

# Strategy Implementation

## Balanced Scorecard

# Introduction : What is BSC ...

- A framework that maps strategy in an organization across 4 perspectives - Financial, Customer, Internal Processes, Learning and Growth
- A Measurement System that reports on past operating performance and driver of future performance.
- A Communication System that bridges the gap between goals set by senior executives and front line operating personnel whose performance is ultimately responsible for reaching them.
- A Process for implementing and managing organizational change.

- 1992 – Measurement & reporting
  - 1996 – Alignment & communication
  - 2000 – Enterprise-wide strategic management
- ↓
- 2001 - Strategy Focused Organisation

# Strategic Management Process and Balanced Scorecard



Satisfied Shareholders

Delighted Customers

Efficient & Effective Processes

Motivated and Prepared Workforce

# Introduction : Why BSC ...

- Over 35% of valuation decisions are based on non-financial factors:-
  - Strategy execution
  - Management credibility
  - innovation (New Products)
  - Attract talented people
- It beats the odd
- It does it fast
- Applicable to a wide range of organizations

**Strategy execution  
is now the #1  
Non-financial factor  
driving shareholder/  
prospective investor  
valuations**

# Introduction : Why BSC

Contemporary management systems have been designed to meet the needs of stable, incrementally changing world. They do not meet the needs of today's dynamic economy.

## From

- Industrial Age
- Product driven
- Functional (silo)
- Tangible Assets
- Top Down
- Incremental Change
- Management

## To

- Knowledge Era
- Customer Driven
- Processes (Integrated)
- Intangible assets
- Bottom up
- Transformational Change
- Leadership

#1

## *Principles of the Strategy Focused Organization:* **TRANSLATE THE STRATEGY TO OPERATIONAL TERMS**

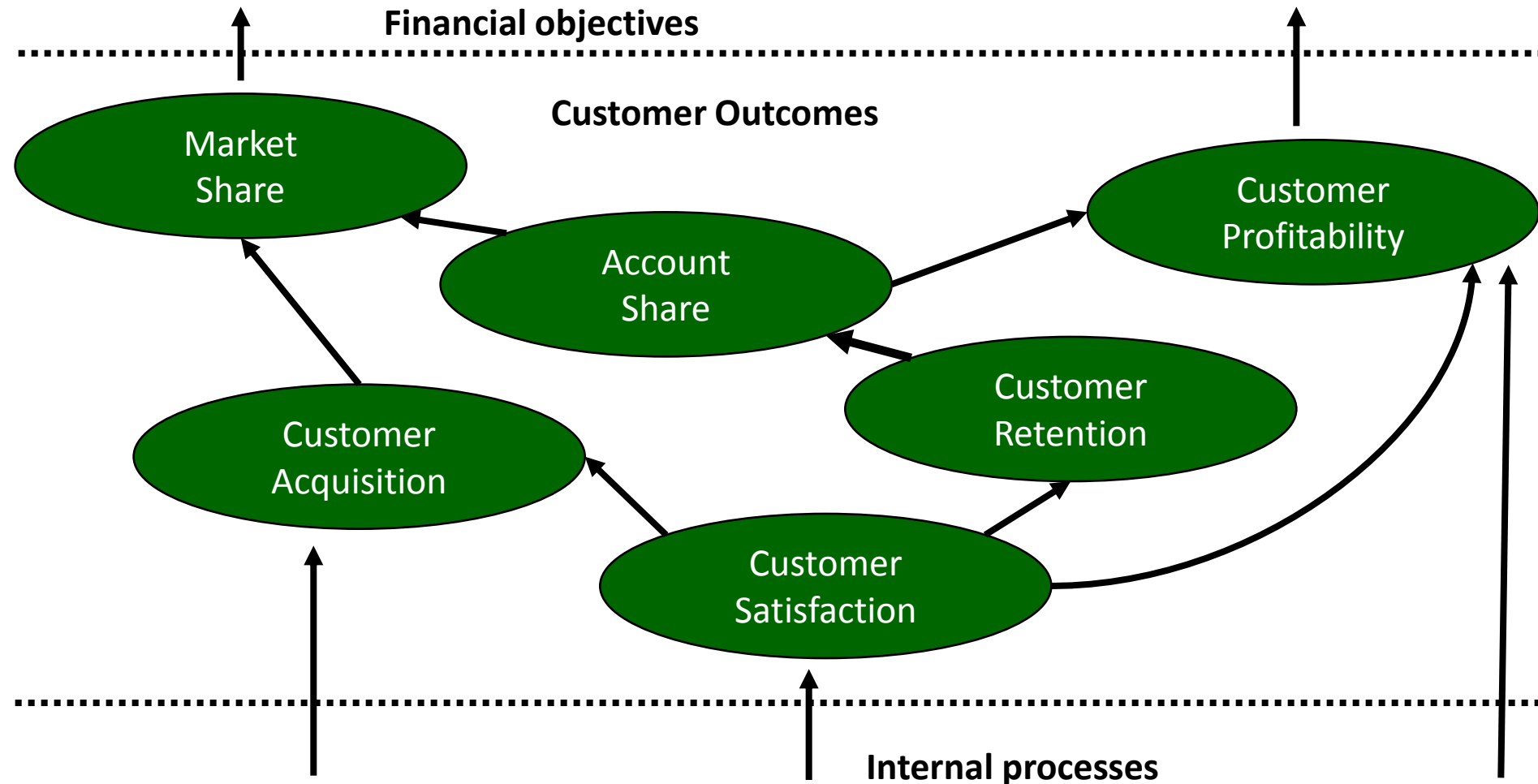
- ❑ *Measurement is the language that gives clarity to vague concepts.*
- ❑ *Measurement is used to communicate, not to control.*
- ❑ *Building the scorecard develops consensus and teamwork throughout the organization*



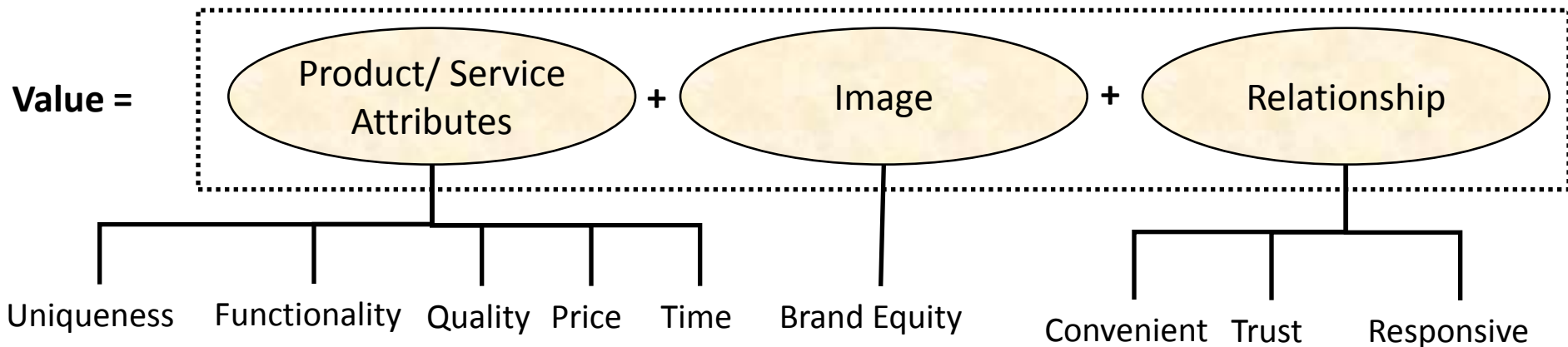
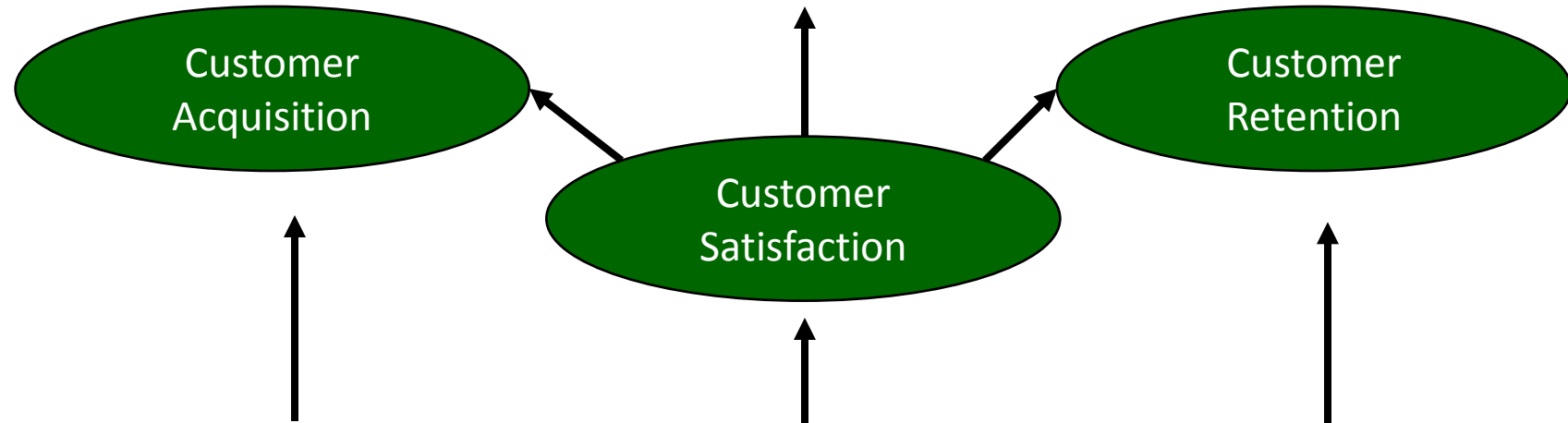
- Strategic themes: That guide towards vision
- Objectives: What the strategy is trying to achieve
- Measures: How performance against objectives is monitored
- Target: The required level of performance or rate of improvement
- Initiatives: An action plan to achieve target

- Revenue growth and mix
- Cost reduction/ productivity improvement
- Asset utilisation/ investment strategy

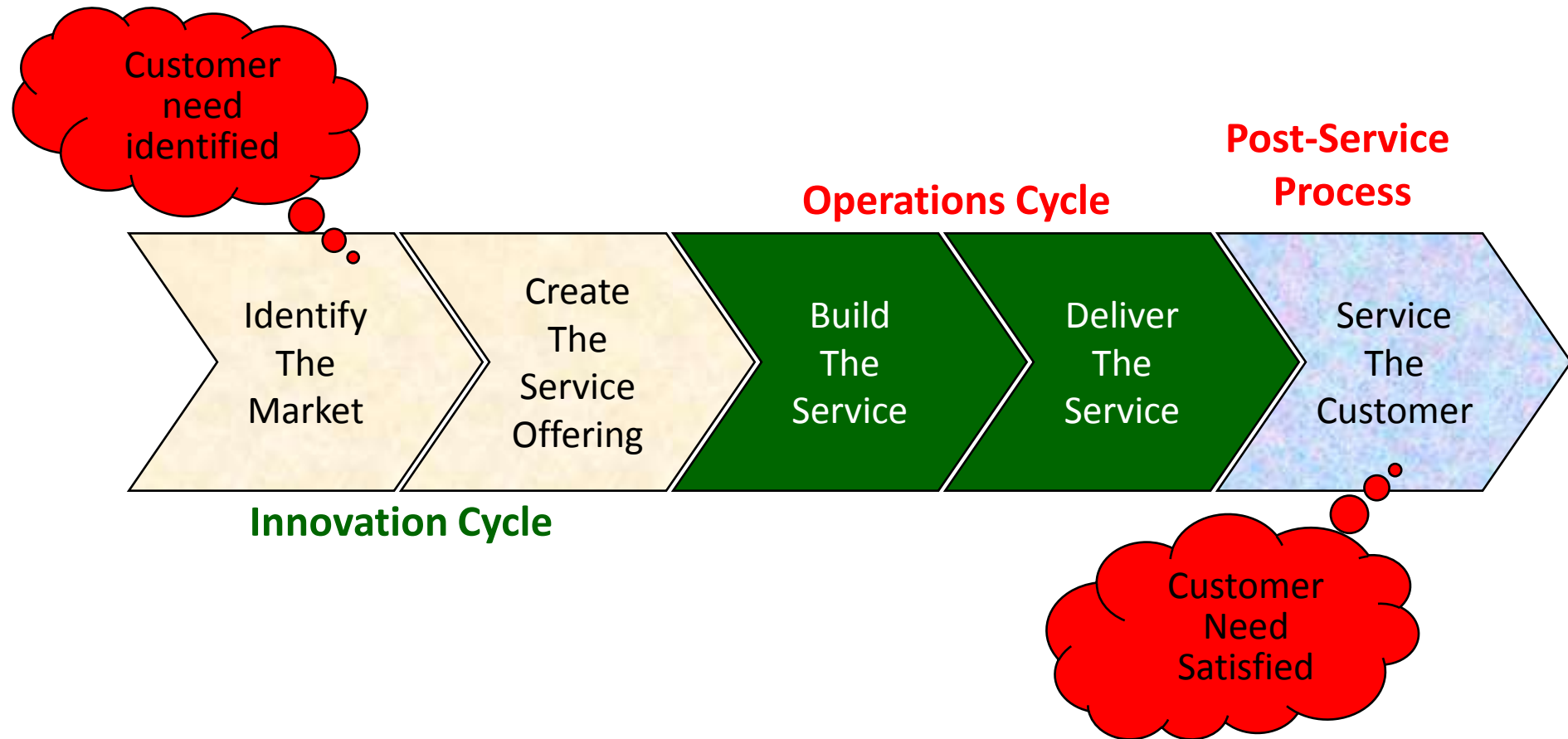
# Customer Perspectives Core Outcome Measures



# Linking Value Propositions to Core Outcome Measures



# Internal Business Process Generic Value Chain Model

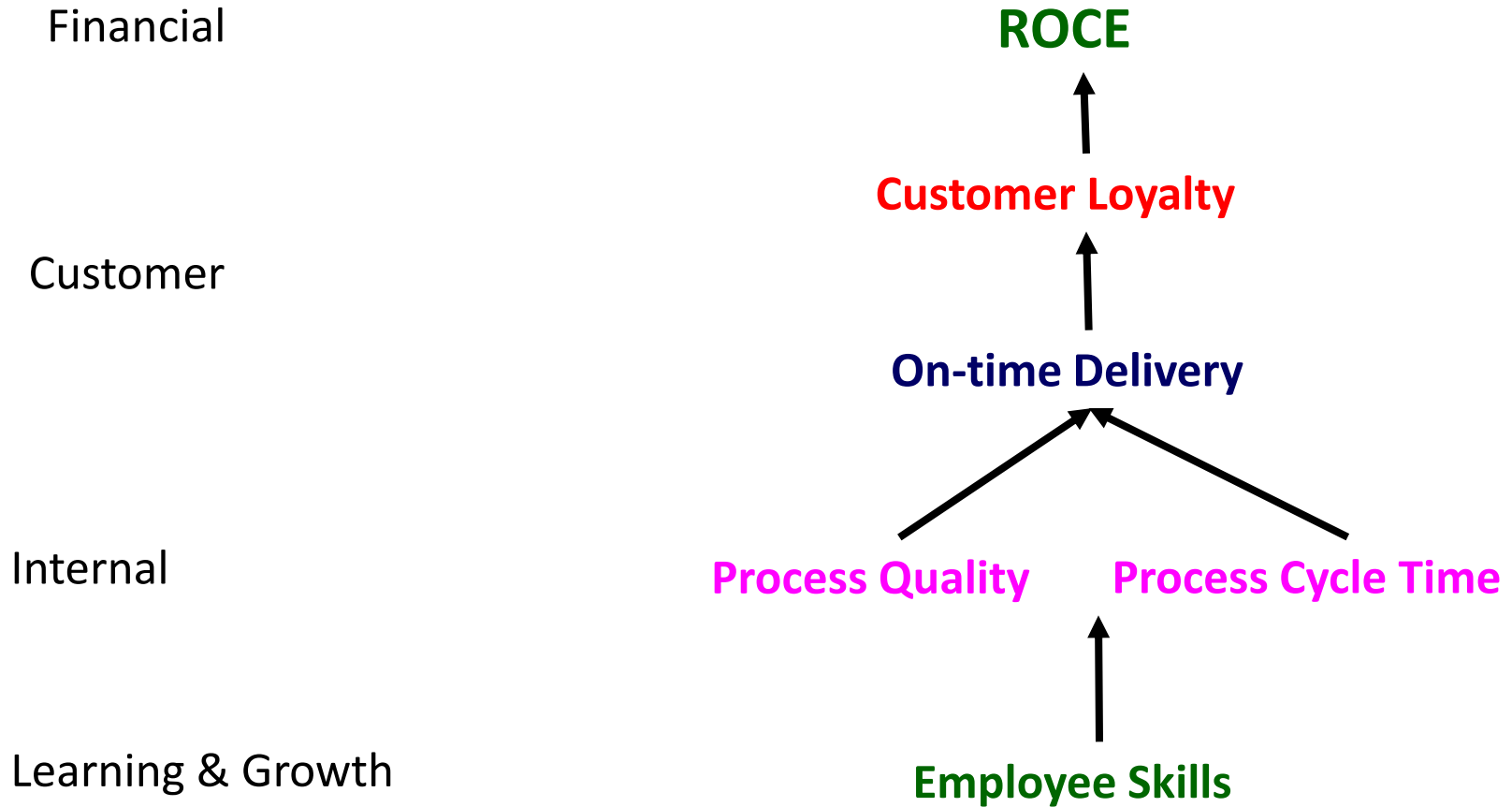


- Infrastructure needed to create long term growth and improvement
- The principal sources
  - People
  - Systems
  - Organisational procedures
- Focus
  - Access the gaps in the principal sources
  - Close the gaps
    - Invest in re-skilling employees
    - Enhancing IT and systems
    - Aligning organisational procedures and routines
- [Fig. 6.4, Balanced Scorecard](#)

# Linking Multiple Scorecard Measures to a Single Strategy

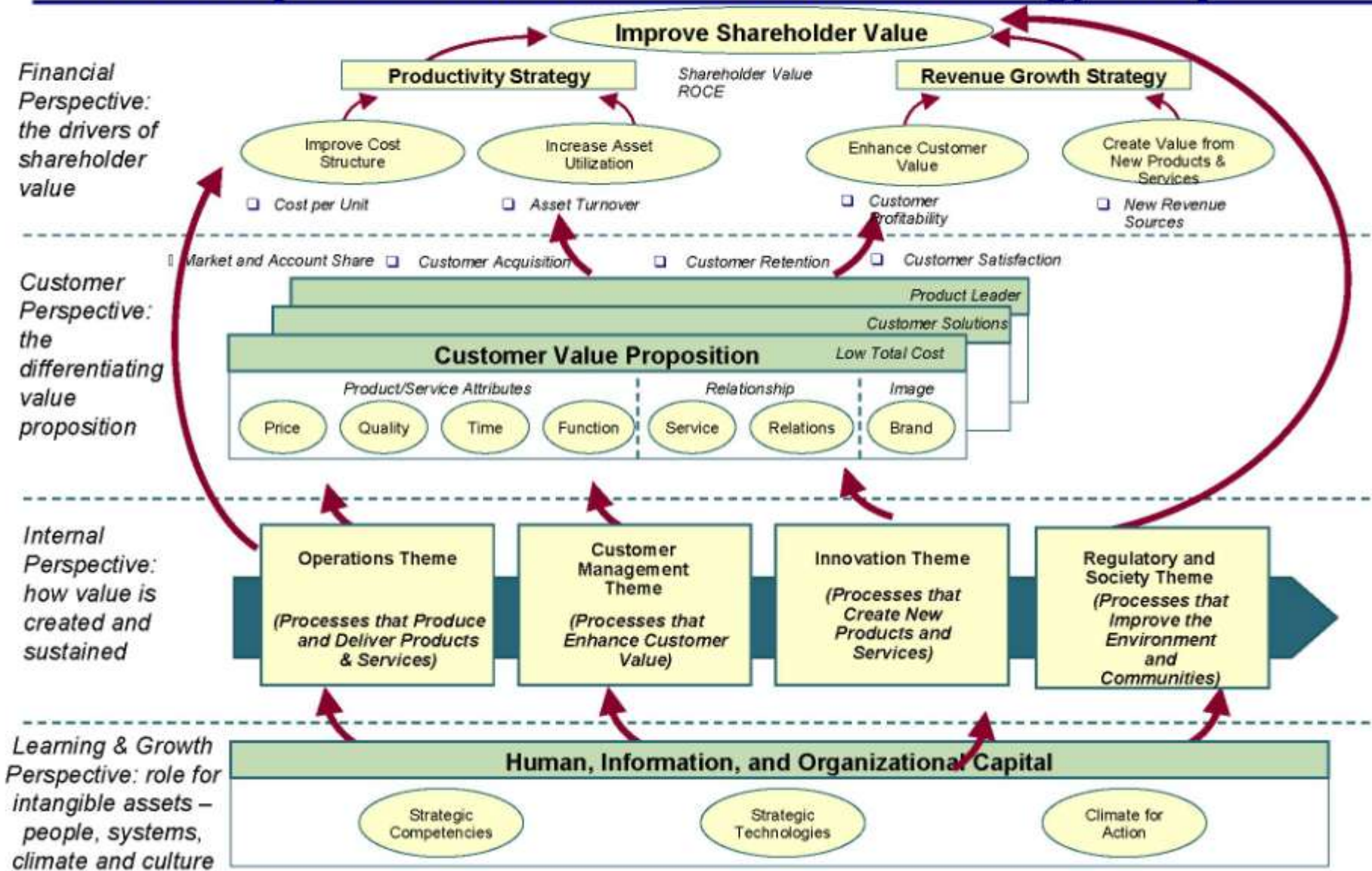
- Cause and effect relationship
- Outcome and performance drivers
- The linkage of broad functional initiatives to financials
- Strategic versus diagnostic measures
  - Competitive excellence
  - Control

# Cause and Effect Relationship



## Model of Value Creation

# The Complete Balanced Scorecard Strategy Map



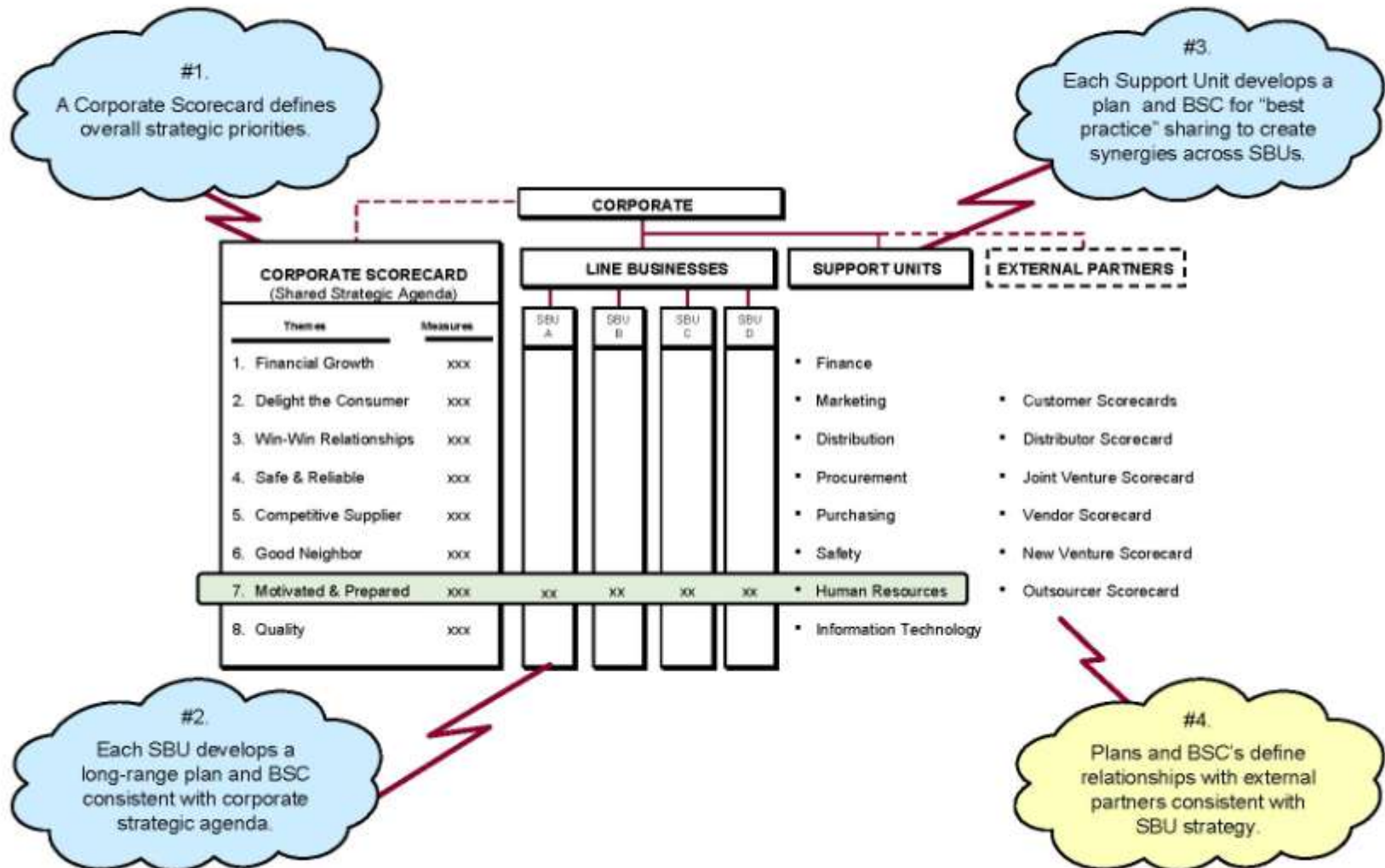


# Objectives, Measures, Initiatives, and Short-Term Targets at National Bank Online Financial Services

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- The balanced scorecard for consumer bank, Fig.12.10; Strategic action plan at consumer bank, Fig. 12.11

# Principles of the Strategy-Focused Organization: LINK AND ALIGN THE ORGANIZATION AROUND ITS STRATEGY



# EP's complex organization makes aligning businesses, regions, and functions critically important.

## Engineering Polymers

Business Units								Support Units					
A	B	C	D	E	F	G	H	OPS	IT	FIN	HR	MKG	R&D
XX		XX	XX				XX	XX				XX	
XX		XX	XX	XX	XX	XX		XX		XX		XX	
XX	XX	XX	XX	XX	XX	XX	XX					XX	XX
XX	XX	XX	XX	XX	XX	XX	XX		XX	XX	XX	XX	XX
XX		XX	XX			XX	XX		XX	XX	XX	XX	XX

**EP Scorecard**  
(Shared Strategic Agenda)

Pathways

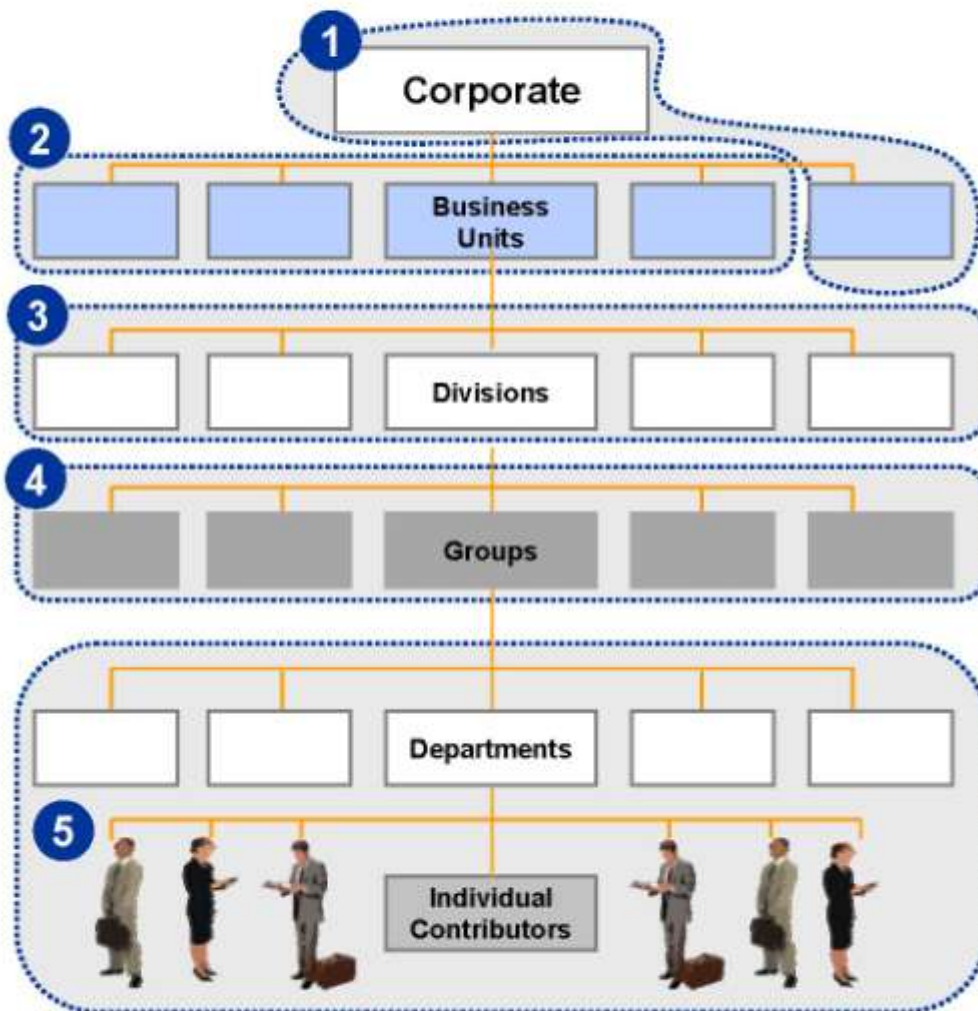
1. Operational Excellence
2. Supply Service/Order-Cash
3. Management of portfolio of products & applications
4. Customer Management
5. Systems Solution/ New Business Designs

EP Scorecard defines overall strategic priorities

Each business unit develops a long-range plan and BSC consistent with EP strategic agenda

Functions, teams and individuals develop scorecards consistent with SBU/BU strategies

# Cascading the Scorecard – Typical Rollout Process.



## **1 Begin with Corporate Scorecard**

- Simultaneously pilot one SBU

## **2 Complete Business Units**

### **Cascade within Business Units**

**3** Division

**4** Group

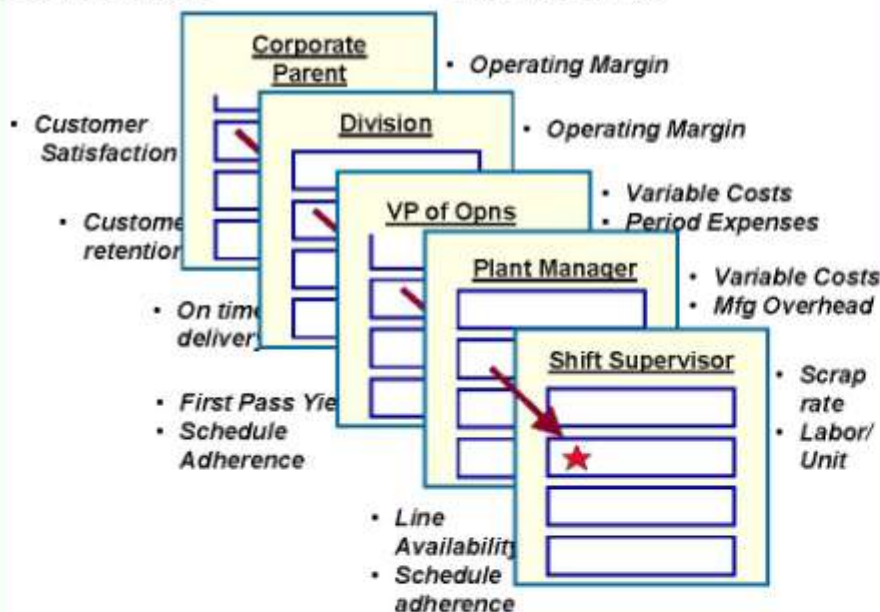
**5** Departments / Individuals

# Ultimately, Team and Individual Goals and Objectives Are Aligned to the Strategy

A performance model provides the framework for cascading and aligning personal goals

Customer Example

Financial Example



A personal scorecard focuses individuals on the part of the performance model they can impact

Corporate Measures					Balanced Scorecard		Business Unit Measures					Individual Goals	
1993	1994	1995	1996	1997			1993	1994	1995	1996	1997		
Targets					Financial		Targets					And How Term Action Steps	
100	120	160	100	250	• Savings								
100	450	200	210	225	• Net Cash-Flow								
100	80	80	75	70	• Overhead & Operating Expense								
Targets					Operating		Targets						
100	75	73	70	64	• Overhead & Operating Costs								
100	97	93	90	92	• R&D & Development Costs								
100	100	100	100	110	• Total Annual Production (planned - achieved)								
Corporate Objectives					Individual Measures								
1. Reduce working hours by 10%.					1								
2. Increase net working hours savings by 20% in 1997.					2								
3. Reduce the amount of overtime by 50% by 1997.					3								
4. Reduce overhead & operating costs by 10% by 1997.					4								
5. Reduce R&D & development costs by 20% by 1997.					5								
6. Reduce the amount of overtime by 50% by 1997.					6								
7. Increase production by 10% by 1997.					7								
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*If we can achieve all these business objectives, we will be a top quartile competitor*

Name: \_\_\_\_\_  
Location: \_\_\_\_\_