“However beautiful the strategy, you should occasionally look at the result.”

Winston Churchill
Strategy Execution and the Balanced Scorecard:  
*The Three Imperatives of Strategy Execution*

Howard Rohm, Co-Founder and CEO  
Balanced Scorecard Institute,  
*the Strategy Management Group*  

April 2016
Strategy Execution: Leading and Communicating Effectively to Get Important Things Done in a Climate of Teamwork, Continuous Improvement, and Change

“Only 9% of companies are rated excellent at execution.”

(PMI Pulse of the Profession: The High Cost of Low Performance, February 2014)
Topics

• What are the Imperatives of Strategy Execution?
• How can a Balanced Scorecard improve Strategy Execution?
• Practical Tips for improving Strategy Execution

www.balancedscorecard.org
“Strategy Management” Includes Strategy Execution as a Distinct Phase That is Part of a Continuous Process

- **Strategy Formulation**
  - Balanced Strategic Plan
  - Strategic Focus

- **Strategic Alignment**
  - Aligned Strategic & Operational Plans
  - Aligned People, Processes, Technology

- **Strategy Execution**
  - Focus on Results
  - Continuous Improvement

- **Performance Analysis & Evaluation**

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The Balanced Scorecard Has Evolved From a Performance Measurement Tool to a Complete Strategic Management System

21st Century Strategic Balanced Scorecard Management System (BSI 2010)
“Strategy Formulation, Strategic Alignment, and Strategy Execution”

Integrated Strategic Planning & Management System (BSI 1997)
“Holistically align an organization for high performance”

Strategy Measurement/Management (K&N 1995)
“Strategy focus, measurement & execution”

KPI (Key Performance Indicator) Scorecard (Kaplan & Norton 1992)
“A balanced set of measures”
The BSC Has Characteristics That Support Strategy Execution

- **The discipline** associated with using an integrated framework for managing strategy
- **Consistent definitions of terms** that mean the same thing throughout the organization
- **The use of cross-functional teams** to develop and implement the scorecard system
- **Individual and collective accountability** for results built into the process
- **Transformation and change management** built into the process
- **Performance information shared and widely available** to better inform decision making
- **Team and individual empowerment** to continuously improve processes
- **Prioritization of strategic initiatives** to focus on the most important things
- **A heavy emphasis on outcomes, results and accomplishments**
- **Creation of a performance culture**
- **Deeper conversations**, leading to more encompassing discussions of situations and options
The **Three Imperatives of Strategy Execution:**

- Leadership intent, clearly communicated and acted upon
- Aligned people, processes and systems
- A Performance Culture focused on continuous improvement and results
Leadership challenges affecting strategy execution include:

• Strategy doesn’t seem very important to some leaders...they seem more concerned with operations and projects

• Leaders are not engaged in the strategy leadership process

• Responsibility for strategy is delegated to a strategic planning office—typically this is a support office without direct line responsibility for results

• Poor communications and poor channels for communication lead to strategy being poorly understood below the senior management team level
Leadership Intent Clearly Communicated and Acted Upon

Combining methods helps to reinforce the message!

Younger audiences have very different responses to electronic media!

“1 way”

“2 way” (Always Better!)

1. PowerPoint Presentation
2. Voice Mail
3. E-Mail/Text Message/Blogs
4. Handwritten Letter
5. Web Site
6. Fax
7. Personal Letter
8. Mass-Produced Letter
9. Newsletter
10. Brochure
11. News Item
12. Advertisement

1. One-to-One Dialogue
2. Small Group Dialogue
3. Large Group Discussion
4. Video Conference
5. Telephone Conversation
6. Conference Call

Source: Adapted from “Ladder of Communication Effectiveness”, Haines Centre for Strategic Management, 2005
Leader Behaviors

• “Walk the talk”
• Get the right people in the right jobs
• Communicate the change journey and removing obstacles
• Build a “coalition of the willing” to achieve the organization’s shared vision of the future
• Communicate and translate vision into strategy and action—the “why” and “how” of the business case
• Build employee buy-in and support for the change journey
• Align employees and processes to strategy
Example: Clearly Communicating Strategy at an Internet Bank

**Perspectives**
- Financial/Stewardship
- Customer/Stakeholder
- Internal Process
- Organizational Capacity

**Strategic Results**
- Operational Excellence
- Strategic Partnering
- Service Excellence
- Innovation Through Technology

**Themes**
- Operational Excellence
- Strategic Partnering
- Service Excellence
- Innovation Through Technology

**Strategic Objectives**:
- Increase revenues from online banking
- Improve ease of access for customers
- Reduce errors
- Strengthen on-line, 24/7 capability to access banking services
- Increase use of new technology
The BSC Enables Strategy Execution Through Leadership Discipline and Communication Clarity

- Leaders Engaged
- Team and Transformation Culture Established
- Strategy Focus Sustained
- Strategy Results Discussed and Acted Upon
- Project Management Emphasized
- Obstacles Removed
Alignment challenges affecting strategy execution include:

- Lack of employee involvement
- Complaints about not knowing what is going on
- Unstructured, poorly run meetings
- Quality problems and missed deadlines
- Little teamwork and collaboration
- Too many initiatives being pursued
- Processes that might be aligned within departments, but are misaligned when looking across multiple departments
“30% of managers cite failure to coordinate across units as their greatest challenge to executing their company's strategy.”

...and Processes...

**Customer/Stakeholder**
- *Start Process
- Receive Order
- Notify Customer of Problem
- Revise Order
- Is Order Ready??
- Check issues:
  - Credit card
  - Complete contact information
  - Product in stock
- Problem Resolved?
  - No → Reject Order
  - Yes → Finish Process

**Sales Department**
- Review Order
- Is Order Ready??
- Yes → Package and Ship Product
- No → Notify Customer of Problem

**Inventory Clerk**
- Review Order
- Is Order Ready??
- Yes → Package and Ship Product
- No → Notify Customer of Problem

**Payment Processing**
- Approve/Reject Charge
Assess the Organization → Formulate Strategy → Communicate Strategy

Formulate Strategy
- Strategic Measures:
  - Outcomes
  - Outputs
  - Risk
  - Change

$ Formulate Budget
- Input Measures:
  - Funds, $
  - FTEs

Manage Personnel
- Personnel Measures:
  - Capacities & Development
  - Behavior

Develop Operating Plan
- Operational Measures:
  - Outputs
  - Process
  - Inputs
- Project Measures:
  - Schedule
  - Resource
  - Scope
  - Risk

Execute Strategy and Measure Results
- KPI Reporting & Analysis:
  - A subset of the most important measures for the organization to track

...and Systems...
### Tier 1: Organization Wide
- Mission, Vision, Core Values etc.
- Strategic Themes

### Tier 2: Dept., Business Units, etc.
- Department Business Purpose
- Department Programs & Products & Projects

### Tier 3: Teams (Job Description) and individuals
- Objectives, Measures and Initiatives

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**Question:** why is this more effective than cascading measures or initiatives?
Example: Aligned Strategy And Operations in a Manufacturing Plant

Cascading the corporate scorecard to business units and teams

**Customer Example:**
- Customer Satisfaction
- Customer Retention
- On time delivery
- Quality
- Supply Availability
- Schedule Adherence

**Financial Example:**
- Profitability
- Operating Margin
- Variable Costs
- Variable Costs
- Mfg. Overhead
- Scrap Rate
- Labor/ Unit
- Supply Availability
- Schedule Adherence

Example: Aligned Strategy And Operations in a Manufacturing Plant
The BSC Enables Strategy Execution Through Alignment

- Employees Aligned
- Processes Aligned
- Operations, Financial, and Personnel Systems Aligned
- Initiatives and Measures Aligned
Three Strategy Execution Imperatives

• A Performance Culture focused on continuous improvement and results

Culture challenges affecting strategy execution include:

• Lack of teamwork and coordination across departments
• Leaders seem only interested in what happens in their own functional areas
• Lack of incentives for performance and desired behaviors
• Ineffective use of performance information to improve processes and results
• Failure to consider resistance to change and take steps to mitigate it
A Performance Culture Uses Performance Information...

<table>
<thead>
<tr>
<th>Theme: Exceptional Customer Service</th>
<th>Theme: Reliability &amp; Value</th>
<th>Theme: Shaping Our Future</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Result:</strong></td>
<td><strong>Strategic Result:</strong></td>
<td><strong>Strategic Result:</strong></td>
</tr>
<tr>
<td>Consistently exceeding customers’</td>
<td>Dependable, quality utility</td>
<td>Capitalize on new opportunities for</td>
</tr>
<tr>
<td>expectations</td>
<td>services at a reasonable</td>
<td>growth</td>
</tr>
</tbody>
</table>

**Financial/ Stewardship**
- Earnings / Employee
- Earnings / Share
- Sales growth / year
- Profit / sales
- Cash on hand
- Sales / priority customer
- Return on equity

**Customer/ Stakeholder**
- % satisfied
- % repeat
- New accounts added
- New products added
- % of key demographic
- Average spend rate
- Time to purchase

**Internal Processes**
- Quality rate
- Productivity
- Bottlenecks
- Time in queue
- Average inventory
- Hours lost to injury
- Missed deadlines

**Organizational Capacity**
- Employee satisfaction
- Employee trained
- % cross trained
- Training hours/ employee
- Computer currency

**Understanding**
Organization Capacity and Business Processes “Drive” Customer and Financial Results
“Only 56% of strategic initiatives are successful.”

*(PMI Pulse of the Profession: The High Cost of Low Performance, February 2014)*

**Candidate Initiatives (example)**
- Marketing campaign
- Pre-promotion studies
- Business Process Reengineering
- Process improvement
- TQM proposals
- Training Course
- Policy analysis
- R & D efforts
- Branding studies
- Workflow improvements

**Prioritized Funded Initiatives (example)**
1. Branding Studies
2. Workflow improvements
3. Marketing campaign
4. Training Course, etc.

**Filter**

- Scoring Criteria
  - Budget required
  - Results anticipated
  - # objectives covered
  - Time needed
- Simple Voting
- 2 x 2 Matrix
- Paired Comparison
- Other
Example: “Connecting the Dots” at an Energy Company

Vision: Be a world-revolutionizing provider of energy products

Mission: Efficiently deliver the highest standard of service providing energy products and expertise to our customers

Strategic Themes:
- International Growth
- Operational Excellence
- Energy Leadership

Strategic Results:
- Increase in size and shareholder value through acquisitions, organic growth and asset optimization.
- Process and services are executed in a timely, accurate, value-added and cost-effective manner that exceeds stakeholder expectations.
- Worldwide recognition for thought leadership and energy services expertise.

Strategic Objectives and Strategy Map:

Financial
- Reduce Costs
- Increase Profits
- Increase Revenue in Targeted Markets

Customer
- Improve Customized Customer Experience
- Increase Awareness as Industry Leader

Business Processes
- Improve Internal Efficiency
- Increase Acquisitions
- Increase Consulting Knowledge Sharing
- Improve Product/Service Offerings

Organizational Capacity
- Increase Employee Expertise
- Optimize Technology
- Optimize Human Capital
- Improve Thought Leadership

Measures
- Profit: 15% per year
- Operating costs: 47% per year
- Revenue in targeted markets: -15% per year
- Customer experience survey score: 15% improvement in next period
- % of customers with completed CK charter: 87% next period
- Awareness and leadership score: 98% next period
- References in media: 15 new references
- Efficiency index: 87% next period
- EBIT from acquisitions: $15M this year
- Time to post: 5 business days
- % of transactions in CRM: 65% next period
- New products/services as % of total sales: 14% this year
- % employee development plans in place: 70% this year; 100% by year 6
- % systems automated: 72% this year
- Operating cost/FTE: $3,350/person this year
- Articles published: 125 this year

Targets
- Implement new financial system and benchmark results
- Marketing campaign in new target markets
- Develop customer knowledge (CK) charter
- Establish acquisition integration team
- Establish Business Process Reengineering (BPR) team
- Formalize new product development cycle
- Formalize Customer Relationship Management (CRM) qualification process
- CRM system training
- Redesign employee certification process
- Establish thought leadership committee
- Formalize research expertise strategy

Initiatives

- Integrity
- Commitment to Excellence
- Customer Focused
- Diversity of Knowledge
- Honesty
- Teamwork/Collaboration
- Entrepreneurial
- Thirst for Knowledge
The BSC Enables Strategy Execution by Creating a Performance Culture

- Results and Accomplishment Focus
- Continuous Improvement Focus
- Performance Information Used and Useful
- Performance Rewarded
Summary
Summary — Some Practical Tips to Improve Strategy Execution

- Define governance, and leadership roles and responsibilities for the strategy effort at all levels of the organization
- Prioritize and down-select initiatives to get to the few that matter
- Communicate the strategy throughout the organization
- Structure periodic review meetings to focus more on strategy and results, and less on projects and tactics
- Empower cross-functional teams to continuously improve processes
- Continue to refine KPIs to get to the most meaningful measures, and to define and measure the drivers of results
- Incorporate change management early
- Adopt a project management mentality to get things done
### Managing Change—the Levers of Change

<table>
<thead>
<tr>
<th>Vision</th>
<th>Actionable Strategy</th>
<th>Capabilities</th>
<th>Incentives</th>
<th>Resources</th>
<th>Urgency</th>
<th>Success</th>
</tr>
</thead>
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<td>Vision Lacking</td>
<td>Actionable Strategy</td>
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<td>Incentives</td>
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<td>Urgency</td>
<td>Confusion</td>
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<td>Actionable Strategy Lacking</td>
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<td>False Starts</td>
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*Source: Adapted from Performance Breakthroughs, Inc.*
ASP is a non-profit professional society whose mission is to help people and organizations succeed through improved strategic thinking, planning, and action. ASP is the only certification program in the world offering credentials for strategic planning and management professionals based on a robust Body of Knowledge.
STRATEGY EXECUTION & THE BALANCED SCORECARD

Use the Strategic Management Maturity Model to Baseline Your Performance

Maturity Levels

- Level 5: Continuous Improvement
- Level 4: Managed and Focused
- Level 3: Structure and Proactive
- Level 2: Reactive
- Level 1: Ad hoc and Static

Dimensions:
- Leadership
- Culture & Values
- Strategic Thinking & Planning
- Alignment
- Performance Measurement
- Performance Management
- Process Improvement
- Sustainability

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Your Presenter

- 40 years experience as an international speaker, trainer, college professor, facilitator, author, and consultant
- ASP Board of Directors and Certification Program Pioneer
- Developer, *Nine Steps to Success™* Balanced Scorecard framework and Balanced Scorecard Institute Professional Certification Program
- Executive Director, U.S. Foundation for Performance Measurement
- Director of Performance Information Systems, Highland Technologies
- Executive Director, Advanced Nuclear R&D Program, U.S. Department of Energy
- Management Consultant, Booz Allen & Hamilton
- Bachelor and Master degrees in Engineering -- Iowa State and George Washington University
“It’s a journey...not a project.”

Download this presentation here: www.balancedscorecard.org/stratex
Some Balanced Scorecard Feedback

“[The Balanced Scorecard methodology] is like having a playbook on what we should be doing.”

-- Maureen Lavan, GIS Manager, Greenville Utilities Commission

“We have been growing business and developing new products and services that our clients value ever since we started working with the Balanced Scorecard! We now run our entire organization around our GREAT strategy maps—every meeting involves a discussion around objectives and initiatives”

— Joan Wade, Administrator, CESA 6

“We decided to take a look at research of the management system and I am convinced this is a methodology for linking mission, vision with objectives for the benefits of our clients and stakeholders. In other words, it is a tool that will allow us to assess where we are and how we can move forward and where we want to go in the future.

-- Israel Hernandez, Assistant Secretary, U.S. Department of Commerce

“… a structured, consistent and well directed program on strategy development and implementation. This will definitely have a big positive impact on our management process henceforth.

-- Kalyebbi B. Magoola—Uganda Revenue Authority

“On several occasion we recognized that we were having discussions that would not have been possible in the past. We have a very diverse organization and the organizational alignment that is being created is one of the many benefits we are beginning to see. With shrinking revenue we have hard decision to make on where to allocating limited funding. [The Balanced Scorecard Institute] will provide us with the information necessary to prioritize requests and provide funding were it can give us the most benefit toward achieving our long term strategies and improving our organizational performance.”

-- David M. Schmit, Director, Arapahoe County Public Works and Development

“The process has been invaluable in helping us think strategically about our work, our goals and priorities, and our office culture”

-- MaryAnn Monroe, Program director, National Cancer Institute