The strategy-focused organization.
How Balanced Scorecard Companies thrive
in the new business environment.
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This book shows how five principles transform the Balanced Scorecard from a tool for performance measurement to a tool for creating a strategy-driven performance management company.

Research shows that a lot of companies have difficulties to execute the strategies they need to remain in business. One of the reasons is that the strategies, and the business issues behind them, are changing constantly and the tools for measuring the effectiveness of these strategies have not kept peace.
The decentralized nature of business today values more intangibles (knowledge, capabilities, relationships) than the tangible assets (equipment, property …)

The Balanced Scorecard was initially conceived as an organizational performance measurement tool that included non-financial as well as financial measures. By introducing five principles the Balanced Scorecard becomes a strategic tool.

Principle 1: translate strategy into operational terms.

Strategy has to be understood if to be executed. Use strategy maps of cause-and-effect linkages to describe how intangibles are mobilized and combined with other assets to create value-creating customer value propositions.

You can look at this from four different perspectives:

1/ Financial: strategy for growth, profitability and risk from the view of the shareholder.
2/ Customer: strategy for creating value and differentiation from the view of the customer.
3/ Internal business processes: strategic priorities for various business processes, creating customer and shareholder satisfaction.
4/ Learning and growth: priorities to create a climate that supports organizational change, innovation and growth.

Principle 2: align the organization to the strategy.

In a lot of cases the different business units are defining their strategies, but the organization forgets to bring them together, to align and to link them. Synergies from interactions between those units must be explicitly recognized.

A corporate scorecard can clarify two elements of a corporate level strategy:

1/ Corporate themes: values, beliefs and ideas that reflect the corporation's identity and must thus be shared by all business units.

2/ Corporate role: actions mandated at the corporate level that create synergies at the business unit level.

Synergies can be created by aligning the internal units that provide shared services.

The challenge for such a unit is to be responsive to the strategies and the needs of the business units it serves. Alignment is impossible by creating a Balanced Scorecard for this unit.

The linkage between business unit and shared services unit scorecards requires four components:

1/ A service agreement (defining expectations about services and costs)
2/ A shared service unit scorecard (reflecting strategy to support the service agreement)
3/ A linkage scorecard (accepting accountability for improving selected measures)
4/ Customer feedback (from business units on performance of service unit)

Principle 3: make strategy everyone's everyday job.

Employees must be aligned to the strategy in order to create value. Following factors require intense alignment to organizational objectives:

- Companies focus on employee satisfaction (compensation, benefits..) but this is not implying commitment from the employee to the goals of the company.
- Companies claim that employees are their most valuable asset, but they do not check often employee attitude and skills.
- Not all employees are equally important to employers, so companies do not always give the best compensation or training to the employees who directly affect the customer experiences and relationships.
- Companies involve customers more directly in hiring, training and rewarding of key employees.

If you want employees to implement strategies you have to give them the possibility to come up with innovative ideas that make strategies work.

Three processes can help you align employees to your strategy:

1/ Create strategic awareness: people must learn about and understand the strategy first. Communications programs should have following objectives: develop an understanding; develop buy-in to support; educate about Balanced Scorecard measurement and provide feedback about the strategy.
2/ Defining personal and team objectives
3/ Link compensation to the Balanced Scorecard

Principle 4: make strategy a continual process.

Companies manage operations usually completely different than strategies. Strategy-Focused organizations use a 'double-loop' process, integrating the management of budgets and operations with the management of strategy. This system allows you to do three essential things :

- Link strategy and budget
- Close the strategy loop
- Test, learn and adapt

The authors differentiate operational budgets and strategic budgets.
Operational budgets consists of a forecast of revenues expected from sales of goods and services and the expenses expected for the production and ales.
Strategic budgets foresee initiatives required to close the planning gap

between desired breakthrough performance and the performance possible though continuous improvement and business as usual.

Principle 5 : mobilize change through executive leadership

Leaders (in the book you will find examples such as Jack Welch) who were successful set remarkable goals, goals that fell far outside their organizations' comfort zones and that required a total commitment. These leaders also recognized the benefits of using measurement to lead their change efforts. Critical elements for growth strategies are :

- Targeted customers
- Value propositions towards customers
- Innovations in products, services and processes
- Investments in people and systems

Gaining the hearts and minds of all middle-managers, technologists, sales forces, frontline employees and back-office staff is the key to success. Therefore leaders should develop their visions of what success would look like and the outcomes they wanted to achieve.

But the authors acknowledge also pitfalls in implementing the Balanced Scorecard management systems:

A/ Design failures:
This occurs when you build poor Balanced Scorecards or when they are not aligned.

B/ Process failures:
- Lack of senior management commitment
- Too few individuals involved
- Keeping the scorecard at the top
- An over-long development process
- Treating the Balanced Scorecard as a systems project

- Hiring inexperienced consultants
- Introducing Balanced Scorecard for compensation only