



TenStep Supplemental Paper

5 February 2004

Create an Aligned Enterprise to get Everyone Moving in the Same Direction

Alignment is all about having all the resources in your company striving toward the same general purpose. Alignment comes from making sure that people and organizations know what is important to the company. It also means that people have incentives to move the company in that one direction and not in directions that are counter to the general themes.

First, some high level definitions

A company mission statement provides a concise description of the purpose for the company being in business and usually speaks to the value the company is trying to deliver to its customers. In other words, the mission statement describes the reason for the existence of the company.

No matter how successful a company is today, it is always striving to improve. For example, companies want to exploit new markets, increase market share and provide more value to their customers. The company vision statement describes what the company would look like if it ever achieved a perfect state.

The company mission and vision are defined at a high level and typically do not change from year to year. They might get tweaked once in a while, but they are not substantially changed unless your company has a major change in business focus. Each year, companies also create goals. Yearly goals are outcomes the company wants to achieve to help it achieve its mission and move toward its vision. Goals are also written at a high-level and may take more than one year to achieve. Company goals can change from year to year, although they are written at a high-enough level that they should remain fairly consistent from one year to the next. Company goals provide more detail and guidance to the organization on what is important to achieve in the next one to three years.

As an example, let's say part of your company's mission is to "... be the leading supplier of high-quality widgets to the aerospace industry..." One of your company goals might be to increase your market share of widgets in the aerospace industry, while another might be to have the highest quality widgets in the industry.

Aligned goals and objectives describe what each organization will achieve

One of the greatest challenges that company management faces is how to successfully achieve its mission, move toward its vision and achieve its goals. It can only be done through a coordinated effort from the entire company. Each division - Sales, Marketing, Manufacturing, HR, IT, etc. - must do its part for the entire enterprise to be successful.

Let's assume for a minute that your company sets the high-level mission, vision and goals, and then each division determines what they need to do to help the company meet its goals. This is a part of the alignment process and takes place in two forms. First, each division creates goals and objectives to support the company goals. The division goals are also written at a high level, but are more relevant to the work of each division.



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Objectives, however, are more detailed and concrete statements that describe what the division will try to achieve in the coming year. Objectives are written at a very specific and low level. They are also measurable so that the organization can tell if they were successfully achieved or not. For instance, the Sales Division might set an objective to increase sales by 10%, while the Manufacturing Division might have an objective to reduce the number of defects by 50%. Both of these statements have aspects that are measurable.

Strategy describes how the organization will achieve its goals and objectives

After setting more detailed and relevant goals and objectives to support the company goals, each division also creates a strategy. The goals and objectives tell you “what” needs to be achieved. The strategy tells you “how” the goals will be achieved. Organizational strategy is important because it provides a roadmap of how the goals and objectives will be met. For instance, if the Sales Division wants to increase sales by 10%, one of the strategies might be to focus on increasing the level of training for salespeople or implementing a new CRM package. These are not goals in themselves. They are ways to build capability in the organization so that sales can be increased 10%. Ultimately, the measure of success in this example is not going to be all salespeople taking a training class. The measure of success will be to increase sales by 10%.

A lack of alignment will result in organizations pulling in different directions

Many organizations are not in alignment because they do not have high-level mission, vision and goal statements to begin with. Without overall guidance, each organization determines what is important to them. Although each organization may be striving for important goals, they may not all be consistent.

Some companies do have overall company and division goals, but they do not do a good job of keeping them all aligned. For example, your company may have an overall goal to reduce costs to become more efficient. The Sales Department might be focused on increasing revenue by implementing new products. These new products may cost the company more money in the short-term. Manufacturing may be focused on building more capacity to support increased sales, which again may increase costs in the short-term. The IT department may be trying to be more client-focused by supporting major initiatives from many divisions, which will require them to hire more contract labor. You can see that each organization is striving for something good. However, it is doubtful that the company can achieve its cost reduction goals since the division goals are not aligned, and in some cases actual require more money to meet their individual priorities.

Alignment continues down the organization structure

One of the greatest management challenges is to successfully achieve the company mission, vision and goals through the coordinated effort of all of the various organizations. However, ultimately all of the work in the organization must be executed by people. Therefore, you need to make sure that your people also have specific objectives that support the organizations where they work.



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It is very difficult to tie individual objectives to a company goal or a division objective. That is one reason why the higher level goals and strategies must be broken down into lower level department, group and team objectives. In that way, managers and staff can establish personal objectives that align directly to the organizations where they work.

Depending on how big your company is, the alignment process ripples down into each lower organizational level. Each organization looks at the goals, objectives and strategies of the organization above it, and then establishes a lower level set of goals, objectives and strategies to directly support the ones above it.

Ultimately, all employees are aligned as well

At the end of the alignment process, each person in the company works with his/her manager to create a set of realistic individual objectives. As we have seen before, these personal objectives must support the organization where he/she works, but they must be written at a very low level so that the actions are within his/her control. In some cases, an entire team may create a set of common personal objectives that are then rolled down to each individual on the team.

Let's look at a couple examples of personal alignment. We will use the easy example of the company that is trying to reduce costs. Many people don't see how their jobs can contribute to this lofty company goal. They think that it is only the job of management to reduce costs.

However, first remember each person only needs to align to the organization to which he/she belongs. This helps make alignment easier than it otherwise might be because the employee has more direct and targeted guidance.

Let's say your group has seven members and one of them is retiring this year. Your team may have an objective to continue to operate without replacing the retiree, thereby saving the company the cost of the replacement. Each person in the group may have an objective to learn some aspect of the retiree's job and effectively take on the new work.

A team on the factory floor has an objective to look at their manufacturing process for ways to improve productivity. Their objective is to produce 5% more product using the same resources as today. Each person within the team then has a similar personal objective. All of them now have an incentive to make suggestions on increasing efficiency and reducing waste.

A marketing group realizes that it is inefficient to use five companies for their marketing campaigns. They set an objective to reduce the vendor list from five to two in exchange for receiving volume discounts from the two remaining vendors. Each person on the team then has a personal objective to assist in the evaluation and to help in the transition of work to these vendors.

Align the rewards and recognition programs as well

The last part of the alignment process is to ensure that people are actually rewarded based on how well they achieve their personal objectives. There may be other performance criteria as well, but the achievement of objectives must be part of the equation.



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Companies that go through the trouble of achieving alignment but then do not have the review and the rewards process aligned as well are just kidding themselves. In other words, if cutting costs is a company goal, then you can't give full rewards to people that don't contribute. This goes for the CEO, as well as each manager and employee. This does not mean people get no reward, since there may be a number of objectives that are important to each person. However, if a person does not reach his/her objectives for reducing costs, he/she must get less of a reward than he/she would have if he/she had achieved this objective as well.

Summary

An aligned company is one where everyone understands what the company is trying to achieve, and where every organization within the company supports the high-level direction. Alignment is not easy, but it is a powerful tool to get everyone focused on the areas that the company feels are important. At the same time, if the organization is not aligned, or worse, is misaligned, it will be very difficult for the company to achieve its goals. The alignment process, however, does not stop at the company and division level. It must continue down the company until it touches each employee.

Think of the power of the aligned enterprise. Senior management maps the direction and then can count on every employee doing his/her part to help the company get there. If your organization has 50,000 people, you can count on 50,000 people in every organization to help. Need to cut costs? You have 50,000 people looking for ways to do it. Do you need to improve customer service and value? You have 50,000 people helping you do it. Alignment is a very powerful process. It's not easy, especially at first. In fact, it is very difficult, which is why few organizations achieve it. In fact, it will likely take a few years to get there. Like all culture change initiatives it takes management focus, perseverance and courage. Is your company up to the challenge? Are you?