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

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).

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.

LESS THAN 10% OF STRATEGIES ARE IMPLEMENTED EFFECTIVELY

Source: Literature review

Pure financial measures have proven to be inadequate in measuring and monitoring a company’s performance.
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

<table>
<thead>
<tr>
<th>Financial perspective</th>
<th>Customer perspective</th>
<th>Internal perspective</th>
<th>Innovation and learning perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOALS</td>
<td>MEASURES</td>
<td>GOALS</td>
<td>MEASURES</td>
</tr>
<tr>
<td>If we succeed, how will we look to our shareholders?</td>
<td>To achieve our vision, how must we look to our customers</td>
<td>To satisfy our customers, what must we excel at?</td>
<td>How must we continue to improve and create value?</td>
</tr>
</tbody>
</table>

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

Source: Singh and Kumar, Indian Management Studies Journal; MXV Case Experience
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

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

- Business strategy and objectives

- Metrics and initiatives
  - 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

- Implementation and governance
  - 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
  - Proactively deliver value
  - One stop accountability

- Flexible, innovative solutions
  - Comprehensive solutions
  - Consistently meet expectations
  - Easy to do business with

Internal perspective

- Build lifelong relations
  - Capture knowledge
  - Grow inter-enterprise solns
  - Resource allocation
  - Effective cost management
  - Leverage 3rd party relations
  - Integrated processes

Learning and growth perspective

- Relationship management
  - Industry expertise

- Solution management

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

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

- 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

- 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

- 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

Source: MXV Project Database
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