Building Blocks of Execution

Larger chains fight flaws in the corporate fabric

By Michael Cooke

Any organization, across any industry, has its own genetic code, or organizational DNA, that drives its actions and its performance. Research reveals this genetic code falls into seven dominant types, or profiles, that represent varying degrees of organizational health. Three of these—Resilient, Military Precision and Just-In-Time—are considered healthy DNA profiles, since their building blocks are complementary and aligned to ensure the effective execution of strategic plans. The remaining profiles—Fits and Starts, Passive-Aggressive, Outgrown and Overmanaged—are unhealthy. Their components conflict, causing these organizations to waste time and resources on unproductive, contradictory or uncoordinated activities.

New research based on the findings of an on-line survey of more than 50,000 line staff, middle managers and executives at hundreds of companies worldwide demonstrates that the largest retailers are the weakest from an organizational standpoint.

Large retailers (those with more than $10 billion in annual revenue) were found to have the second-highest incidence (46%) of passive-aggressive DNA of all large organizations, behind only large media companies and tied with big telecom at No. 2. Passive-aggressive companies are typically characterized as having weak strategy execution and are often the most difficult to reform.

As the DNA of living organisms is comprised of four building blocks, so too is organizational DNA. The organizational DNA building blocks are decision rights, information, motivators and structure. Large retailers in general were found to have poor integration among the building blocks. In particular, the data identified three building blocks that need to be addressed individually and in terms of how they work together. They are: decision rights, information and motivators.

- **Decision Rights:** One major contributor to an organization's inability to execute consistently is a failure to have clear lines of authority. The existence of too many decision-makers often results in inaction or delayed action. Indeed, 70% of large retail respondents in staff and line-management positions said that important strategic and operational decisions cannot be quickly translated into action at their companies. Not surprisingly, 78% said their decisions are often second-guessed.

Structure Stat

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Unclear decision rights also tend to drive process inefficiencies and hurt productivity. In the study, 70% of large retail respondents indicated that individuals in their organization did not have a clear understanding of the decisions or actions for which they are responsible.

- **Information:** An organization's ability to take decisive action also depends on the efficient flow of information across its layers and divisions. The survey found this to be a particular challenge for large retailers. While information flow is difficult in general, a substantial 78% of large retailers found it to be a significant issue.

- **Motivators:** Retail managers can be so focused on individual performance that they often find it difficult to work on strategies that stretch beyond their individual profit and loss responsibilities. Nearly 70% of staff and line-managers suggested that even when the company reported poor results, individual division heads would still receive bonuses if their units had a good year. Although this incentive structure provides the proper motivation in healthy organizations, it tends to exacerbate problems for any organization not well-focused on its long-term goals.

In addition, the day-to-day management of a retail business is extremely tactical and filled with short-term targets. Line managers with P&L responsibilities run all aspects of the business and are so overwhelmed with day-to-day problems—and their need to meet daily, weekly or monthly targets—that they don't always pay much attention to corporate strategy. As seen in classic passive-aggressive organizations, retail managers have mastered the art of listening to the head office and then doing exactly what they wanted anyway.

This can be serious. One large electronics retailer, for example, found itself in bankruptcy as its inventory levels ballooned to unsustainable levels. This was largely a result of having individual performance measures that did not align with the overall interests of the company. Buyers had been overly aggressive in acquiring inventory as individual and business unit incentives were skewed towards having high in-stock percentages.

The good news is this: Retailers, even large ones, have many of the basic organizational elements needed to achieve sustainable growth. Their organizational DNA can be rewired to achieve a healthier profile. ■

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