

## Mastering the Management System

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Companies have always found it hard to balance pressing operational concerns with long-term strategic priorities. The tension is critical: World-class processes won't lead to success without the right **strategic direction**, and the best strategy in the world will get nowhere without strong operations to execute it.

In this article, **Kaplan**, of Harvard Business School, and **Norton**, founder and director of the Palladium Group, explain how to effectively manage both strategy and operations by linking them tightly in a **closed-loop management system**.

The system comprises five stages, beginning with strategy development, which springs from a company's mission, vision, and value statements, and from an analysis of its strengths, weaknesses, and competitive environment.

In the next stage, managers translate the strategy into objectives and initiatives with strategy maps, which organize objectives by themes, and balanced scorecards, which link objectives to performance metrics.

Stage three involves creating an operational plan to accomplish the objectives and initiatives; it includes targeting process improvements and preparing sales, resource, and capacity plans and dynamic budgets.

Managers then put plans into action, monitoring their effectiveness in stage four. They review operational, environmental, and competitive data; assess progress; and identify barriers to execution.

In the final stage, they test the strategy, analyzing cost, profitability, and correlations between strategy and performance. If their underlying assumptions appear faulty, they update the strategy, beginning another loop.

The authors present not only a comprehensive blueprint for successful strategy execution but also a managerial tool kit, illustrated with examples from HSBC Rail, Cigna Property and Casualty, and Store 24.