



Designing and building organizations to deliver

In business, strategy is considered the crown jewel that sets the stage for value creation and underpins a company's competitive advantage. While investors generally recognize that even the best strategies can falter without a clear blueprint for implementation, management teams and investors often overlook a key component of effective execution: [organization strategy](#).

At NEP, we think about organization strategy as the process of designing and building an organization to deliver. While many investors focus on org charts and executive talent for their portfolio companies, that's not where effective organization design begins. Successfully preparing a company to execute its business plans requires a comprehensive assessment of the processes, tools, and people capabilities needed across all functions and at all levels of the organization. At NEP, we devote extra attention to two often overlooked components that are essential to organization design and successful execution: 1) lateral, cross-functional processes and 2) frontline enablement.

Giving sufficient attention to these two underlying elements of organization design can set organizations up to more effectively execute. Proactively designing organizations to deliver at all levels is crucial to value creation and positions companies to accelerate growth and execute with excellence. However, when a comprehensive organization strategy is neglected, focused solely on the top, or poorly implemented, the company faces serious hurdles to achieving cost, quality, service, innovation, and scalability goals.

Organization design **defines the interconnected system of processes, people, and tools** required to enable effective execution of a company's unique value creation plans.

Three interconnected facets of organization design

Lateral processes and frontline enablement are only two of the critical elements of an effective organization design framework. A well-designed organization strategy defines and develops the full range of capabilities needed to accelerate growth, support execution, and deliver excellence across every function and level of a company. As such, organization design should address all facets of execution, including:

- » **Processes** that allow the effective delivery of services or products and support scale. Lateral, cross-functional processes are an important starting point before moving to functional processes.
- » **People and roles** that align talent with the strategy, from the C-suite to customer-facing roles. Frontline enablement is a key element of people and roles.
- » **Tools and technologies** that enable efficiency, insights, and decision-making. These should be designed and selected to support the needs of the processes, people, and roles.

Organization strategy looks different for every company. The strategic plan dictates what capabilities are needed, how they are prioritized, and at which pace they are developed to stay aligned with strategic goals. But without intentional design and alignment of these three enablers, the best-laid business plans can stall and even talented people can struggle.

Lateral processes are the starting point for an optimized organization

As part of the organizational **Processes** noted above, every company has a handful of core, lateral workflows that drive effective execution. These lateral processes involve critical “baton handoffs” across multiple departments or functions, and where coordination and communication across functions are essential to successful outcomes.

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Strategy is important, but **execution is key**.

Jack Welch

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Lateral processes are the key to an optimized organization (cont.)

Companies generally focus on people (e.g., hiring and reporting structures) when designing their organizations. However, the real drivers of execution effectiveness are the key lateral processes that cut across functions and must be deliberately assessed and optimized.

Building an effective organization requires identifying its core lateral processes. To do so, focus should be on

how and what the business delivers to its customers. When companies prioritize workflows within and across functions, they can intentionally design and build processes and teams that enable efficient execution and fuel growth.

The examples below show how core lateral processes can be leveraged to optimize strategic planning and drive growth:

Example:

West Star Aviation, an aircraft maintenance company



Core lateral process need identified

Sales & Operations (S&OP) Planning: improved visibility of the company's sales and order forecast for better alignment with operational capabilities and readiness to deliver

Organization strategy initiatives

Developed forecasting & analytics tools, a lateral S&OP process, clearly defined roles, and a cross-functional team to ensure communication and integration across sales, operations, finance, and HR

Linked new business development and sales forecast to operations workflows, materials procurement, and resource planning, resulting in improved forecasting accuracy, capacity planning and efficiency, quality, and customer service

Example:

Movati, a chain of health clubs



Core lateral process need identified

New Club Opening (NCO) Process: efficiently preparing the company for growth through new club expansion

Organization strategy initiatives

Created cross-functional NCO Team to define tasks, roles, and timing required to effectively open new clubs and expand geographically

Devised a scalable NCO Playbook detailing best practices for new club openings; invested in a dedicated NCO Leader role, enabling the company to successfully execute its growth strategy



Frontline capabilities determine whether a company can sustainably execute with excellence

Within the broader category of **People and Roles**, every business has a frontline organization responsible for direct customer interaction and delivery of the company's products and services. The frontline leaders and workforce are often the face of the company and have the greatest impact on efficiency, quality, and service. When defining an organization strategy, significant attention should go to enabling frontline teams and operations with the capabilities, tools, and leadership needed for success. Yet we rarely see focus on this level of the organization.

In NEP's experience, operational excellence requires trained and engaged customer-facing teams, a healthy culture, effective leaders, clear work standards, meaningful metrics, and the right tools to enable companies to execute with excellence every day.

Similar to often-overlooked lateral processes, frontline enablement is the business driver hidden in plain sight. By prioritizing this element of organization strategy, leaders and investors can have a potentially broad and meaningful impact on a company's performance.

Example:

West Star Aviation, an aircraft maintenance company



Frontline capability need identified

Organization strategy initiatives

Address challenges related to hiring and retention of qualified mechanics and technicians

Implemented 1) development of an innovative training strategy in partnership with local technical colleges; 2) training in leadership skills and culture for frontline managers, including regular development sessions and feedback processes to retain internal staff; and 3) investment in compensation and incentive programs

Example:

Movati, a chain of health clubs



Frontline capability need identified

Organization strategy initiatives

Enhance consistency of execution across geographically dispersed clubs

Developed a multi-faceted plan to enable member-facing employees across all clubs to consistently deliver on member experience, supporting rapid new club development

Enabled frontline success through 1) standard operating procedures and role descriptions; 2) workforce planning to allocate appropriate resources; 3) centralized recruiting support to accelerate staffing and allow club managers to focus on operations; 4) robust onboarding process standardized across clubs and regions; 5) internal leadership pipeline including club general manager certification process; 6) ongoing training to support career progression; and 7) competitive and objective pay structures

Organization strategy needs a repeatable process to have real effect

At NEP, we use a five-step framework to assess a business strategy's requirements in order to design the organization capabilities needed to drive long-term growth and performance.

- 01 Step 1: Understand strategy and functional deliverables**
Clarify value creation drivers, enterprise goals, and the strategic roadmap to understand what each function or team is responsible for delivering.
- 02 Step 2: Define required capabilities**
Create a "job description" for each function, detailing the purpose, objectives, and capabilities required, including the processes, tools, and people the company will need to support lateral processes and workflows, frontline enablement, and successful execution of the strategic plan.
- 03 Step 3: Assess current capabilities and gaps**
Review each function or team to identify strengths and gaps relative to the defined required capabilities. Where capability gaps are identified, diagnose whether the root cause of the gap is related to processes, tools, and/or people.
- 04 Step 4: Prioritize plans and integrate into budgeting**
Define an action plan and sequence the timing of investments in processes, tools, or people to first address the capabilities required to run the business today, then build those needed to support future growth. Embed organization strategy goals and requirements into the value creation model, business planning, functional priorities, and budgeting cycles, including appropriate allocation of resources and assignment of leadership accountability.
- 05 Step 5: Assess structure and talent**
Evaluate the organization structure and talent against identified capability development priorities. Design the optimal reporting relationships, lateral team structures, role definitions, talent needs, and people alignment.

Designing organizations with the **capabilities to deliver** is key to value creation.


Evolving capabilities with growth

Investors and management teams may overlook the fact that building an organization strategy is not a one-time exercise. The capabilities needed to deliver the vision and business plans likely look different at each phase of growth: the organization strategy that works for a company today may not support growth projections or planned diversification into new products, regions, or revenue streams. However, few seem to apply the same repeatable discipline to their organization strategy as they do to their financial or business strategy planning.

We believe that investors can have the greatest, long-term impact on their portfolio companies by ensuring the necessary planning and evolution of organization capabilities, as follows:

- » **Conduct organization health and readiness checks** during initial diligence, post-close, at regular intervals and before major inflection points (e.g., M&A, regional expansion, new business launches)
- » **Update capability building plans** as business strategy is revised
- » **Use ongoing assessments** to make future reviews more efficient and less disruptive
- » **Build scalable, repeatable processes** that establish a foundation for long-term growth
- » **Address structure and people only after defining functional and organization capability needs**

A carefully designed and implemented organization strategy can be a company's secret weapon, enabling excellent execution and offering a competitive advantage. We have seen that companies that engage in proactive organization strategy planning — including a necessary focus on lateral processes and frontline enablement — are more likely to execute the business strategy and accelerate value creation.



The most brilliant strategy won't lead to success **unless it's executed effectively.**

Bill Gates



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