



Creating Coherence in Your Organization

It will move you from stagnation to growth.

By Jean Van Rensselar

To create a thing of beauty---whether it's a plate of pancakes or a successful organization---there's nothing more important than building a foundation of excellence. This means knowing what you do better than anyone else and then bringing relevant products and services to a market that appreciates those unique capabilities.

Paul Leinwand and Cesare Mainardi wrote the seminal work on this topic; a book called, *The Essential Advantage*. Although I don't follow and/or agree with everything, it is an excellent book. And actually the premise---breaking away from the pack by focusing on your core capabilities---is very similar to a current business best seller---W. Chan Kim's and Renee Mauborgne's *Blue Ocean Strategy*.

Too often, organizations look first at what their current markets want and then adapt their way of doing business and their products and services to that market. The smarter strategy is to identify and develop the things you're already good at, look within your industry for a segment or segments that value those capabilities, and then develop products and services that allow you to deliver your brand of excellence to the market that will appreciate it most. The basic strategy is this:

1. Identify the things that your organization does extremely well---possibly better than anyone else in your industry.
2. Identify market segments that can benefit from what you do well.
3. Align product and service offerings with your capabilities and the market

Identify The Things That Your Organization Does Extremely Well.

You want to identify extraordinary skills you've mastered that few others (or no others) can match. The skills you choose will be beyond the skills that every company must have to

survive—not management, sales, or HR-related. Rather they're capabilities that reliably and distinctively deliver a consistent outcome that is relevant to your business.

These aren't necessarily raw skills, sometimes they're processes like delivery or line efficiency that you've honed to perfection. Most organizations tend to take the things they do best for granted. They either assume that their competitors are doing the same things just as well or they underestimate the value of their strengths.

Developing your organization's natural strengths is like launching a spaceship. Once you get off the ground---once your capabilities start to pull you out of the pack of competitors---those capabilities will continue to evolve and pull you further and further away with less and less effort. This is assuming that you strategically guard, nurture, and expand those capabilities

Identify Market Segments In Your Industry That Benefit From Your Strengths
Part of the reason organizations underestimate the value of what they do best is that they are currently serving a market that doesn't benefit from it. For example: a company is manufacturing infant formula and advertises a four-hour shipping window. This is not something that most grocery stores will care about, but hospitals and emergency aid organizations will. Or a bicycle company perfects a braking system that is both more reliable and gentler---most of the U.S. market won't be wowed, but in large European and Asian cities where many people ride bicycles through congested areas to work, they will care very much.

While your market segment(s) needs to be broad enough to accommodate flexibility and growth, it also needs to be narrow enough to create a strategy and decision making focus. Even more important is the potential for current and future profit.

Align Product And Service Offerings With Your Capabilities And Market
So you have the capabilities and you've identified a market that values what you do well...you still need to develop products and services that are visible evidence of what you do best. In the bicycle example, the company will start to focus on braking systems. It will make it a goal to build bicycles with the best braking systems in the world. Once it captures that niche and continually hones its products, no competitor will ever be able to catch up.

Too often, organizations that start out doing this get distracted by trends or immediate logistical concerns. They quickly lose their distinction and become just another player in the market. Fashion designers are keenly aware of this. The most successful guard their niche and brand positioning like a rabid dog. They resist the temptation to extend their brand into areas that already have an established leader with established expertise---areas where they may be able to profit, but cannot complete in the long term, areas that will only end up diluting their brand.

Ideally, everything you offer should align with your capabilities and your market, creating a killer product and service fit. This takes an extraordinary amount of discipline.

The Pay-Offs for Coherence

Leinwand and Mainardi refer to a *coherence premium* for organizations that are in complete alignment. That premium comes in 3 forms:

- Effectiveness
- Efficiency
- Alignment

Effectiveness

The most exciting benefit of coherence based on capabilities is that you'll have the inspiration and renewed energy to continuously improve what you do best---something most people enjoy immensely---refining and furthering your methods and processes.

Efficiency

As you apply those distinctive capabilities to more products and services in markets that value what you offer, you'll maximize their value and you'll have less duplication of effort. The ability to employ your capabilities at a lower cost provides a price advantage, creating higher profit margins. You'll be spending the most attention, time, and money where it will return the most. You'll be "majoring on your majors" and "minoring on your minors." In addition to eliminating everything that doesn't fit with your capabilities, you'll be able to take a second look at things that you've dismissed before.

Alignment

When you make a commitment to coherence, it will become part your organization's culture. Everyone will understand the rationale for the large and small decisions the organization makes. There will be no surprises, no inconsistencies in any area of the organization. A byproduct of coherence is the ability to attract top talent (they'll see something of greatness there).

How much your organization needs to change to become coherent depends on how coherent you are to start with. But the coherency pay-off will become apparent as soon as everything is focused tightly around capabilities that no other organization can match.

Coherent organizations are well positioned for significant growth. In fact, it's just this coherence, this consistency---knowing what it does best and capitalizing on it with products and services in a market that values them--- that turns a small stagnant organization into one that's vibrant and growing. A capabilities-driven strategy is without a doubt the most direct, effective, and efficient way to lead in any market. With core capabilities strengthened and refined over time – organizations are well-positioned for nearly unlimited growth.

About the Author

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