The aligned organization

Bringing meaningful purpose, practical strategies, and goals together makes an organization’s aspirations more credible—and more likely to be achieved.

Thierry Nautin

Think of a successful organization, regardless of industry. One of the measures of an organization's success is its agility—whether it manages to stay at least one step ahead of its market. Achieving real alignment, where strategy, goals, and meaningful purpose reinforce one another, gives an organization a major advantage because it has a clearer sense of what to do at any given time, and it can trust people to move in the right direction. The result is an organization that can focus less on deciding *what* to do—and more on simply *doing*.

Recent research accentuates how important the connections between direction, strategy, goals, and purpose are to an organization's sustained performance. One study found, for example, that when people understand and are excited about the direction their company is taking, the company's earnings margin is twice as likely to be above the median. And it showed that high-achieving organizations are also better than others at turning their visions into viable strategies that guide operational planning—something many business leaders may believe they already do well, but which often proves difficult in practice.

The final connection is to the goals that motivate people as individuals. In their 2011 book *The Progress Principle*, Harvard Business School professor Teresa Amabile and independent researcher Steven Kramer found that the strongest organizations were those that nurtured their employees' inner work lives by allowing them to make progress in meaningful work.

That is rare. More typically, the individual level is where the vision breaks down: employees see only the gap between the aspirational language and their daily work lives and may become cynical rather than motivated.

But some organizations make all of the links, so that vision, strategy, and goals come together to become meaningful work. In so doing they instill a sense of achievement that, in turn, enables their people to achieve more and more.

Vision to strategy to goals

Organizations that are starting their transformations typically find themselves in one of two categories when it comes to their visions. The larger category consists of organizations whose visions have weakened, as may happen out of neglect or inconsistent understanding. An organization whose vision focuses on quality and operational efficiency may discover, for example, that the decisions it made to increase efficiency have undermined quality. Or the organization that seeks to be credible across major market segments finds that internal competition reduces organizational focus, leading to declines in almost every segment.

The smaller category consists of organizations whose visions are still quite strong but where changing circumstances—technological developments, economic conditions, or perhaps new market openings—mean that they will no longer be able to achieve the vision in the same way. Massachusetts Mutual Financial Group (MassMutual), for example, started its transformation when it was outperforming its industry by many measures. Its leaders, however, sensed that demographic, economic, and other changes meant that it needed to reassess its long-term competitive position (see "Performance from problem solving: An interview with three leaders at MassMutual," page 123).

Organizations in the first category must start by realigning according to what the vision should be. Organizations in the second category may omit this step, but if anything, they may face even larger challenges later on—in convincing their people that despite today's success, the strategy and goals that implement the vision must change radically in light of external conditions.

Envisioning a future

In our work with organizations, we have found that a vision is effective only if it balances multiple dimensions at once. First, it must be broad enough to be recognized by everybody, even in a large and diversified environment, yet it must also be sufficiently specific to differentiate the organization clearly from its competitors. It must be enduring enough to serve the organization over the long term while also allowing its execution to change as the enterprise evolves. It must articulate ideals while describing how the organization wants to progress in ways that seem achievable. And, to be truly compelling, the story must appeal to the five sources of meaning that organizational research has identified, which stem from how the changes will affect the individuals themselves, their teams, their customers, the organization, and society.[1] Each of the five sources is the primary motivator for about 20 percent of the population, so touching on all five is essential.

But within those broad guidelines, there is no particular content that appears to offer an advantage: organizations have been equally successful with visions focused on improving cost, growth, market share, sales, or even external constraints. What matters is that the organization finds the right vision for itself and then communicates and pursues it in a way that is concrete, relevant, and meaningful to individuals (see sidebar "A hospital's vision").

By 2008, the leaders of a specialized European financial-services firm had already recognized that its longtime vision, which focused on quality of service regardless of cost, was under threat from new competition. As the financial crisis took hold, the old vision began to show cracks: one of the company's top clients threatened to end its relationship unless the company agreed to a 50 percent price reduction. Similar messages from other clients underscored that what had once seemed like an enduring vision simply

[1] Danah Zohar, *Rewiring the Corporate Brain: Using the New Science to Rethink How We Structure and Lead Organizations*, San Francisco: Berrett-Koehler Publishers, 1997; Richard Barrett, *Liberating the Corporate Soul: Building a Visionary Organization*, Woburn, Massachusetts: Butterworth-Heinemann, 1998; and Don Beck and Christopher Cowan, *Spiral Dynamics: Mastering Values, Leadership, and Change*, Malden, Massachusetts: Blackwell Business, 1996.

A hospital's vision

For a hospital seeking to improve treatment outcomes and reduce wait times, the vision was framed around patient safety. Leaders continually reinforced the message that a hospital could be a dangerous place for a sick person; the longer a patient stayed in the hospital unnecessarily, the greater the risk of an adverse event such as a new infection or injury. That mantra became the basis for a whole new series of metrics that evaluated the quality and timeliness of patient discharges—how long the process took, whether all of the required information was available when needed, and whether patients were later readmitted for preventable complications. The average time for discharge fell by 45 percent with no negative impact on readmission rates—creating capacity to treat more patients, more promptly, with reduced costs from complications.

wasn't anymore. The company therefore took on the task of developing a new vision, one in which it maintained its commitment to quality but added a customer-service dimension that included sharper attention to cost and more customization options.

Creating a strategy

Nevertheless, a new vision is of little use on its own unless it becomes a strategy that supports a tangible set of organizational goals. Together, they outline where the organization's competitive advantage will come from and how it will be sustained.

The European firm determined that while it could continue to rely to some degree on its long-standing top product, it needed to increase the pace of innovation. Both realizations would have major effects on the company's strategy. For the top product to maintain its position, its price would need to fall, with ramifications across the entire cost base—cuts of 25 percent would be necessary. At the same time, improved innovation would require new investment, along with profound cultural change in order to tame bureaucracy and foster entrepreneurialism. These became the core elements of the company's transformation, which the CEO tested (with board encouragement) at a small scale to build support. Encouraging preliminary results aligned the leadership behind a much more comprehensive plan, which the company successfully deployed over the next two years and has continually updated ever since.

MassMutual, by contrast, knew it needed to become more agile in response to rapidly changing external conditions and customer needs. The new strategy and goals it adopted sought to encourage new ways of working with customers while eliminating internal barriers that impeded the sharing of information.

Communicating change and setting targets

The third connection brings the vision and strategy into people's daily work, raising the question of how the organization will communicate the transformation more broadly. If it communicates the changes too early, before people can see any evidence that they are important and actually work, the organization risks losing credibility; people may view the transformation as yet another corporate initiative destined to fall by the wayside. But if the organization communicates the changes too late—particularly if the changes will reduce the organization's size—rumors may spread, with even greater damage to morale.

The better option, typically, is to wait until the organization has finished testing the transformation with a few teams. Those early successes help refine the organization's transformation story (see sidebar "The transformation story"). As the story spreads through the organization, managers and their people adapt the vision to their groups' work—a process that gives the vision the bottom-up credibility it needs. At MassMutual, for example, "stewards of financial strength" became the central idea for reassessing the function's priorities and creating new goals that reinforced the point for each employee, from the CFO on down.

As people at all levels begin to understand the need for the transformation, they also begin to see the transformation's effects. The greatest impact on employees will be that the targets they seek to meet each day will change—indeed, in some organizations, employees may be getting explicit targets for the first time. These

The transformation story

Adapted from Steve Sakson and George Whitmore, "Communications strategy: A vital (but often overlooked) element in lean-management transformations," McKinsey Operations Extranet, 2013.

Before the transformation launches, the vision, strategy, and goals should all be in place. But the most successful transformations also incorporate a detailed communications plan guiding every stage of the transformation, from initial launch to sustaining and building on the improvement.

A transformation's top-down communications start with a compelling, personal "transformation story" in which the organization's leader summarizes a profound need for change while also giving an inspiring view of the future. But the story itself is only part of the effort. The leader must start cascading the story through each management layer. As the story moves down, each manager-storyteller customizes it to his or her audience so that, eventually, all employees understand why and how they must change, and what they'll get out of it.

In this way, the communications start to incorporate a bottom-up component. Purely top-down messages rarely work for cultural change; people see the effort that the new beliefs and behavior will require, and they naturally resist. In especially difficult situations, employees may see the changes as only exacerbating their problems. If, however, the organization presents the changes as a way to help people meet challenges that they already face, people will start to want the changes. Accordingly, a two-pronged strategy is often best: the organization first communicates the circumstances that necessitate change and then frames the changes as enabling people to respond to the circumstances.

Writing the transformation story. As the foundation upon which all other communications are built, the transformation story is the most important single element of any communications strategy. To be effective, the story must help people make sense of, and engage in, the changes they are being asked to make. That means it must be personal—reflecting not only the organization but also the heartfelt commitment of the person telling it. In addition, it must be flexible so that it can motivate employees with wildly different priorities and personality types.

These requirements mean that the organization leader, and not just the communications or HR staff, must be involved in writing the initial story. That way the leader "owns" it, using his or her own language and connecting with authentic values that make sense to the wider audience.

Crafting the message requires care. Corporate metrics such as shareholder value may excite the CEO, but these tend not to motivate most employees. Instead, as with vision, the transformation message must appeal to the five potential sources of meaning noted in the main text: the individuals themselves, their teams, their customers, the organization, and society.

One bank whose story met all these requirements was able to dramatically increase its measurements of employee motivation for change. The story described how the bank's transformation would offer employees more attractive jobs and opportunities to shape the institution; help working teams cut unnecessary duplication and feel more influential over results; give customers simpler, more reliable service at lower prices; enable the company to reduce unsustainable cost growth; and benefit society by providing more services to deliver affordable housing. With that story, the transformation achieved 10 percent efficiency improvements in the first year, far above initial expectations.[1]

Cascading the transformation story. Once the leader refines the story, with feedback from direct reports, it's time to start spreading the word. The reports recast the story for themselves, retaining the leader's major themes but using their own words and providing examples that will resonate with their direct reports and below. Each management level repeats the process, ultimately with frontline managers sharing their stories with workers. (To maintain the story's authenticity, this is best done face-to-face—such as in small meetings or town halls, never by memo or e-mail.)

A European retail bank illustrates how a transformation story evolves through a successful cascade. It started with the CEO explaining to his direct reports that the only way to boost revenue and profits—results important to this audience—would be to deliver far better customer outcomes at a lower cost. The bank culture, he continued, would have to change from a bureaucracy to a federation of entrepreneurs. The nature of work would change, with managers rewarded for taking charge of problems and deciding how to fix them.

To recast the story for his audience, the human-resources director sought to improve the company's system for identifying and nurturing potential highfliers so they would spend less time on low-impact jobs. The director of retail operations focused on faster customer service. At the branch-manager level, this included replacing faulty document imagers that slowed operations and frustrated branch staff.[2]

[1] Carolyn Aiken and Scott Keller, "The inconvenient truth about change management," mckinsey.com, May 2008.

[2] Emily Lawson and Colin Price, "The psychology of change management," mckinsey.com, June 2003.

targets will reflect the vision in highly practical terms.

The European financial-services firm began assessing employees based in part on their contributions to cost reduction and innovation. Within a year, every function, business process, and location in the company had identified improvement opportunities of between 30 and 50 percent. At MassMutual, a crucial portion of manager's reviews now rests on how well they encourage problem identification and resolution, thus improving customer service. With falling turnaround times, placement rates—the percentage of insurance applications that customers commit to—have risen by 10 percent.

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Together, deeper meaning and tangible progress cement the trust that the transformed organization builds as it delivers more efficiently for customers, enables its people to lead, and (especially) discovers better ways of working. The organizations that earn and keep trust are those that can continue improving indefinitely.

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