The Power of Alignment

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Overview

An organization cannot effectively assess and manage its employees without gauging alignment. Alignment links daily tasks to the bigger picture, reinforcing the importance of an employee's work to the success of the company and enabling work to flow more effectively and efficiently. Misalignment, on the other hand, leads to poorer employee satisfaction and productivity.

My partners and I (Dr. Elena Granell - Instituto de Empresa, Dr. Albert Vicere, Vicere Associates and Pennsylvania State University, and Dr. David Lopez, iAnalytics) have spent the last twelve years researching the linkage between strategy, processes, infrastructure, behavior, and organizational mindsets. We have identified key drivers of behavior in organizations and the critical processes that link strategy to daily action. Specifically, we have looked at the interactions among 1) employees' embedded beliefs about how the organization should operate, 2) organizational work processes, and 3) employees' behaviors. These create an organization's strategic capability and execution ability.

We have developed a model of the core belief systems of the company (e.g., how much employee latitude is needed in the company), the critical processes that drive strategy execution supervisory relationships). By doing so, we have created an easy-to-understand map to view alignment. Our model, the Organizational Strategic Assessment™(OSA), enables executives to readily see how well aligned they are, how to design new approaches, and the critical areas to change to increase alignment.

Alignment Importance and Definition

We have found that alignment is a strong determinant of performance. In one of our studies[i], which include over 1000 respondents representing more than 100 companies, we found that *30%* of the difference in performance among companies was due to alignment or lack thereof. Considering the many factors that drive a company's performance – the economy, competitors, technological change, government regulation and policies, typical gross margins in an industry, strategy, and markets – it would certainly appear that executives have little choice but to pay attention to alignment. Few, if any, of these drivers of performance individually have the potential to impact 30% of performance.

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Why does alignment have such a robust impact on the "bottom line?" Alignment, by definition, reflects the fitting together of all the organization's disparate pieces into a cohesive, efficient and effective whole. However, managing alignment is challenging. It is analogous to building a jigsaw puzzle whose pieces are always moving in location and changing shape.

In management terms, alignment is the process of fitting the pieces of an organization together in a way that maximizes people's abilities and efforts to execute the organization's strategy. Alignment creates synergy and optimization. The synergy of the pieces increases employee's ability to do their jobs efficiency and effectively by removing blockages created by conflicting or disjointed processes, behaviors and mindsets.

Alignment is not a static concept or measure. It is continually shifting, ideally ebbing and flowing with the constant changes in an organization's market, its people, its processes, and its technologies. Alignment, therefore, is a continually shifting and often elusive target.

If an organization's alignment is shifting, how do executives know what they should change or if the change will have a meaningful impact? Historically, executives have assessed alignment and success by outcome measures and the operating metrics in their dashboards. Although this is state of the market, it is a comparatively high-risk approach. These measures are more focused on improvements in efficiency and effectiveness than alignment, and often do not reveal underlying faults in an organization's infrastructure. To assess alignment – and to be able to anticipate the shifts in their companies' alignment – executives need a way to rapidly identify alignment problems, easily see where to intervene, and precisely measure outcomes that show the improvement in alignment vis-à-vis the organization's strategy.

A Model of Alignment

What is a model of alignment? First and foremost, it is a representation of organizational dynamics. It provides a framework from which to understand, measure, capture, and ultimately influence an organization's inner workings. OSA captures an organization's dynamics by identifying the mindsets, the behaviors, and the processes that drive organizational performance.

Mindsets, behaviors, and processes are the essential elements of an organization's performance. They are arranged and re-arranged by executive management to meet market demands and other external pressures. These three elements form an interactive system, ebbing and flowing with changes in each.

- Mindsets are the collective beliefs, perceptions, and values of the organization as a whole. They reflect the collective organizational values and beliefs of the employees. They define the operational constraints, as well as potential of an organization. Mindsets are influenced by processes and behaviors.

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- Behaviors are the employees' day-to-day actions as they perform job-related activities. They define the degree to which employees fulfill the organization's potential. The behaviors are influenced by functional processes, peer and management behavior, and expectations. Behaviors are influenced by mindsets and processes.

- Processes are the sequence of structured activities that take input from a source and transform it for use to an output, adding value to the user. They explicitly tell the employee what to do and how to do it. They are the defined sets of work controls that carry explicit instructions. They are influenced by mindsets and behaviors.

The OSA Model of Alignment identifies four strategic components that collectively represent the organization's strategic culture. Organizational success is defined by the alignment of these four components – a synergistic relationship that fosters growth, creativity, and performance.

More specifically, the four components are:

- *Strategic Focus* (i.e., Do you prefer a fast-paced environment focused on capturing market share, or a more analytic environment focused on maximizing profits).

- *Relationships* (i.e., Do you prefer an environment focused on protecting the organization's legacy, or one that promotes evolving the company's legacy).

- *Daily Operations* (i.e., Do you prefer an environment with a strong supervisory relationship between manager and employee, or one that promotes more freedom and individual responsibility).

- *People Development* (i.e., Do you prefer an environment that values hiring people with potential or one with a preference for hiring people with a demonstrated track record of performance).

How Does Alignment Work in Practice?

Alignment starts in the organization's core and flows out through the four components, linking the organization to its environment and the environment the organization. Executives fit the components together to ensure that the mindsets – the organizations' strategic intent – are congruent and reinforced by employee behaviors and the organization's processes.

Mindsets

Understanding the organizational mindsets is critical for employees to adapt to a new organization or to a shift in strategy. Mindsets, as the collective values and beliefs of an organization, provide mental markers that indicate the purpose, direction and basic operational philosophies of the organization.

Mindsets set the individual's expectations about the organization and therefore indicate what the employee needs to buy into. Mindsets guide employees' behavior by setting expectations, explaining what the organization intends to achieve and how it intends to achieve it. Mindsets provide employees with a deeper understanding of purpose, of intent, and how to accomplish both the organization's and the individual's goals. Mindsets become internalized by employees, enabling them to make better decisions, use their own judgment with less supervision, and accomplish their tasks faster and more accurately.

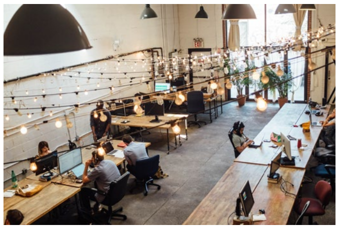
Behaviors

In almost any situation, people look to the behaviors of others to guide their own behavior. They change their behavior to match what others are doing. They adapt to the situation to fit in. Watch how most people adapt to a new or unknown social situation. They watch how others behave and, after absorbing the information, they mimic the behaviors around them. They quickly identify the social cues that trigger others' behavior and adapt to the new situation by acting like everyone else. After superficially mimicking the behaviors, they look for the rules that drive the behavior. In an organization, the rules are the processes and the mindsets.

Once they learn the mindsets and processes, they understand the organization's expectations and rules, enabling them to adapt to the norms of the organization without conscious thought. Collective consistent behavior is a powerful signal to employees that encourages them to adapt to and match the behavior around them.

Processes

Processes, as overt indicators of organizational expectations, explicitly guide the behaviors and help reveal the mindsets employees need to adopt to be successful. They provide specific behavioral direction on how to adapt to the organization (as in the new social situation) and to specific situations on a daily basis. They also indirectly indicate the organizational mindsets that an employee needs to adapt to fit in successfully to an organization.



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Example

A good illustration of alignment and misalignment occurs on a regular basis when organizations install enterprise-wide software. Enterprise resource planning (ERP) is designed to integrate tracking of all the activity across the organization and standardize the measurement of the all the activity. When implemented well, it provides the organization with greater control and an increased integration of effort.

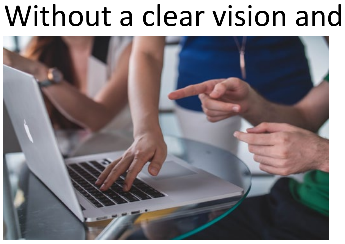
It also changes the organization's culture, something few companies fully appreciate. That is, it requires many employees to change how they go about their daily work, often tightening control of procedures, narrowing the scope of some roles and changing their work pace. It can also force them to work differently with peers and others. In our terms, ERP requires employees to change their behaviors, processes, and mindsets in order the system to be successful. Consequently, it forces a cultural shift from "how we did our work before to how the ERP system tells us to work." It changes the alignment of the organization.

The strategic danger for executives is to believe ERP is simply a very large IT project rather than an organizational transformation initiative. Installing and implementing an ERP system requires the same approach that is needed in organizational transformation. It requires a clear vision and understanding of where the organization will be when the ERP is fully implemented, a clear approach to the change process, a strong buy-in to the effort, and consistent and persistent leadership.

Executive leadership needs to formulate the strategic reason that underpins why they are transforming the organization with ERP and to develop a clear plan that will accomplish the cultural change. The "why" is developed in the strategic planning process and the change plan is developed after assessing the alignment of the organization.

Ultimately, organizational change is a very local and personal phenomenon. It impacts each function differently and forces many individuals to change their daily approach to work: which typically they are reluctant to do even with a compelling vision. Executive management needs to understand the company wide culture and how it will change and, equally important, how the culture of each function and unit will change. This requires a map of how the organization functions.

Without a clear vision and approach, workers do not know why or how ERP will improve performance



and what will change or when it will change in the organization. In many organizations, installing ERP creates havoc because employees only learn the new way of working – the new work processes – without understanding the strategic imperative for the change. They retain their previous mindsets of how to act, assuming that ERP is simply a data collection system rather than a new way of operating. Consequently, the processes are not aligned with employee behaviors and mindsets, creating operational havoc. Without a corresponding change in mindsets, the ERP system has created organizational misalignment.

Executives can prevent this misalignment by understanding the organization's current alignment, design the desired future alignment required to support ERP, and then identify the best interventions to create a new alignment. In this case, interventions will need to be both company-wide (for example, reward systems that support the new ERP measurement processes) and unit specific (for example, new communication flows created by impacted workers). This requires an alignment blueprint, a map to guide the how to change the behaviors, processes, and mindsets of everyone. Executive management can explain the change in terms of aligning to the market changes or strategic initiatives based on identified alignment issues and HR can identify the realignment changes in the metrics and rewards to best support the new culture.

Summary

Alignment is the dynamic interaction among mindsets, employee behaviors, and processes. Daily approaches to work is a major driver of organizational performance. The OSA model captures an organization's dynamics by identifying the mindsets, the behaviors, and the processes that drive organizational performance. In a well-aligned organization, the OSA components are aligned with each other and the organization's strategy to create higher performance.

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[i] ***"The Keys to Strategy Execution."*** Human Resource Institute, University of Tampa, 2007, (Overholt, Jamrog, Dennis, Bear, Lee, Vickers, Williams)

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