Winning the race

The divergent experiences of two banks illustrate the importance of organizational agility and serve as a cautionary reminder that, whatever the industry, pace decides the winners.

How does an organization outpace its rivals? By being quicker to spot and capitalize on new opportunities, adjusting its strategy and its execution of that strategy accordingly, and, if necessary, accelerating rapidly from a standing start. What role does talent and organizational development have to play in this process? Quite possibly the most important role of all.

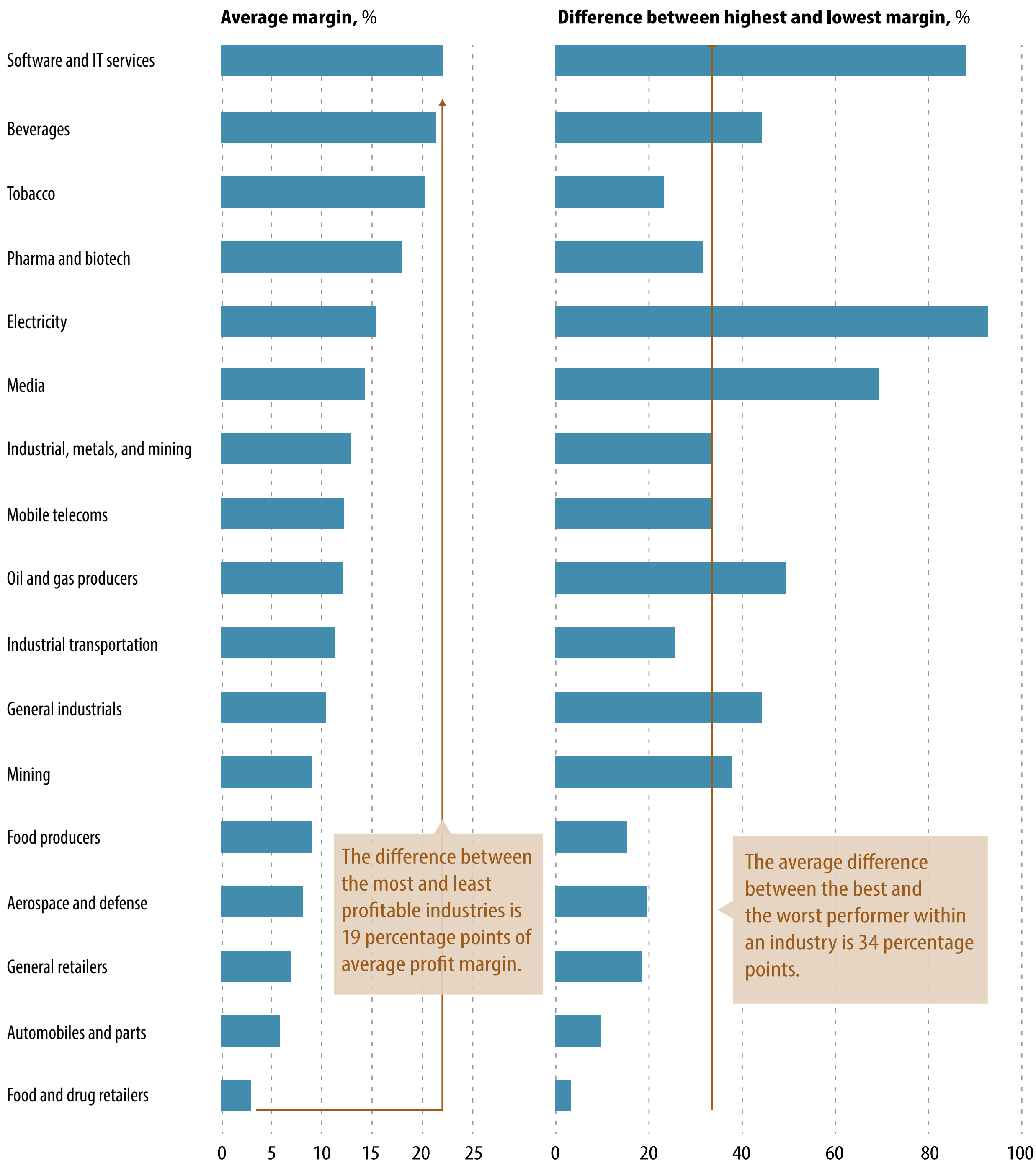
Consider two well-known, Europe-based global banks. Both have extensive investment banking, wealth management, asset management, and retail operations. Both are rocked by gross errors, from LIBOR fixing and foreign exchange rigging to rogue traders. The first acts decisively. It replaces 40% of its top 100 leaders, downsizes its complex investment banking operations, focuses on its core wealth management franchise, launches top-to-bottom culture-change efforts, and invests massively in both new processes and digital enablement as well as in the skills of its people at all levels. The second bank recognizes the same needs but decides to ride out the storm.

Fast-forward two years. The first bank has moved into less risky and more sustainable businesses, improving its overall profitability; the capital markets have rewarded the moves with an improved earnings multiple. The first bank's share price also far outstrips that of the second bank. The second bank, meanwhile, is playing catch-up, losing its best people and at risk of becoming an also-ran.

Whatever the industry, pace decides the winners. Nokia didn't lose to Apple because of an inferior strategy that overlooked the appeal of smartphones. It was just slower in spotting and exploiting changes in technology and consumer habits. Blockbuster, Kodak, Borders, and many others were similarly slow off the mark. All competitive companies are in a race, and for the winners it is never-ending; slow down and you lose. Indeed, the ability to change faster than your competitors is more important than the sector in which you choose to play (see figure). Our research finds that the difference between the least and most profitable sectors among 500 global companies was 19 percentage points of average profit margin. However, the average difference between the most and least profitable company within an industry was 34 percentage points. So while "grand strategy" choices of which profit pool to play in certainly matter, an organization's ability to outperform in its chosen profit pool matters more.

If the need for pace is driven mostly by external competitive pressures, the ability for pace is driven mostly by internal factors. Ultimately, it's a question of behavior — nothing changes unless behavior changes. The board needs to hold the executive team accountable for driving execution at pace and not just pontificate on strategy. The organization must commit to change at pace without becoming disengaged. The top team needs to put aside divisional agendas and optimize the whole. Talent

Figure: **Strategy matters, but not as much as pace**



Source: Heidrick & Struggles

must be developed, and the very best people retained. And most important of all, talent must be matched to opportunities. What does that mean? Think of your organization as a clearinghouse for the application of talent to opportunities. You have a wide set of opportunities, markets to address, customer segments to penetrate, and tech plays to make. You spot, acquire, develop, and, eventually, exit these value opportunities. And HR spots, acquires, develops, and, eventually, exits talent. The best organizations match their best talent with the best opportunities. Failure to do this well results in silos, bureaucracy, fiefdoms, stalled projects, poor collaboration, and, ultimately, market failure. Winning the race for competitive success lies in this matching.

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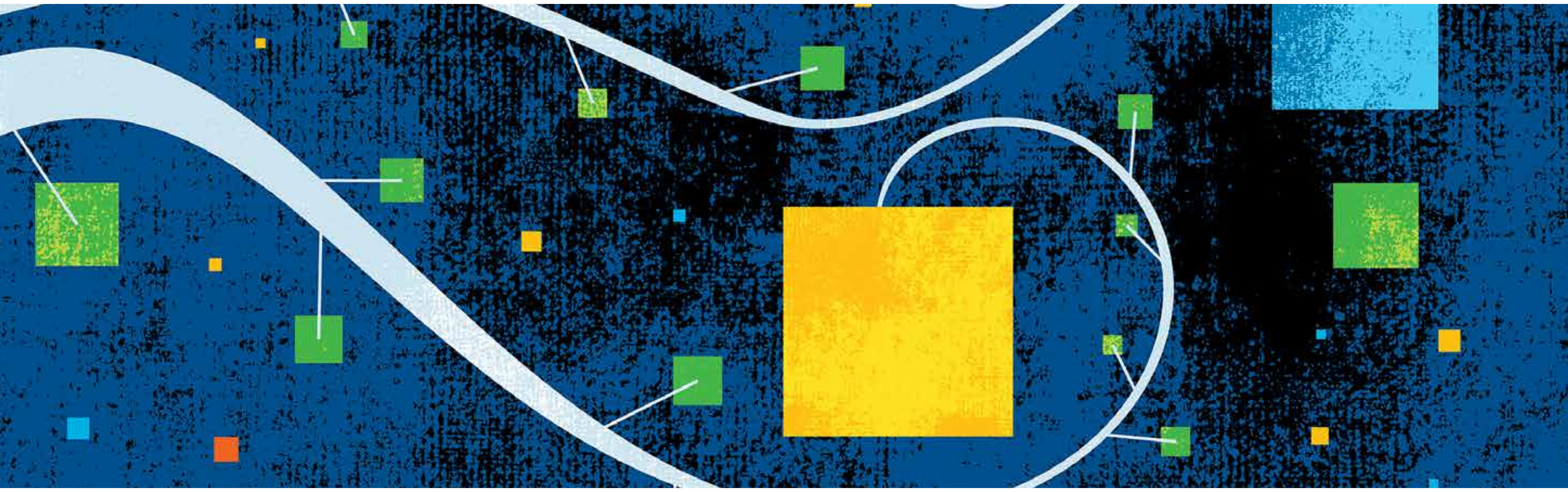

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