



In the networked economy, organisations can no longer rely on an existing competitive advantage for sustainable performance. With new competition that can zoom up from behind overnight, the pace of doing business is accelerating dramatically. Traditional management approaches no longer suffice for dealing with the complexity of rapid change.

Many organisations don't know how to survive or how to sustain their hard-won competitive positions. One thing is sure: the focus on financial metrics and present levels of profitability as prime indicators of organisational performance is no longer the answer. What is less sure, however, is what the best answer would be to ensure sustainable performance as complexity increases and the race intensifies.

Organisational thinking is plagued by the existence of divergent approaches to the definition of organisational performance. This is evident both in the practice of management and in the theories advanced by business schools. Moreover, these approaches are promoted in an either/or fashion, which means that organisations often focus on one approach to drive performance, but neglect others. One of the manifest problems is the gap organisations experience between strategy formulation and strategy execution – which often produces disappointing results.

Research done at the University of

Stellenbosch Business School (USB) has come up with innovative recommendations for dealing with the turbulent challenges organisations face. The study proposes that organisations require an *execution culture* with the capacity for addressing the challenges of complexity on an ongoing basis.

This approach departs from viewing performance as a one-dimensional construct. An execution emphasis builds on an organisation's ability to integrate the divergent approaches to organisational

performance. In particular, it means the strategic integration of the *strategy* and *people* approaches, and the development of the dynamic capabilities that are needed to respond rapidly to a fast-changing world. Strategy becomes a year-round activity, instead of primarily a formulation activity.

The execution culture promoted by this research latches on to what leading management thinker Peter Senge wrote: '... it is no longer sufficient to have one person learning for the organisation. It's just not possible any longer to figure it out from the top, and have everyone else following the orders of the grand strategist.'

Performing at speed

The terrain of business has moved from the highways to the race tracks. Leaders need new conceptual tools to stay ahead.

by **Susanne Fontannaz and Hein Oosthuizen**

One of the manifest problems is the gap organisations experience between strategy formulation and strategy execution

■ New race, old models

The emergence of the networked economy

What distinguishes an execution culture?

- The organisation taps the knowledge, creativity, ideas and energy of all its employees.
- The leadership turns people at all levels into leaders that can take initiative and act in the collective interest of the organisation.
- A strategic paradigm running through the organisation rests on individual effectiveness, which is a blend of personal strength in one's field of expertise and creative partnerships to accelerate innovation and problem-solving.
- Diverse skills are actively deployed to deal with persistent changes and challenges. This diversity of knowledge starts at board level already.
- The range of executive skills incorporates, for example, strategic, people management, entrepreneurial and marketing skills, instead of the organisation relying mostly on financial knowledge as in the past.

has resulted in increased complexity, connectivity and change. These shifts in the business world are causing intense competition across industries. Traditional boundaries are becoming blurred, and what used to be sources of profitability have become eroded with the redefinition of value chains.

Guided by different theories and models of organisational performance, organisations apply divergent approaches to sustain their performance levels. None of these approaches, however, comprehensively addresses organisational challenges. In fact, many of these approaches, in isolation, undermine sustainability as they emphasise certain performance criteria at the cost of other, often equally important, drivers of performance. Many performance approaches are still rooted in the management philosophies of the industrial age, and have not changed fundamentally in response to the complexities of the emerging knowledge age.

Against this background, the USB study set out to develop a conceptual framework to guide sustainable organisational performance in a high-speed era.

contributors to provide a systemic view of organisational performance. It further examined the alternative approaches to determining organisational performance and explored ways of integrating them in a sensible way. The objective was to blend the logic of different approaches conceptually into a more consolidated theoretical framework.

Defining performance

What is performance? In the industrial age, organisational performance was relatively simple to define in terms of the dominant stakeholder, the shareholder. Performance measurement focused on metrics such as growth in net income, return on invested capital, and other stock-price indicators.

More recently it has been acknowledged that organisational performance is dependent on satisfying a more diverse range of stakeholder requirements. The triple-bottom-line view, for example, attempts to address the multifaceted nature of organisational performance. The premise is that organisations have economic as well as socio-ethical and environmental responsibilities, which should be measured,

work and Kaplan and Norton's balanced scorecard have come to the fore. These models attempt to establish the link between performance tracking and organisational strategy, and also to recognise the impact of aspects of organisational culture. They are, however, questioned on the grounds of their rational and deterministic decision-making bias, which presents challenges in conditions of hyper-change.

Certain researchers contend that environmental turbulence erodes competitive advantage and that rigid frameworks limit an organisation's ability to deal with change. A new 7-S framework, which comprises a vision for disruption, general capabilities for executing disruption, and product-market tactics to deliver disruption, has subsequently seen the light.

People and culture. The interest in people and organisational culture as vital drivers of performance has gradually gained momentum. Advanced research with culture diagnostic tools has strengthened the notion that organisational culture is a key component in executing strategy. Several researchers assert that organisational performance is the synthesis of individual performance throughout the organisation.

Individual performance and teamwork.

The study of individual performance highlights the need for three ingredients: personal *effectiveness*, personal *strength*, and *partnership* with colleagues. In the networked economy, attributes such as intelligence, imagination and knowledge are essential resources of personal *strength*. But these strengths must be converted into results, which is where *effectiveness* is required. Still, personal results are not enough. The synergies that can be achieved in *partnership* with others are more likely to produce the winning ideas and results. The power of teamwork is increasingly appreciated, and working teams, for instance, are recognised by prominent thinkers as *the* units where learning takes place.

Organisations with a sound execution foundation have a sustainable competitive advantage which is difficult to imitate

It comprised an in-depth study of existing research, theoretical models and debates in the management and organisational development literature, as well as interviews with selected organisational leaders and academics.

The research focused on defining the key contributors to organisational performance with the aim of integrating these

audited and reported on in the same way as financial results. It is assumed that organisations cannot sustain performance unless the interests of all influential stakeholders are satisfied.

More advanced frameworks. More comprehensive organisational performance frameworks such as the McKinsey 7-S frame-

Divergent approaches to organisational performance

Several studies confirm the existence of divergent approaches to determining organisational performance.

Some of these focus on *strategy* formulation, some on a *people* framework, and others on a more complex *execution* perspective.

Strategy. The strategy approach provides a systemic perspective of organisational performance and focuses on the formal process of strategy formulation, implementation and evaluation. It is a prescriptive approach that assumes determinism and envisages a rational process towards building a competitive advantage. As such, it has proved to be effective mainly in conditions of relative stability. The strategy approach encompasses both the positioning-based and the resource-based perspectives of strategy formulation.

People. A further school represents the descriptive people approach to organisa-

tion of the organisation; execution represents the actual delivery of performance. or a social actor. The tendency in existing research is to fragment the important parts of the problem, thus studying one aspect as if it were independent from everything else. Some system thinkers aptly warn that the breaking up of complex tasks into more manageable parts may result in one losing the sense of their connection and interdependence.

In addressing the fragmented views of organisational performance, the study found that the execution perspective provides a more integrative view. Some researchers maintain that execution lies at the intersection of the three core processes in

tial of the organisation; execution represents the actual delivery of performance.

Achieve pole position with an execution culture

The study proposes that organisational performance depends heavily on the existence of an execution culture. Management should focus on building such a culture, and the essential step is the development of a coherent strategic paradigm throughout the organisation. Strategy must become a way of thinking at all levels. From this perspective, organisational performance assumes a high level of people effectiveness that is underpinned by both the strength of individual effectiveness and effective partnerships between individuals – in other words, synergistic skills and knowledge.

The execution approach, which views organisations as complex adaptive systems, precludes generic prescriptions for organisational development, as every organisation is seen as unique. This approach defines strategy as an everyday activity that must accept the challenges of accelerating change. The integration of the divergent approaches to organisational performance implies that an organisation's dynamic capabilities are developed to ensure that performance can be sustained in different contextual realities.

This thinking does away with the gap between strategy setting, which is treated as the prerogative of executives, and strategy implementation, which is handed over to staff, usually prescriptively. Strategy is repositioned from an executive management role to everyone's responsibility. It does not imply that everyone is involved in all elements of strategy, but every employee needs to understand his or her contribution to strategy. ■

Organisational performance depends heavily on the existence of an execution culture

tional performance, a view which includes all behavioural elements that influence change within an organisation, particularly leadership, culture and values. This approach incorporates the entrepreneurial, cognitive, learning, power, cultural and environmental schools of strategic management.

Execution. The execution approach is a process-based perspective. Advocates of this view argue that it is impossible to act on, or regulate, an entire system, as the system is made up of individuals who respond in different ways. The implication is that change cannot be determined on a rational basis. The execution approach addresses the reality that most executive decision-making occurs in the *ad hoc*, daily processes that take place in an organisation. These decisions are not limited to a formal, strategic process that follows a linear sequence. In this execution paradigm, strategy is an emergent property, the result of the everyday evolving patterns of individual and collective interactions. In essence, the strategy process is impacted on by everyone within the organisation.

The execution perspective recognises that strategy is a dynamic and adaptive process, which should have the capacity to compensate for unanticipated events. Organisations with a sound execution foundation have a sustainable competitive advantage which is difficult to imitate.

Can the gaps be closed?

The USB study revealed wide gaps between the alternative approaches to performance. For example, there is the gap between the strategy and people perspectives that arises from viewing a person as either a rational

organisations, namely strategy, people, and operations. The USB research thus examined the synergy between the alternative, process-based perspective of execution and the systemic perspectives of strategy and people as an approach to address the multifaceted nature of organisational performance. It was found that these approaches are not necessarily in opposition, and that they can in fact be blended to complement each other.

The benefits of an integrated approach

An integrated approach draws on the discipline of the rational, prescriptive strategy approach, which focuses on creating stability and organisational alignment, and the innovative, adaptive perspective of the people approach. Both the strategy and people approaches, however, assume that the organisation can be acted upon as a whole system. By integrating them with the process-based execution perspective, the combined view takes into account that the system consists of interacting individuals, who respond differently to change initiatives.

Formulating strategy and aligning people will at best be an approximation of desired performance. Actual strategy and actual performance will be an emergent outcome of the interaction between individuals and partnerships, among each other, and between them and the external environment. There is no way that the complexity of interactions between all these variables can be rigorously planned ahead.

Organisational performance therefore comprises the approaches of execution, strategy, and people. Strategy and people should be viewed as representing the poten-



These findings were published by Susanne Fontannaz (sue@quorum.co.za) and Hein Oosthuizen in an article titled 'The development of a conceptual framework to guide sustainable organisational performance' in the *South African Journal of Business Management*, 38(4), December 2007. The article was based on Fontannaz's MBA study project, 'Addressing the challenge of complexity with the development of the performance "ESP" conceptual framework to guide sustainable organisational development', conducted under the supervision of Prof Hein Oosthuizen. The study was presented to the USB in December 2007.