

The Case for Strategic Alignment



White Paper



Introduction

In the corporate sector, the impediments between formulating strategic plans and carrying them out at the operational level have always been formidable; often they have been insurmountable. Troubles occur at the top of the corporate structure, at the bottom and also in the middle. Corporate vision and strategy, the accountability of the most senior officers and the board of directors, are often stated as objectives, generalities, and platitudes, rather than specifics. The working levels often view corporate plans as threats, and defy them. The intermediate levels of business frequently regard corporate strategies as requiring only nominal consideration and support. Indeed many middle managers have become quite adroit at showing how their own and possibly self-seeking initiatives support whatever strategies the company can devise.

This is not the way strategic planning is supposed to work. In theory, the most senior levels of the enterprise ought to devise specific plans with the help of key managers and experts throughout the business. Then the total business should implement the plans with whole-hearted buy-in and commitment. It is the complexity and size that prevent all of the levels of business from living up to this model in recent years. Specifically, the problem in implementing even the best laid plans of corporations is that in addition to simply making the corporate strategy known to the entire organization, the enterprise must also be aligned to the strategy.

A business is best aligned with respect to its corporate strategies when the interests of all stakeholders in the business are in alliance with the strategic objectives of the business itself. This is difficult or impractical to achieve completely or quickly by directly addressing the objectives of each employee, but the business can also be aligned by focusing its business assets upon the corporate strategies. These assets include:

- Employees
- Core Competencies
- Business Processes
- Corporate Personality and Culture
- Enabling Technology
- Market and Product Knowledge
- Intellectual Property

Focusing these components necessitates the alignment of corporate change initiatives to strategic plans, the alignment of change approaches to initiatives, and the alignment of organization structure to strategy. Most important, the way that work is completed must also be aligned to the corporate strategy. Alignment can be applied: to bring an unfocused organization into focus; or to change the focus of a relatively cohesive corporation.

The Unfocused Organization

What are the characteristics of an unfocused company? What are the symptoms of being unaligned? When discussing strategy with senior managers, we often find the basis of superb strategizing:

- Finely honed assessment of strengths and weaknesses
- Broad and deep knowledge of the marketplace
- Keen insight into the directions and trends of the industry

- Detailed and accurate knowledge of the competition and, most important,
- Basic acumen to formulate winning approaches to business problems.

But also as often their thinking stops short of successfully putting strategy to work in the business environment. Who will be involved and what will they do? How will it impact the organization; will all of the impact be positive? Many well staffed businesses experience problems in moving forward into the future because the achievement of strategy is not given the same attention as the strategy itself.

Clearly businesses are predictably better at making strategy than at implementing it. Almost every business includes focus as a strategic objective, most express improving focus as a priority. Many executives believe that focus is a key success actor to significant improvements in corporate efficiency, effectiveness and flexibility. Nonetheless, lack of focus is a widespread problem in businesses today. Few companies do not reveal at least a few of the following signs of an unfocused organization as shown below:

- Strategic plans are not put into practice. In some cases, operating levels of management work around corporate plans, and provide only superficial attention and support. In other cases, corporate strategy is completely ignored and becomes “bookcase art.”
- Change is slow or stifled. It is difficult to change strategy and the actual operations quickly in response to new opportunity or market pressures. The organization always seems to be behind the competition and the market.
- Strategy execution is not placed within a formal planning and measurement structure. Strategy is not defined in terms of specific goals and the outcomes of accomplishing these goals. The goals may not be segmented into initiatives and projects. The operating division or department’s role in accomplishing the strategy is not defined or coordinated. The individual’s role in achieving the organization’s strategic goals is expressed only as slogans.
- There is a diffusion of purpose and intent as managers at many levels try to understand the strategy and then to figure out how they will be affected and what they will need to do to make it happen. Few managers understand the strategy beyond its simplest goals.
- There is often inadequate coordination of enterprise-wide and inter-division (department) projects. This results in failures, redundant outcomes and conflicts. It also results in uncalled for work that reduces the effectiveness, efficiency and quality of the business activities.
- Many senior managers are concerned that their attention is not focused on the right business activities to gain the most resource leverage, nor to obtain the greatest positive impact in delivering corporate strategy.
- There are noticeable political dilemmas. Most of the company’s manager’s consider the environment intensely competitive and biased. Managers generally do not trust each other and tend to refer difficulties upward, rather than settling among their peers. There are “memo wars” that waste precious time and resources.
- The question – “What business should we really be in?” – is often asked, but seldom answered.
- The top level managing committee is not respected by the lower levels of the organization. This group, and every so often the CEO, is considered indecisive. From the perspective of the committee, however, the issues referred to upward to them require solutions, not decisions. The highest level of the organization looks at its subordinates as avoiding responsibility by referring issues upward with inadequate thought and preparation.

- Conflicting requirements for resources, present in all businesses, are generally not resolved in unfocused organizations, resulting in some resources not being allocated to priority mission-critical work.
- Many change initiatives are undertaken, but are then allowed to quickly subside before they have been carried far enough to deliver any positive benefits. The pattern extends to task forces formed to study corporate conundrums: they either deliver inconclusive reports or none at all or just stop meeting.
- There is a general lack of business perspective in the organization. All problems seem to have equal importance, with trivial problems seemingly given equal attention to critical ones. Suggestions are as likely to be nit-picked as examined on their potential impact on the bottom line.

Strategic Alignment Benefits

Strategic alignment focuses energy, eliminates redundancy, eliminates conflicting work and defines the capabilities and competencies which provide competitive advantage to the organization. Other essential benefits result from the alignment's contribution to project coordination, such as outcome redundancy elimination, project conflict elimination, and project outcome quality assurance. The conflict, redundancy and coordination problems experienced by many businesses in managing projects may arise from a lack of alignment in the business itself, and not in mismanagement of the individual initiatives and projects.

Alignment also has many other benefits, some of which may be more important to an organization that wants to change its current alignment than the principal benefit of providing focus. Some of these benefits include:

- Improves the payback of initiative and project activities by focusing corporate resources on the business activities where they will have the greatest positive impact. With limited resources, this ability is critical to the overall success of the business.
- Clarifies both strategy and the participation and collaboration of stakeholders which will be required to put into action. Supports the formalization of the strategic plan and its elucidation into corporate and divisional tactical plans.
- Shortens the realization of strategic plans by eliminating redundant project activity, avoiding outcome conflicts and identifying all the barriers that need to be shattered to ensure success.
- Ties the corporate personality and culture, processes, capabilities, competencies, and resource realities collectively to implement the organization's strategy.
- Reduces cost by eliminating the need to correct problems that are caused by conflicting projects and avoiding projects that are focused on business activities that do not support strategy.
- Reduces change program life cycle time by coordinating all the components of the project's participants, and by eliminating redundancy and inconsistency
- Provides the flexibility and structure to change strategy quickly. Alignment also supports the quick, effective evaluation of the impact of changing strategic plans.
- Provides constancy and clarity of purpose from the top of the organization down to the operating level as strategy becomes infused throughout the total operation. Alignment makes strategy real, going beyond slogan, symbol and historically unfilled intentions.
- An aligned organization can make non-strategic changes quickly, within its strategic framework. This supports market maneuverability, a vital capability for businesses in response to increased competition.

In addition to helping to achieve the specific goals of the organization's strategy, reducing costs and controlling work, alignment also focuses all of the business's effort and attention on the areas which will provide the most effective competitive positioning. With all of the company pulling together toward a common goal, supporting the corporate vision, the business will maximize its capability to succeed.

Why Not Align?

If alignment is vital to business, why is it not well-known and generally practiced? The answer lies in the need to manage process, in addition to the traditional management of organization structure and the business's financials.

Business has managed itself predominantly using the organization chart and the financial summary for several generations. They are well known and universally used tools. Any veteran manager can understand a financial summary, certainly well enough to put together and monitor the annual performance plans. Correspondingly, all levels of management can understand the organization chart and can make incisive judgments from the relatively simple information it provides. The organization chart is the most common tool for change management. In theory, a successful organization, populated by skilled people will necessarily succeed.

But today size and complexity place several critical considerations in business beyond the scope of the organization chart and the financials. Another view of the business is needed, and that view is business process: the way that the work is done. Process, the step-by-step activities of the company's work, is also referred to as work flow. An entire business process is made up of all of the work flow, throughout the organization, that contributes to an identifiable activity that is vital to the enterprise. All of the business processes define the business from a process viewpoint, just as all of the divisions comprise the company from the organizational viewpoint.

Strategic Alignment and Process Rejuvenation

When process rejuvenation is done successfully, the traditional organization view of the business is also considered, so process management does not replace existing methods, but augments and enriches them. When the drama has worn off, process management will take its place among the customarily accepted tools of management sciences and will provide its benefits as quickly as the others do presently.

Interpreting process rejuvenation judiciously, it becomes a natural partner to strategic alignment, and alignment becomes a component of process rejuvenation. One of rejuvenation's most common problems, arguably its most important problem, is determining where to start. The most publicized approach is starting with a blank sheet of paper, but surely that method discards the good along with the bad. While it is desirable to avoid having to continue unproductive practices, there must be a better starting point than nowhere.

Certainly, the choice where to begin a rejuvenation project should provide the greatest benefit to the organization. What could be more appropriate than to employ the corporate strategy as the goal of all rejuvenation? Notionally, the corporate strategy is the company's best route to success. It is also a realistic starting point that maximizes the benefit of the process rejuvenation effort. The corporate strategy is the essence of the business's aspirations.

By starting to rejuvenate with the corporate strategy as the objective, and then aligning all work, initiatives, capabilities, and the organization to the strategy, a new and useful outlook is gained.

This perspective is exactly what is required to make the vision of the enterprise become reality. From the process viewpoint of the corporate strategy, an understanding is possible that can provide the basis for evaluating the potential of all corporate change initiatives, including rejuvenation efforts. Once the ability to focus rejuvenation efforts is available, the organization can recognize and target the business activities that will yield the greatest advantage and the areas that present the most momentous challenges.

Aligning the Organization to Strategy

The very worst case is the company with no strategy at all! Even this case can be dealt with, providing necessary leadership exists in the enterprise. The methods by which a strategy can be formulated are well developed, particularly by organizational development professionals. In most cases, however, there is a corporate strategy, sound in its approach, even when it is not well expressed.

The alignment activity begins with the review, clarification and enrichment of corporate strategy. This produces a specific set of goals, concisely expressed strategic actions (each having a key verb) and time-certain start and end dates. Where possible, the goals will be broken to the next level of detail and connected with the organization work teams that they will affect.

The next step in alignment is the identification and categorization of ongoing corporate change projects. Existing corporate initiatives are then segmented in terms of their objectives and outcomes and then they are assigned to one or more corporate goals. This groups initiatives first into those that do and do not seem to support corporate goals, and then into those that are in conflict with one another. The initiatives can then be attuned to eliminate repetition and conflicts.

Next, all currently planned change projects are associated to an initiative. Where necessary, the projects are reviewed and their outcomes noted, in terms of the activities of the business and the strategic objectives that are impacted.

These projects are compiled from each corporate division/department, but consideration may be limited to scheduled projects and those currently in process. An analysis of the outcomes of each project allows obvious redundancy and conflict to be reviewed for consistency with strategy and strategic goals. This aligns change activity with strategy and identifies redundant and conflicting work – both of which may be expensive and damaging.

Following the alignment of change initiatives to strategy, the projects are mapped to the core business processes of the enterprise, and then to the detailed activities that make-up the processes. If no process map exists, this phase commences with the identification and charting of the organization's processes. Projects are also related to the organization work units where they are planned to be performed.

The process activity map is then reviewed to determine how the change projects will actually affect the organization's work. By reviewing the objectives and outcomes of all change projects, any redundancies and conflicts will become known and appropriate adjustments can be made. The process map, annotated with change project information, will also show points at which more than one change project affect the workflow, possibly requiring special coordination or extra resources.

As processes are created from work activities performed in multiple organization units they represent a cross-functional work view. Because business processes are aggregations of work activity from many business and support units, it is possible to directly relate all essential core work activities and their projects to the organization.

Therefore, the process map will show where the work must be changed so that changes in responsibility, organization and incentive can be made. Special efforts can be also initiated to align the personnel identified as being affected by each change with corporate objectives and strategy, and potential problems can be eliminated or managed. The result is an alignment of all change projects, the work of the business, and the corporate strategy.

Also at this time, the process map can be used to review and classify process activities into core operational work and support work. Within these categories, activities are identified as essential work, value-added work and non-essential work. Along with this assessment, the key performance indicators or those capabilities or competencies which provide a competitive advantage are defined and related to the process activities. This provides a gauge for measuring where effort and resources should be allocated.

When the process map alignment activities are concluded, the organization structure can be reviewed. Using the organization chart and the process map together, the ability of the organization to support the corporate strategy can be determined and alignment adjustments can then be made to both process and organization structure. For example, those activities which are not affected or are minimally affected by the changes necessary to support a corporate goal should be carefully evaluated to determine if they can be streamlined or outsourced. Moreover, those activities of the business which are not part of the value-added core or the essential support activities should be scrutinized. The organization structure may also be reviewed at this time to make certain that it makes the most sense in term of supporting the corporate goals and providing the maximum support of the enterprise's processes.

Lessons Learned

The conclusion that can be drawn is that strategic alignment of all business assets becomes progressively more important as the size and complexity of a business grows. Aligning the business to its high-level strategies, however, requires more than just aligning the organization structure. Alignment must reach all stakeholders of the business and must influence the way the work is accomplished. This requires that the processes of the business be examined and the impact of proposed changes upon them be assessed by rejuvenation and other tools.