Implementing the Balanced Scorecard
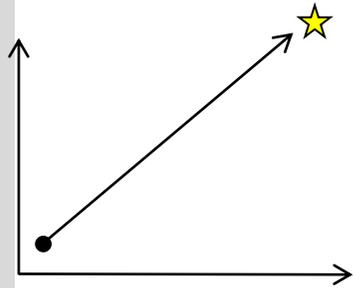
Translating Strategy to Action

Execution is a discipline, and integral to strategy

Execution is the major job of the business leader

Execution must be a core element of an organisation's culture

- Larry Bossidy and Ram Charan, *Execution*, 2002

Strategy Isn't The Problem, Execution Is!

Vision Barrier

Only 5% of the typical workforce understands the strategies and, therefore, are not aware of their role in implementation

People Barrier

Only 25% of managers have incentives linked to strategy (e.g. appraisals, bonuses, or other rewards)

LESS THAN 10% OF STRATEGIES ARE IMPLEMENTED EFFECTIVELY

Resource Barrier

Less than 40% of organizations link their budgets to strategy

Management Barrier

Only 15% of executive teams spent an hour or more a month discussing strategy at their meetings

Pure financial measures have proven to be inadequate in measuring and monitoring a company's performance
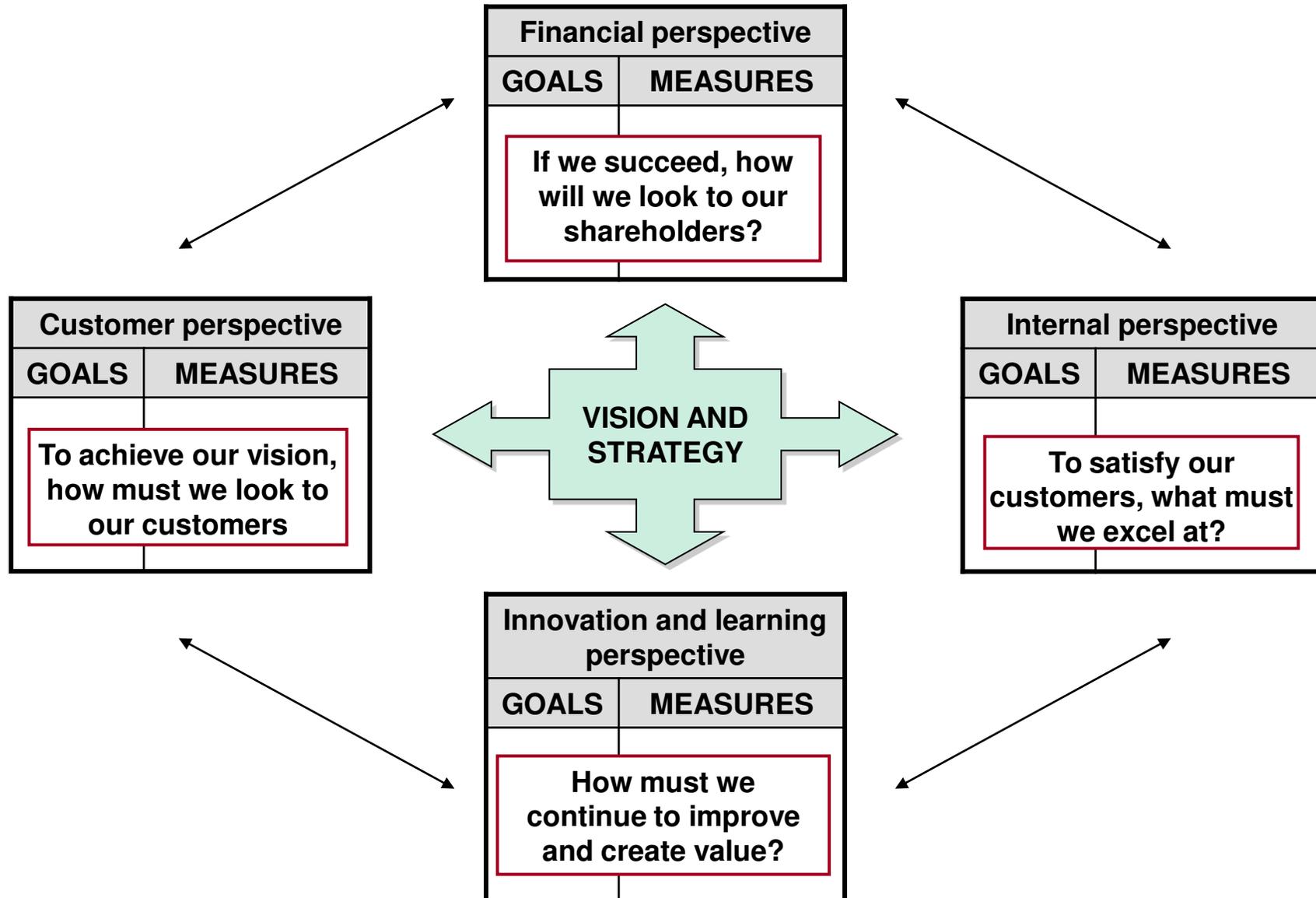
Source: Literature review

The Balanced Scorecard Has Been One Of The Most Enduring Management Tools

- Outlined by Kaplan and Norton in the Harvard Business Review in 1992, the Balanced Scorecard (BSC) has been one of the most enduring management tools of the last twenty years

- Surveys have revealed that more than 60% of Fortune 500 companies have implemented the Balanced Scorecard framework. One study suggests that it is the most widely adopted performance management tool used by companies

- While the BSC continues to be described as one of the most important business tools for organisations across the world by corporate leaders and strategists, there are many companies that have not implemented the BSC or have refreshed it as strategic roadmaps are updated for today's slow growth operating environment

- Implementing or refreshing the BSC reinforces the strategic plan throughout all levels of the organization and helps everyone understand the linkages between strategy and performance

Source: Vikalpa; Literature review

Many Leading Companies Have Adopted the BSC

Source: Literature review

The Scorecard Links Performance Measures Across Four Dimensions

Financial perspective

GOALS	MEASURES
	If we succeed, how will we look to our shareholders?

Customer perspective

GOALS	MEASURES
	To achieve our vision, how must we look to our customers

VISION AND STRATEGY

Internal perspective

GOALS	MEASURES
	To satisfy our customers, what must we excel at?

Innovation and learning perspective

GOALS	MEASURES
	How must we continue to improve and create value?

Source: Kaplan & Norton, Harvard Business Review; Literature review

The Tool Has Several Strengths

- Visually well packaged and simple to understand by people across the organisation – most middle management employees are able to grasp the core concepts of the tool in one workshop

- Focuses attention on the importance of non-financial measures – and causes companies to take a 360 degree perspective of the business

- Adaptable to different business environments and organizations – Fortune 500 Corporations, NGOs, Utilities and Social Sector Enterprises have all gained strong performance improvements from the Balanced Scorecard

- Companies that have been struggling with growth, have often used the balanced scorecard to re-align organisational resources towards the company vision

Source: Literature review; MXV Case Experience

# Multiple Benefits Realised By Global Companies Using The Balanced Scorecard

1. Facilitates communication across the entire organization and enhances **understanding of vision, mission and strategy**

2. Ties the vision, mission and strategy to the **goals and objectives** of individuals and departments concerned

3. Helps define clear **metrics** for better and more objective **performance management**

4. Facilitates a clear understanding for the reasons and helps **identify initiatives** to achieve the relevant performance

5. Acts as an effective basis for **resource allocation** with focus on both managing current performance as well as long- term value

6. Used to establish clear **governance frameworks** and review mechanisms

| Vision and strategy | Goals | Initiatives | Resource allocation | Metrics and governance |

Effective translation of vision to metrics and governance mechanisms

Five Questions To Ask Ourselves

1   Have we really been able to translate our strategic intent into actionable and measurable initiatives?

2   Do different departments in the company understand and appreciate the dependence of other functions on them? Can we say that everyone is pulling in the same direction?

3   Do we use the right metrics to capture business performance? Are these metrics completely measurable, and well understood?

4   Have we aligned our performance management processes with the company strategy?

5   How much time do we spend discussing and reviewing our strategy implementation? Do these meetings result in positive movement?
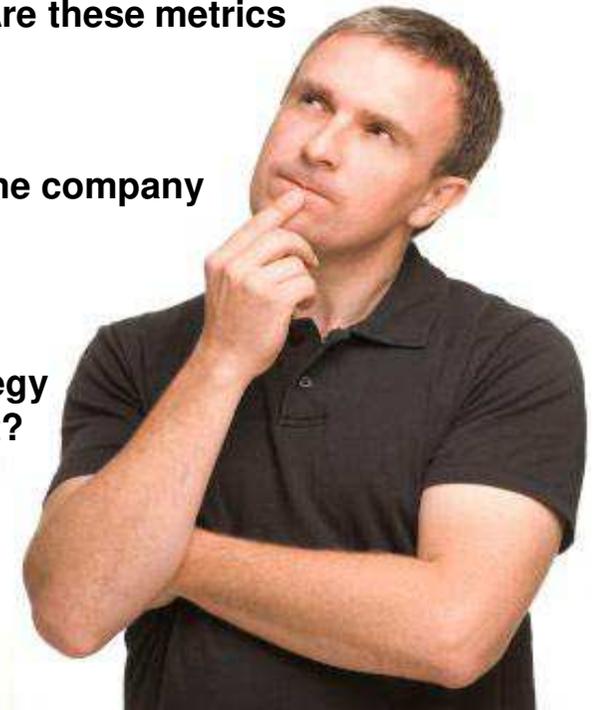
How MXV Can Help: Three Offerings That Deliver Fast And Clear Results

Setting up the Balanced Scorecard (BSC) framework for your organisation

Creating performance management framework linked to the BSC

Audit existing BSC implementation; identify opportunities for improvement and enhanced performance

We combine the analytical tools of business analysis, the business insights of strategy consulting, and the tactical savvy of entrepreneurs to provide our clients with actionable programs that can be measured and adjusted during its implementation
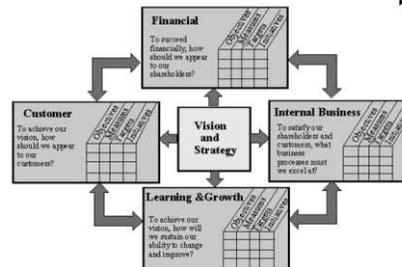
Offering 1: Setting Up The Balanced Scorecard

Business strategy and objectives → **Metrics and initiatives** → **Implementation and governance**

- **Articulation of strategy What will we do to win**
- **Agreement on high level organisational goals**
- **Creation of working teams**
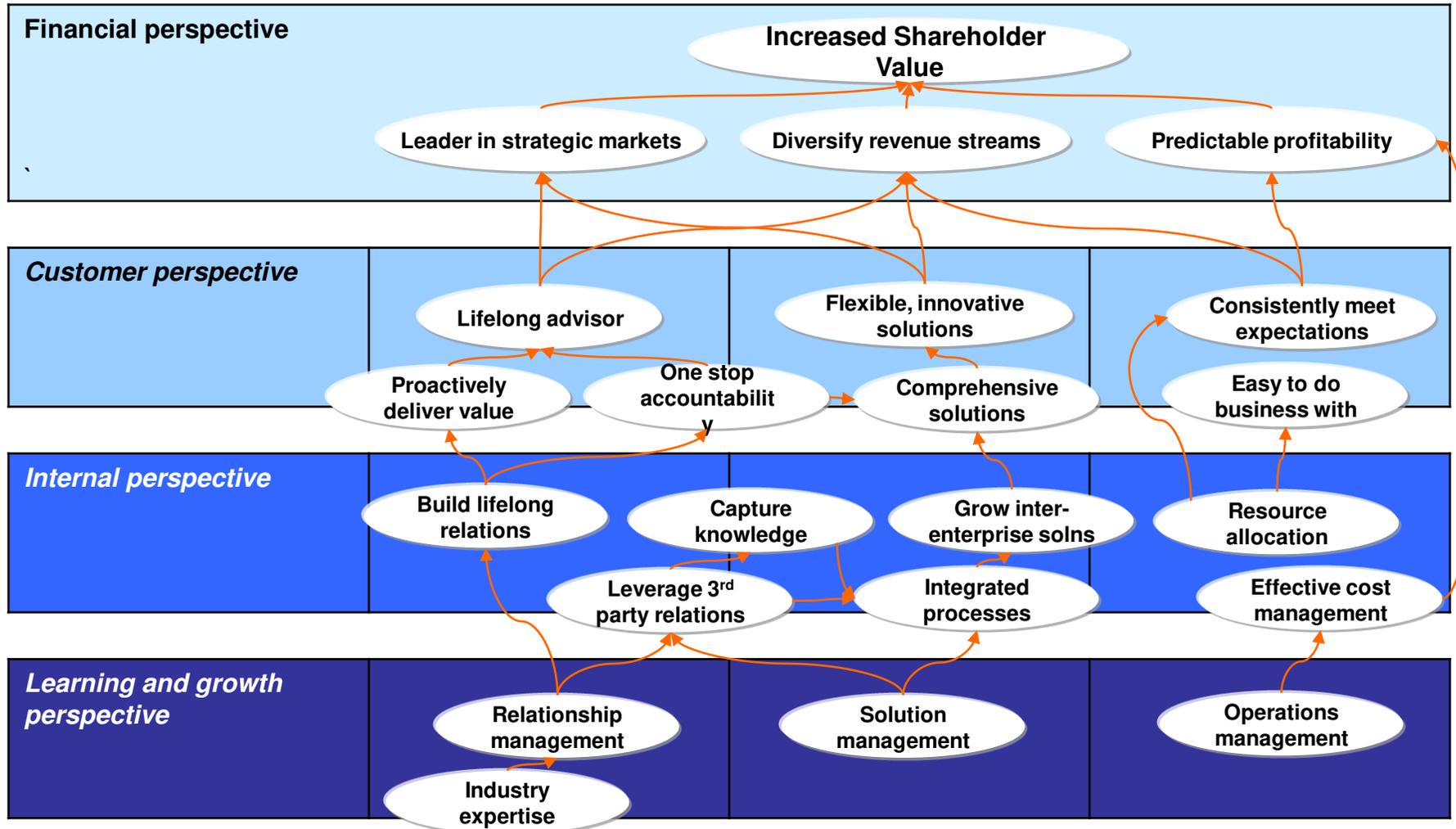- **Explanation of BSC**
- **Template design**

- **Workshops to identify metrics and detail out organisational initiatives**
- **Integration and alignment of plans and BSCs across the company**
- **Test metrics for feasibility of tracking and reporting**

- **Finalisation of BSCs by Executive team**
- **Agreement on targets**
- **Automation and design of dashboards**
- **Agreement on review mechanisms and governance process**
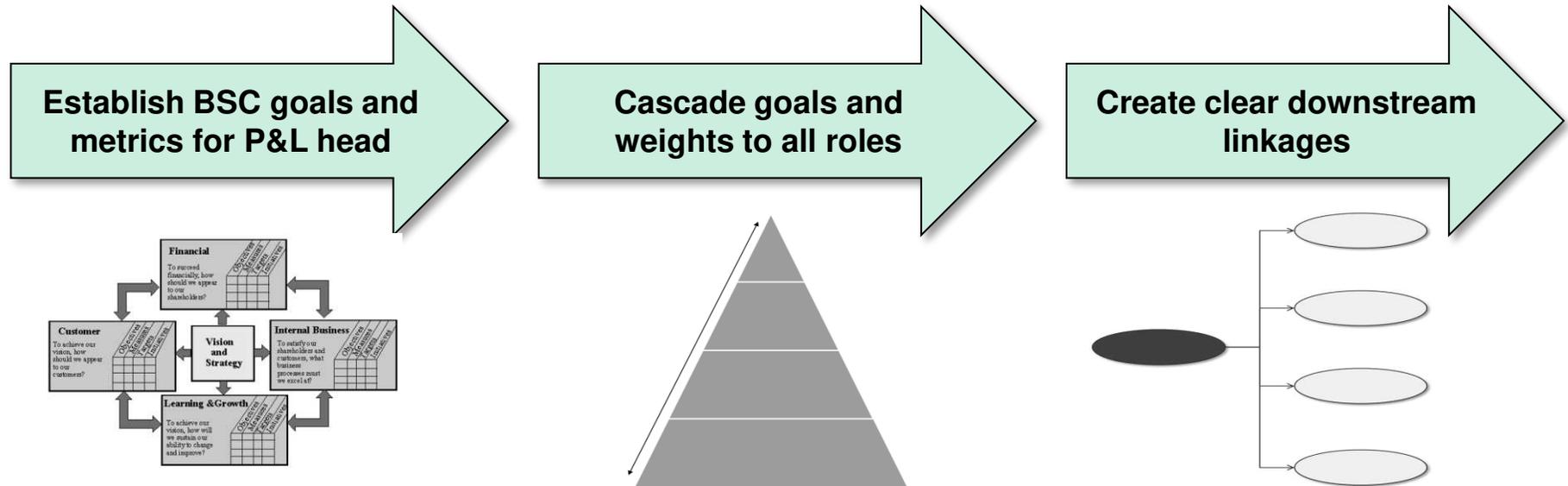
Example: Strategy Map For A Services Company

Financial perspective

Increased Shareholder Value

Leader in strategic markets

Diversify revenue streams

Predictable profitability

Customer perspective

Lifelong advisor

Flexible, innovative solutions

Consistently meet expectations

Proactively deliver value

One stop accountability

Comprehensive solutions

Easy to do business with

Internal perspective

Build lifelong relations

Capture knowledge

Grow inter-enterprise solns

Resource allocation

Leverage 3rd party relations

Integrated processes

Effective cost management

Learning and growth perspective

Relationship management

Solution management

Operations management

Industry expertise

Source: Palladium

Case Study: Use Of BSC To Drive Alignment In A Services Company

Department	Financial	Customer	Internal	Learning & Growth
Sales team	• Meet vertical specific sales targets • Achieve target GM (at time of sales)	• Achieve intended positioning • Drive customer satisfaction among clients		• Improved sales effectiveness
Account managers	• Protect and grow strategic accounts • Meet sales targets • Achieve target GM	• Achieve intended positioning • Improve customer satisfaction • Grow share of wallet	• Create client solutions	
Verticals	• Meet revenue targets • Acquire target number of new customers • Achieve target GM	• Increase market share • Achieve intended positioning • Improve customer satisfaction • Grow share of wallet	• Update service offerings	• Create deep expertise • Build IP repository • Strengthen team
Marketing		• Achieve target positioning		• Build market intelligence
Delivery	• Execute against contracts	•		
HR				
Finance	• Ensure cost budget compliance			

• Matrix structure was leading to significant confusion over objectives and responsibilities
• Creating a balanced scorecard and outlining the objectives by department helped bring significant clarity to the roles and requirements
• More importantly the linkages between each department were made explicit and performance targets outlined accordingly

Source: MXV Project Database

Offering 2: Using The BSC To Drive The Performance Management Process

Establish BSC goals and metrics for P&L head → **Cascade goals and weights to all roles** → **Create clear downstream linkages** →

• Articulation of company goals
• Identification of key management roles (P&L/department heads)
• Understanding of role requirements and tie-in to company goals
• Creation of role specific goals
• Assignment of weightages for the 4 dimensions of the scorecard
	• Identification of roles within each Business Unit (BU); as distinct from designations
	• Understanding of role requirements and tie-in to BU goals
	• Cascading of goals for all roles
	• Assignment of weightages; alignment to BU and role requirements
		• Linkage of the performance management score to:
		  - Variable compensation
		  - Compensation increments
		  - Training
		  - Promotions
		  - Leadership development and succession plans

Case Study: BSC Used As A Performance Management Tool For A Large Services Company

REGIONAL STRUCTURE

BRANCH HEAD

FIELD STAFF

Cascading of targets/weights

| Revenue | Margins | Customer Satisfaction | Employee Engagement | Operations |

- Balanced scorecard framework established at the branch level
- Metrics from the BSC used to design the performance management process for people in the branch and zonal structure by cascading goals relevant to the role
- Number of performance parameters rationalised (average no. of metrics reduced from 25 to 10) and made objective
- Training programmes made specific to performance issues

Offering 3: Audit Existing BSC Implementation

A need to redefine metrics

- **Changes in business strategy: Old metrics are no longer relevant or meaningful**
- **Difficulties in measuring the metrics: Resulting in poor implementation**
- **Too many metrics: Leading to challenges of measuring and monitoring**

Improve performance management

- **Examine the other aspects of performance management in the company – including the performance management processes, performance infrastructure and culture and identify improvement areas**
- **Identify opportunities for improving alignment across departments**

Deepen the use of the BSC

- **Identify opportunities to further cascade the BSC to support departments and line functions lower down the organisation**
- **Assess feasibility of using the BSC to enhance collaboration with suppliers and customers**

Next Steps: How We Can Work Together

Issues Definition Meeting

Discuss the company's current strategy and management framework, and outline project objectives

Proposal design and finalisation

Create a Statement of Work (SOW) to discuss the scope and approach for the project

Implementation

Prepare detailed project plan, identify core team members and start implementation