IS YOUR ORGANISATION STRATEGY OPTIMALLY ALIGNED TO BEST SERVE CUSTOMER NEEDS?

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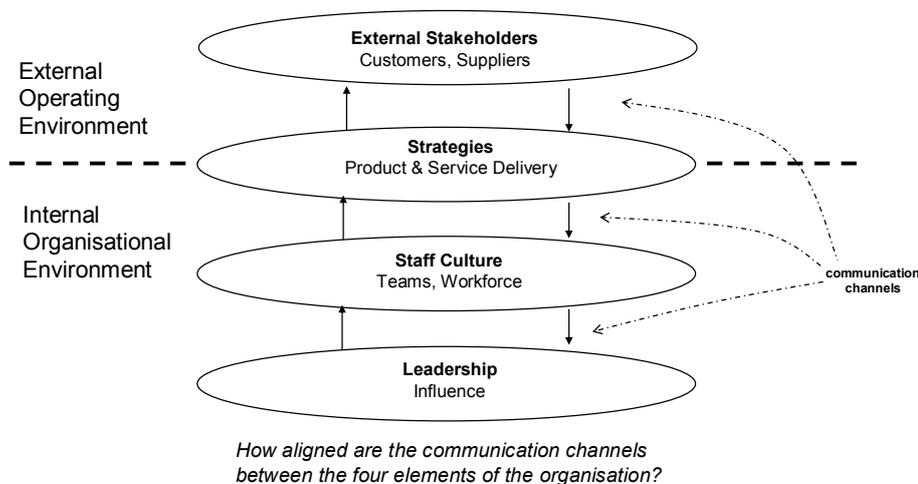
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It is in the communication of needs and priorities that organisations become significantly more complex. For the organisation leader, who must attempt to influence many individuals and groups of people engaging in different roles at different times, with different needs and priorities, any tool that assists in aligning these needs and priorities, and fosters more effective communication about them, is likely to be of value.

The complexity of human nature, and our generally less than perfect ability to communicate (both in the telling and the listening) with each other, often causes social systems like organisations to become unstuck.   The organisation is a social system in that its key forming elements, internally and externally, consist of groups of people with an interest in some or other aspect of the organisation and its purpose. The strategic leader needs to simplify the organisation to its basic structures and processes in order to understand and influence it most effectively.

At its essence, we can identify four typical organisational elements, namely, leadership, workers, strategy (the 'bridge' between the organisation and the external environment) and external stakeholder groups (customers, suppliers and others), as is illustrated in Figure 1, below.   Ongoing effective communication between these elements, recognising the dynamic nature of changing needs and priorities, is the key to improving organisational effectiveness and sustainability.

The organisation is a social system, in which the logical imperative is to strive to optimise alignment between the constituting elements to maximise organisational effectiveness.   The set of relationships between these elements is illustrated in a strategic alignment framework, portrayed in Figure 1.

Framework for Optimising Strategic Alignment

External
Operating
Environment

Internal
Organisational
Environment

External Stakeholders
Customers, Suppliers

Strategies
Product & Service Delivery

Staff Culture
Teams, Workforce

Leadership
Influence

communication
channels

*How aligned are the communication channels
between the four elements of the organisation?*

Derived from Chorn, N, Strategic Alignment, Richmond Press, 2004

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Figure 1

The Dynamic Nature of Strategic Alignment

The needs of the people associated with all four elements of the organisation are often changing, are often different, at different points of the value creation and delivery chain, and are usually influenced by environmental and competitive changes. Given the dynamic nature of these elements, it is very difficult to perfect strategic alignment and hold all the stakeholders in an optimally aligned relationship with each other.

The organisation is more effective when it is sensitive to what the dominant need of customer is at different points in value delivery, and adjusts strategy and staff capability to best address that need. For example, the primary need of customers in a bank branch while standing in the queue waiting to be served is most likely to be for speed, for a quick response. But when these customers reach the tellers' counter, their dominant need from the bank when they are transacting with the teller about their bank accounts is likely to shift. Rather than an emphasis on speed, the customer may prefer an emphasis on accuracy and / or on recognition of the value of their relationship with the bank.

Competitive forces and changes in the external environment also influence customer expectations and supplier offerings, so that the needs of these external stakeholders are unlikely to remain permanently static. In a world of relentless change, the leadership influence upon the organisation needs to include an ongoing consideration of these changing needs, and a timely response to change organisational capability and strategic emphasis to try to keep the organisation in optimal alignment with all key stakeholders and their changing needs and expectations.

Rule-taker or Rule-maker

The intuitive response for most is likely to be that it is better to be a rule-maker than a rule-taker. It is better to be a leader than a follower. In an organisational context, this does not necessarily follow. The qualities of leading and following are both important, and both contribute towards optimising strategic alignment and maximising organisational sustainability and resilience.

Effective organisations must always to some degree consider the needs of their customers and other external stakeholders. The ability to listen and respond to the changing needs and corresponding demands from the external environment is an indication of good rule-taking behaviour. It demonstrates that the organisation is able to be flexible, adaptive and responsive to customer needs and expectations. Organisations demonstrating this ability to listen and respond are likely to have higher customer satisfaction ratings, and be more resilient. Being an effective rule-taker is an essential attribute for organisations seeking to improve and optimise strategic alignment.

With the pace of development and change, driven by technology, globalisation, lowering entry barriers and ever-increasing competition, it is becoming more and more difficult to be an effective rule-taker, and yet ever more important for the organisation to demonstrate this quality. In Figure 1, above, effective rule-taking implies that the communication channels from the

external environment at the top of the framework through to the bottom of the framework, where the element of leadership is positioned, must be working effectively, and well aligned.

The quality of rule-making can make all the difference to the positioning of the organisation in terms of competitive leadership, profitability and brand-building. Rule-making is an opposite capability to rule-taking, but in fact is dependent on equivalent effective rule-taking behaviour in the organisation.

The dominant drivers for rule-making are creativity and inventiveness, and the preparedness to introduce new products and services to the market-place. In Figure 1, above, effective rule-making implies that the communication channels from organisation leadership (at the bottom of the framework) through to the external environment (at the top) are working effectively and are well aligned. Effective rule-making requires an organisational culture that values creativity and discovery, and is able to pilot new ideas in the development and delivery of new and innovative products and services.

Both rule-making and rule-taking behaviour require that the feedback loops or communication channels (as illustrated in Figure 1) are working effectively in both directions, to ensure that the organisation knows that it delivers what it intends to external stakeholders, and that these products and services are well received.

Diagnosing Dominant Logics

What are the dominant logics (or needs) within each of the four main elements of the organisational framework, depicted in Figure 1, above? At the heart of all organisational activity, within in all the main elements of the organisation and its environment, are people. People are the organisational common denominator in almost all instances (see Norman Chorn's "Strategic Alignment", 2004). Therefore an understanding of human behaviour, and an application of prevailing personality theory about behavioural habits and

personality type preferences, offers potentially deep insights into how to diagnose and optimise strategic alignment within organisations.

Behaviour can be assessed and understood in many contexts.   In organisations the two typical dimensions of focus are on the group, in terms of teams and culture, and on the individual, in terms of performance, and the influence of personality and behavior preference.

Dimensions of Culture

The commonly applied dimensions for assessing culture and organisation behaviour, concern:

1) The extent to which the organisation has an internal versus an external orientation, and

2) The tendency towards stability versus flexibility in organisation structures and processes.

The internal-external dimension maps the degree to which the organisation focuses inwards, within the organisation, or outwards, towards customers, suppliers and the external environment.

The stability-flexibility dimension maps how decisions are made. A preference towards stability indicates that the control rests with management, a more top-down approach to decision-making. A preference towards flexibility indicates that control is devolved to employees who have more flexibility and discretion to decide for themselves. Flexibility is more important when forces in the operating environment create a need for change (more on culture dimensions can be found in work on Competing Values by Cameron & Quinn, 1999).

When the two dimensions of internal-external and stability-flexibility are considered together, four types of culture focus emerge, as is illustrated in Figure 2, below.
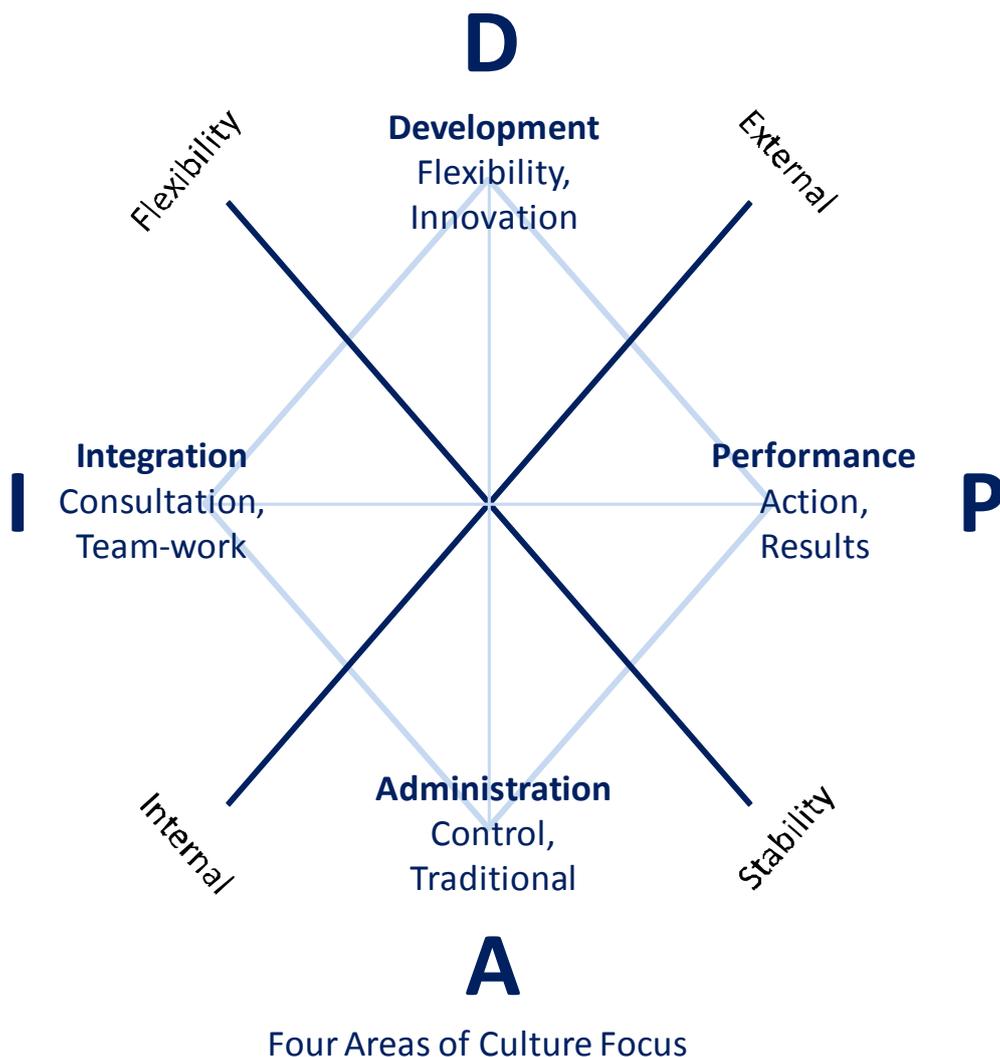
D

Development
Flexibility,
Innovation

Flexibility

External

I   Integration
Consultation,
Team-work

Performance   **P**
Action,
Results

Administration
Control,
Traditional

Internal

Stability

A

Four Areas of Culture Focus

Figure 2

Influence of Personality Preference

Two of the four main dimensions of personality (as identified by Carl Jung, the psychologist responsible for one of the most comprehensive theories of personality, codified into one of the most the widely applied personality assessment tools world-wide, the Myers-Briggs Type Indicator, or MBTI) can be translated to apply to the preferences of groups of people, thus useful in an assessment of strategic alignment. These are identified by Jung as the process dimensions of personality, which have been used by Chorn (Strategic Alignment, 2004) for this purpose. Figure 3, below, describes the four dimensions of personality, and indicates the two process dimensions.

The opposite poles of each of the two process dimensions of the MBTI (four poles in total) can be used to determine the dominant needs of the groups of people associated with each of the elements of the organisational framework. These are shown in Figure 2 as Sensing (S), which is an opposite preference to Intuition (N), and Thinking (T), which is an opposite preference to Feeling (F).
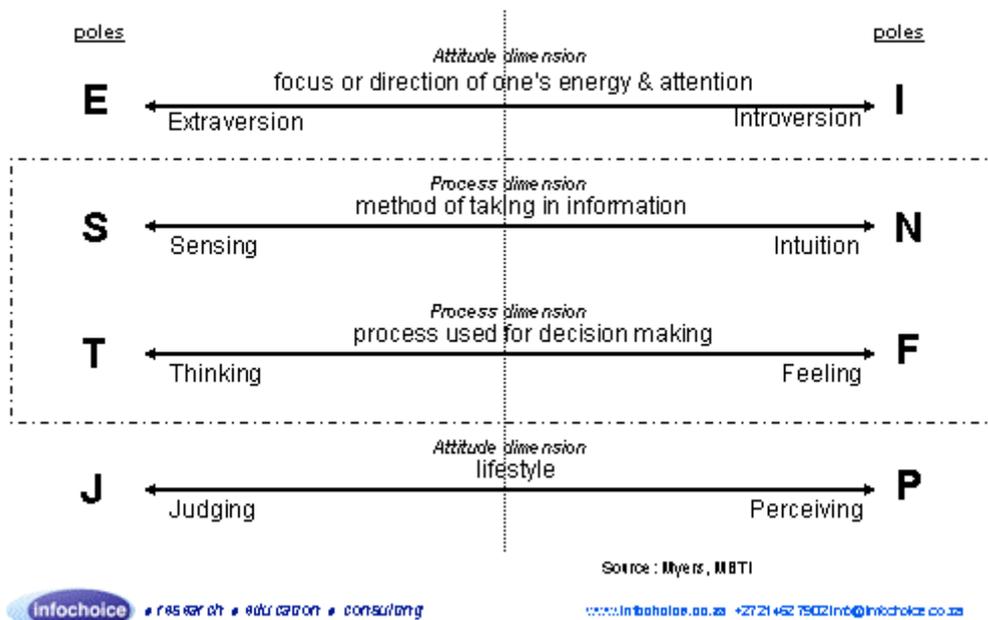
Figure 3

The other two dimensions of personality, also shown in Figure 3, are more associated with individual attitudes, which are relevant for understanding the behaviour of individuals, but are less applicable in an assessment of strategic alignment, where the focus is on the process preferences of groups of people.

Strategic Logics

When the culture dimensions are combined with the four process preference poles (S, N, T, F) of the Myers-Briggs Type Indicator, a mapping of the four types of culture with the four process preference poles of the MBTI emerges:

➢ The Sensing (S) preference pole represents a dominant need for **A**dministration (or accuracy, consistency and cost efficiency).

➢ The Intuition (N) preference pole represents a dominant need for **D**evelopment (or divergence, innovation, to surprise and evolve).

➢ The Thinking (T) preference pole represents a dominant need for **P**erformance (or action, logic, results, speed and growth).

➢ The Feeling (F) preference pole represents a dominant need for **I**ntegration (or intimacy, consensus and partnerships).

These four logics can then positioned within the two culture dimensions, in order to demonstrate the relationships between them, as is illustrated in Figure 4, below. All the logics may apply to any group of people within the organisation environment at any one time, but usually one or two logics will dominate the needs of that group.
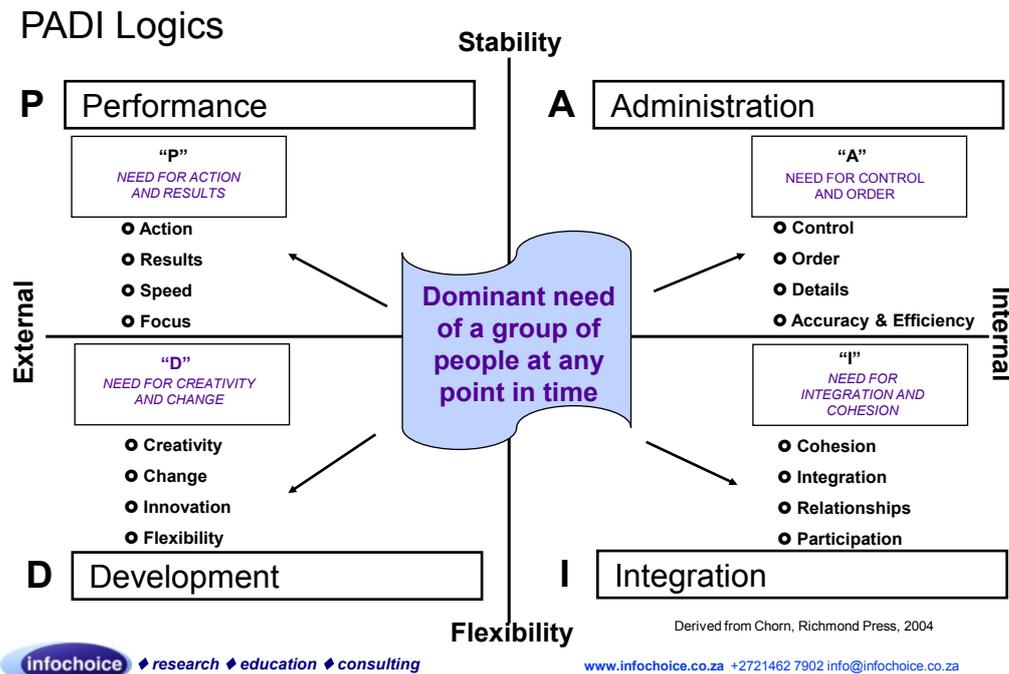

Figure 4

Using the four logics (coined "PADI" logics by Chorn) to describe dominant needs at different points in value delivery, the people queuing for service at

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the bank branch are likely to have a dominant need for **P**erformance, or speed, while they are in the queue waiting. When they get to the teller's counter, this need is likely to switch to either **A**dministration (accuracy and consistency) or **I**ntegration (intimacy, recognition, understanding).

For the bank to be optimally aligned with its branch customers, it is important that these dominant needs are recognised and met. So the strategy within the branch needs to emphasise **P**erformance, to speed up the waiting time for customers in the queue, and **A**dministration and **I**ntegration, when these customers are served at the tellers' counters.

Equally, it will be necessary for the culture within the bank branch to value staff behaviours that are aligned with the operational strategy within the branch.   Tellers should be rewarded for appropriate behaviour that demonstrates a dominant focus on **A**dministration and **I**ntegration, and other staff responsible for queue management should be rewarded for **P**erformance dominated behaviour that facilitates a fast moving queue.

The bank branch leadership style and emphasis needs to encourage these different **PADI** behaviours from staff, as appropriate, and also shape strategy to optimise the strategic alignment of the branch activities with customer needs. For example, Figure 5, below, illustrates a situation of optimised strategic alignment around the **P**erformance logic, which would be an ideal scenario for managing the queuing in the bank branch.
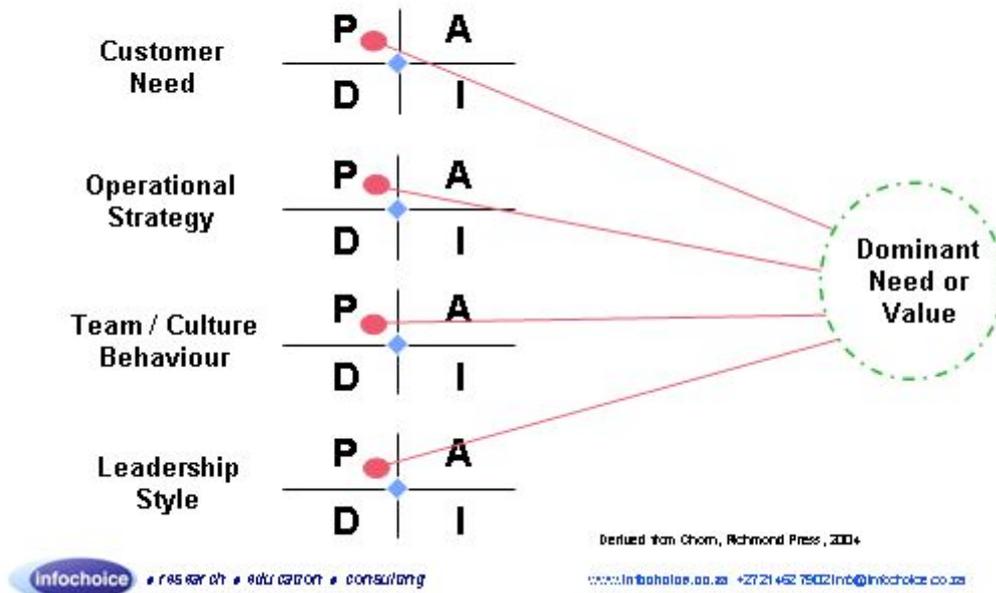
Figure 5

Which Strategy Exactly?

When applying the **PADI** logics, the strategist must beware not to confuse different strategies.   To optimise strategic alignment with customer or stakeholder needs, it is specifically the operational strategy or strategies that are used to satisfy those needs. For example, assume that Figure 4, above, was to illustrate the emphasis on speed, action and results of the operational arm of SAB-Miller, focused on serving beer or soft-drink products to customers. The operational strategy of SAB-Miller in all likelihood optimises alignment around **P**erformance, ensuring that their beverages are available and accessible wherever and whenever their customers want them, and **A**dministration, ensuring that those products are made with the same recipes and taste the same in each serving.   The advertising strategy of SAB-Miller is likely to emphasise **I**ntegration or **I**ntimacy, to build relationships between customers and their products through associations of community, sport, good times, etcetera.   SAB-Miller's research and development strategy probably has an emphasis on **D**evelopment, considering new products and delivery

channels, and its <u>global growth</u> strategy is likely to focus on **P**erformance and **D**evelopment, looking for new ways to enter new markets.

Constructive misalignment

Optimising strategic alignment does not mean that the strategic goal is always to perfect alignment across the elements of the organisation.   This goal is likely to be elusive because both the external and internal environments are constantly changing.   There is also an important leadership imperative to move the organisation forward towards new opportunities (products, markets, channels) to ensure ongoing sustainability.   An element of leadership focus therefore needs to always be on **D**evelopment, looking for new ways to innovate and evolve the organisation. The strategically aware leader skillfully manages the balance of focus between the operational needs of existing organsational activities and services and the future possibilities for sustainability and growth.

Linking strategic alignment to the life-cycle

The dynamic nature of every industry, sector, organisation, product or service can be better understood and interpreted with the assistance of a life-cycle analysis.   The S-curve, or Sigmoid-curve (popularised by Charles Handy, in The Empty Raincoat, 1994) is shaped like an italicised letter 'S', depicting potential on the vertical Y-axis, and time on the horizontal X-axis (as in Figure 6, below).
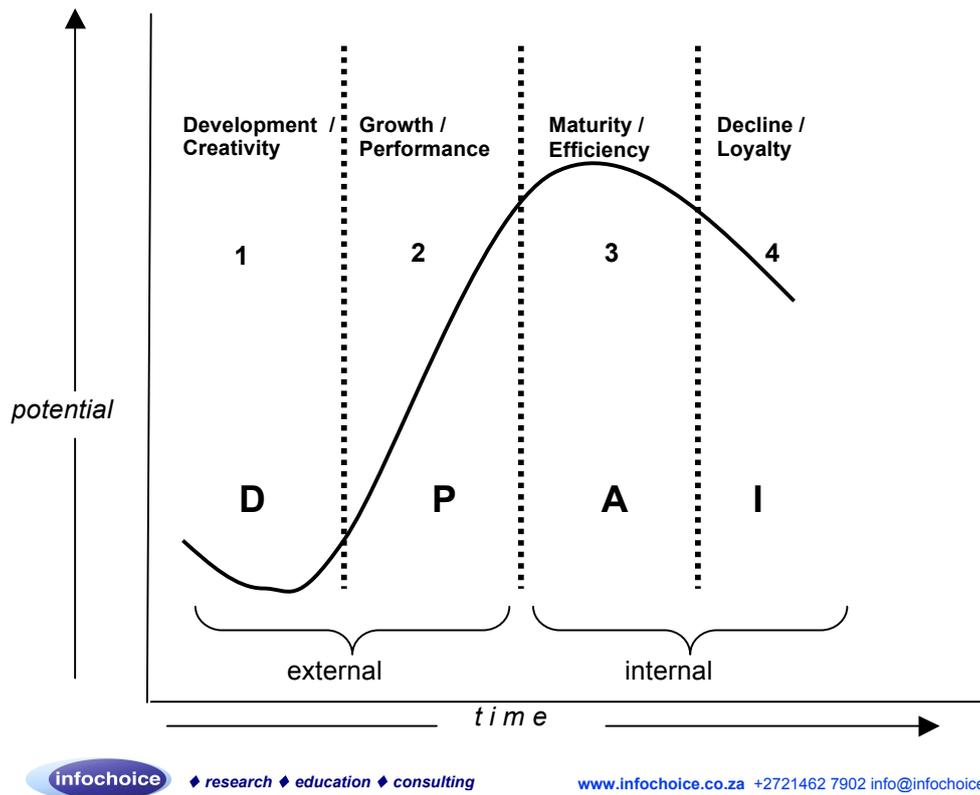
Figure 6

There are four distinct phases in the typical life-cycle, each of which requires a distinctly different management and leadership style. Each of the PADI logics corresponds with a different life-cycle phase, as shown in Figure 6.

Thus in the first, development phase of any organisation, product or service, the dominant need is for creativity, research and development, innovation and ideas. The **D**evelopment logic is best suited to this phase. In this first phase of the life-cycle, there is an external focus on new products and services for new customers. Innovative offerings may be able to be sold at a premium price to trend-setting customers.

When the strategy, product or service is ready to be taken to the market-place and the emphasis is on capturing market share, then the dominant organisation need shifts to growth, speed, action and results.   The

Performance logic is best suited to this second phase. This phase also requires an external orientation on capturing market share and new customers. There is a downward pressure on price in an effort to capture as much of a new market as quickly as possible.

As the organisation, product or service reaches maturity, becomes commoditised, and where there is a substantial customer base but there is little or no further room for market growth, then the organisation focus to serve this existing product or service needs to shift to control, process efficiency and cost management. The **A**dministration logic is best suited to the third phase. In this phase, the organisation has a more inward focus on retaining existing customers. In this phase, customers tend to be more price conscious,

When the organisation, product or service is in the fourth, decline phase of the life-cycle, there may still be opportunity for profitable and necessary activity, in providing traditional products and services to traditional and loyal customers. The emphasis is on retention, loyalty and personal relationships. There may even be an opportunity to charge a premium for these products and services if they are offered through personal relationships and advice. The **I**ntegration logic is best suited to this fourth phase. There is a primarily inward focus on retaining existing customers in this phase.

Constructive misalignment in life-cycle terms

There is an opportunity for the strategic leader to move the organisation forward from an existing position on the current life-cycle to a new position on a new life-cycle, as illustrated in Figure 7 below.
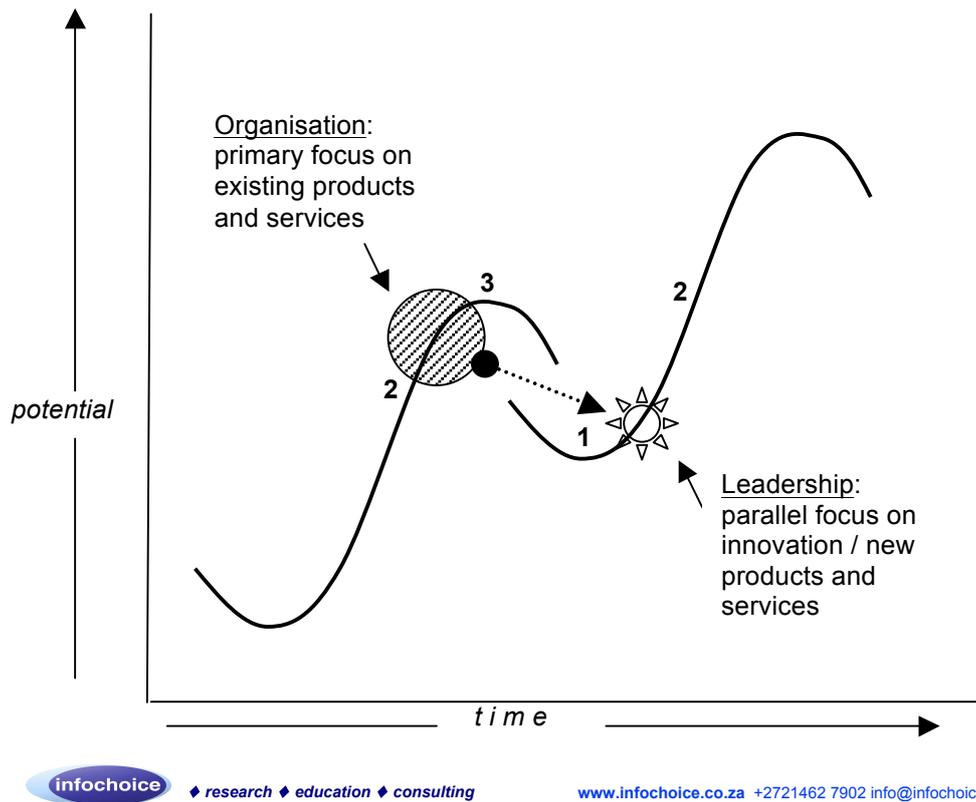
Figure 7

Some caution must always be exercised in such leadership transition, in terms of:

1) Timing: Given that the future is always uncertain, when is the best time to divert resources from the current organisational activity to the new activities associated with the new life-cycle?

2) Focus: In managing the transition from the old life-cycle activity to the new life-cycle, the leader must ensure that the right people and resources are focusing on the appropriate organisational activities on each life-cycle.

Analysing the state of strategic alignment in an organisation

The four PADI logics, describing strategic behaviour, and dominant needs and values as they do, can provide an insightful and detailed diagnostic guide to strategic alignment in different parts of an organisation. As a diagnostic tool, a variety of comparative analyses are possible, as are detailed in the example below.

Comparing the dominant logics of a staff department, such as Human Resources, with those of a line department, such as Sales.

In this example, illustrated in Figure 8, the leadership team in the Sales department is the internal customer of the Human Resources (HR) department. The Sales department has the general public, external to the organisation, as its customers.

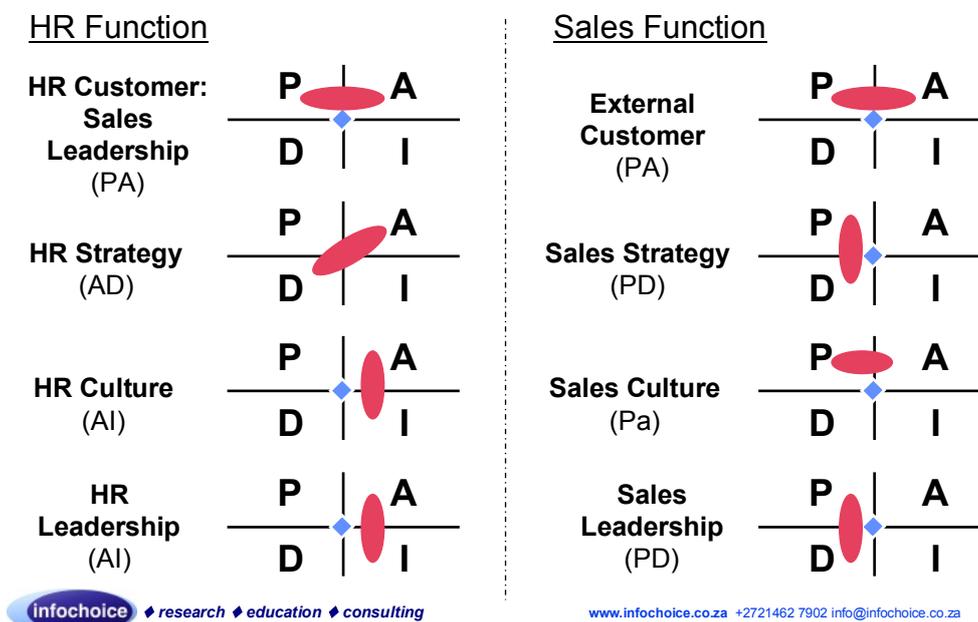## Comparing Alignment: Staff (HR) & Line (Sales) Functions

Figure 8

The example shows us that the HR leadership emphasises the logics of **I**ntegration (taking time to understand its customer) and **A**dministration

(compliance with established standards and processes), and values these behaviours in the HR culture, rewarding HR staff who demonstrate these behaviours. Not surprisingly, the HR culture mirrors these two behavioural logics. HR staff strive to demonstrate **AI** behaviour in order to be seen to excel.

However, the dominant emphasis of the HR strategy to serve its internal customers is different to what is valued in the HR culture. The HR strategy, which is influenced by general management striving to innovate in the face of a fast-changing operating environment, emphasises **D**evelopment (innovative ways of serving internal customers) and **A**dministration.

The HR customers, who are the leaders of the Sale department, have as their most pressing need from HR a quick and speedy response (**P**erformance logic) and compliance with organisation standards (**A**dministration logic).

In the Sales department, the leaders of this department have a different emphasis in directing sales activities compared to what they need as customers of HR. The primary sales leadership focus is on **D**evelopment (coming up with new ways of selling to customers) and **P**erformance (producing results). So while the Sales department leaders seek **PA** as customers of HR, they emphasise **DP** in influencing the culture and strategy of their own department.

Sales staff are primarily driven by achieving results. They receive commissions on sales over and above their basic salaries. The primary culture logic in Sales is therefore **P**erformance. External customers value the accuracy and consistency of the service they receive from the Sales staff, and so a secondary logic in the Sales department culture is **A**dministration. The Sales department culture logic can therefore be

described as **Pa** (a dominant value of **P**erformance, and a secondary value of **A**dministration, notated with a small letter '**a**').

The Sales department strategy in serving customers is strongly influenced by Sales leadership, and therefore favours both **P**erformance and **D**evelopment, which is aligned with the dominant logics of the Sales department leadership.

External customers value speed and accuracy in equal measures. So the dominant needs of external customers can be represented as **PA**.

Alignment analysis

In this example, the following areas would need to be addressed to improve alignment:

➢ The Sales strategy focus on **D**evelopment would need to translate into addressing new ways to serve the customer with more speed and accuracy. The intention would be to use a **D**evelopment strategy to deliver more **P**erformance and **A**dministration.

➢ The Sales culture would need to be extended to include a capability for innovation, or **D**evelopment, if Sales staff are expected to come up with new ways of serving customers. Alternatively, it may be that the innovation in the Sales strategy comes from introducing new systems and tools rather than from any new behaviours required of the Sales staff.

➢ Sales leadership would need to ensure that the Sales function does not lose its focus on the customer need for **A**dministration (accuracy and consistency).

➢ The HR strategy focus on **D**evelopment would need to be mostly about addressing new ways to serve the Sales leadership with speed and consistency (**PA).**

➢ The HR culture would need to be adjusted to focus more on **P**erformance and on **D**evelopment to serve the Sales leadership most

effectively. The culture focus on **D**evelopment would be primarily to identify new ways of delivering **PA**.

➢ The HR leadership would also need to shift towards **P**erformance and **D**evelopment, to better support the HR culture and strategy.

➢ HR and Sales leadership may sit together on the same management committees. A greater awareness of their opposite leadership styles, and the need to make adjustments in their leadership influence will also assist in optimising strategic alignment.

Identifying and correcting leadership misalignment

It is the role of the leader to optimise organisational alignment, by setting priorities and strategy, and through the shaping of the organisation's business model. The organisation is likely to be continually evolving through a number of product, service and industry life-cycles (as illustrated in Figure 7, above), and the leader needs to ensure that priorities and focus are aligned with current needs at each stage of each life-cycle.

By implication, the leader needs to adjust emphasis and style on an ongoing basis. This imperative may result in resistance or discomfort for many organisation leaders, because there will inevitably be stages when the necessary leadership style that fits in with the requirements of the life-cycle is not the leader's preferred style. Symptoms of leadership misalignment may include excessive anxiety and frustration in the organisation, or politics getting in the way of delivery.

The role of the leader is to assess where the organisation is on the life-cycle, and to adjust leadership emphasis to fit with the needs of the dominant logic of this stage of the life-cycle:

➢ When the organisation is in the **D**evelopment stage, then the leadership priority is to encourage innovation and the piloting of new concepts and ideas.

> ➤ When the organisation is in the **P**erformance stage, then the leadership priority is to encourage focus and fast action, minimising bureaucracy to promote growth.

> ➤ When the organisation is in the **A**dministration stage, then the leadership priority is to establish structures and processes that minimise risk and maximise efficiency.

> ➤ When the organisation is in the **I**ntegration stage, then the leadership priority is to build a culture of consensus and relationships that support retention and loyalty.

Aligning leadership style with the life-cycle is seldom this simple. There are often multiple life-cycles in play within the organisation. There are times when the leadership emphasis must partly be on planning and preparing for the future, and therefore on pulling resources from current priorities to prepare for future opportunities. An awareness of leadership style in relation to life-cycle management will in itself enhance leadership alignment and effectiveness.

Application of strategic alignment at different levels in the organisation

A strategic alignment analysis using PADI logics can reveal important areas of misalignment in different parts of the organisation. Addressing these areas of misalignment can help to significantly improve organisational effectiveness.

It must be noted that different parts of the organisation will necessarily have different priorities or emphasis, and that there are constructive tensions that are often essential for organisational effectiveness between functions and levels within the organisation. For example, the credit division may emphasis **A**dministration and risk aversion while the sales division is motivated by **P**erformance and results. Or region 1 may have customers who value **D**evelopment and innovation while region 2 may have customers who prefer **I**ntegration, partnerships and loyalty.

A strategic alignment analysis of the different parts of the organisation can provide an insightful blueprint of the organisation's business model and a powerful decision-making dashboard for strategy development and leadership focus.

Conclusion

At the heart of a strategic alignment analysis is the realisation that leadership and strategy formulation are strongly influenced by human behaviour. In addition to the technical and analytical necessities of managing organisations effectively, leaders and strategists must continually poll the current behavioural needs and logics of all those important for ongoing success. This includes those individuals and stakeholder groups external to the organisation, including customers, suppliers and community groups. It includes those individuals and stakeholder groups internal to the organisation, including staff, management, leadership and share-holders. An acute understanding of behaviour logics positions the organisation leader strongly to optimise strategic alignment and build organisation effectiveness to best serve customer needs.

<u>About the author</u>

Dr Grant Sieff is CEO of the IC Growth Group, a research, strategy and leadership development consultancy. He teaches at leading business schools as a visiting professor and senior lecturer. Grant has worked as a vice-president for Citibank in Australia and a partner for Accenture. He consults to leaders at the top levels of organisations across African continent and abroad.

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