Economic pressures mandate strategic alignment

In today's economy it is more critical than ever for you to take the pulse of your organization. The critical question you need to answer is:

> **Are 100% of your company's efforts and expenses strategically aligned to deliver your goals for 2008?**

Strategic Alignment

In a strategically aligned company every employee understands the goals of the company for the current year. Every employee also understands how their daily efforts will contribute to achieving the company's goals. In addition, every employee owns 2-3 measurable objectives that they must achieve in order to help the company reach its current year goals. When you have all of your resources applying their efforts towards achieving your company's current year goals you have a strategic alignment.

There is a simple first step you can take in leading your company to strategic alignment. The very act of writing down your goals is the start of the strategic alignment of your company. In the past three months I have presented my Strategic Alignment Workshop to over 100 local business owners, CEOs, founders and presidents. The first two exercises in the workshop for the CEO/Owners are to write down where they want their company to be in 3-5 years and then their goals for 2008.

"...the moment you put in writing the statement of your desire…you have actually taken the first of a series of steps that will enable you to convert the thought into its physical counterpart."
Napoleon Hill, *Think and Grow Rich*

Strategic alignment starts with the CEO setting long-term objectives in a strategic plan. An effective strategic plan should be a simple document that clearly describes where you want your organization to be in 5 years. Your strategic plan should not fill more than one page. The following are a few examples of long-term strategic objectives that CEOs wrote during while attending my CEO workshops:

Question: Where do you want your company to be in 5 years?

Strategic Objectives:

Attain a specified level of revenues as stated in dollars

Achieve a level of profits or EBITDA in dollars or as a percentage of sales

To complete the acquisition of a strategic competitor to increase revenues or to fill a service or product offering gap

To complete the merger with a strategic partner or competitor

To complete the sale of the company to a strategic partner or outside investor

To take the company public with an IPO with capitalization of $$$ dollars

Once you have written down your strategic objectives it is time to get your executive team involved in the process of reviewing and refining your strategic plan (5 year goals). This is best accomplished during a planning retreat where you and your executives are away from the office focused on your company's long-term and current year strategies. The most effective planning retreats include the following elements:

They are planned 6-8 weeks in advance

They are facilitated by a resource from outside of the company

They required pre-retreat preparation communicated to and completed by each participant

There is an agenda drafted and published 3-4 weeks in advance of the retreat

There is a clearly stated and communicated set of expectations for the outcome of the planning retreat

There is an in-depth review of your company's industry, your market share and your top 5 competitors.

The outcome of your planning retreat is that your 5 year strategic plan will have been reviewed, discussed and finalized by you and your executive team. The strategic plan you develop is the foundation of your business plan for the upcoming year.

The second step to be completed at your planning retreat is to identify current year goals (tactical objectives) that when accomplished will move the company towards achieving its long-term strategic objectives (5 year goals). The following are a few examples of current year (tactical objectives) that CEOs wrote down during my CEO workshops:

Question: What do you need to accomplish this year that will advance your company towards its long-term objectives?

Current Year Tactical Objectives:

Increase revenues from $$$ to $$$$

Increase profits in dollars by $$$$ or as a higher % of sales

Identify resources to guide company through M&A or IPO process

Identify 3 target companies for possible acquisition

Identify 1-2 possible strategic partners

Start the initial steps in the process to take the company public in 5 years

Convert your plan into action

It is critical that during the planning retreat your executive team converts your company's tactical objectives into actionable items that can be measured. It is also essential to the success of your strategic alignment that the responsibility for the execution of those action items is delegated to the members of your executive team. During the planning retreat the executive team should review each objective and work together to identify subsets of measurable results that must be attained in order to achieve the overall tactical objective. Benchmarks need to be established to provide for the easy tracking of progress toward achieving the objectives. There is a simple rule to follow in establishing goals: If it can't be measured it cannot be a goal.

Examples of subsets of objectives and metrics:

Increase sales by 25% over prior year ($1,500,000 increase)

Sub-objective: Add 75 new customers

Decrease overhead expenses by $500,000 from prior year expenses

Sub-objective: Decrease G&A Salaries by $100,000

Increase net profits from 5% of sales to 8% of sales

Sub-objective: Decrease cost of manufacturing by 5 %

At the end of your strategic planning retreat you and your executive team will have completed a strategic plan with 5 year objectives and a tactical plan with current year objectives. You will have also identified the resources that each objective will require. If funding is required to deliver an objective budget parameters are established. In addition, high level budget numbers will have been established, like revenues, gross margin, general and administrative expenses and profits for the upcoming year.

Implementation

This is the step is where most plans fail. It involves people. Some of your employees will be able to rise to the occasion and will easily deliver their objectives. Some will struggle and will not keep their daily efforts focused on their individual objectives. The reality is that you will find people that are unable to focus on their objectives in every level of our organization. Even on your executive team. By setting benchmarks and measureable goals you will be able to objectively evaluate who on your teams are truly helping your company achieve its goals. In many instances it will require that you have a third-party help you with those evaluations. Your board of directors, your advisory panel or outside business consultants needs to be utilized by you to assess whether or not you have the right people in the critical positions in your company. If one member of your executive team does not achieve their objectives it can and will negatively impact your entire company. Building a strategically aligned company requires change. It requires change in the way your teams work and possibly change in who leads those teams. Reviewing your results periodically with your executive team (have a one day retreat mid-year) and your outside advisors will keep you and your teams focused and will maintain the momentum needed to achieve all of your goals.

As each of your company's goals are delegated (driven) down through your organization each team in your company, and then each individual within the team, must identify (write down) the measurable results they need accomplish so that they, their team and your company can realize your goals.

"***Unless you have definite, precise, clearly set goals, you are not going to realize the maximum potential that lies within you." Zig Ziglar***

Conclusion

It is essential to the success of every organization to get maximum productivity out every dollar they spend. Do the easy math. What is your annual budget for salaries and wages? What percentage of those expenses do you estimate, today, are resulting in 100% return on the expense? As an example if a company spends $1.0MM in wages every year and they have 60% of their efforts aligned with the company's goals then they are spending $400,000 on efforts that will not lead to the achievement of the company's objectives. Wouldn't you rather have those dollars providing you with a return on your expense? Strategic alignment of your company will improve your return on expenses.

Start the strategic alignment of your company with a simple act. Write down your goals. Then get your executive team committed to those goals. Communicate your company goals to every team and every individual in your company. Set measurements and timetables for every objective for every individual in your company. Make sure that you and your executive team review progress towards those goals every week.

Do this and you will create a strategically aligned company with 100% of your resources' efforts applied directly to achieving your goals.

Today's economic pressures mandate that your company operate with complete strategic alignment.

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