



# For Effective Execution, Un-balance Your Balanced Scorecard

FOR EFFECTIVE EXECUTION,  
UN-BALANCE YOUR BALANCED SCORECARD

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## INTRODUCTION

How effective is your organization at executing strategy? Most organizations admit that there is room for improvement. They know, for example, that they often fail to meet their growth targets, or find that their cash flow rises and drops unpredictably. Their product line changes in reaction to customer demand, but is rarely out in front of customer demand. The level of service required by customers is not the same level of service delivered. Operations is overwhelmed by the number of initiatives they are asked to support – and consequently, the delivery on these initiatives rarely meets defined requirements. Surprisingly, these organizations may or may not be profitable, but they are always performing significantly below their potential.

When leaders in these organizations are asked to explain why they are underperforming, they often cite a lack of money and resources, or of being “spread too thin.” Some blame the market. Others point the finger at other departments. In the end, what they are all really talking about is “focus.”

Almost invariably, when an organization’s leaders talk about being “spread too thin,” they are saying that priorities aren’t clear. Those who blame the market typically can’t see the trends that really impact the company, because they simply don’t understand which trends are most important. Those who point the finger internally are really saying that their organization is made up of silos, operating independently of the needs of other silos.

Organizations with clear priorities, a strong grasp of the most important market trends that impact customer acquisition and retention, a view of the big picture and an understanding of how and where departments must coordinate activities all share one thing in common: “focus.”

Where does “focus” come from? It comes from the top. It requires aligning leaders around a common understanding of strategy first, and a common understanding of what is required to execute that strategy,

second. In the past, organizations wishing to align around a common understanding of strategy often engaged in a strategic planning process. Strategy mapping and the development of a “Balanced Scorecard” were seen as best practices in the strategic planning process for aligning leaders, and the rest of the organization, around a common understanding of strategy execution.

In applying these best practices, organizations often focused on developing a full and balanced map and scorecard to define organization priorities. Unfortunately, the focus on full and particularly balanced has blurred priorities instead of clarified them. Let me explain why.

## STRATEGY MAPPING

Strategy mapping is a simple process that helps leaders define the most critical outcomes that need to be achieved to realize the organization’s overall strategy. In order to be effective in this process, an organization has to be aligned in their understanding of how to compete and win in their markets. So, for example, if you are a lunch stand owner and your strategy is to sell the most sandwiches by offering the lowest cost lunch in your market, then your strategy map and scorecard must create a laser-like focus what you absolutely must do to realize this strategy. Having such a map and scorecard will help everyone in the organization understand what is most critical to execution, which makes priorities, such as expense management, crystal clear.

## CASE EXAMPLE:

### Leadership Group In Large Company

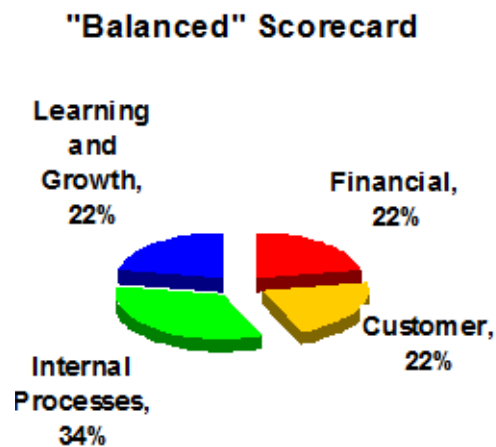
We recently worked with a leadership group on a strategic planning initiative in a large financial services company where we asked a simple question. "To win in the marketplace, what should be your primary focus in the next two years: Low cost, product innovation, or great customer service?"

We got three answers. Most organizations know that winning in the marketplace is all about focus. Ultimately, this was a company that competed for customers based on premium service. The need for this group was to develop a scorecard that helped achieve the desired leadership focus and alignment in developing and delivering premium customer service.

In this case, we developed a scorecard using a balanced scorecard "framework," because of its familiarity to the client. But the scorecard was un-balanced on the Customer and Internal Operations perspectives stressing the need to align and focus on defining and delivering the level of service most appreciated by a demanding customer base.

## WHEN UNBALANCED SCORECARDS ARE BETTER

Kaplan and Norton, the originators of the "Balanced Scorecard," typically recommend building Strategy Maps in a Balanced Scorecard Framework, which drives the conversation to identify components of strategy execution proportionately along each of four perspectives: Financial, Customer, Internal Process, and Learning and Growth. In this way a "balanced" view of execution is developed and a set of equally balanced performance metrics are identified -- the Balanced Scorecard. So if the owner of our lunch stand was focused on achieving balance, s/he would add components along each dimension, but would this facilitate better execution or get in the way? Kaplan and Norton suggest that the distribution might look like this:



Small or large organizations can benefit from disproportionately identifying and measuring those components which are most critical to their strategy, even if that results in an unbalanced scorecard. In fact, from our point of view, a strategy that defines a company's competitive advantage always results in an unbalanced view of performance.

Balanced Scorecard	Un-Balanced Scorecard
Tracks all of the important elements of a company's strategy.	Tracks the few critically important elements of a company's strategy
Provides a comprehensive view of performance across four perspectives	Provides a myopically focused view of performance
Promotes a balanced and longer-term view of optimization that helps executives see how performance in several areas impacts the performance of other areas across multiple perspectives	Promotes a focused and short-term view of optimization that helps executives see how performance in critical areas impacts the performance of other critical areas
Ensures that key resources are linked to elements of a company's strategy.	Ensures that key resources are efficiently and effectively deployed to support the most critically important elements of a company's strategy.
Promotes communications that help executives, employees, stakeholders and shareholders see that all bases are being covered.	Promotes focused communication so that executives, employees, stakeholders and shareholders can clearly see where the organization is placing its bets.

#### CASE EXAMPLE:

##### Small Software Company

We recently worked with a software company that had a Balanced Scorecard and a strategy map that identified at least ten different opportunities for optimization.

The company realized that they could not continue to pursue all of these opportunities. Their selling cycle times were escalating. In order to turn things around, they needed to focus on two things; 1. follow up with clients to ensure that the value of the software implementation was optimized, and 2. build a solid base of industry specific client references. References build brand and credibility to shorten their sales cycle. The other aspects of their execution plan paled in importance.

This un-balanced view of performance helped the company create a focus on optimization that was much more manageable, and therefore, achievable.

The lunch stand owner might have a strategy map and scorecard that is disproportionately focused on managing costs. In this case, earnings are driven by effective cost containment and the customer value proposition – the lowest cost lunch - isn't achievable unless costs are driven out of the business. This should absolutely be the component of the strategy that each and every manager and employee focuses on every day and every hour.

## CONCLUSION

So if you have a balanced scorecard – look out! Your competitors are, or soon will be, knocking at your door (or "eating your lunch," to continue the lunch stand theme). Why? Because your strategy and your measures are generic to 80% of the businesses out there, the same businesses that struggle day in and day out for survival. The 20%, or less, who are wildly successful are intensely focused on the factors of their business that make them unique in the marketplace. Their Strategy Maps are myopically focused and their scorecards are unbalanced. So, where do you want to be?

## ABOUT PROJECT LEADERSHIP ASSOCIATES

Project Leadership Associates (PLA) provides professional business and IT consulting services to small, mid-sized and enterprise businesses across many industries. Our experienced consultants focus on delivering high quality consulting services to clients across four core solution groups: Strategy & Execution, Business Operations, Applications, and Infrastructure. PLA is headquartered in Chicago, with branch offices in Houston, Indianapolis, Milwaukee, New Orleans, New York and San Francisco. For more information, please visit [www.projectleadership.net](http://www.projectleadership.net).

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Dan Roller, Solutions Group Leader for PLA's Strategy and Execution practice, authored this article.



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