

“Get aligned, get ahead”

Case Study

When I first started studying why organisations have so much difficulty in bringing their plans to reality, I was reluctant to name any one reason as the root cause of the problem. I took the line that the chain of factors involved in implementation was only as strong as its weakest link. These days, I have no hesitation in naming one factor above all others as the cornerstone of “execution to die for”.

It’s Organisational Alignment (OA).

I’ve developed a model – the Wagon Wheel Way™ Enterprise Operating Platform or www.eop for short – to guide organisations in the achievement of alignment and I now have a convincing case study of the stunning results that can be realised by a highly aligned company.

Firstly, I need to define Organisational Alignment. It has four sequential components. The second cannot be achieved without the first; the third is dependent on the second and the fourth is dependent on the previous three.

- ▶ The alignment of the organisation’s Strategic Business Plan (SBP) with the external environment in which it operates
- ▶ The alignment of the Support (Operational) Functions of the organisation with the SBP
- ▶ An organisational structure that is aligned to the needs of the Support Functions
- ▶ The alignment of the organisation’s staff so that they all understand the SBP, the strategies for its implementation and – each and every one of them – his or her role in its execution

The Company in this case study is Trueline Pty Ltd (<http://www.trueline.net.au/products/>). Founded in Brisbane and with a heritage dating back over 47 years, Trueline has progressively evolved into an outdoor living company specialising in the design and installation of patios and carports for residential homes in Queensland and New South Wales. The Company is based in Brisbane and the geographical core of its business is Central and South East Queensland and Northern NSW. In 2017, my consultancy, Plans to Reality, was commissioned to conduct a client feedback survey which involved talking with 100 of its clients who had engaged Trueline to design and erect outdoor structures that ranged in value from \$5,000 - \$70,000.

Alignment of the Organisation’s Strategic Business Plan

For most of its history, Trueline was a general building company focusing on the domestic renovation and extension market. Patios and carports formed a sub-segment. When the current Managing Director Shane Hammond took over from his uncle in 2012, a major decision was made to narrow the focus of the Company and concentrate resources on outdoor living areas. The Company had already developed considerable expertise in this area and believed that there was a need among consumers for a company that specialised in this segment. So, an SBP was developed to reshape the Company’s future.

Strategic Business Plans have five components – 1) Markets, 2) Products/Services, 3) Activities, 4) Competitive Strategy and 5) Competitive advantage. Together they make up the hub of the Wagon Wheel.

Figure 1. Wagon Wheel – Constructing the Hub



- 1) **Markets** – Domestic outdoor living areas and carports in Queensland and Northern NSW to provide users and vehicles with protection from hot sun, rain, wind and hail. (Respondents in the survey – when asked what motivated them to consider such structures, invariably made the comment that, if they had a deck area – and many did – it was unusable for much of the year due to the climate in this part of Australia)
- 2) **Products** – To meet their client’s requirements, Trueline offer custom designed structures using a variety of roofing systems – single skin, insulated and louvers (the last mentioned enable the roof to be opened or closed according to weather conditions). The designs themselves and the materials used are both

innovative and of the highest quality.

- 3) **Activities** – Trueline have their own design and installation teams. However, they do not manufacture any of the components. All components are sourced from local manufacturers and made to the specifications given them by Trueline’s Project Managers. Furthermore, if site works, concreting, plumbing or electrical work is required, Trueline may recommend a particular service provider but the resultant terms of engagement are between the householder and the service provider, rather than the householder and Trueline.
- 4) **Competitive Strategy** – Michael Treacy and Fred Wiersema, in their book – “The Discipline of Market Leaders” claim that successful organisations adopt one of three generic business strategies and achieve operational excellence by relentlessly exploiting the chosen strategy to the benefit of their customers. The three strategies are:
 - ▶ **Best Total Cost** - where Total Cost is made up of Price + Convenience + Risk Reduction
 - ▶ **Best Product** – a strategy that focuses on providing the best product in terms of design, innovation, quality and durability
 - ▶ **Best Total Solution** – a strategy that involves building deep and lasting relationships with customers by customising products and services that meet each customer’s particular needs
 Best Total Cost (example - McDonald’s) and Best Total Solution (example - IBM) are more appropriate for companies that have ongoing customers. **Best Product**, in contrast, is ideal for those organisations that are project based – as Trueline are.
- 5) **Competitive advantage** – if the Competitive Strategy represents the game plan, the Competitive Advantage is what makes your company – from your customers’ perspective - “different and better” than those of your competitors – even if they are following the same overall strategy. Given a competitive strategy of Best Product, many companies would have considered that this factor alone would have served as their Competitive Advantage. Trueline have not done this – they have opted for the pursuit of a Competitive Advantage that is much harder for their competitors to emulate – Customer Service, in all its various forms.

The integration of these five components has resulted in an SBP that is highly aligned to the needs and expectations of Trueline’s target market. Trueline’s clients not only enjoy the lifestyle benefits of an outdoor under cover living area that can be used year-round but the structure invariably adds to the value and saleability of their property.

To borrow the terminology applied to the three different levels of planning, the development of the SBP represents strategic alignment. It’s big picture stuff. It matches the five components of the SBP to the environment in which the organisation currently operates *and* to that which management, through knowledge and analysis, predict will evolve in the future.

Once the SBP has been developed the next stage is to determine the impact of each component on the support or operational functions within the Company. In the www.eop it is the spokes of the Wagon Wheel that connect the hub to the wheel rim in the same way as the needs of the SBP dictate the number and nature of the Support Functions.

Alignment of the Support Functions

It is imperative that every aspect of each Support Function is driven by the dictates of the SBP, particularly the fourth and fifth components – Competitive Strategy and Competitive Advantage.

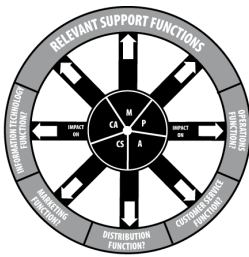
In Trueline’s case, the Company opted for a Competitive Strategy of Best Product. Treacy and Wiersema expanded on the generic characteristics of such a strategy as follows:

- ▶ **Marketing Strategy** – target those that want the best or the latest
- ▶ **Operational Focus** – entrepreneurial environment, speed to market, marketing/promotional expertise
- ▶ **Organisational culture** – flexible, small teams, encouragement of individual contributions, thinking outside the square
- ▶ **Pricing Strategy** – charge a premium for providing the best/latest
- ▶ **Promotional Focus** – on product attributes – what’s different and better
- ▶ **Success driven by** – innovative products

Since these are the generic characteristics of a company pursuing Best Product not all of them are relevant to Trueline – but a good number are. Likewise, once Trueline opted to base their Competitive Advantage on superior customer service, the Company needed to identify what their customers wanted in terms of customer services, allocate the necessary resources to provide them and develop processes and train personnel to deliver them.

Clearly, the planning that is undertaken at this stage is much more detailed. This is tactical alignment.

Figure 2. The Wagon Wheel Hub connected to the wheel rim

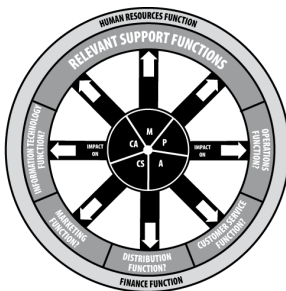


Support Functions – Among Trueline’s Support Functions are Design, Operations, Procurement, Sales & Marketing, Accounts, Project Management and Customer Service. The role of each function and the nature and size of the resources allocated to it is dependent on one or more components of the SBP. Take Marketing as an example. Because Trueline’s customers are essentially project based, prospecting for new business is a critical part of their operations. A wide variety of media are used. They range from a website, Facebook, Direct Mail Flyers, TV advertising and Special promotions to Trueline signage at the site of an installation. These media are largely under the control of Trueline but to this list must be added word-of-mouth from satisfied clients, a medium that carries the highest credibility rating of all.

An Aligned Organisational Structure

The Wagon Wheel is almost complete but it still lacks one vital component. It has yet to have the metal band fitted to the wooden wheel. The metal band represents the two key Enabling Functions of Finance and People. With regard to the latter – People – it is more than having the right number in the right positions with the right expertise – it is, above all, about having an Organisational Structure that facilitates the work performed by the Support Functions in the execution of the SBP. Whereas the former - right people, right expertise etc – is tactical alignment, selection of the basic organisational structure is definitely strategic.

Figure 3. The Completed Wagon Wheel



Trueline’s Cross-functional Teams - Regardless of the value and complexity of the project, a client of Trueline will be serviced by a team of at least five people. The Sales/Design consultant will respond to the initial enquiry, meet with the prospective client, ascertain his or her needs and draw up a design to meet them. On acceptance of the offer, a Project Manager will visit the client, check all measurements and confirm details of the design and materials to be used. An Administration Manager will draw up a contract and organise the payment instalments. Lastly, there will be a minimum of two installers who will erect the structure and clean up afterwards. In very many cases the client will also have contact with the Customer Service manager. Now most companies are still structured along functional departments – a Sales department, a Production department, a Supply department, an Accounts department etc. Each department is under the control of the Departmental

Manager whose focus is on optimising the performance of his or her department rather than the execution of the Strategic Business Plan as a whole. Realising the limitations of functional departments, Trueline has opted for the creation of cross-functional teams who are collectively responsible for delivering on the Competitive Strategy of Best Product and on Trueline’s Competitive Advantage of superior Customer Service. Naturally, there is a core of specialist expertise that supports the operational teams. For example, Trueline takes care of procuring any council building permits that may be required. Other specialists deal with the core of suppliers that provide the roofing and other components. In so many organisations, the external customer is a remote entity, identified only by an address and an account number; at Trueline, a very high percentage of employees have direct contact with clients every day as they help them realise their dream of outdoor living.

The Alignment of the Organisation’s Staff

Most observers associate the term Organisational Alignment solely with people but as the foregoing has shown, the alignment of the organisation’s staff is not possible if the other three elements of OA are not in place. Yet despite the fact that OA is the basis for “execution to die for”, most organisations fail to achieve it.

Stephen Covey, in his book, "The 8th Habit" used the analogy of a soccer team to demonstrate the findings from a study on OA, involving 23,000 employees. I've applied the results to an Australian Rules Football team which, for the non-aficionados, has 18 a-side.

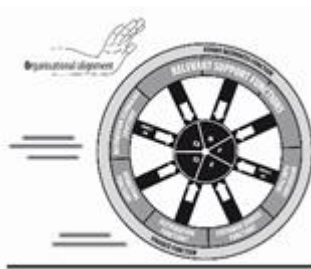
If an AFL team mirrored the research results, only 7 players (39%) would know which direction they were playing in. What's more, only 4 would care. Only 4 (22%) would know what position they play and know exactly what they were supposed to do. And 14 (78%) out of the 18 players would, in some way, be competing against their own team members rather than an opponent. These are depressing statistics but I have no doubt that the fundamental reason for them is the absence of alignment in the preceding three components of OA.

In the www.eop the construction of the Wagon Wheel is a metaphor for the first three components of OA. Once the Wagon Wheel has been built, the next step is to mount it on an axle so that it's ready to roll. This is akin to the execution of the Plan. Great execution begins with the alignment of staff. This is followed by:

- ▶ Management of Change
- ▶ Leadership – at all levels
- ▶ Teams & Teamwork
- ▶ Employee Engagement

Each factor is dependent on the ones that preceded it. How can one manage change if your staff do not appreciate the rationale behind it and have not had any input into the nature, timing and extent of the changes that will impact them? How can Leadership be practiced at all levels of the organisation if potential leaders do not have clear goals and strategies for achieving them? How can Teams be formed and Teamwork practiced if the very organisational structure of the company militates against this happening? How can Employee Engagement - an employee's emotional attachment to the organisation that results in greater discretionary effort – flourish if the preceding factors are not in place?

Figure 4. The Wagon Wheel – ready to roll



Direction of arrows – Note that the direction of the arrows on the spokes no longer point outwards from the Hub. They now point inwards. In addition to the reversal of the arrows, the wheel has been mounted on its axle and is now in contact with the road. The road represents the external environment whose forces – negative and positive – are transferred to the Hub, via the Metal Band, the Wheel Rim and the Spokes.

Alignment of the organisation's staff – the three prerequisites to Organisational Alignment of staff are: a) Everyone understands where the organisation is now; b) Everyone understands the destination and the journey (Hub); c) Everyone understands their role in getting there (Wheel Rim and Metal Band)

Trueline is a highly aligned organisation. It has a clear Strategic Business Plan; its Support Functions are organised and resourced in accordance with the SBP's components; its organisational structure, with the establishment of Cross-Functional Teams, facilitates the Plan's execution. Its staff, in contrast to the great majority that contributed to the research quoted by Stephen Covey, are aligned and hence display the other attributes required for great execution. This should result in high levels of customer satisfaction and so it proved.

As with all surveys undertaken by Plans to Reality, the core of the survey was 15 supplier attributes that were measured for Importance and Trueline's Performance. With the exception of "Cost" the remaining attributes relate to either aspects of the Product or Customer Service.

After each attribute is read out to the respondent, it is followed by a sentence of definition to insure consistency of interpretation. Respondents rate each attribute on a scale of 1(low) – 10(high). The importance that respondents attached to each of the 15 decision-making criteria are used to weight the ratings on Trueline's performance. Three quantitative customer satisfaction ratings are derived from these responses. The first of these is the Customer Satisfaction Index (CSI) measured as a percentage across all 15 attributes. Based on the experience of many such surveys, four percentage bands have been identified. The highest band is for CSI's of 80% and above and the interpretation reads as follows:

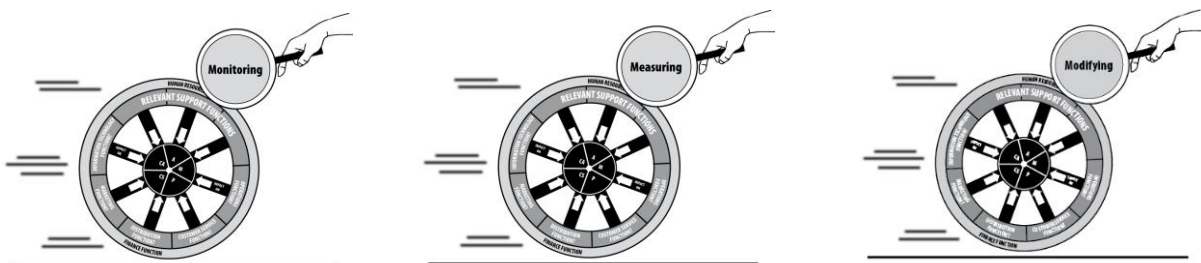
> **79%** - a CSI of this magnitude and above indicates that customers see this supplier as providing a very high level of client satisfaction and the supplier should be in a strong position to pick up new clients. Indeed, when customers are this satisfied, they will have little hesitation in recommending the supplier's services to others. However, even CSI's in this bracket do not prevent the possibility that a very small percentage of clients will not be satisfied with the supplier's performance. Achieving consistency of performance is never easy, especially where the service component of the offering is high.

Trueline's CSI was 89.8% which makes it the highest ever recorded by Plans to Reality. The second measure is the Performance Gap. This is the numerical difference between a perfect performance and the weighted actual performance. It is calculated for each attribute and overall. As an aid to understanding the Performance Gaps' significance, gaps of varying ranges have been equated to the golf scoring system of pars, birdies and bogies etc. In Trueline's case, the average Performance Gap across all attributes was 9.1, equivalent to a double birdie – minus 2. The total golf score for the complete round of 15 attributes was minus 24! The fundamental reason for these outstanding levels of customer satisfaction lies in the degree of OA that Trueline has achieved across all four of its components – but particularly the last. Delivering customer satisfaction is largely in the hands of non-executive management. Nevertheless, it's executive management's role to create the internal company environment that facilitates and encourages staff to make that discretionary effort to meet and exceed customer expectations. OA amongst staff is alignment at the operational level.

In the interpretation of CSI's of <79%, it states that "they (customers) will have little hesitation in recommending the service provider's services to others". Again, the feedback from Trueline's clients attest to the validity of this statement. 68% of respondents said that they were "delighted" with Trueline's performance and would "unreservedly recommend Trueline to others". Many respondents added – "and I already have".

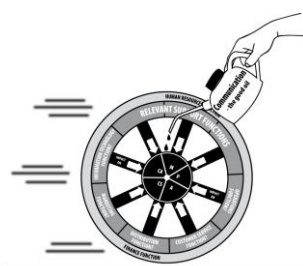
The achievement of Organisational Alignment is not like climbing a mountain. You don't just plant your ice axe; take the obligatory photos and reflect on mission accomplished. OA requires on-going monitoring, measuring and modifying. Monitoring to assess whether the SBP is still aligned to the then current and predicted external environment. Measuring the Support, Enabling Functions and the implementation factors to assess their ability to execute the Business Plan and modifying any of the preceding factors accordingly. At some stage, organisations will realise – as Trueline did in 2012 - that no amount of modifying will align the SBP to the new external environment – the Wagon Wheel's hub is damaged beyond repair. This leaves two alternatives. Go out of business or develop a new Plan. OA is something that requires constant evaluation and measurement. In short, OA requires maintenance – just like Wagon Wheels do.

Figure 5. Wagon Wheel maintenance - sustaining OA



Some readers may be surprised at the absence of two words. The first of these is Communication. The reason for this omission is that Communication is not regarded as a Support Function. It is the key catalyst for Organisational Alignment. It's the central nervous system of any organisation – damage it and paralysis results. In the www.eop it's the good oil that keeps the wheel spinning on its axle.

Figure 6. Wagon Wheel – communication – the good oil



One of the rare and outstanding aspects of Trueline's customer feedback survey was the extraordinary level of consistency, achieved by the regional teams. Less than 1% separated the regional CSI's. Likewise, the Golf Score only varied by 4 from minus 22 to minus 26. There is a reason for this. Shane Hammond, Trueline's MD, sets great store by written procedures and processes. From the moment that an inquiry from a prospective client is received there are a series of integrated processes that guide and coordinate the actions to be taken, not just by the regional teams but by the other Support Functions. The overall aim of these processes is to ensure that each client's expectations, generated by the regional teams, are met. The patio or carport is built – on time - to the agreed design and in the agreed materials to the guaranteed standards of quality – at the agreed cost.

The emphasis placed on process is one of the key ways in which Trueline maintain Organisational Alignment. For any new employee, these written procedures are a key part of their induction.

The second word is Culture. Culture is *the most dependent* of all variables. It cannot be created by a Mission or Vision Statement or a list of organisational values. If Culture represents “the way we do things around here” then the basis of a positive culture is Organisational Alignment as defined in the www.eop and put into practice by Trueline.

Finally, some readers may be thinking along the lines of – “well, it’s all very well achieving such high levels of customer satisfaction but does that translate into profit?” As a family company, Trueline are not about to divulge their profit but consider the following. Since the decision was taken in 2012 to re-focus the Company on outdoor living areas;

- ▶ After an initial fall in revenue, it has now more than doubled
- ▶ The EBIT to Sales percentage has risen by 75%
- ▶ The average contract value is 50% higher than the industry average published by the Queensland Building & Construction Commission (QBCC)
- ▶ Trueline’s conversion rate – enquiries to sales – is double the industry average recorded by the QBCC

Trueline are only too conscious of the need to maintain and, wherever possible, to improve their OA. Feedback from respondents resulted in a number of initiatives that Trueline will take to enhance customer satisfaction still further. Without diverting their focus from the design and installation of outdoor living areas, Trueline are considering geographical expansion and moving into the commercial market. The challenge they face is to take the Company into different market segments but at the same time maintain the degree of OA that is at the heart of the Company’s current success.

Graham Haines – Principal; Plans to Reality

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