

**The organisation and its competitive situation should be viewed not as separate, interdependent entities but as just different influences in the same global environment.**

# The "Alignment" Theory: Creating Strategic Fit

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## The Concept of Strategic "Fit": Aligning Organisation and Environment

A wide range of views exists on the actual definition of organisation performance. "Profitability", "market share", "good value for money products", and "stable employers" are examples of the measures used by the various stakeholders of organisations. Despite the lack of

a common measure, research reveals that the question of what drives organisational performance and effectiveness is more easily answered.

Initially, researchers focused on attempting to identify those competitive situations, strategies and styles which seemed capable of consistently producing good performance. Results have been mixed, and it seems that we should abandon the search for universally appropriate strategies or management styles. Instead, it seems more sensible to recognise that any strategy is only appropriate in a given set of competitive conditions. Similarly, specific organisation cultures and/or leadership styles are only appropriate in given strategic situations. While this principle is easily understood, and, indeed, makes good common sense, the difficulty comes in trying to operationalise and use it.

Essentially, the principle of strategic "fit" considers the degree of alignment that exists between competitive situation, strategy, organisation culture and leadership style (see Figure 1). In this sense, alignment refers to the "appropriateness" of the various elements to one another. Research in the USA, Europe and Australia has revealed that superior performance (measured in a variety of ways) is associated with high degrees of alignment between the four elements mentioned above. Accordingly, it makes good sense to explore this principle of strategic fit more closely.

## Dimensions of Strategic Fit

Our view of strategic fit rests on the premise that competitive situation, strategy, culture and leadership can be described as a combination of four "logics". These "logics" are combined in various ways to produce a unique competitive situation, strategy, culture or leadership style. The approach is based on the work of Jung (personality types), Adizes (management styles), Chorn (organisation cultures), and our own research in the fields of strategy and organisation culture. The four "logics" are presented in Table I.

In terms of the above, strategic fit is produced when the particular combination of logics, or a "logic set", is

**Table I.** Four "Logics"

<i>Logic</i>	<i>Means</i>	<i>Outputs</i>	<i>Associated Phenomena</i>
"Production" (P)	Action	Results	Objectives, goals, energy
"Administration" (A)	Control	Order	Systems, measurements, stability
"Development" (D)	Create	Change	Innovation, new, discontinuing
"Integration" (I)	Integrate	Cohesion	Synergy, teamwork, co-operation

**Table II.** *Competitive Situation*

	<i>Forgiving</i>	<i>Turbulent</i>	<i>Repetitive</i>	<i>Predictable</i>
<i>Conditions:</i>	High uncertainty, low competitive intensity, low risk	High uncertainty, high competitive intensity, high risk	Low uncertainty, low competitive intensity, low risk	Low uncertainty, high competitive intensity, high risk
<i>Products/Markets:</i>	Augmented products/protected markets. People-based, intangible action	Customised products/novel markets. People-based tangible action	"Commodity" products/mature markets. Equipment-based, tangible action	Differentiated products/growing markets. Equipment-based, intangible action
<i>Customers:</i>	Little knowledge, very involved in delivery	Very knowledgeable, and involved delivery	Little knowledge or involvement in delivery	Very knowledgeable, not involved in delivery
<i>Relationship type:</i>	Continuous delivery, membership	Discrete transactions, intense relationships	Discrete transactions, arm's length relationships	Continuous delivery, arm's length relationships
<i>Structure:</i>	Changing simultaneous customer/supplier ←————→		"Fixed" supplier-dominant development	Changing interactive customer/supplier development ↑ ↓

**Table III.** *Business Strategy*

	<i>Protectionist</i>	<i>Pathfinder</i>	<i>Evolutionary</i>	<i>Operational</i>
<i>Product-Market:</i>	Limited, "value-added" product-line. Relatively stable market — sensitive to value. Growth through extra value-added services	Broad, changing product line. Changing markets. Growth through product development and market development	Limited, stable product line. Stable markets. Growth through market penetration	Predictable and changing product line. Predictable and changing markets. Growth mostly through market development
<i>Research and development:</i>	Mainly in area of "core technology". Emphasis on better product/service to market"	Extensive R&D emphasis on "first to market"	Limited to mostly product development	Focused and practical. Emphasis on "second to market" and "getting it right"
<i>Production:</i>	Low volume-high value added. Emphasis on improving the technology and delivery	Customisation and prototypes. Emphasis on effectiveness and unique product design	High volume - low cost. Emphasis on efficiency and process engineering	High volume - low cost. Some prototypes
<i>Marketing:</i>	Emphasis on value added and improving the quality. People KSF	Emphasis on creative, "problem-solving" research and innovative designs. Product KSF	Limited mostly to increased "sales" efforts. Price KSF	Emphasis on niche effectiveness. Distribution KSF
<i>Distinctive competences:</i>	Emphasis on "quality". Ability to develop long-term, dependent customer relationships	Emphasis on "broad" approach. Spontaneity, ability to anticipate and exceed customer expectations, flexibility	Emphasis on "deep" approach. Efficient, ability to provide customers with value for money, security	Emphasis on "deep and focused", high-energy approach. Reliability, accuracy, responsive to customer needs

KSF = Key Success Factor

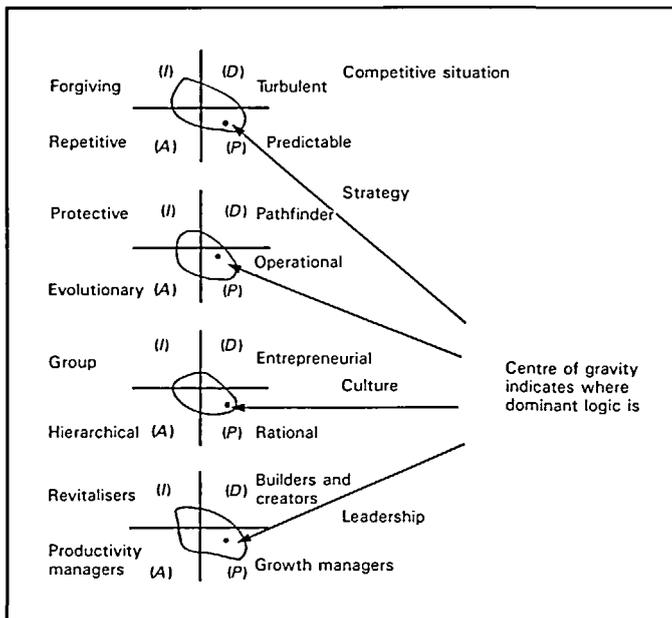
**Table IV.** *Organisational Context and Culture*

	<i>Group</i>	<i>Entrepreneurial</i>	<i>Hierarchical</i>	<i>Rational</i>
	<i>Organisation as a microcosm of, in harmony with, its environment</i>	<i>Organisation as societal leader, role model</i>	<i>Organisation as guardian of society's assets and knowledge</i>	<i>Organisation must fight for survival in a hostile environment</i>
<i>Values:</i>	Loyalty, commitment, teamwork	Individualism, creativity, flexibility	Analysis, systems, control	Action, objectives, results
<i>Structures:</i>	Divisional, by way of project teams or product/market	Divisional, either product based or market based	Functional	Predominantly functional and matrix
<i>Control process:</i>	Decentralised, predominantly by way of consensus, participation and teamwork	Decentralised, predominantly by way of a shared vision of philosophy	Centralised, by way of explicit rules and regulations	Mostly centralised, by way of clear sets of operating and decision guidelines and principles
<i>Dominant coalition:</i>	CEO, human resources, research and development	CEO, product research and development, market research	CEO, production, finance and accounting	CEO, marketing, process engineering, sales, operations
<i>Culture:</i>	Emphasis on cohesion, teamwork, synergy and consensus	Emphasis on individualism, creativity, fast response	Emphasis on order, stability, information and control	Emphasis on analysis, guidelines and sustained, high levels of activity
	<ul style="list-style-type: none"> <li>● Closed informal communication which is shared by way of cliques and membership of an "inner circle"</li> <li>● Control achieved by commitment to common values</li> <li>● Management support emphasises the <i>internal</i> climate and environment</li> <li>● Individual's tasks are negotiated by consensus</li> <li>● Rewards are based on informal standards and the ability to maintain internal cohesion — good team players</li> </ul>	<ul style="list-style-type: none"> <li>● Open, informal communication which is shared with whoever happens to be around at the time</li> <li>● Control achieved by commitment to a common vision</li> <li>● Management support emphasises leading and inspiring</li> <li>● Individuals are empowered to perform their roles</li> <li>● Rewards are based on creativity and entrepreneurial behaviour</li> <li>● Deviant behaviour is tolerated — provided it is goal directed</li> </ul>	<ul style="list-style-type: none"> <li>● Closed, formal communication which is shared on a "need to know" basis</li> <li>● Control achieved by focus on processes</li> <li>● Management support emphasises procedures</li> <li>● Individual's tasks are established by precedence</li> </ul>	<ul style="list-style-type: none"> <li>● Open, formal communication by way of committees and memoranda</li> <li>● Control achieved by focus on results</li> <li>● Management support emphasises planning</li> <li>● Individuals are given structural authority to perform their roles</li> <li>● Rewards are based on formal standards and relevant results. No deviation from plans or performance standards</li> </ul>

**Table V.** Leadership Styles

	<i>Revitalisers</i>	<i>Creators and builders</i>	<i>Productivity managers</i>	<i>Building and growth managers</i>
<i>Shared values:</i>	Participation, cohesion, change	Creativity, innovation, rapid response	Control, analysis	Objectivity, facts, results
<i>Team style:</i>	Sensitive to people, offer emotional support — have the ability to empower subordinates	Move very quickly, apparently haphazard — guided by shared vision	Logical, analytical, provide clear structure for their subordinates	Drivers, set clear objectives for their subordinates
<i>Individual aptitudes:</i>	Consensus building, good negotiation skills, good conceptual ability	Individualism, vision, flexibility, tolerance for ambiguity	Good analytical skills, logical, desire for stability	High energy, clear focus on objectives, desire for clarity
<i>Individual knowledge:</i>	Group dynamics, communications	Technical,	Accounting, production	Marketing, sales
<i>Conditions:</i>	Stable, traditional, or about to change	Turbulent, uncertain, rapidly changing	Established, mature, margins under pressure	Settled down, highly competitive
<i>Strategy:</i>	Developing long term relations with customers, or about to change strategic direction	Creation of a market, new product development	Consolidation, fine tuning, improving profits, productivity	Gaining market share, customer focus
<i>Life cycle stage:</i>	Maturity revitalisation	Gestation start-up	Maturity	Start-up → growth

**Figure 1.** Dimensions of Strategic Fit



replicated in the four elements of competitive situation, strategy, organisation culture and leadership style. In other words, "alignment" occurs when the logic sets in these four elements bear a close similarity to each other, as Figure 1 reveals.

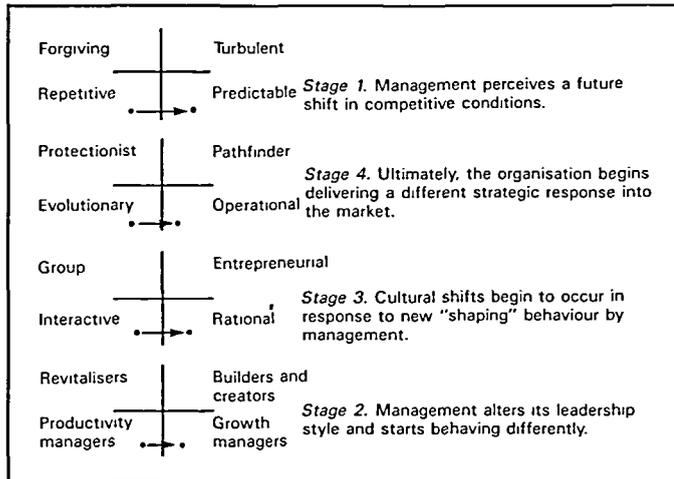
The logic sets are manifested by different types of competitive situations, strategies, cultures and leadership styles. These are described in more detail in Tables, II, III, IV and V.

**Achieving Strategic Fit and Organisation Effectiveness**

Ideally, organisation performance and effectiveness will be optimised when, for example, an organisation responds to a predominantly Turbulent (D) environment with a Pathfinder (D) strategy, an Entrepreneurial (D) culture and a Building and Creating (D) leadership style. However, a number of points should be made in this regard:

- (1) Strategic fit is an ideal state which should be continually strived for, but is rarely achieved. Although an organisation may achieve perfect alignment at a specific point in time, the dynamic nature of competitive situations and organisations makes this a moving target. Fit is, therefore, somewhat elusive.
- (2) Achieving strategic fit, now or in the future, is the primary task of management. Management's role, therefore, is to manage the interdependencies that exist between situation, strategy, culture and leadership style.

**Figure 2.** *Interdependencies between Competitive Situation, Business Strategy, Organisation Culture and Leadership Style*



(3) There are occasions where management might deliberately cause misalignment in the short term in order to produce increased alignment in the future. For example, management might be aware of future shifts in the environment which are likely to alter the competitive situation. In order to prepare the organisation for this, they will begin to "change" the culture of the organisation through modifying their own leadership style. Over time, this culture shift will allow the organisation to modify its strategy, and so to achieve strategic fit in the future. Figure 2 illustrates this phenomenon.

(4) The model of strategic fit seems to suggest a somewhat "deterministic approach", i.e. management is seen to be reacting to changes in the competitive environment by modifying strategy, culture and leadership style. This is not the intention of the model at all. Rather than debating which way the relationship works, it is more worthwhile to recognise that strategic fit simply implies that alignment between the four elements optimises organisational performance. In this way, it is possible to envisage a range of scenarios. These include:

- Management "reacting" to changes in the competitive environment by shifting strategy and culture.

- Management "pre-empting" competitive changes by proactively changing strategy and culture ahead of the market.

- Management "creating" a shift in the competitive environment by altering strategy and culture, and so influencing customers and competitors.

(5) The creation of misalignment within the four elements, whether by design or by accident, is generally associated with a reduction in the performance of the organisation. In general, this reduction in efficiency (measured by return on investment, cost increases, etc.) is often the "price" that has to be paid for a (potential) increase in the organisations effectiveness (measured by how closely the organisation meets the needs of the market).

One of the insights gained by using the strategic fit concept to study organisations relates to the way in which management relates to the competitive environment and organisational culture. This is best summed up by the concept of an "interactive" style. Instead of thinking in terms of "reactive" (after the event) or "proactive" (before the event), management should realise that they *simultaneously create and respond* to situations. In other words, rather than viewing the competitive situation and the organisation as separate, interdependent entities, we should recognise that they are just different influences in the same global environment.

### Summary: Key Points

- A strategy is only appropriate in a particular set of competitive conditions.
- Organisational cultures and leadership styles are only appropriate in a given set of strategic situations.
- An "aligned" organisation will be operating at peak effectiveness.
- The primary task of senior managers is to manage the interdependencies between situation, strategy, culture and leadership style.
- Businesses simultaneously create and respond to their competitive situations.