Alignment

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Do you care about your business's profitability? Of course. Do you care about your business's market share? Certainly. Customer satisfaction? Employee satisfaction? Growth in the stock price? Yes, yes, yes. So do your colleagues. Then why do you and they argue about the virtues and vices of the strategic choices available to you?

Do you understand your customers? You talk to customers, you attend focus groups, you memorize market studies, you watch test markets, so you must understand them. So do your colleagues. Then why do you and they argue about which products and services will meet with the most approval?

In both situations, the issue is alignment. Or, rather, a lack of alignment.

Measures Of Success

Let's look first at alignment around measures of success. Everyone cares about profitability, market share, and so on. However, they care about those measures to different degrees. That they feel different degrees of caring doesn't make one person right and another wrong. It does, however, make it hard for them to communicate. Hence, the arguments.

Your erstwhile author was privy to a debate taking place among an executive team. Seeking to add some rigor and clarity to that debate, I conducted a simple survey of the team. I used standard market-research techniques that let me quantify each executive's definition of success. (I kept individual results confidential: each executive could see only his or her results, plus aggregate results for the team.) In effect, I built a numeric equation for each executive that described that person's success index.

As it turned out, the executives defined success very differently. One person's success index put 2% of its weight on employee satisfaction. Another person's success index put 70% of its weight on employee satisfaction. Both people could honestly say that they cared about employee satisfaction. However, they cared very, very differently. No wonder they didn't agree on a direction for the company. A move that might endanger employee satisfaction would an unfortunate-yet-acceptable speed bump to the first person, and an over-my-dead-body brick wall to the second.

It wasn't about who was right and who was wrong. It was about speaking the same language. They thought they were debating the attractiveness of their action alternatives. In fact, they were debating their definitions of success.

Now knowing the source of their disagreement, the team could do something about it. They shifted gears and spent a few hours constructing a common definition of success that they could all accept. Armed with that definition (which they published throughout the company so that other decision-making could work toward the same goal), they quickly agreed on key strategy decisions. Better alignment, greater commitment, stronger team.

I ran the same process in another company in a different industry. Similar initial results: great disparity in their individual definitions of success. In this case, the discussion concerning their common definition of success focused on whether certain indicators (e.g., profits) were inherently good or whether they were good only because they led to other things (e.g., rising stock price), and it was the other things that were the truly good things. Again, it wasn't about right and wrong. It was about speaking the same language. The only thing worse than living in the Tower of Babel (well, maybe not the *only* thing worse) is living in the Tower of Babel and not knowing it, and wondering why all those other people are saying such ridiculous things.

You might think that it would be obvious to both sets of executives that they were struggling with different definitions of success. Based on results, apparently it was not obvious. Quantifying their mental models painted their differences in unmistakable contrast.

There's another benefit to creating a shared, quantified definition of success. When you have a success index, you can measure the attractiveness of your strategy alternatives by how well they score on that index. For instance, when we at ACS run business war games, we often customize success measures for the businesses we're simulating, which lets strategists quickly and quantitatively compare different strategies using a single, consistent number. You can do that too, with whatever method you use to project the performance of a strategy.

Understanding The Market

Imagine you discover, via market research, that customers are price sensitive to the X degree. Should you change your personal beliefs and judgment about their price sensitivity, or were you already pretty accurate? If you change your beliefs, should you shift toward thinking that customers are more price sensitive than you thought, or less? It depends on where you started, of course. Understanding where you started and how to match your thinking to customers' is the purpose of the second kind of alignment.

I implemented a market survey of a company's market, and one portion of the survey dealt with price sensitivity. Before I reported the results of the outside survey, I ran the same survey *inside* the company, asking managers in various functions (sales, marketing, R&D, operations, etc.) what they thought customers would say.

Customers indicated their sensitivity to price through their answers to the survey questions.[*] Managers indicated what they thought customer price sensitivity would be, by putting themselves in customers' places as they answered the same questions.

What I expected to happen was that customers would say they are very price sensitive. After all, every customer would like a lower price for the same goods, and a survey is a terrific way to give suppliers that message. I thought that management would feel the opposite: their pride in their products would cloud their judgment. ("Surely customers are deliriously excited about our new framistat option for the model QT832.x10b. No one would care about price when they can get the QT832.x10b with framistat!")

As it turns out, I expected wrong. (Which, of course, demonstrates one reason why surveys are valuable.) Management thought that customers were *more* price sensitive than customers said they were.

Think of the implications. If you think customers are more price sensitive than they actually are, you would tend to emphasize price in your marketing. You would sacrifice attributes such as features, fit and finish, and customer service in order to keep costs and prices down. You would instruct your salesforce to make deals, and you would train them in price negotiation.

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[*] The company's customers and competitors' customers had essentially the same price sensitivities, which told us that different market shares were not the result of different price *sensitivities* (as opposed to different *prices*) in this market.

If the survey had revealed only the market's price sensitivity, management would not have known what changes to make. They would have asked "so what?," and rightly so. Learning *also* that their beliefs differed from the market, they reasonably inferred that their previous decisions were based on incorrect assumptions. Management quickly realigned their attitudes and their behavior to more-closely match the market's preferences. Their sales grew quite nicely.

What To Do: The Central Idea

Your erstwhile author loves raw data as much as he is fond of sweeping statements about strategy decision-making, and the subject of alignment allows him to join the two in a state of bliss. You, too, can experience this heady rush.

The central idea is to apply survey techniques to your management team, either by itself (for matters such as the definition of success) or in parallel with the market (for matters such as improving connections with customers). You can do it yourself, you can work with market researchers, you can work with us at ACS.

Doing it yourself means you can work quickly and inexpensively. Be especially careful to promise and deliver confidentiality and impartiality. Knowledge of quantitative market-research techniques is key. Scrupulously avoid injecting personal agendas (including your own). Remember that mistakes in survey analysis are more likely to come from logical flaws than statistical miscalculations.

Working with market researchers means you can bring in people who can work efficiently and confidentially, and sometimes people inside a company are more responsive to requests from a formal-sounding project than they are to requests from insiders. Seek researchers who don't think "analysis" means a forty-pound printout of every possible crosstab; look for those who think creatively and who are attuned to the logic and psychology of the process.

Working with ACS (or other quantitative strategists) means you can connect those wonderful raw data to important implications for strategy decision-making. Strategists talk the language of senior management and know how to move from "here's what we said" to "here's what to do." You know your company better than consultants do, so expect to be involved in an alignment project. Expect also to learn a great deal about strategic thinking.

Alignment is a potent form of competitive advantage, particularly in these days of quick response to customer needs and competitor actions. Alignment with those inside your company helps you move as a team; alignment with those outside your company helps you move where there's gold.

About The Author

Mark Chussil is Founder and CEO of Advanced Competitive Strategies, Inc. (www.whatifyourstrategy.com), and lead creator of the award-winning ValueWar® strategy simulator. He and his colleagues at ACS have implemented business war games for dozens of Fortune 500 companies around the world. He has published extensively and spoken at numerous conferences. Mark is also a Founder of Crisis Simulations International, LLC (www.crisissimulations.com). Prior to founding ACS, Mark worked at The Strategic Planning Institute (The PIMS Program) and Sequent Computer Systems. He earned his B.A. from Yale and his M.B.A. from Harvard.

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