

An organisational approach to simultaneously prove high autonomy and high alignment

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Abstract: *The reality in different countries (and what we are experiencing in Romania shows the same), is that the majority of the organisational players are placing great emphasis on alignment and autonomy. This article analyses the reality of the actual global market, identifies some critical aspects around the performing organization and suggests some useful solutions to transform organizations in more successful players. The challenge of the 21st century is that, in order to survive, the companies must prove at the same time a high degree of autonomy - which helps them to rapidly respond to market demands, and a high level of alignment - which helps them build synergies. We will have a look at how the 'ideal company' would look like and will go through some examples of ways to cover the gaps between the current status and the status of "Directed Opportunism". At the end, we will identify areas of improvement and potential solutions to grow organizational competitiveness.*

Key words: autonomy, global market, succesful players, organizational competitiveness

1.Introduction and justification

In today's business world, which is driven by high dynamics and change, every

organisation needs to prove great agility in order to survive and gain success on its market. The approaches to growth that have worked 20 or 10 years ago will currently bring just a very

limited amount of the results they used to bring before, and this should be of no surprise to any organisation regardless of its size, domain and years of being on the market.

What are successful organisations? These are mainly those who have found a clear and relevant differentiator, bringing them the trust of their customers and placing them at the top of their choices, therefore out-running competitors. Or at least, this is what business books a decade ago were teaching us. And it still is right – though when looking at this today, we should consider it from the perspective of the rapid pace of evolution currently defining the business environment - and see where this leads us.

When it comes to what 'their most important asset' is, many companies say it's their people. When it comes to what is it at the base of their competitive advantage, there aren't too many companies today that will answer the same thing. And still, since information is travelling so fast, when technology and know-how may equally be accessed by every player in the economy (assuming similar level of resources) – it becomes clear that the difference will sooner than we know be in the 'how', and no longer in the 'what'. And while the 'what' can easily be put in patterns and routines that are easy to execute and control, the 'how' is about living systems – 'alive' organisations that breathe the air of their environment and make meaningful informational exchanges with these. Therefore – it is about the people that make the businesses.

The ability to communicate in a meaningful manner with the environment isn't just the responsibility of one of the functions within the organisation – being it the market research or any other one. Exchanging

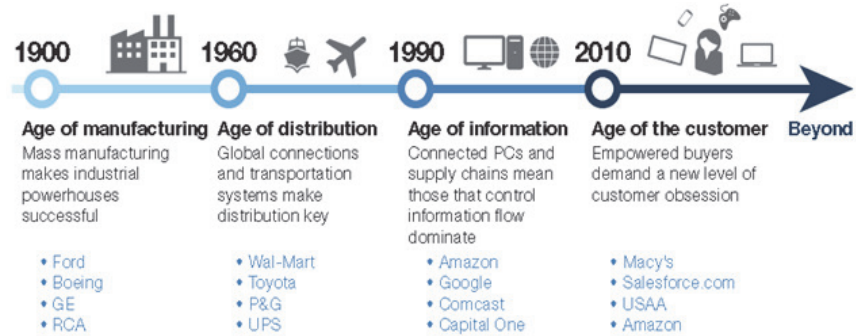
information at key moments with the world outside, and processing it in a manner and at a speed that can bring an organization one step ahead of the competition can only be done if the entire living system functions as one, by improving flexibility of its processes. For an organisation to really act in an intelligent way means no other than to enable people to work in their most intelligent way: allow them to make their own decisions at their levels, feel confident to take action and move ahead with minimal supervision, and more important – to be willing and motivated to do it.

So the fact that today it is more difficult than ever for companies to maintain their market positions, translates into: it is more important than ever to make 'best use' of the human capital - that is, enable people to contribute in a manner that is beyond the old practices of roles which are fixed and tasks which are assigned in a one-way, top-down manner.

In the current global market, the power the clients hold is significantly rising and the diversity of their needs no longer knows limits. It is truly the Age of the Customer the one we have entered:

"While companies have always, to a greater or lesser extent, called themselves "customer-centric", this is different. This is not about "customer-centric" thinking or "the customer is always right." Instead, the new power of customers means that a focus on the customer now matters more than any other strategic imperative".

Figure 1: We Have Entered The Age Of The Customer; Source: Forrester Research, Inc.



Therefore, being agile and flexible may be the only enabler of success on the long run. But what exactly would being flexible mean?

To answer this question, let's see what some of the strategies of the most customer-oriented organizations should look like:

- Building real-time data systems that will improve customer intelligence;
- Offering contextualized experiences to customers, after having conducted specific behavior analysis;
- Engaging with the customer along the entire value creation cycle; improve focus on post-selling;
- Investing more in developing content rather than in efforts of advertising [also based on the article of David M. Cooperstein]

When planning to implement such strategies, an organization should check whether several prerequisites are met, such as:

- Being in close contact with the customers, building relationships and mechanisms that would allow detailed communication at all key points in time along experiencing the company's services and products;
- Using this information within relevant time frames, towards building relevant market responses;
- This ability to act quickly and focus on what's relevant would mean that a

company would value the results it generates, rather than the internal structures, ways of working, processes, etc.

While everyone knows what's needed to be done and achieved, a few organizations really make it there – to the top of gaining their customers trust over and over again, to being one step ahead of anticipating their needs and offering them what they want along the entire selling cycle, or event before it has started. The most common issues the organizations are facing are:

- "We know what we want but to do, but we are not able to do it"
- "Lots is happening, but are the things happening the right ones?"
- "We are very busy – but are we effective as well?"

The organizations capable of solving this type of issues, are the ones acting in the light of the principles of the 'directed opportunism' – as it was described by Stephen Bungay in its book: "The Art of Action – Leadership that Closes the Gaps between Plans, Actions and Results".

To make his point, Stephen Bungay builds his argumentation around 3 gaps:

- the knowledge gap, from analyzing past outcomes to accordingly adjusting the current goals;

- the alignment gap – from the current goals to actually taking action towards these goals;
- the effect gap – from what we expect to achieve through our actions to what we actually achieve

While the most common answers usually revolve around adding more information, more instructions or more controls, the right response would actually aim at the following:

- to address the knowledge gap: organizations should limit the directions they give to only defining and communicating the intent;
- to address the alignment gap: to allow each level to define how they will achieve the intent of the next level up, and ‘backbrief’
- to give individuals freedom to adjust their actions in the line with the intent.

Similar conclusions were also drawn by Torben Rick in his article “Organisational alignment is the glue for achieving better performance” with the most powerful conclusion being: ‘Culture eats strategy for breakfast, lunch and dinner’. This is pointing out to the fact that many organizations focus almost all their efforts on preparing and executing their strategy, sometimes forgetting to focus on building a culture that would support this as well.

Supporting figures to these ideas are shown in a report issued by Pricewaterhouse Coopers, with 81% of the companies participating to the survey saying they agree that their organizations have the right strategy, purpose, vision, and ambition to reach their full potential; however, only 46% considered that their organizations were executing their strategies well. The article cited Steve Vamos, President of Society for Knowledge

Economics, saying : “The one thing that high performing organizations consistently do better than the rest is aligning the organization to achieve clarity and unity around the purpose) and strategy” .

With current best practices in mostly all of the organizations being to cascade objectives and keep everyone at all layers in the organization informed about the vision and strategic imperatives, with all the intentions being around empowering people and involving them in decision making, what is it that happens actually that prevents effective alignment?

Stephen Bungay spots the following example that may support the answer: “In Hewlett Packard, Yoji Akao devised what he calls the Hoshin method for aligning managers up and down and across the hierarchy behind a single goal. With its roots in the total quality and lean manufacturing movements, it is a systematic engineering approach toward executing complex projects, and has also been deployed outside HP”.

This has similarities to a practice rooted in the military field that is basically at the base of how successful organizations do better than their competitors in obtaining alignment. Because what they understand by alignment and the way they reach this goal isn’t the same as the common, widely-spread practices mentioned above. Instead of cascading – telling people what their tasks are and establishing methods to control people do what they are told, the winning organizations actually just give people the wider image of the ‘why’, and then lets them decide on the ‘how’, each for themselves, at their levels.

Bungay’s book, which is a great source of inspiration because it really addresses some very practical and most credible

ways of enabling organisational effectiveness, is based on a concept that has its roots in the military field – and which is called Auftragstaktik. The theory behind this was put up by Helmuth von Moltke the Elder and it revolved around the cause of independent action of the subordinates as a matter or principle. That was because he spotted that two of the main issues in organizing an army were ‘the lack of direction from above and the independent actions of the lower levels of command’, and the way in which he saw that this could be fixed was by imposing new levels of intellectual discipline to the ones having more senior roles, instead of imposing more control on junior roles. This would help encouraging initiative while steering it the right direction at the same time, with the condition of everyone understanding well enough the intentions of the two layers above them in order to allow them fulfill the goals.

2. Directed opportunism into in the context of the Romanian business environment

The Romanian economy changed radically in the last 25 years, on its way to

capitalism. To survive on the local market, companies should prove more skills than on a typical mature and stable market. Learning how to run businesses while moving from an almost entirely state owned economy to private own companies takes time and it can only start with the basics, before moving to the more sophisticated organisational models and principles.

So basically the struggle to survive on the market while it transforms radically and it’s being influenced by so many external evolving factors (social, technological, economic, political, etc.) brings up to the table issues than challenge any current way of running a business. Organisations are on their way to improving their awareness and perspective on their strengths and weaknesses.

While all the organizations try to improve this, either by using know-how based and structured analysis or more empirical, ‘learn-as-you-go’ in-house built methods, the reality of the business environment looks as follows :

Year	2008	2009	2010	2011	2012
Registrations	144.239	111.832	119.048	132.069	125.603
Suspensions	12.019	134.441	66.428	21.086	24.078
Dissolutions	3.762	30.105	8.191	11.660	22.500
Deregistration	17.676	43.713	171.146	73.244	71.746
In/Out ratio	4,31	0,54	0,48	1,25	1,06

Source: ONRC Statistics, 2008 - 2012

If in 2008, for every fourth newly registered firm another one was exiting the market; in 2009 and 2010 for each newly registered firm, 2 were exiting, and in 2012,

while one entered, another one exited. Sure, this variation was as well highly influenced by the crisis affecting all industries.

Year	SMEs	Large enterprises	Total enterprises	% SMEs in total
2010	436.508	1.527	438.035	99,6%
2011	437.042	1.588	438.630	99,6%

When looking at the weight of the SMEs in total number of enterprises operating in Romania, there is an overwhelming majority of SMEs, and the evolution of this number is aligned to the trend in the EU. This shows that the role the SMEs are playing continues to be a significant characteristic of the private sector development in all states which are members of the EU, both in mature and emerging economies. Another argument to sustain the importance of the role of SMEs is the fact that this sector in Romania contributes up to 58% of the total turnover in the non-financial economy.

With this image in sight now, it appears more clearly that there is a strong need for SMEs to take the lead of their development and to actively search for ways of improving their practices and strategy. The large enterprises – such as corporations – may bring some best practices and role model them; the business education can be now accessed more easily than before, but all these potential sources of improvement can only influence the current evolution of SMEs if these prove to be open to development, willing, and focused.

What are the prospects for the Romanian organizations to adopt the philosophy of directed opportunism? With a history of being part of a communist regime and with generations like 'Baby Boomers' starting up many of the SMEs with limited knowledge of administering businesses or of the industry, with 'Gen X-ers' still very much relying on

a directive managerial approach rather than a consultative one, there may be still a while before SMEs would be able to look into closing the three gaps of knowledge, alignment and effect.

3. Enablers of directed opportunism in Romanian organisations

Some Romanian organizations however seem to have already found their way to using directed opportunism with clear results. eMAG is the leader of online commerce in Central and Eastern Europe. Launched as an IT online retailer, the company practically founded the e-commerce in Romania. Recently the South African giant Naspers acquired a 70% majority stake in the most spectacular transaction on the local segment. Dubbed to be the transaction of the year, it certified the international value and stature of eMAG. With an unparalleled portfolio of services and over 60,000 products available on eMAG.ro, the company is currently investing in the regional expansion. One of the most appraised brands on the Romanian market, eMAG is gaining market share each year, based on their portfolio extensions: books, movies, music, insurances, DIY products, and products for children and many more. With a turnover of 150 million EUR, the company is aiming a double digit increase each year. (<http://antonescupr.com/portfolio/emag-22.html>).

Initially operating in Romania, Emag expanded first to Bulgaria, than to Hungary, and at the beginning of 2015, to Poland.

"This expansion is part of our long term strategy to consolidate our position in the region", Sorin Ionescu, international development director at Dante International said. "Presently, because of the three markets where we are already active in – Romania, Bulgaria and Hungary – we can access a base of 36 million clients. Now we are entering a huge country in the region, with 39 million inhabitants, an online retail market of 4 billion euros and a huge potential for growth."

Also called 'the Amazon of Romania', Emag gained its success by strongly connecting with its customers. At the end of 2009, the online electronic and IT store was visited by 30% of the population having internet access, although these products only weighted 3% of their total spending. The company positioned in such a way that the customers won't only perceive them as electronic and IT resellers, but having a broader range of product offering. Thus customers were increasingly turning to them for on-line purchases, which ultimately allowed the company to expand the range of products to books, insurance, travel, and many more.

That proves how Emag managed to close the three gaps of knowledge, alignment and effects and evolved at the same time with the evolving demand from customers:

- closing the gap of knowledge – the organization focused on planning only what could be planned. They took one step at a time, seized opportunities and realigned their strategy according to these, keeping a flexible approach, rather than starting with an aim in mind to broad or too ambitious according to their initial capacity,

- closing the gap of alignment – being initially a small company helped get everyone clear on the bigger purpose; the organization also started with low hierarchy, facilitating communication of goals being cascaded and of shared understanding of these;

- closing the gap of effect – being led by young entrepreneurs, the organization found somehow natural to use work values like encouraging individual initiative, self-discipline of responsibility, allowing people to fail and learn from their mistakes.

If we were to have a look on what could enable the philosophy of directed opportunism at a broader scale in Romania, than the following would probably need to be considered:

- Young generations are less and less influenced by the old ways of thinking and practices that were used more than 25 years ago; they tend to be more open to diversity, to experiencing and learning, to taking on more risk; to set for themselves bigger, more ambitious goals, to be more confident in their chances of achieving success;

- An increasing number of the 'millennials' consider that they should be aiming at founding their own companies rather than on being employed by corporations;

- Those who choose to get hired are very determined to communicate their expectations rather than accepting what's being imposed on to them;

- They appreciate organisational cultures such as those of Apple or Google: open, transparent, involving everyone at their levels into making decisions, empowering people, etc.

- Like Emag, more and more companies owned by younger, more creative, risk-taking entrepreneurs prove good results thus

creating a precedent for even more to confidently embark to similar initiatives.

4. Stages and obstacles

Shifting focus from the current approaches to the principles of directed opportunism requires to slowly move apart from the traditional ways of developing businesses. Some of the most common approaches that are being extensively used currently, are:

- Diversifying the offer to the current client portfolio (in an effort to answer to the customers very specific needs)
- Attracting new clients

While organizations focused on these, something happened meanwhile: the customers realized that in order to prove their competitiveness, the organizations accepted the idea of having to accept restrictive conditions, thus they have exploited this vulnerable spot in several ways.

Let's take the example of the adult education industry.

As with the financial crisis started in 2009, a significant amount of education projects were put on hold or even blocked completely, while no other new ones appeared. Moreover, plenty of big industry players faced issues adapting their structure and strategy to the new context.

This led on one hand to the leeway of the big players in the educational field, and on the other hand, to the birth of new players who had more flexible structures and which were able to keep things going with low indirect costs.

Many of these new players appeared as a consequence of two main factors:

- They relied on pools of customers – small pools to which they had connections and existing promises for future contracts
- The competencies of the partners founding the firms relied in the respective necessary areas of expertise.

This led to things to function on short term (with some minor variations to the initial plans). Then the issues started to arise after the first contracts they relied on at the beginning finished. The opportunities decreased significantly, both from quantitative and qualitative perspectives. In this new context, the reactions of the small players (generated to a great extent by the concerns associated to how things will evolve in the nearer future) were to:

- 1) Diversify excessively (and assume the lack of alignment brought by this)
- 2) Accept the terms and conditions imposed by clients (thus accepting to offer their services at unbearable small prices).

Although on the short term many of them believed that they found the way out of difficulties, on medium term, the reality showed that the reverse side of the coin was losing identity and not being able to sustain their operations.

And their decisions and actions not only affected their own results, but also cause the market to become unbalanced because of practicing dumping prices and compromising on quality.

5. Conclusions – some sustainable ways of growth and alignment of medium and small organisations

An aspect worth mentioned is that the model of directed opportunism referenced throughout this article resides in the military practices around a century ago. There were armies of significant war experience which decided that a limited amount of control was not only acceptable, but most effective in order to have a well-oiled mechanism allowing succeeding in executing their strategy. They have also decided to involve people at all layers in making decisions or even in challenging orders, when and if the case. They trained their people to know when to challenge direct orders and trusted them to do that. They trusted them to make errors, and in return, they gained people who would take initiative and add real value from their roles, apart from just executing what they've been asked to.

Coming back to nowadays, if one of the most powerful armies that ever existed, were able to approach their internal culture like this, why can't business organizations today adopt similar principles? Since most of the organizations know where they should be heading to, and have a very clear picture of 'how it should be', what is it that blocks evolution?

To answer this, we are usually tempted to assess whether the following conditions are met:

- Whether the organization understands the benefits of making this shift
- Whether it is committed to make the efforts for the shift
- Whether the employees trust the organisation's vision and is aligned to its culture and values, so that they would support the change and transition

And the reality is that most of these conditions are met by the organizations committed to make the shift. The issues begin to occur when they start to actually do the work towards their initial plans. The clarity of the vision and commitment at the beginning aren't enough to guarantee success.

"Strategy had to be understood as a system of options since only the beginning of a military operation was plannable" . - Moltke's main thesis on the theory of war.

The key resides in how disciplined a company is able to prove itself to be, to carry on the great, on-going effort on continuously addressing the three gaps (knowledge, alignments and effect), as they go. When we talk about directed opportunism, excelling at executing the strategy isn't just about execution. Because it is here, in the execution stage, when reality actually happens; when the organization and its people have the biggest chances to prove leadership, alignment and ambition.

The key word above is 'discipline'. Not in the way of 'know your place and behave' type of discipline, no. But in the mature, logical understanding of one's role and chance to make a real difference in the context. The self-discipline of responsibility.

And discipline is something everyone and every organization must learn. You're not simply born with it or not - you must develop it, through years of practice and commitment. And it's not for all – that's why although everyone knows it in theory, just a few are able to apply it gracefully.

Having said this, here we are to our purpose with this article – to point out to some ways to embed alignment in organizations.

Having a methodological approach to managing enterprises can support assessing

the behaviors in organizations, in the idea of keeping and developing those bringing benefits, and also of gradually giving up to the ones blocking evolution. This is something to which everyone in the organization could contribute, as defining healthy, viable methodologies to work throughout an entire organization can only be done with the input of the employees at all levels, who can design, roll-out and test processes so that these would feed into each other.

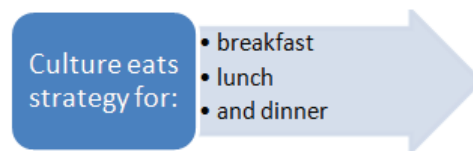
Some of the behaviors that could benefit from being considered under methodologies:

- Downwards communicating of intent

- Real-time gathering and communication of relevant data regarding customers' needs and expectations

- Upwards communicating
- Taking initiative and calculated risks
- Making decisions

This could help organizations clarify how they want to work and could lead to everyone being aligned to the same principles of carrying their responsibilities in the wider context. And the importance of gaining this alignment is as important as Peter Drucker concluded in this quote: "Culture eats strategy for breakfast" – and as well for lunch and dinner, may there be added:



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