iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

Organizational Alignment

by Donald T. Tosti and Stephanie F. Jackson

ORGANIZATIONS AS SYSTEMS

Organizations are dynamic systems and, like all other systems, they function best when their components are designed to work together smoothly and efficiently. Any change we introduce to an organization, then, must be aligned to fit the existing system — or must modify the system to accept the change. The model below is a simplified systems framework for understanding the relationship between organizational components.

The model describes two interdependent paths for moving from a broad statement of organizational mission and vision to specific organizational results:

- **Strategic:** The left-hand path emphasizes **what** needs to be done: the strategic goals the organization will work toward; the objectives that groups and individuals must accomplish to carry out those strategies; the activities that must be performed to meet goals and objectives.

- **Cultural:** The right-hand path emphasizes **how** things should be done: the values that will guide people in carrying out the mission and vision; the practices which reflect those values; the specific, day-to-day behaviors which will represent the values and practices to others as people go about their work. Note that these values reflect how an organization intends to conducts it business — not people's personal values about home, family, religion, or personal relationships.

iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

ORGANIZATIONAL ALIGNMENT

Organizational alignment requires compatibility *between* the strategic and cultural "paths," and consistency *within* them. Values should be compatible with goals: a group that values flexibility should think twice about goals focused on developing very tight control systems. Day-to-day behavior should be consistent with stated values: a group that values responsiveness should not answer customer requests with —sorry, that's not my job.—

Organizations have traditionally emphasized the strategic path. Most invest considerable effort in defining strategic goals and objectives. Fewer address the cultural path with clearly defined statements of values, and fewer still make a consistent effort to ensure that values and strategy are compatible and that work behavior represents their values. Yet the *way* we do things influences results fully as much as *what* we do.

Organizational values, like organizational goals, are business necessities. Maintaining an aligned organization requires clarity about values as well as strategies and goals. For example, achieving and maintaining market share requires setting relevant goals and testing actions and decisions against those goals. It also requires communicating relevant organizational values and ensuring that typical behavior in the organization reflects those values.

In recent years, increasing competition and rapid change have generated more interest in the "values side" of the organization — the side most strongly associated with culture. When customers perceive less and less difference among companies in products and services, they begin to place more and more importance on how those companies work with them.

ORGANIZATIONAL SYSTEMS: KEY COMPONENTS

Mission and Vision represent long-term organizational **intent**. They provide guidance about organizational purposes, expressed in terms of what the organization is in business to do (mission), with a picture of the expected impact of the organization's performance (vision).

For example, here is a **mission** statement for a hypothetical financial services organization: "We provide products and services to business customers that help them make well-informed, timely financial decisions." Accompanying that mission statement, or as part of it, might be a **vision** of its impact: "We see our customers developing a well-

iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

founded confidence in their financial decisions, and increasing security about their financial futures."

Such statements provide general guidance to everyone in the organization in making choices about strategies, customers and markets, products, and services.

Goals and Values provide **greater** direction about where the organization is going, and by what means. They establish how the organization intends to allocate resources to accomplish the mission/vision over time (goals), and how it intends to behave as it does so (values).

For example, supporting the mission and vision above might be strategic decisions or **goals** like these:

> "To provide a full line of financial services to small and mid-size organizations."
>
> "To gain a competitive advantage through top-quality customer service."

Statements like this give people guidance about how to allocate resources, and where to invest their time and effort."

In addition, the organization can make statements about the kinds of values it considers important, such as:

> Partnering: "We work in partnership with our customers, freely sharing information, ideas, and plans."
>
> Initiative: "We encourage people at all levels to take initiative to meet customer needs, and support them in doing so."

Statements like this provide guidelines for how people are expected to behave in working with customers, and how managers are expected to behave toward customer support personnel.

Mission/vision, value and strategy statements tell people "what we are about," and guide members of the organization in setting priorities and choosing how to behave.

Objectives and Practices are the institutionalization of strategies and values. They represent decisions about how to implement those strategies and values: the objectives people set for themselves and the results they expect of their work units; the typical ways they interact with customers and others both within and outside the organization.

iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

For example, managers might support a **goal** to increase market share among small and mid-size organizations by setting specific sales objectives for those markets, or by setting product development objectives around the needs of small and mid-size customers.

Managers might support a **value** of partnership by practices like holding regular meetings with clients. They might support a value of initiative by practices like giving front-line customer service personnel resources and authority to take independent action in meeting customer needs.

Activities and Behaviors are the execution of intent — the ultimate determinants of organizational performance. These represent what really happens in an organization on a day-to-day basis: the activities people choose to invest their time in, and the way they behave as they perform those activities. Statements of mission and vision, values and strategies are meaningful only insofar as they are translated into action.

For example, a strategic decision to build a competitive edge through customer service becomes reality when people throughout the organization engage in activities like acting on customer feedback and testing decisions made anywhere in the organization for their potential impact on customers.

Values of partnership and initiative become reality when people engage in behaviors like inviting personnel from other groups to planning meetings and taking action to meet needs as they arise, rather than waiting for approval.

Results are the outcomes an organization produces, as a function of the activities and behaviors performed. They can be measured in a variety of ways: financial indicators, product/service measures, customer retention rates, sales measures, employee and customer attitude surveys, measures of market share, etc. The way an organization chooses to measure its performance determines its ability to stay on track — to evaluate its progress against values and strategic goals. For example, an organization that measures results exclusively in terms of outcomes like sales volume and profit will have a pretty good picture of short-term success, but will be missing information that may be critical to long-term health, such as customer retention measures.

iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

ORGANIZATIONAL INFLUENCES

The strategic and cultural "paths" do not operate in isolation. They interact with the organization¹s external environment, with its internal support systems, and with its stakeholders. The expansion of the model below offers a fuller picture of the organizational system; a complete picture would also include feedback.

External Environment: This includes a host of factors, such as the economy, sociopolitical environment, competition, governmental policies and regulations, the state of the technology. Any or all may influence an organization's strategy or values. For example, heavy competition in the large corporate market, and the costs required to penetrate it, may influence an organization's decision to concentrate on the small and mid-size business market. Increasing evidence of an organization's impact on the physical environment may result in placing greater importance on social responsibility as a value.

Stakeholder Value: Stakeholders include any group that is significantly affected by the organization's performance, such as customers, shareholders, suppliers, even the general public. These groups have different relationships with, and expectations of, the organization; understanding these expectations is a key factor in organizational decision-making. For example, while shareholders and financial analysts may judge an organization heavily in terms of its growth or profits, customers may be making their evaluations on such factors as responsiveness, quality and range of services, or

iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

environmental sensitivity. Organizations need to take both sets of expectations into account.

Support: Leadership and systems function as "performance levers" that help (or hinder) people in implementing strategies and values and producing results.

Leadership reflects the ability of leaders and managers to focus on the "big picture" and to serve as both models and coaches in support of strategies and values. An organization that values respect, for example, requires leaders who model respectful treatment of others. An organization that wants to be known for innovative, 'cutting edge' products requires managers who support experimentation and calculated risk-taking and are willing to accept the inevitable failures that risk-taking entails.

Organizational *systems* include reward systems; information systems; performance appraisal, compensation and benefit systems; organizational structure and reporting relationships; training and development; work design; administrative policies. Compensation systems for salespeople that focus exclusively on revenue targets can create pressure to violate values about treatment of customers, or to ignore strategic plans for penetrating selected markets. Similarly, centralized control policies designed to ensure consistency can get in the way of responding to customer needs unless those policies are flexible and balanced by reward systems or other factors that support responsiveness to customers.

Organizational alignment occurs when strategic goals and cultural values are mutually supportive, and when key components of an organization are linked and compatible with each other. Market strategies should be consistent with organizational values, and so perceived by members of the organization. Group objectives should be derived from organizational strategy and supported by management practices. People's day-to-day activities and behaviors should be consistent with mission, strategy, and values. Organizational systems and leadership should support those activities and behaviors.

Few organizations will achieve 'complete' alignment — and unless they are in very stable environments, that isn't desirable. The goal should be a degree of compatibility and consistency that lets people devote most of their energy toward accomplishing results, with a minimum of effort needed to overcome obstacles and a reasonable minority of effort devoted to healthy dissent that can help an organization continue to grow and adapt.

iChangeWorld Consulting, LLC
795 Clausing Avenue
Novato, CA 94945
United States
Phone: (415) 878-2031
info@ichangeworld.com
www.ichangeworld.com

ALIGNMENT APPLICATION

Organizational alignment is *linking strategy, culture, processes, people, leadership and systems to best accomplish the needs of a company*. An aligned organization is one whose performance influences are mutually supportive and are focused on effective and efficient delivery of results.

An organizational alignment project may begin with a business need, followed by an organization-wide alignment analysis to recommend and implement appropriate interventions. More often, it is a companion effort, accompanying a major change that has organization-wide implications. For example, here are a couple of situations in which organizational alignment models and methods have been applied:

- An organization conducted a major re-engineering effort, including skills training, but found that people were often not following new procedures and the organization was not realizing the anticipated gains. An alignment effort helped to make modifications that modified organizational culture and systems to support the new processes.

- A company formed by a consortium of 10 different organizations, representing 10 different nationalities, found itself significantly behind schedule and over budget. Under the direction of its CEO, people worked to create a 'core' culture that people from all nationalities could buy into and that supported the venture's direction.

These and similar problems have been addressed through an organizational alignment effort to ensure that components of the organizational system are working together in a way that effectively meets company needs.

Organizational alignment is a business discipline that deals with both operational processes and employee behavior on a systemic, outcome-focused basis. Because it focuses on meaningful results and business drivers, it is often readily seen as business relevant by an organization's management.

REFERENCES

Deal, T. E., and Kennedy, A. A. Corporate Cultures. Reading, Mass.: Addison-Wesley, 1982 .

Kotter, John P. and Heskett, James L. Corporate Culture and Performance. New York: The Free Press, 1992.

A version of this paper has been published in TRAINING magazine.