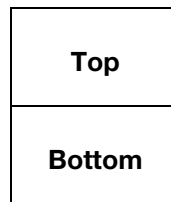


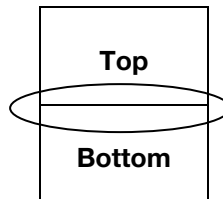
## It's Not What's Inside or Outside the Box, It's What's on the "Line"

Accelerating strategy execution is a top business priority. To increase speed in the face of growing complexity, leaders must clarify roles and responsibilities. Without clarity and direction, strategic objectives cannot be realized. However, clarification can sometimes actually *reduce* speed and agility if roles and responsibilities are put in "boxes" with no thought given to the interaction between groups.

Take, for example, the common use of tables or matrices to clarify business issues or outline accountabilities. As a basic (if archaic) example, a leader may clarify roles by organizational level. Such a clarification might be visually depicted as such:



The focus is the information inside the boxes. However, this clarification ignores a key aspect of the diagram, and the crux of the issue: the *line*.



The line—the boundary between the boxes—is where the “and” often lies. It’s where interaction and collaboration happen, and where new ideas often originate. The information in the boxes is helpful for clarification. But if the line is not examined as part of the big picture, the silo thinking that leaders otherwise work hard to eradicate persists.

Jack Welch, famed leader of GE, referred to such lines as “sweaters”—insulators that keep information confined and that compromise decision-making ability and responsiveness to change: “If I went outside with five sweaters on, how could I accurately gauge how warm or cold it is outside?” Welch bemoaned the multiple layers of management of GE, realizing that the *interaction* between “top” and “bottom” is as critical as what happens at each level. This interaction drives identifying improvements and adaptations, opportunities and risks. But a solid line between the planners and the doers compromises the course corrections and adaptations that must be made in ongoing execution and planning. Since speed and agility are critical (and yet quite difficult to ensure in a huge conglomerate like GE), Welch instituted “boundarylessness” as one of GE’s core values. He urged leaders in the organization to eliminate layers of management. But only when he explicitly tied this practice to performance reviews did a change begin to happen.

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## What can you do as a leader?

Organizational redesign worked for Welch. It's increasingly seen as a driver of speed in execution today—but it's not always an option.

A scan of the recent business literature reveals that leaders are indeed using boundary-spanning practices to accelerate executing their strategy. Here are two examples of specific leadership practices, and the results of their use:

Led by Consumer Electronics Division head Katsumi Ihara, Sony is reclaiming its reputation as an industry leader.<sup>1</sup> Ihara realized that many of Sony's traditional ways of doing business, such as pitching products made in Japan to the U.S. market, had led to the company lagging behind changes in U.S. consumer demand. Ihara began speaking weekly to a Sony engineer in charge of U.S. sales, including him in major strategy meetings (from which the U.S. team had previously been excluded). To meet consumer demand, the U.S. team pitched the idea of an inexpensive television with the look and feel of a traditional Sony but without the high-definition resolution. This television was a sharp departure from the traditional Sony—and it was a huge success. To build on this success and continue to break down barriers and increase speed, Ihara made several other moves: He flew top Japanese executives to San Diego to learn about U.S. consumer trends and shuffled 5 percent of Sony's managers between products to encourage idea sharing. Ihara broke down boundaries between Japan and the U.S., between the company and the consumer, and between product lines. Sony's year-on-year profits doubled and sales increased by 25 percent. "We're not in the bunker anymore. We're blinking in the sunlight," said CEO Howard Stringer.

Swiss pharmaceuticals giant Novartis' CEO Daniel Vasella pinned responsibility for many of the company's recent struggles on its bureaucracy. As an example, its development group wasted considerable time engaging in fruitless debates; eventually it was beaten by a speedier rival that filed a drug first with the U.S. Food and Drug Administration.

To increase speed and reduce bureaucracy and costs, not only did Novartis reduce corporate headcount, it also organized the development group into small teams responsible for taking specific drugs to market. Each team consisted of about eight experts who represented a variety of disciplines (for example, toxicology, medicine, marketing, and regulatory compliance). The teams were able to spot many potential problems up front, thus heading off potentially expensive hiccups and failures in the process.

Daniel Vasella now includes diverse others, such as top scientists, in all company strategy conversations.

In addition to breaking down internal barriers, leaders at Novartis are also reaching out to groups in the marketplace (such as state health systems) to test ideas, and developing a relationship with an HMO in a tough market by financing training its nurses in treating heart disease. These actions could be showing results: Novartis reported first-quarter earnings in 2008 that exceeded those of its weak second half in 2007, despite tough economic conditions.<sup>2</sup>

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## In your next strategic initiative, ask yourself: What's on the "line"?

Clearly, strategy execution requires focusing on identifying the "lines" in the business. Forum has studied this topic for several years. In 2004, we identified some key leadership roles<sup>3</sup> that leaders play to accelerate strategy implementation:

- **Knowledge manager:** Facilitating networks to create, capture, and disseminate knowledge.
- **Change master:** Scanning the environment for threats and opportunities; fostering experimentation in response to changes in the environment.
- **Strategy shaper:** Facilitating ongoing conversations about strategy formation and adoption; engaging diverse voices in the conversations.

We've found that leaders who play these roles can really make strategy work. The common threads here are focusing on fostering a flow of new information across boundaries and leveraging that information to guide course correction and accelerated execution. The leaders at Sony and Novartis adopted these roles and achieved significant results.

Keep these practices and roles in mind as you lead your next strategic initiative, and remember to ask yourself: What's on the "line"?

### Endnotes

<sup>1</sup> "Sony's Newest Display Is a Culture Shift," Y. I. Kane. *Wall Street Journal*, May 8, 2008.

<sup>2</sup> "CEO Gambles on a Novartis Makeover," J. Whalen. *Wall Street Journal*, May 20, 2008.

<sup>3</sup> Making Strategy Work, The Forum Corporation, 2004.

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