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Implementing Strategy at the Right Level
Sustained Double-Digit Growth
At Specialty Chemicals Co.

by E. Forrest Christian

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Implementing Strategy at the Right Level

Sustained Double-Digit Growth At Specialty Chemicals Co.

When Tony Stark joined Specialty Chemicals, a division of Conglomerate, Inc., the group had netted merely 0.2% growth over the last seven years. After one year, Stark reached double-digit growth that continues today. Can applying Requisite Organization principles pave the way for rapid business transformations? Stark believes so. Read about how he did it.

By

E. Forrest Christian

Tony Stark rejoined Specialty Chemicals, a niche-market chemical manufacturer, in 2001 just after it was absorbed by Conglomerate, Inc. Although Specialty had been successful in its beginnings, it became stagnant and was merged with another company with a similar heritage in 1994. “Each of the businesses had been struggling to find ways to grow, so I was surprised to see the merger,” said Stark. “One dog added to another dog just makes a bigger dog.”

Stark left the company and his intuition about the merger proved accurate. The marriage produced near-zero growth for another seven years. During this time, Specialty’s sluggish growth eroded the value of the brand and made it vulnerable to competition.

When Stark returned to Specialty in 2001, his assignment was clear: reestablish growth or prepare for divestiture. Stark knew where he needed to start.

“Get the Strategy Right First”

“The first real issue was to get the strategy right,” said Stark. “In other words, look at the businesses

to see where the potentials for growth were.”

After reviewing the Specialty’s research and development capabilities and various market opportunities, Stark decided to change Specialty’s business model by shifting Specialty toward higher growth products and higher growth markets. Stark worked with his team to develop a strategy for moving toward a technology-based business, delivering chemistry solutions to customers, and away from the “me-too” commodity-type product business.

“We began that fundamental shift in the business model,” he said, “and then we began to rethink the structure.”

Using the Requisite Organization Model to Rethink Structure

As a framework for evaluating structure, Stark relied upon his knowledge of Requisite Organization principles. Stark’s experience with applying RO had evolved through three different organizations, and his previous results bore its validity.

Requisite Organization, a total systems theory, focuses upon categorizing work into layers of com-

plexity, called strata, and subsequently matching employee capability for handling complexity to the corresponding strata of work. Simply put, it provides managers with an objective way to match people to roles within which they can be successful. Research shows nearly one third of employees are mismatched to their roles, leaving them either bored or over their head.

Consequently, Stark knew if he armed himself with new strategies and paired them with capable people in the appropriate roles, Specialty would find a path to success.

In a previous consulting project managed by Glenn Mehlretter of PeopleFit, Raleigh, NC, USA, Stark was found to have capacity to handle work at the sixth level of work complexity. Stark estimated his new role with Specialty to require capability at the fifth level of work. This type of capability-to-work pairing, i.e., capacity one level beyond that called for by the role, can leave an employee bored and frustrated during steady times. However, it is the perfect formula for a situation calling for transformation, because the extra capacity can be applied toward creating a “new” organization.

The Structure Called for by the Strategy

Stark realized that implementing this new strategy would require a higher level of thinking within his executive team. He believed that if he could get a core team of executives capable at stratum 5, they would have the capacity to create new business processes for the new strategic direction and then integrate those processes across the entire organization.

At this point, Stark solicited the help of PeopleFit. "I brought in PeopleFit, and they helped me evaluate my direct reports and, over time, a level beneath that," he said. "We found some people capable at level five and some highly skilled people at level four."

Stark moved the level five capable executives into key transformational roles. They "naturally" accepted the challenge to implement the new business model. "The increase in accountability for achieving results was immediately apparent," Stark said, "and the new structure broke through resistance to the change in the business model."

Stark was pleased to be able to make this progress not by hiring and firing, but by informed repositioning of his current talent. "There was only one person who maintained the same role as when I started, but no one was terminated," he said, "although a couple did chose to leave the company."

Stark and his executive team spent most of the first year working out the objectives and strategy. As they began matching the top layer roles with corresponding capability, Specialty grew by 12% that first year. Stark believes this was driven by reorganizing the company along requisite lines which led to the introduction of a new product in the microelectronics area.

Getting Immediate Results from Raising the Reporting Level

Stark implemented another requisite-based structural change which netted rapid results. He raised the level at which some functions were managed. Specialty's international organizations, for example, previously reported to a level below him. Stark removed the excess layer and had the international organizations report directly to himself. Within a year, the productivity of the international organization jumped up to achieve double-digit growth. The people whose roles were part of the removed layer were redeployed across the US-based group, and this netted results too as their US operations developed a more global perspective.

Intrinsic Benefits

Tapping into underemployed potential was another way Specialty reaped results. Specialty's head of research and development had been scheduled to retire, but after the reorganization, he told Stark he had decided to stay, stating that he had begun to enjoy work again after years of boredom. "I'm enjoying getting up in the morning and going to work," he told Stark. "Even my wife has noticed. As long as I am having fun, I plan to stay."

Specialty Chemical's previous organizations would never tolerate a waste measurement of even 2 percent but never considered the tremendous squandered resource represented by underemployed employees. Research suggests underemployed employees stand at about 20% of an organization's headcount.

Bumps in the Road

Ironically the rapid growth caused problems in many areas, especially operations where systems were outdated and excess capability was not present to respond to change. "Our quality group was overwhelmed by our new growth and new direction", Stark recalled. "By systematically applying RO principles to its reorganization, they began to resolve their problems. It seemed as if almost overnight they developed into a shining example of good management and outstanding execution." (See case study, Conquering Chaos)

Lessons Learned – Implement at the Right Level

Most companies fail, or at least struggle, at implementation. As Specialty began to install management processes, they too struggled to achieve the disciplined execution needed to sustain the double digit growth.

"We quickly learned that strategies had to be implemented at a certain level," Stark said. "With a level 3 strategy, you have to have level 3 people implementing it."

Initially, Stark had made the mistake of keeping the strategy too complex, at too high a level for the organizational level that had to implement it. "We struggled early on because we had very high level strategies that we were handing off to people at lower levels, and they never saw the connection," he said. "We had to continue the process of breaking the strategies down to a level that the organization could grasp."

Placing people into roles that match their capability will generate excitement and satisfaction, but the strategies and tactics must also be assigned to the appropriate level if real disciplined execution is going to be achieved.

"Now our organization is delivering on those strategies," Stark said. "Our strategic deployment process calls for creating a cascade

of tasks, assigning them to the appropriate level, and holding managers accountable for setting the context their people need to get their work done.”

The process works as follows: The executive team sets direction and establishes objectives. Then, the next level of management is asked, “Are these the right objectives and what is it going to take to deliver on these objectives?” They then develop strategies, and the same process is repeated at the next level to develop tactics. Finally, tactics are followed by action items.

This strategic deployment process is integrated into personal performance objectives so everything is tied to the performance management process required by Conglomerate.

“The key is to work with the process to get those strategic de-

ployment levels matched up to the work levels of the organization,” Stark said. “If you do that effectively, you’re going to have tremendous implementation. Therefore success comes from right strategies, in the right structure, with assignment of work at the right levels, which is why we have had sustained double digit growth for three consecutive years.”

“Amazing!”

“I’m absolutely dumbfounded that our turnaround has been so quick and so dramatic,” Stark said. “Typically, specialty chemical companies are performing well if they are at five percent annual growth. For us to be above ten percent is amazing. For us to be seeing an eleven percent increase in sales across three market segments by our third year is remarkable.

Add to that a twenty-two percent increase in profits – it’s hard to believe.”

Stark credits the increase in profit to unleashing the existing potentials within the organization and driving strategy and implementation along requisite lines. Stark knows that maintaining these growth levels will require continued effort as he moves toward applying Requisite Organization principles across more aspects of the organization.

As Stark approaches the end of 2005, he feels Specialty is only halfway to what it could be, and he looks forward to the challenge of the second half. He knows an exceptionally innovative culture is required for the long-term survival of a technology business, and he is in this for the long-term.



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The establishment and operation of a world-wide society of academics, business users and consultants interested in science-based management to improve organizational effectiveness for the purposes of:

Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.

Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources.

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