

THE STRATEGY-FOCUSED ORGANIZATION

How Balanced Scorecard Companies
Thrive in the New Business Environment
ROBERT S. KAPLAN and DAVID P. NORTON

ROBERT KAPLAN is the professor of leadership development at Harvard Business School. Dr. Kaplan has written more than 120 papers and 10 books, including *The Balanced Scorecard: Translating Strategy Into Action*. He is a much sought after business consultant, public speaker, researcher and teacher on the design of performance and cost management systems.

DAVID NORTON co-authored *The Balanced Scorecard: Translating Strategy Into Action*with Dr. Kaplan and currently serves as president of Balanced Scorecard Collaborative Inc., a professional services firm. Dr. Norton is a highly accomplished and experienced management consultant, researcher and speaker, as well as the coauthor of a number of published articles.

The Balanced Scorecard Web site is located at http://www.bscol.com.

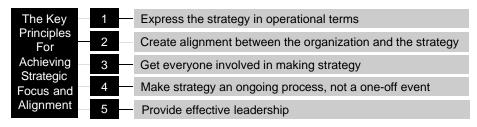
SUMMARIES.COM is a concentrated business information service. Every week, subscribers are e-mailed a concise summary of a different business book. Each summary is about 8 pages long and contains the stripped-down essential ideas from the entire book in a time-saving format. By investing less than one hour per week in these summaries, subscribers gain a working knowledge of the top business titles. Subscriptions are available on a monthly or yearly basis. Further information is available at http://www.summaries.com.



MAIN IDEA

Highly productive organizations implement strategy exceptionally well. In fact, they typically place more emphasis on execution than on strategy formulation. And once their strategy has been articulated, high performers concentrate on focusing and aligning all their resources (human, capital, technology and leadership) behind putting that strategy into action.

So how do they do that? High performers measure and manage their strategy using a "Balanced Scorecard" approach. In particular, they apply five key principles:



In practice, high producers use a Balanced Scorecard as the central framework of their performance management processes, thereby making strategy a continuous process owned by everyone in the organization, not just the top managers.

The best strategy in the world cannot be executed effectively if it cannot be understood by the people involved. And any strategy which cannot be adequately described cannot be understood. Therefore, the first step in creating management processes for the implementation of strategy must be to construct a reliable and consistent framework for describing strategy.

The best framework for describing strategy is:

- 1. Use strategy maps outlining all the relationships.
- 2. Construct Balanced Scorecards performance measures.

Organizations exist to create synergy – additional benefits that could not be achieved by business units working individually. Yet many business units have their own specialist knowledge and language, making it difficult for communication to occur.

Strategy-focused organizations break through this barrier and create an environment where synergy can grow by:

- 1. Linking business units to the organization's strategy.
- 2. Anchoring shared services units in the strategy.

Every employee of a strategy-focused organization understands the strategy and is expected to find improved ways to conduct their day-to-day business so they contribute to the success of that strategy.

To achieve that takes:

- 1. Strategic awareness at every level of the organization.
- 2. The setting of aligned personal and team objectives.
- 3. A compensation scheme linked to the strategic objectives.

In a strategy-focused organization, feedback loops exist which allow business strategy to be updated and managed continuously. That way, strategy becomes an integral part of the business rather than something that is done once a year and then becomes progressively more irrelevant to present circumstances.

The two key feedback loops are:

- 1. Linking strategy to the budgeting process.
- 2. Learning and adapting processes.

Without the active personal involvement of the organization's executive team, no strategy will ever succeed, particularly because strategy implementation always means change somewhere in the organization.

Thus, effective business leaders:

- 1. Start out focusing on mobilization creating momentum.
- 2. Next focus on governance issues to guide transitions.
- 3. Finally consolidate with a strategic management system.

Summaries.Com

The Ultimate Business Library



We condense **300+ page** business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

Knowledge is Power — Invest in Your Future

For just \$2 per week, you will...

- > Learn from the mistakes and success of the smartest people in business;
- > Get fresh ideas, strategies & motivation that could be worth millions to you;
- > Follow emerging trends, so you can catch the wave before your competitors do;
- > Catch up on the classics you always wanted to read.

