

THE STRATEGY-FOCUSED ORGANIZATION

How Balanced Scorecard Companies
Thrive in the New Business Environment

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

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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:

The Key Principles For Achieving Strategic Focus and Alignment	1	Express the strategy in operational terms
	2	Create alignment between the organization and the strategy
	3	Get everyone involved in making strategy
	4	Make strategy an ongoing process, not a one-off event
	5	Provide effective leadership

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.

Principle #1 – Express the strategy in operational terms Pages 2 - 3

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.

Principle #2 – Create alignment between the organization and the strategy Page 4

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.

Principle #3 – Get everyone involved in making strategy Page 5

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.

Principle #4 – Make strategy an ongoing process, not a one-off event Page 6

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.

Principle #5 – Provide effective leadership Pages 7 - 8

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.

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