

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:

| | | |
|--|---|--|
| 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.

Principle #1 Express the strategy in operational terms

Main Idea

The best strategy in the world cannot be executed 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.

Supporting Ideas

Use strategy maps – outlining all the relationships

Strategy maps outline all the cause-and-effect linkages between what an organization's strategy is and what everyone does on a day-to-day basis. Specifically, strategy maps:

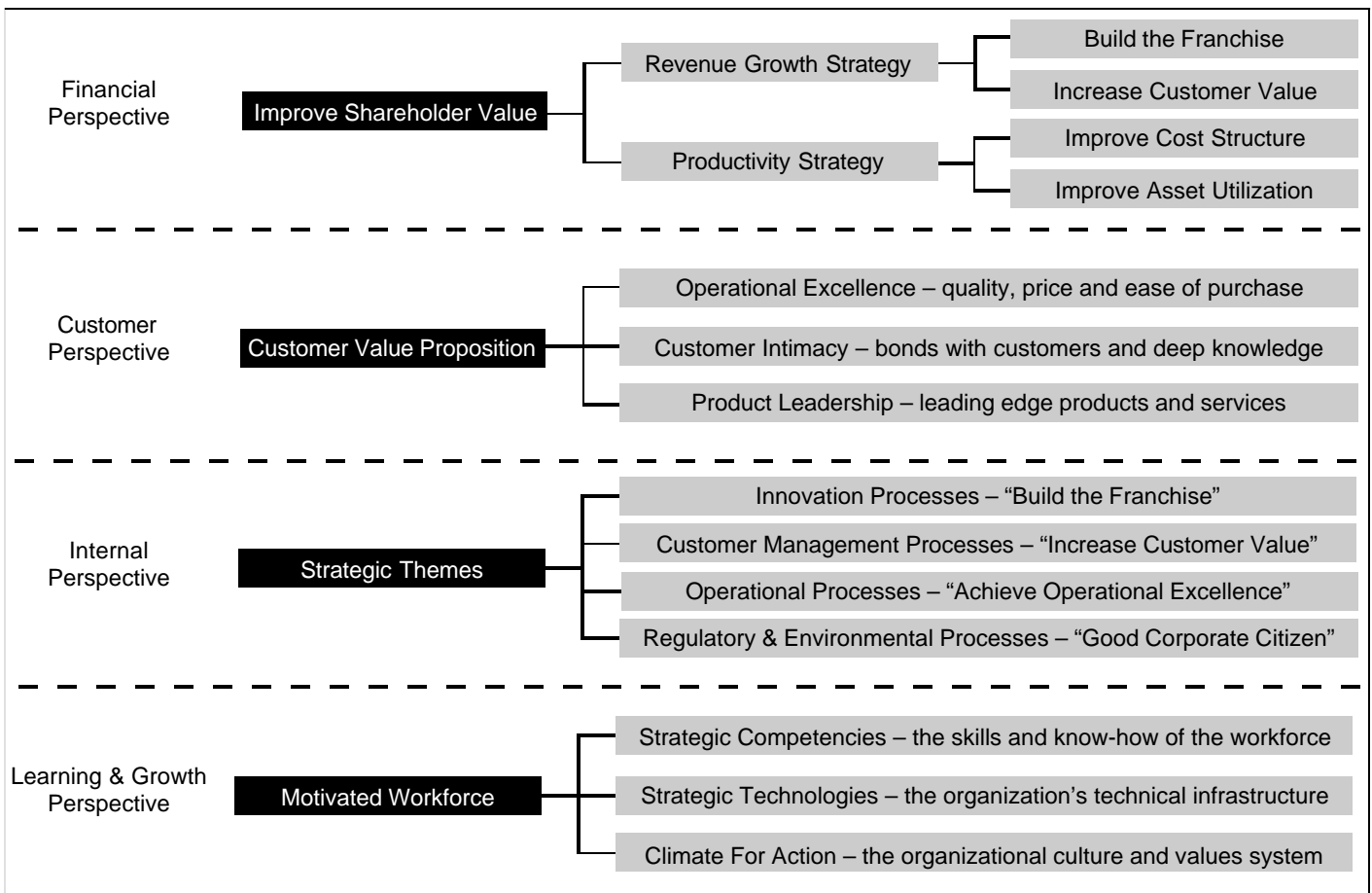
- Describe how tangible and intangible assets are mobilized.
- Outline how assets of all types are combined to create customer value propositions which add value.
- Specify how the desired financial outcomes will be realized.
- Detail the relationships between shareholders, customers, business processes and competencies.
- Provide a foundation for building a Balanced Scorecard.

Thus, strategy maps are a logical and comprehensive way to describe an organization's strategy in a graphical format. A good test of a strategy map is whether or not someone can understand the strategy of the organization by studying the strategy map alone without any additional commentary.

The practical benefits of strategy maps are:

- They enhance teamwork since everyone in the organization will be working towards a common objective.
- They allow every part of the organization to understand the bigger picture issues and where they fit in.
- Strategy maps are a disciplined way of communicating the strategy, increasing the likelihood of successful implementation.
- They form a link between objectives and operational actions.
- Strategy maps make explicit all the cause-and-effect relationships which are assumed to be applicable to the organization.
- They explain how tangible and intangible assets are combined or utilized to produce tangible customer and financial outcomes.
- Strategy maps detail how the organization intends to differentiate itself in a sustainable fashion.

In a strategy-focused organization, it's not just the top management who understand what the organization's basic strategy is. Everyone at every level understands the strategy and relates it to their daily activities. A strategy map is a key tool in getting everyone on the same page at the same time.



Construct Balanced Scorecards – performance measures

Balanced Scorecards build on strategy maps by adding the measures (both financial and nonfinancial) by which success will be evaluated. Specifically, for each of the four perspectives (financial, customer, internal and learning/growth), Balanced Scorecards specify the appropriate parameters:

- Objectives – tangible or intangible.
- Measures – how results will be determined.
- Targets – near-term goals.
- Initiatives – what’s being done.

Good Balanced Scorecards include both lag indicators (which measure what has been achieved thus far) and lead indicators (which measure what is being done today to produce results in the future).

While the actual format of a Balanced Scorecard will always be organization specific and unique, each Balanced Scorecard will have an underlying architecture which evolves around four key questions:

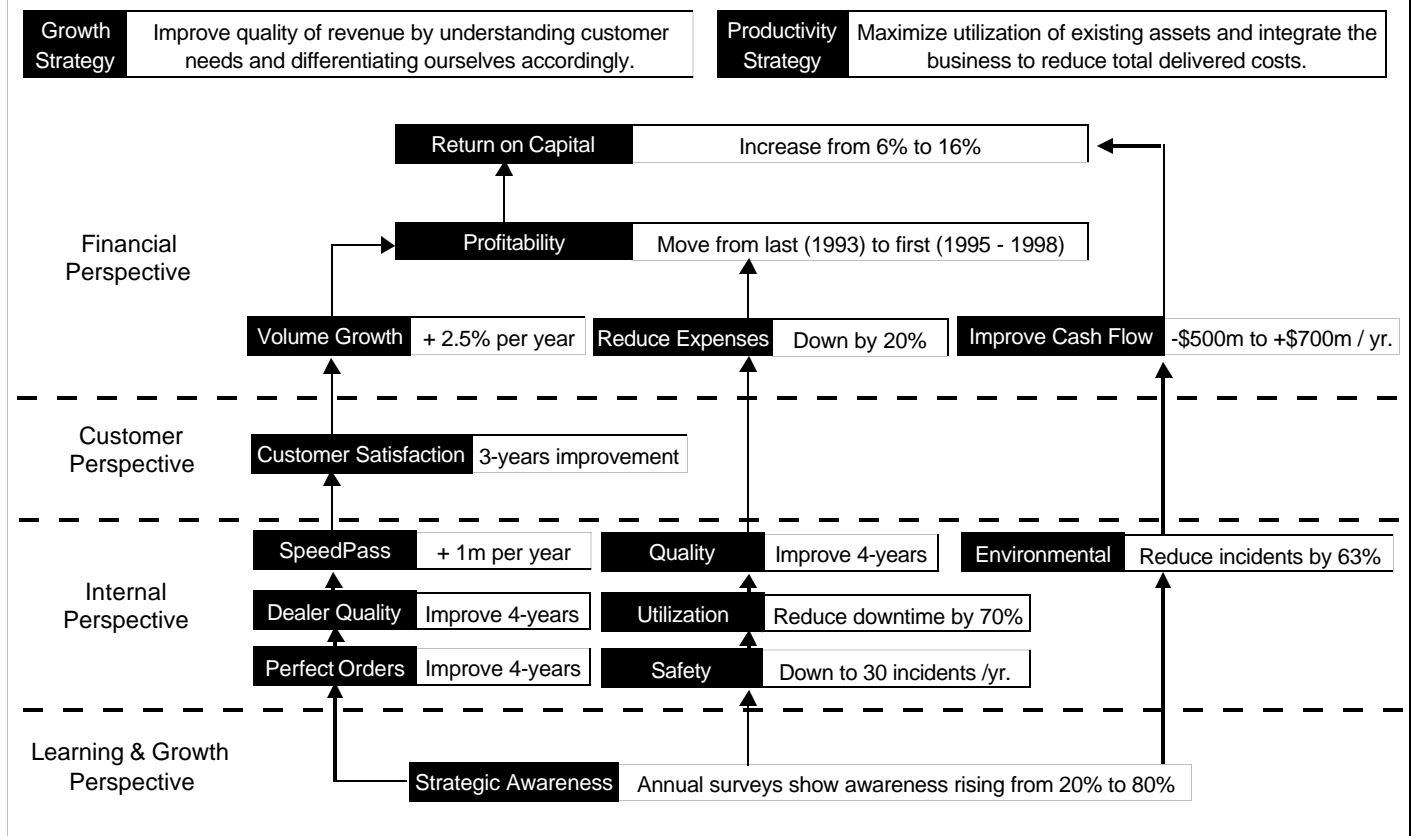
1. Financial Perspective
“If we succeed, how will we look to our shareholders?”
2. Customer Perspective
“To achieve our vision, how must we look to our customers?”
3. Internal Perspective
“To satisfy customers, at what processes must we excel?”
4. Learning and Growth Perspective
“To achieve our vision, how must we learn and improve?”

Balanced Scorecards are effectively the cornerstone of a strategic management process because:

- They allow everyone to use the same measures in evaluating how the organization is performing in creating added value for current and future customers.
- Both financial and nonfinancial measures are incorporated, more accurately reflecting the way value is being created in the knowledge economy.
- Balanced Scorecards provide a framework which can be used to describe and communicate strategy in a consistent way, allowing greater insights to evolve.
- They break down exactly how the organization creates added value, allowing each process to be optimized and enhanced over time.
- Balanced scorecards encourage alignment between executive teams, business units, human resource managers, information technology departments and front-line staff.
- They allow strategy to be articulated in a way that can be understood and acted upon by everyone.
- Balanced scorecards enhance organizational alignment and consistency in purpose.
- They empower all employees to act in new and different ways to create more added value.
- They provide flexibility and the ability to change direction.

In short, by using a Balanced Scorecard, organizations increase the likelihood they will be able to execute the organization’s strategy successfully.

Example of a Balanced Scorecard – Mobil North America Marketing and Refining



Principle #2

Create alignment between the organization and the strategy

Main Idea

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.

Supporting Ideas

Linking business units to the organization's strategy.

All business units that use the Balanced Scorecard to map and express their strategies will be structuring what they do and how they measure the result generated in four perspectives – financial, customer, internal and learning/growth. This effectively provides a common framework by which business units in different industries, with different customers and employing different strategies, can find common ground. And it is in those common ground areas that potential synergies exist.

Balanced Scorecards do an excellent job of clarifying two key elements of corporate strategy:

1. The values, beliefs, ideas or themes that collectively make up the corporate culture.
2. The difference between actions which are directed and mandated at corporate level and those which are left to each individual unit to decide.

So how do organizations use Balanced Scorecards to create synergy? There are a myriad of possibilities including:

- Creating an efficient internal capital market – allowing capital to move wherever it will generate the greatest value.
- Creating one-stop shopping for customers for a broad set of products and services.
- Sharing of customer databases between business units – to enhance marketing results and create cross-selling opportunities.
- Sharing common business processes – thus allowing the costs to be amortized across a broader number of revenue streams.
- Increasing the efficiency of distribution systems by allowing multiple product and brand divisions or business units access to those distribution systems.
- Allowing new technologies and knowledge derived elsewhere in the organization to be used in other applications to create superior products in different market sectors.

Since Balanced Scorecards contain the objectives desired, the performance drivers needed and the criteria by which success will be measured, it becomes easier for individual business units to make meaningful contributions to the overall corporate objective. Everyone will be operating on the same page and heading in a single direction. When the advantages of scale are combined with the benefits of specialization, some significant amounts of synergy can result.

Anchoring shared services units in the strategy.

Logically, it makes good commercial sense for organizations to share services like purchasing, procurement, manufacturing, real estate management, distribution and maintenance. Avoiding duplication can result in substantial savings and economies of scale. The real world challenge, however, is always to make those shared services as responsive to the strategies and needs of each business unit as possible.

Organizations which use the Balanced Scorecard approach find it becomes much easier to link shared service business units together in ways that are aligned with the overall corporate strategy. In practice, there are two models which are commonly used in these situations:

1. *The Strategic Partner Model.*

Under this approach, each business unit develops its own Balanced Scorecard which reflects that unit's business strategy and priorities. The shared service units of the corporation then become partners, finding ways to deliver whatever products and services which will add the greatest value for each business unit. Each shared services unit may even develop its own Linkage Scorecard which identifies the specific measures on the business unit's Balanced Scorecard which the shared services unit accepts responsibility for.

Under the strategic partner model, the working arrangement between the business units and the shared services unit is specified and evaluated by:

- Formal service agreements.
- The shared service unit's own Balanced Scorecard.
- A Linkage Scorecard with measures from the business unit.
- Periodic customer feedback.

2. *The Business-in-a-Business Model.*

This approach proposes each shared services unit views itself as a virtual business, with the business units as its customers. The shared services unit then develops its own Balanced Scorecard which effectively defines how the entire business relationship will be evaluated.

Regardless of which model is used, the overall objective is to enhance the creation of synergy. By anchoring shared service units directly in alignment with the business strategy of the organization:

- It becomes easier to align the efforts of shared service units with the priorities of customers.
- A basis for accountability and measurement is established.
- It becomes possible to measure and track the performance of each business and shared services unit separately.
- A culture of customer-based performance and ongoing improvement is built.
- Opportunities for integration and synergy will become apparent over time.
- The processes by which customer value is created can be optimized one at a time.
- Opportunities to share intellectual capital (like key personnel or information systems) will be expanded.

In sum total, the interactions between business units and shared services units will be raised to a greater level of excellence by using the Balanced Scorecard approach.

Principle #3 Get everyone involved in making strategy

Main Idea

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.

Supporting Ideas

Strategic awareness at every level of the organization.

Until employees know what the organization's strategy is, they are in no position to contribute in meaningful ways or use their initiative to help implement strategy successfully. Thus, business leadership teams need to communicate the strategy to everyone in their organization and find ways to reinforce it as consistently and thoroughly as possible.

To be most effective, this type of communications program should:

- Develop an appropriate and thorough understanding of the organization's strategy with each person in the organization.
- Build buy-in support – especially from the people responsible for implementation.
- Educate about how the strategy will be measured, evaluated and managed – the basics of the Balanced Scorecard methodology.
- Provide the opportunity for feedback to be given.

How this communication program is delivered will vary from organization to organization. Some of the most common communication channels used include:

- In-person meetings – individually or in town meeting format.
- Printed materials – brochures, newsletters, bulletin boards.
- Formal training and educational programs.
- Online materials – Web sites, interactive diagrams, etc.

The setting of aligned personal and team objectives.

A strategy will only become meaningful to employees when it is translated into their personal goals and daily objectives. In other words, until employees understand how their daily actions can influence the success or failure of a strategy, it is simply a theoretical exercise. As soon as they link what they actually do with where the organization as a whole is heading, strategy takes on a much more vital perspective.

So how do strategy-focused organizations link the organization's strategy with personal and team objectives? There are several possibilities:

1. *Try a "Super Bowl" approach.*
Run an internal competition around results from four or five critical measures from the Balanced Scorecard. Whoever produces the best results gets a huge prize.
2. *Build better alignment with strategic initiatives.*
Link the work on new programs with the ways those new initiatives will impact on specific Balanced Scorecard measures.

3. *Integrate with existing planning and quality processes.*
Introduce new measures (like Point-of-Contact, for example) which link directly what front-line employees do each day with the overall business goals, expanding and building on the measures traditionally used.
4. *Integrate with human resource processes.*
Make the organization's Balanced Scorecard come alive by specifying linkages between the financial objectives and employee development and growth programs.
5. *Develop Personal Balanced Scorecards.*
Let each employee construct their own Balanced Scorecard which can be used to link personal development goals and measures with the organization's performance.

Compensation scheme linked to the strategic objectives.

If employees see that when the organization is successful, they get a tangible share of the rewards, their motivational levels will soar. The best and most direct way of establishing this linkage is through the use of incentive and reward systems directly linked to the organization's Balanced Scorecard.

The best incentive and compensation programs:

- Are introduced gradually – over a period of six- to twelve-months – allowing time for employees to learn, for the measures to be refined and for any unintended consequences to surface before any major problems evolve.
- Use objective, outcome-based measures which can be stated definitively rather than soft criteria which measure task and activities qualitatively. The less subjective measures are used, the better the system will operate.
- Are simple, usually based on between four to seven statistical measures rather than an array of numbers.
- May have several layers – rewarding people for what they achieve individually, as part of a team, as a member of a business unit and organization wide.
- Are flexible and updated frequently to allow the organization to change its value proposition, business processes and technology to respond to changing market conditions.

Naturally, employees pay a great deal of attention to their incentive pay opportunities. Therefore, when each individual understands how much they are paid is linked to the achievement of the organization's strategic objectives, strategy will truly become part of what they do everyday.

Key Thoughts

"Strategy-focused organizations understand well the importance of engaging and aligning all of their employees to the strategy. Ultimately, the employees are the ones who will be implementing the strategy. Companies look to their front-line employees for new ideas, as well as information on market opportunities, competitive threats and technological possibilities. The Balanced Scorecard provides organizations with a powerful tool for communication and alignment. It focuses the energies and talent of employees on the organization's strategic objectives."

– Robert Kaplan and David Norton

"Individuals far from corporate and regional headquarters are the ones who find improved ways of doing business that will contribute to achieving the organization's objectives."

– Robert Kaplan and David Norton

Principle #4

Make strategy an ongoing process,
not a one-off event

Main Idea

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.

Supporting Ideas

Linking strategy to the budgeting process

Many organizations use budgets as their primary management system for establishing targets, allocating resources and evaluating performance. This has several disadvantages, however – management attention gets focused on short-term results rather than growing the business and decision making becomes too centralized and thus less responsive.

Strategy-focused organizations try an altogether different approach – they develop two types of budgets:

1. *Operational budget.*

This budget focuses on the efficiency of departments, functions, resources and line items. It can be used to authorize expenditure based on anticipated short-term demand. The operational budget will also forecast anticipated expenses, both in maintaining existing customers and in winning new customers. Ideally, a good operational budget should be dynamic and variable rather than static so changes in present market conditions can be responded to.

2. *Strategic budget.*

A strategic budget will focus on long-term, discretionary funding for new business initiatives which are not expected to generate any immediate term revenue streams. Thus, the strategic budget provides funding for the development of the new products and services which will win new customers in the future. With any luck, the strategic budget should enable breakthroughs to be achieved rather than incremental growth on the foundation of current operations.

By differentiating the two budgets in this manner, strategy-focused organizations can hold managers responsible and accountable for achieving the short-term performance targets aligned with the operational budget. At the same time, the resources allocated through the strategic budget and the strategic initiatives undertaken in that area will be accounted for separately.

This twin budget approach also has another important advantage. In practice, the operational budget is really all about managing tactics. The strategic budget, by contrast, allows an organization to actually manage its strategy. Very few organizations ever spend enough time on high-level strategic planning. Having a separate and distinct strategic budget across the organization encourages more strategic thinking to take place.

Learning and adapting processes.

Strategy-focused organizations must constantly assess whether or not their strategy is working in light of present market conditions. Otherwise, the Balanced Scorecard management system will simply help the organization fail that much faster, since all its energies and resources will be focused on implementing a losing strategy.

In other words, strategy-focused organizations must learn and adapt continuously. They collect and analyze feedback so that unprofitable strategies can be identified early and then corrected before too much damage is done. Strategies can be tested and updated using three types of internal processes:

1. *Analytical – test assumptions, use simulations.*

With a Balanced Scorecard and a strategy map, a number of cause-and-effect linkages are made. These are really just assumptions about how the world works and they need to be examined and tested for accuracy regularly. This can be done by statistical analysis to see whether or not they are accurate, and once enough data becomes available, the various assumptions can be projected forward. That will allow a model of the organization and its strategy to be built so various changes can be evaluated theoretically before real world implementation.

2. *Study the impact of external discontinuities.*

The actions of competitors and overall conditions existing in the marketplace have a direct impact on strategy-focused organizations. In fact, the external business environment will dictate strategy, and many Balanced Scorecard measures will be calibrated against how well peers do in those same areas. Thus, the management should study any changes in the competitive environment on a regular basis and determine how strategy will need to be modified to allow for or take advantage of those external changes. And all of the organization's employees should be encouraged to contribute to the gathering of market intelligence, both good and bad news.

3. *Identify and support emergent strategies.*

Often, successful strategies start as local initiatives or experiments which then get duplicated. Therefore, it makes good sense for the management team to periodically (at least quarterly) assess the viability of any local projects that are achieving growth in new and unexpected ways. In addition, employees should be encouraged openly to send e-mail or post ideas on public discussion boards or the corporate Intranet site.

The fact that everyone in a strategy-focused organization has access to and understands the Balanced Scorecard greatly amplifies the organization's overall ability to identify and solve problems, create new opportunities and share knowledge. Instead of just the management team understanding the bigger picture issues and the various linkages involved, everyone can get involved. In practice, this tends to work best if meetings are structured around the measures and targets incorporated into the Balanced Scorecard. By being consistent, everyone in the organization is empowered to make suggestions and put forward creative ideas which are outside the normal functional and departmental boundaries. Some of the most creative ideas will come from the people who aren't restricted in their thinking to the way things have always been done in the past.

Principle #5

Provide effective strategic leadership

Main Idea

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.

Supporting Ideas

Mobilization – creating momentum

Every Balanced Scorecard program will be a change project for the organization as it transforms itself to be better aligned with what it must do to succeed in the future. For any change to stick, it has to begin at the top. Specifically, business leaders of the strategy-focused organization must do three important things:

1. *Establish a sense of urgency.*
Smart business leaders will always find a compelling reason why urgent change is warranted. For example:
 - To reverse poor performance.
 - To respond competitively to a changing environment.
 - To stretch the organization so it achieves more.
 In other words, effective leaders create a climate within the organization where change is welcomed because it is realized that what worked in the past will not work in the future.
2. *Create a guiding coalition.*
To drive a change project forward, an executive coalition will be required to provide ongoing guidance and refinement. In practice, this guiding coalition tends to be made up of all those executives who assisted in creating the Balanced Scorecard for the organization. The process of building the scorecard simultaneously builds the management team and the team's commitment to the strategy. The Balanced Scorecard then becomes the vehicle by which that strategy is realized. Those who are involved in building the scorecard will have a vital interest in making it work, and in securing the contributions of everyone in the organization to that end.
3. *Develop a vision and strategy.*
A shared vision and strategy for realizing that vision builds a team ethos that's important and necessary for the organization to move forward. This is especially true for a collection of business unit managers, who will usually be intensely focused on their specific area of specialization. The Balanced Scorecard provides a logical framework and a structured approach everyone can relate to. When managers work together to address the various strategic issues, there will frequently be cross fertilization of ideas as a teamwork culture emerges. That can unleash previously hidden reserves of creativity and original thinking.

Ultimately, the ability to create an effective strategy-focused organization depends more on leadership than it does on structural or design issues. If the management team create the right kind of momentum for change, impressive results can be achieved.

Governance issues – guidance for transitions

Once a change project has been launched successfully, the attention of the organization's leaders will then shift to the practical matters of how the transition will be guided or governed. In practical terms, this will usually involve three integrated steps:

1. *Define the new cultural values of the organization.*
In its purest form, the Balanced Scorecard is a new measurement framework which reflects the drivers of future performance and the ways in which new value will be created.
2. *Demonstrate those new cultural values in a meaningful way.*
The more dramatic the way these new values can be demonstrated, the more enthusiasm that will exist for the transition process. Good business leaders find ways to add impact to change projects.
3. *Continue to reinforce and strengthen the new cultural values.*
In essence, this will mean breaking with tradition, or tearing down the power-based structures which have historically existed within the organization. The more thorough this job is completed, the better the foundation that will be laid for the successful introduction of a Balanced Scorecard program.

Create a strategic management system

In order to consolidate progress and reinforce the organizational changes which have occurred, business leaders need to modify their long-term management systems. Typically, this will involve:

1. *Aligning executive compensation and Balanced Scorecards.*
Nothing will sustain and enhance momentum and interest in a change project like aligning every compensation package with the results. Everyone will follow every change and nuance in the change program intensively if that's the case. Smart business leaders know that, and they align everyone's compensation directly with the Balanced Scorecard.
2. *Linking planning/budgeting to the Balanced Scorecard.*
Budgeting is always a major control system for any organization. Strategy-focused organizations always align their budgeting process directly with their Balanced Scorecard change project objectives.
3. *Creating a strategic management system.*
The Balanced Scorecard is an interactive business control system. That is, it encourages dialogue throughout the organization to drive learning and improvement. As a result, strategy-focused organizations are learning organizations where people are encouraged to identify local actions and initiatives which can be taken consistent with the overall strategy. That's also tremendously empowering for people at all levels of the organization, who literally become educated in every facet of the strategy. The change project should generate loads of probing questions, discussion, passionate debate and broad dialogue throughout the entire organization. And ideally, the focus of this ongoing communication will not be on explaining the past but learning how to prosper in the future.

Overall, the Balanced Scorecard provides a sound foundation for building and maintaining a world class strategic management system when properly implemented.

Key Thoughts

"THE ABILITY TO EXECUTE STRATEGY. A study of 275 portfolio managers reported that the ability to execute strategy was more important than the quality of the strategy itself. These managers cited strategy implementation as the most important factor shaping management and corporate valuations. This finding seems surprising, as for the past two decades management theorists, consultants and the business press have focused on how to devise strategies that will generate superior performance. Apparently, strategy formulation has never been more important. Yet sophisticated investors have come to realize that execution is more important than good vision."

– Robert Kaplan and David Norton

"Management is a set of processes that can keep a complicated system of people and technology running smoothly. Leadership is a set of processes that creates organizations in the first place or adapts them to significantly changing circumstances. Successful transformation is 70 to 90 percent leadership and only 10 to 30 percent management."

– John Kotter, author, *Leading Change*

"The Balanced Scorecard provides a framework to describe and communicate strategy in a consistent and insightful way. We can't expect to implement strategy if we can't describe it. Unlike in the financial domain where standard frameworks such as general ledgers, income statements and balance sheets exist to document a financial plan, no generally accepted frameworks exist for describing strategy. There are as many ways of describing a strategy as there are strategy theorists and methodologies. Strategy maps and Balanced Scorecards constitute the measurement technology for managing in a knowledge-based economy. By translating their strategy into the logical architecture of a strategy map and Balanced Scorecard, organizations create a common and understandable point of reference for all their units and employees."

– Robert Kaplan and David Norton

"Much like a navigator guiding a vessel on a long-term journey, always sensing the shifting winds and currents and adapting the course, the executives of successful companies use the ideas and knowledge generated by their organization to constantly fine-tune their strategies. Instead of being an annual event, strategy becomes a continual process. Rather than waiting for next year's budget cycle, the priorities and the scorecards can be updated immediately."

– Robert Kaplan and David Norton

"For good executives, there is no 'steady state'. By embedding the new strategy and new culture into a management system, however, companies can create a barrier to future progress. The competitive landscape is constantly changing, so strategies must constantly evolve to reflect shifts in opportunities and threats. Strategy must be a continual process. The art of leadership is to delicately balance the tension between stability and change."

– Robert Kaplan and David Norton

"Strategy-focused organizations use the Balanced Scorecard to place strategy at the center of their management processes. The Balanced Scorecard makes a unique contribution by describing strategy in a consistent and insightful way. Before the development of strategy scorecards, managers had no generally accepted framework for describing strategy. They could implement something they couldn't describe well. So the simple act of describing strategy via strategy maps and scorecards is an enormous breakthrough."

– Robert Kaplan and David Norton

"Creating a strategy-focused organization is not easy or short. It requires commitment and perseverance. It requires teamwork and integration across traditional organizational boundaries and roles. The message must be reinforced often and in many ways. But organizations that sustain the effort and maintain adherence to the five principles will avoid the pitfalls and be on the road to breakthrough performance."

– Robert Kaplan and David Norton

"How do you get 6,000 people's minds aligned to the strategy? How do you get the functions people are performing aligned with the businesses they are supporting? The Balanced Scorecard became my key communicating vehicle for reporting, planning and budgeting processes. It shifted us from a bureaucratic, autocratic, top-down company with people working within organizational silos to one that was streamlined and participatory, had top-down and bottom-up communication, and with people that worked across organizational boundaries."

– Gerry Isom, CIGNA Property & Casualty

"Ultimately, however, the ability to create a strategy-focused organization depends less on structural and design issues and much more on the leadership of the organization's senior executive. The lead executive creates the climate for change, the vision for what the change can accomplish and the governance process that promotes communication, interactive discussions and learning about the strategy."

– Robert Kaplan and David Norton

"The greatest problem with communication is the illusion that it has been accomplished."

– George Bernard Shaw

"The Balanced Scorecard has evolved since we first developed and introduced the concept as a new framework for measuring organizational performance. It was originally proposed to overcome the limitations of managing only with financial measures. Financial measures reported on outcomes, lagging indicators, but did not communicate the drivers of future performance, the indicators of how to create new value through investments in customers, suppliers, employees, technology and innovation. The Balanced Scorecard provided a framework to look at the strategy used for value creation from four different perspectives: financial, customer, internal business processes and learning/growth. In effect, the Balanced Scorecard became the operating system for a new strategic management process."

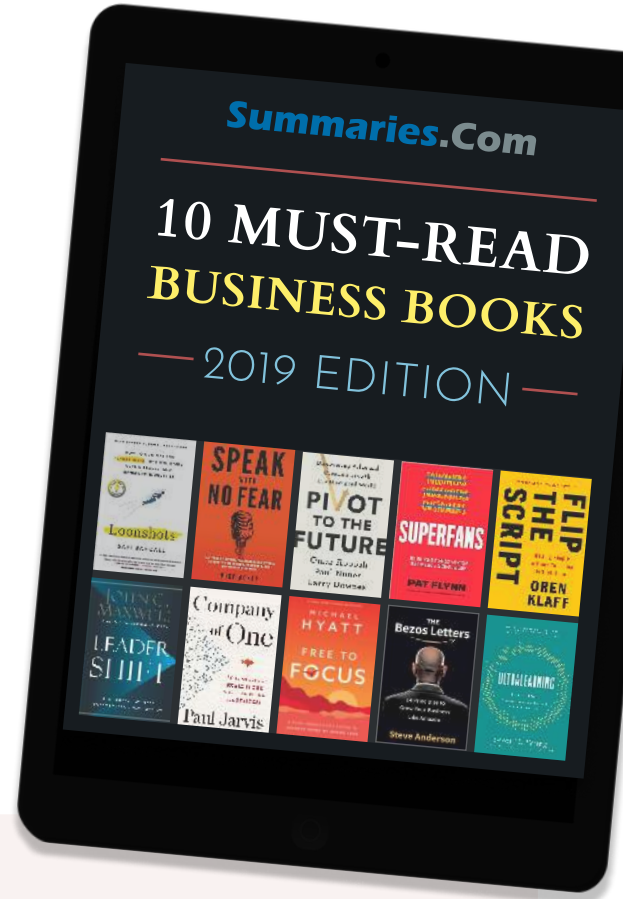
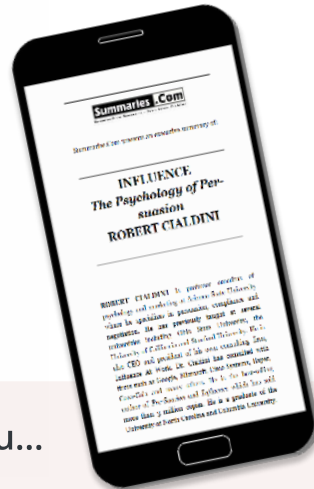
– Robert Kaplan and David Norton

Summaries.Com

A SMARTER WAY TO LEARN

FUEL YOUR BRAIN & IGNITE YOUR CAREER WITH

THE 10 MUST-READ BUSINESS BOOK SUMMARIES OF 2019



These summaries will help you...

- > Get a high-level view of the **key concepts** in each book;
- > Learn from the author's 20+ years of experience, in just 30 minutes reading;
- > Get fresh ideas, strategies & motivation that could be **worth millions** to you;
- > Follow emerging trends & **catch the wave** before your competitors do;
- > Become a self-directed learner. The more you learn, the more you'll earn.

ACHIEVE MORE IN YOUR BUSINESS, CAREER & PERSONAL LIFE

Claim your **FREE** copy of 10 must-read summaries at
summaries.com/2019