**Sustainable Competitive Advantage through Strategic Alignment**

*by R K Bennett*

Strategic Alignment is a new planning and management system which will improve any company’s performance. How much improvement you will see and how quickly it will occur depends on how much your company is out of alignment. Therefore, before we discuss Strategic Alignment and how you can implement it, let’s see how many of the following symptoms of mis-alignment sound familiar.

**Low Margins**

Companies who are not aligned have lower gross margins than their aligned competitors.Companies earn higher gross margins by charging higher prices for their products or services. And why can they do this? Because the customer is willing to pay more. And why is the customer willing to pay more? *Because* *the value perceived by the customer, based on the total experience of doing business with that company, is high enough to warrant that price!* If gross margins are higher, then all other margins, including profit, can be higher. *Alignment is more important to margins than any other single factor, including size.*

 **Fighting Fires**

In an aligned company, responsiveness is measured by the ability to detect and recognize the subtle, ongoing changes in the customer’s need and the ability to act quickly and proactively on those changes. In the mis-aligned company, responsiveness means fighting crisis fires. When fire fighting becomes the accepted norm, it sets the standard for how we measure managers, which tends to be based on their crisis management skills. *Fire fighting results from the need to “react” and “recover” from a mis-alignment between the needs and wants of the customer and what the company is actually delivering to that customer.* Excellent companies have missions, strategies, structures and systems which are aligned to meet their customers’ needs. Because they consistently fulfill the needs of their customers, crises and the necessity to respond to them are rare.

**Internal Conflicts**

An atmosphere of management/worker conflict indicates an alignment problem. Conflict among managers is also a misalignment indicator. Conflicts occur when there is disagreement on what should be done, how it should be done, or in what order things should be done. When there is no agreement on these issues, there is no direction. If there is no direction, there is no Mission. If there is no Mission, there can be no progress.

**Customer Complaints**

An aligned organization has relatively few customer complaints. One core ingredient of alignment is intense focus on the customer and his/her need. An increasing trend in customer complaints is a key danger signal that the company is becoming less aligned and must take immediate action to reverse the trend.

**Different Agendas**

Whether the agendas are hidden or out in the open, if different executives and/or managers are marching to different drummers, the company is, by definition, out of alignment, because there is no commonly embraced Mission. If there is no commonly embraced Mission, there is no Mission, irrespective of what the leadership might believe and profess. Different agendas are also a central cause of conflict among managers.

**Employee Morale**

Moraleis directly proportional to alignment. *The better the alignment – the higher the morale.* The opposite is also true. As they do with customer complaints, aligned companies track employee morale. If morale is improving, the company is moving towards alignment. If morale is deteriorating, the company is becoming less aligned, and it must detect and correct the causes.

**Internal Focus**

Companies that focus internally rather than on the customer need are out of alignment. The most common internal focus is cost control or cost cutting. However, if you have no Mission and no Strategy, how on earth can you know which costs you can cut and which costs are necessary?

In Strategic Alignment, we begin with the customer’s Need and end with the Reward, which is the experience by the customer of the product or service we deliver. Sandwiched in between the Need and the Reward are the seven Directives which we must align. If we do this properly, we will differentiate ourselves to our selected customer base; the customers will reward us with loyalty; and, because they are willingly paying higher prices, we will realize higher margins.

*If you don’t give your customers a reason other than price to buy from you, they will base their purchasing decision on price alone -* and that’s not where you want to be.By following Strategic Alignment, you ***will*** give the customer a reason other than price to buy from you. A company aligns itself by aligning all of the Seven Directives with each other beginning with the Purpose and Mission, which must be aligned with the customer Need.

The first Directive in Strategic Alignment is the company’s Purpose - a simple, one-sentence statement of the recognized customer need and how the company will fulfill that need. Despite what many executives and business school professors might say, *it is not the primary purpose of a company to make money or “enhance shareholder value”*. Companies who focus on making money and enhancing shareholder value don’t accomplish either - at least not very well. However, companies who focus on serving the needs of the customer make attractive returns, produce net cash, and maximize shareholder value.

The Mission is the guts of Strategic Alignment. This is not the mission statement you see framed and hanging in the lobby of many companies – a mission that says, in essence, “We will be the best at what we do, and our employees are our most important asset”. In Strategic Alignment, the Mission Statement is a well thought out, hard-hitting statement of:

1. Who the customer is
2. What that customer expects from the company
3. What specific product(s) or service(s) the company will deliver to the customer
4. How the product(s) or service(s) will be delivered and
5. How the company will be different from the other companies who offer to serve that customer.

The Seven Directives of Strategic Alignment

In the aligned company . . .

**Need**

Leadership Directives . . .

**Purpose**

. . . create Values and priorities that guide managers and employees in day-to-day decisions, allowing . . .

**Mission**

**Vision**

Managers to remove obstacles between the Mission and the employees, so that employees can meet or exceed the Customer’s expectations, such that . . .

**Strategy**

**Structure**

**Systems**

. . . the Customer’s highest expectations are realized and the Company is rewarded with loyalty and high margins.

**Performance**

**Reward**

In its Mission Statement, *the company chooses its customers by selecting that segment of the overall market that it elects to serve.*  By understanding the needs of the customers within that segment as closely as possible and serving those needs as completely as possible, the company will deliver maximum value and fulfillment to the customer - fulfilling the customer’s expectations as closely as possible - and the company will receive maximum rewards; i.e. higher margins and loyalty from the customer.

As we move through the Directives from Mission to Systems and Performance, we bring each new Directive into alignment with all the Directives that precede it and in particular, the Mission. We also move from the metaphysical to the pragmatic, from the theory to the practical, from the general to the specific.

We then work to keep as closely aligned as we can while preaching the new Mission to each and every employee over and over until every employee knows, understands, accepts, and ultimately embraces:

* who the company is,
* what the company plans to become,
* who the company’s customer is,
* what that customer needs, and
* how the company will serve that need.

Strategic Alignment is not marketing or sloganeering. It is not directions to follow, like a recipe to bake a cake.  *Strategic Alignment is a belief system*. The leader must believe in it completely, follow it unerringly, and preach it to his/her troops incessantly.

Finally, Strategic Alignment is the gift that keeps on giving. The longer that Leaders and Managers use Strategic Alignment, the better they become at understanding the need of the customer and at honing the company’s differentiation. The longer the customer experiences the rewards of doing business with the aligned company, the better they understand the company’s Mission and the more closely their expectations become aligned with the company’s performance. And the longer the employees hear their Leader talk to them about the customer need, the more they will understand the customer and the more they will trust that the Leaders and the Managers are walking their talk.

This is why the competitive advantage resulting from Strategic Alignment becomes sustainable. The aligned company keeps evolving and getting better and better. The competitor who tries to catch up by watching and emulating the aligned company can never catch up because they are attempting to emulate last year’s model, while the aligned company has continued to grow and has become something else – an even better something else.

Aligned companies:

1. Are Strategic;
2. Know what they are and what they want to become;
3. Keep focused;
4. Place the customer first;
5. Trust their employees;
6. Communicate with their employees; and
7. Empower their employees to serve the customer need.

Companies who consistently do these things outperform companies who don’t.

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