

# Strategic Alignment: what it is and how to achieve it

## If you heard that 90% of executives fail to meet their business goals, would you be surprised?

In any industry or market, some companies do better than others. Strategic alignment is one of the key differences between organisations that perform well and those that don't. In fact, research shows that up to 80% of the differences between organisations' performance can be explained by their level of strategic alignment.

Strategic alignment is, therefore, critical to any executive, to any organisation that wants to achieve its goals and to outperform their competitors.

Because strategic alignment is so important, we are going to go beyond the high-level descriptions and really look at what strategic alignment is, why it's important and what you can do to improve it.

## What is strategy?

Understanding strategic alignment starts with understanding what strategy really is. Most people think of "vision statements" and "mission statements" as being "strategy" but they are only a small part of the "strategy story". Your mission and vision are simply statements about what your organisation is for and where the executives would like to take it.

## Strategy - in the context of "strategic alignment" - is the "how"

For example, our vision might say something like: We want to be the most profitable x widget manufacturer in the world?

The key question we need to ask before we can take any action to implement this strategic vision is, "How should we do that"? In the case of our x widget manufacturer, we could ask, "Are we going to be the lowest cost provider, or should we be the one that offers the highest level of x widget service, but does so at a high margin?"

The "how" statements lead you to strategic goals - the specific targets you must hit to achieve your vision. Let's say that we decide we're going to be the low-cost, high volume x widget maker, that means our strategic goals might be something like:

- Reduce costs to supply widgets
- Increase distribution channels
- Manage cash flow

In the real world, you'd probably want to put some specific numbers on these goals, but this "big picture" of what we're trying to achieve (be the most profitable widget company) combined with a high-level statement of how we're going to achieve it (by being low cost, increasing distribution while managing cash) is your "strategy".

Now of course, there is a lot more to strategy than we've set out here, but this explanation.

## What is strategic alignment?

Having a strategy is not enough. In fact, research suggests that having a strategy has no real effect on the performance of your business. It's aligning your leadership team and activities to your strategies that makes the difference.

### **The process of aligning an organisation's decisions and actions such that they support the achievement of strategic goals.**

Note that the definition talks about decision-making and actions. Actions typically follow decisions so if your organisation doesn't have the ability to make well-aligned decisions, they really can't take well-aligned actions.

Also note that, implicit in the definition, is the fact that strategic alignment involves NOT DOING some of the things that you might currently be doing... things that do not support the realisation of strategic goals.

## Why does strategic alignment matter?

There has, over the last few decades, been a lot of academic research into the effects of strategic alignment on organisational performance. There are some powerful conclusions:

- A Gartner study found that the level of strategic alignment of an organisation explains up to 80% of the difference in performance between organisations.
- Another study conducted by EY found that 51% of the difference in organisations' performance can be explained by strategic alignment and another 38% can be explained by the level of consensus / buy-in. Together they explained around 90% of the variation in operational results of organisations.

Strategic alignment matters because it is very strongly linked to improved business results.

I would also suggest that strategic alignment matters because, in principle, it is very easy to fix. You just need to put your strategic goals at the heart of everything you do.

## What are our strategic goals?

Before we look at how to identify goals, let's talk about what they are NOT.

Strategic goals are not specific projects or initiatives. When we ask managers what their goals are, we often hear answers like, "I need to deliver Project X" or "I need to launch Product Y". These are deliverables or actions that exist to help you achieve your goals.

Looking at the key projects your team is working on is often a good place to start identifying the actual goals. By looking at the “goals of the projects,” you often find the goals of the organisation.

Let me put that another way. If Project X will help you enter the European market, for example, then “Growing sales by entering the European market” might be one of your goals. Delivering Project X is simply one of the things you’re doing to help achieve that goal.

## What is strategic planning?

Strategic planning is the process of defining strategy and then cascading it down through the organisation and turning it into a tactical plan. Strategic planning happens at all levels in the organisation.

## How to measure strategic alignment

So, measuring strategic alignment is not simply a check box task. Asking a simple yes/no question, “Does X align with strategy?” is one of the most common mistakes people make when trying to achieve strategic alignment. Why? Well, because everyone will say “yes”.

Really what we’re interested in is the **contribution X makes to your various strategic goals**. In other words, whenever you’re making an important decision, you should be evaluating the contribution each element makes to your strategic goals.

So, measuring strategic alignment is not so difficult, but it adds huge value.

## Final Words...

Leaders exhibiting the courage to disrupt the inward mindset inertia holding back teams from their very best work will continue to spark an organisational transformation that is not only possible, but essential. In the increasingly demanding, near-peer competitor environment we face, operating faster, smarter, safer, and with trust underlies the pace and magnitude of change required to create an inclusive, innovative culture of accountable people working positively through challenges and seeing new opportunities - together!

Partner with us to discover how to achieve strategic alignment within your organisation and realise the performance benefits your organisation.

Learn more about our approach to strategic alignment.