Aligning culture, infrastructure and strategy.

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Organizational Alignment Model

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ORGANIZATIONAL ALIGNMENT

Introduction

What you do, these days, is less important than how you do it. In today's business environment, new products, services, and technology provide organizations with a short-lived edge over their competition, at best. Sustained success depends on the way those products and services are delivered. The computer industry offers several examples: companies have plunged, almost overnight, from stunning success to failure or near-failure. Often those companies had competitive, or even superior, products. Their failure typically lay not in lack of attention to products, but to people -- to how people were supported and managed, and to how products were delivered to customers

Until recently, the proposition that people are an organization's greatest asset has had little more than lip service in many companies. Factors like globalization, mergers, spreading technology, shorter product life cycles, an emphasis on quality and customer service, and increasing competition -- coupled with the kinds of dramatic reversals in fortune described above -- are bringing the realization that lip service isn't enough. One result has been increasing interest in organizational culture and its influence on people and their performance.

Organizational Culture

Culture has been described as "the way we do things around here." Thus culture is not so much *what* people do the tasks they perform as the *manner* in which they perform those tasks. Culture refers primarily to a set of behavior patterns that people tend to bring to any task. Changing culture, then, appears to have the potential for greater long-term, sustained benefits than changing products, services, or delivery methods.

But we are often told that culture change is very difficult, that people will resist it, and that it can take years -- not an encouraging prospect for organizations that are watching their competitors rapidly eat up market share.

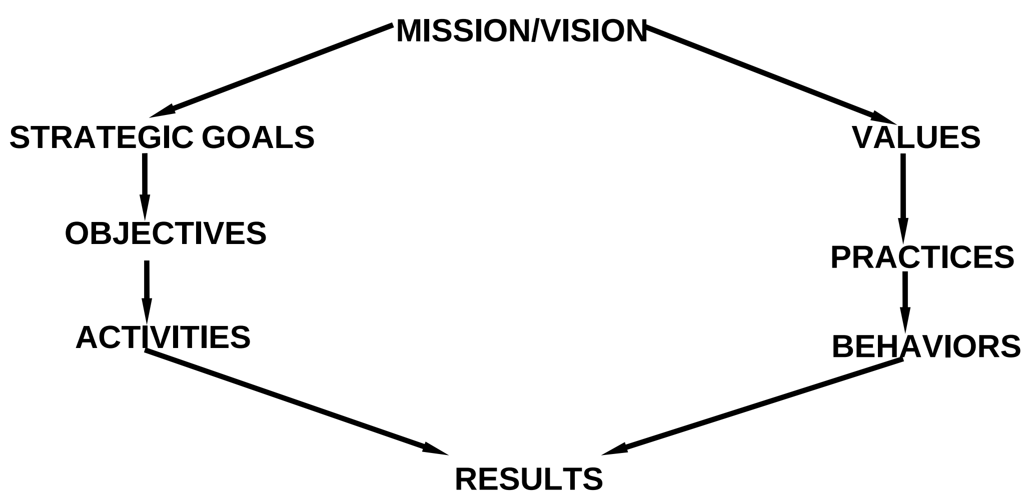
Much of the literature on culture has focused on categorizing types of cultures and may use terms like 'myths' and 'heroes' to describe key components of the culture. This is interesting and informative -- but not always helpful in determining what to do about it. While myths and rituals may be meaningful signals of the nature of a culture, it is useful to remember that culture is **behavior** -- it is the way people in the organization tend to behave as they go about their work. Culture change, then, is behavior change. And the technology of behavior change is not a new one.

So if culture is behavior, why does it appear to be so much more resistant to change than most other behavior? There are at least two key characteristics of behavior patterns that are part of a group's culture:

They are group-wide. Almost everyone in the group will exhibit the behavior pattern. There will, therefore, be prevailing norms, expectations and rewards that support the behavior and often punishment for behavior that does not fit. This makes it difficult for individuals to change culturally determined behavior unless the behavior of others around them changes at the same time, or they are placed in a changed environment that supports the new behavior.

They are value driven. There is usually an underlying belief or value that is linked to culture based behavior. People will be reluctant to change behavior that is part of the culture, or will find it difficult, unless they see the new behavior as compatible with essential cultural values.

In order to understand organizations more clearly, we need to begin looking at the various parts that comprise an organization. Organizations we work in or with are businesses. They have a purpose (Mission/Vision) with various components of what needs to be done (Strategic goals) and how its members will do those things. Just looking at these simple factors is complex enough when figuring out the organization, its business, and its performance. The model below provides a basic framework for examining that relationship:



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The model describes two interdependent paths for providing direction -- for helping people move from the global statement of an organizational mission and vision to specific organizational results:

> **Strategic**: The left-hand path emphasizes **what** needs to be done: the broad strategic goals the organization will work toward; the objectives that units 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 focuses primarily on **how** it should be done: the values implied by the 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.

Organizational Alignment

Given this model, any effort to change culture must examine the alignment of *both* paths for providing direction. Organizational alignment consists in compatibility *between* the two paths, and consistency *within* them -- the values held in the organization should be compatible with strategic goals; people's day-to-day behaviors should be consistent with the values that they and the organization espouse. For example, a group that strongly values stability should probably not be setting goals around the pork futures market -- and the behavior of a group that values responsiveness should not include responding to requests with "sorry, that's not part of my job."

We should make it clear that we are talking about values around how the organization conducts its business -- not people's personal values about home, family, religion, or personal relationships.

Organizations have traditionally emphasized the strategic path. Considerable time and effort often go into defining strategic goals and objectives. Comparatively few organizations have explicitly addressed the cultural path with clearly defined, published statements of values -- and fewer have made the effort to examine and support the practices and behaviors that represent those values. *Yet our behavior patterns the way we do things are just as important as our activities what we do in determining the results we achieve*.

Both strategies and values provide important direction and contribute to organizational success. In recent years, with increasing competition and decreasing differences among many organizations in their technology and products, the "values side" of the model the side most strongly associated with the culture of the organization has assumed a greater role. When customers perceive less and less difference among companies in the products they provide, they begin to place more and more importance on how those products are delivered and supported. Below is a brief description of each of the components of the model.

Mission and Vision represent organizational **intent**. They serve to provide guidance about organizational purpose, expressed in terms of what the organization is in business to do (mission), with a picture of the expected impact of the organization (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 the organization's impact: "We see our customers developing a well-founded confidence in their financial decisions, and increasing security about their financial futures."

Those statements provide broad guidance and inspiration to everyone in the organization in making choices about strategies, customers and markets, products, services, and how to address them.

Strategic Goals and Values provide further **direction** about where the organization is going, and by what route. They define, in broad terms, how the organization intends to allocate resources to accomplish the mission/vision over time (strategic 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 focused on small and mid-size organizations.
> "To gain a competitive advantage through top-quality customer service."

These broad goals provide guidance to people in the organization about where they should allocate resources, and how they should 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."
> Empowerment: "We encourage people at all levels to take initiative to meet customer needs, and support them in doing so."

Statements like this provide guidance about customer relations practices and about how people should behave in working with customers.

Mission/vision, value, and strategy statements thus serve to tell people "what we are about," and to 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 kinds of goals and objectives people set for themselves and the results they expect of their work units; the typical ways in which they interact with customers and others both within and outside the organization. (For examples, See Appendix “Organizational Values with Supporting Practices).

For example: Managers can support a **strategic decision** to market to 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.

People can support a **value** of partnership by such practices as holding regular joint meetings with clients, or a value of empowerment by ensuring that front-line customer service personnel have adequate resources, support, and authority to take action in meeting customer needs.

Activities and Behaviors are the execution of intent; the ultimate determinants of organizational performance. These represent the next level of specificity -- what really happens in an organization on a day-to-day basis: the kinds of activities people choose to spend 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 such activities as identifying key customer needs; designing products and services to meet those needs; delivering and supporting products and services in a way that meets customer needs, preferences, and expectations.

Values of partnership and empowerment become reality when people engage in such behaviors as providing full and accurate information about products and services to customers; making commitments only when they fully intend to meet them; responding immediately to customer needs, instead of saying "I'll have to check with my supervisor."

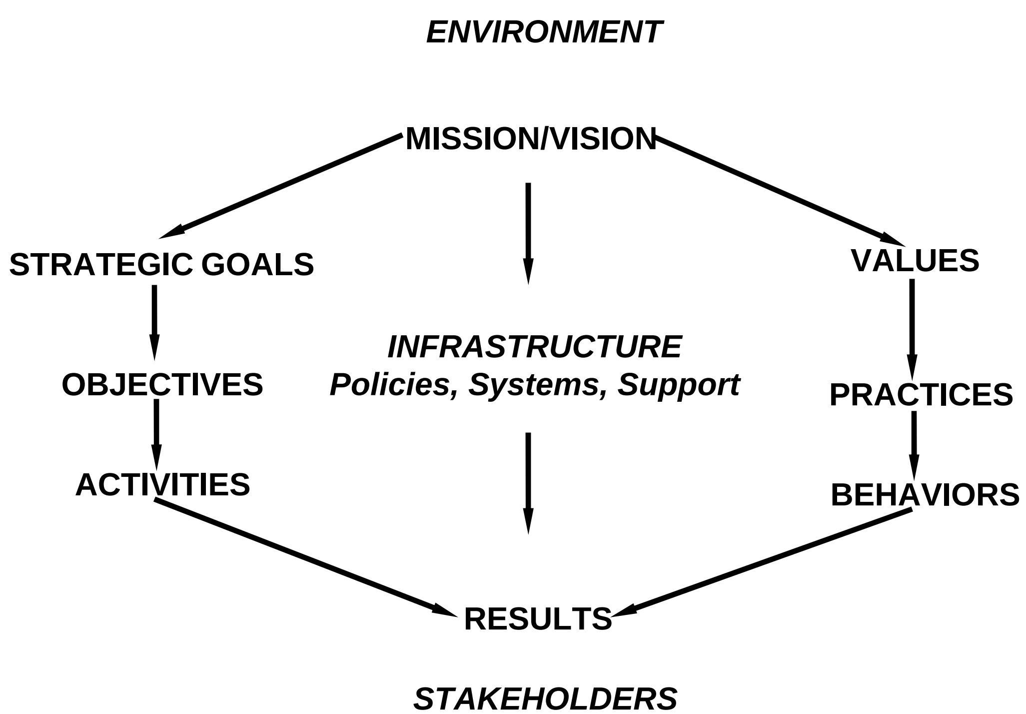
Results are the outcomes produced by an organization, as a function of the activities and behaviors performed. Results can be measured in a variety of ways: financial indicators, product/service measures, customer satisfaction and retention, sales measures, employee and customer attitude surveys, measures of market share, etc. The way an organization chooses to measure its performance will determine its ability to "stay on track" and its ability to develop support systems and policies that are in line with values and strategies.

For example: An organization that looks at results exclusively in terms of such outcomes as sales volume and profit measures will have a picture of its short-term success, but will lack information that may be critical to its long-term health, such as customer satisfaction and retention measures.

Organizational Influences

The directional paths described do not, of course, operate in isolation. They influence, and are influenced by, the external environment in which the organization operates, the organization’s internal support systems or infrastructure, and its stakeholders. The expansion of the model below incorporates these factors.

ORGANIZATIONAL ALIGNMENT MODEL



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External Environment: This includes factors over which the organization has limited influence, such as the economy, the sociopolitical environment, competition, governmental policies and regulations, and the state of technology. Any or all may influence an organization's choice of strategy or beliefs and values.
For example: Heavy competition in the large corporate market, and expensive technology required to penetrate it, may enter an organization's decision to concentrate on the small and mid-size business market. Increasing recognition of the effects of the organization's actions on the physical environment may result in its placing greater importance on social responsibility as a value.

Stakeholders: There are groups that are significantly affected by the organization's performance, such as customers, shareholders, suppliers, or even the public. These groups have different relationships with, and expectations of, the organization; understanding these expectations is an important 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 environmental sensitivity. The organization needs to consider both sets of expectations.

Given this model, any effort to understand the organizational whole, we must examine the alignment of not only these two paths but also an additional one of:

> **Infrastructure**: The central path focuses on those internal support systems that affect the whole organization and its people. These include the structure of the organization, systems, processes and policies.

The Infrastructure contains systems, policies, and structures that function as "performance levers" which help (or hinder) people in carrying out the activities and behaviors required to implement strategies and values, and produce the desired organizational results. These include such factors as formal and informal reward and recognition systems; information and measurement systems; performance appraisal, compensation and benefits; design of the physical environment; organizational structure and reporting relationships; training and development; job definition and work design; administrative policies.

For example: Compensation and reward systems for salespeople that focus exclusively on reaching revenue targets can cause pressure to violate values about treatment of customers, as well as strategic plans for penetrating selected markets. Similarly, centralized control policies designed to bring about 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 consists in compatibility *between* all three paths, and consistency *within* them -- the values held in the organization should be compatible with strategic goals; people's day-to-day behaviors should be consistent with the values that they and the organization espouse; the infrastructure of the organization should support all. We should make it clear that we are talking about values around how the organization conducts its business -- not people's personal values about home, family, religion, or personal relationships.

Organizations have traditionally emphasized the strategic path. Considerable time and effort often go into defining strategic goals and objectives. Comparatively few organizations have explicitly addressed the cultural path with clearly defined, published statements of values -- and fewer have made the effort to examine and support the practices and behaviors that represent those values. *Yet our behavior patterns the way we do things are just as important as our activities what we do in determining the results we achieve*.

The biggest ***misalignment*** occurs in organizations around the infrastructure as shown above. The strategic and cultural paths appear compatible and mutually supportive but internal systems such as policies, training, appraisals, rewards and recognition go counter to what is needed. People behave and subsequently, perform the way they do within organizations because of the influence of these three major directional forces: strategy, culture and infrastructure.
Both strategies and values provide important direction and contribute to organizational success. In recent years, with increasing competition and decreasing differences among many organizations in their technology and products, the "values side" of the model the side most strongly associated with the culture of the organization has assumed a greater role. We are now seeing more emphasis on the infrastructure (so there is plenty of work for all of us!).

By dealing with these last three phenomena in a few paragraphs, we don't mean to imply that they are simple or minor issues -- but the focus of this paper is on organizational alignment and culture. We recognize that stakeholders and environment are major determinants of organizational decision-making, and that what we have called *infrastructure* here summarizes the entire field of performance technology.

It is unlikely, and even undesirable, that any organization will reach perfection in all these areas. The goal should be to provide enough compatibility and consistency so that people can devote most of their energies toward positive accomplishment of results -- with a minimum of their effort directed to overcoming obstacles, and a reasonable minority of effort devoted to healthy dissent.

All too often, managers focus almost exclusively on strategic issues in planning, and find that results have been achieved at very high cost -- or have been blocked entirely by an incompatible culture. Consistent failure to examine values as well as strategies have resulted, for some organizations, in serious discrepancies between organizational strategy and culture. Conversely, many culture change efforts have failed to adequately address the relationship between culture and the multiplicity of factors in the organization, which influence it and are influenced by it.

There are those who say that management consultants, trainers, organizational designers, and the ilk have no business messing around with people's values. We do not advocate "messing around" with them -- but we do think anyone planning a significant intervention has an obligation to consider them.

Addressing organizational values in the organizational planning process does not mean changing them. Rather, it means clarifying them and understanding their relation to other facets of the model and to current behavior.

Changing values is difficult; they are often developed over a long period, and drive many behaviors. Changing behaviors is less difficult -- particularly if people see the new behavior as compatible with some existing values, as is often the case. This recognition is not automatic, however, and requires particular attention when a set of behaviors has been so strongly linked with a value over time that it has taken on the 'status' of a value.

For instance, an organization that has strongly valued quality -- and has a history of providing top-of-the-line-products, at a premium price -- may find that over time, people have come to see "quality" as synonymous with providing products that incorporate the latest technology, the very best materials, and maximum performance capability. If that organization then wants to serve a broader market, it may need to invest extra effort in building a link between the value of quality and a decision to provide products with a lower level of performance that nevertheless fully meet or exceed the needs and expectations of customers. Both Volkswagen and Rolls Royce, for example, have reputations for providing quality products -- but serve different markets and customer-needs.

The resources and effort invested in organizational alignment offer enormous potential payoffs to the organization, its people, and its customers -- in profits, job satisfaction, quality of service, and long-term organizational health.

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