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Assess Your Organization's Readiness

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## Assess Your Organization's Readiness to Execute Strategy

By Randall Russell

In these times of economic turbulence, strategy execution has become the new mantra for executives who seek growth. Executives are demanding more of their strategy efforts; a strategy must be sound and executed before any benefits can be realized. The Balanced Scorecard explains that one major risk confronts all organizations who hope to achieve strategic success.

Is your organization achieving the promised benefits of its strategy? If not, it's likely that you are doing something wrong. You may have a flawed strategy that requires some rethinking. Or, perhaps your strategy is a good one but you are not executing it well.

In either case you can't really be sure what the root cause is until you know that your strategy is being implemented. You can't test the hypothesis of your strategy in theory; you have to test it in the field.

If you have already implemented a Balanced Scorecard you are well along the path to discover whether your strategy will deliver the results you seek. Your strategy map lays out your periodic reports and strategic hypotheses, and review meetings provide opportunities to see how well these hypotheses are working. If you have implemented your strategy through the use of this management framework you should be well along the path to become a strategy-focused organization.

But if you aren't sure if your strategy is sound – or if you are having trouble executing it – it's not too soon to assess your approach to strategic management to understand whether you have done everything possible to achieve the promise of your strategy.

According to a study just released by Bain and Co., the Balanced Scorecard is now in use in approximately 60 percent of organizations around the world. This figure is up from 50 percent reported two years earlier (a 20 percent growth rate over this period). The study reports that companies are increasing their use of "compass-setting" tools such as strategic planning, benchmarking, and mission and vision statements as they search for growth opportunities in a tough economic environment. The Balanced Scorecard clearly provides an opportunity to integrate these "point" solutions.

Numerous factors explain the increased use of the Balanced Scorecard; foremost among them is the fact that it works. In a recent study of Balanced Scorecard usage in Europe, none of the 42 companies in the study currently using this management approach plan to discontinue use.\* In fact, the level of commitment increases as usage becomes more sophisticated. Even for those just getting started, there is 100 percent commitment to continue the practice. Among the top five benefits associated with this management approach was the fact that it was shown to improve company results in the long-term.

### Avoid the Pitfalls

But, in spite of a 60 percent penetration rate and rave reviews from demanding users, there is always the risk that you may not get it right. Many organizations fail to achieve the benefits of their strategy because they fail to make strategy execution a core competency. The pitfalls that await those who don't embark upon this journey with adequate understanding and executive commitment are well documented. Pitfalls that can put your scorecard program at risk include:

- Members of the senior management team are not committed
- Executives are not accountable for implementation
- The scorecard is treated as a one-time event

## Assess Your Organization's Readiness to Execute Strategy (cont.)

To help organizations successfully execute their strategies we have created a best practices database to document the management practices that contribute to strategic success. Organized around the five principles of the Strategy-Focused Organization (SFO) as defined by Drs. Kaplan and Norton, we have identified 28 strategic management practices that, when implemented correctly, improve the probability of achieving strategic success. These management practices have been used to establish benchmarks for best practices.

### Putting Best Practice to Use

In one example, a large financial services firm was enjoying significant strategic benefits nearly two years into its Balanced Scorecard implementation. However, they wanted to learn more about progress they were making, and whether they were truly on the path to breakthrough results.

The executive team compared its strategic management approach to the best practices benchmarks. Based on the analysis, they were able to identify needed mid-course corrections that they have since used to enhance their strategic management practices.

Despite the fact that this financial services firm was already achieving results, they made some surprising discoveries about their organization. For example, in their review of SFO Principle #1 (mobilize change through executive leadership), the firm came to realize that executive accountability for strategic initiatives was not well embedded and aligned at the right levels of the organization. They were unaware that this had not occurred to the extent that they expected. If this had remained hidden, progress would have begun to lag as the lack of accountability failed to reinforce the right behaviors to drive results.

Likewise, after uncovering weaknesses in their processes and activities to review the strategy and update their Balanced Scorecard to reflect new realities, the organization enhanced its management practices to more thoroughly and accurately translate the strategy through to the organization. As well, similar changes were made under each of the other SFO principles to eliminate a number of bad habits that had crept into their management practices, reducing the organization's potential to execute strategy to get results.

The experience of this Balanced Scorecard firm demonstrates that even those who are doing it right can still make additional gains in their strategy execution capabilities by benchmarking themselves against best practices. The simple fact is that, in the real world, no one gets it right all the time.

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