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STRATEGIC ALIGNMENT ANTECEDENTS AND CONSEQUENCES FOR
STRATEGY IMPLEMENTATION

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Abstract

This article considers two types of alignment - vertical and horizontal - and explores the relationship between vertical alignment and successful strategy implementation. We argue that failure in strategy implementation can be due to the lack of an integrated vision of the elements that influence this process, mainly the intangible. The study presents a literature review and analysis. The articles were gathered by searching databases (e.g., ISI Web of Science and ABI-Inform), the Internet sites of journals and the annals of national scholarly conferences. As a result, a conceptual framework is proposed, and based on that framework the study links the antecedents identified in the literature to their consequence – the effectiveness in strategy implementation.

Key words: strategy implementation, strategic alignment, vertical alignment

1. Introduction

It is broadly accepted in the literature that strategic alignment enhances organizational performance. It is expected that an organization that shows a high degree of adjustment or congruence among its components is a relatively more effective organization (MILES; SNOW, 1984; NADLER; TUSHMAN, 1980). However, factors affecting alignment have received relatively little empirical attention (CHAN; SABHERWAL; THATCHER, 2006). Strategy implementation studies and theoretical frameworks also have been neglected when compared with formulation issues (HREBINIAK; JOYCE, 2001; ZAJAC; KRAATZ; BRESSER, 2000).

In this context, the main objective of this article is to propose a conceptual framework linking the antecedents of strategic alignment to their consequence – the effectiveness in strategy implementation.

In this article we adopt the concept of vertical alignment. Strategy implementation is considered essentially a bottom-up process with the aim to make lower hierarchical level strategies, objectives and plans adjusted with the upper levels' strategy orientation. When this consistency is achieved, vertical alignment has been realized (KATHURIA; JOSHI; PORTH, 2007).

This article is organized as follows. Section 2 summarizes the theoretical discussions on strategic alignment and its relationship with organizational performance. Section 3 presents the method employed to the literature review and at the end the theoretical framework linking the antecedents, vertical alignment and performance. Section 4 discusses each one of the antecedents and its relationship with the strategic alignment. Finally, we draw conclusions and discuss the findings, implications and limitations of our study.

2. Conceptual background

Strategic alignment

In the field of strategy the alignment concept is a requisite in both the formulation and implementation of the strategy. Zajac, Kraatz and Bresser (2000) affirm that 'strategic fit is a core concept in normative models of strategy formulation,' and according to Hrebiniak and Joyce (2001) 'efficiently addressing pertinent elements of the implementation model requires knowledge of the functions and fit among its components'. These statements are reinforced in the book *Built to last: Successful habits of visionary companies*, by Collins

and Porras (1994) which presents empirical evidence that the companies best able to sustain success over long periods of time are those that align their business processes and capabilities to the dynamically changing marketplace.

But what is alignment and how is it defined? Significant variations can be found in this area with respect to the terminology and constructs used in its modeling (HILL; BROWN, 2007; VENKATRAMAN; CAMILLUS, 1984). The terms most commonly employed are strategic fit, strategic alignment and strategic consensus, which are used in the sense of fit, cohesion, adjustment and congruence among different dimensions. Each organizational dimension must be consistent not only with the strategy but also with other dimensions (GALBRAITH; KAZANJIAN, 1986, NADLER; TUSHMAN, 1992).

Miles and Snow (1984) define strategic alignment as both a process and a result, characterizing the need for constant adjustments in the external environment, accompanied by the internal adjustment of resources. Labovitz and Rosansky (1997, p.5) define alignment ‘...as both a noun and a verb – a state of being and a set of actions. Alignment ... refers to the integration of key systems and processes and responses to changes in the external environment’.

Three different constructs are identified in the literature: *external alignment*, *internal alignment* and *consensus* (Siggelkow, 2001; Stepannovich and Mueller, 2002; Venkatraman and Camillus, 1984). *External strategic alignment* refers to adjusting capacities, resources and strategies to the organizational environment. Alignment occurs when the appropriate strategy is chosen. *Internal strategic alignment* refers to the mobilization of internal resources, both tangible and intangible, to implement the formulated strategy. *Strategic consensus*, which is also one of the dimensions of internal

alignment, can be defined as agreement, to a consensus of opinion regarding the formulation and implementation of strategy.

Vertical and horizontal alignment

The literature recognizes two dimensions of strategic alignment: vertical and horizontal.

It is broadly accepted by the literature that the strategy is elaborated at three organizational levels – corporate, business and functional. The corporate level strategy specifies the firm's businesses. Separate business level strategies reflect how a firm will compete within each business or product market (HITT; IRELAND, 1985).

Strategy implementation is essentially a bottom-up process with the aim to make lower hierarchical level strategies, objectives and plans adjusted with the upper levels' strategy orientation. When this consistency is achieved, vertical alignment has been realized (KATHURIA; JOSHI; PORTH, 2007; PRIETO; CARVALHO, 2009).

Horizontal alignment can be defined in terms of efforts across the organization to put the strategy in action. Cross-functional integration connotes the consistency and complementarity of decisions across functions, such as marketing, operations, human resources, and others (KATHURIA; JOSHI; PORTH, 2007).

Labovitz and Rosansky (1997, p.45) emphasize that alignment is not only for senior management – on the contrary, the activities and behavior of people at every level must be aligned with the same business focus. In accordance with these authors the vertical dimension represents alignment between strategy and people, while the horizontal dimension represents alignment between customers and processes.

They consider that performance measures, allied to the system of rewards and recognition, are the key factors in the implementation of vertical alignment. In the horizontal direction, alignment occurs when customer needs are known and incorporated into processes. The idea is to identify the organization's target customers – the right customers. The authors propose an alignment of customer requirements, measurements and process improvements. Alignment occurs when the four elements are interrelated while each one simultaneously performs a specific role.

Strategic alignment and organizational performance

The relationship between alignment and performance was established by contingency theorists. In general, they state that good performance by organizations is the result of adequate alignment among endogenous variables such as strategy, structure and management processes and exogenous variables such as environmental uncertainty and technology.

In the field of strategic alignment, this same relationship is discussed by authors such as Galbraith and Kazanjian (1986); Ginsberg and Venkatraman (1985); Miles and Snow (1984) and Zajac, Kraatz and Bresser (2000). It is expected that an organization that shows a high degree of adjustment or congruence among its components is a relatively more effective organization (MILES; SNOW, 1984; NADLER; TUSHMAN, 1980).

Miles and Snow (1984) point out that due to the conditions of change in the organizational environment, perfect alignment is usually a condition to be strived for rather than accomplished. On the other hand, minimal alignment is required for organizational survival.

Alignment, therefore, is a condition to be achieved, which requires managers to demonstrate high integration capacity, and this can, in itself, be considered a source of competitive advantage (BEER; EISENSTADT, 1996; FUCHS et al., 2000; POWELL, 1992).

3. Methodology used in the present study

This study can be described as theoretical–conceptual, but it is specifically devoted to searching and reviewing the literature on the factors affecting vertical strategic alignment. and the annals of national scholarly conferences.

To locate and acquire publications of interest the Web of Science database were consulted, searching for all papers that contained the terms “strategic fit”, “strategic alignment” and “strategic consensus”. The research was refined by the following interest areas: management, business or industrial engineering. Similarly, the annals of relevant Brazilian conferences were consulted: EnANPAD – Encontro da Associação Nacional de Pós-Graduação e Pesquisa em Administração e ENEGEP – Encontro Nacional de Engenharia de Produção. This process yielded a total of 141 papers.

An accurately revision was conducted to select only those papers that focused on the business strategy implementation. A total of 73 papers fulfilled the criteria.

This process allowed to identify thirty-five antecedents of strategic alignment. It was considered the relationship between the antecedents identified and the concept of vertical strategic alignment presented in this article to select the one that should take part in the framework. Also it was took into account that intangible elements equally influence the successful of strategy implementation. Beer and Eisenstat (1996) argue that change

processes that lead to effective strategy implementation should be systemic, including both “harder elements” and “softer elements”. Prieto, Carvalho and Fischmann (2009) also argue that strategic alignment models tend to emphasize formal elements, such as structure, processes, measurement systems and reward systems, and neglect the informal elements, such as culture and leadership system.

As a result of the literature review the framework shown in Figure 1 is suggested.

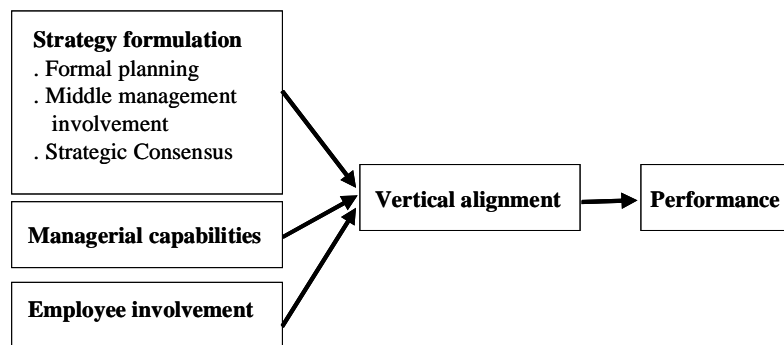


Figure 1 Theoretical framework of vertical alignment antecedents and consequences

The next section review the variables and its relationship with vertical strategic alignment concept.

4. Strategic alignment antecedents

Strategy formulation process comprehensiveness

The literature recognizes that formulation and implementation are interrelated activities. (BOWER, 1982; HREBINIAK; JOYCE, 2001). Logically, implementation follows formulation, nevertheless it will be impossible to put the strategy in action.

Significant aspects of a formulation process appear to influence the strategy implementation successfull, which are described as follows.

Formal planning process

The existence of a formal strategy-making process is required mainly in large organizations (HOQUE; JAMES, 2000; POWELL, 1992) and has been associated with the communication of the strategy for all organizational level (KAPLAN; NORTON, 1996, 2000).

Middle management involvement

Middle management are responsible for implementing strategy and their participation in strategy formulation appears to have influence on their commitment with the strategic goals. First hand exposure to the plans of top management improves understanding by providing opportunities for communication and clarification (WOOLDRIDGE; FLOYD, 1990) and represents an opportunity to adjust the exact nature of the middle management role in the implementation (NOBLE; MOKWA, 1999).

Strategic Consensus

Consensus can be defined as the extent to the manager understands and supports the organizational strategy (NOBLE; MOKWA, 1999; RAPERT; VELLIQUETTE; GARRETSON, 2002).

It is considered critical for to deal with differences, to lead the company to the same direction, and to improve the strategic commitment (DESS; PRIEM, 1995).

Managerial capabilities

Alignment is a condition to be achieved, which requires managers to demonstrate high integration capacity, and this can, in itself, be considered a source of competitive advantage (BEER; EISENSTADT, 1996; FUCHS et al., 2000; POWELL, 1992).

Managerial capabilities include a broad set of complementary skills that are required to the executives in order to develop the successful strategy implementation, such as removing internal and external obstacles (HAMBRICK; CANNELLA, 1989) to unify conflicting opinions, to improve coordination and to enhance effective collaboration between key executives (CARMELI; TISHLER, 2004).

Employee involvement

Strategic alignment requires individuals within an organization to behave in a contributory manner in order to support the strategic decisions of the organization.

Employee involvement encompass the conditions required to develop a behavior oriented to facilitate the attainment of a firm's strategic goals. Labovitz e Rosansky (1997) propose the creation of a self-aligning organization', i.e., one that achieves alignment and stays there, sensing and responding to the barrage of changes that would force the traditional organization off course. The basis for this conduct are the leadership, culture and measurements. In this sense, Hrebiniak (2005) recommends that the incentives be linked to the short term objectives that comes from the strategy.

The results of the research conducted by Gagnon, Jansen and Michael (2008) suggests that strategically committed individuals are predisposed to engage in strategic supportive behavior and also demonstrate that the concept of strategic commitment has utility for addressing the problem of strategic misalignment.

5. Final considerations and perspectives for future research

The objective of this paper was to present a conceptual framework linking antecedents of strategic alignment to their consequence – the effectiveness in strategy implementation. The

antecedents was gathered considering the concept of vertical alignment, that encompasses the process to communicate the strategy to all hierarchical levels in the organization. They were selected the following antecedents: strategy formulation process comprehensiveness - formal planning process, middle management involvement and strategic consensus -, managerial capabilities and employee involvement.

Future researches should test empirically the model applying multivariate analysis.

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