



SPEAK THEIR LANGUAGE®

WHITE PAPER

People Can't Align to a Strategy They Don't Understand



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EXECUTIVE SUMMARY

A Corporate Executive Board survey found that almost 67% of employees are significantly unproductive because they aren't clear on what they are supposed to be doing. This lack of clarity is one indicator of misaligned workers and one of the most influential factors in failing to execute strategy.

We interviewed more than 40 C-suite leaders from a variety of industries to hear their perspectives on aligning employees to corporate strategy. Their experiences were congruent with our own leadership experiences and our observations during our work with clients:

- ⦿ There is no common definition of "strategy".
- ⦿ Leaders overestimate how well people understand the "strategy".

In this paper, we recommend critical principles during creation, execution, and measurement of strategy that will improve organizational alignment and business performance.

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CREATION

The development of your strategy needs to include the following:

- ⦿ Answering 7 strategic questions
- ⦿ Gaining input from internal and external stakeholders.
- ⦿ Testing and socializing your strategy.

EXECUTION

Alignment to your strategy needs to include the following:

- ⦿ Vocal and visible senior leader behavior
- ⦿ Vertical alignment within each business unit, division, and brand
- ⦿ Horizontal alignment between each business unit, division, and brand
- ⦿ Integration of your strategy into all aspects of your business
- ⦿ Adaptation and reallocation of resources

MEASUREMENT

Knowing how well your organization is aligned includes knowing the following:

- ⦿ How is your time, talent, and money being allocated to your strategic priorities?
- ⦿ How well are you delivering the value you promise?

CREATION

What is "strategy"?

Does it *really* matter how one defines strategy? One of the biggest challenges we've noticed in our work helping to improve organizational alignment of people to strategy is leaders thinking they're talking about the same thing, but they're not. Vision, mission, purpose, strategy and other common corporate "buzzword bingo" terms are used freely with no shared definitions.

The CEO and CFO can't talk to investors about "strategy" one way and to customers and employees differently. And, your audiences need to clearly understand what you mean by "strategy".

In our collective experiences of leading teams and organizations, we've learned that alignment to strategy is something one must tend to daily; it is time-consuming and integral to organizational success. One of the key starting points is sharing a common vocabulary.

As realists, we know there is no universal definition of "strategy". In fact, many of the leaders we interviewed didn't have what one might call a "definition of strategy". And that fits with our client experience as well.

Here are a few examples of the differences we heard as we asked C-suite leaders about strategy:

- ⊙ *We have 3 strategic investments: commercialize our pipeline, operational excellence, and customer centricity.*
- ⊙ *Our strategy ties our mission, vision, and culture together.*
- ⊙ *Our strategy outlines how we build a competitive advantage that no one else can replicate. It identifies the best scenarios, business lines, and actions to get us there.*

The different ways in which leaders respond to a prompt about strategy is a simple illustration of the challenge of having a conversation about strategy. As you can see by these statements, "strategy" means very different things.

However, one thing that every good definition of strategy shares is the goal of building value over time. It is also clear that there are questions every company must address in order to effectively build that value. [see the sidebar](#) ⊙

“

The beginning of wisdom is
the definition of terms.

SOCRATES

”

ANSWERING 7 STRATEGIC QUESTIONS

We've seen many helpful models for building a corporate strategy. Whatever model you choose, ensure that it addresses the following questions as a starting point:

What business are you in? This question helps you define your competition and provide a helpful way for customers to put you in a category and set their expectations (e.g. Are you fast food or fine dining?)

Who are your customers? What do they care about? The better you know your customers, the more effective you'll be in creating something they value.

What difference do you make for those customers? Knowing how you help them is essential to expressing and creating the value you deliver.

What future do you want to create? It is important that you have a direction that people, especially employees, can clearly see. If they don't know where you're going, they won't know how to help you get there.

How are you different from your peers? This is one of the hardest questions to address since it is multilayered and it is uniquely connected to the other 6 questions. How you are unique or better than your peers must be something that engenders customer loyalty over the long term.

What are the organizational capacities that, in combination, build capacity for delivering the value you promise? These are your core capabilities. They are the most critical organizational strengths to develop because they fuel your competitive advantage, enable you to deliver the difference you make for your customers, and help you make progress toward your desired future state.

What behaviors are critical for your success? Often called core values, these are the beliefs that manifest themselves into organizational and individual behavior. These are the behaviors that enable you to live your promise to deliver value to your customers.

We find these strategic questions helpful for our clients and congruent with different methods for packaging strategy. An organization's answers to these questions can be used as a reference point for its strategic plan, strategic framework, or to articulate its strategy statement.

We have also found that, more often than not, employees don't have an answer to the question "What is the strategy?". And they want to know the answer; they want to know that the work they're doing is contributing to something meaningful.

In addition to the challenge of not clearly stating what the strategy is, some leaders overemphasize the strategic questions they are personally most interested in – that which comes most naturally to him or her. For example, some leaders focus most, if not all, of their efforts on the future. This neglects a significant proportion of your strategy – that which is focused on delivering value in the present moment through organizational strengths and organizational behaviors. Each aspect of your strategy needs to get the appropriate attention and resources it deserves.

GAINING INPUT FROM INTERNAL AND EXTERNAL STAKEHOLDERS

Of course, in order to answer the 7 strategic questions noted on the previous page, you need to have insights that will enable you to make wise decisions. Listening to your internal and external stakeholders is essential.

Make sure your employees are included in addressing these strategic questions. People value outcomes more when they participate in creating them, so including people throughout your organization in the creation of your strategy is critical to building a solid foundation for alignment to your strategy. Make sure you include those who have keen insight into what employees need and what customers need, what's happening in your industry, and your socioeconomic and geopolitical contexts.

You also want to include employees who have impact on other employees. They may not have formal leadership or management roles, but they have influence on the people around them.

And, of course, knowing your customers is critical. This includes knowing the following:



- ⦿ Who are they?
- ⦿ For whom are they buying?
- ⦿ What do they value?
- ⦿ What do they need?
- ⦿ Where are they?
- ⦿ How do they buy?
- ⦿ From whom do they buy when they don't buy from you?
- ⦿ When do they buy?



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TESTING AND SOCIALIZING YOUR STRATEGY

Once you've created a draft of your strategy, we recommend that you socialize it with those who have to live with the consequences of your strategy: employees and customers.

One important first step, is to test a draft strategy with some formal "devil's advocates". Enlist people to analyze the strategy and develop arguments against it. One of the reasons that strategies fail is because we all fall prey to common decision-making biases. One way to guard against some of these biases is to intentionally find fault with a preliminary decision and then defend it.

When you believe your draft strategy is ready, you can then convene employee groups and have working sessions in which you discuss the implications of the change in strategy. This allows you to see how well the strategy resonates, determine how to communicate it more effectively, and make any important course corrections based on operational challenges you didn't anticipate.

You also need to interview customers and, in the context of talking about their business challenges, test the efficacy of your strategy in helping them meet those challenges.

EXECUTION

VOCAL AND VISIBLE SENIOR LEADER BEHAVIOR

A key aspect of execution is the role of senior leaders. The first, and possibly most important, principle is that once the strategy is set and articulated, that senior leaders are ready to live it with their words and actions. Nothing will dampen motivation for others more than to see leaders acting in conflict with strategy. And of course this principle applies at all levels of leadership.

Not only must senior leadership live the strategy, they must also empower other leaders to live it as well. Each leadership role needs to know where autonomy lies and to know and be trusted to make decisions that are appropriate for their role. If this foundation isn't laid, any strategy, no matter how good, will grind to a slow crawl due to the barriers that arise to timely decisions, risk-taking, and personal ownership.

When communicating strategy it is important for each leader to understand that others will be motivated by different aspects of your strategy. *see the checklist in the sidebar* ☺



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VERTICAL ALIGNMENT WITHIN EACH BUSINESS UNIT, DIVISION, AND BRAND

Once your strategy is created, it must be translated throughout the organization. "Cascade" is a word that is often used for this process. At each level of leadership, careful thought must be given to how to introduce the strategy to each team and person. In addition, this introduction to your strategy must be done in an interactive way. Each employee, at some point during the strategy initiation must have the opportunity to question how this affects the work of her team and her own desk. And, of course, this is the point at which coaching comes into play.

To expect everyone to immediately internalize a strategy is unrealistic. Coaching, communication, and committed reinforcement over time is key to moving from awareness of strategy to integration into daily behavior. And you and your team will need to be clear on your mechanisms for holding each other and your employees accountable.



Here is a brief checklist for addressing the filters* of your employees:

FUTURISTS

Are you tying your messaging to the future state you're working toward (sometimes called a "vision")?

ANALYSTS

Are you tying your messaging and organizational initiatives and all tasks to the financial and performance metrics that you've set?

CONNECTORS

Are you focused on building a place to work that is clear on what behavior is expected and people are held accountable to a common standard for behavior?

INTERPRETERS

Are you clear on how you are making a difference for your customers every day and tying your decisions and communication to that difference?

Your messaging and behavior should take these different filters into account to keep your employees engaged.

**This section uses Dialect's terminology for the filters people use for making sense of corporate initiatives. Each of us unconsciously sifts messages to suppress information that is less important to us while allowing that which is most important to us to pass through.*

ADAPTATION AND REALLOCATION OF RESOURCES

As noted earlier in this paper, alignment is happening when all resources (time, talent, and money) are dedicated and coordinated to increasing the value of your company. Of course, alignment is one of those things that is simple in principle and challenging to practice.

In a recent McKinsey study 83% of leaders believe that “dynamic resource allocation” is the “top management lever for spurring growth”. The same study found that active reallocation results in, on average, a 4% higher annual return to shareholders than “sluggish” reallocation. Twenty years later “*the dynamic allocator will be worth twice as much as its less agile counterpart*”.

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INTEGRATION INTO ALL ASPECTS OF THE BUSINESS

One must ensure that all aspects of your business are tied to your strategy. We’ve already discussed your internal communication to employees.

Here is a high-level checklist that can be used as a guide for integration:

- ⊙ Marketing messages-what’s your competitive advantage and how will you translate this to your customer segments?
- ⊙ Sales story-how will you tell your sales story to your prospects and customers?
- ⊙ Products and services-how will you connect your unique value to your customers through the products and services you provide?
- ⊙ Operations-how will you build processes and systems to deliver your unique value?
- ⊙ Finance-how will you allocate revenue to align with your organizational strengths and value you promise to your customers?
- ⊙ People strategy-how will you attract, hire, develop and retain the talent you need to execute your strategy?

MEASUREMENT

WAYS TO MEASURE YOUR SUCCESS

Your strategy sets your priorities. Your resource allocation speaks to whether or not your company is aligned with its priorities.

- ⊙ Where is your organization spending its time?
- ⊙ What is your organization's talent working on?
- ⊙ Where is your organization spending its money?

Answering these questions (with input from a cross section of your organization) will give you a quick audit of alignment. One senior strategy leader noted two internal signs of alignment – “The first thing that comes to mind is the level of friction three levels down in the organization. That goes down. And with things like capital requests ...there will be universal agreement if they fit in the strategy or not.”

Knowing whether or not you are effectively delivering the value you promise to customers and whether or not it's the right value usually requires a constellation of measures. Revenue, profit, customer loyalty, employee engagement, and market share are all measures that give you some indication of whether or not your strategy is coming to life. A leader we interviewed put it this way – “You can tell (you're aligned to your strategy) by your bottom line and if employees don't leave.”



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CONCLUSION

In the simplest possible terms, strategy is choosing the unique value you have to offer and deciding how to build your company to deliver that value. Alignment begins with ensuring that all resources (time, talent, and money) are dedicated and coordinated to your strategy and increasing the value of your company.

Strategy and alignment are both “works in progress”. Drift naturally occurs as leaders and front-line employees put their heads down to work in the trenches. But while your heads are down, the world around you is changing. Your customers are adapting to their customers, the political and regulatory climates are shifting — all manner of changes are taking place that affect your business and your value proposition. A significant part of the work of leadership is knowing what is changing and making decisions on how to adapt to those changes.

If your strategy needs to shift and you don't alter it, you're wasting time and money and your customers and your profitability will suffer. If your employees aren't aligned to your strategy, you're wasting time and money and your customers and your profitability will suffer.

Improving alignment begins with taking the steps we've outlined in this paper: making sure that you've addressed the key strategic questions every organization must answer, creating your strategy in ways that maximize employee engagement, and integrating your strategy into everything your company does.



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WHO IS DIALECT?

Dialect helps you align people to your strategy so you can grow faster and increase the value of your company. There is a clear and direct link between leadership and employee alignment and the success of strategy. We help you create that link without disrupting the daily operating rhythm necessary to run your business.

Create your strategy. Align your people. Grow faster.

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