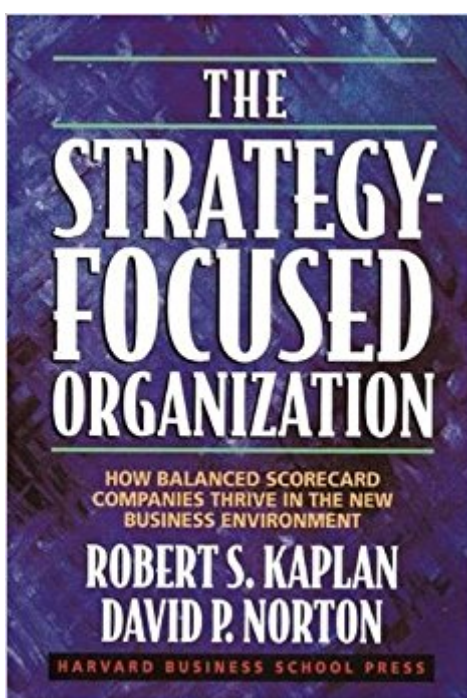


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# The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive In The New Business Environment



## Synopsis

The creators of the revolutionary performance management tool called the Balanced Scorecard introduce a new approach that makes strategy a continuous process owned not just by top management, but by everyone. In *The Strategy-Focused Organization*, Robert Kaplan and David Norton share the results of ten years of learning and research into more than 200 companies that have implemented the Balanced Scorecard. Drawing from more than twenty in-depth case studies--including Mobil, CIGNA, and AT&T Canada--Kaplan and Norton illustrate how Balanced Scorecard adopters have taken their groundbreaking tool to the next level. These organizations have used the scorecard to create an entirely new performance management framework that puts strategy at the center of key management processes and systems. Kaplan and Norton articulate the five key principles required for building strategy-focused organizations: 1) translate the strategy into operational terms, 2) align the organization to the strategy, 3) make strategy everyone's everyday job, 4) make strategy a continual process, and 5) mobilize change through strong, effective leadership. The authors provide a detailed account of how a range of organizations in the private, public, and nonprofit sectors have deployed these principles to achieve breakthrough, sustainable performance improvements.

## Book Information

Hardcover: 416 pages

Publisher: Harvard Business Review Press; 1 edition (September 2000)

Language: English

ISBN-10: 1578512506

ISBN-13: 978-1578512508

Product Dimensions: 6.4 x 1.3 x 9.5 inches

Shipping Weight: 1.8 pounds (View shipping rates and policies)

Average Customer Review: 4.4 out of 5 stars 43 customer reviews

Best Sellers Rank: #111,149 in Books (See Top 100 in Books) #63 in [Books > Business & Money > Management & Leadership > Planning & Forecasting](#) #184 in [Books > Business & Money > Management & Leadership > Strategy & Competition](#) #428 in [Books > Business & Money > Processes & Infrastructure > Strategic Planning](#)

## Customer Reviews

In their previous book, *The Balanced Scorecard*, Robert Kaplan and David Norton unveiled an innovative "performance management system" that any company could use to focus and align their

executive teams, business units, human resources, information technology, and financial resources on a unified overall strategy--much as businesses have traditionally employed financial management systems to track and guide their general fiscal direction. In *The Strategy-Focused Organization*, Kaplan and Norton explain how companies like Mobil, CIGNA, and Chemical Retail Bank have effectively used this approach for nearly a decade, and in the process present a step-by-step implementation outline that other organizations could use to attain similar results. Their book is divided into five sections that guide readers through development of a completely individualized plan that is created with "strategy maps" (graphical representations designed to clearly communicate desired outcomes and how they are to be achieved), then infused throughout the enterprise and made an integral part of its future. In several chapters devoted to the latter, for example, the authors show how their models have linked long-term strategy with day-to-day operational and budgetary management, and detail the "double loop" process for doing so, monitoring progress, and initiating corrective actions if necessary. --Howard Rothman

" . . . Kaplan and Norton show they know how to follow a good opening act [*The Balanced Scorecard*] without losing their own balance." -- *American Way*, December 2000

In this fast-moving economy of big ideas and trendy business strategies, one can sometimes lose track of what's in and what's out. If the last round of big ideas (disruptive technologies and chasm-crossings) was about finding the right product and market, this year's model is about getting it done. As companies turn again to profitability and leveraging existing resources and assets, managers are gravitating toward ideas that help them execute their strategies. *The Strategy-Focused Organization*, then, comes at an auspicious moment. In a follow-up to their influential and popular 1996 book *The Balanced Scorecard*, Harvard Business School professor Robert Kaplan and consultant David Norton take their popular ideas about measuring success and show how to build an organization that puts those ideas to use. Kaplan and Norton have rolled out their balanced scorecard model in hundreds of companies, including such marquee clients as Cigna, Mobil and UPS. They have built a successful consulting practice based on it and are now seeing other books crop up about using their tool. Like many consequential management devices, the balanced scorecard is fairly straightforward. The authors argue that companies all too often focus on the wrong numbers. Managers obsess over outcomes or lagging indicators instead of harder-to-measure factors such as cycle time, customer satisfaction and levels of innovation. The solution is a more balanced scorecard, and in the first book Kaplan and Norton go into great detail on how to build one. The underlying principles here are not new. The authors build on a tradition of process-focused quality initiatives stretching from Six

Sigma and Total Quality Management all the way back to Frederick Taylor's scientific management. Kaplan and Norton, however, move the notion forward somewhat by more explicitly linking their measures to successful outcomes. Employees more easily see how increasing cycle time or reducing defects, for example, can affect financial performance and customer satisfaction. The scorecard describes and tracks a company's given goals. Kaplan and Norton argue in their new book, though, that their approach can also help managers execute those goals by acting as a sort of corporate superego. "Measurement creates focus for the future because the measures chosen by managers communicate to the organization what is important," they write, somewhat grandly claiming that at many companies their scorecard system "replaced the budget as the center for management processes. In effect, the balanced scorecard became the operating system for a new management process." Kaplan and Norton deliver on the subtitle's promise of showing how companies use the balanced scorecard. While at times the book reads a bit like a Harvard Business School case writ large; no surprise, given that many of the examples cited were subjects of HBS case studies by the authors; the book presents a wealth of finer points and stories about the tool in practice. While the balanced scorecard promises great reward, it also calls for a large commitment. The authors suggest, for example, that every employee construct personalized balanced scorecards. They advocate regular, detailed communication of the numbers. Such practices can, if pursued too vigorously, channel an inordinate amount of time and energy to the process of "excellence" rather than the business of getting things done. Several quality-obsessed companies of the '90s fell prey to such habits. Still, most companies could do far worse than overemphasize doing the right things. At a time when companies increasingly need to deliver on strategy rather than come up with the next big idea, Kaplan and Norton help pull together meaningful measures for a knowledge-based economy. A fairly simple idea, but as the authors argue, execution is everything. Tom Ehrenfeld writes the Just Managing column for TheStandard.com. -- From The Industry Standard

Instead of a mere financial management, you can go with this tool to design a performance management process, based on strategies that reach any operational corner on your Organization. GET superior information, GET focused Administration, USE all your company resources to get sustainable competitive advantages. TRACE the success from the beginning and get the BEST results; for your customers, for your shareholders and for your employees. This method allows a perfect virtuous cycle, measurable on the progress and moving the company to a better future and position. IF you want consistent and sustainable results on your company, this can be your expert

guide to achieve them easily and measurable.

Good book

This book has been on my shelves for 2 months before I read it. I know this is an important work, but I initially think it will only be suitable to large corporations. After reading it I realize that this can ultimately be applied to small/med size companies. Companies with revenue of less than 500K USD/year revenue can reap similar benefit compare to the fortune 500 companies by implementing it. The samples shown in the book make it easier for the reader to copy and adapt for their own organisation. Most samples are derived from the big-companies (typical harvar business book ;-)), but we can adapt it to our (small company) needs. Focus on chapter 3, about STRATEGY MAP. this is most important. And the GENERIC STRATEGY MAP can be applied to most organisation with minimum of adjustments. COPY and ADAPT. we can not afford to hire the expensive consultants, so we have to be our own consultant. And this book is a good guide. Most small companies do not even have VISION, MISSION etc statements. But the balance scorecard helps us focus on strategy, objectives, measures, target and INITIATIVES that are measurable, in a more descriptive ways. This is in a sense a HOW-TO book about strategy, and about measurements. I've decided to use the system for our company sam-design.com which now has 58 people, and sell the intangibles (designs). We won Andersen Consulting (Accenture now) award of ENTERPRISE-50 (awards for most promising small and medium size companies in Indonesia) last November. We think that the strategy describe in the book will boost our company's growth despite the slowdown of the internet. I started to read the book with much skepticism but ended up recommending it to many friends, write a review about it for local magazine and promoting the idea of strategy based on balance scorecard. ( I did read the original balance scorecard book which was published in 96, interested in the idea for a while but did not implement any of it). So for the small companies out there, go and get the book, this is not only for the big-boys....

I probably should have written this review a couple of years ago while the contents were fresh but I decided to give it a try anyways. The book had a good structure and it was helpful to understand balance score cards. It didn't really show you how to build one. The examples felt a little old but still you could somewhat relate to them.

The Strategy-Focused Organization Building on their Balanced Scorecard approach, Kaplan and

Norton have developed an impressive framework in *The Strategy-Focused Organization* for the implementation of strategy. They have found that 90% of strategic initiatives fail due not to formulation but to implementation difficulties. Successful implementation of strategy requires all parts of an organizations to be aligned and linked to the strategy, while strategy itself must become a continual process in which everyone is involved. The Balanced Scorecard, originally seen by the authors as a measurement tool, is now presented as a means for implementing strategy by creating alignment and focus. Financial measures report on lagging financial indicators. The Balanced Scorecard aims to report on the drivers of future value creation. The book shows in detail how this is done from four perspectives: Financial, customer, internal business perspective, and learning and growth (these are outlined on p.77). These four perspectives produce a highly detailed framework when combined with the five principles of a strategy-focused organization: 1: Translate the strategy to operational terms. 2: Align the organization to the strategy. 3: Make strategy everyone's everyday job. 4: Make strategy a continual process. 5: Mobilize change through executive leadership.

Absorbing every detail of this book will require many hours. The sheer detail of this complex system requires considerable attention, perhaps more than some readers can muster, but clearly distinguishes this work from many books full of business fluff. The style tends to be turgid and pedantic while being admirably complete. Readers can grasp the essence of the book's central points by reading only Chapter 1 (Creating the Strategy-Focused Organization), Chapter 3 (Building Strategy Maps), and Chapter 8 (Creating Strategic Awareness). Skip quickly through the chapters in Part Two: Aligning the Organization to Create Synergies. This section is the least engaging of the five. The balanced scorecard approach to strategy will appeal to those with a systematizing frame of mind. The book is filled with complex diagrams of corporate processes consisting of interrelated boxes and forces. This approach is extremely detailed and complex. It requires a major commitment and effort. Though the authors claim it can be implemented by smaller organizations, this will be more challenging than for large companies who can commit a team full time to working out the details. Much of the value of the approach may lie not so much in following through on completely working out the balanced scorecard but on absorbing the lessons regarding organizational integration across silos and the importance of clarity about mission, strategy, and goals. The balanced scorecard is one way to achieve and implement this clarity but not the only way. Another would be continual reiteration of these (as in *Confessions of An Extraordinary Executive*). Some companies may benefit from strict use of this system, including finding units of measurement for its implementation. Others will gain much from applying the insights without such a formal and complete implementation.

If you are working with Balanced Scorecards and haven't read this book, shame on you. :-)Some many books reference the work of Kaplan and Norton but do such a poor job representing the depth of the content. I'm so glad I bought this book.

Making your goals visible to others in a way they and you can act on is critical. This book helps you in a practical easy to understand way.

Very good.

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