

# **Business Strategy: A Challenging, But Valuable Key Business Process**

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# What You Might Hear When Discussing Strategy



*“We don’t have the time to sit down and think about anything past this week!”*

*“Our Executive team has conflicting goals, they are never able to agree on any objective except lower cost!”*



*“Our business changes so fast that by the time I set time aside to plan a strategy the market has changed!”*

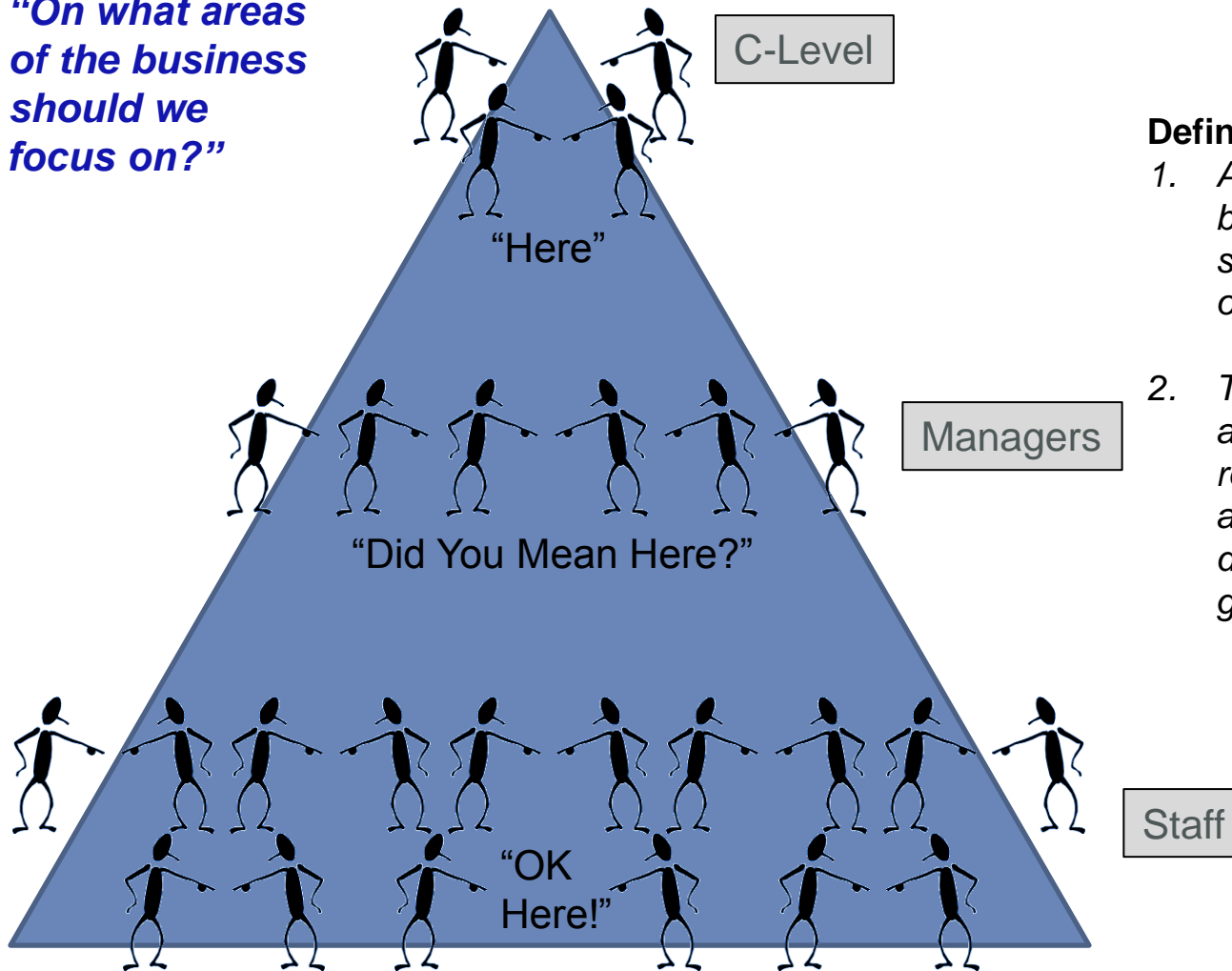
*“Strategy is theoretical, I work in the real world!”*

## Common Themes

- Lack of Leadership
- Lack of Consensus
- Too Ambitious
- Lack Of Drive to Make it Happen

# What is Strategy, Why Do We Need One?

**“On what areas of the business should we focus on?”**

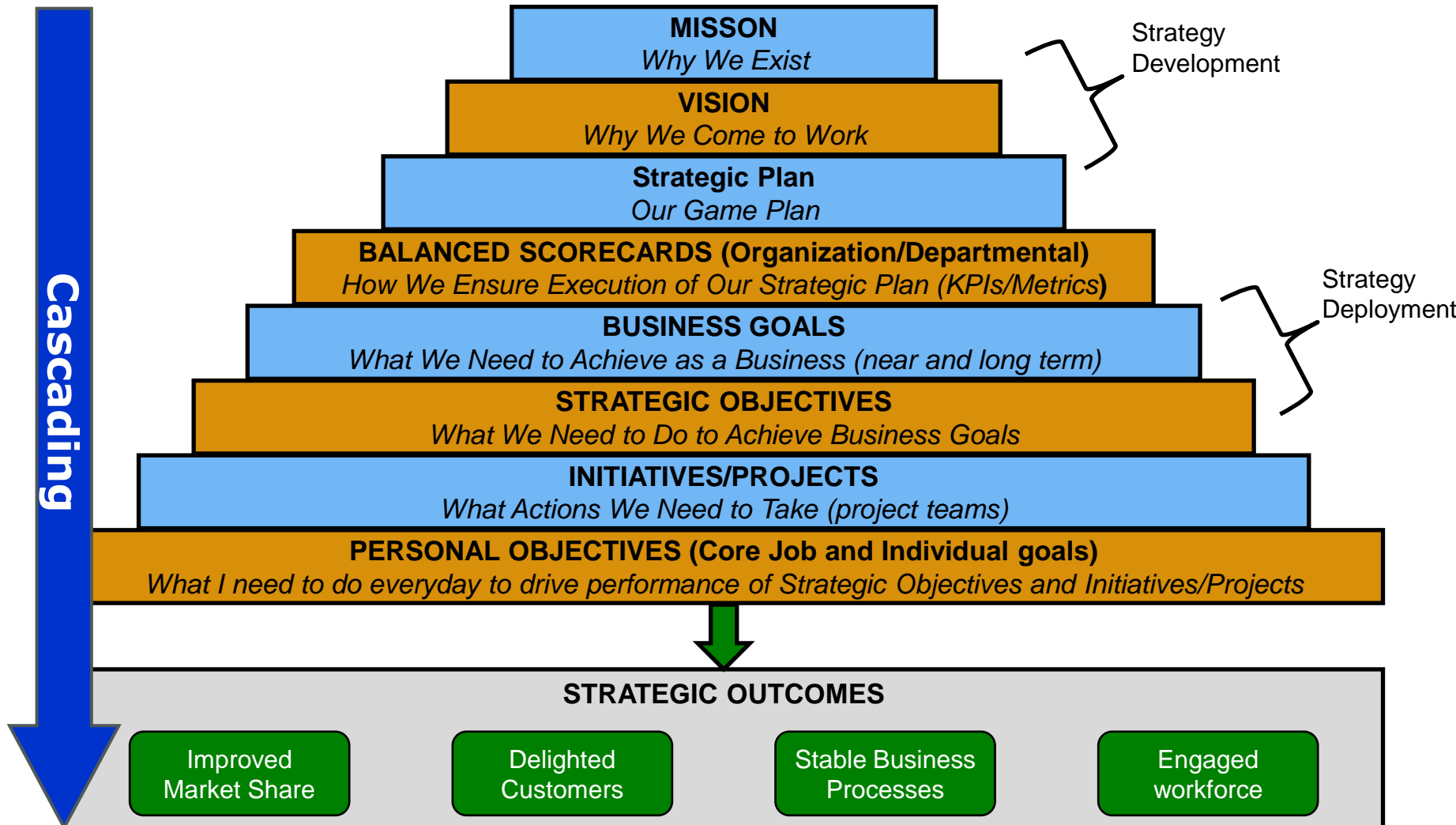


## Definition(s):

1. *A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.*
2. *The art and science of planning and marshalling (focusing) resources for their most efficient and effective use. The term is derived from the Greek word for generalship or leading an army.*

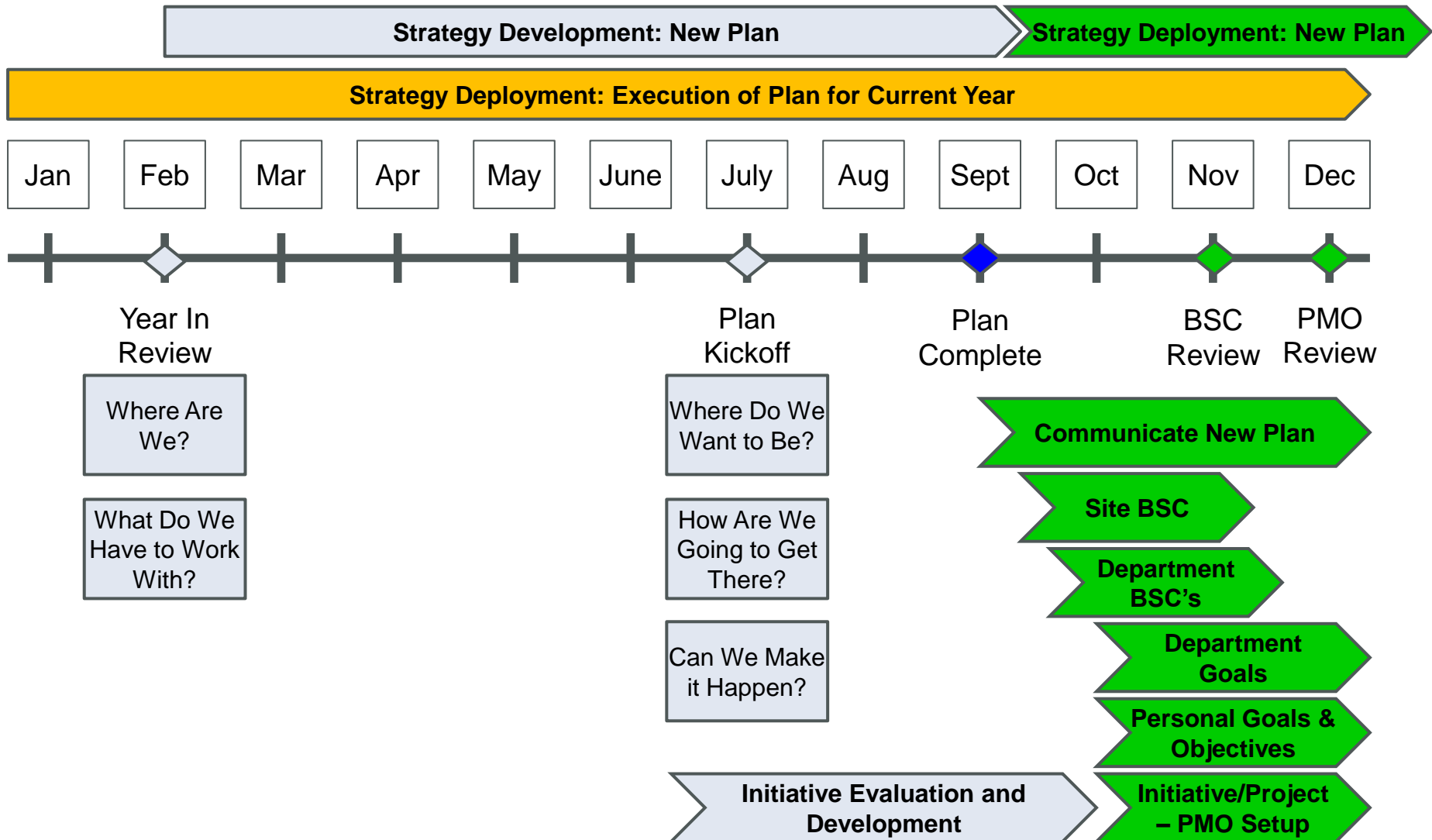
<http://www.businessdictionary.com>

# A Cascading Strategy Model



Based on the Kaplan and Norton's Strategy Focused Organization 2001

# The Strategy Deployment and Deployment Timeline





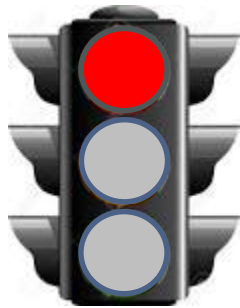
## Tools and Techniques

# What is Scorecarding or Dashboarding?

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**Scorecarding** or **Dashboarding** is a data visualization tool that displays the current status of metrics and key performance indicators (KPIs) for an enterprise. Usually measured against a comparative (e.g. target, forecast, budget, benchmark) for the purpose of determining performance of key business strategies and objectives.

The most common paradigm Scorecarding relies on for performance is the stoplight convention.



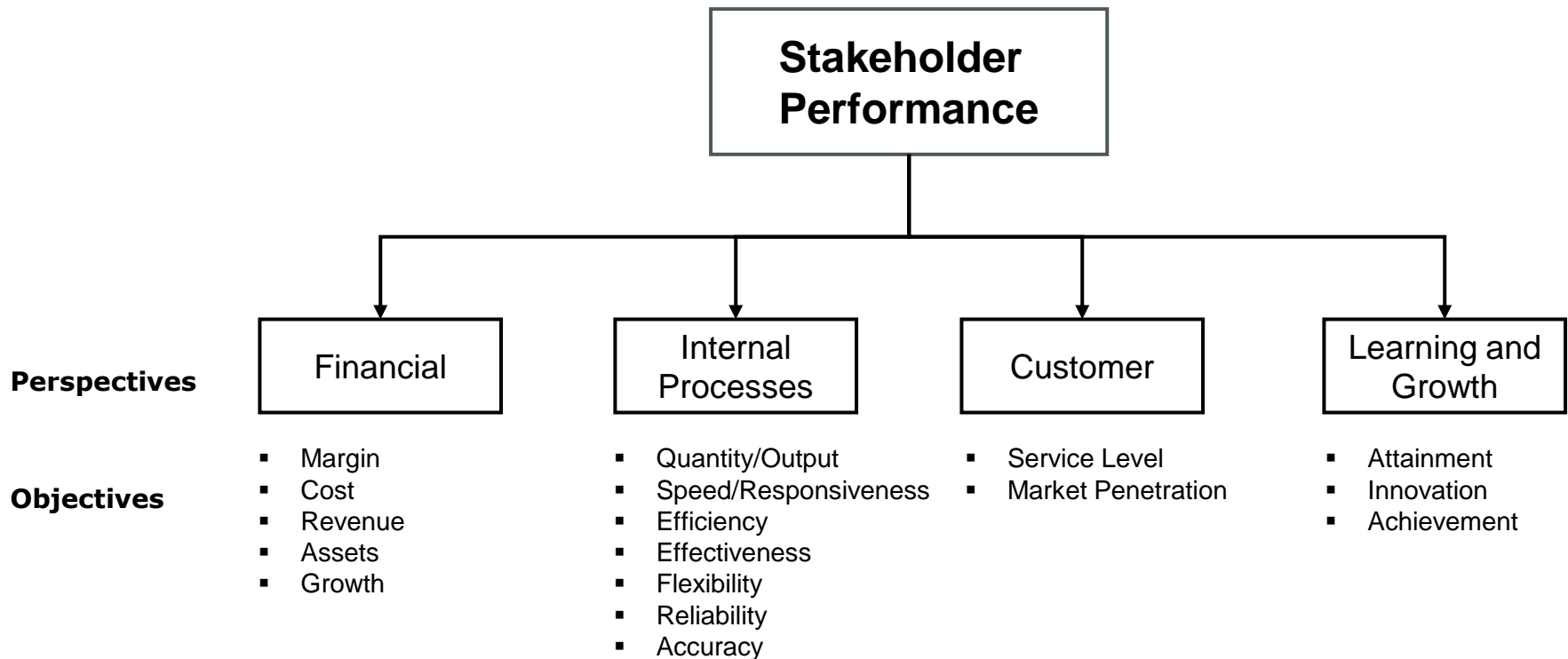
Stop: Unacceptable Performance (immediate corrective action required)

Caution: Marginal Performance (corrective action required)

Go: Acceptable Performance (no corrective action required)

# What is a Balanced Scorecard (BSC)

The **Balanced Scorecard (BSC)** is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization





# A Scorecard delivers...

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## **Changing Behaviours in the Way We Manage Performance**

- ✓ Greater focus on business drivers
- ✓ Transparency of organization
- ✓ Key Issues, and what needs to be done – not what has happened (leading)

## **Focus Effort Where it is Needed Most**

- ✓ Focus on what is important to each manager / team
- ✓ Focus resources on the things that matter most
- ✓ Focus on performance, material issues and priorities

## **The Right Information About the Right Processes**

- ✓ Measurements and plans aligned with company strategy and goals
- ✓ Clear 'line of sight' between operational measures and strategic goals
- ✓ Information and reporting cycles (strategic planning, budgeting, forecasting, reviews) linked to the pulse of the business

## **The Right Tools**

- ✓ 'Fit for Purpose', low cost, data gathering and reporting
- ✓ Flexible to accommodate a wide range of measurements
- ✓ Flexible to accommodate changes to scorecards

# What is a Strategy Map?

A diagram that describes how and organizations creates value by connecting strategic objectives in a defined cause-and-effect relationship with each other in the four balanced scorecard objectives (Financial, Customer, Processes, Learning and growth)



Describes Strategies for Value Creation

# An Organization Focused on Strategy

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## Translate Strategy

- Mission/Vision
- Balanced Scorecard
- Strategy Maps
- Targets
- Initiatives/Projects

## Organizational Alignment

- Corporate Role
- Corporate – SBU
- Shared Services
- External Partners

# Strategy Focused Organization

## Everyone's Job

- Strategic Awareness
- Goal Alignment
- Linked Incentives

## Executive Leadership

- CEO Sponsorship
- Executive Team Engaged
- “New Way of Managing”
- Accountability for Strategy
- A Performance Culture

## Continual Process

- Linked to Budgeting
- Linked to Operations Management
- Management Meetings
- Feedback System
- Learning Process

# The Performance Management/Strategy Value Proposition

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*.....the key is leveraging both the Strategy Model and the Tools*

*"It is not the Balanced Scorecard(BSC), Six Sigma, the European Foundation of Quality Management (EFQM) or value-based management that makes an organization thrive. It is the people sharing a common framework. It is also having the persistence to get to really understanding a methodology and make full use of it."*

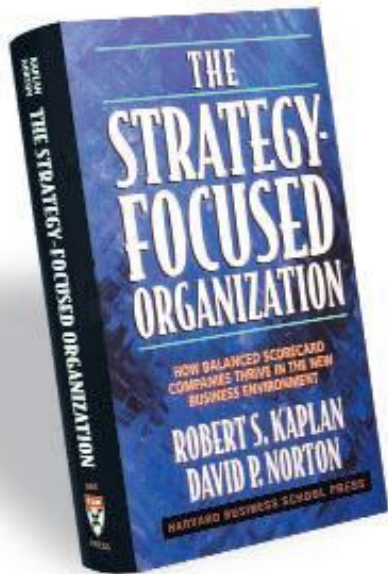
*Source: Mapping the Road to Corporate Performance Management, Gartner 2004*



# Recommended Reading

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## The Strategy Focused Organization, Robert S. Kaplan and David P. Norton

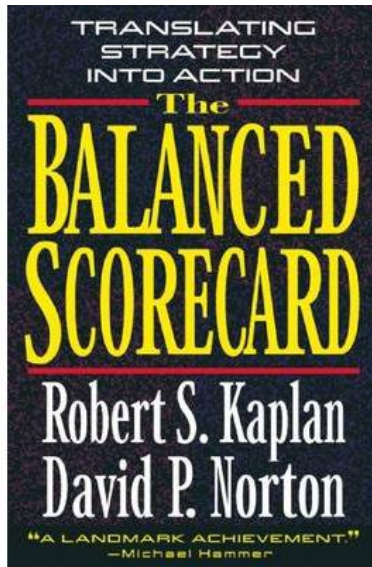


1. **Translate the strategy into operational terms.** Use the Balanced Scorecard to describe and communicate strategy in consistent, insightful, operational terms.
2. **Align the organization to the strategy.** For organizational strategies to work, they must be linked and integrated across many functions — finance, manufacturing, sales, marketing and so forth. The Balanced Scorecard can link these disparate and dispersed functions.
3. **Make strategy everyone's everyday job.** Use the Balanced Scorecard to educate the organization about strategy, help employees develop personal objectives, then compensate them based on their adherence to and implementation of the business' strategies.
4. **Make strategy a continual process.** Use the Balanced Scorecard to link strategy to the budget process; review strategy regularly in management meetings; and develop a process for learning and adapting strategy.
5. **Mobilize change through executive leadership.** Through a method of mobilization, governance and strategic management, executives can embed new strategy and new culture into their management systems, creating a continual process to meet the strategic needs of today and tomorrow.

# Recommended Reading

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## The Balanced Scorecard, Robert S. Kaplan and David P. Norton



**The Balanced Scorecard** translates a company's vision and strategy into a coherent set of performance measures. The four perspectives of the scorecard--financial measures, customer knowledge, internal business processes, and learning and growth--offer a balance between short-term and long-term objectives, between outcomes desired and performance drivers of those outcomes, and between hard objective measures and softer, more subjective measures. In the first part, Kaplan and Norton provide the theoretical foundations for the Balanced Scorecard; in the second part, they describe the steps organizations must take to build their own Scorecards; and, finally, they discuss how the Balanced Scorecard can be used as a driver of change.

# Contact Information

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