirements for building organisational capability

A powerful strategic asset is created when all staff understand the business of the business. Regardless of their role, everyone should be a business partner. Strategy is whole-of-business and this always trumps a narrow functional view. To operate a whole-of-business model all decisions should be based on the question “What is the overall business requirement here?”

Building a higher purpose for the organisation, a reason for being that goes beyond a sterile aspiration of “success” is another basic requirement. Employees from Generation Y and Millennials, especially, want to work for an organisation associated with a bigger cause. The era of the purpose-based organisation is well underway.

High levels of corporate-wide business acumen and a powerful purpose beyond 'profit' will give any organisation confidence in ability to accomplish transformational change. Capability will feed into strategy as much as enable its implementation.



## The importance of transformational leadership and astute performance management

Strategy “transforms” organisations, business as usual “runs” it. Transformation requires special leadership capabilities which are different from day to day transactional leadership. Developing and implementing strategy effectively demands a leadership ability to deal with ambiguity, cut through complex issues, engage constructively with risk and deploy high-level influencing and communication skills to engage all stakeholders deeply in the strategy.

Many strategies fail not because they are intrinsically poor strategies but because they are poorly performance managed. Accomplished strategists develop and operate unambiguous performance management and accountability processes which can be directly linked to strategic priorities.

Strategy is only as strong as its weakest link.



## Confidence in accomplishing transformational change

Organisational capability is not generic, it is strategy dependent. Each industry and each organisation has specific complexities and idiosyncrasies that demand a nuanced understanding of capability. Similarly, many organisations learn the hard way, when recruiting CEOs and senior executives, that great leadership is industry specific, not a generic attribute.

By giving proper attention to strategy development (that is, less is more), developing corporate-wide business acumen, a powerful purpose beyond 'profit', transformational leadership and rigorous performance management, organisations can dramatically improve their transformational change.

Collectively these give the organisation confidence in its ability to change. If this is supported with a clear change management process and customised tools, transformations will be a constructive, satisfying experience for most employees.