



# ***Internal Organisational Alignment – A study in the South African mining industry***

Feedback to the  
South African Colliery Managers' Association

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# Introduction and study objective

- South African mining organisations are facing numerous challenges:
  - volatile commodity prices;
  - policy uncertainty;
  - rising input costs and;
  - increasing and changing stakeholder expectations.
- In order to successfully address these challenges, each mining organisation needs to respond in a unified, aligned way.
- This study determined the degree of perceived organisational alignment among South African based mining organisations and uncover the key enablers of organisational alignment.

# What is organisational alignment 1/4

Author(s)	Concept/ perspective	Description/explanation
Peters & Waterman (1982)	Fit	Harmony among organisational elements of shared value, strategy, structure, systems, skills, style, staff
Thompson & Strickland (1993)	Fit	Alignment of structure, skills, budgets, support systems, rewards and incentives, policies and procedures, and culture with the organisation's strategy
Fry & Smith (1987)	Fit	Components should fit (structures, strategy, technology, systems, rewards, leadership characteristics)

# What is organisational alignment 2/4

Author(s)	Concept/ perspective	Description/explanation
Porter (2008)	Fit	'Working together' of all organisational systems activities as a source of competitive advantage
Meier <i>et al.</i> (2010); Thompson & Strickland (1993); Hillman <i>et al.</i> (2009)	Fit	Strategy needs to be aligned with internal and external realities
Doty <i>et al.</i> (1999)	Fit	Consistency required between structure and contextual factors
Park <i>et al.</i> (2011); Fry & Smith (1987); Cunningham & Kempling (2011)	Fit	Micro fit – strategy-structure Macro fit – organisation-environment
Drazin & Van de Ven (1985)	Fit	Fit between strategy and structure
Meilich (2006)	Fit	Fit between environment, strategy and structure
Sousa & Tan (2015) citing Venkatraman & Camillus	Fit	Fit between internal business units' strategies
Powell (1992)	Alignment	Structure alignment with strategy
Burton & Moran (1995)	Alignment	Alignment of business and strategic plans
Patten (2015)	Alignment	"Aligned" implies informed staff, adaptive culture and effective resource allocation
Hammal & Prahalad (1993)	Alignment	Alignment related to the environment, resource allocation and long-term perspective

# What is organisational alignment 3/4

Author(s)	Concept/ perspective	Description/explanation
Roca-Puig & Bou-Llusar (2006); Beehr <i>et al.</i> (2009)	Alignment	Alignment of internal and external variables
Boswell (2006)	Alignment	Line-of-sight of all employees on strategic objectives
Collins & Porras (2005)	Alignment	Organisational elements “work together” in context of the organisation’s core ideology and the strategic picture
Iselin <i>et al.</i> (2008)	Alignment	Competitive strategy needs to match operational capabilities
Joshi <i>et al.</i> (2003) citing Skinner	Strategic consensus	Alignment of priorities right through the organisation
Tarigan (2005) citing Boyer & McDermot	Strategic consensus	Agreement on organisational priorities
Kellermanns <i>et al.</i> (2011)	Strategic consensus	Collective appreciation of the reasons behind strategic decisions
Lamberg (2009)	Strategic consistency	Actions are consistent with the organisation’s history and external environment realities
Lillis & Sweeney (2013)	Strategic consistency	Competitive strategy needs to match organisational capabilities
Nadler & Tushman (1980; 1989)	Congruence	Organisation components need to fit each other as well as the environment
Vancouver <i>et al.</i> (1994)	Congruence	Goal agreement between supervisors and subordinates
Colbert <i>et al.</i> (2008) citing Boswell <i>et al.</i>	Congruence	Dyadic goal importance congruence

# What is organisational alignment 4/4

Author(s)	Concept/ perspective	Description/explanation
Dignum & Dignum (2007)	Congruence	Congruence required between strategy, structure, and environment
Nightingale & Toulouse (1977)	Congruence	Congruence required between the organisation's environment, management's values, and interpersonal and intergroup processes
Williams (2002)	Link	"Link" required between strategy and culture

## Key themes

- Systems-thinking view
- Multiple role players / stakeholders
- Reducing dissonance / variance

# Organisational purpose and alignment 1/2

Two main opposing schools of thought

- Friedman
  - Maximise shareholders' wealth
- Freeman
  - Satisfy all legitimate stakeholders



# Organisational purpose and alignment 2/2

The purpose of an organisation is:

- a) to create and trade value
- b) for the benefit of internal stakeholders
- c) as well as its external stakeholders
- d) in such a way as to meet the relevant marginal conditions with respect to inputs and outputs
- e) thereby maximising cash flow

In order for an organisation to achieve the aforementioned, it is required:

- a) to balance the allocation of resources in such a way that
- b) the expectations of its stakeholders are addressed
- c) in a sustainable way, meaning that
- d) each stakeholder group needs to be satisfied with the appropriation of value as a result of the value created measured against their contribution to the value creation process

# System characteristics of organisations 1/3

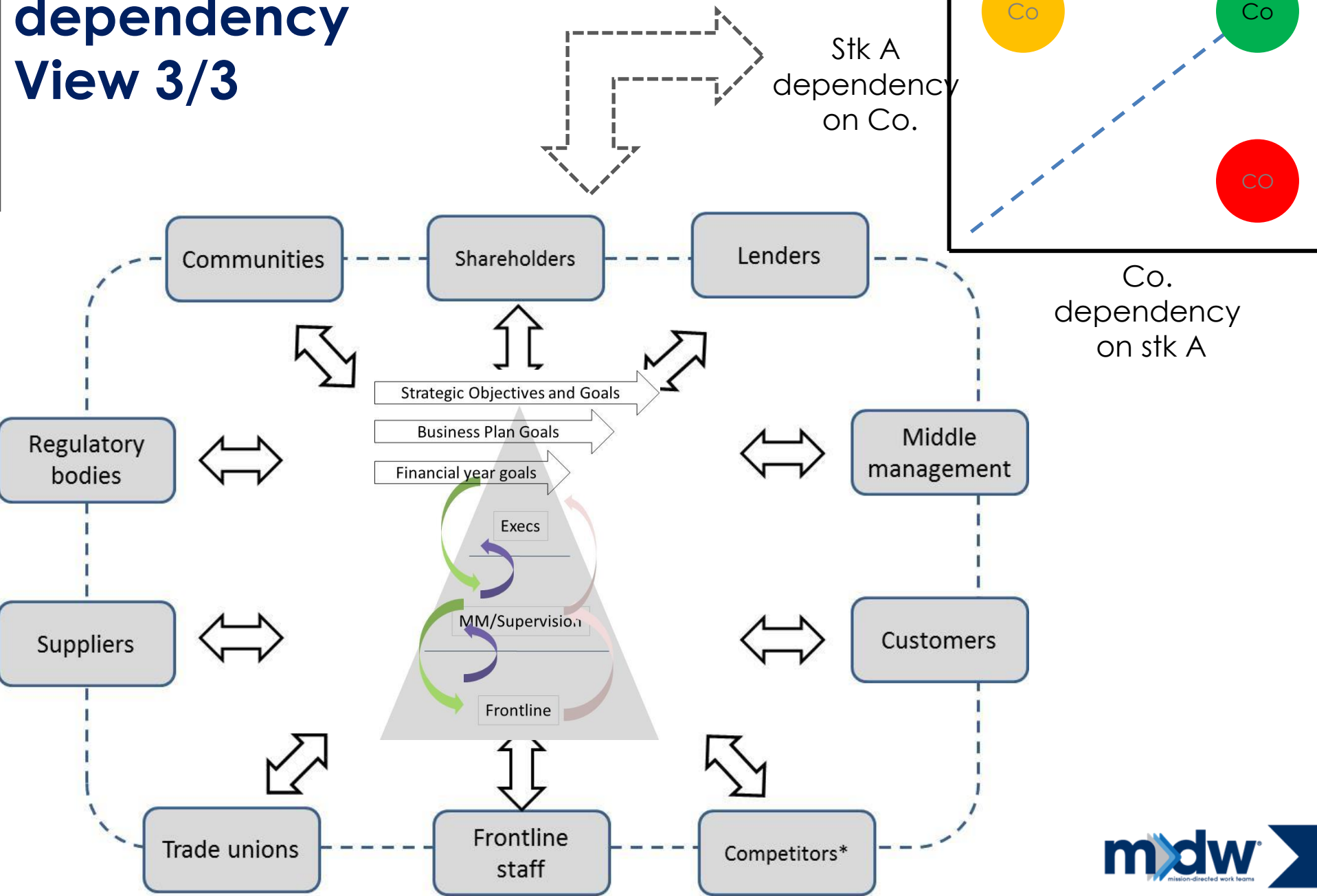
Characteristic	Description
Input	Information is imported from the environment
Throughput	Inputs are converted through the use of energy
Cyclicity	System events are structured by cycles
Emergence	Some activity and states occur that is not induced by the environment
Goals and outcomes	Produced outcomes are exported into the environment and may not be the same as the planned goals
Negative entropy	The transformation cycle is a cycle of entropy, leading to disorganisation. To survive, negative entropy is acquired by storing energy from the environment
Interdependence	Role-players interact due to perceived shared outcomes, common goals and process and/or task interdependencies
Negative and positive feedback	Interaction between parties is needs-based and negative feedback allows for necessary correction
Adaptation	The basic principles are preservation and adaptation of the character of the system
Integration and coordination	Integration and coordination are necessary to counter the tendency towards greater differentiation
Equifinality	The same final state can be reached from differing conditions and a variety of paths
Hierarchy	Complex systems consist of a number of subsystems

# Systems-thinking perspective on organisations 2/3

- Systems thinking – the ability to represent and assess dynamic complexity
- System characteristics
  - Purpose
  - Interdependent interacting parts
  - Dependency asymmetry
  - Feedback loops
- System dynamics
  - Adaptation / complex adaptive systems
  - Emergence
  - Entropy
  - Spatial and temporal

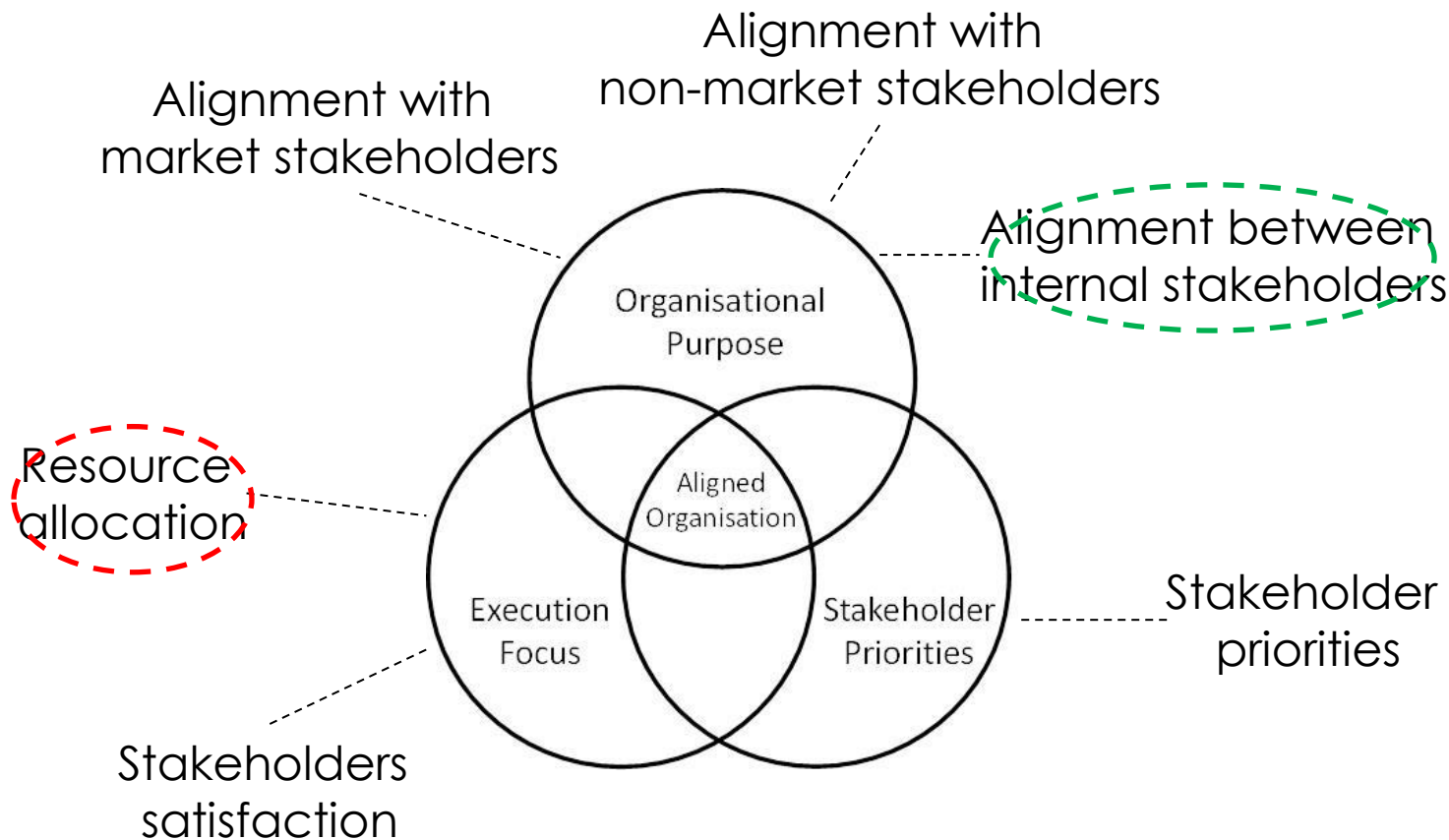
# Systems-thinking – a resource dependency

## View 3/3

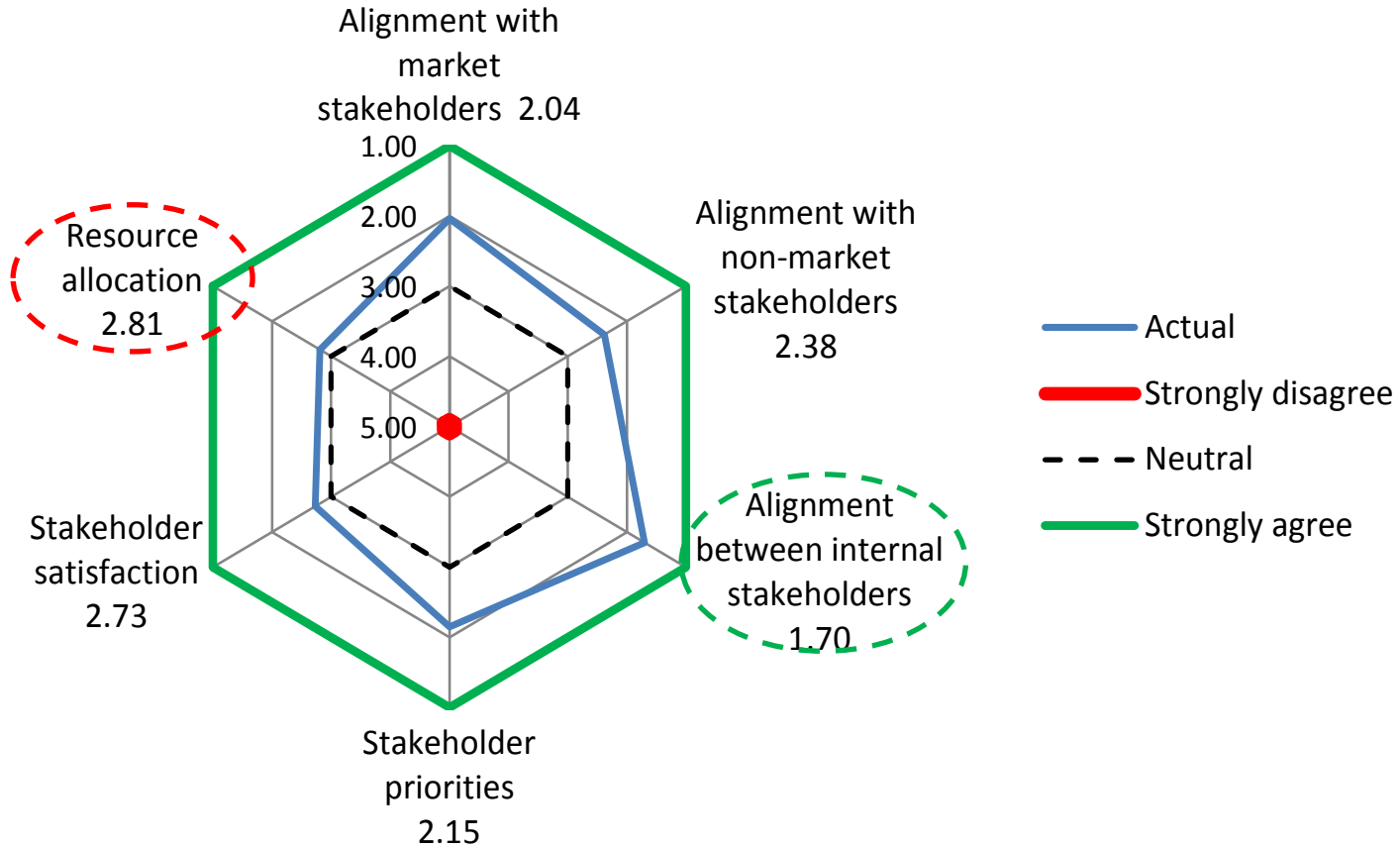


# Organisational alignment construct 1/2

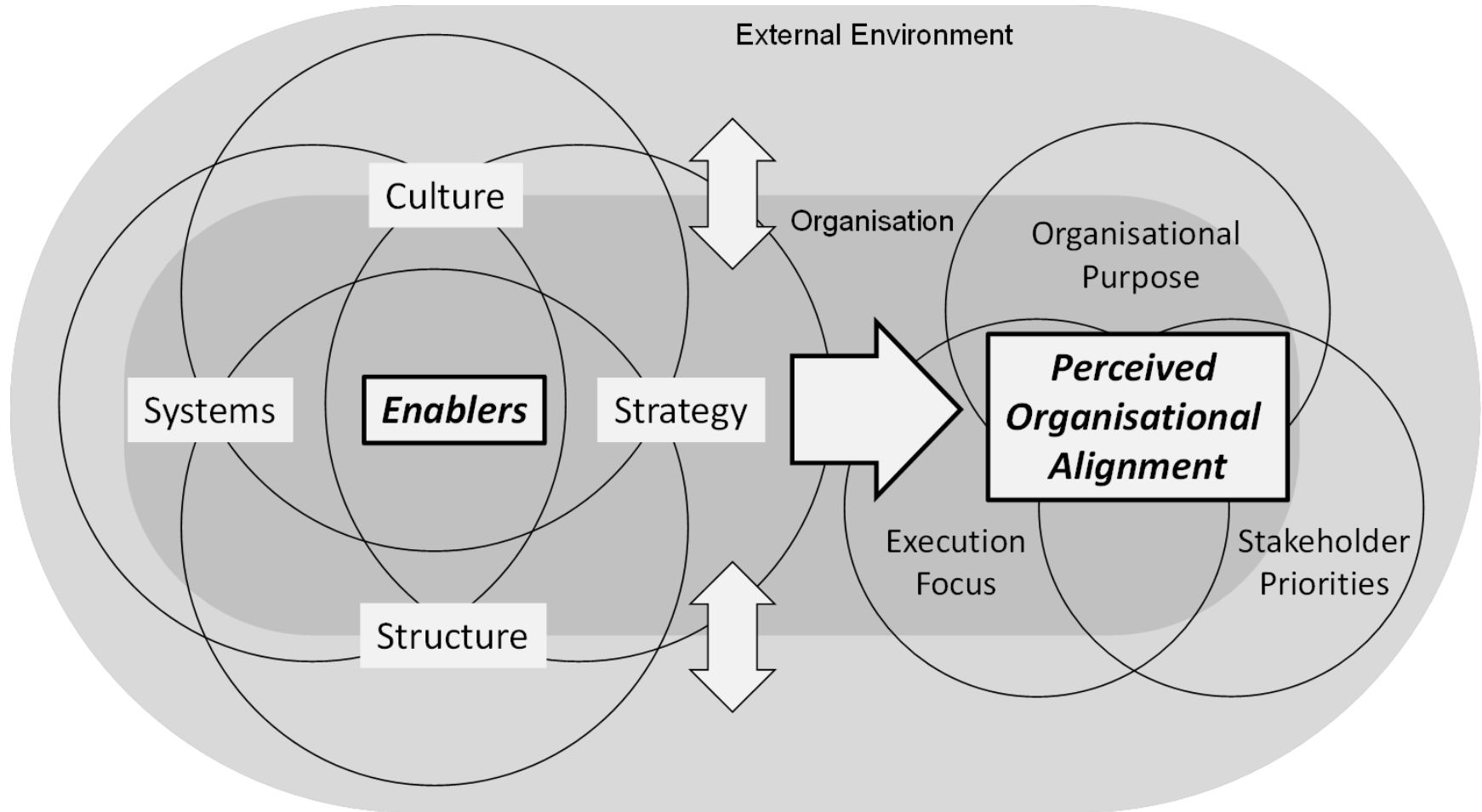
Perceived organisational alignment was defined as a late multidimensional construct with three formative dimension



## Perceived organisational alignment – the empirical 2/2



# Conceptual organisational alignment framework



“Organisations are cognitively open but operationally closed”

# Subject areas measured 1/2

Factor		Definition	Measureable variables
1	Organisational variables	Characteristics pertaining to the respondent's organisation	Mining sector, organisation ownership status, staff numbers, management levels
2	Biographical variables	Personal detail	Age, gender, population group, qualifications, functional department, number of direct reports, number of organisations worked for and number of positions held, management level, tenure, intention-to-stay, equity stake
3	Culture	Normative and descriptive values and behaviour, leadership behaviour and change	Value congruence, organisational change, decision-making style, employee voice, normative socio-economic responsibilities, conflict handling
4	Strategy	Planning and control processes	Balanced nature of objectives and goals, trade-off between goals, anticipation of macro-environmental changes, clarity of objectives and goals, stakeholder voice, participation in planning processes



# Subject areas measured 2/2

Factor		Definition	Measureable variables
5	Structure	Decision-making authority, organisational levels and structure flexibility	Opinions and attitudes on goodness-of-fit/degree of enablement of organisational structure, decision authority, dynamic structuring
6	Systems	Processes and systems enabling alignment	Opinions and attitudes on performance management and reward, information and budgeting systems

# Organisational alignment enablers

Factor analysis reduced 95 variables to 11 factors

Culture

- Organisational values
- Organisational change
- Socio-economic responsibility
- Clarity on objectives and goals

Strategy

- Planning inclusiveness
- Balanced objectives and goals
- Change anticipation
- Stakeholder voice

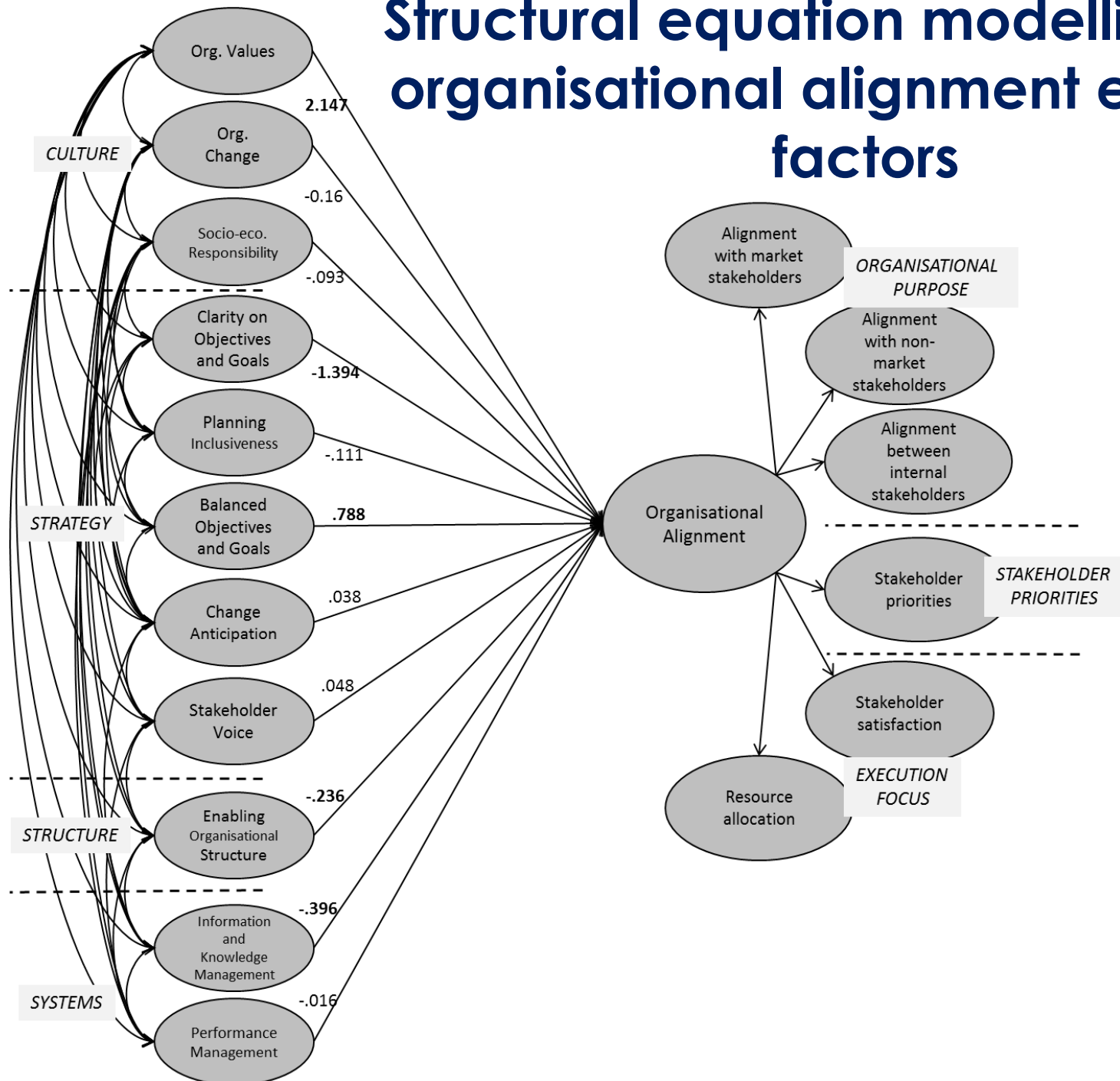
Structure

- Enabling organisational structure

Systems

- Information and knowledge management
- Performance management

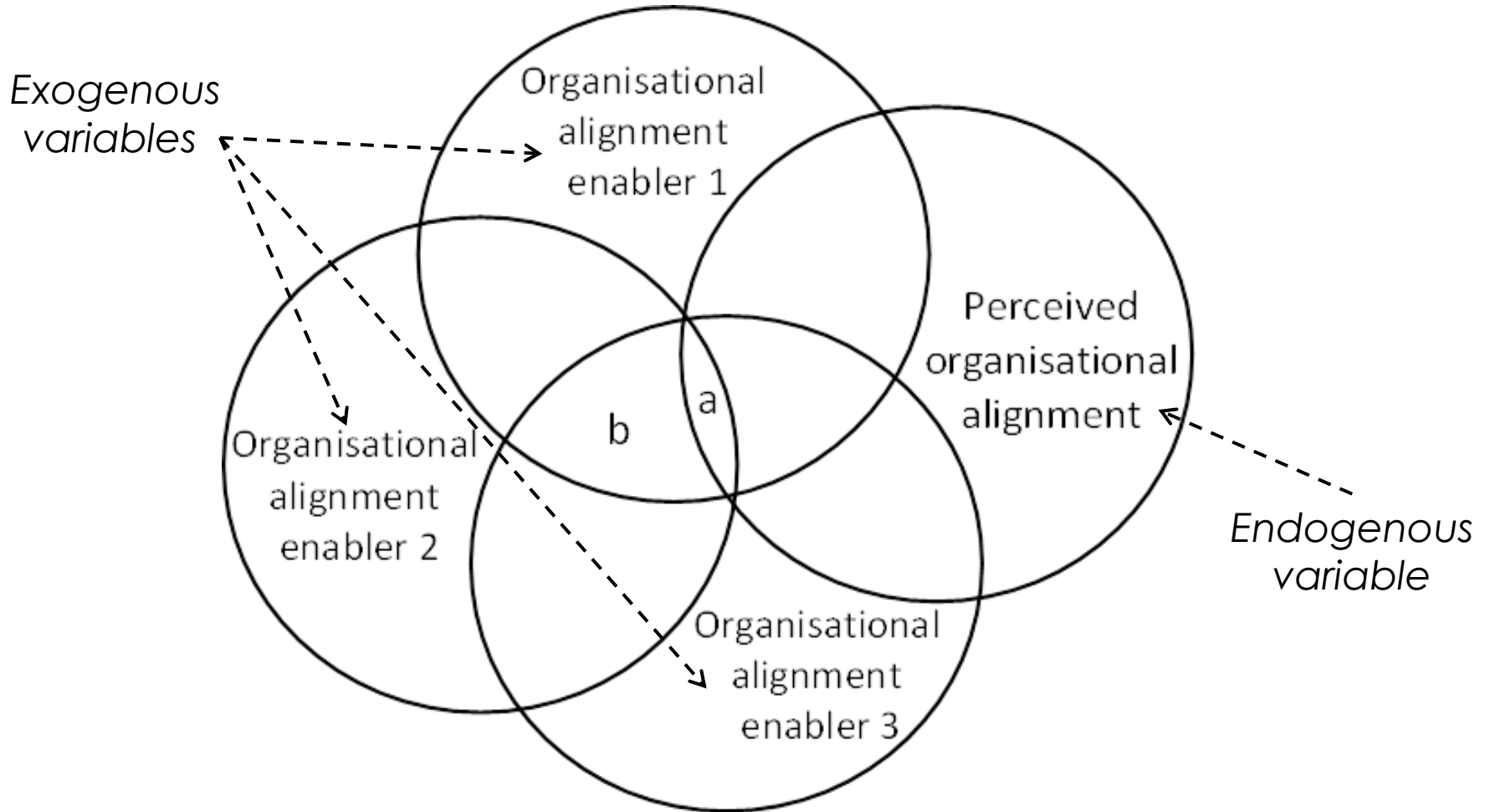
# Structural equation modelling of 11 organisational alignment enabling factors



# Major structural equation modelling findings

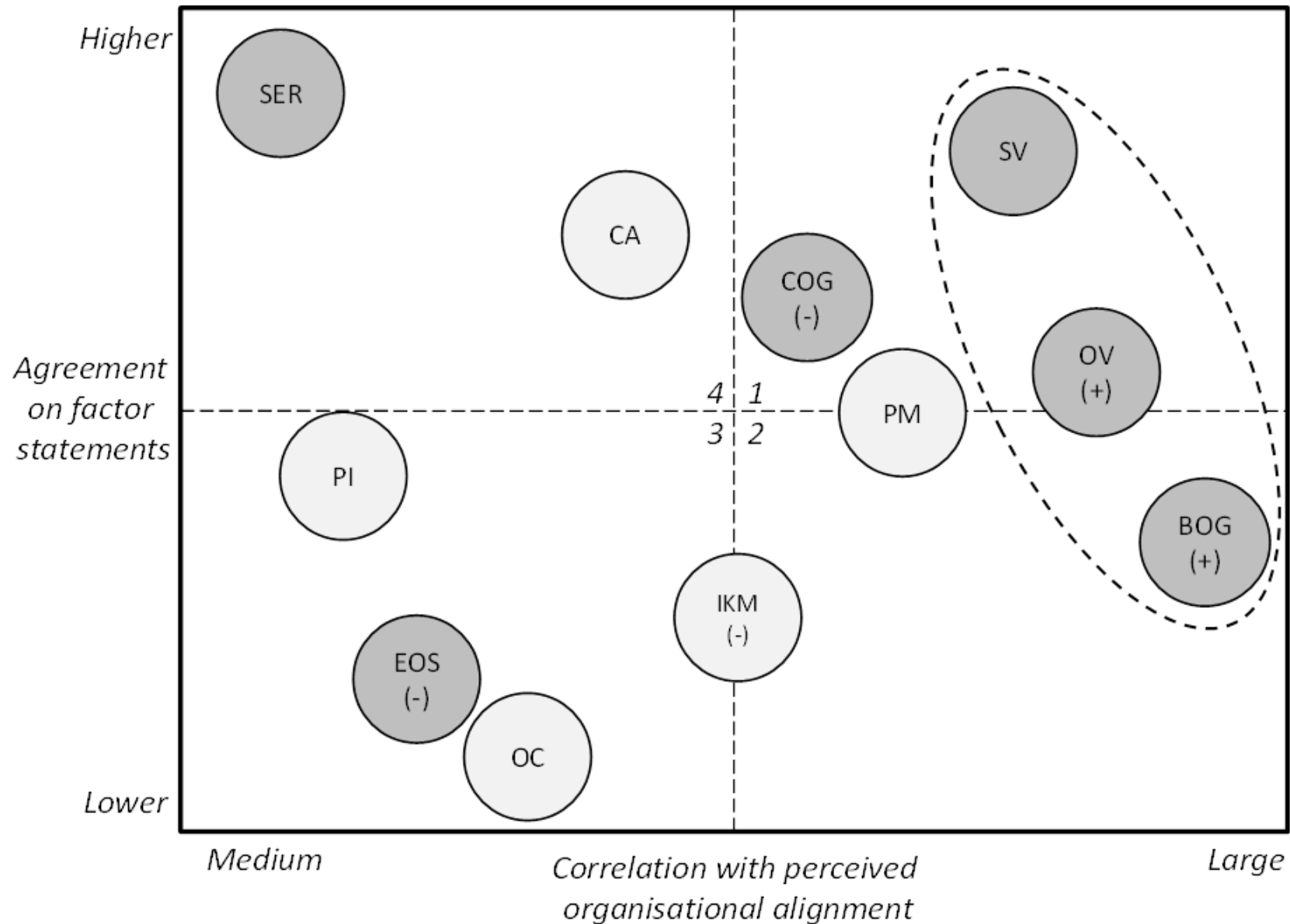
- 5 of the 11 organisational alignment enabling factors indicated a *unique influence* of practical importance on perceived organisational alignment.
- Three data-model fit tests confirmed that the pattern of variances and covariance in the data was consistent with the hypothesised framework of organisational alignment specified in this study.

## Unique influence / Factor suppression

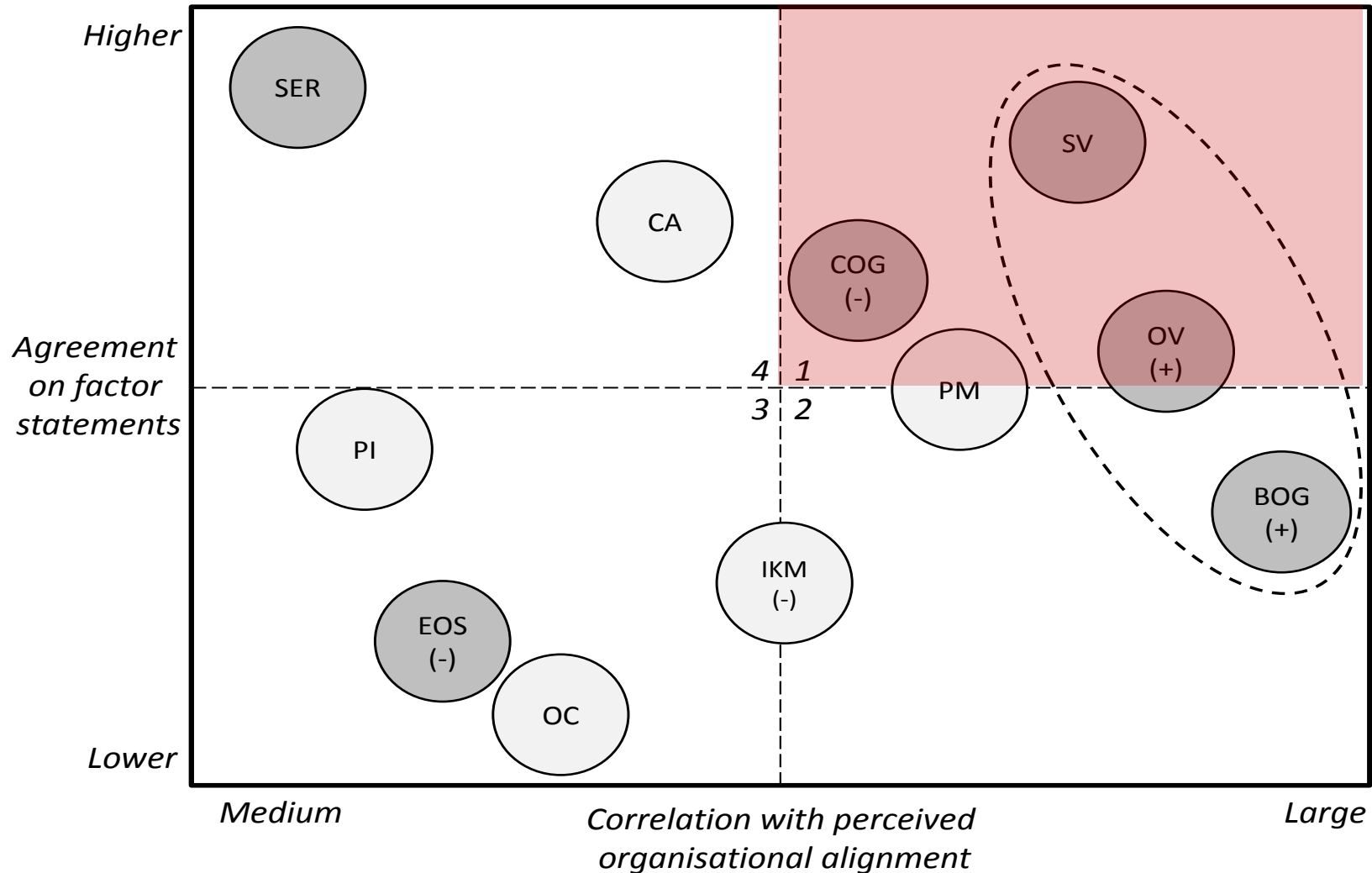


The exogenous variable (for example organisational alignment enabler "2") shares fewer common variance (area a) with the endogenous variable (for example, perceived organisational alignment) than with the common elements of irrelevant information shared by the suppressor and the rest of the exogenous variables (area b)

# Enabling factors modelling matrix



# Recommendations – quadrant 1

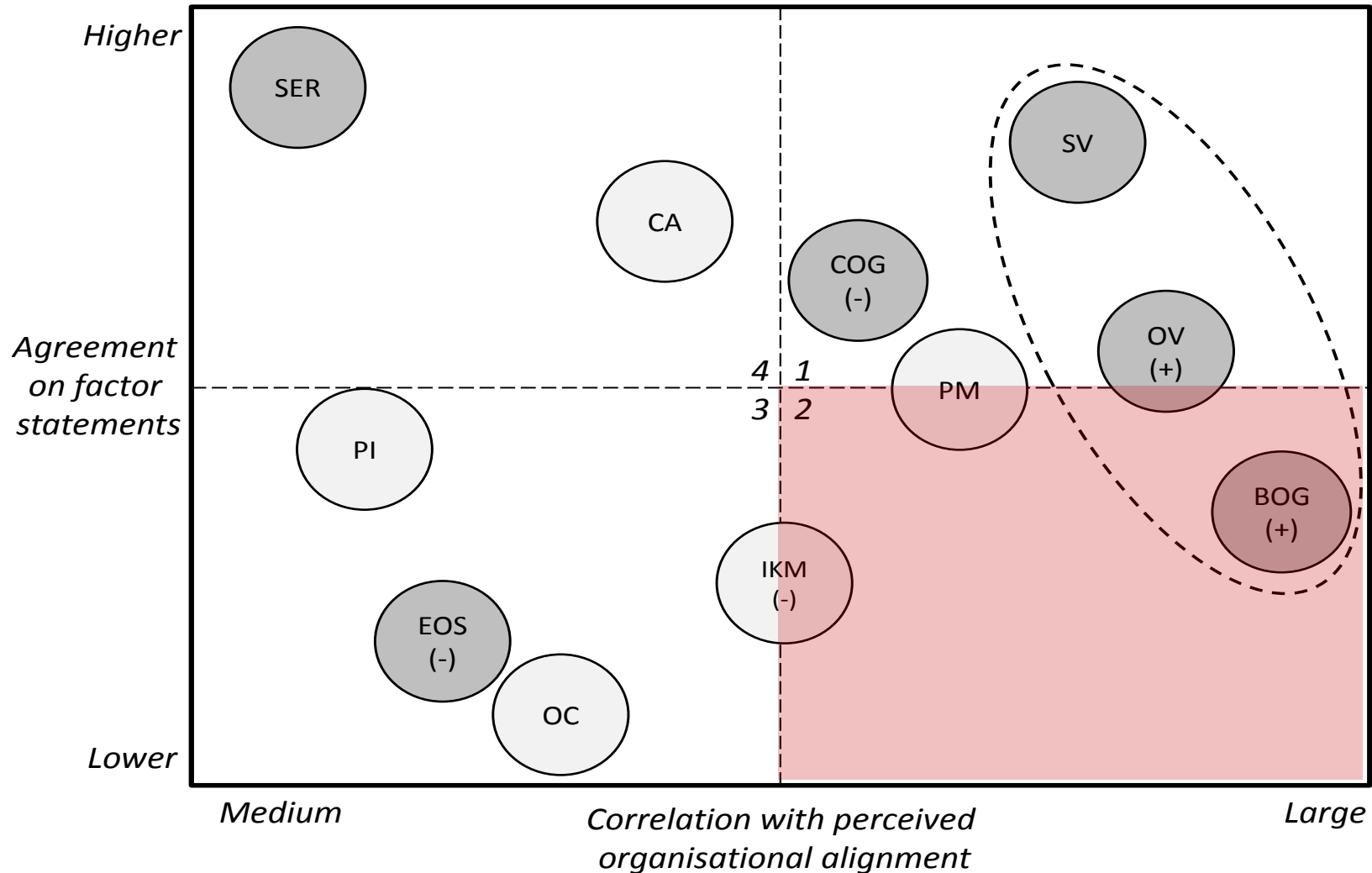


# Recommendations – quadrant 1

- **OV - Organisational Values:** emphasise the importance of intra-organisational value congruence and develop normatively desired behaviour representative of internal and external stakeholders.
- **SV - Stakeholder Voice:** include the on-going identification of all stakeholder groups, market and non-market stakeholders, in the organisation's strategic management processes and determine stakeholder needs and expectations on a routine basis.
- **COG - Clarity on Objectives and Goals:** organisations ought to acknowledge that complete clarity on objectives and goals (as an aim of organisational alignment) may be considered more as a moving target instead of an absolute condition.



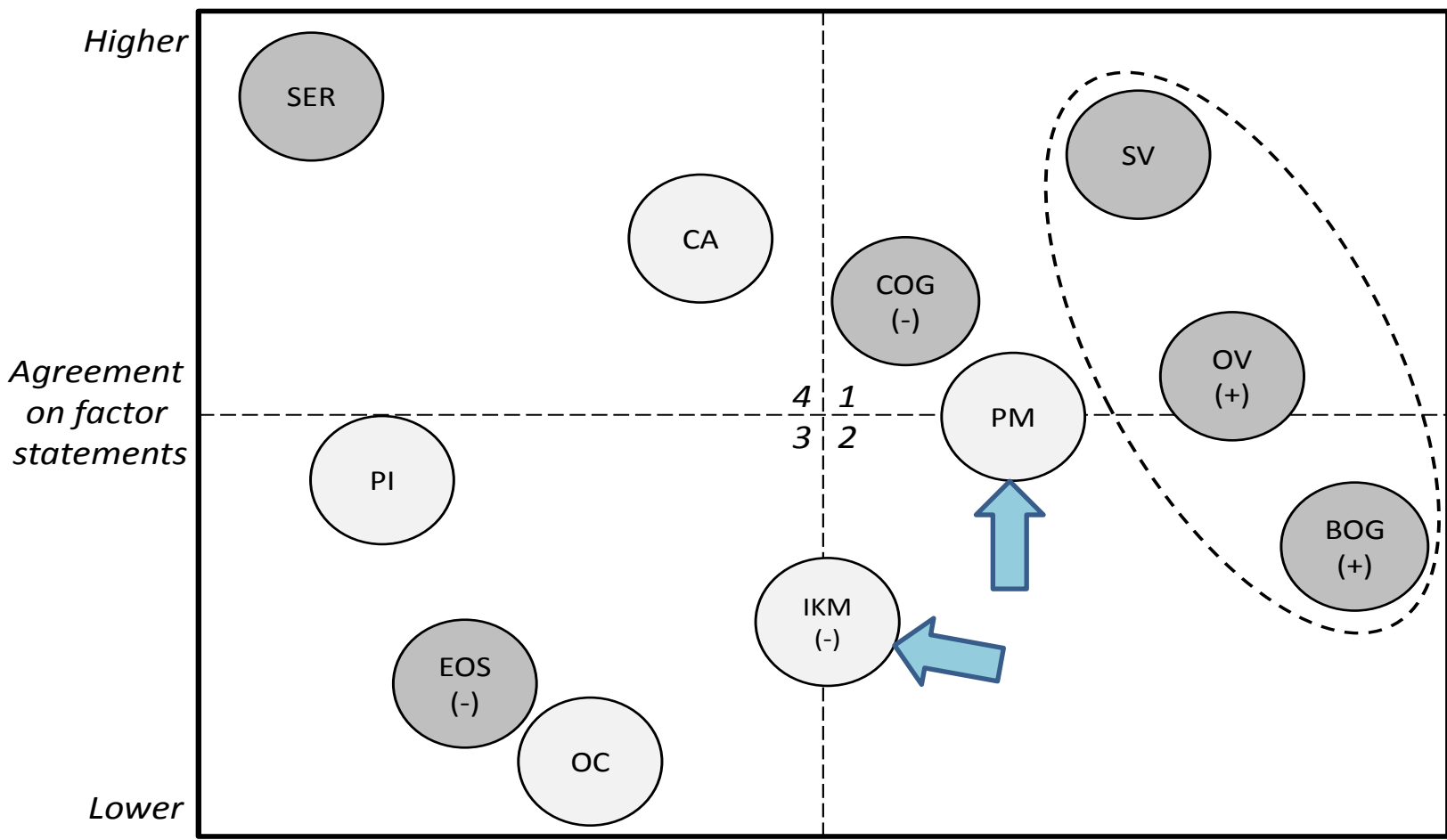
# Recommendations – quadrant 2



# Recommendations – quadrant 2

- **BOG - Balanced Objectives and Goals:**
  - Organisations should firstly adhere to the principle that internal organisational variety (complexity) needs to match the extent of the external variety (complexity) imposed on the organisation.
  - Secondly, they should recognise that “variety” refers to the range and dynamic nature of market and non-market stakeholder needs and expectations.
  - Finally, organisations should develop overall organisational objectives and goals that are most likely to promote joint production.

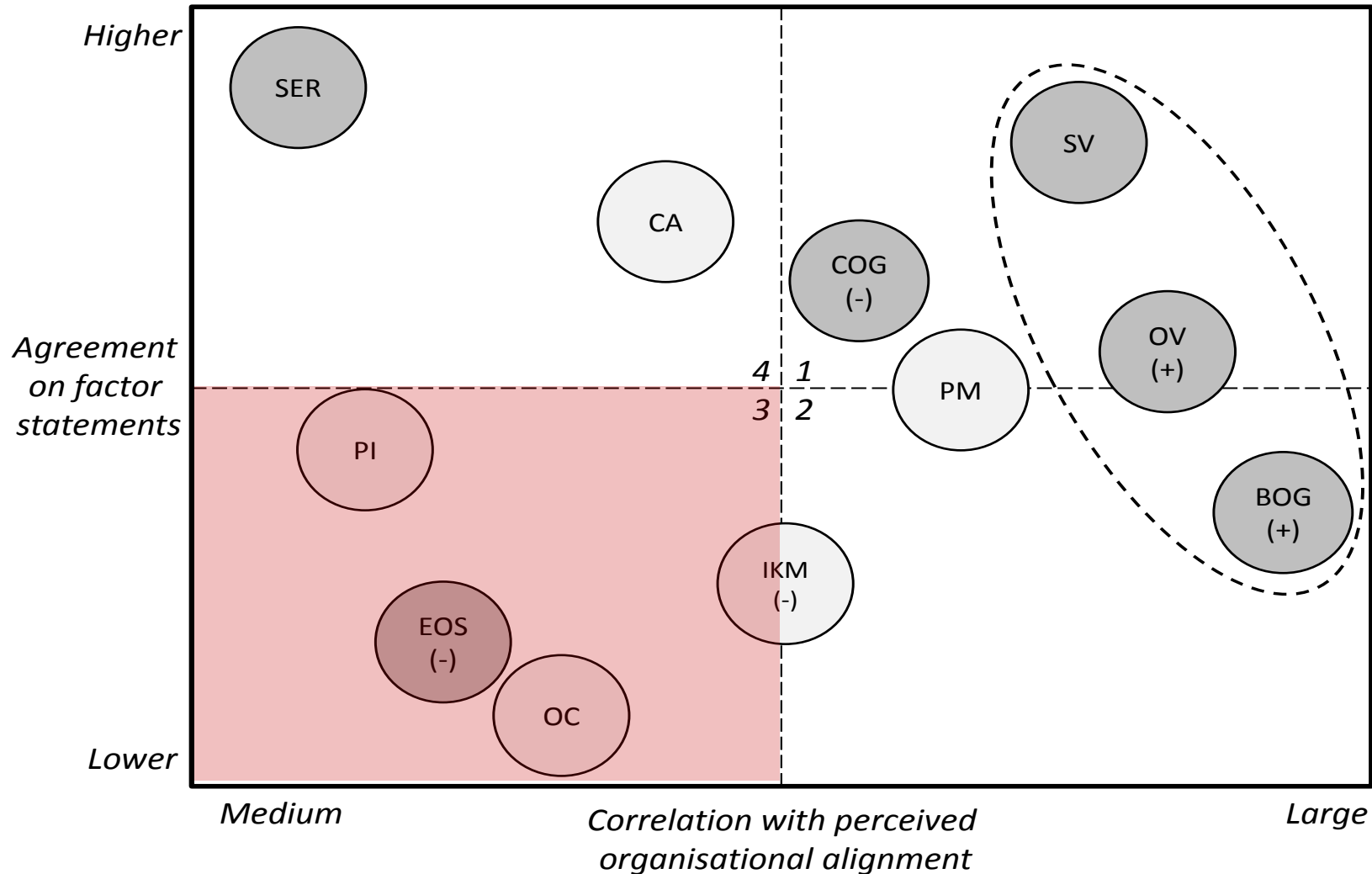
# Recommendations – quadrant overlaps



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- **PM - Performance Management:** at operational performance management level, organisation should significantly increase the range of stakeholder groups' satisfaction that a manager needs to contribute towards.
- **IKM - Information and Knowledge Management:** ensure the information and knowledge management system supports an increasing stakeholder management perspective.
  - Additionally, organisations ought to place more emphasis on information and knowledge management's role as an enabler of organisational adaptation (and learning) in alignment with changing stakeholder expectations.

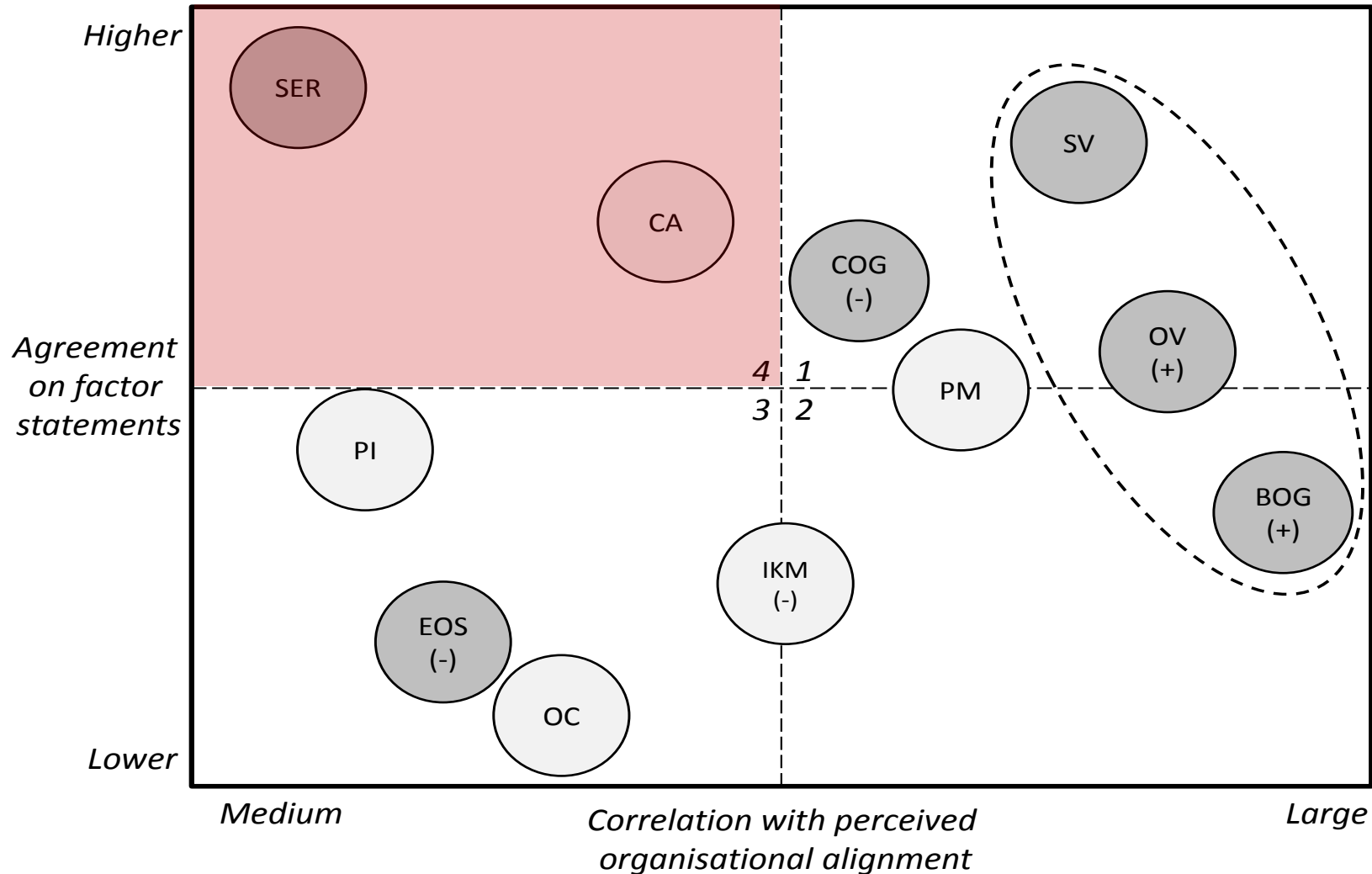
# Recommendations – quadrant 3



# Recommendations – quadrant 3

- **PI - Planning Inclusiveness:** organisations should raise the level of cross-functional interaction by increasing the identification of common goals between departments.
- **EOS - Enabling Organisational Structure:** organisations should guard against organisational structures that are too complex as highly ordered structures may inhibit an organisations' flexibility.
- **OC - Organisational Change:** organisations should acknowledge a perceived need for accelerated change as “adaptive tension”, that is, this tension may be indicative that the variety (complexity) in the external environment exceeds the organisation's internal complexity.

# Recommendations – quadrant 4

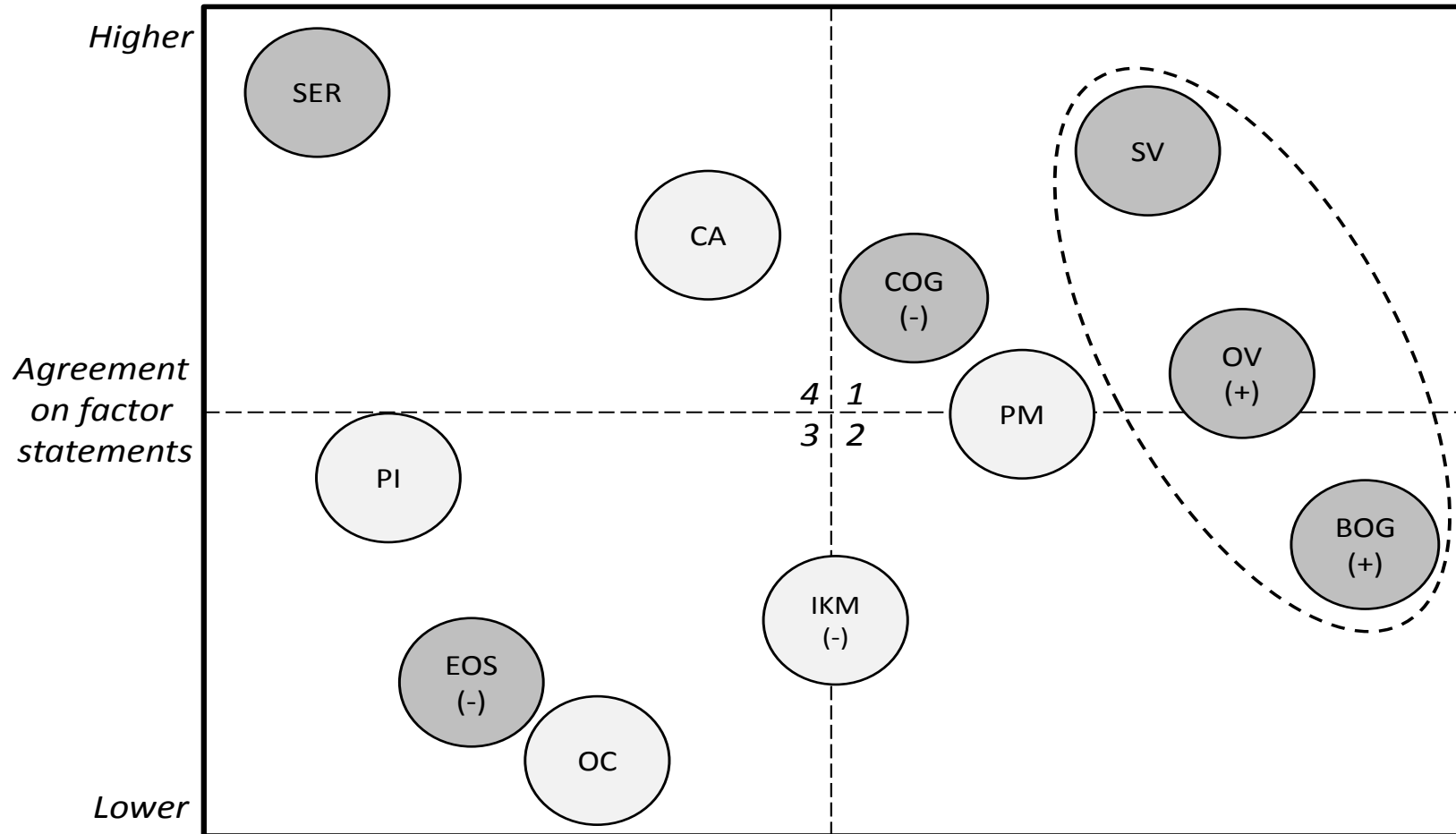


# Recommendations – Quadrant 4

- **SER - Socio-Economic Responsibility:** Organisations should develop ways to measure the difference between managers' normative views on the organisation's socio-economic responsibility and actual short, medium and long-term resource allocation.
- **CA - Change Anticipation:** organisations should firstly, determine managers' perspectives on the interdependence between their organisations and the macro environment.
  - Secondly, ensure all managers have sufficient appreciation and understanding of the organisation's overall strategic direction.
  - Finally, acknowledge that organisations cannot achieve internal organisational alignment in the absence of practically sufficient agreement on macro-fit.



# Matrix of organisational alignment enabling factors



# Closing remarks

- Mining organisations in South Africa needs to move from one of extraction and exploitation to one of shared endeavour, a dispensation where all legitimate stakeholders are more actively involved in the value creation and trade processes complemented with more transparency related to value distribution
- Strategising for, and the operationalisation of organisational alignment needs to be understood as ground-level pragmatism as opposed to lofty moral principles if it is to drive sustainable performance

# Thank you