

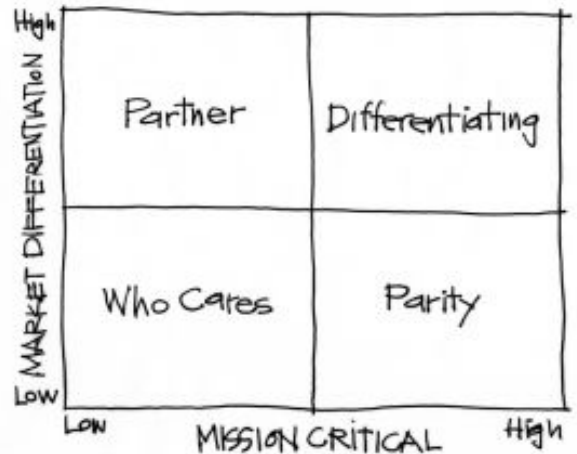
Purpose Based Alignment Model

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<http://www.kbp.media/purpose-based-alignment-model>

What it is

The Purpose Based Alignment Model, created by Niel Nickolaisen, is a method for aligning business decisions and process and feature designs around purpose. The purpose of some decisions and designs is to differentiate the organization in the market; the purpose of most other decisions is to achieve and maintain parity with the market. Those activities that do not require operational excellence either necessitate finding a partner to achieve differentiation or do not deserve much attention.

In practice, purpose alignment generates immediately usable, pragmatic decision filters that you can cascade through the organization to improve decisions and designs.



The quadrants explained

Differentiating

The purpose of the differentiating activities is to excel. Because you use these activities to gain market share and to create and maintain a sustainable competitive advantage in the marketplace, you want to perform these activities better than anyone else. For your organization, these activities are or should be its claim to fame. These activities link directly to your strategy. You should be careful to not under-invest in these activities, as that would weaken your market position. In fact, you should focus your creativity on these processes. What are the differentiating activities for your organization? It depends. It depends on the specific things you do to create sustainable competitive advantage.

Parity

The purpose of the parity activities is to achieve and maintain parity with the marketplace. Stated differently, your organization does not generate any competitive advantage if it performs

these activities better than its competitors. However, because these activities are mission critical, you must ensure that you do not under-invest in or perform these activities poorly. These activities are ideal candidates for simplification and streamlining, because complexity implies that you are likely over-investing. While there might be value in performing the differentiating activities in a unique way, performing the parity activities in a unique way will not generate value and could actually decrease the organization's value if your over-investment in parity processes limits the resources you can apply to differentiating processes.

Partner

Some activities are not mission critical (for your organization) but can nevertheless differentiate the organization in the marketplace. The way to exploit these activities—and generate increased market share—is to find a partner for whom those activities are differentiating and combine efforts to create this differentiation.

Who Cares

Finally, some business activities are neither mission critical nor market differentiating. The goal for these activities is to perform them as little as possible. We refer to these activities as the “who cares” processes. Because these activities are neither market differentiating nor mission critical, you should spend as little time and attention as possible on them. Who really cares?

When to use it

Purpose alignment works well when you need to do these things:

- Define business and IT strategic and tactical plans
- Align IT with business priorities
- Evaluate, plan, and implement large system projects
- Filter and design features and functionality
- Manage project scope
- Reduce resistance to process improvements
- Reduce waste by improving focus and resource allocation

Why use it

The Purpose Based Alignment Model provides a simple way to determine what activities to concentrate on, and how to deliver them. Through the characteristics of mission critical and market differentiating, it removes factors that merely act as distractions to decision making and helps the team focus.

How to use it

Follow these steps to engage in purpose alignment:

1. Present and explain the model.
2. Identify the business decisions and designs that differentiate your organization.
3. If it helps, you can validate your work using strategy, also known as sustainable competitive advantage, and strategic intent (e.g., cost leadership, product leadership, or best customer solution). Once you have identified the differentiating activities, you should be able to write a simple filtering statement or question that you can use to quickly evaluate future decisions and designs. Before moving on, determine whether any of the differentiating activities can best be delivered via a partnership.
4. Once you have defined the differentiating activities, almost all other activities will fall into the parity category.
5. If you are using the Purpose Alignment Model for strategic and tactical planning, you can next perform a gap analysis on the differentiating, parity, and partnering activities. Your plans should fill the gaps.
6. If you are using the Purpose Alignment Model to design projects, features, and functionality, you can now design around purpose. Design differentiating project elements, features, and functionality to help you win in the marketplace. Design parity project elements, features, and functionality to be good enough. Remember that the parity activities are mission critical and, therefore, cannot be done poorly. Nevertheless, they can be simplified and standardized so long as they deliver operational excellence.

Caveats and considerations

Remember the mission-critical nature of the parity activities. Culturally, we associate our self-worth and value to the organization with the process and business rules we control and use. This creates a natural tendency to want our process and business rules to be “differentiating.” If you don’t emphasize and communicate the mission-critical nature of the parity activities, people will resist the use of the model and its associated decision filters. Alternatively, they may attempt to contort their processes so they fall into the differentiating category. This defeats the effective use of the model.

What is a differentiating activity changes over time. As soon as you unleash on the market your improvements to your differentiating processes, business rules, functions, and features, the market can now mimic what you have done. Therefore, you need a focused, working innovation process that constantly updates your roadmap with new improvements to your differentiating activities.

What if a parity activity changes over time. Best practices for your parity activities can change. As soon as a process improvement becomes the new standard, it creates a parity gap that you need to fill. Of course, to fill the gap, you can then mimic what someone else has already invented rather than invent it yourself. Doing so requires an internal process to find and implement best practices.

Purpose is not priority. Purpose identifies the design goals of a process, business rule, function, or feature. It does not define the sequence in which the work on that process, rule, function, or feature must occur. That being said, purpose can provide a framework for strategic and tactical planning.

Analytics can be differentiating. If you can make better decisions, particularly about your differentiating processes, you improve your ability to compete in the marketplace. Analysis that seeks to better understand your differentiating processes can also be differentiating. Not all analytics are differentiating, however. For example, a large retailer that differentiates itself through its superior supply chain management focuses its unique and differentiating analytics on the supply chain, not necessarily on sales data.

Treat exceptions like exceptions. Automating processes to handle exceptions generally adds nothing but complexity to your organization, and very rarely differentiates the organization in a meaningful way. Avoid codifying the handling of exceptions to business rules.

Resource(s)

Pixton, Pollyanna; Nickolaisen, Niel; Little, Todd; and McDonald, Kent. [*Stand Back and Deliver. Accelerating Business Agility.*](#) Boston: Addison-Wesley, 2009