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Aligning strategy to the Organisation's environment: A business survival in an economic melancholy

Dr. William Phiri[1*], Euphrasia Ng'andwe[2], Mapulanga M Mwenda[3], Alice Zulu[4], Geofrey Sibalwa[5]
[1-5] The University of Zambia, Institute of Distance Education, Lusaka, Zambia

Abstract
Charity Maliko and Maxwell Mwiinga are part of authorship of this article. Organizations have traditionally emphasized the strategic path in the quest to gaining competitive advantage. Both strategies and values provide important direction and contribute to organizational success. Certain environmental factors must be considered when implementing strategy for a superior performance. The business environmental situation surrounding firms shows most organizations are struggling with decreasing demand for their goods and services, which provides an incentive to explore strategic fractures that have caused it. Organizational alignment consists of values held in the organization and strategic goals. Organizational resources, people, structure and culture are key components that managers need to consider for strategy implementation to be successful. As such, how well an organization aligns its strategy to its environment determines the level of success in the long run. It is therefore of great importance to search for the system of cause and effect that shapes and defines organizational adaptability and creativity of the firm and/or its parts, which in turn creates value both for the firm and its environment. The purpose of the paper is to expound the significance of the concept of aligning strategy to the organizations environment and explore the implications on the process of designing business strategies.

Keywords: alignment, strategy, environment

1. Introduction

Cole (1997) [2] observes that few organizations implement a strategic plan from scratch, in most cases organizational efforts often are directed at revising a strategy that is still in place, with all its attendant organizational and decision-making mechanisms, and with all the after effects of decision from the immediate past still ripping through its operations. However, the process of strategy management in an organization is one that aims at directing an organization to its intended purposes and providing the means through which the strategies formulated are implemented successfully. A number of activities are involved in the strategic management process and are illustrated in the following below;

2. A Basic Strategic Management Cycle

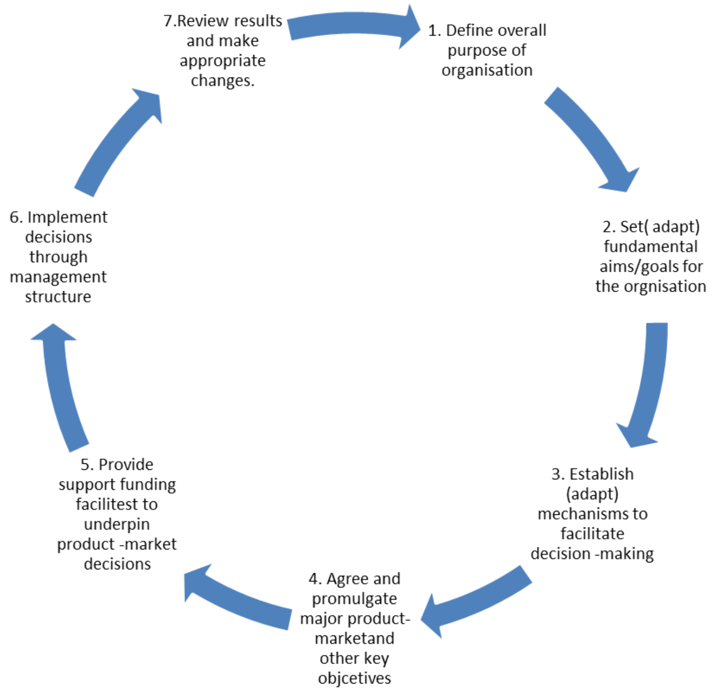


Fig 1: Basic Strategic Management Cycle

Figure 1. above summaries the main activities that are undertaken by organizations in the process of strategic management. These activities are interlinked and coordinated in order to achieve success in strategy implementation. Nevertheless, a strategy on its own cannot achieve much and proves to be challenging if they it is not aligned to the organizational environment. Agreeing with Trevor and Varcoe (2017) [9] a winning enterprise tightly manages its value chain that connects its purpose to its business strategy, organizational capability, resource architecture and management systems. Mintzeberg and Quinn (1991) [5] perceive strategy implementation as being conducted under four headings- structure, systems, culture and power. They take the view that strategic management is basically about balancing a number of interdependent factors. Strategy implementation requires a shift in responsibility from strategists to divisional and functional managers. Implementation problems can arise because of this shift in responsibility, especially if strategy-formulation decision's come as a surprise to middle and lower level managers. Therefore, it is important that divisional and functional managers be involved as much as possible in strategy formulation activities.

3. Aligning Strategy to the Organizations Environment

The following are constituents that make up a strategically aligned enterprise; enterprise purpose; business strategy; organizational capability; resources architecture. However, strategically aligned organizations are made capable by,

- Resources
- People (values of skills, experience, knowledge required)
- Structures (formal and informal relationships)
- Culture

These are discussed in detail below;

3.1 Aligning Organizational Resources to Strategy

According to Cole (1997) [3], implementing strategy is not just about devising a management framework, crucial though that is. Allocation of resources is critical among strategic business units. Managers need to decide what, and how much, to allocate to corporate and business-level units. They should be able to determine which functional departments needs to be strongly supported in order to provide sufficiency of service to the subsidiary units. Another area of concern may include determining which strategic units are to be developed and expanded in terms of new buildings, plant and machinery etc., in pursuit of their product market goals. An evaluation of which units need support to maintain their current, or planned level of operations and including the units that may need to be run down or sold off should also be done. Once these major decisions have been made, it will enable the corporate strategic units to know what financial and other parameters they have to focus on in terms of work.

Apart from major capital projects, which are likely to be controlled from the corporate center, other expenditure on resourcing can be left to the strategic business unit managers to allocate according to their priorities. Such expenditures are usually in form of unit budgets. In most cases expenditures is usually focused and spread among procurement, technology and personnel.

3.2 Aligning Human Resources to Strategy

Excellent companies treat and rank-and-file as the root source of quality and productivity gain (Peters and Waterman, 1982) [6]. Employees are key stakeholders in an organization and play serious role in strategy formulation and implementation. Employees are individuals who, over a given time invest a large proportion of their lives in their organization. Much of their personal lives as well as their role as employees depends on the success of the corporate strategy adopted by their employers. As such one of the key roles of personnel managers is to ensure the fair treatment in the organization. According to Porter (1985) [7] in Cole (1997) [2] human resource management (HRM) is one of the important support activities in Porters Model of the Value Chain. They acknowledge that HRM supports the entire value chain as well as individual primary and support activities. As such he proposes that a key point in developing any personnel strategy is to ensure the consistency, as well as the fairness, of personnel policies throughout the organization. Such policies are themselves an important reflection of the organizations culture and value system, for which the top management are the guardians. Although HRM plays an important role at every stage of the strategic management cycle, three key roles are identified; the mission setting and goal setting stage, objective setting stage and strategy implementation stage. Therefore, managers need to ensure that they deliberately align the HRM policies and strategies to the overall strategy in order to influence the actions of employees and achieve the desired level of performance.

3.3 Linking Performance and Pay to Strategies

According to David (2011) [4] this process begins with creating an appraisal system that gives genuine feedback and differentiates performance. He argues that concise, constructive feedback is the fuel workers use to get better. A company that doesn't differentiate performance risks losing its best people. Companies can use the following criteria to ensure that they link pay strategies to attaining the level of performance they desire from employees;

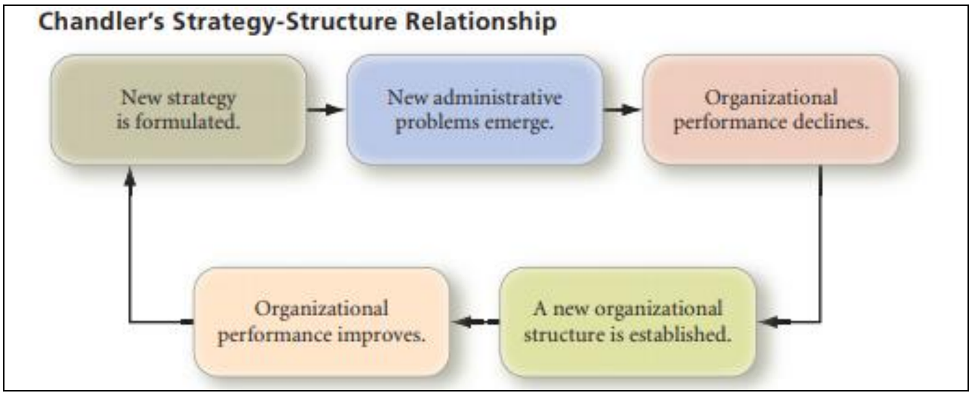
Profit gain sharing- this strategy requires employees or departments to establish performance targets to be attained over a specified period of time. For instance, monthly, quarterly, or annually. If actual results exceed objectives, then all member's get bonuses. Criteria such as sales, profit, production efficiency, quality and safety could serve as basis for an effective bonus system. If an organization meets certain understood, agreed upon profit objectives, every member of the enterprise should share in the harvest. David (2011) [4] explains that a bonus system can be an effective tool for monitoring individuals to support strategy-implementation efforts.

In addition, a dual bonus system, a combination of reward strategy incentives such as salary raises, stock options, fringe benefits, promotions, praise, recognition, criticism, fear, increased job autonomy and awards, can be used to encourage managers and employees to push hard for successful strategic implementation.

4. Matching Organizational Structure with Strategy

An organizational structure largely dictates how objectives and policies will be established. For instance, objectives and policies established under a geographical organizational structure are embedded in geographical terms. In addition, objectives and policies stated largely in terms of products in an organization will have a structure based on products groups. Thus, the format of developing objectives and policies can significantly impact other strategy implementation activities. According to David (2011) [4], changes in strategy often require changes in structure because, structure dictates how resources will be allocated. Depending on the objectives that an organization is pursuing, organizational structures may vary to suit the needs of the company. Cole (1995) [1] explains that an organizational structure is an intangible web of relationships between people, shared purposes and the tasks they set themselves to achieve those purposes. He adds that the prime purpose of an organization structure is to achieve an effective balance between the divisions of tasks and responsibilities on the one hand and the need to coordinate individual's efforts and roles on the other hand. The ideal organization structure is a place where ideas filter up as well as down, where the merit of ideas carries more weight than their source and where participation and shared objectives are valued more than executive order.

The understanding that members of an organization acquire about their own structure may be as much based on unwritten evidence and informal arrangements as on any formal statements of rules, procedures and role descriptions. Chandler illustrates strategy structure relationships as shown below;



Source: adaptd form Alfred chander, strategy and structure (Camridge, MA: MIT press, 1962).

Fig 1

From the figure above, the link between strategy and structure is highlighted. The process is continuous which begins with the formulation of a new strategic direction. Formulating new strategies is a complex process that calls for consolidated management's commitment to achieving them. However, as much as managements tries to push for a new strategic direction, new administrative problems also emerge as a consequence. Wheelen and Hunger (2012) [11] contend that a change in mission, objectives strategies or policies is not likely to be successful if it is in opposition to the accepted culture of a firm. Foot dragging, and even sabotage may result as employees fight to resist a radical change in corporate philosophy. As with structure, if an organizations culture is compatible with the new strategy, it is an internal strength, but if the corporate culture is not compatible with the proposed strategy, it is a serious weakness. Therefore, this calls for more intensive efforts from management to bring the organization to point where it begins to performs. New work processes and work relationships therefore are formulated. As such we see a change in the organizational structure from the old one to a new structure designed to match the strategies formulated. Cole (1995) [1], escalates this point and notes that designing of a suitable structure for a group begins with some idea of what the organization is there for, and where it intends to go. In other words, the prime purpose plays a key role in enabling the members to decide what kind of structure they need. Once this has been implemented, organizational performance is then enhanced and success achieved in due course.

5. Building a Strategy Supportive of Culture

A company culture is the distinctive, unwritten informal code of conduct that governs its behavior, attitudes, relationships and style. It is the essence of "the way we do things around here". In small companies, culture plays as important a part in gaining a competitive edge as strategy does. Culture has a powerful impact on the way people work together in a business, how they do their jobs, and how they treat their customers. For instance, at some companies, the unspoken dress code requires workers to wear suits and ties, but at others employees routinely come to work in jeans and T-shirts (Scarborough, 2014) [10]. Every company has a unique organizational culture. Cole (1997) [2] refers to culture as a pattern of basic assumptions, invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that has worked well enough to be considered valid, and to be taught to new members as the correct way to perceive, think and feel in relation to those problems. Culture also viewed as organizations philosophy, principles and work climate, differs from one organization to another and are embedded in the patterns of how things are done. An organizations culture can either contribute or hinder the successful implementation of strategy. ICAIBD, (2008) [8] states that the beliefs, vision, objectives and business approaches and practices underpinning a company's strategy may be compatible with its culture or may not. However, when the culture is in conflict with some aspect of the company's direction, performance targets or strategy, the culture becomes a stumbling block that impedes successful strategy implementation and execution.

Creating a culture that supports a company's strategy is no easy task, but companies who have been most successful at it believe that having a set of overarching serves as a powerful guide to for everyday action. Strong cultures promote good strategy execution when there's a fit, and hurt execution when there's little fit. According to Scarborough (2014), [10] nurturing the right culture in a company can enhance a company's competitive position by improving its ability to attract and retain quality workers and by creating an environment in which workers can grow and develop. A culture that is grounded in values, practices and behavioral norm that match what is needed for good strategy execution helps energize people throughout the organization in a strategy supportive manner, adding significantly to the power and effectiveness of strategy execution.

A tight culture-strategy alignment acts in two ways to channel behavior and influence employees to do their jobs in a strategy-supportive fashion, (ICAIBD, 2008) [8],

It provides a system of informal rules and peer pressure on how to conduct business internally and how to go about doing one's job. Strategy supportive cultures shape the mood, temperament, and motivate the workforce, positively affecting organizational energy, work habits and operating practices, the degree to which organizational unit's corporate, and how customers are treated.

A strong supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution. It provides structure, standards, and a value system in which to operate, and it promotes strong employee identification with the company's vision, performance targets and strategy. Employees are stimulated to take on the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to fruition.

When a company's culture is not in sync with what is needed for strategic success, the culture has to be changed as rapidly as can be managed. While correcting a strategy culture conflict can occasionally mean revamping the miss-matched cultural features to produce a strategic fit.

6. Creating a Strong Fit between strategy and culture

It is the responsibility of strategists to create a strategy compatible with the prevailing corporate culture. This is because once a culture is executed, it is difficult to change. ICAIBD, (2008) [8] observes that changing a company's culture to align it with strategy is among the toughest management tasks. Changing problem cultures possess to be a challenge because of the heavy anchor of deeply held values and habits- people cling emotionally to the old and familiar. It will require concerted management's commitment to change a problem culture over a period of time. Visible aggressive actions to modify the problem and old culture may be called for in order to establish a new culture more in tune with the strategy.

Among the actions that management can implement to change a culture that is problematic ICAIBD, (2008) [8] identifies the following;

- Revising organizational policies and procedures to drive cultural change
- Undertaking major reorganization moves that bring structure into better alignment with strategy
- Tying compensation incentives directly to the new measures of strategic predominance and making major budgetary allocations that shift that shift substantial resources from old projects and programs to new strategy projects and programs.
- Altering incentive compensation to reward the desired cultural behavior
- Recognizing and praising people who display the new cultural traits
- Recruiting and hiring new managers and employees who have the desired cultural values and can save as role models for the desired cultural behavior
- Replacing key executives who are strongly associated with the old culture, and communicate regularly with the employees the basis for cultural change and its benefits to all concerned.

It is important in the process of leading the push for new behaviors that strategy implementers act in substantive and real movements in order to convince those concerned that the culture changing effort is more than convincing. This can be achieved through regular reports on quick successes that that highlight the benefits of strategy culture changes. However, ICAIBD, (2008) [8] also points out that instant results cannot be equated to developing a solid competent team's commitment to pursuing the strategy in the long run. The task of making a culture supportive strategy is not a short-term exercise, it takes time for anew culture to image and prevail as such, it is unrealistic to expect transformation overnight. In some instances, it might take a period of two to five years to successfully change an organizations culture.

7. Conclusion

For any organization to remain sustainable in a business environment, it has to align its strategy to the organization's environment. Gaining competitive advantage calls for organizations to study the business environment under which they operate. Consequently, it will know which business strategy it will require to align to each particular business environment. In the absence of knowing its business environment and aligning specific strategies to each environment, the organization will not be able to be sustainable and remain competitive globally.

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