strategy+business

MAY 29, 2019

Organizational effectiveness goes digital

New technologies offer leaders an agile way to assess their company's health and embark on improvement.

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It happens almost every day: A CEO scans the competitive landscape, and decides it's time to implement new strategies or to examine internal factors that are limiting growth. With buy-in from senior leadership, the company makes a significant investment in a months-long process designed to yield actionable insights. A few areas may be singled out for a deep-dive examination of how work is performed and where pain points exist. After interviewing employees at various levels, creating detailed documentation, and making recommendations, the company is ready to pilot changes, measure results, and roll out strategies to larger groups of stakeholders.

This approach to organizational effectiveness continues to be embraced by companies in nearly every industry. It's reliable, repeatable, and results oriented — but also not without limitations, especially as the pace of change accelerates. For instance, this traditional methodology requires a large amount of time spent examining one specific moment in the business life cycle. Think of it as a photograph that takes months to develop; eventually, the picture is clear, but the moment in question has passed. Similarly, by examining one or two parts of an organization over a long time, the company will arrive at an accurate snapshot of what happened, but recommendations based on this picture will already be losing currency. And while numbers are crunched, the rest of the organization carries on as usual, displaying the same habits and patterns leaders are hoping to correct.

Put simply, modern enterprises need a modern process — one that leverages current and emerging technological capabilities. Although the basic tenets of the traditional approach are sound, these technologies provide leaders with a less cumbersome, more agile way to get a holistic view of their company's current state of health, and free them from drawn-out time lines that result in limited insights. In this tech-empowered vision of organizational effectiveness, artificial intelligence and machine learning could become as commonplace as the spreadsheet.

Analog problems, digital solutions

The foundation of this digital approach to organizational effectiveness borrows from an existing design practice known as the digital twin. In manufacturing, the concept of a digital twin is typically associated with a physical asset that is expensive and time consuming to develop, build, and test, but still subject to the same rules of obsolescence as less complex objects.

By using a digital twin, or a virtual model of the asset, designers and manufacturers can apply different inputs, measurements, or stressors and examine the response, all without the time, expense, and risk of building or testing a physical asset. Using a digital twin shortens the product development cycle and time-to-market, and drastically reduces capital and operating expenses.

Today, technology has enabled us to apply the principles of the digital twin beyond manufacturing. Any enterprise can use the concept to experiment in real time, without worrying about irrevocable real-world consequences. And companies can arrive at the resulting insights more quickly, with a better picture of how each part of the business impacts the whole. Essentially, it enables experimentation not possible through using traditional methods — stakeholders can enact change in a live simulation and see the results of applying different strategies before making decisions with far-reaching consequences

Rather than merely a tech-enabled evolution of traditional methods, the digital twin approach is a revolution — focused on a completely new approach to business challenges. Inputs might include insights from employees and company leaders and other company data. The approach draws on human knowledge from years of on-the-ground experience; however, this global expertise can now be accelerated with algorithms and pattern recognition, which are rendered even more powerful by increased speed and processing capability.

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Organizational stakeholders are still involved in the process, but rather than just championing participation and carrying out recommendations, they'll be exposed to detailed results and be able to observe the impact created by different recommendations. Scenario modeling — the ability to move the levers and turn various recommendations on and off — allows people to see how change in different areas would affect the rest of the organization.

A multifaceted view

When companies assess the current state of their organization, they typically focus on four key areas, or lenses, that provide them with a view into how the work is getting done: organization, culture and behavior, workforce, and costs. The idea behind a technology-enabled assessment of organizational health is the ability to manipulate all of these lenses in real time. Whereas in the past, company leaders may have focused on one or two in isolation, now they can view these four lenses quickly and comprehensively, and use what they've learned to test hypotheses and gather data in multiple areas so they can see what might happen in different scenarios.

This exponential uptick in agility maximizes the return on investment and provides more insights from which to learn about the enterprise as a whole. To return to the photo metaphor, consider the difference between a standard image and a panoramic: both provide a lot of information, but one contains much more context. Similarly, by viewing the enterprise through these four lenses, leadership can become more informed about how each lens impacts the others

1. Organization measures the efficiency and effectiveness of the company's design for bringing resources together to execute strategy. This can be a critical lens through which to assess a company's ability to evolve past outdated ways of working. For example, companies with weak organization models, or those characterized by multiple layers of management or highly bureaucratic or political environments, tend to be less able to quickly translate strategy into action — despite this being a critical capability. (In 2019, roughly half of respondents to PwC Strategy&'s Org DNA Profiler® survey reported that their organization had this capability.)

2. Culture and behavior takes into account how effective the organization's culture is in supporting its strategy and providing a distinct competitive advantage. In the 2018 Global Culture Survey conducted by the Katzenbach Center of PwC's Strategy&, responses revealed that 71 percent of C-suite and board members viewed culture and behavior as an important area of focus for senior leadership. Although it's important to understand culture and behavior as a stand-alone area in which strategic changes can be implemented, it's equally important to remember that it has significant bearing on other parts of the enterprise. In this particular case, additional research based on responses to the Org DNA Profiler® revealed that companies with distinctive cultures have nearly twice the market impact of those that reported culture was not a competitive advantage.

3. Workforce establishes how well the organization plans, adapts, and enables its people to be successful now and in the future. Leaders preparing for tomorrow's workforce face the dual challenges of producing growth and anticipating the unknown. Paradoxically, this requires a clear vision for an uncertain world — one that establishes how to develop employees to take on new or augmented roles, aligning business goals with human resources, engaging with flexible talent, and providing a compelling employee experience. In PwC's 22nd Annual Global CEO Survey, which involved 1,378 CEO interviews in 91 territories and a range of industries, 80 percent of respondents said they were extremely concerned or somewhat concerned about the availability of key skills being a key threat to their business — reinforcing the need for companies to carefully assess their business through the workforce lens.

4. Costs looks at how well the company's cost structure aligns with strategic priorities and benchmarks. Typical areas examined through the costs lens are sourcing, location, automation, and head count. Investigating these areas can help companies identify where costs can be cut or redirected to achieve mission-critical goals. For example, in PwC's CEO Survey, 52 percent of CEOs reported that their company's people costs were rising more than expected. When costs rise, in this case, owing to the aforementioned skills gap, company leaders are forced into investment decisions that may threaten their ability to achieve strategic goals.

Real-time results

When recommendations and potential results are available for companies to consider more quickly, the delta between capturing a moment in time and taking decisive action is shorter. Lessons are more relevant, and resulting decisions are more precise. Without being forced to view the enterprise through only one or two lenses, decision makers have the flexibility not just to enact change, but to enact change the right way. And perhaps most significantly, liberated from the heads-down, rules-oriented methods of the recent past, corporate leaders are free to think more creatively about the challenges they face — and to solve them with the agility and flexibility of a truly modern organization. +

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