

The Path to Strategic Alignment

The Essential Path for any Strategic Performance Review

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If you are planning a strategic alignment meeting with your leadership team and you don't know about *The Path to Strategic Alignment*, then you are more likely to waste time, goodwill and resources.

Business leaders who are serious about business growth and evolution should know about natural paths. A *natural path* is a natural order or hierarchy, which when combined with key data, reveals specifically how to reach the next sustainable performance level.

There are natural paths for all of the most critical working parts of a business system including: Strategic Alignment, Leadership Effectiveness, Team Effectiveness and Winning Products & Services.

Business evolution is the process of aligning with natural paths to reach ever-higher levels of sustainable performance.

At Growth River, we apply natural paths with business leaders and teams to accelerate business growth and evolution. It is a no-nonsense approach that can be adapted to all kinds of businesses. And, it can be applied immediately at a high-level and then with ever-deeper levels of subtlety.

Vertical vs. Horizontal

In the following story there are two kinds of changes, vertical (strategic) and horizontal (operational):

Vertical milestones lead to sustainable increases in performance. Like the rungs on a ladder, vertical milestones are steps towards higher sustainable performance.

Horizontal events lead to unsustainable increases or declines in performance. As with jumping or falling off a diving board, with horizontal events, performance goes up and then inevitably falls back down.

The growth story of a small law firm:

- The founder gets his first big client, establishing a good reputation. Revenues grow to \$1M – a *vertical milestone*.

- The founder makes six associates into equal partners hoping that as a result they will begin to take accountability for growing the firm, and then he retires. Revenues stay flat at \$1M – a *horizontal event*.
- After the firm fails to grow, two partners are forced out. Revenues decline to \$750K – another *horizontal event*.
- The firm changes its service offering to be more compelling and then invests in advertising. Revenues grow to \$1.2M – a *vertical milestone*.
- One partner begins to focus full time on sales, and revenues grow to \$4M. That partner then dies and revenues fall to \$1.4M. Initial growth appears to be a vertical milestone, but because it was not sustainable, it was a *horizontal event*.

When leaders are asked to describe the past history of their businesses in terms of vertical milestones and horizontal events, they are often amazed to discover how much more horizontally than vertically focused their leadership team has been. They realize that hard work and heartfelt drama can create a false illusion of progress.

However, as experienced leaders know, identifying your next vertical milestone and then aligning your team around creating it is not always easy. The pressure for short-term results is often intense. And decisions that appear to be vertical in the moment can turn out to be horizontal over time.

When the law firm founder made the six associates into equal partners and then retired, he fully expected that change to increase the overall performance of the firm. However, because it destroyed the team’s decision-making hierarchy, it had the opposite effect. When the founder retired, no single leader had final say on who would play what role within the organization, and infighting erupted.

It is here—distinguishing vertical milestones from horizontal events—that the concept of natural paths becomes very useful.

The Path to Strategic Alignment

For your next strategy meeting, the *Path to Strategic Alignment* is the place to start:

The logic of strategic alignment is that business evolution becomes inevitable with...

Effective Leaders

> Effective System-of-Roles

> Effective Strategies

> Effective Workflows & Resources

More Vertical > > > *More Horizontal*

Each level in a natural path sets the context of the level (subcontext) below it. The “>” symbol means “subcontext” and everything on the right is a subcontext of everything on the left. A *context* sets the stage and determines what is probable and sustainable in a subcontext.

For example, the top leader’s aggressive style (context) resulted in a centralized decision-making hierarchy (> subcontext) which resulted in little project planning and even less strategic planning (> subcontext) which resulted in few formal processes and a poor use of resources (> subcontext).

The top leader made effective decisions, projects, strategies and processes improbable and unsustainable. A poor use of resource became inevitable. Consequently, the business never performed past a certain point.

The Path to Strategic Alignment reflects the fact that a business is a complex social system. It underscores how effective strategies and workflows are not sustainable without effective leadership. When applied as part of a strategic alignment process, it can evoke much richer and practical discussion than with a typical strategic planning process.

Strategic Alignment Process

Natural paths can be applied in three ways as part of an ongoing strategic alignment process:

- 1) Assess. Use natural paths to ask the right questions.
- 2) Align. Use natural paths to clarify your next vertical milestones.
- 3) Act. Use natural paths to define success.

This process can reveal blind spots that otherwise would be missed. In the example above, when the founder destroyed the decision-making hierarchy in his business by making the six associates into equal partners, a blind spot was revealed: He was a leader who personally didn’t really know how to work interdependently with others in an effective way, and his six associates did not know how to work as a team. The next two milestones should have been to choose a single successor and to develop a high-performance team.

With this in mind, the founder probably made one of the worst possible choices because a natural path was not identified, and the right questions were not asked. What should have been a vertical milestone became a horizontal event—and a losing proposition.

1) Assess. Use Natural Paths to Ask the Right Questions

Natural paths can be used to create questions to gather performance data. For example, The Path to Strategic Alignment can be used to generate insightful questions to gather data for a strategic alignment meeting:

- Does your leadership team have the right balance between focusing on vertical milestones versus horizontal events (Effective Leaders)?
- Do all key issues have an effective mechanism for resolution (Effective System-of-Roles)?
- Do your products & services have a competitive advantage (Effective Strategies)?
- What are the top constraints to growth in each of your businesses (Effective Workflow)?

2) Align. Use Natural Paths to Clarify Your Next Vertical Milestones

Natural paths can then be used to identify and prioritize vertical milestones based on data that has been gathered. This approach can be applied to any kind of business. Here is an example from a landscape services company that applied the *Path to Strategic Alignment* to their performance data.

Key Issues as Originally Prioritized from a Horizontal Perspective.

Highest Priority → Lowest Priority

- A) Sales people are quitting because they aren't making enough commissions in retail stores.
- B) Selling landscape design services is too difficult and slow.
- C) The landscape design services value proposition is not competitive.
- D) There is no one on the management team responsible for marketing strategy.
- E) Senior leaders are unwilling to do work outside of their roles

Key Issues Reprioritized from a Vertical Perspective Using the Path to Strategic Alignment

Highest Priority → Lowest Priority

- Effective Leaders**
- E) Senior leaders are unwilling to do work outside of their roles.
- > Effective System-of-Roles**
- D) There is no one on the management team responsible for marketing strategy.
- > Effective Strategies**
- C) The landscape services value-proposition is not competitive.
- > Effective Workflow & Resources**
- A) Salespeople are quitting because they aren't making enough commissions in retail stores.
- B) Selling is too difficult and slow.

Can you see how applying the Path to Strategic Alignment helped sort vertical from horizontal issues?

The issue that “senior leaders who are unwilling to do work outside of their roles” in many ways sets the stage or context for all of the other issues. Until this critical issue is resolved, the ability to resolve all of the other sub-issues in a sustainable and simple way is limited.

Therefore, for this example the next two vertical milestones along the fastest path to business evolution and growth are:

- 1) Change the mindset of senior leaders to be willing to work outside of their roles (e.g., develop a high-performance team).
- 2) Develop and implement a marketing strategy—without having to wait until someone to play that role can be hired.

Although a natural path may reveal the fastest path to the next performance level, it will not necessarily be the easiest or most comfortable path. It is in those moments when the conflict between the best next step and the most comfortable next step become obvious that blind spots are revealed.

3) Act. Use Natural Paths to Define Success

Natural paths can be used as a framework to clearly define key objectives (and metrics) to guide planning and to recognize success. For example:

Our organization will be strategic aligned when it has...

Effective Leaders

- Leaders operate more from a vertical than a horizontal perspective (quarterly strategic alignment meetings).
- Leaders are open and candid.
- Leaders hold each other mutually accountable and provide actionable feedback.
- There is a healthy creative friction, which drives innovation.

> Effective System-of-Roles

- Every key decision has a clear mechanism for resolution.
- Businesses are segmented in an effective way.
- No key roles or perspectives are missing.
- Unhealthy power dynamics are avoided.

> Effective Strategies

- There is a clear enterprise strategy across businesses and functions.
- The business has a clear strategy.
- All key functions and partnerships have clear strategies.
- All key offers, products and services have clear strategies.



> Effective Workflow & Resources

- Costs are in line with competition.
- 98% on-time delivery.
- All key processes are defined and managed.

Notice that *leading* indicators of success, like leadership mindset and team effectiveness tend to be more vertical or strategic, while *lagging* indicators, like competitive costs and on-time delivery, tend to be more horizontal or operational.

Key Conclusions

If you are planning a meeting with your leadership team to align around getting to the next performance level, you should try the natural path approach described above. It is not hard to understand, can be adapted to all kinds of businesses, and quickly reveals the next steps that truly lead to a higher performance level.

However, as you apply the natural paths approach, bear in mind that though it will reveal the fastest path, it will not necessarily reveal the easiest or most comfortable one. Often the most limiting factors in businesses stem from a need for leadership and team effectiveness. The Path to Strategic Alignment often reveals that business growth, leadership development, and team development are part of the same foundational challenge that arises from the fact that business are complex social systems. And Growth River is in the business of guiding business evolution in these complex social systems.