
Gain Competitive Advantage Through Change and Alignment Leadership

BRIEFING: CURRENT DESIGN ISSUES FACING C-SUITE EXECUTIVES



AlignOrg Solutions is a consulting firm that specializes in helping clients clarify strategy, design and align organization systems and choices, and lead transformational change to drive growth and marketplace success. Using our powerful methodology and a flexible approach that engages leaders and employees in decision-making, we assist many of the most well-respected and successful organizations around the world with achieving real, transformational change. The expertise we bring is grounded in the practical realities of everyday business challenges and is designed to create insight and action.

To learn more about AlignOrg Solutions and our work and thinking, please visit www.alignorg.com.

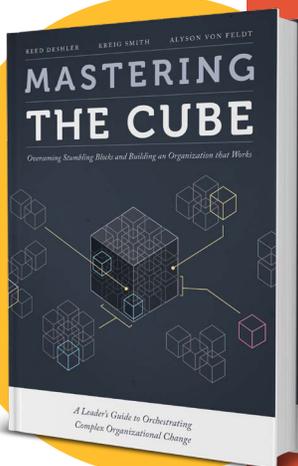
Copyright © 2016

All rights reserved. Except as permitted under U.S. Copyright Act of 1976, no part of this publication may be reproduced, distributed, or transmitted in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

Introduction

“Your success in life isn’t based on your ability to simply change. It is based on your ability to change faster than your competition, customers, and business.”¹ Change is inevitable, omnipresent, and accelerating.

In the world’s current state, you want to have the capability to pivot, react, and leverage current trends and issues. To truly navigate our changing environment, leaders must understand the importance of aligning their organization’s strategy, structure, processes, and skill bases. A leader who understands and applies this principle will become an alignment leader. A state of constant change is the ideal environment for the alignment leader to maximize the organization’s value. As leaders embrace their roles as organization architects and alignment leaders they will not succeed in spite of change, but because of it.



“Leaders ‘must become responsible for designing and altering the architecture of their organization— its strategy, structure, processes, and skill bases. To be effective architects, they must think in terms of systems. They must understand how the key elements of the organization fit together and not naively believe . . . that they can alter one element without thinking through the implications for all the others.’ They cannot twist one side of the cube without affecting the other sides.”

— *Mastering the Cube: Overcoming Stumbling Blocks and Building an Organization that Works.*

For the alignment leader, there are many prevalent pitfalls when it comes to current issues and alignment leadership. For the purposes of this document, two pitfalls and their corresponding solutions will be highlighted.

1 Mark Sanborn

Pitfall #1



First, the slow pace of change has allowed many leaders to overlook their role as an alignment leader and, unfortunately, the strategic design of the organization has become couched in a **one-and-done mentality**. The notion is “that if we nail our organization design this time, we will never have to realign again.”²

Sometimes alignment leaders mistakenly “believe that [time spent strategically designing the organization] can or must be singular or rare events.”

— *Mastering the Cube: Overcoming Stumbling Blocks and Building an Organization that Works*

This type of one-and-done design would function perfectly if the world was static and unchanging. But the world is dynamic and change is accelerating. Alignment leaders **design fluidly for continuous organization alignment**. Strategies will inevitably transform when there is change and organizations must shift, add capabilities, and align around new goals. The methodical design of your organization becomes an executive’s most important task.

2 Deshler, Reed; Smith, Kreig; Von Feldt, Alyson (2014-07-14). *Mastering the Cube: Overcoming Stumbling Blocks and Building an Organization that Works*, pg. 128, AlignOrg Solutions.

Pitfall #2



Some leaders misunderstand the fundamental importance of organizational alignment and are eager to get back to what they like to call the **“real work” of leaders**.

“A group of leaders with an intimate understanding of the marketplace can systematically reconceive their organization in three to five days. That’s fast. Yet incessant pressures to hit quarterly performance targets can undermine the best intentions to give some thoughtful time to organization alignment. If what leaders really want is just to get executives assigned to a new organizational chart, five days may seem like maddening overkill. They could be tempted to hurry the work along in order to get on with the “real” work before them.”

— *Mastering the Cube: Overcoming Stumbling Blocks and Building an Organization that Works*

This is the second most prevalent problem for alignment leaders when faced with change. Many leaders fail to take the time to assess the degree of alignment and are eager to return to their extremely busy schedules. The truth is that the real and most impactful work a leader can do is to **embrace the role of alignment leader** by defining her organization’s strategy and aligning the organization around that strategy to ensure the success of the organization she leads.

Trends & Issues



Despite these potential pitfalls, there are current trends and issues that challenge executives to think about how their organizations will react and respond. The following are some trends and issues that leaders should be considering – whether they represent challenges or opportunities.

DATA PRIVACY AND SECURITY

In 1944 a librarian named Fremont estimated that the Yale Library in 2040 would have “approximately 200,000,000 volumes, which will occupy over 6,000 miles of shelves . . . [requiring] a cataloging staff of over six thousand persons.”³ Fremont wasn’t too far off; Google estimates that nearly 130 million books have been published in modern history. What Fremont did not foresee is our current and growing ability to store and thoroughly analyze massive amounts of data.

The aggregation of data brings security risks for the storage and use of that information. In the past three years hackers have stolen millions of records from private companies. The stolen information includes highly sensitive material such as social security numbers and bank account data. In 2013 Target Corporation was the victim of such a breach. Hackers bypassed Target’s information security system by using



3 <http://www.forbes.com/sites/gilpress/2013/05/09/a-very-short-history-of-big-data/#7a46fc8b55da>

a third-party vendor's logon credentials. Then the hackers exploited a zero-day vulnerability (a bug in the software that had never been exploited previously) in Windows, which allowed them to gain access to the Target corporate environment. In 2014, Home Depot suffered a data breach that was carried out in the same way the Target breach was executed. After the Target breach the following list of retailers suffered data breaches in 2014; Neiman Marcus, Michaels, Sally Beauty Supply, P.F. Chang's, Goodwill Industries, SuperValu, The UPS Store, Jimmy John's, Dairy Queen, Staples, and Kmart. And these are not the only organizations that have suffered breaches and had to rethink their approaches to storing, sharing, and securing data and information systems.

We are seeing more and more organizations building internal capabilities to address the growing threats in data and information systems. Most major organizations have hired or named a Chief Security Officer (CSO) or Chief Information Security Officer (CISO) to build and maintain the organization's capabilities to monitor systems and respond to threats. CSOs/ CISOs are rarely one-person shops, many organization's have rapidly built out robust security organizations that increasingly span the work, processes, systems and data of the enterprise to ensure the right procedures, policies, and monitoring and response mechanisms are in place to secure the organization.

Data security is difficult to obtain because the digital environment is in a constant state of flux. New technologies will create opportunities for new threats and extinguish the effectiveness of others. And new viruses and exploits are constantly emerging in criminal markets. This particular set of changes highlights the need for leaders to understand that their role as alignment leader is one that is constant, fluid, and not a one-and-done engagement.



A leader who is constantly participating in alignment can react to and absorb changes in the environment such as the Target data breach. They create conditions where organization choices are assessed and changed on an ongoing basis to pivot to new threats in the fluctuating world of data and information security. Furthermore, the leader who is engaged in alignment leadership will not be blindsided by sudden changes because they were too busy doing the "real work" of leaders. Data security issues demand investment of already scarce resources. The addition of a new executive position is one decision couched in a much larger set of questions:

- ▶ Is data security a strategic capability for the organization? Should it be?
- ▶ What enabling capabilities are required to make data security a strategic capability?

- ▶ Where will you find resources to fund the build out of security-related capabilities needed to address this growing threat area?

Answering these questions is the real work of leadership.

REGULATION PROLIFERATION

The financial crisis of 2008 forced many people to think about regulation. In the United States, the Dodd-Frank law of 2010 was created in order to prevent another crisis. The problem with Dodd-Frank is that it is complex. It is 848 pages long, which is 23 times longer than Glass-Steagall (the reform that followed the crash of 1929). The length isn't the real problem; many pages of Dodd-Frank require regulators to fill in further detail and many of the clarifications of regulations are hundreds of pages long. In other words, new legislation creates an environment where organizations are required to comply with ambiguous regulations that are, at best, extremely complex and, at worst, indiscernible. Also, regulation proliferation is not exclusive to the financial sector. Legislation is growing in all sectors (e.g., healthcare, foods, pharmaceuticals, environmental, labor and employment, etc.) and organizations must navigate these new complex regulatory environments.



There are two primary approaches to responding to the current regulatory environment. An organization can simply comply in the most efficient way possible, or it can take the opportunity to transform their organization in a way that it makes compliance to regulations a competitive advantage.

Goldman Sachs has clearly opted for the second, as they hired about 1400 people to work in their regulatory compliance division in 2015.⁴ Goldman Sachs' Chief Financial Officer, Harvey Schwartz, stated that, "[a]t this stage we're making very significant investments in regulatory compliance. We think it's critically important. We actually think it's a competitive advantage to be best-in-class and so you'll see us continually invest in tech and businesses and, over the long term, we think it's a contributor to our performance."⁵

The temptation for the alignment leader is to treat new regulations as a "speed bump," to simply comply and move forward with the sting of the new compliance cost. Constant alignment would suggest that a leader analyze the change further and question their organization's capabilities with respect to the new regulatory scheme. Some key questions leaders should be considering are:

4 Goldman Sachs Group (GS) Earnings Report: Q4 2015

5 Ibid.

- ▶ Is the organization already equipped to handle the new regulations?
- ▶ What capabilities will the organization need to acquire in order to comply? Could compliance become a competitive advantage for our organization?
- ▶ If compliance could become a competitive advantage, how does the organization allocate resources to forge the new advantage?

Finding answers to these questions is the real work of the alignment leader and will produce competitive advantages and contribute to performance as it does for Goldman Sachs. For the alignment leader, each new change presents an opportunity for the organization to become better, faster, and stronger.

GEOPOLITICAL CHANGE

The European Union was largely built upon a widely held assumption that global integration was a good thing. Britain's recent and abrupt exit from the EU marks a potential shift in international political opinion surrounding the above-mentioned assumption. Growing protectionist and anti-immigration sentiments currently animate political discussions around the globe. This is a radical change, "[s]ince the EU's founding in 1957, 28 countries have joined and none have left (other than Greenland, a Danish territory, and Algeria, which ceased to be part of the EU upon independence from France)."⁶ In the short term, Brexit hurts economies around the world because consumers become cautious, which slows consumer spending. On the other hand, the lack of consensus about global integration could potentially undermine long-term global economic growth.



Brexit also highlights the reality that organizations must deal with both global and local issues notwithstanding their inherent tension and complexity. Organizations seek to globalize in order to leverage scale and are met with unique demands in the form of new political organizations. For example, organizations that are adapting to the EU legal framework must now do the extra work to comply with Britain's unique, non-EU legal framework. Similarly, individual consumers were once happy with mass-produced widgets, but now expect customization and unique service. Complexity comes with trying to meet the unique needs of stakeholders at the global, local, and consumer levels. Each of these needs represents a potential demand for investment.

6 <http://www.wsj.com/articles/brexit-real-impact-would-be-gradual-and-global-1466616893>

If leaders are constantly seeking to apply alignment principles they are provided with the opportunity to examine their current capabilities in light of Brexit-type changes. These geopolitical shifts pose questions for executives:

- ▶ Will current regional, country, and political constructs continue indefinitely?
- ▶ How will shifts in regions, countries, and politics impact your organization? How will those shifts change the way you compete and comply?
- ▶ Can your organization effectively address the additional complexity that comes as geopolitical shifts occur?



The alignment leader will be equipped to navigate the complexity that comes with the unique, and sometimes opposing, needs of stakeholders at different levels and in shifting arenas.

Conclusion

For many, the significant trends and issues outlined represent annoyances that must simply be dealt with in order to readjust and return to the status quo. *For the alignment leader, however, these trends, issues, and subsequent changes present opportunities to pivot the organization, leverage capabilities, capture opportunity as it arises, further differentiate from competitors, and gain competitive advantages.* The alignment leader understands that strategic organization design is a fluid and constant process that constitutes one of their main responsibilities as a leader and that the “real work” of leadership is actually that of designing the organization for alignment. Upon understanding these principles, leaders will become successful **as a result** of the complex and ever-changing environment.