

EXPLORING STRATEGIC ALIGNMENT IN PRIVATE HEALTH CARE

Konrad Liebig*, Johan Hough**

Abstract

This study describes the domain of strategic alignment (SA) and evaluates the level of SA in a South African private healthcare company. Interviews and an empirical survey were used to establish the organizational alignment and to pin point possible shortcomings in the company's strategy execution. The results show a gap in the perceptions between top and middle management and that the company is underperforming in the areas of strategy translation and organizational alignment. Recommendations for the company include the use of an implemented corporate scorecard for better strategic performance measurement, strategy mapping for more efficient communication of strategic issues and the improvement of vertical and horizontal alignment in general.

Keywords: Strategic Alignment, Strategy Execution, Strategy Implementation, Strategy Focused Organization, Balanced Scorecard, Strategy Map, Health Care Industry

**Technische Universität Darmstadt, Germany*

Email: konrad.liebig@gmail.com

***University of Stellenbosch, South Africa*

Email: jhough@sun.ac.za

Introduction

In recent years, companies around the world are more and more challenged by a rapidly changing, unstable and volatile business environment (Kaplan & Norton 1996b). To be and stay successful companies have to become increasingly flexible. They must constantly adjust their businesses and actions to the changing conditions. Changes of the strategy focus become necessary to survive and stay successful (Porter 1996). The top management puts lots of efforts in developing a strategy fitting to the company's unique characteristics and capable of mastering the threats of the future. Yet, all these efforts are a waste of time and money if the top management is not able to transfer this strategy onto the whole company and to make sure that each and every employee serves the purpose of the strategy.

Hence, an effective and accurate translation and execution of the developed strategy is crucial (Beer et al. 2005). It has to be ensured that every part of the complex entity of the company is completely committed to the strategy and acts to fulfil it (Kaplan & Norton 2006). The challenge is to create organizational strategic alignment, meaning everybody in the company has to see his or her contribution to the strategic objectives of the organization. The most excellent strategy is flawed if the company as a whole is not aligned to it.

There are three major objectives of this research. Firstly, it will diagnose the strategy and strategic alignment domains. Secondly, empirically confirm the

gap between strategy development and strategy execution. Thirdly, establish reasons for this gap. And finally, recommendations will be suggested on closing this gap.

The challenge of strategy versus organizational alignment¹

Defining Strategy

Strategy is a widely and inflationary used term in lots of different areas like business, military, sports and many more. Even after narrowing down its meaning to the business sector there are still dozens of different meanings for strategy left, e.g. corporate strategy, marketing strategy, growth strategy, distribution strategy, etc. For simplification and better understanding the term strategy in this paper will include the companywide or corporate strategy.

The term strategy roots in its military use where it refers to a plan of action to achieve a certain goal. It is distinct from tactics which is concerned about how an engagement is made or how a battle is fought while strategy connects all engagements and battles in an overarching plan (Mintzberg 1987a). In the 1960s researchers started to apply the concept of strategy to companies but there is no single and generally accepted definition of strategy existent (Porter 1988, Mintzberg 1987a, Montgomery & Porter 1991).

¹ Organizational and strategic alignment will be used interchangeably in this text

Porter argues that strategy is about being different from competitors (Porter 1998). Hence, a company should try to choose a unique set of activities to achieve a competitive advantage against its competitors. However, this view does not cover the whole meaning of strategy. Strategy also implies the special regard of the long-term success of the company (Hamel & Prahalad 1993). This includes, next to the relationship between the company and its competitive environment, the allocation of resources between competing investment opportunities that is finally leading to monetary success in the future. Thus, strategy becomes the management of the business portfolio of a company (Porter 1988).

In more detail, Strategy is the framework of choices that determine the nature and direction of the company (Freedman 2003). It defines how the organization intends to create value for its shareholders, customers and overall its stakeholders (Kaplan/Norton 2004). In other words strategy can be defined as a set of planned activities chosen by the management for running the company's businesses regarding the creation of value for the organization's stakeholders. These activities include all the moves and actions regarding the expenditure of the business, the attraction of customers, the dealing with competitors and the achieving of organizational performance (Hough et al. 2011).

A company's strategy is usually designed by its top management and is intended to secure the company's long term success. The essence of a strategy is its vision. It defines how the company should proceed to succeed in every field of its actions. The strategy is then elaborated with a mission, values and more detailed strategic objectives. Anyway the strategy, especially the vision, should be a part of the corporate culture and serve as a general guideline for every manager and employee in his or her everyday decisions. The challenge for the management is the difficulty of measuring and managing the corporate culture.

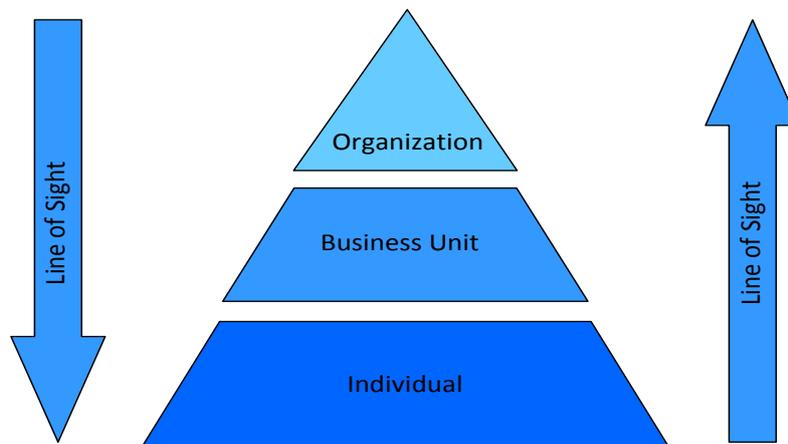
After formulating a promising strategy further steps are needed to implement and execute the strategy. According to Freedman (2003) most low performing companies fail in these further steps, and not in the formulation phase. In these further steps all parts of the company have to be aligned to the strategy (Kaplan & Norton 2006). Summing up, the term strategy in this article is defined as a plan of activities chosen by the company's management to achieve the goals that are expressed in the company's set of strategic objectives.

Defining Strategic Alignment (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).

This study 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.

Figure 1. Line-of-Sight



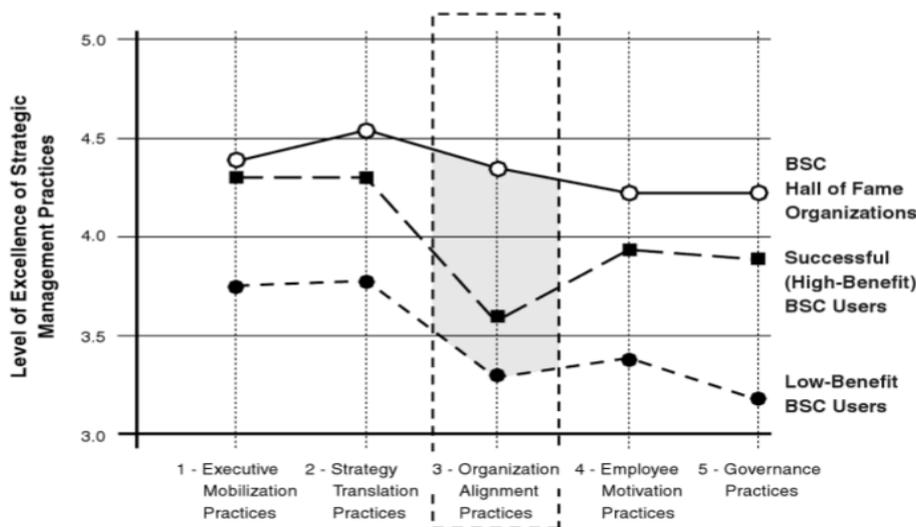
Source: See Hough et al. 2011

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.

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.

The strategy focused organization (SFO)

The Strategy Focused Organization is a concept developed by Kaplan and Norton (2001b). It can be seen as a guiding principle for a company to reach the goal of Total Strategic Alignment (Kaplan/Norton 2006). Kaplan and Norton identify three dimensions in which there is a need for action. Seen as a change process they see two phases in which the transition to the SFO proceeds and, finally, they postulate five principles that have to be fulfilled to reach the status of a SFO.

The three Dimensions of the SFO

According to Kaplan and Norton (2001b) many underperforming companies do have promising strategies but they all share a lack of strategy implementation and execution. They argue the problem of these companies lies in three different dimensions. First, the strategy is not the central organizational agenda. Second, parts of the organization are not focused on the execution of the strategy which means that resources and activities are not aligned to the strategy's goals. And third, the employees within the organization do not work consistently towards the same purpose of achieving the company's current or newly developed strategic vision.

Typically a clear break-up with the old vision and strategy as well as with the traditional structures and processes is needed. Traditions must be overcome so that they do not hinder the transition process (Fonvielle & Carr 2001). This is especially important but also especially hard when those misleading concepts or processes have already become part of the

organization's cultural values and habits (Gill 2003, Heifetz & Laurie 1997).

The five Principles of a SFO

In the process of becoming a Strategy Focused Organization the company has to align and focus its executive team, business units, human resources, information technology and financial resources to its strategy. This enables the company to gain crucial advantages against its competitors. Kaplan and Norton (2001b) identified five important goals or principles that an organization needs to reach to attain the status of a Strategy Focused Organization. These principles refer to: Executive Leadership, Translating the Strategy into Operational Terms, Aligning the Organization, Employee Motivation and Creating a Continual Strategy Process (Kaplan/Norton 2001b).

Executive Leadership. Creating a Strategy Focused Organization is a task that requires enormous efforts from the management and the employees throughout the whole company (Freedman 2003). Teamwork between the different functions and business units is needed and continual focus and attention on the introduced initiatives is required (Fonvielle & Carr 2001). Thus, a high level of motivation and communication is crucial for a successful strategy implementation (Kaplan/Norton 2001b). At the end the success of the strategy implementation process is highly dependent on the creation of a common sense of change within every part of the organization. This can only be reached through high-skilled leadership by the executive team (Gill 2003, Fonvielle/Carr 2001).

Translating the Strategy. The strategy of the whole organization is often regarded as an abstract concept by the single member of the organization that is not necessarily related to his or her own work (Banker et al. 2004). After the development of the strategy and the creation of a sense of urgency the next step is the translation of the strategy into terms which can be measured, thus felt by the single employee, and which can guide business units and individuals in their daily actions (Kaplan/Norton 2001b).

Each individual needs individual goals and objectives within his or her own range of influence. These individual goals have to guide the individual's work towards the purpose of the organization's goals (Fonvielle/Carr 2001). Thus, the overarching strategic goals of the company have to be downsized and cascaded to the business units, functions and finally each individual. Meanwhile, each individual still has to understand how his or her work contributes to the higher goals of the business units and how the business unit's goals contribute to the company's goals. Just then, full line of sight can be secured (Kaplan/Norton 2001b).

Aligning the organization. Organizations are complex systems containing numerous business units,

functions and individuals. Each of them has an own idea of how to contribute to the organization's overall vision and, hence, they develop their own strategies to do so, not necessarily with full regard to the strategy of the whole organization (Beer et al. 2005). This contradicts the original idea of organization, the creation of synergies which make the entity of parts more valuable than the sum of the values of each part. The linkage and integration of the different strategies through an organizational alignment process can release huge synergies and increase the outcomes of the whole organization's value creation massively (Kaplan/Norton 2001b).

Employee Motivation. The creation of a strategy usually just involves a very small group of people. In contrast, the implementation and execution of the strategy requires efforts and actions from the whole company with possibly thousands of employees. Thus, the creation of commitment to the strategy of every member of the organization and the motivation to work towards it are two very important tasks (Kaplan/Norton 2001b).

Mastering these tasks is first of all a matter of communication. The employees have to understand what they are supposed to do and why they are supposed to do it. Commitment can just be created through understanding (Barker/Camarata 1998). Top-down directions are not able to create or replace commitment (Malina/Selto 2001). This is so important because the employees at the frontline have to find the ways to improve their performance and their contribution to the strategic objectives mainly on their own. They are the ones who know their specific task best and who are able to improve their performance through innovative behaviour (Kaplan/Norton 2001b).

Creating a Continual Strategy Process. The implementation and execution of a strategy is not a one-time project. Changes in the business environment like new competitors and new or changed customer needs do not allow any company to stick to a certain strategy forever (Fonvielle/Carr 2001). The strategy must be consistently adjusted to secure the success and the survival of the company. The execution of the strategy inhibits a learning process. Some parts of the strategy will work well and others will not satisfy the predictions. When strategy making is made a continual process the strategy will be improved constantly over time and stay successful (Kaplan/Norton 2001b).

The vision and strategy is translated into measurable objectives and afterwards communicated to the organization. On this foundation the business planning takes place and reveals weaknesses in the strategy. The strategy then has to be adapted through a feedback process (Kaplan/Norton 2000).

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 (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 every 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 adding benchmarking systematically into the strategic management process.

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 BSC 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.

The private healthcare industry in South Africa

The South African healthcare industry had a turnover of R206 billion in 2009 and contributed 8,5% to the country’s total GDP in the same year. This amount leads to an average expenditure per capita of \$485

(World Health Organization 2011). The industry is divided in a public and a private sector. The government’s expenditure for health accounted for 40,1% of the total expenditure for health. This amount equalled 9,3% of the total government’s budget (World Health Organization 2011).

The public sector is strongly subsidized by the government to offer cheap treatments for everybody. It serves the vast majority of the population (about 80%) and is in general under-resourced (Havemann & van der Berg 2002). In contrast, the private sector serves the smaller share of the country’s people who can afford to pay for their own treatments or are members of medical schemes like about 8 million people or 16% of the population in 2009 (Council for Medical Schemes 2010). The benefits of these schemes can differ widely although the quality of the treatments in the private sector is in general much higher than in the public sector. The private sector is often criticized for benefiting from the government funding when the public sector has to buy services for assumedly too high prices from the private sector (Wadee et al. 2003).

The private healthcare sector experienced significant growth in the time since the end of the apartheid (Wadee et al. 2003). Havemann and van der Berg (2002) showed that a strong preference for private healthcare exists among South Africans in all income groups. Thus, they predict a strong shift to the private sector when incomes are rising. This indicates a growing market for the next decades and solid business potential.

The private healthcare industry is characterized by three big competitors: Netcare, Life Healthcare and Medi-Clinic. This order also holds for the size of the companies in South Africa. Their revenues in South Africa were R12,5 billion for Netcare (Netcare 2011), R8,7 billion for Life Healthcare (Life Healthcare 2011) and R7,7 billion for Medi-Clinic (Medi-Clinic 2011) in 2010. Together they account for about 74% of the private hospital market (Hospital Association of South Africa 2011). The rest belongs to much smaller independently owned and unlisted companies.

Research methodology and design

Based on the literature review in the first part of the study the Medi-Clinic Southern Africa group will now be analyzed regarding its success in Strategic Alignment. For this purpose two basic approaches were followed. First, two managers from Medi-Clinic were interviewed to get a first impression of the actual state of SA in the company and to get an indication of the location of possible alignment flaws and problems. In the second part of the research a survey among all executive and hospital managers was conducted to get a representative picture of the company’s situation regarding the success in SA.

The individuals who were interviewed have been working for the company’s middle and top

management for a long time and are very familiar with the development and execution of the company's strategy. It can be argued that these individuals know the company's environment, strategy, culture and structure very well and can evaluate the success of certain instruments used for strategic alignment. One of the interview partners was an executive manager and one was a hospital manager. So, different points of view could be included in the analysis.

The survey among all executive and hospital managers was developed and conducted to get a representative overview about the situation of the strategy implementation of the company. For reasons of saving time and money an online questionnaire was chosen for this survey. The online tool "SURvey" from the Stellenbosch University was used to conduct the survey.

The questionnaire was based on the five principles of a SFO as defined by Kaplan and Norton (2001b) as it was already used in former studies

(Swofford 2003). For each block five questions were developed which ask for the agreement to a statement on a seven point Likert scale. Hence, the questionnaire is limited to 25 questions which makes it possible to respond in less than 10 minutes. This encourages people to respond and increases the overall respond rate.

Sample and data collection

All hospital managers and all executive managers of Medi-Clinic Southern Africa were invited to take part in the survey. They received an email from the executive manager for human resources of the company that explained the study's purpose, the support of the corporate management for it and a link to the online survey tool. Hence, the survey was held with 72 managers of which 52 were hospital managers and 20 executive managers.

Table 1. Summary of response rates

	Total number	Number of responds	Response rate
Hospital managers	52	36	69%
Executive managers	20	8	40%
Total	72	44	61%

The questionnaire was implemented in the online survey tool of the Stellenbosch University "SURveys". There was no deadline for responding communicated but the survey was closed after 8 weeks. The survey got 44 responds in total of which 36 were from hospital managers and 8 from executive managers. This equals an overall response rate of 61%, the rate was 69% in the hospital manager group and 40% in the executive manager group (see table 1). The response rate is in general satisfying for the purpose of the study.

The respondents were asked to indicate their agreement on a 5 point Likert-scale to overall 26 statements out of five areas. The review of the responds showed that two respondents indicated full agreement to every statement. These responds were assumed unrealistic and taken out for the interpretation to avoid any distortions.

Interviews

The research conducted in this study included two interviews with managers of the Medi-Clinic Southern Africa Group. The purpose of the interviews was the acquisition of knowledge about the company's strategy, its execution and the individual's perception about the success of the strategy's execution as well as of SA efforts. The knowledge from these interviews was afterwards an important

base to develop and interpret the questionnaire for all the company's executive and hospital managers.

To get an overview of the strategy's execution throughout the organizational hierarchy it was necessary to find interview partners on different but essential positions within the organization. Finally it was possible to arrange interviews with one member of the executive committee which is directly responsible for the development and execution of the company's strategy and the head of one SBU respectively one of the biggest hospitals run by Medi-Clinic.

The interviews were structured as follows. The first part of the interview was concerned with Medi-Clinic's strategy itself. The interview partners were asked about their perception of the main points of the strategy, of the strategy's success and of the company's position within the industry regarding strategic success. Further questions regarded the process of strategy development especially regarding the involvement of lower hierarchy levels. A focus in this part of the interview was also the kind of strategic objectives and measures that are used within the company. Later on, the interviews regarded instruments to achieve higher levels of organizational alignment that are used by the group, in particular for communicating the strategy to lower hierarchical levels.

Another point of the interview was the group's benchmarking efforts to evaluate the degree of

horizontal alignment. The questions focused on how benchmarks and best practices for the hospitals are identified and how the hospitals are encouraged to follow those best practices. Finally, the interview partners were asked for the main barriers to successful alignment within the company in their own perception. These perceptions gave important hints on possible solutions and recommendations to improve the success of the company's SA efforts.

Empirical Survey

To assess the state of the strategic alignment within the Medi-Clinic Corporation Southern Africa a questionnaire was developed. The questionnaire contained 26 questions clustered into five groups. The five groups represent the five principles of a Strategy Focused Organization like defined by Kaplan and Norton (2001b) and described earlier in the study. The questions refer to a questionnaire originally developed by Brown (2002).

The questions from the original questionnaire by Brown (2002) were slightly changed to make them more understandable and easier to answer. Anyway they stayed in a similar design that was already used in former studies to evaluate strategic issues (e.g. Swofford 2003). The questions are statements to which the respondents indicate their agreement on a five-point Likert scale (1 = "strongly disagree", 5 =

"strongly agree"). In an introductory section the purpose of the survey were explained, instructions for its completion given and the respondents asked for his/her position within the company. Possibly unknown terms like BSC and Strategy Map were explained in short remarks.

Data reliability and validity

The validity of the data set is ensured qualitatively by using a questionnaire that samples basic criteria of a SFO. It is based on a different questionnaire that was originally designed by Brown (2002) to measure the "SFO Readiness" of an organization. He in turn based his questionnaire on the original definition of the SFO by Kaplan and Norton (2001b). A very similar questionnaire was also used in another study by Swofford (2003). That the SFO defines an organization that has reached the highest possible degree of SA is already explained earlier in the study.

For ensuring the reliability of the data the quality criterion "Cronbach Alpha" (CA) with a minimum value of 0,7 was used like recommended in literature (Nunnally 1978). In this study five values, one for each principle of a SFO, are constructed out of five or six items. The CAs were calculated for each construct like shown in table 2.

Table 2. Cronbach Alphas

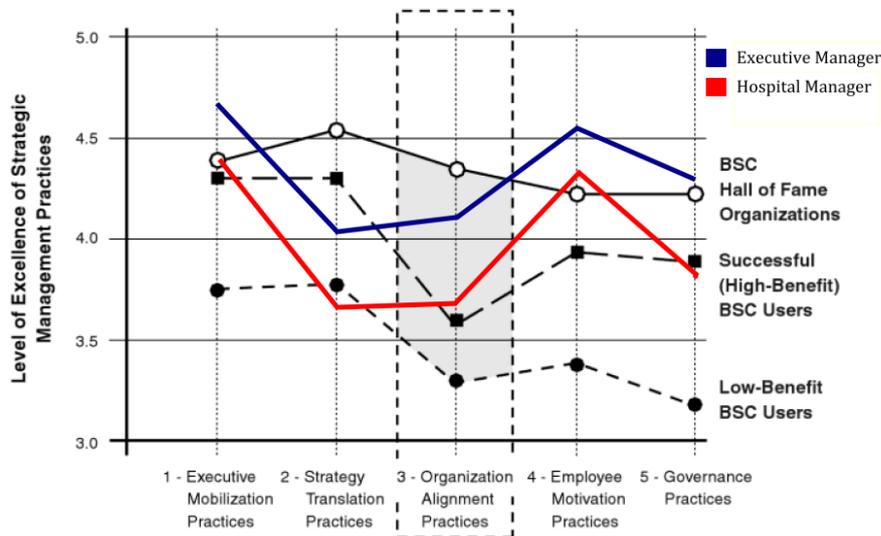
Principle	Executive Leadership	Translating the Strategy	Aligning the Organization	Employee Motivation	Creating a Continual Strat. Process
Cronbach Alpha	0,631	0,879	0,813	0,757	0,759

All constructs reach the minimum value except the first one which measures the principle of "Executive Leadership". However, the lower CA can be explained by a look at its explanation in the respective chapter and the used questions (see Appendix 1). You can see that the construct "Executive Leadership" is formed partly formatively (Extended explanation of forming formative construct building in Diamantopoulos/Winklhofer (2001)). The first three questions refer to the clarity of the

organization's vision, mission and values and question four to their representation by the top management. The last two questions are concerned about the creation of a sense of urgency for change. The responds to each group tend to correlate more than they are doing overall and, thus, are lowering the CA result. Anyway, all three groups represent important aspects of executive leadership and need to remain within the construct.

Results

Figure 3. Summary of the Results



Source: Based on Kaplan & Norton 2006

A summary of the results in the five observed areas is shown in the figure 3. The blue line shows the results of the executive managers and the red line represents the findings for the hospital managers. The three different black lines are the three reference groups from a survey conducted by Kaplan and Norton (2006). One can observe several significances out of this figure:

- There is a clearly visible gap between the two observation groups. The results of the executive managers are generally higher in all the five fields of observation.
- The gap between the two groups is the biggest in Organization Alignment Practices (Area 3).
- The results in Executive Mobilization Practices (Area 1) and Employee Motivation Practices (Area 4) are very high and can compete with the highest ranked reference group of Kaplan and Norton (2006).
- The results in Strategy Translation Practices are low and show a big gap between the two Medi-Clinic groups and the Best Practice reference group.

Discussion of results and recommendations

Interpretation of Results

The observed gap between the two groups of managers can be explained with general differences between the two groups in their hierarchy level and in their functions. These differences lead to possibly different points of view.

The topic and task of “strategy” is highly linked to the highest hierarchy level which is in general

responsible for the direction a company heads to. So, the responsibility for this topic is linked to the executive managers although the implementation of the strategy is finally executed on the lower management levels. It can be assumed that the group holding the responsibility for a task has a better perception of its own work than another group that is “forced” to transfer this work into the business reality. This perception difference could have been further increased through communication and commitment problems. If the leaders of the company are not able to completely convince the middle management of the strategy their perception of it will lack additionally (Melina/Selto 2001).

Communication in general is incomplete for several reasons (Yates/Orlowski 1992) which results in additional distortions of perception. One possible example is that managers avoid telling an uncomfortable truth out of personal reasons like career ambitions. Like that the communication of problems with the strategy execution on lower hierarchy levels to upper levels could be hindered. Even if the design of the strategy is based on the best knowledge the executive team has there is still a possibility of strategic fit and implementation problems.

Communication problems in the other direction can also initiate SA problems. The strategy designed by the executive committee has to be communicated as clear as possible to the lower levels of the organization to reach a high level of SA. The lower management levels can just work in line of the strategy if they clearly understand its purpose and their role in achieving this purpose. Naturally the top-down communication channels can be as incomplete as the down-top channels (Yates/Orlowski 1992).

The low result in strategy translation is another indicator for vertical communication problems between the executive management, the middle management and the normal employees. First, this lack could result from an insufficient incorporation into the strategy development process. A second reason could be cultural barriers within the company. Those barriers can arise for example when a company grows very fast like Medi-Clinic did in the recent decades. A lot of new employees enter the group who are possibly used to different corporate cultures. It takes time for them to adopt the new culture.

The third significant observation is the huge gap in the results between the two manager groups in the field of organizational alignment. As stated before, it can be assumed that one reason for the good perception of alignment in the top management group is the fact that this manager group was highly involved in creating the strategy. Hence, they feel much more represented in it and can easily see their contribution towards the purpose of the strategy. There is probably also a tendency to transfer this personal perception on lower management levels. That is even more the case when the executive management created the strategy to the best of their knowledge of the company's "frontline reality" which can differ from the knowledge of lower levels for already discussed reasons.

The same circumstances could be the reason for a low rating by a hospital manager. The hospital managers are also involved in the strategy development process but to a much lower extent. It is at least possible that some hospital managers feel misunderstood or underrepresented in this process. A contradiction against ideas of the executive management can be a problem for a hospital manager depending on his reputation and/or career ambitions.

Again the high independence of a single hospital can also contradict high organizational alignment. If the hospital manager is not completely convinced of all parts of the strategy he will distinguish his efforts to align his hospital's staff and structure for each part of the strategy in terms of his own perception. This must not even happen on purpose. Leadership is highly dependent on commitment and people are very sensitive for even small discrepancies here.

The results in the areas 'Executive Mobilization' and 'Employee Motivation' are indeed quite high. This basically shows two things. First, the company's strategy formulation in terms of a vision, mission and values is clear to everyone in the management and is solidly represented by the whole body of executive managers and members of the board. This is a very important and positive result. Missing commitment among the top management on such basic strategic issues can be disastrous for any alignment efforts within the organization (Mankins/Steele 2005).

Second, the managers of the company in total feel encouraged to work towards the strategy's purposes and to reach their specific strategic

objectives. This indicates that the company's remuneration and bonus system works well and gives the right incentives to the managers. Nevertheless, this result does not imply a statement whether the chosen objectives are sufficient or not.

To reach the goal of Total SA respectively to become a Strategy Focused Organization it is necessary to align all five principles of a SFO. It is necessary to reach a state in which the perception of the company's strategic goals is the same on all hierarchic levels. Then one can speak of a line of sight from the bottom of the organizational structure, the individual employee, to its top management in which every single individual sees his or her contribution to the success of his or her organizational unit and how this success then leads to the achievement of the company's strategic goals. Hence, based on the results of the survey Medi-Clinic especially has to increase its levels of achievement in the areas of 'Strategy Translation' and 'Organizational Alignment' but also has to harmonize the perceptions of the different management groups. The following suggestions show areas with possible need for action.

Managerial implications for enterprises

The most important insight of this study 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.

Furthermore, the case of Medi-Clinic presents some typical as well as some specific problems connected to SA. 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.

Conclusions

This study 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, as defined by Kaplan and Norton (2002b), 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 study focussed on collecting

different tools and instruments that are useful for managers to gain higher degrees of SA, most importantly the Balanced Scorecard and the Strategy Map.

The aim was to identify the actual level of Strategic Alignment at Medi-Clinic SA and to find reasons for possibly missing SA. Another goal was the evaluation of efforts to reach a higher alignment degree in a real business situation. Therefore interviews were held and a survey among all hospital and executive managers of the company was conducted. The results showed that missing SA at Medi-Clinic is mainly a consequence of a lack of communication and understanding in strategic issues.

The study formulated recommendations for Medi-Clinic to increase and ensure its level of Strategic Alignment. These recommendations mainly focus on the wider use of a BSC and the introduction of a Strategy Map which both 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.

Acknowledgements

Support for this research was provided by the Department of Business Management at the University of Stellenbosch and the Medi-Clinic Southern Africa.

The views expressed in this study in no way reflect the views or opinions of these two institutions.

References

1. Banker, R./Chang, H./Pizzini, M. 2004. The Balanced Scorecard: Judgmental Effects of Performance Measures Linked to Strategy, in: *Accounting Review*, Vol. 79, No. 1, pp. 1-23.
2. Barker, R./Camarata, M. 1998. The role of communication in creating and maintaining a learning organization: Preconditions, indicators and disciplines, in: *Journal of Business Communication*, Vol. 35, No. 4, pp. 443-467.
3. Beer, M./Voelpel, S./Leibold, M./Tekie, E. (2005): Strategic Management as Organizational Learning: Developing Fit and Alignment through a Disciplined Process, in: *Long Range Planning*, Vol. 38, No. 1, pp. 445-465.
4. Brown, T. (2002): How to mobilize the executive team for strategic change: the SFO readiness assessment, in: *Balanced Scorecard Report*, Vol. 4, No. 1, pp. 12-14.
5. Coers, M./Garnder, C./Raybourn, C./Higgins, L. (2001): *Benchmarking: A Guide for Your Journey to Best-Practice Processes*, Amer Productivity Center, Houston.
6. Council for Medical Schemes (2010): CMS Annual Report 2009/2010, published on: <http://www.medicalschemes.com>, checked on: 20.10.2010.
7. Diamantopoulos, A. / Winklhofer, H. (2001), Index Construction with Formative Indicators: An Alternative to Scale Development, in: *Journal of Marketing Research*, Vol. 38, No. 2, S. 269-277.
8. Fonvielle, W./Carr, L. (2001): Gaining Strategic Alignment: Making Scorecards work, in: *Management Accounting Quarterly*, Vol. 3, No. 1, pp. 4-14.
9. Freedman, M. (2003): The Genius is in the Implementation, in: *Journal of Business Strategy*, Vol. 24, No: 2, pp. 26-31.
10. Frigo, M. (2004): Strategy and Execution: A Continual Process, in: *Strategic Finance*; Vol. 85, No. 10, pp. 7-21.
11. Gill, R. (2003): Change management--or change leadership?, in: *Journal of Change Management*, Vol. 3, No. 4, pp. 307-318.
12. Hamel, G./Prahalad, C. (1993): Strategy as Stretch and Leverage, in: *Harvard Business Review*, Vol. 71, No. 2, pp. 75-84.
13. Havemann, R./van der Berg, S. (2002): The demand for healthcare in South Africa, Stellenbosch Economic Working Papers 6/2002, Department of Economics, Stellenbosch University.
14. Heifetz, R./Laurie, D. (1997): The Work of Leadership, in: *Harvard Business Review*, Vol. 75, No. 1, pp. 124-134.
15. Hospital Association of South Africa (2011): *Private Hospital Review 2008*, published on: www.hasa.co.za, checked on: 20.10.2011.
16. Hough, J./Thompson, A./Strickland, L./ Gamble, J. (2011): *Crafting and Executing Strategy: Creating sustainable High Performance in South African Businesses*, London, McGraw-Hill Education.
17. Kaplan, R./Norton, D. (1996b): Strategic Learning and the Balanced Scorecard, in: *Strategy and Leadership*, Vol. 24, No. 5, pp. 18-24.
18. Kaplan, R./Norton, D. (2000): Having Trouble with your Strategy? Then map it, in: *Harvard Business Review*, Vol. 78, No. 5, pp. 167-176.
19. Kaplan, R./Norton, D. (2001): *The Strategy-Focused Organization : How Balanced Scorecard Companies thrive in the new Business Environment*, Boston, Harvard Business School Press.
20. Kaplan, S./Norton, D. (2006): *Alignment: Using the Balanced Scorecard to create Corporate Synergies*, Boston, Harvard Business School Press.
21. Malina, M./Selto, F. (2001): Communicating and Controlling Strategy: An Empirical Study of the Effectiveness of the Balanced Scorecard, in: *Journal of Management Accounting Research*, Vol. 13, No. 1, pp. 47-90.
22. Mankins, M./Steele, R. (2005): Turning Great Strategy into Great Performance, in: *Harvard Business Review*, Vol. 83, No. 7, pp. 64-72.
23. Medi-Clinic (2011): *Medi-Clinic Annual Report 2011*, published on: <http://www.mediclinic.co.za>, Assessed on 20 February 2012.
24. Mintzberg, H. (1987): Crafting Strategy, in: *Harvard Business Review*, Vol. 65, No.4, pp. 66-75.
25. Montgomery, C./Porter, M. (1991): *Strategy: Seeking and Securing Competitive Advantage*, Harvard Business School Press, Boston.
26. Netcare (2011): *Netcare Annual Report 2011*, published on: <http://www.netcareinvestor.co.za/>. Accessed on 20 February 2012.

27. Nunally, J. (1978), *Psychometric Theory*, New York.
28. Porter, M. (1996): What is Strategy?, in: *Harvard Business Review*, Vol. 74, No. 6, pp. 61-78.
29. Porter, M. (1998): *Competitive Advantage: Creating and Sustaining Superior Performance*, New York, Free Press.
30. Powell, T. (1992): Organizational Alignment as Competitive Advantage, in: *Strategic Management Journal*, Vol. 13, No. 2, pp. 119-134.
31. Prasnikar, J./Debeljak, Z./Ahcan, A. (2005): Benchmarking as a tool of strategic management, in: *Total Quality Management & Business Excellence*, Vol. 16, No. 2, pp. 257-275.
32. Swofford, M. (2003): An Assessment of the Southeast Regional Medical Command as a Strategy Focused Organization, published by: Southeast Regional Medical Command (SERMC) Fort Gordon, GA.
33. Wadee, H./Gilson, L./Thiede, M./Okorafor, O./McIntyre, D. (2003): Healthcare Inequity in South Africa and the Public/Private Mix, Draft paper prepared for the RUIG/UNRISD, published on: <http://www.unrisd.org>, checked on: 20.10.2011.
34. World Health Organization (2011): Data and Statistics, published on: <http://www.who.int/research/en/>, checked on: 20.10.2011.
35. Yates, J./Orlowski, W. (1992): Genres of Organizational Communication: A Structural Approach to Studying Communication and Media, in: *The Academy of Management Review*, Vol. 17, No. 2, pp. 299-326.

Appendix 1

Questionnaire

What is your current position at Medi-Clinic SA?

1. Executive Manager
2. Hospital Manager
3. Other

Principle One – Mobilizing Change through Executive Leadership

1. My company has a clearly stated vision
2. My company has a clearly stated mission
3. My company has clearly stated values
4. Each member of the executive board consistently presents the same vision, mission, strategy
5. The executive board has identified reasons why the company needs to change
6. The executive board has created a sense of urgency about changing the company

Principle Two – Translating the Strategy into Operational Terms

1. The company's strategy has been translated into strategic objectives that everyone understands
2. These strategic objectives have been assembled into a strategy map and Balanced Scorecard that articulates the company's objectives
3. Measures/metrics have been developed to evaluate the organization's performance against these strategic objectives
4. The strategic objectives and their supporting measures cover financial and non-financial areas
5. Everyone I know understands the strategy that is presented in the company's Balanced Scorecard

Principle Three – Aligning the Organization to the Strategy

1. Each department/section/unit has developed objectives that support the company's strategy
2. Processes / Initiatives that do not support the company's strategy have been stopped / eliminated
3. Employees with different tasks and on different hierarchy levels work as a team to achieve strategic objectives
4. Most employees understand how their department/section objectives are linked to the company's strategic objectives
5. Resources are allocated to initiatives that support the company's strategic objectives

Principle Four – Making Strategy Everyone's Job

1. My actions directly impact the future of the organization and contribute to its success
2. My job description reflects the strategic objectives of the organization
3. Performance evaluations and annual awards are based on an employee's contributions to department/clinic objectives
4. I am encouraged to develop initiatives that support the objectives of my department/section/clinic
5. I discuss the strategic objectives of the organization with my co-workers on a regular basis

Principle Five – Making Strategy a Continual Process

1. Feedback from employees is considered when strategic objectives are established or changed
2. Strategic objectives and Balanced Scorecard measures are discussed in staff and committee meetings regularly
3. My department/section makes budget decisions based on the strategic objectives that we have established
4. Employees in my organization are encouraged to share "best practices"
5. Decisions in my organization are based on facts / measured outcomes rather than people's opinions

Appendix 2

Detailed Results

Table 1. Principle One – Mobilizing Change through Executive Leadership

Current position		Q1	Q2	Q3	Q4	Q5	Q6
Hospital Manager	Mean	4,85	4,79	4,82	4,29	4,09	3,85
	N	34	34	34	34	34	34
	Std. Deviation	,359	,410	,387	,719	,866	,925
Executive Manager	Mean	5,00	4,88	5,00	4,00	4,63	4,38
	N	8	8	8	8	8	8
	Std. Deviation	,000	,354	,000	,756	,518	,744
Total	Mean	4,88	4,81	4,86	4,24	4,19	3,95
	N	42	42	42	42	42	42
	Std. Deviation	,328	,397	,354	,726	,833	,909

Table 2. Principle Two – Translating the Strategy into Operational Terms

Current position		Q1	Q2	Q3	Q4	Q5
Hospital Manager	Mean	3,97	3,35	3,74	4,09	3,26
	N	34	34	34	34	34
	Std. Deviation	,717	,981	,864	,793	,963
Executive Manager	Mean	4,38	3,63	4,13	4,50	3,63
	N	8	8	8	8	8
	Std. Deviation	,518	,916	,641	,535	,518
Total	Mean	4,05	3,40	3,81	4,17	3,33
	N	42	42	42	42	42
	Std. Deviation	,697	,964	,833	,762	,902

Table 3. Principle Three – Aligning the Organization to the Strategy

Current position		Q1	Q2	Q3	Q4	Q5
Hospital Manager	Mean	4,26	3,41	3,59	3,50	3,79
	N	34	34	34	34	34
	Std. Deviation	,666	,988	,857	,749	,845
Executive Manager	Mean	4,50	3,63	4,00	4,13	4,25
	N	8	8	8	8	8
	Std. Deviation	,756	,518	,535	,354	,463
Total	Mean	4,31	3,45	3,67	3,62	3,88
	N	42	42	42	42	42
	Std. Deviation	,680	,916	,816	,731	,803

Table 4. Principle Four – Making Strategy Everyone’s Job

Current position		Q1	Q2	Q3	Q4	Q5
Hospital Manager	Mean	4,59	4,56	3,94	4,35	4,44
	N	34	34	34	34	34
	Std. Deviation	,701	,504	,983	,691	,660
Executive Manager	Mean	4,75	4,75	4,00	4,63	4,63
	N	8	8	8	8	8
	Std. Deviation	,463	,463	,756	,518	,518
Total	Mean	4,62	4,60	3,95	4,40	4,48
	N	42	42	42	42	42
	Std. Deviation	,661	,497	,936	,665	,634

Table 5. Principle Five – Making Strategy a Continual Process

Current position		Q1	Q2	Q3	Q4	Q5
Hospital Manager	Mean	3,79	3,53	4,29	4,06	3,68
	N	34	34	34	34	34
	Std. Deviation	,880	1,022	,676	,814	,976
Executive Manager	Mean	3,88	4,13	4,75	4,63	4,25
	N	8	8	8	8	8
	Std. Deviation	,641	,641	,463	,518	,707
Total	Mean	3,81	3,64	4,38	4,17	3,79
	N	42	42	42	42	42
	Std. Deviation	,833	,983	,661	,794	,951

Table 6. Comparison of Principle Means

Current Position		Mean Principle1	Mean Principle2	Mean Principle3	Mean Principle4	Mean Principle5
Hospital Manager	Mean	4,4510	3,6824	3,7118	4,3765	3,8706
	N	34	34	34	34	34
	Std. Deviation	,38387	,72883	,62705	,52285	,61276
Executive Manager	Mean	4,6458	4,0500	4,1000	4,5500	4,3250
	N	8	8	8	8	8
	Std. Deviation	,32657	,36645	,33806	,33381	,45277
Total	Mean	4,4881	3,7524	3,7857	4,4095	3,9571
	N	42	42	42	42	42
	Std. Deviation	,37790	,68689	,59983	,49377	,60813