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THE CONFERENCE BOARD

Forging Strategic Business Alignment

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STRATEGIC BUSINESS ALIGNMENT SEEN AS KEY TO CORPORATE SUCCESS BUT NEEDS TO BE DEVELOPED MORE FULLY IN MOST COMPANIES

Top executives in a majority of global companies consider strategic business alignment to be extremely important to their success, yet only a small number believe alignment is very strong in their organizations. Strategic business alignment represents the capability of an organization to coordinate the activities of all of its components for the purpose of achieving its strategic objectives. It is grounded in a shared vision and common understanding – as well as ownership by all stakeholders – of what the organization wants to achieve and why. When resources are tight and changing business conditions make it imperative for complex organizations to respond as a unit, alignment becomes critical to business success.

Only half of all survey participants believe their organizations react quickly to a change in strategy. Less than half – 47 percent – consider key decision-making processes in their companies to be clear and effective. Just one-third expect alignment before acting, while almost a third of all surveyed believe that their company organization makes alignment difficult to achieve.

MAKING ALIGNMENT EFFECTIVE

Companies have tried a combination of activities aimed at increasing alignment and have overwhelmingly found the activities they tried to be effective. In contrast, these same companies have not taken advantage of some programs they believe are effective and that other companies have found successful. Only 28 percent of all survey participants have tried training in alignment. Yet, of those that have tried it, 82 percent have found it to be effective. Not surprisingly, the perceived effectiveness was much lower among companies lacking expertise with alignment training programs.

According to Pontish Yeramyan, Founder and CEO of Gap International, Inc “Being able to cause alignment is the ultimate leadership competency – getting people to be able to feel free to take risks and say things openly, to be empowered, have a common purpose, be interdependent and share a sense of ownership and excitement. This competency is definitely acquirable and can be improved. People can be specially trained to make alignment happen and the results can be extraordinary.”

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The leading five alignment enablers cited in the study are:

- The level of senior executive leadership and support
- Clarity and predictability of corporate strategic goals
- Alignment of business unit plans to corporate strategy
- Business unit understanding of the company's priorities
- The firm's business model.

IT alignment issues and the competition for or lack of sharing resources among business units are widely seen as significant inhibitors to successful alignment.

According to Robert Kramer, co-author of the study and principal researcher at The Conference Board, managerial approaches to strategic business alignment tend to fall into two camps:

“Hard-Wired approaches emphasize controlling and coordinating work tasks and employees. Soft-Wired approaches emphasize organic methods of managing, such as training, culture, and education. Given the effectiveness of a wide range of tools, we conclude that a framework embracing both ‘hard’ and ‘soft’ elements in a balanced way can be a basis for a more flexible and more durable form of strategic business alignment.”