AN ANALYSIS OF STRATEGIC ALIGNMENT TOOLS

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Abstract

This article analyses strategic alignment and the tools that companies can utilise to create business or organizational alignment. We follow a theoretical approach to identify the alignment processes, establish various levels and tools of strategic alignment and point out the reasons for misalignment. The results show that strategic alignment is a process and that different levels of business alignment exist in organizations. Recommendations for businesses include awareness of misalignment and the interaction between the strategy process, tools that can be used and the benefits of using Balanced Scorecards on Corporate, Business Unit and Staff levels to create a more aligned organization. This will ensure line-of-sight or alignment on all levels of the business.

Keywords: Strategic Alignment, Levels of Business Alignment, Balanced Scorecard, Strategy Map

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1. INTRODUCTION AND OBJECTIVES

There are three major objectives of this article. Firstly, it will diagnose the strategic alignment domain. Secondly, various levels of strategic alignment (SA) and "killers" of SA will be identified. Thirdly, the tools of SA will be discussed. And finally, recommendations will be suggested on how to integrate these tools for overall business or organizational alignment.

2. STRATEGIC ALIGNMENT[6] (SA) AND PROCESSES

Defining SA

Strategic alignment is the process in which the formerly developed strategy is executed and cascaded throughout the organization. It includes the calibration of the organization's culture, staff, structure and governance with the strategy. In the end every member of the organization should know and see his or her contribution to the organization's strategy (Kaplan & Norton 2006). Alignment is a necessary condition for organizational effectiveness. In a well aligned organization there is a common agreement about goals and means. Through that, all parts, members and functions of the organization work towards the same purpose (Fonvielle & Carr 2001). Organizational alignment is part of strategic alignment in which the organizational structure gets aligned (Kaplan & Norton 2001b).

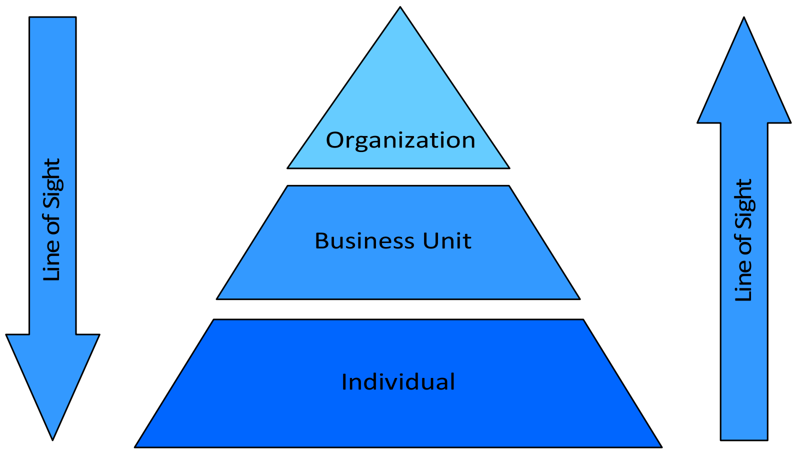
Levels of alignment

This article uses a distinction between Vertical and Horizontal Alignment. Vertical Alignment means the transfer of the company's vision and mission with specific strategic goals down the organizational hierarchy. Hence, the corporate strategy has to be transformed into performance plans for each SBU and department. Even further down these performance plans have to be split into performance contracts for each member of the staff. Like that a Line-of-Sight from the lowest organizational level to the top and vice versa is created, shown in figure 1.

In contrast, Horizontal Alignment means the harmonization of strategic goals and performance measures used in the different business units. They have to be comparable to provide the corporate management with sufficient information as a basis for strategic decision-making. Furthermore, assessing and reviewing the performances of the business units combined with steady exchange of information between them can boost individual performances through the sharing of best practices. Thus, Horizontal Alignment is strongly related to the principles of benchmarking.

[6]Strategic alignment and alignment will be used interchangeably in this article.

Figure 1. Line-of-Sight

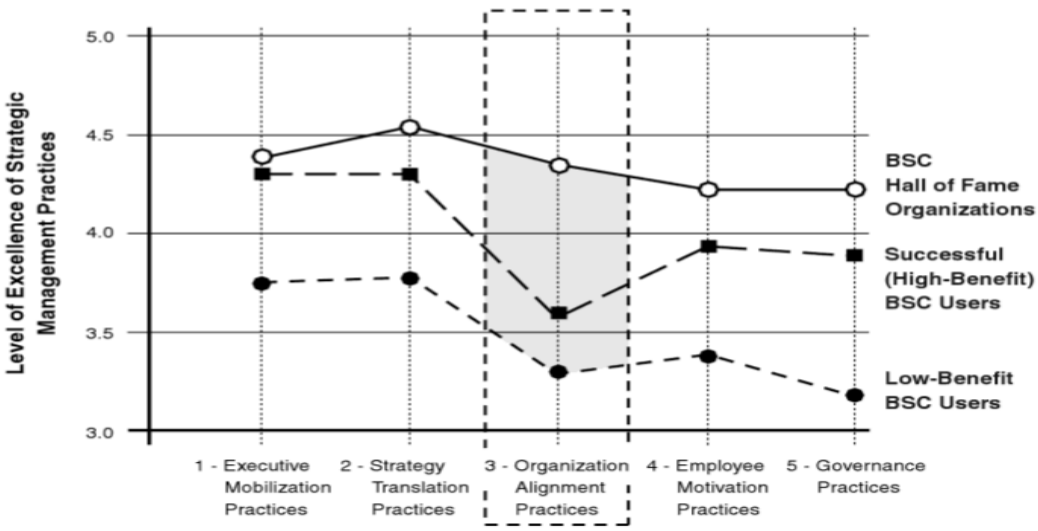


Source: See Hough et al. 2011

Gap between high and under-performing companies

Unfortunately this challenge is not easy to master. Kaplan and Norton (2001b) identified five areas in which a company has to implement and establish its strategy to reach Strategic Alignment and become a so called "Strategy Focused Organization". In a later study (see Kaplan & Norton 2006) they established a SFO benchmark and concluded that there are big gaps between highest performers ("Hall of Fame") and two other reference groups (high-benefit and low-benefit users) using their instrument Balanced Scorecard (BSC) to implement their strategies.

Figure 2. Gap in Organizational Alignment

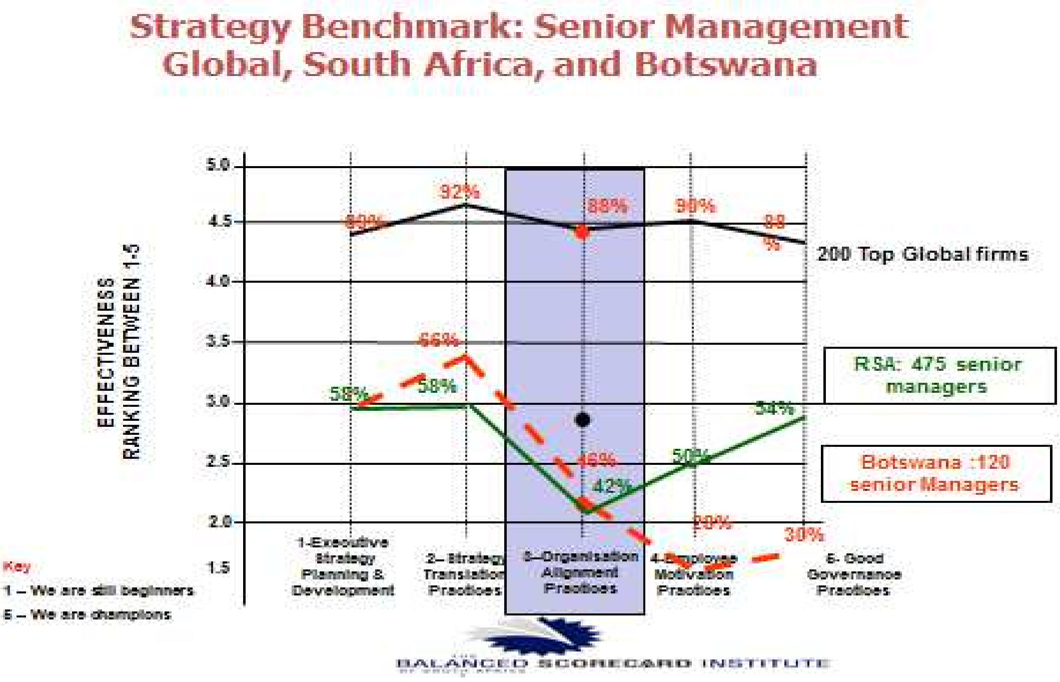


Source: Kaplan & Norton 2006

Understanding the reasons for these gaps is a crucial task for all under-performing companies and their top management teams. Having that in mind it is not surprising that Powell (1992) identified the organizational alignment skills of a company as a source for competitive advantage. Thus, a company can not only differentiate itself from its competitors by following a unique or superior strategy but also by making the whole organization really serve the purpose of the strategy.

In a recent research by Hough (2012) he found that management in South Africa and Botswana lags the global trend in terms of alignment. Figure 3 indicates the difference between the gaps found by Kaplan & Norton and the South African one.

Figure 3. Gap in Organizational Alignment



Source: Adapted from Kaplan & Norton 2006 and Hough (2012)

3. SILENT KILLERS OF STRATEGIC ALIGNMENT

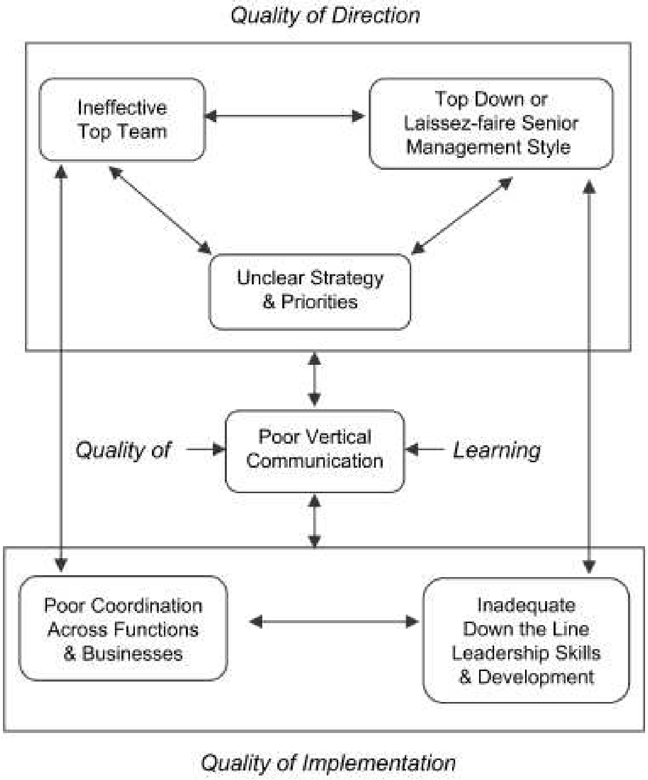
The creation of Strategic alignment in an organization is facing a lot of barriers. These barriers have to be overcome to successfully implement a strategy in an organization. The problem is that many barriers are lying under the surface. They are rarely publicly acknowledged or explicitly addressed. That is the reason why Beer and Eisenstat (2000) identified some barriers as the "Silent Killers" of strategy implementation:

- Unclear strategy with conflicting priorities
- A lack of effectiveness in the top management team
- An inappropriate leadership style (too top-down or too laissez-faire)
- Poor coordination between the different business divisions, functions and/or geographic regions
- A lack of leadership skills
- Poor vertical communication

Beer and Eisenstat (2000) see the poor vertical communication as the most difficult one of the "Silent Killers" because it prevents the organization not only from the strategy alignment but also from the discussion and abolishment of the other barriers. Thus, a lack of communication leverages the effects of the other barriers and needs to be addressed by the management immediately.

The fact that these barriers are connected to each other can boost the difficulties to fight them even more (Beer et al. 2005). Those dynamics that can make the barriers self-sealing are shown in Figure 4. An ineffective top team, an unclear strategy with conflicting priorities and a management style that is too controlling or too disengaged are all interacting and preventing the top management to clearly communicate a strategy to the organization. That leads to a situation in which the top team is not able to overcome the natural differentiation of interests in a multifunctional organization and finally to a poor coordination between the different businesses and functions. Finally, an inadequate leadership style in the top team cannot foster leadership skills down the line in the organization.

Figure 4. Dynamics of an unfit Organization



Source: Beer et al. 2005

Misalignment

The denial or neglect of Strategic Alignment issues can lead to massive problems within an organization. The outcome of such behaviour can be various but in general it leads to a situation in which the reality of each employee's work is not related to the formerly planned strategy of the top management team. Thus, the implementation of the strategy failed and we talk about "misalignment". According to Fonvielle and Carr (2001) this state can have several forms:

- Individuals have different goals or they share the same goals but disagree how to reach them.
- There are "Warring camps" within the organization which hinder the commitment to shared goals
- Group members are not convinced of the need for proposed action
- People do not know the organization´s goals

Misalignment leads to a situation in which people work towards different goals with cross purposes. The actions then become less effective and the organization´s needs are predominated by functional or individual objectives. Morale and productivity suffer in those settings and the organization becomes vulnerable to competitors and market forces (Fonvielle/Carr 2001).

4. TOOLS OF STRATEGIC ALIGNMENT

One of the major goals of this article is the provision of proper instruments to achieve and ensure Strategic Alignment and, thus, to overcome the previously discussed problems. Hence, this section takes a closer look at the literature related to management tools and strategic management processes that are particularly designed in regard to Strategic Alignment problems or are closely related to it.

Aligning processes

A number of researchers concentrated on the development of management processes respectively of the adaptation of strategic planning processes with the aim to ensure a satisfactory regard of Strategic Alignment. In this chapter two of such step-by-step processes are introduced, the first one by Fonvielle and Carr (2001) and the second one by Beer et al. (2005).

Fonvielle and Carr (2001) identified Alignment as a key factor for organizational effectiveness and see a big danger for a company's success in Misalignment. To overcome such a situation they developed a six step process to achieve Strategic Alignment. In their eyes measurement plays a key role in this process because it is the main tool to communicate goals and to see the contributions to these goals. Their six steps are as follows:

1 Articulation of the key strategic drivers of the business and the main areas of focus for the organization's success.
2 Definition of critical strategic goals.
3 Development of performance measures for each of these goals.
4 Communicate the measures and make sure everyone understands the measures and their linkage to the strategic goals.
5 Linkage of each measure to a formal feedback and recognition system and communication of the results.
6 Formally reviewing the goals´ performance and developing corrective actions.

Beyond this strategy alignment process there are two additional important considerations (Fonvielle/Carr 2001). The first one is internal communication. It is a precondition for successful alignment because it represents the linkage between planning and practice. The internal communication process has to make sure that the entire workforce fully understands its role and the expectations to them in achieving the strategic goals.

The second one is a system of reward and recognition (Fonvielle/Carr 2001). Compensation is traditionally seen as a major driver of employee behaviour even if the role of intrinsic motives should not be underestimated. Rewards are crucial to overcome personal subjective goals of individuals and functions to make them serve the overarching goals of the whole organization.

Beer et al. (2005) developed another step-by-step process to implement a strategy. They called it Strategic Fitness Process (SFP). It was developed due to the realization that even excellently developed strategies are blocked by organizational and management problems. According to Beer et al. (2005) the SFP process consists of the following six steps:

1 Developing a precise strategy and articulate it in a 'Statement of Strategic and Organizational Direction'.
2 Collecting data about the barriers and strengths in implementing the strategy in the organization by interviewing key people (about 100 from all parts of the organization). The interviews are done by a cross-functional Fitness Task Force.
3 They develop a list of these barriers and strengths. The Task Force provides feedback to the top management team. Development of an integrated plan for change. First the top management develops a systemic diagnosis of the organization.
4 This plan is then criticized by the Task Force before the two teams change the plan collaboratively.
5 The plan is introduced to the 100 key people who were interviewed before. Here the process of implementation begins.
6 The process is redone every year and becomes part of the strategic planning process.

However, Beer et al. (2005) have also found three major limitations respectively conditions needed to ensure the success of the SFP process. First, the company's leaders have to recognize the gap between strategy development and its execution. Second, they must be willing to confront conflict in the process of implementation. Third, the SFP is much less challenging when the corporate culture itself is participative and open to changes.

Obviously these Aligning processes are just basic frameworks which have to be adjusted to each individual organization and they do not take any possible area of problems into consideration like one can see from the differences between the two processes. The first one by Fonvielle and Carr (2001) is much more concerned about measurement issues while Beer et al. (2005) put their focus on communicational and motivational problems. However, they show how difficult it can be to start an Alignment process and how different first steps into Alignment can look like.

THE BALANCED SCORECARD

Basically the Balanced Scorecard (BSC) is a management tool to measure a company´s or business unit´s performance with regard to the strategic objectives of the company. It was developed to handle shortcomings of traditional performance measures, typically financial ones focussing on costs, profits and returns on investments. Those are often insufficient guides for decision making in today´s rapidly changing and highly competitive business environment because they are not able to measure intangible assets, include a time lag in outcome measurement and are too short-term focused (Cobbold et al. 2004), Lawrie/Cobbold 2004, Malina/Selto 2001.

The BSC converts an organization´s vision and mission into a set of performance and action measures (Kaplan/Norton 1996b). Doing so, it goes far beyond conventional accounting by introducing a more holistic point of view (Voelker/Rakich/French 2001). The BSC is considered balanced because it combines measures of several (typically four) different perspectives.

The BSC allows the incorporation of both quantitative and abstract measures of significant importance to the organization. Every selected measure should be part of interconnected cause-and-effect relationships leading to the achievement of the long-run strategic objectives, in profit organizations typically financial performance (Kaplan/Norton 1996c). The other measures should link these objectives to a sequence of actions which have to be done to satisfy the goals. So the BSC is supposed to provide a comprehensive view of organizational performance (Kaplan/Norton 1996a). Anyway it is crucial to identify the few critical parameters that represent the organization´s strategy for long-term value creation (Kaplan/Norton 2004).

Another important application of the BSC is the translation and communication of strategic objectives into operational terms in business units and functions further down the organizational hierarchy (Joseph 2009). The process of transforming the original strategic objectives into tactical plans for business units and finally performance goals for individual employees is called Cascading (Niven 2002) and is explained in detail in the section **"**The Cascading Process".

Weaknesses of Financial Measures

Financial measures are, of course, important. The main purpose of any profit-seeking enterprise is financial and can just be assessed financially, e.g. through Returns on Investment (ROI). However, they are often inadequate in measuring the performance of strategy and, therefore, as a basis for strategic decision-making (Kaplan/Norton 1992). These limitations have been recognized for a long time already (e.g. Dearden 1969). There are several reasons for this that are discussed in the following.

Financial measures are just able to measure physical assets and cannot reflect the value of intangible assets even though intangible assets are seen as much more important for an even bigger part of many today´s company´s market value (Kaplan/Norton 2004). Tangible assets can for example hardly explain the market values of companies like Google, Apple or Facebook. So, the value of staff competence or brand image cannot be reflected by conventional financial measures even if these assets imply a big competitive advantage which could be crucial for the organization´s long term success.

Another disadvantage of most financial measures is the time lag with which outcomes are counted due to the fact that financial measures are retrospective (Schneiderman 1999). They only show failures or false perceptions after it could actually be too late to fix something. But company leaders and decision makers need real time visibility of operational facts and processes to adequately manage their business and ensure future financial success (Kaplan/Norton 2004b).

Furthermore, a management team that is just regarding financial measures for its decision making tends to focus too much on short-term outcomes. Then it seems easy to increase these outcomes by cutting costs in long-term investments like employee development or investments in customer relations. The company would most likely suffer from such a policy later on (Kaplan/Norton 2004b).

Criticisms and Evolution of the BSC

The Balanced Scorecard (BSC) was first developed by Kaplan and Norton in 1992. Regarding the mentioned problems of pure financial measures in decision-making processes they realized the need for a new way of measuring the "strategic performance" of organizations. Because no single measure can provide attention to every critical area of the organization Kaplan and Norton suggested a balanced set of financial and operational measures to meet these requirements.

Kaplan and Norton did not provide a clear definition of the BSC, even not in later publications (Lawrie/Cobbold 2004). Instead they considered certain attributes to the BSC that are described in the following:

- A set of financial and operational measures with a limited number of measures (Kaplan/Norton 1992, 1993, 1996a,b,c)
- The measures are grouped to the four perspectives: Financial, Customer, Business Processes and Learning and Growth (Kaplan/Norton 1992, 1993, 1996a,b,c)
- Measures should reflect the strategic goals of the organization to reach its vision (Kaplan/Norton 1992, 1993, 1996a,c)
- Measures should be linked through causality as far as possible (Kaplan/Norton 1992, 1996a)

BSCs which fit into these attributes are considered as first-generation BSCs (Lawrie/Cobbold 2004). The problems within this first approach of the BSC lie in its initial design. The selection of the measures used and their clustering into the four perspectives is crucial for the success of the BSC. This leads to severe design problems for today´s companies because they have access to a huge amount of information and possible measures (Schneiderman 1999, Butler et al. 1997). Furthermore, a poor selection of measures can lead to adverse effects on the usefulness of a BSC and even on the company´s strategic performance (Malina/Selto 2001, Schneiderman 1999).

In the late 1990s the concept of BSC was further improved by Kaplan and Norton but also by other authors (Lawrie/Cobbold 2004). The improvements aimed to make the design of a BSC more easy and contained of two major suggestions. First, instead of using measures in the BSC the management team should choose 15 to 20 strategic objectives for the BSC and group them into the four perspectives (Kaplan/Norton 2000). Afterwards they should try to find measures for these objectives, one or two for each. Second, the strategic objectives should be connected in cause-effect relationships and these relationships should then be visualized in a strategic link model or a so called "Strategy Map". A standard strategic link model shows the causality flow across the four perspectives starting at Learning and Growth over Business Processes and Customers to the

Financial objectives. BSCs containing these two innovations are referred to as BSCs of the second generation (Lawrie/Cobbold 2004).

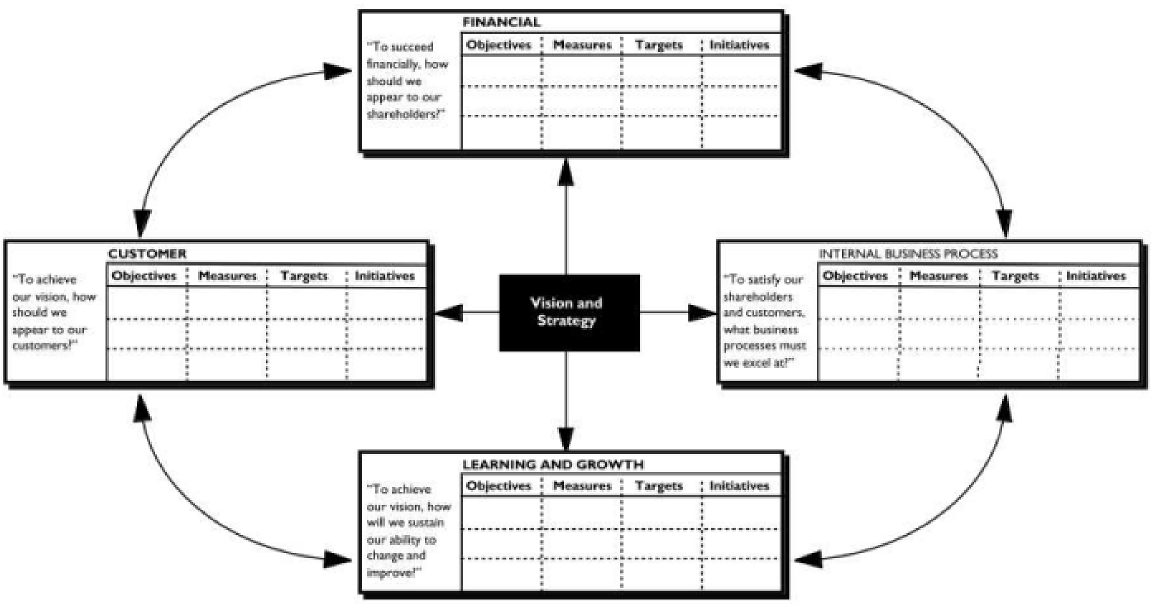
Further development showed the usefulness of the definition of a "destination statement" at the beginning of the design process of the BSC. Such statements shall show the impacts the achievements of the strategic objectives would have on the organisation and its operational terms, e.g. the increase of sales or increase of customer satisfaction, within a specific time interval. They were usually used at the end of the design process to identify inconsistencies in the set of the chosen strategic objectives (Lawrie/Cobbold 2004). It was found that a clear statement about what the organisation expects to achieve can be very helpful for the selection of strategic objectives and the identification of causalities between them (Lawrie/Cobbold 2004). BSCs designed by using destination statements as a starting point are referred to as third generation BSCs.

As well as the design of BSCs has evolved over time the purpose of its use has evolved too. Kaplan and Norton (1992) introduced the BSC as a performance control tool. Accordingly, especially first generation BSCs were widely used as management control tools even if Kaplan and Norton had a much more strategic view in mind. With the development of the second generation BSC its use shifted more towards these strategic control issues for which it was originally meant (Lawrie/Cobbold 2004). Finally the third generation BSCs showed another possible application, the use of the BSC as a communication tool to provide the organisation´s staff with information about the strategy and the contributions of each organizational unit down to the single employees in the achievement of strategic goals (Lawrie/Cobbold 2004, Melina/Selto 2001).

The Four Perspectives

Typically the BSC consists of four different perspectives which are supposed to reflect the organization´s success in reaching its strategic goals. These perspectives are originally the Financial Perspective, the Customer Perspective, the Internal Process Perspective and the Learning and Growth Perspective (Kaplan/Norton 1996a). These perspectives are interconnected, see figure 5, and linked in a reverse way. The question to be answered is: How to equip the organization´s people with knowledge, skills and tools to build up specific internal processes and strategic capabilities to satisfy the customers´ unique needs to finally reach financial success and the realization of the organization´s vision?

Figure 5. Four perspectives of the BSC



Source: Kaplan/Norton 1996c

Obviously financial measures are an important success factor for any profit seeking organization and, hence, an important component of the BSC. Anyway, the selection of the specific measures used in the BSC should be a direct translation of the organization´s vision and strategy (Kaplan/Norton 1996a). The measures chosen in this field usually refer to the areas of growth, profitability, value creation, share price, risk management and market valuation (Hough et al. 2011). Going down in the organizational structure it can be useful to apply different financial measures for different business units because they most certainly differ in their previous performance and their stage of the business life cycle (Kaplan/Norton 1996a).

The measures selected for the customer perspective should reflect how the organization proposes to create value for its customers (Hough et al. 2011). It also enables the organization to identify and choose the market segments in which the organization wants to compete in (Kaplan/Norton 1996a). Common customer outcome measures are customer satisfaction, loyalty, market share, profitability and acquisition. Anyway the targets should be specific and realistic. An "everything for everyone" policy will most certainly not lead to success and the BSC provides a chance to translate the company´s mission and strategy into specific customer objectives (Kaplan/Norton 1996a).

In the internal process perspective managers should identify the key processes to satisfy the customer and shareholder objectives. Typically the internal process measures are developed after the completion of the financial and customer measures. It is recommended that managers define a complete internal-process value chain for the BSC instead of just improving existing operating processes (Kaplan/Norton 1996a). A typical value chain starts with the innovation process in which customer needs are identified and solutions for those needs are developed. The value chain continues in operating processes in which the existing products are delivered to the existing customers and ends in the postsale service process which offers value adding services to the customers after the actual purchase.

The measures of the Learning and Growth perspective should finally ensure that the organization is able to reach the objectives identified earlier. To reach that it is important to build up the capacities to achieve satisfying results for internal processes and through that for the customer and financial perspective. Hence, these measures should make sure that sustainable investments in the organization´s people and systems are made (Kaplan/Norton 1996a).

Developing objectives, measures, targets and initiatives

Each of the four perspectives has to be interpreted by defining objectives, measures, targets and initiatives (Kaplan/Norton 1992). Objectives are statements that specify the important issues for each perspective. These issues must be performed well to finally reach a satisfying strategy implementation. Measures are developed afterwards with regard to the formerly identified objectives to track the progress that was made or not made in reaching the specific objectives. Targets are specified performance levels that the organization wants to reach for each performance measure of each objective. Finally, initiatives must be designed to specify how the organization expects to reach the defined targets. This includes all actions, activities, projects and programs that are aiming to ensure the achievement of the performance targets (Kaplan/Norton 1996a).

The Cascading Process

The BSC is the most important tool to align the individual and business unit objectives with the overall business objectives. It can be used to provide links between the vision and strategy of the organization and the people working in it (Kaplan/Norton 1996a). This takes place on three different levels like figure 6 shows: the Organisation level, the Business Unit level and the Individual level.

The Cascading Process can be defined as the process whereby the performance objectives of the entire organization are split into business plans for each business unit which are then split into performance contracts for each individual. Thus, it is ensured that each individual and business unit directly add to the organization´s success in the way it was supposed by the strategy (Hough et al. 2011).

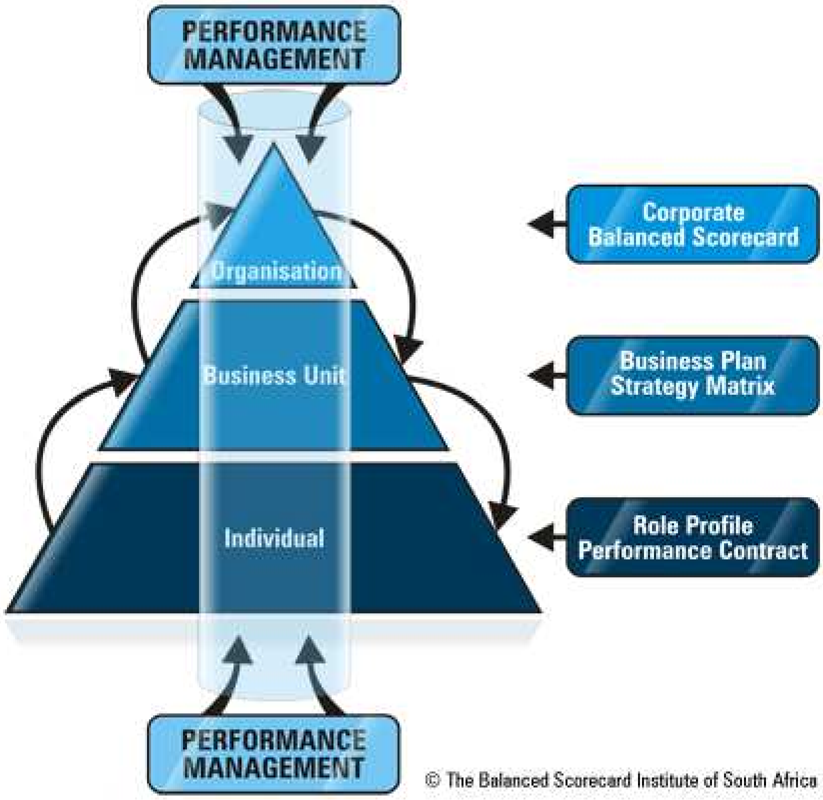
The Cascading process is the most important component of the performance management within a company (Kaplan/Norton 2006). Its intention is to provide accountability for the performance in strategically important goals on business unit and individual level. At the end of the process each business unit should have a detailed tactical plan with clearly defined objectives and measures for these objectives.

Further down the line each individual should be provided with a clear role profile defining his or her position and the expectations to this position. Next to that a performance contract for each individual is needed in which the individuals accountability for his or her output results as well as for his or her development of competencies is clarified (Hough et al. 2011). Another important element of the performance management is the continual review of the developed measures and the results leading to their adaption if required. Such a review should be done annually.

The BSC as a communication tool

Recently the BSC is becoming more and more popular among top management teams. The reasons for this development do not only rely on the application of the BSC as a revolutionary tool for performance measurement of a company´s strategy. It also relies on the usefulness of the BSC as a communication tool (Malina/Selto 2001). It is possible to articulate a company´s vision and mission in much more easily understandable terms by using the BSC. These terms then become the guiding lines for the behaviour of employees down the line. Since the ability of effectively communicating may itself be a competitive advantage (Tucker et al. 1996) the BSC as a tool to do so can be a source for competitive advantage as well (Malina/Selto 2001).

Figure 6. Cascading Process



Source: The Balanced Scorecard Institute of South Africa (www.balancedscorecardsa.co.za)

The BSC can be used to help communicate and educate the organization about the strategy (Malina/Selto 2001). However, some critics complain that communicating strategy to the entire organization could lead to the leakage of valuable information and it would not be necessary for each employee to understand the strategy of the whole company. Kaplan and Norton (2001b) respond that the information about the strategy is useless as long the competitors do not have the ability to execute the same strategy in their companies. It also increases the motivation and thus the effectiveness of each employee if he or she sees a higher purpose to which he or she contributes with his or her own work.

An effective organizational communication relies on three important issues: the processes and messages, the support of the organizational culture and the creation and exchange of knowledge. The BSC can improve the effectiveness and the value of the communication in all of these areas (Malina/Selto 2001).

Individuals see communication as usefulness and reliable when its processes and messages are perceived as understandable and trustworthy (Malina/Selto 2001). Characteristics of communication that support this perception are routineness, predictability, reliability, trustworthiness and completeness (Barker/Camarata 1998). The BSC can help to align measures for performance and success throughout the organization which increases all of the previously mentioned characteristics.

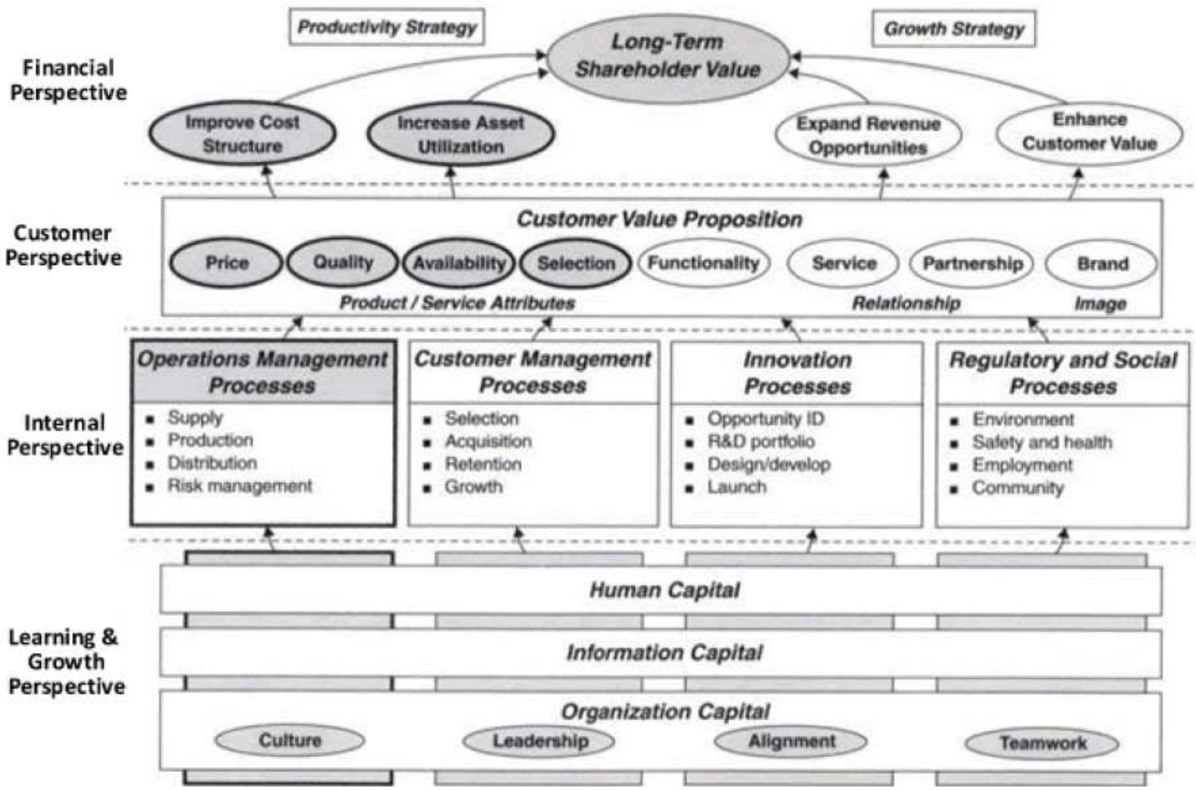
Traditionally effective communication is seen as a supporting factor for organizational culture. It enhances and reinforces desired patterns of behaviour, shared values and beliefs. To do so the internal communication should encourage behaviour that is consistent with the organizational goals for example by rewarding it (Tucker et al. 1996). The BSC translates the organization´s vision and mission in operational terms which are more likely to be understood. This clarifies the situation for employees because they get clear guidelines for their behaviour and about the expectations the organization has to them (Malina/Selto 2001).

Finally, effective communication is supposed to foster the creation and exchange of knowledge within the organization. Here the communication is first of all meant for objective (observable) knowledge that can be spread throughout the organization so that all key individuals are aware of the current status of the organization. The problem that has to be faced is the transformation of tacit knowledge into objective knowledge. The BSC can help to encourage people to share their tacit knowledge and offer it within the organization so that it becomes objective (Malina/Selto 2001). On the other hand the sharing of tacit knowledge is crucial for the development of a proper BSC.

THE STRATEGY MAP

Another management tool regarding the strategy is closely linked to the BSC, the Strategy Map(figure 7). It simplifies and visualizes the ways in which the organization intends to reach its vision (Kaplan/Norton 2000). The strategy map is based on the strategic objectives that were identified for the four perspectives. Its purpose is to show the cause-effect relationships between the different objectives across the four perspectives. Thus, the Strategy Map links all objectives to test target orientation to finally reach the organization´s ision (Kaplan/Norton 2004a).

Figure 7. Conceptual Strategy Map



Source: Kaplan/Norton 2004a

This "Strategic Linkage Model" allows the organization to visualize its strategy. It provides an opportunity to show the generic architecture of the company´s strategy. Figure 7 shows the basic concept of such an architecture. So it is possible to communicate down the line where specific strategic objectives fit into the organization´s overall strategy (Malina/Selto 2001). This makes it much easier to communicate the strategy because it shows the contribution of functions and business units to the company´s approach to reach its vision. Furthermore, the identified objectives can be tested through their linkages whether they have the wanted effect or not (Kaplan/Norton 2004a).

The Strategy Map gives a good overview over the architecture of the strategy and can even be used as a helpful tool for the creation of a Balanced Scorecard which then is used to build up a new strategic management system (Kaplan/Norton 2000). In contrast to traditional financial measurement systems strategy maps and BSCs are able to incorporate the importance of intangible assets for the organization.

The strategy map shows through cause-and-effect relationships how intangible assets contribute to tangible (financial) outcomes. This is so important because intangible assets have in contrast to tangible assets just little or no stand-alone value. Their value only arises from their embedded position within the company's strategic activities. Through the strategy map and the BSC the value-creating process can be described and measured. At the end the strategy map and the BSC provide an understandable point of reference for all business units and individuals within the organization (Kaplan/Norton 2001b).

BENCHMARKING

The purpose of benchmarking is the identification of a "best practice" which means the best possible way to do or create something. It can be defined as the process of continuous searching for the best practices of other companies or within a company that lead to above-average performance when applied in a company (Coers et al. 2001). It can be used for both products and processes. Searching for the "best practice" can take place within an organization, within an industry or even across industries (Coers et al. 2001).

The key goal of benchmarking is to gain business information. This information can then be used to evaluate and understand the current position of a business or organisation unit in comparison to the "best practice". Afterwards the identification of areas for performance improvements can follow (Prasnikar et al. 2005). Finally it allows the company to make better business decisions and through that to improve the company´s performance among its competitors.

The successful implementation of benchmarking benefits a company in a number of ways. The use of benchmarking can help an organization to achieve the following goals (Coers et al. 2001):

- Improving profits, productivity and effectiveness,
- Accelerating and managing change,
- Setting and stretching performance goals,
- Achieving breakthroughs and innovations,
- Creating a sense of urgency,
- Overcoming arrogance and seeing "outside the box".

Therefore, benchmarking should be a part of the management process. It should become a continuous activity that refers to all areas and aspects of management. Because benchmarking improves decision-making and the long-term survival of the company Prasnikar et al. (2005) suggest to add benchmarking systematically into the strategic management process.

The Integration of Benchmarking in the Strategic Management Process

Benchmarking can become an important tool in the strategic management process if it is integrated correctly. Benchmarking should include all categories of activities to achieve the highest possible level of usefulness. The benefits are highly dependable on the appropriate implementation of benchmarking. In general, four basic phases of benchmarking can be identified (Prasnikar et al. 2005, Coers et al. 2001):

1 Planning Phase
2 Collecting Phase
3 Analyzing Phase
4 Adaptation Phase

In the planning phase the processes that should be assessed are identified. A benchmarking team must be chosen and the scope of the study must be clearly defined. The support of the management should be secured. Finally, criteria for the selection of potential benchmarking partners, best practice companies, departments or business units, should be studied. The accurate definition of the goal and purpose of the benchmarking process is crucial in this phase to enable the effective gathering of the business information that is needed (Prasnikar et al. 2005). The same is true for the selection of clear measures to keep any information comparable.

In the collection phase, the benchmarking partners must be selected and their support must be secured. The necessary data is then collected by surveys and interviews. The development of a database for the responses can be helpful here. It should be assured that all collected information is relevant and comparable. Otherwise quality knowledge cannot be created. Weak or incorrect knowledge could moreover lead to false business decisions. It should also be ensured that the source of the information, no matter if it is gathered from direct contact to another company or from secondary data, used accurate treatment and selection process (Prasnikar et al. 2005).

During the analyzing phase the best practice processes are identified and compared to the organization´s own performance to find its performance gap. It should also be examined how the best practice can be reached. These results are then reported to the responsible parties. In this phase the actual new business knowledge is developed. The methodology to create this knowledge is highly dependable on the purpose of benchmarking and the kind of information gathered. However, it should be stressed that this phase is not just about comparing the data. It is much more about understanding the reasons for the differences between the companies or business units. Just the understanding of cause-effect relationships can create new and beneficial business knowledge (Prasnikar et al. 2005).

In the last phase the processes have to be adapted according to the results from the earlier stages. To do so short- and long-term improvement goals are established and an action plan is formulated. Then the changes can be adapted and results included in the measurement process. This whole benchmarking process should be recycled on a regular basis. The whole value of the benchmarking process depends on the adaption of its findings. That is why reporting is so important. The gained knowledge has to reach the people responsible for decision-making and those people have to be willing to adapt this knowledge (Prasnikar et al. 2005).

Benchmarking and Alignment

Benchmarking in the context of strategic alignment is especially important regarding the horizontal alignment of the Strategic Business Units (SBUs). So it can be assured that all SBUs collect the same information using the same measures to keep all information comparable. If a Balanced Scorecard is used to evaluate the performance of the SBUs it should include comparable measures for all aspects that are the same or similar in each SBU. The development of a Balanced Scorecard on the SBU level must therefore be a collective task for all SBUs.

Moreover, benchmarking between organizations can be used to compare the level of strategic alignment that is reached by different companies also in the vertical direction. It could then allow the identification of best practices to reach a high level of strategic alignment. For the benchmarking of vertical strategic alignment it would not even be necessary to include direct competitors into the benchmarking survey because every company has to face the task of strategic alignment. Best practice instruments should be usable for most companies but often induce a high level of customization which makes a proper analyzing phase crucial and the adaptation phase more difficult.

5. DISCUSSION OF RESULTS AND RECOMMENDATIONS

Managerial implications for enterprises

The most important insight for a manager should be the awareness of Strategic Alignment and the problems connected to it. It is extremely difficult to reach and maintain high levels of SA in every part of an organization. And, of course, the costs for reaching it can be high. However, the benefits of successful SA are also extraordinary because it increases the effectiveness of every single task and process within the organization. Thus, successful Strategic Alignment can represent an invaluable intangible asset for a company.

Managers can identify the actual level of Strategic Alignment and find reasons for possibly missing SA. The results showed that missing SA is mainly a consequence of a lack of communication and understanding in strategic issues.

The wider use of a BSC and the introduction of a Strategy Map are aimed to increase transparency, understanding and measurability. Furthermore, a redesign of the strategic planning process is suggested to increase participation and to differentiate it from budget planning issues. At last some reconsiderations regarding general communication within the organization in horizontal as well as vertical direction are advised.

The recognition of some of these problems can help any manager to increase the level of SA in his or her own organization even if not everything is applicable for any organization. A manager could also use the shown research framework within his or her own company to evaluate the organization’s level of Strategic Alignment.

6. CONCLUSIONS

This article defined Strategic Alignment as a process in which all different parts of an organization get aligned towards the same purpose which is the fulfilment of the company’s strategic vision. In a next step the Strategy Focused Organization was identified as an organization which has reached the highest possible degree of Strategic Alignment. Different reasons for failing alignment efforts and problems occurring for misaligned organizations were also discussed. Furthermore, the article focussed on identifying different tools and instruments that are useful for managers to gain higher degrees of SA, most importantly the Balanced Scorecard and the Strategy Map.

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