



IM TruePoint Perspective

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The 45-Degree Zone

Delivering Today, Securing Tomorrow



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Introduction

Decades of research point to a consistent conclusion: most companies don't struggle with strategy—they struggle with execution. In his book, *Fit to Compete*, Michael Beer shows why: performance depends on the alignment of strategy, capabilities, culture, and leadership—and breaks down when that alignment is missing. In practice, systemic barriers such as unclear priorities, weak coordination, and lack of honest dialogue prevent organizations from translating intent into results.

At the same time, *Fit to Compete* highlights a deeper leadership challenge. Organizations must not only deliver results—they must build the capabilities and ways of working that make those results sustainable. When this alignment fails over time, short-term pressure drives behavior that weakens the organization, while disconnected capability-building efforts fail to improve performance.

Beer and others broader work reinforces what distinguishes the best companies. In the books *Higher Ambition* and *High Commitment, High Performance*, sustained success comes from solving this system challenge—aligning the organization while simultaneously delivering performance and strengthening its capability to win in the future. The implication is clear: performance is not an outcome of isolated initiatives—it is the result of an aligned organizational system.

The **45-Degree zone** is a practical way to plan, align, execute and learn your way to the future. It operationalizes *Fit to Compete* by framing the core leadership task as integrating performance and capability—ensuring that delivering today's results builds tomorrow's organization.

For executives, this is the shift: not choosing between performance and capability, but leading an organization where the two reinforce each other—consistently and at scale.

The Executive's Dual Imperative

For any CEO or leadership team, defining a compelling strategy is only the starting point. The real challenge is shifting the performance trajectory of the organization while building the capabilities required to sustain that performance over time. In doing so, leaders must continuously navigate a fundamental tension. On the one hand, they must deliver results today—meeting financial targets, serving customers, and maintaining operational excellence.

On the other hand, they must invest in the future—developing the capabilities that will allow the organization to compete and succeed tomorrow.

We refer to this challenge as **the dual imperative**.

It raises a fundamental leadership question:

How do you consistently deliver today's performance while building a great organization capable of sustaining performance and strategic success into the future?

Most organizations recognize this tension but struggle to manage it over time. Many oscillate between periods of intense short-term performance pressure and periods of capability-building initiatives that are disconnected from the real work of the business.

Through years of working with leadership teams, and drawing on research in organizational transformation, we have found that successful organizations approach this challenge differently. Rather than managing performance and capability as separate priorities, they integrate them into a single trajectory.

This trajectory is what we call **the 45-Degree zone**.

The 45-Degree Zone

The 45-Degree zone represents the path organizations follow when they improve performance **while simultaneously strengthening the capabilities that enable future performance**.

Organizations operating in this zone understand that sustainable performance does not arise from effort alone. It is built on the capabilities embedded in the organization itself.

At the center of the framework lies a simple principle:

Sustainable performance equals performance at the level of your capabilities.

Organizations can temporarily perform above their capabilities. Extraordinary effort, favorable conditions, or short-term focus may produce results that exceed what the system can sustain. However, such situations rarely last. Over time, performance inevitably converges with the capabilities of the organization. The leadership challenge therefore becomes clear: improving performance sustainably requires **strengthening the underlying capabilities that enable performance**.

In other words, the task of leadership is to move the organization steadily **up the 45-Degree zone**, where performance improvement and capability development reinforce each other.

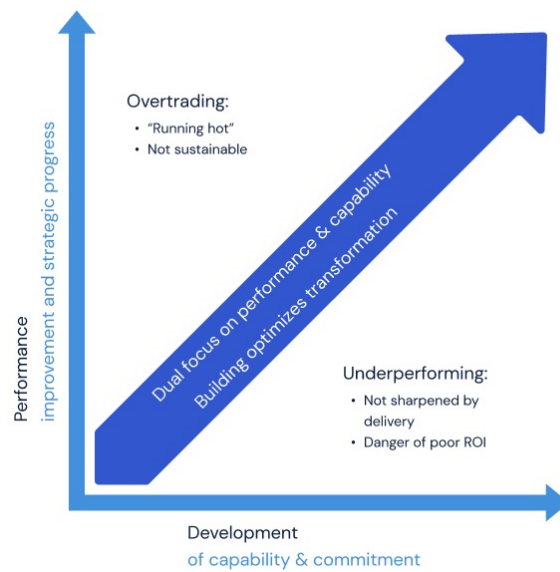


Figure 1: The 45-Degree Zone: Performance vs Capability

Organizational Capability as the Foundation of Performance

To move up the 45-Degree zone, leaders must understand what organizational capability actually means. Capabilities are not simply individual skills. They are collective properties of the organizational system—embedded in processes, structures, behaviors, and ways of working. We distinguish between **three interconnected types of capability**.

Direct Capabilities

Direct capabilities influence performance directly. They include the resources available, the skills and engagement of employees, the effectiveness of operational processes, and the ability to leverage technology and systems. These capabilities are the baseline for how well the organization could execute its core activities.

Organizational Capabilities

Organizational capabilities enable the direct capabilities to function as a coherent system. They include collaboration across teams, coordination between functions, communication across organizational boundaries, and effective decision-making processes. Without these capabilities, even highly capable teams may fail to translate their efforts into strong organizational performance.

Leadership and Learning Capabilities

Leadership and learning capabilities provide direction and enable adaptation.

They include the ability of leaders to clarify priorities, mobilize the organization around purpose, strategic goals, and establish feedback loops that allow the organization to learn and adjust over time. These capabilities are particularly critical during periods of transformation.

Together, these three capability layers determine the level of performance an organization can sustain.



Figure 2: The three layers of capabilities

Example: Capabilities Required to Move from Product to Solution Selling

Let’s look at an example to make this more tangible. Shifting from product selling to solution selling requires building a coherent set of capabilities across the three dimensions. The challenge is not only to upgrade sales skills, but to transform how the entire organization operates as a system.

1. Direct Capabilities

At the front line, the shift requires new commercial capabilities. Sales teams must move from pitching products to understand customer context, diagnosing customer needs and shaping value-based solutions. This includes consultative selling and negotiation skills, the ability to combine offerings into integrated solutions, and disciplined opportunity management. It also requires leveraging tools and data (e.g., CRM) to build deeper customer insight and manage more complex buying processes and stakeholder landscape.

2. Organizational Capabilities

This transformation is not driven by sales alone. It depends on the organization’s ability to

orchestrate value creation and value capture across functions. Commercial, product, engineering, service, and delivery teams must align around the customer's priorities and collaborate to develop, position, and execute integrated solutions. That requires clear roles, decision rights, strong internal alignment, and robust processes for account planning, opportunity development, and negotiation preparation. Without this orchestration, organizations tend to fall back into siloed product selling rather than coordinated value selling.

3. Leadership and Learning Capabilities

Leaders play a critical role in shifting mindsets and sustaining the transformation. They must clarify the strategic direction—where to play and how to win with solutions—and role model customer-centric behavior. Equally important is building learning loops: systematically capturing insights from customers and deals and using them to refine both offerings and ways of working. This enables continuous improvement and prevents the organization from falling back into old habits.

The Danger Zones Outside the 45-Degree Zone

In practice, organizations rarely stay perfectly balanced between performance and capability development. Under pressure, they tend to drift outside the 45-Degree zone. Two patterns are particularly common: **overstretching** and **underperforming**.

Overstretching: Driving Performance Beyond Capability

Overstretching occurs when organizations push for higher performance without strengthening the capabilities that support it. Leaders often respond to pressure by pushing teams to work harder, accelerate output, or stretch existing resources. Initially this may produce improved results. Over time, however, improvement activities are postponed, learning slows, and maintenance of the system is neglected. Employees become overloaded and operational fragility increases.

Nelson Repenning, a professor at MIT Sloan School of Management, has done research on organizational dynamics that describes this pattern as **The Capability Trap**. Under performance pressure, organizations focus on immediate output while neglecting the activities that strengthen capability. Eventually the organization finds itself working harder simply to maintain the same level of performance.

Underperforming: Building Capability Without Impact

The opposite pattern occurs when organizations invest heavily in capability development without maintaining sufficient focus on performance outcomes. Training programs, transformation initiatives, or new digital systems may be introduced with good intentions. However, when these initiatives are disconnected from real performance challenges, they often fail to produce meaningful results. In such situations, capability development becomes activity-driven rather than impact-driven.

Both patterns represent departures from the 45-Degree zone. Sustainable improvement requires that performance delivery and capability development remain tightly linked.

Moving Up the 45-Degree Zone

If the concept of the 45-Degree zone is straightforward, the real challenge lies in **how organizations move up the zone in practice.**

Moving up the 45-Degree Zone begins with clarity about the future: leaders must define a compelling from-to that links strategic ambition, performance priorities, and the capabilities the organization must build to succeed. But direction alone is not enough. Progress must be created through real work that improves performance while simultaneously building capability—using strategic initiatives, operational challenges, and cross-functional efforts as vehicles for both delivery and learning. Over time, sustaining that progress requires more than execution discipline. Leaders must build the organization’s adaptive capacity: the ability to surface barriers honestly, clarify decision rights, strengthen leadership at multiple levels, and install repeatable learning loops that allow the organization to adjust its strategy, priorities, and design as it learns. In this sense, moving up the zone is not a linear program but an iterative leadership task of direction, progress, learning, and adaptation.

From our work with leadership teams, three ongoing requirements consistently emerge when organizations successfully navigate major change.

1. Clarifying the Pathway to a Compelling Future

Transformation begins when leaders define a clear purpose and a strategic and organizational from-to: what results must improve, what capabilities must be built, and what must change in how the organization works.

Leaders must articulate a compelling vision for the organization—one that connects purpose, strategy, performance goals, and the capabilities required to achieve them.

This vision must go beyond aspiration. It should identify:

- The major sources of performance improvement
- The most critical capabilities required to succeed
- The sequence of challenges that must be addressed and the initiatives related to achieve the transformation

Alignment across the leadership team is essential. Organizations often benefit from engaging broader leadership levels in dialogue around the direction to ensure that both the strategic ambition and the capability gaps are clearly understood. When the pathway is clear, strategy can be translated into a coherent roadmap of initiatives and capability development efforts.

2. *Building Momentum Through Real Work*

Leaders must generate **momentum-building progress**—delivering improvements in performance while simultaneously strengthening capabilities

Many successful transformations rely on **Action Learning, Pathfinder or Breakthrough initiatives** that combine both objectives. These initiatives address strategic priorities while also pioneering new ways of working. Through these initiatives, teams learn by solving real business problems. This creates powerful cycles of action and learning that gradually strengthen organizational capability. Over time, these cycles create a flywheel effect where improved capabilities enable stronger performance, which in turn creates the resources and confidence needed to continue the journey.

3. *Building Leadership and Adaptive Capacity*

As organizations pursue both performance improvements and capability development, the complexity of the agenda increases.

Leaders must **work in** the organization while simultaneously **working on** the organization—often described as “changing the engine while flying the plane.”

This places significant demands on leadership capacity. Senior leadership teams must align priorities and coordinate interdependent initiatives, while leadership capability must be strengthened throughout the organization so that teams at multiple levels can drive change.

At the same time, organizations must build **adaptive capacity**—the ability to sense changes, respond to emerging challenges, and continuously adjust direction. This requires establishing clear priorities, strong cross-functional collaboration, and feedback loops that allow teams to identify barriers, learn from experience, and adapt quickly.

Organizations that successfully move up the zone invest not only in individual leadership skills, but in building the system conditions that enable continuous learning and coordinated action across the organization.

Case: Moving Up the 45-Degree Zone in a Large Academic Medical System

A large academic medical system faced a severe challenge: declining rankings, deteriorating infrastructure, fragmented systems, and a deeply siloed organization. The new leadership team launched an ambitious transformation agenda aimed at restoring world-class performance.

However, within months the organization experienced classic symptoms of **operating outside the 45-Degree zone**: leadership overload, fragmented initiatives, and poor coordination across functions. Here is an example of how they strengthening the three core conditions for moving up the zone.

1. Clear Pathway to a Compelling Future

The leadership team articulated a bold long-term vision and translated it into a clear strategic roadmap. They engaged hundreds of leaders across the organization to refine the direction and align around the most critical performance priorities and capability gaps.

2. Momentum-Building Progress

Rather than waiting for long-term initiatives to deliver results, the organization focused on initiatives that **simultaneously improved performance and built capability**. Examples included improving operational efficiency, addressing structural financial deficits, and investing in cross-disciplinary research and clinical programs that strengthened long-term competitiveness.

3. Leadership and Adaptive Capacity

To sustain progress, the leadership team strengthened governance and decision processes, expanded leadership responsibility to department heads, and introduced transparent performance dashboards to support learning and problem solving across the system.

Result

Within two years the organization had strengthened alignment, improved performance, and built the leadership capacity required to sustain its transformation. Over the following years, the institution dramatically improved its national rankings and financial performance.

Deeper Lessons

The transformation illustrates three core lessons about strategy execution. First, the main constraint in transformation is often **leadership and organizational capacity**, not the quality of the strategy; even with a compelling vision, the senior team quickly experienced overload and coordination breakdown.

Second, **capability building takes longer than performance pressure allows**, meaning leaders must simultaneously improve results and build new organizational capabilities such as cross-disciplinary collaboration and improved systems.

Third, transformations fail when **the number and pace of initiatives exceed the organization's ability to absorb change**, creating leadership overload, poor coordination, and conflicting priorities that slow progress and threaten the change effort.

Designing a Change Model That Supports the 45-Degree Zone

How improvement work is organized can significantly influence whether organizations remain within the 45-Degree zone. This section takes a unit perspective on creating a favorable context for moving up the 45-Degree zone.

Two common approaches illustrate this difference: **staff push** and **line pull**.

Programmatic Change Leads to “Staff Push” and overload...

...Instead of “Line Pull” that leads to balanced progress

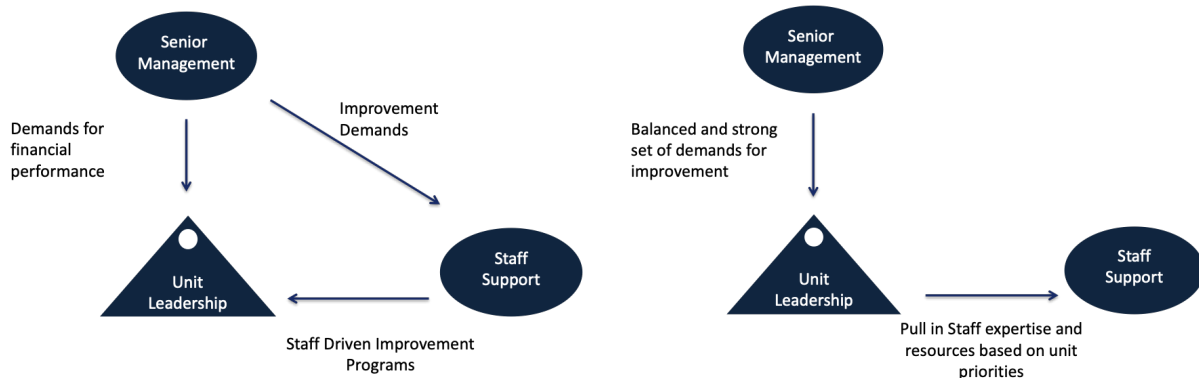


Figure 2: Staff Push vs Line Pull Change Models

The Limits of Staff Push

In many organizations, improvement programs are designed and driven primarily by central staff functions. These functions develop methodologies, launch initiatives, and push improvement programs into operating units. While well-intentioned, this **Staff-Push model** often creates unintended consequences. Multiple initiatives compete for attention, and operating units struggle to absorb the volume of change.

The result is frequently overload. Leaders at the unit level are asked to deliver short-term performance while simultaneously implementing numerous centrally driven initiatives. Under these conditions, units often drift outside the 45-Degree zone or avoid taking on the central capability building initiatives or go through the motions without making a serious attempt to get the intended value from them. Capability-building activities become disconnected from the operational realities of the business.

The Power of Line Pull

An alternative approach is the Line-Pull model. In this model, operating units take primary responsibility for their own journey up the 45-Degree zone. Each unit develops its own plan to improve performance while strengthening the capabilities required to sustain that improvement. Central staff functions still play an important role—but rather than pushing solutions, they act as partners that provide expertise and resources when needed. Operating

leaders pull in the support they need, based on the priorities of their own improvement agenda.

For this to work, leaders must place **balanced demands** on their units—holding them accountable not only for short-term performance, but also for building the capabilities that underpin future results. This creates a dual pull: to deliver today while continuously improving how performance is achieved.

This approach has several advantages:

- Improvement initiatives remain closely tied to real performance challenges
- Units maintain ownership of both results and capability development
- Staff expertise is deployed where it creates the greatest impact

Most importantly, the line-pull model reinforces the fundamental principle of the 45-Degree zone: performance and capability must evolve together in the real work of the organization.

Summary: Delivering Today, Securing Tomorrow

Navigating the 45-Degree zone is not a one-time balancing act but an ongoing capability. As organizations pursue performance and capability-building in parallel, they inevitably generate new insights about what works, what doesn't, and where the real constraints lie. The critical question then becomes: how do we systematically capture and act on this learning at scale?

About This Perspective

This paper builds on research over decades about how to successfully be fit to compete, accentuated by the fast-moving context organizations operate in today. The 45-Degree model in its original design was first developed and published in 2015. It connects closely with research on silent killers (also presented in an IMTP Perspective) and with IM Truepoint Perspective on the The Learning Serpent: Designing Adaptive Organizations for Continuous Change. It is written as an executive perspective in the style of an IM Truepoint white paper: concise, practical, and aimed at helping leadership teams connect strategic ambition with organizational reality.

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About TruePoint Innovation in Management

In close collaboration, IM TruePoint brings innovative management knowledge and practices to leaders and their teams, so that they can navigate the complexities of today's world and build capabilities to learn and adapt faster than competition. We are convinced that leaders who manage to integrate both economic and social value, what we call Higher Ambition, will prosper in the long run.

Our expertise is to deeply understand the whole system – your purpose, strategy, organization and people. We help unearth the friction points in your system and get people talking about how to solve them so that actual solutions can be implemented. We partner with you as you align your leadership and build capability for continuously adapting and consistently delivering both short-term and long-term performance.

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