

in this issue

Strategic Thinking

The Best and the Worst

Strategic Action

Creating a Useful Scorecard

Industry Snapshot

Industry Expertise

Reading List

*Naked Conversations:
How blogs are changing the
way that businesses talk with
customers*

By Robert Scoble and Shel Israel

Announcements

About Trek

trekking

a newsletter on practical strategic thinking and action
issue #32: the truth about balanced scorecard

editor's message

Whether or not you use balanced scorecard in your company, it is important for you to know about this approach to achieving strategic objectives. Balanced Scorecard has had a great deal of influence in management thinking since its emergence into the mainstream. There are many good things about this set of ideas, but there are many dangerous things about them too.

This month in Strategic Thinking, we share our thoughts on how to draw out the best lessons from balanced scorecard but leave the worst behind. In Strategic Action, we give you some ideas on how to build your own scorecard. In Industry Spotlight, we look at the issue of industry expertise. And, this month's reading list reviews *Naked Conversations* by Robert Scoble and Shel Israel.

strategic thinking

The Best and the Worst

The concepts of balanced scorecard (BSC) have been laid out in a series of four books by Robert S. Kaplan and David P. Norton. I have to confess that, while I read the first three books, I have never recommended that any of our clients apply the full balanced scorecard approach. Here are some of my thoughts on the best and worst to be learned from the method:

Best Contributions from BSC:

- Getting people to think beyond financial metrics, using leading indicators as a way of managing proactively—in today's knowledge-based economy, we cannot rely exclusively on financial metrics.
- Legitimizing the use of drawings and maps as a way of thinking about how value is created by corporations—drawings unleash our thinking and help us manage more creatively.

Worst Contributions from BSC:

- Reinforcing the dangerous assumption that strategy is developed at the top of the organization—this is the case only for very clear strategies where execution is the main issue...but a disaster in the more common situations where the environment is changing and/or innovation needs to happen at lower levels of the organization.

trekconsulting
fresh information. smarter decisions. great results.



trekking

- Forcing a tight linear relationship that progresses from learning to people to customers to sales—where learning, knowledge, people and processes are involved, linear thinking is very limiting.
- Taking the environment as a constant—with the exception of direct customers, BSC does not track external metrics.

When we teach strategic thinking, we like to use the analogy of a toolbox. Every businessperson should have their own toolbox filled with a diverse mix of tools. The old maxim says, “if all you have is a hammer, everything looks like a nail.” Don’t let one tool dominate your thinking. BSC has taught us all some new tools—from the concept of scorecards themselves to mapping and leading indicators. You can use these ideas without applying all the strict structure that Kaplan and Norton have recommended.

-Mary Adams (adams@trekconsulting.com)

strategic action

Creating a Useful Scorecard

You can put the best thinking of the balanced scorecard to use (and avoid the worst) by:

- Empowering strategic thinking at all levels of your company—even if it means more training.
- Mapping how you create value—just start drawing, with roles as nodes and value as the connections (this is the essence of value network analysis as described by Verna Allee—<http://www.value-networks.com/>).
- Using indicators that help you measure progress toward your ultimate financial goals.
- Using a scorecard to reach consensus with your team on how to measure progress—not to push down goals.

- Michael Oleksak (oleksak@trekconsulting.com)

industry snapshot

Industry Expertise

Upon offering services to a new prospect, independent service professionals in marketing, consulting, or software are regularly asked whether they have experience in the industry.



If the consultant has experience; that's fine. And a good case probably can be made as to the applicability of that experience to the prospect's needs—the most obvious and biggest advantage being the shorter learning curve regarding standard industry practices, terminology, and industry players.

However, a strong case also can be made for bringing a fresh set of eyes to a problem. A professional who does not have specific industry expertise can argue that lessons learned from working with companies in other industries can be the generator of new and better ways of doing things. In this way, best practices can be created for your client, drawn on best practices from those outside the industry.

We have seen this play out lately in a number of situations in our own business and in those of our clients. Sometimes prior knowledge brings valuable perspective to a challenging situation, and sometimes it puts blinders on the consultant preventing them from seeing beyond the “common wisdom” of the industry.

Next time you look for industry expertise, think very specifically about what kind of expertise you really need.

reading list

Naked Conversations:

How blogs are changing the way that businesses talk with customers

By Robert Scoble and Shel Israel

It is hard to write a book about a phenomenon that is changing so rapidly. Blogs have exploded in recent years, and big changes have already occurred since it went to press late last year. It is a tribute to the authors that they give a great introduction to the history of blogging and basic principles of the practice without seeming dated.

It was a great introduction for the blogging neophytes at Trek. It also gave us enough of a big-picture understanding to help us think through our own participation in the blogosphere. It doesn't give you nuts and bolts advice on the best RSS feeds and other such practical details that you would want from a more up-to-date source. But, if you want to understand this big picture, get this book now. You might as well start figuring out your own blog strategy—would that be called blog-egy?

You can read the blog (<http://redcouch.typepad.com/>) where the authors reportedly wrote this book and where Shel Israel is writing *Global Neighborhoods*.



announcements

As part of the celebration of the 75th anniversary of Financial Executives International, the Editor of Financial Executives wrote an overview entitled, "What Does the Future Hold for Finance and CFO's?" that included a section on intellectual capital, featuring Trek Principal Mary Adams:

"The greatest change that has to occur in the finance role involves the intangible assets of the corporation. As we have shifted to a knowledge-based economy, the drivers of competitive advantage are resources like people, processes, knowledge, external networks and brands. Today, only 20 percent of corporate value can be explained through the book value of tangible assets. The rest is in intangible, intellectual capital. The implications of this are widespread.

Financial reporting doesn't give an accurate picture of a corporation's productive "assets" (as was the original intention of the balance sheet). New approaches to performance measurement need to be adopted to help management, and new approaches to assessing the strength, outlook and risk of the corporate portfolio of productive resources also need to be adopted.

Failure to adopt new approaches will relegate financial executives to be truly bean counters, in charge of the income statement but having little input into the future capacity of the organization."

The full article includes thoughts from leading CFO's and academics (you have to register to read it, but it is free—http://www.fei.org/eweb/dynamicpage.aspx?webcode=mag_detail&key=a63ebe35-031b-45e3-91a1-26cec8d6836d).

In next month's issue, we will look at the Real ROI on IT.

about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the roadblocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.