

# ALIGNMENT

## Using the Balanced Scorecard to Create Corporate Synergies

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The Web site for this book is at [www.bscol.com](http://www.bscol.com).

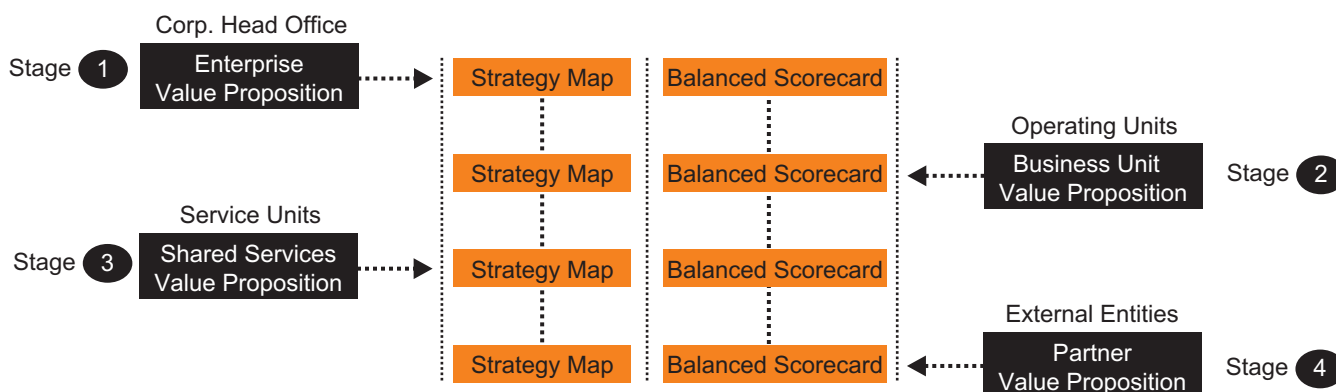
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**MAIN IDEA**

The whole idea of forming a corporation is to achieve synergies – the generation of more added than all the various parts of the corporation could achieve if they were acting on their own. All too often, however, opportunities for synergies are dissipated when business units work at cross-purposes or have conflicting goals. To correct such organizational problems, alignment is needed at the corporate level which will then cascade down in such a way business units, support functions, investors and even external partners are better coordinated.

The ideal mechanism for creating this degree of alignment is to develop an enterprise value proposition consisting of a Balanced Scorecard and a Strategy Map. This enterprise value proposition can then be used as a template for business units, support functions and external partners of the business to link and coordinate their activities. At the same time, the enterprise value proposition is also useful in explaining corporate activities to outside investors in a consistent way.

In practical terms, the best way for a corporation to generate synergies and add value is to get everyone working together on crafting well aligned Balanced Scorecards and Strategy Maps at the enterprise, business unit, shared-service and external partner levels. Once all these value propositions are compatible with each other, alignment just naturally follows, and so too will synergies.



**The Alignment Sequence**

(Note: Each alignment activity is an opportunity to create synergy and value).

**Foundation – Strategy Maps and Balanced Scorecards . . . . . Page 2**

A Balanced Scorecard uses four perspectives – financial, customer, internal process and learning – to describe how a business aspires to create shareholder value. A Strategy Map takes the four perspectives of the Balanced Scorecard and shows all the relevant cause-and-effect relationships.

**Stage 1 – Corporate headquarters specifies an enterprise value proposition . . . . . Pages 3 - 4**

The alignment process starts when corporate headquarters articulates an enterprise value proposition. This will not only clarify what the corporate priorities are but will also serve to create space where synergies can be developed. An enterprise-level Strategy Map and Balanced Scorecard are the foundation for creating synergies through alignment.

**Stage 2 – Operating units develop their own unique yet consistent value propositions . . . . . Pages 4 - 5**

Armed with the enterprise scorecard, each business unit can then develop its own Strategy Map and Balanced Scorecard which will be consistent with the enterprise equivalents. Doing this allows each unit to bring together whatever is needed to be able to compete aggressively in their local markets whilst at the same time contributing to corporate-level synergies.

**Stage 3 – Shared-services units develop their value propositions to support the operating units . . . . . Pages 6 - 7**

Next, shared-services units – human resources, information technology, finance, planning, etc. – develop Strategy Maps and Balanced Scorecards which support the business units and enterprise priorities. Doing this transforms these shared-service units from being viewed as discretionary expense centers to become strategic partners who help the operating units achieve their goals and objectives. This alignment can be either top-down or bottom-up depending on a wide number of corporate preferences and capabilities.

**Stage 4 – Additional alignment synergies are sought by working with external partners . . . . . Pages 7 - 8**

Finally, once all of the internal operating and services units are aligned, the enterprise can exploit any additional alignment opportunities which may arise through its relationships with external partners – customers, suppliers, joint venture partners and even shareholders. By making the company's Strategy Maps and Balanced Scorecard's act as a centralized and consistent information resource, added value can be created through better alignment. A consensus will emerge about the objectives of the alliance leading to better understanding and increased levels of trust. This, in turn, should lead to lowered transaction costs as there will be less operational misalignment and subsequent waste.

