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The alignment of strategy and structure and its effect on financial performance

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Abstract

Both personal observation and extensive research show that some companies maintain consistent strategies and senior management while others see a revolving door of CEOs and strategies. Many of these companies also produce wide variations in their financial performance. This raises critical questions about how these differences may be connected to each other. There is a substantial body of research that shows alignment between strategy, structure and people improves organization performance. This research demonstrates that organizations who effectively align their employees, leadership, culture, structure and systems with their strategic direction deliver better financial performance. To further test these conclusions with a new research design, data was collected and analyzed on four large real estate development companies in Qatar. This included a validated employee engagement survey with global benchmark data, seven years of financial statements, interviews with employees, and review of changes in strategies and CEO's over time. The study confirmed existing research that better aligned organizations outperformed organizations that were not as well aligned. This study calls out for further research with companies in multiple industries and additional alignment measurement tools to explore more hypothesis about strategic alignment. Several recommendations to improve company performance came out of this study. 1) Employees need to be involved in strategy formation. 2) When the strategy changes, so should alignment. 3) New CEO's shouldn't always change the strategy. 4) Strategies must be clear and focused. 5) Better leadership at all levels improves implementation. 6) CEO's can have an excessive impact on results.

Keywords: employee engagement, financial performance, leadership, origination development, strategic alignment, strategy and structure

1. Introduction

The business environment constantly changes. These changes could be a result of competition, regulations, customer preferences, the economy or technology. Organizations need to be dynamic and embrace change instead of being afraid of it or ignoring it.

In too many cases, a gap exists between top management's decision to alter its strategy and how well those changes are implemented. There has been significant research into the connection between strategy and implementation though the design of these studies used different designs. Because strategic alignment can have a dramatic impact on financial performance, this study explores an additional research design while providing ways to help companies improve their performance.

1.1 Research Problem

The senior management of many companies do not clearly see the relationship between their strategy and structure. Structure comprises not only the organization chart but the people, operations, systems, leadership, and everything else that is necessary for the company to serve its markets. Often, strategy formation is done as a separate exercise by the senior management team without considering how to effectively implement the strategy and engage employees during the entire process.

Since employees have not been involved in the strategy formulation process, they often do not understand how to apply the strategy when doing their job. They may also fear these changes. This fear can be reflected in their daily activities and may cause them to hold back how much they give of themselves to the company. They could even worry that their jobs will be eliminated because of the lack of any clear communication to the contrary.

Top management's lack of focus on structure can also affect performance. What happens if they don't change the structure to support the new strategy? Will the new strategy only make employees jobs harder and create more difficulties coordinating with other departments and customers? On the other hand, changes in the structure itself can hurt employee engagement as well as create internal operating problems.

This study focused on these issues by studying four major real estate development companies in Qatar.

1.2 Research Hypothesis

This research topic focuses on the alignment of strategy and structure in organizations and its effects on results. The hypothesis is that companies whose strategy and structure are fully aligned will outperform companies who are not as well aligned.

2. Literature Review

2.1 Strategy and Structure

2.1.1 Definition of Strategy

Joseph Lampel and Henry Mintzberg, authors of *Strategy*

Safari identified five different types strategy: strategy as a plan, strategy as a pattern, strategy as position, strategy as perspective and strategy as a ploy (Lampel & Mintzberg, 2010) [24]. In this research study, Strategy will be viewed as both a plan and a perspective. George Steiner, author of *Strategic Planning* who views strategy as a plan, identified it as "being a guide for a particular course of action (Steiner, 1979) [36]." Peter Drucker, a management consultant and educator who views strategy as a perspective, defined it as "a system of values and beliefs, generated and perpetuated by strategy makers; individuals or groups whose ideas shape the whole direction of the organization (Drucker, 1993) [8]."

Kasturi Rangan and Evan Hirsh, both partners of Booz & Company's Enterprise Strategy Practice defined business strategy as "the result of choices executives make, on where to play and how to win, to maximize long-term value. Where to play specifies the target market in terms of the customers and the needs to be served. How to win spells out the value proposition that will distinguish a business in the eyes of its target customers (Rangan & Hirsh, 2012) [31]."

This research study looks at how the alignment of strategy and structure affects a company's ability to attract and satisfy customers that results in improved financial performance.

2.1.2 Definition of structure

The term structure is often considered the same as the organization chart. However, "Structure is all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization. It defines how all the pieces, parts, and processes work together (Shapiro, 2006) [34]." In essence, structure is everything that happens internally within an organization. Laurie J. Mullins the author of *Management and Organizational Behavior* defines structure as "a framework of an organization and its patterns of management in addition to management style (Mullins, 2005) [28]."

2.1.3 Strategy and Structure Connection

Both strategy and structure are linked to each other. Alfred Chandler, business historian, describes strategy as "the determination of long-term goals and objectives and adoption of courses of action and associated allocation of resources required to achieve those goals" and describes structure as "the design of the organization through which strategy is administered. In every organization's efforts to achieve business results, strategy and structure are inexorably linked (Chandler, 1962) [5]." This means, "Business strategy always sets the context for organization structure and the allocation and control of corporate resources. Organizational structure and role alignment must serve the purpose of the strategy and mission (Linetsky, 2009, p. 4) [25]"

Don Shapiro, President of First Concepts Consultants, discusses the relationship between strategy and structure using a science fiction analogy. Shapiro asked what would happen if scientists were to replace one of the human body's arms with one that is 300% stronger and faster. Will the human body need to restructure its organs, vessels and bones to support the new arm? Yes, because this new arm "requires more and faster blood flow, faster neuron responses in the brain and so on to support its functions. For this science fiction example to work, a scientist would need to restructure the entire human body, not just one part of it (Shapiro, 2006) [34]." If a company has a new strategy to increase sales by 30%, then it should align the current structure to support the new strategy.

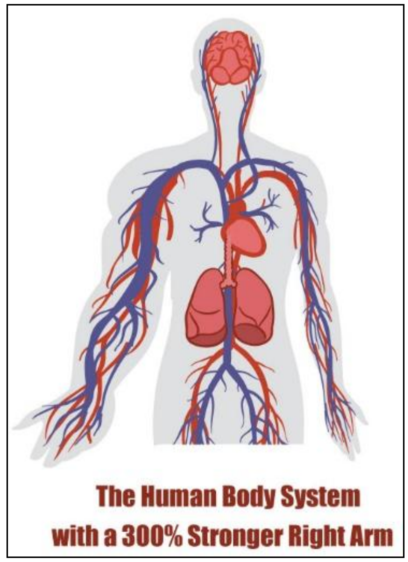

Fig 1: A science fiction analogy about strategy and structure alignment. Source: http://www.firstconcepts.com/strategy-follows-structure/

2.2 Strategy Formulation and Implementation

2.2.1 Definition of strategy formulation and implementation

Strategic Management consists of two major components: strategy formulation and strategy implementation. "Strategy Formulation is concerned with the crafting and designing of strategies, and picking the best strategy for execution, in order to achieve the desired organizational goals and objectives (Surbhi, 2015) [37]." Strategy implementation is concerned with converting the formulated strategy into action. "Strategy implementation is... the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organization are successfully achieved as planned (Thompson & Strickland, 2003, p. 365) [40]."

Strategy formulation and strategy implementation cannot be seen as two separate activities. A formulated strategy is not effective unless it is implemented properly and vise-versa.

In an article published by Harvard Busienss Review, *Turning Great Strategy into Great Performance,* the author's research "suggests that companies on average deliver only 63% of the financial performance their strategies promise (Holman, 1999) [18]." If the formulation is not done appropriately, then it will affect implementation which will have an impact on the financials and operations. The authors reasoned that this could be a result of a poorly conceived strategy or poor execution of the strategy.

(Čater & Pučko, 2010) [4] concluded that while 80% of firms have the right strategies, only 14% have managed to implement them well. Most organizations focus on having a strategy for the company which is strategy formulation but may not address all the issues of implementation. Strategy is formulated in order to be implemented. Thus, strategy formulation and strategy implementation are interrelated.

2.2.2 Employee Involvement in Strategy Formulation and Implementation

It is essential to involve employees from all levels in both the formulation and implementation process. "Strategy implementation cannot be achieved by top management alone; it requires the collaboration of everyone inside the organization and, on many occasions, parties outside the organization. Formulating a strategy is normally a top-down endeavor, implementing it requires simultaneous top-down, bottom-up, and across efforts (Rajasekar, 2014, p. 169) [7]."

Gary Simon, the leading author of *The Challenge of Strategic Alignment*, used a football analogy as a paradigm on how the involvement of employees in strategy implementation is crucial for successful performance. Imagine "a football team about to play a vital competitive match. The manager sets out the strategy and each player's role within it so they understand how their actions affect other players and the delivery of the desired outcome. Decisions along the chain of command from manager to captain to the rest of the team are geared to delivering strategic objectives (Simon, 2008, p. 3) [35]." This should also take place in the business world. Senior management needs to cascade the strategy to department heads (captains) and they will involve and discuss with their employees their role in strategy and how can they become part of achieving results for the organization.

2.2.3 Strategy Implementation Failures

Even the best ideas and plans are not effective if implemented poorly (Harrington & Voehl, 2012, p. 173) [12, 13]. (Holman, 1999) [18] (Flood, Dromgoole, Carrol, & Gorman, 2000) [9] (Kaplan & Norton, 2000) [19], indicate in their recent research that strategy implementation, rather than strategy formulation alone, is a key requirement for superior business performance. "The strategy literature claims that between 50% and 80% of strategy implementation efforts fail (Rajasekar, 2014) [7]." Advait Kurlekar, the director of Cedar Consulting says, "More than 90% of effectively formulated strategies don't get successfully implemented (Harrington & Voehl, 2012, p. 64) [12, 13]."

2.2.4 Role of leadership in strategy implementation

"Leadership, and specifically strategic leadership, is widely described as one of the key drivers of effective strategy implementation (Lynch, 1997) [27]." Strategic Leadership is concerned with "the leader's ability to anticipate, envision, and maintain flexibility and to empower others to create strategic change as necessary (Hitt & Ireland, 2014) [17]." This definition describes a strategic leader as someone that takes employee inputs in consideration when coming up with strategic change. A strategic leader "can articulate and instill a long-term vision and manage the day-to-day operations with the requisite obsession for detail (Rowe & Nejad, 2009) [33]." A strategic leader is someone that is able to manage short term day to day operations and long-term vision for growth and creating value.

2.3 Strategy and Structure Alignment

2.3.1 Introduction

In this section, the power of alignment between strategy and structure to achieve better business results will be discussed in depth. This includes what alignment is and the effects of misalignment.

2.3.2 Definition of Alignment

According to James Harrington and Frank Voehl, authors of *The Organizational Alignment Handbook*, alignment is "the methodology that brings the organization's structure, processes, networks, people, and reward system in harmony with the Strategic Business Plan and The Strategic Improvement Plan. It is a strategic management process which harnesses the energy of all employees and contributes to the accomplishment of corporate objectives (Harrington & Voehl, 2012) [12, 13]."

George Labovitz, and Victor Rosansky, authors of *The Power of Alignment,* view alignment as both a noun and a verb "Alignment as a noun refers to the integration of critical systems and processes and responses to changes in the external environment. But no organization can stay in a state of alignment for long since almost every business lives in an environment of constant change. The real power of alignment comes when we view it as a set of actions- as a verb (Labovitz & Rosansky, The Power of Alignment, 1997) [22]."

Alignment is complicated, difficult, dynamic and constantly changing. As these authors make clear, it takes an entire company and all of its employees to develop winning strategies that fully align with structure so they are implemented effectively.

2.3.3 Importance of Alignment

"Strategic alignment focuses energy, eliminates redundancy, eliminates conflicting work and defines the capabilities and competencies which provide competitive advantage to the organization (The Knowldge Compass, Inc., 2006) [39]." Therefore, when strategy and structure are aligned the organization can embrace these benefits. "This alignment ensures that the whole organization is pulling in the right direction (Robinson, 2005) [32]." That is towards the strategy. "Organizational structure and role alignment must serve the purpose of the strategy and mission (Linetsky, 2009) [25]."

2.3.4 Misalignment

"An organization that is not aligned is like a train running on rails that are not aligned (Harrington & Voehl, 2012, p. 6) [12, 13]." A symptom of misalignment could be that the strategy is not cascaded to employees properly.

It is not easy to achieve alignment. "Organizations that successfully achieve alignment are nimble and respond quickly to change. They deliver measurable business results simultaneously in customer satisfaction, profitability, and employee satisfaction. (Labovitz & Rosansky, Rapid Realignment, 2012, p. 4) [23, 26]."

Misalignment is also costly. "Typically, a negative financial impact results, which can be obvious or often hidden. Among hidden costs are unmet goals and objectives; missed opportunities; missed sales; unmet promises to customer; and a myriad other failures (Papke, 2014)."

2.3.5 Conclusion

Alignment is essential in linking structure with strategy. (Gresov, 1989) [10], found that empirically there exist a positive relationship between organizational alignment and organizational performance.

2.4 Leadership
2.4.1 Introduction
"You simply cannot arrive at alignment without leadership, nor can you sustain alignment in its absence. Leadership is the "soft stuff" in the alignment process, but it is the most important (Labovitz & Rosansky, The Power of Alignment, 1997, p. 169) [22]." Leadership is a major ingredient for alignment and successful implementation of change. This section will cover the concept of distributed leadership, leadership development, characteristics of leaders and provide two examples of leaders that support distributed leadership.

2.4.2 Distributed Leadership
The authors of *The Power of Alignment* define distributed leadership as "the presence of capable leadership in different units and at various levels of the organization. (Labovitz & Rosansky, The Power of Alignment, 1997, p. 170) [22]." In a research study of large healthcare organizations, the authors found out that it is the aggregate effect of all the leaders in an organization which affects strategy implementation as opposed to one leader at the top. "Leaders at various levels should be considered collectively to understand how leadership influences employee performance (O'Reilly, Caldwell, Chatman, Lapiz, & Self, 2010, p. 104) [29]." Organizations need to ensure all the levels of leadership are effective and aligned with the strategy.

In Forbes, an article by Josh Bersin of Bersin by Deloitte, *It's Not The CEO, It's The Leadership Strategy That Matters,* concludes that "Long term business performance comes from leadership culture and careful and continuous development of leadership at all levels. It's not all about the CEO (Bersin, 2012) [2]." This research reveals that leaders are not only found at the top levels of the organization. True leaders are distributed in the organization at every level and within each business function. This type of leadership is critical to align strategy with the structure to maximize growth and profits. Leadership development needs to become a priority.

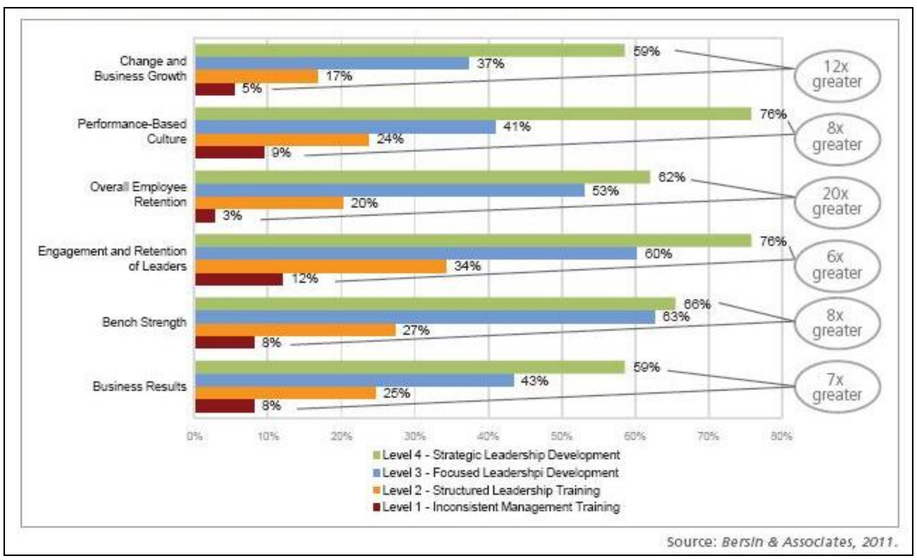

Fig 2: How the maturity of leadership development programs impact company performance.
Source:http://www.ddiworld.com/ddi/media/trendresearch/fivetrendsinleveragingleadershipdevelopment_tr_bersin.pdf?ext=.pdf

2.4.3 Characteristics of Leaders
There has been a substantial amount of research about the characteristics of effective leaders that can manage change and outperform their competitors. According to the authors of *Rapid Alignment* "Leaders who have rapidly transformed their organizations have begun slowly. They took the time to listen to employees, customers, and other stakeholders. Before launching change efforts they used social media and web-based assessment technologies to gain insights into the current state of their organizations and cultures (Labovitz & Rosansky, Rapid Realignment, 2012, p. 7) [23, 26]." Leaders need to master four characteristics to overcome the challenges they will encounter in the future. These characteristics are "master strategist, change manager, relationship/network builder, and talent developer (Hernez-Broome & Hughes, p. 29)."

According to the article, *The 21st Century Human Resources Function: It's the Talent, Stupid!* "Leaders should not be accountable for demonstrating a particular set of behaviors but rather should be held accountable for desired outcomes. This perspective looks beyond competencies, which have a tendency to focus on 'what needs fixing,' and instead focuses attention on the whole person and on peoples' strengths and natural talents, not on a reductionist list of idiosyncratic competencies (Buckingham & Vosburgh, 2001) [3]."

2.5 Employee Engagement
2.5.1 Introduction
Employee Engagement is a term that has been in continuous use recently. In the past, companies were mostly concerned with the concept of job satisfaction. That has now evolved into the more comprehensive concept of employee engagement. According to the authors of *Rapid alignment* "Strategy is not abstract but is broken down into practical activities that

employees can engage with and are capable of performing well." Also for the organization to align strategy with the internal structure "Rapid alignment requires energy that is focused, that derives continuous improvement and works to achieve the organization's purpose. This energy comes when the employee is engaged (Labovitz & Rosansky, Rapid Realignment, 2012, p. 44) [23, 26]." This section will define employee engagement and discuss the benefits of having engaged employees as well as the role of leadership in employee engagement.

2.5.2 Definitions of employee engagement
Kevin Kruse, author of We: How to Increase Performance and Profits through Full Engagement, defines employee engagement as "the emotional commitment the employee has to the organization and its goals. This emotional commitment means engaged employees actually care about their work and their company (Kruse, 2012) [20, 21]." DecisionWise defines employee engagement as "Employee engagement is an emotional state where employees feel passionate, energetic, and committed to their work. This translates into employees who give their hearts, spirits, minds, and hands to deliver a high level of performance to the organization (Haydon, 2013) [14, 15]."

2.5.3 Benefits of employee engagement
Why should companies pay attention to employee engagement? What benefits would they incur from having engaged employees? (Kruse, 2012) [20, 21], conducted in depth analysis of 29 research studies that indicate a correlation between employee engagement and service, sales, quality, safety, retention, profit and total shareholder return. Therefore, "highly engaged organizations have double the rate of success of lower engaged organizations (Baldoni, 2013) [1]."
Decision Wise, an expert in Employee Engagement Surveys, reveals that employee engagement drives individual performance, operating income, customer loyalty, productivity and profitability. Decision Wise also indicates that there is a cost for employee disengagement "A disengaged employee costs an organization approximately $3,400 for every $10,000 in annual salary (Haydon, 2013) [14, 15]."
Gallup is an American based research company with 75 years of experience in employee attitudes and behaviors. Gallup analyzed more than 25 million employees from 2500 companies whose employees took their Q12 engagement survey. When their survey results are compared against financial performance, organizations with above average employee engagement scores outperformed organizations with average scores.

2.5.4 Leadership role in employee engagement
Right Management, a division of Manpower, surveyed 3,000 employees in 15 countries around the globe. (Haid, Sims, Schroeder, & Wang, 2010) [11] discovered there exist a statistically significant correlation between positive leadership and employee engagement. The following behaviors showed high correlation between both leadership and engagement: leaders that value the contribution of and acknowledge employees, leaders that have the capacity to implement and understand the company's strategy and leaders who effectively communicate the company's strategy to employees.
When these studies are combined, they clearly show companies need effective leaders to produce better results. High performing companies show employees they are important, valued, respected in numerous ways. They care about the employee as a person. They care about the employee's growth and development. The role of leadership is vital for driving employee engagement. Having engaged employees will produce better results.

2.5.5 Conclusion
Employee engagement appears crucial to organization success. It offers significant benefits and most importantly affects performance. Employees are the strategy executers. Without them, strategy cannot be implemented. Leadership plays a major role in the engagement process. That drives employee engagement. Employees need to feel that they are valuable to the organization, their inputs matter and are taken into consideration. They are part of the company strategy formulation and implementation teams.

3. Research Methodology
3.1 Data collection and methodology
3.1.1 Data Collection
The research study collected confidential information from participating firms:
Interviews - Interviews were conducted using a standard set of questions with senior management, middle staff and employees of each of the four real estate companies. The aim of these interviews was to gather insights into how the firm operates that shed light on the alignment of strategy and structure.
Employee Engagement Survey - Employees were asked to take a web based survey that assessed their engagement, attitudes, trust and evaluation of leaders. This survey was provided by a global firm in employee engagement surveys, Decision Wise. This is validated survey of employee engagement. Decision Wise also benchmarked each firm's survey responses against their global database. To be scored above or below the benchmark average, the score had to show a statistically significant standard deviation or d-score.
Financial Data - Audited financial statements from the Qatar Stock Exchange were studied from 2008-2015.
Company Information - Printed and website information on each company along with articles written about each company were used to learn more about their strategies and performance.

3.1.2 Methodology
The interviews, engagement surveys, and written information was reviewed to determine each company's strategy, vertical communication issues, level of employee engagement, and leadership effectiveness at different levels of management. The financial data was analyzed to determine differences in how each company performed on its key performance indicators.

3.2 Data Analysis
Collected data was examined in depth. Qualitative analysis

was done on the strategy as well as alignment issues based on the interviews along with written information. Quantitative analysis on the financials and employee engagement results were performed. The qualitative and quantitative data were compared and analyzed together to draw conclusions and offer recommendations.

4. Data Analysis Results and Discussion
4.1 Summary of Company Results
4.1.1 Introduction
This section provides an in-depth analysis of each researched company in terms of its strategy, employee engagement, leadership and financial performance. The analysis is based on employee interview transcripts, the DecisionWise employee engagement survey results, published financial data and written information about the firms. Out of Four selected companies initially involved in this study, only two meet all the requirements for statistical analysis. This is because one firm who was not publicly traded refused to disclose their financial statements. The other had too few respondents to the employee engagement survey for the sample size to be representative.

4.1.2 Company A
4.1.2.1 Company History
Company A was established as a Qatari Shareholding Company (Q.S.C). Company A invest in all types of real estate including acquiring, reclamation, dividing, developing and reselling of land and also establishes agricultural, industrial, commercial projects. Furthermore, it is involved in hotel ownership and management, project consulting and administers and operates real estate investment.

4.1.2.2 Strategy
When the company was established, it did not have a CEO. The Managing Director started to create subsidiaries at the foundation and growth stage. Those subsidiaries were not related to the core business of real estate. When the first CEO came on board, he merged some of the subsidiaries with the parent company and removed others. Subsequent CEOs removed all subsidiaries that were not related to the core business.

The business plan charter mandates a focus on the local market, establishing new projects, utilizing the assets of the company, increasing customer satisfaction by improving operational efficiency and increasing returns from subsidiaries.

4.1.2.3 Employee Engagement
33 respondents completed the DecisionWise Employee Engagement survey. Respondents were mostly from the following departments: development, projects, administration and operations.

Compared to the DecisionWise benchmark data, Company A appears to be an average company. 40 of the 44 questions were the same as the benchmark norm. Company A scored below average on three questions and only scored above average on one of them. The only area where Company A scored above the norm was on how effectively employees felt they worked across departments and functions.

In contrast, Company A scored worse than the benchmark on received the training I need to do my job, how my work makes a difference, and empowered to make decisions. This shows a lack of alignment in communicating critical information to employees which the interviews confirmed.

4.2.2.4 Leadership
The CEO has been changed many times and each had their own strategy and direction. The previous style of leadership was command and control in order to improve the financial results of the company. However, the new CEO shows a different approach which involves the staff and takes their inputs into consideration. For example, previously there was no budget plan and finance was not asked for their input about investment in new projects and strategies. Now the plan includes cash management and issues about how investments will be funded. The Finance team feels happy and valuable since they are involved in important meetings.

Company A scored average when compared against the benchmarks on the My Supervisor section of the employee engagement survey. This indicates that leadership should exert more efforts to achieve above average scores by addressing employees concerns regarding their supervision style.

The lowest score in the My Organization section was about employees feeling that their work makes a difference and feeling empowered to make decisions and improvements. This indicates that senior management has failed to communicate in a way that makes them feel a part of the entire company as opposed to just the department where they work.

In the My Job section, employees scored below the benchmark in receiving the training needed for doing their job at 47%. Many employees indicated that they require training, a development plan and career path. Thus, better leadership is required in this area as well.

Overall, the company appears to be average when compared against the benchmark.

4.1.2.5 Financial Analysis
Company A operated at a loss in 2008, that loss tripled in 2009 and tripled again in 2010 before lessoning in 2011. The company laid off about 90 employees in a restructuring move in 2011 which reduced the staff cost by 26%. In 2013, the company earned its first operating profit through gains in revenue and substantial reductions in operating cost and eliminating poorly performing subsidiaries. Their strategy of increasing rental income within their core business started to pay off.

The company’s debt ratio was on average around 82% for several years compared to only 18% of equity so the firm depended heavily on loans. This lead to a severe cash flow and high debt problem which forced Company A to sell $20 billion in assets to another company. The debt to equity ratio decreased from 426% to 81% between 2008 and 2014. During the seven years studied, the firm increased its earning assets by $7 billion.

The restructuring of internal operations, financial restructuring, and limiting their focus to serving the local real estate market resulted in the company achieving its highest operating profit in 2014.

4.1.3 Company C

4.1.3.1 Company History

Company C was established is publicly listed on Qatar Exchange as a Qatari Shareholding Company (Q.S.C). Company C activities include investment in Sukuk financial securities, investments, owning patents, commercial works and privilege, providing real estate consulting services, managing property, collecting rentals and providing property maintenance work.

4.1.3.2 Strategy

Company C's strategy focuses on diversified local investments that achieve profitability for its shareholders. The company is a major provider for local residential and commercial housing units with around 22,000 units producing high rates of occupancy. Company C owns a significant amount of land in Qatar that it holds for future development. Currently Company C is more focused on the local market and more comfortable competing in it because they feel the overseas market is turbulent.

4.1.3.3 Employee Engagement

There were 32 respondents of DecisionWise survey. Respondents were mostly from the following departments: property management, finance, administration and operations.

Company C showed above average results against the benchmark on 17 out of the 44 questions asked. That means their employees are more engaged than most companies. Supervisory leadership scored exceptionally high as did top management. The company also scored above the benchmark in giving feedback, communicating and providing opportunities for advancement. Because Company C did not have any benchmark scores below average and so many above average in all four sections of the survey, clearly, they have a highly engaged workforce.

4.1.4.4 Leadership

Company C scored above average against the benchmarks on 5 of the 9 questions on the My Supervisor section and overall scored an average of 90% in this section. This shows how employees are comfortable and happy with the leadership style of their supervisors'. They feel their supervisor create a motivating and energizing workplace, treat them fairly, and communicate important information to them. Supervisors are approachable, easy to talk to, and most importantly, support their development.

In the My Organization section, the scores were significantly above the benchmark in believing that senior leaders know what is going on in the organization and the organization takes their feedback and inputs into consideration. Many employees commented that Company C's strength is in their strong management, great leaders, management that prioritizes the welfare of employees, and openness to suggestions.

4.1.4.5 Financial Analysis

Between 2008 and 2014, Company C's operating profit increased by 342% and its revenue by $425%. While there are some indications it might have been able to control cost betters, that should be balanced against its increase in non-current or earning assets by 627% during the same time frame. Managing aggressive growth in income generated from a rapid increase in available assets likely resulted in the company having to spend significant amounts to manage, maintain and market those assets long before they achieved their full earning potential.

It is clear they applied the lessons they learned from these on-going expansion efforts. Company C's ability to grow its earning assets from almost $7 billion to over $43 billion in seven years while substantially growing its operating profit during that same time period provides amble evidence they are extremely effective at implementing high growth strategies.

4.2 Comparing the results of the researched companies

4.2.1 Alignment of Strategy and Structure

This section will provide a comparative analysis between Company A and Company C on how effective or ineffective both companies were in implementing strategy.

Company A's employees were not nearly as well engaged as Company C. The statistically significant d-scores in the benchmarking data make this clear. Company A had three questions below the benchmark and only one above the benchmark while Company C had 17 questions above the benchmark and no questions below the benchmark. This indicates how well Company C's employees are engaged when compared to Company A.

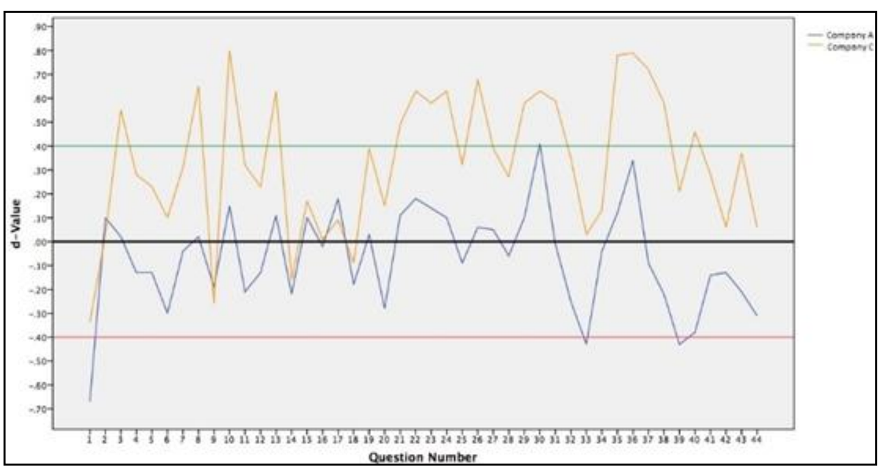

Fig 3: Comparison of benchmarked employee engagement scores between Company A and C

Based on the interviews and employee engagement results, culture and communication in Company A was unsatisfactory. It was embraced with fear and uncertainty about the future. The strategy was not cascaded to staff at all levels. The organizational structure has been changed many times as well as downsized. Employees feel insecure because they could be terminated as this has been done in previous years. In the comments section of the employee engagement survey, many employees indicated they see the weakness of the organization in the lack of communication.

Turning to Company C, culture and communication were excellent. Employees felt proud to work in a company that has clear strategy and direction for the future. They knew that the organization is focused on growth and adding value locally and are also aware that in the future Company C seeks to invest internationally. They are secure because the organization never conducted downsizing and believes that termination is the last option.

Leadership in Company A has been in continuous change. The strategy was not clear to employees as it kept on changing. It expanded and deviated from its core business then downsized and focused on its core business. In the benchmarks of the employee engagement survey, Company A's scores were within average in the My Supervisor section while Company C's scores were exceptionally above average in 5 of the 9 questions in My Supervisor section. Employees trust leadership and believe they are doing a great job in managing the organization.

When a comparison is done on each of the responses to the 46 questions in the DecisionWise survey between Company A and Company C and that is compared to the interviews, it is clear that Company C's employees are far more engaged and productive as well as clearly understand how their jobs fit into overall strategy. This demonstrates strong alignment between Company C's strategies and its structure which both the surveys and interviews showed was lacking at Company A.

4.2.2 Alignment of strategy and financial performance

Company A had many different strategies in the past seven years. As indicated in the financial analysis section, whenever the strategy of the Company A changed the financial performance was impacted. In the first three years the Company A created a lot of subsidiaries that were not related to its core business. Thus, the operating profit was negative in these three years. When the company started focusing back on its core business and conducted downsizing to reduce the huge number of unnecessary employees, the financial performance improved and the operating profit turned positive.

Company C had one strategy from the start and was focused on achieving this strategy. The focus was on developments in the local market, growth and adding value to shareholders. The operating profit increased from USD 79,677,267 in 2008 to USD 272,465,479 in 2014. This is a remarkable financial result.

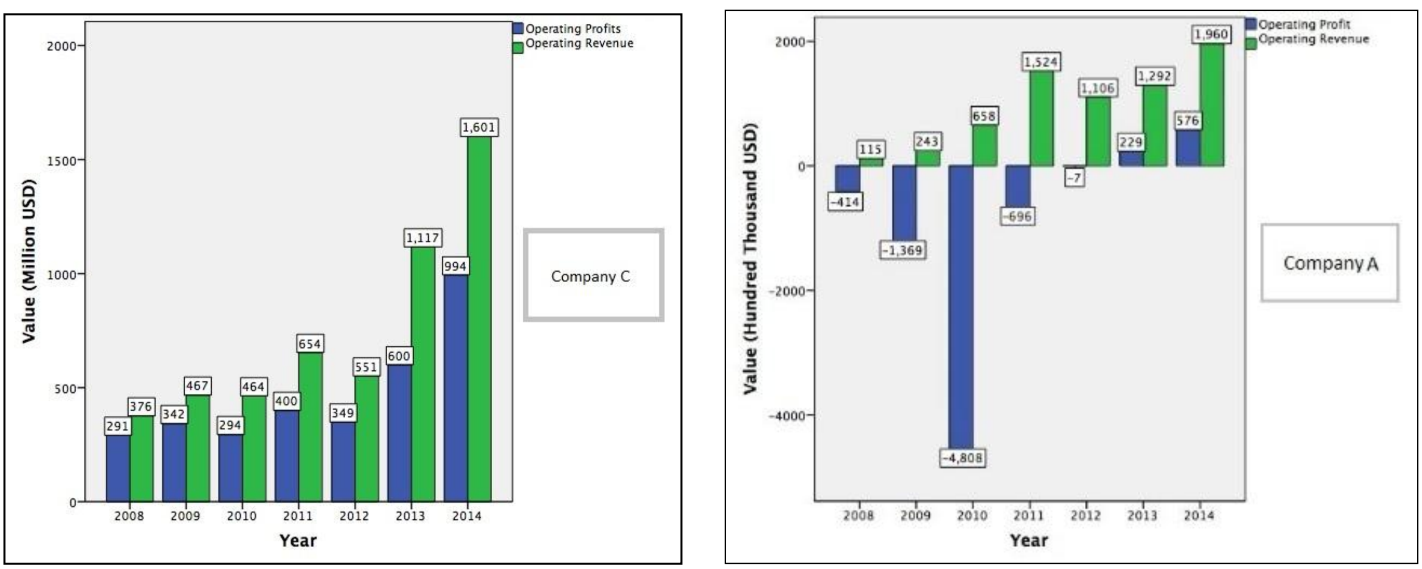

Fig 4: Comparison of operating profits and revenues between Company A and C

A comparison of operating profit margin ratios further demonstrates the difference in how these companies convert strategy into profitability. Company A produced its first operating profit in 2013 and doubled that in 2014 clearly showing it was moving in the right direction in aligning its strategy with financial performance. Yet, Company A's 2014 operating profit margin was 29.40% compared to 62.13% for Company C. During the seven year period, Company A increased its earning assets by $7 billion while Company C increased its earning assets by $36 billion.

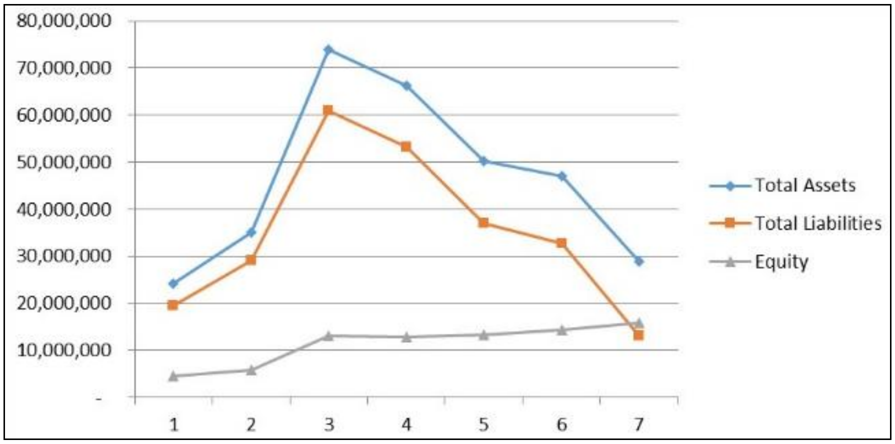

Fig 5: Company A change in assets, liabilities and equity over seven years

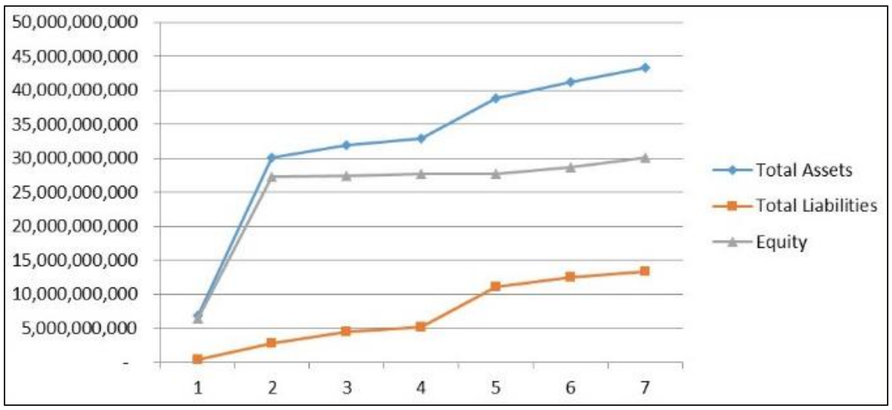

Fig 6: Company C change in assets, liabilities and equity over seven years

4.2.3 Alignment of strategy, structure and financial performance

When the employee engagement differences were analyzed against the financial performance differences of Company A and C, they showed a statistical correlation. For these two real estate development companies, how well or poorly their strategy and structure were aligned appears to have had a substantial effect on their financial performance over the seven-year period.

While the sample size ended up to be smaller than anticipated due to decisions made by Company B and D that limited their participation, the data clearly supports the hypothesis that better alignment between strategy and structure produce better financial results. What has been found here is consistent with the Literature Review.

5. Summary, Conclusions and Recommendations

5.1 Summary of the findings

This study examined how the alignment of strategy and structure affects the performance and financial results of real estate development companies in Qatar to prove the hypothesis that better aligned companies will outperform companies who are not well aligned. Alignment was tested through qualitative methods using interviews and review of written information combined with quantitative methods using employee engagement surveys and analysis of financial statements.

For the most part, the findings supported the hypothesis and literature review though it was only in one industry and limitations imposed by the companies being researched further reduced the sample size. It also highlighted that the study of alignment itself is complex and cannot be fully measured by the methods employed in this research study even if all four companies could have been empirically verified.

When all the data collected is looked at as a whole including information which could not be statistically correlated, this study offers ample insights about what affects organization performance and pinpoints many issues that could help many companies beyond the real estate industry. It shows a strong likelihood that more research on many of the issues explored in this study would be beneficial.

This study demonstrated that leadership and employee engagement play a major role in the successful alignment of strategy and structure. The combination of both is crucial during strategy formulation and implementation. This study also revealed that there is a significant link between employee engagement and financial results. The findings showed positive financial result for the aligned organization and negative financial results for the misaligned organization.

5.2 Implications, significance and recommendations

5.2.1 Employee involvement and strategy

(Denison, Hooijberg, Lane, & Colleen, 2012) [6], showed that when strategy formulation is done without involving the rest of the organization, the strategies are often poorly implemented.

Comparing the results between Company C and Company A clearly confirm these findings and expands on them as other research has by showing how alignment or lack of alignment affects implementation and financial results. It is essential for leaders and senior managers to understand the importance of involving employees in the strategy formulation process and cascading the formulated strategy through appropriate communication. This will guarantee employees buy-in so they will be actively involved in the implementation process.

Does alignment and involvement lead to better strategy? While there are exhaustive studies on great strategies, the effect of organization alignment, employee engagement and involvement on strategy creation has not been well researched. This would be a fruitful area for future study.

5.2.2 When the strategy changes, so should the alignment

Strategy formulation is not a standalone process. The Literature Review talked about the importance of changing and realigning the structure when strategies are changed or new ones introduced. "Structure supports strategy, strategy follows structure (Shapiro, 2006) [34]." As Company A demonstrated, senior management often does not pay enough attention to how the organization is structured and how this will impact implementation.

5.2.3 Awareness of the importance of alignment, employee engagement, culture and leadership

There has been a lot of theory and research on the alignment of strategy and structure and its effect on performance. It is unfortunate that senior management in some companies in Qatar and globally are not aware of it. Senior management needs to learn about the latest thinking on alignment, leadership, employee engagement and other issues that have been shown to have a direct effect on how their companies perform.

5.2.4 When the CEO changes that does not mean the strategy should change

A change in senior management does not mean the strategy of the organization should be changed as well. Normally, a strategy gives the organization a direction for at least three to five years. It is also an extension of the core business of the organization. Changing a strategy may require different attitudes and skill sets in employees, a different type of culture, different systems and more so strategic changes should only be made when absolutely necessary.

5.2.5 Clear and focused strategies

Clear and focused strategies that are core to the primary mission of a company are critical for early company growth and preferable for the long term as well. Horizontal expansion into businesses not related to the core mission requires a unique type of management expertise backed by high levels of alignment, employee engagement and a culture that can support it.

5.2.6 Better leadership at all levels improves performance

Leadership can drive engagement, culture and alignment which affect financial results. When this is added to Bersin & Associates research that shows the best leadership development programs actually improve financial performance, it is clear much more can be done in many companies to raise the average level of leadership effectiveness.

5.2.7 The impact CEOs have on performance

Putting all the information together from the interviews, employee engagement surveys and financial statements, it is clear that the CEO has a major and sometimes overwhelming impact on performance. It appears that the less aligned and engaged an organization, the greater the effect a CEO can have on how well it operates.

5.3 Conclusion

Both the Literature Review and this study confirm that employee engagement and leadership affect how well aligned an organization is with its strategy and that affects its financial performance. The concept of alignment itself turns out to be much larger than employee engagement and leadership so this study supports the importance of alignment and certain elements of it while calling out for more research using more comprehensive measures of alignment and culture.

5.4 Limitations

Only real estate development companies were studied. A mix of other industries would have strengthened the conclusions and be more influential to senior management.

Out of the four companies studied, only two had sufficient respondents to the employee engagement survey along with available financial information. Company D did not have a relevant sample of respondents to the employee engagement survey because they would not allow more employees to take it. Company B's financial information was not made available even with a confidentiality agreement. What started as a study of four companies, ended up being a complete study of only two companies with some things learned from the other two.

Interviews were designed to be conducted with staff from different levels and departments to evaluate and compare culture, involvement, communications and learn about their strategy. Some companies limited who could be interviewed. One limited interviews to only 30 minutes which did not allow the interviewer to ask all the interview questions. So the interviews were not an equally representative sample from each company for empirical comparison.

Employee engagement results provided data for one year only. The financial statements provided data for the previous seven years. If employee engagement surveys were available for all seven years, it would have provided more compelling conclusions.

A strategic alignment survey instrument does exist but has not been compared with employee engagement benchmark scores. An expanded research design that added a strategic alignment survey and statistically compared its results to the engagement benchmarks could test additional hypothesis.

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