

Building Strategy Focused Organizations with the Balanced Scorecard

Dr. Robert S. Kaplan

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HARVARD BUSINESS SCHOOL

and

Chairman

BALANCED SCORECARD COLLABORATIVE

The Balanced Scorecard: A Good Idea in 1992

Balanced Scorecard in 1992

HBR
JANUARY-FEBRUARY 1992

The Balanced Scorecard—Measures that Drive Performance

Robert S. Kaplan and David P. Norton

What you measure is what you get. Senior executives understand that their organization's measurement system strongly affects the behavior of managers and employees. Executives also understand that traditional financial accounting measures like return-on-investment and earnings-per-share can give misleading signals for continuous improvement and innovation—activities today's competitive environment demands. The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today.

As managers and academic researchers have tried to remedy the inadequacies of current performance measurement systems, some have focused on making financial measures more relevant. Others have said, "Forget the financial measures. Improve operational measures like cycle time and defect rates, the financial results will follow." But managers should not have to choose between financial and operational measures. In observing and working with many companies, we have found that senior executives do not rely on one set of measures to the exclusion of the

other. They realize that no single measure can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures.

During a year-long research project with 12 companies at the leading edge of performance measurement, we devised a "balanced scorecard"—a set of measures that gives top managers a fast but comprehensive view of the business. The balanced scorecard includes financial measures that tell the results of actions already taken. And it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization's innovation and improvement activities—operational measures that are the drivers of future financial performance.

Think of the balanced scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the flight. They need information on fuel, air speed, altitude, bearing, destination, and other indicators that summarize the current and predicted environment.

Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously.

Robert S. Kaplan is the Arthur Lewis Dickman Professor of Accounting at the Harvard Business School. David P. Norton is president of Nolan Chart & Company, Inc., a Massachusetts-based information technology consulting firm he cofounded.

“The Balanced Scorecard –
Measures that Drive
Performance”

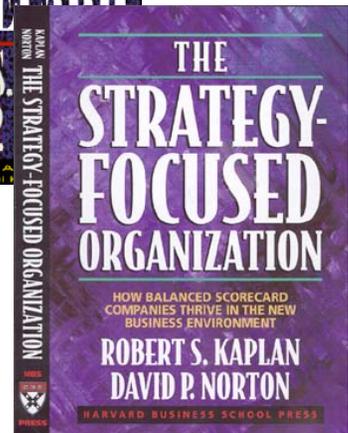
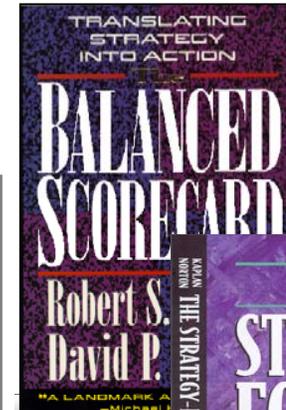
Harvard Business Review,
1992

The Balanced Scorecard: A Great Idea by 2002

Balanced Scorecard by 2002

21 translations

17 translations



Building a scorecard can help managers link today's actions with tomorrow's goals.

Using the Balanced Scorecard as a Strategic Management System

What do companies like Rockwell, Apple Computer, Advanced Micro Devices have in common? They're using a scorecard to measure performance and set strategy.

Putting the Balanced Scorecard to Work

by Robert S. Kaplan and David P. Norton

Today's managers recognize the lessons that managers have on performance. But they rarely think of measurement as an essential part of their strategy. For example, executives may introduce new systems and strategic processes intended to achieve breakthrough performance, then continue to use the same short-term financial indicators they have used for decades, measures like return-on-investment, sales growth, and operating costs. These managers fail not only to introduce new measures to measure new goals and processes but also to question whether or not their old measures are relevant to the new business.

Effective measurement, however, must be an integral part of the management process. The balanced scorecard, first proposed in the January-February 1992 issue of HBR ("The Balanced Scorecard: Measures that Drive Performance"), provides executives with a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures. Much more than a measurement system, the balanced scorecard is a management system that can measure breakthrough improvements in product, process, and development.

The scorecard process starts with a clear perspective from which to complement traditional financial measures of performance for process, and innovation and risk. These measures differ from those used by companies in a few important ways. Clearly, many companies use operational and physical measures, but their local measures derived from ad hoc procedures, on the other hand, are not part of the organization's strategic objectives. And, by requiring a limited number of critical indicators, the scorecard provides a clear focus on what happened last year, the scorecard focuses on what will happen next year. Moreover, unlike conventional financial measures, the scorecard focuses on what will happen next year.

Having Trouble with Your Strategy? Then Map It



by Robert S. Kaplan and David P. Norton

The key to executing your strategy is to have people in your organization understand it, including the critical but forgotten processes by which intangible assets will be converted into tangible outcomes. Strategy maps can help chart this difficult terrain.

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The Balanced Scorecard—Measures that Drive Performance

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What you measure is what you get. Senior executives understand that their organization's measurement system strongly affects the behavior of managers and employees. Executives also understand that traditional financial measuring systems can give misleading signals for continuous improvement and innovation activities under competitive assessment demands. The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today.

As managers and academic researchers have tried to remedy the shortcomings of current performance measurement systems, some have focused on making financial measures more relevant. Others have said, "Forget the financial measures. Improve operational measures like cycle time and defect rates. The financial results will follow." But managers should not have exclusive between financial and operational measures to observing and working with many companies, we have found that senior executives do not rely on one set of measures to the exclusion of the

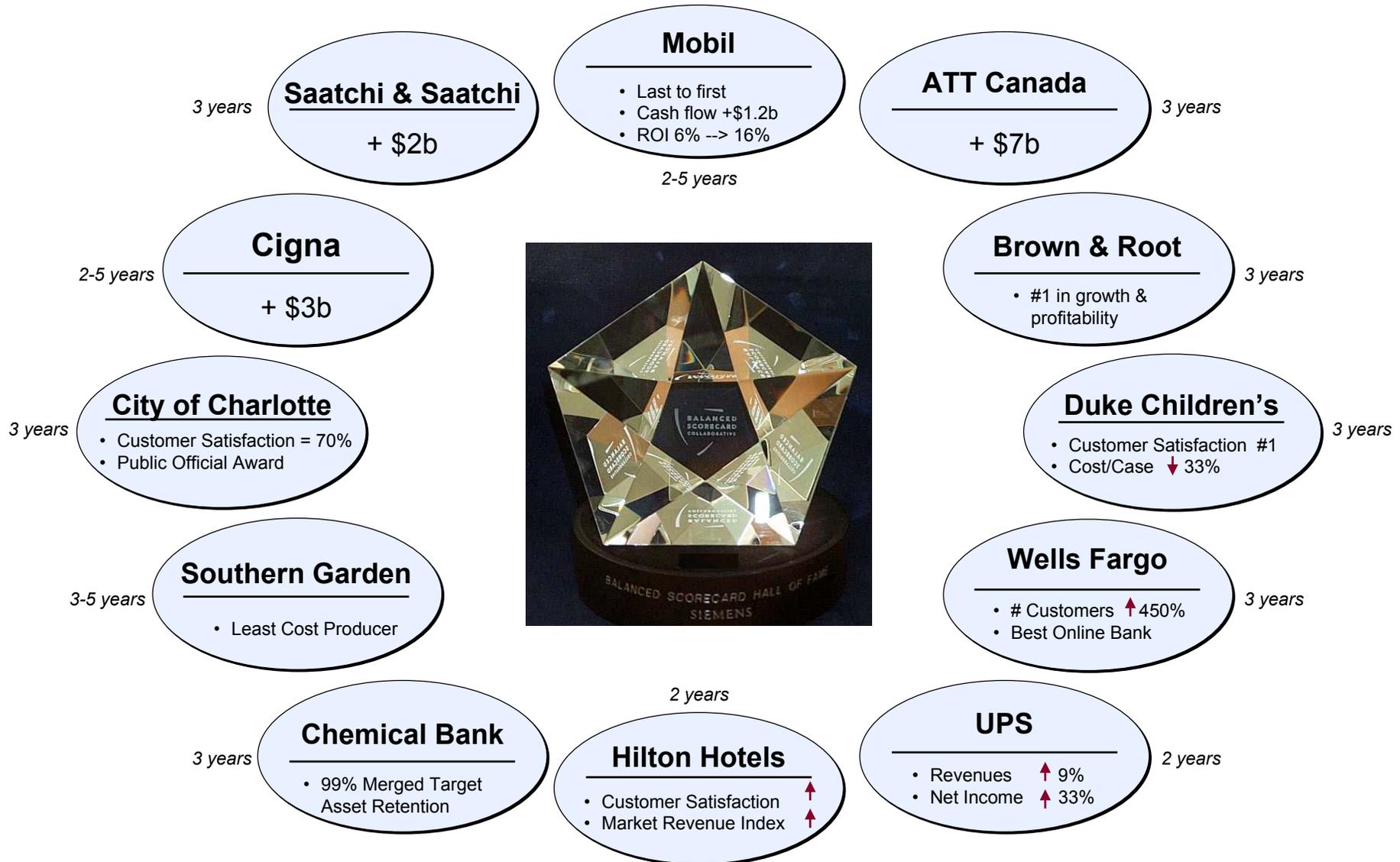
others. They realize that no single measure can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures.

During a five-city research project with 11 companies at the leading edge of performance measurement, we devised a "balanced scorecard"—a set of measures that gives top managers a full but comprehensive view of the business. The balanced scorecard includes financial measures that tell the results of actions already taken, and it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization's innovation and improvement activities—operational measures that set the drivers of future financial performance.

Think of the balanced scorecard as the dashboard and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the cockpit. They need information on fuel, air speed, altitude, heading, destination, and other indicators that summarize the system and provide orientation. Balance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously.

Robert S. Kaplan is the Arthur Lewis Distinguished Professor of Management at the Harvard Business School. David P. Norton is professor of Public Administration at Harvard Business School. They are authors of *The Balanced Scorecard: Measures that Drive Performance*, published by Harvard Business School Press.

Balanced Scorecard Hall of Fame Implemented Strategies and Achieved Breakthrough Results... Fast



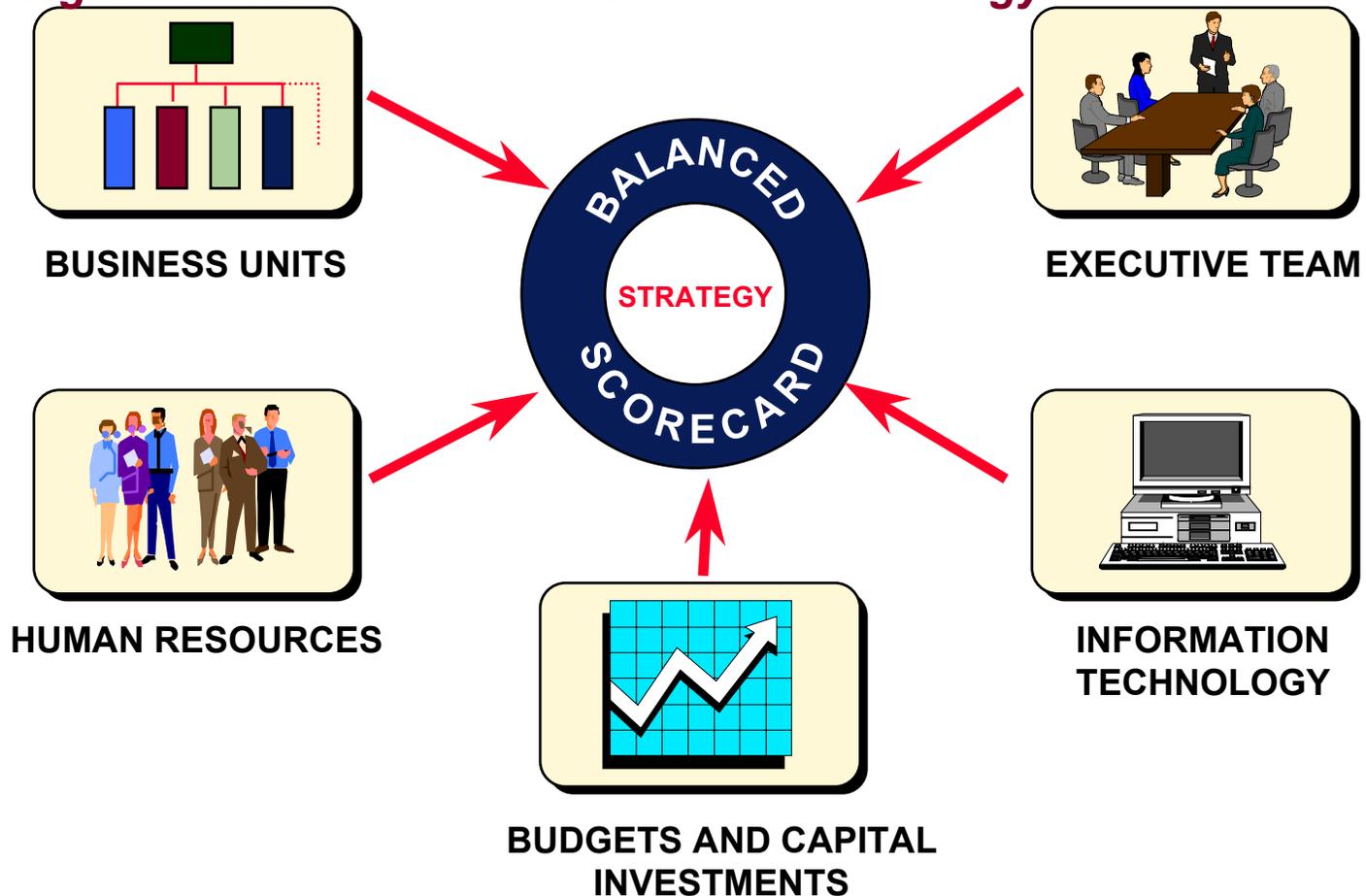
Question:

How can complex organizations achieve results like this in such short periods of time?

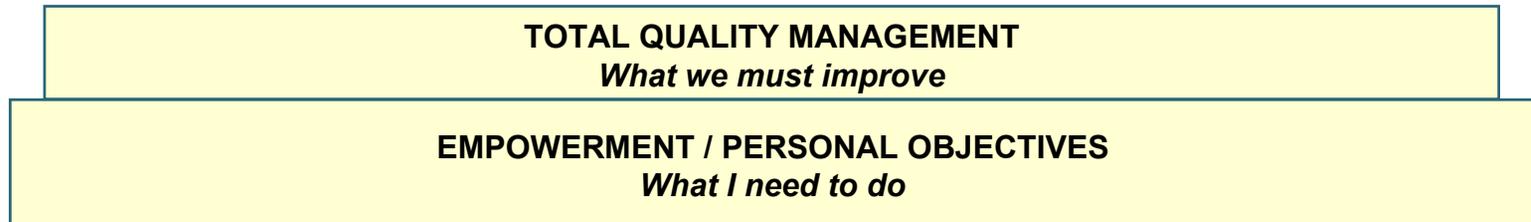
Answer:

Alignment!

The Balanced Scorecard process allows an organization to align and focus all its resources on its strategy



A Gap Exists Between Mission-Vision-Strategy and Employees' Everyday Actions



The Balanced Scorecard Links Vision and Strategy to Employees' Everyday Actions



The Principles of a Strategy-Focused Organization

TRANSLATE STRATEGY

- Mission / Vision
- Strategy Maps
- Balanced Scorecard
- Targets
- Initiatives

ORGANIZATION ALIGNMENT

- Corporate Role
- Corporate - SBU
- SBU - Shared Services
- External Partners



EVERYONE'S JOB

- Strategic Awareness
- Goal Alignment
- Linked Incentives

EXECUTIVE LEADERSHIP

- CEO Sponsorship
- Executive Team Engaged
- "New Way of Managing"
- Accountable for Strategy
- A Performance Culture

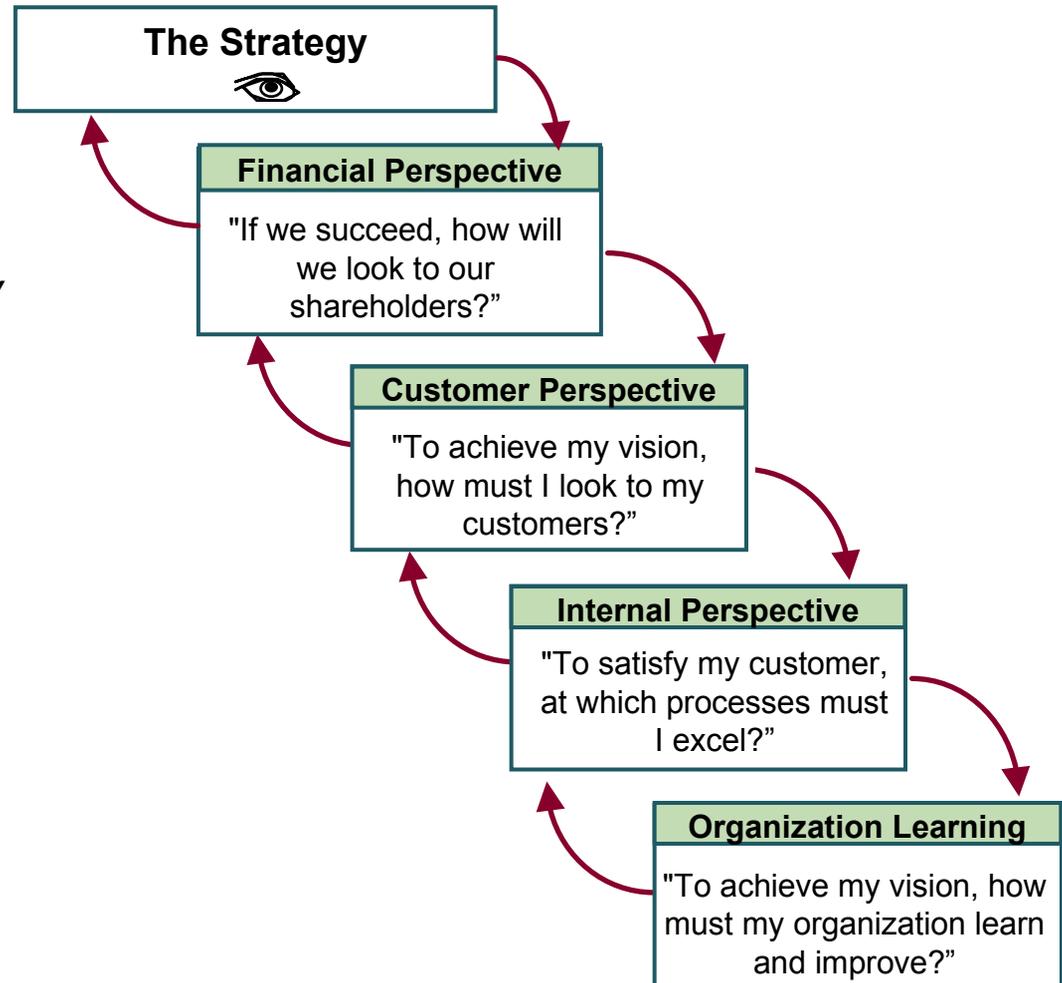
CONTINUAL PROCESS

- Linked to Budgeting
- Linked to Ops. Mgmt.
- Management Meetings
- Feedback System
- Learning Process

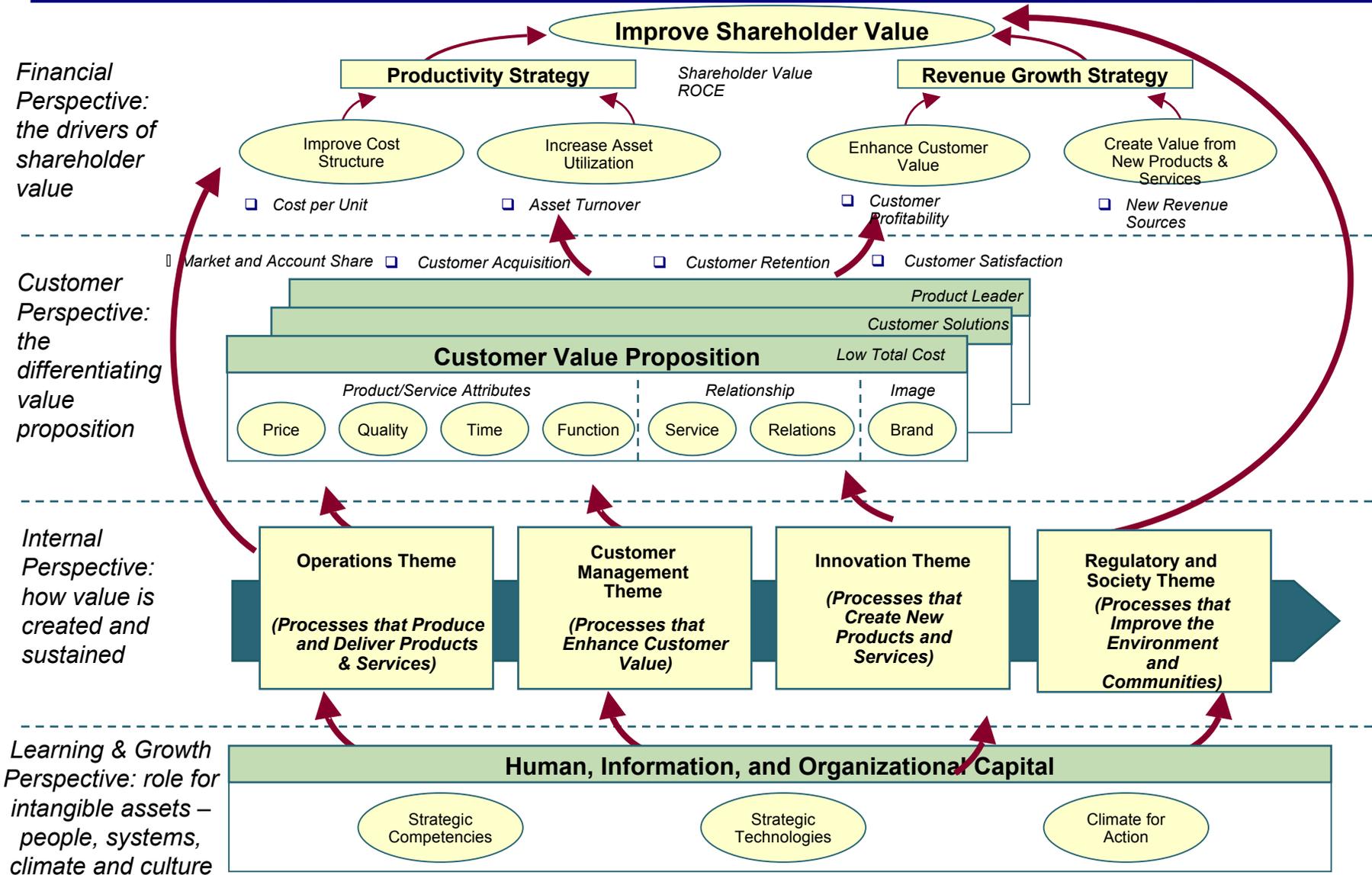
#1

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*

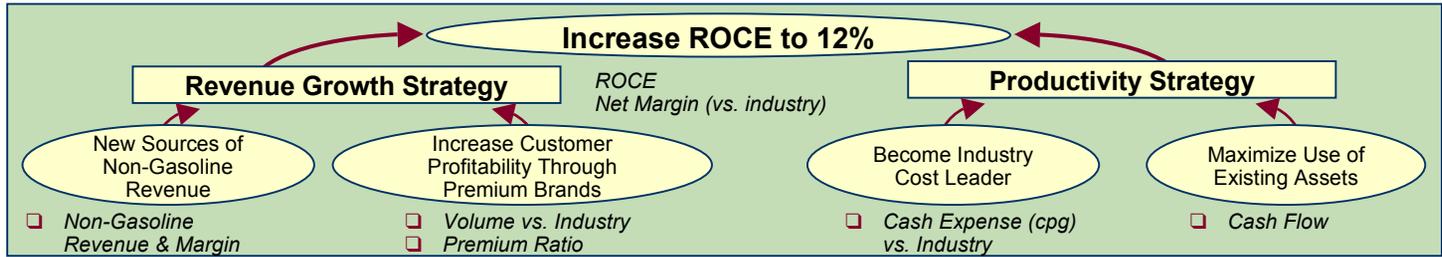


The Complete Balanced Scorecard Strategy Map

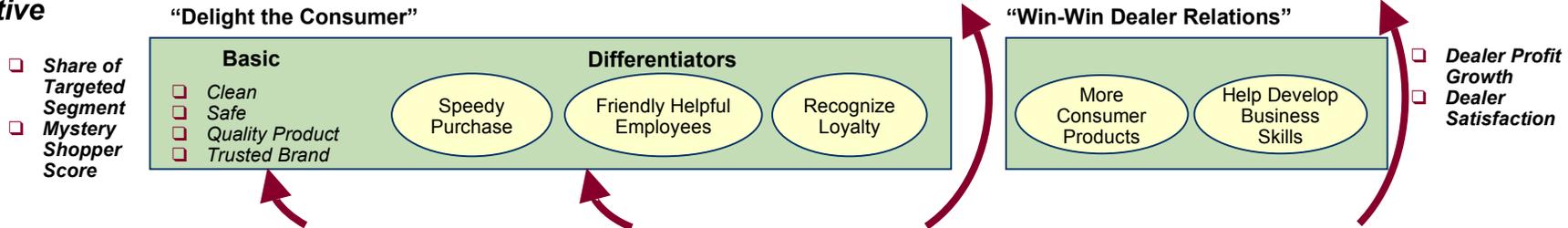


Mobil NAM&R Strategy Map

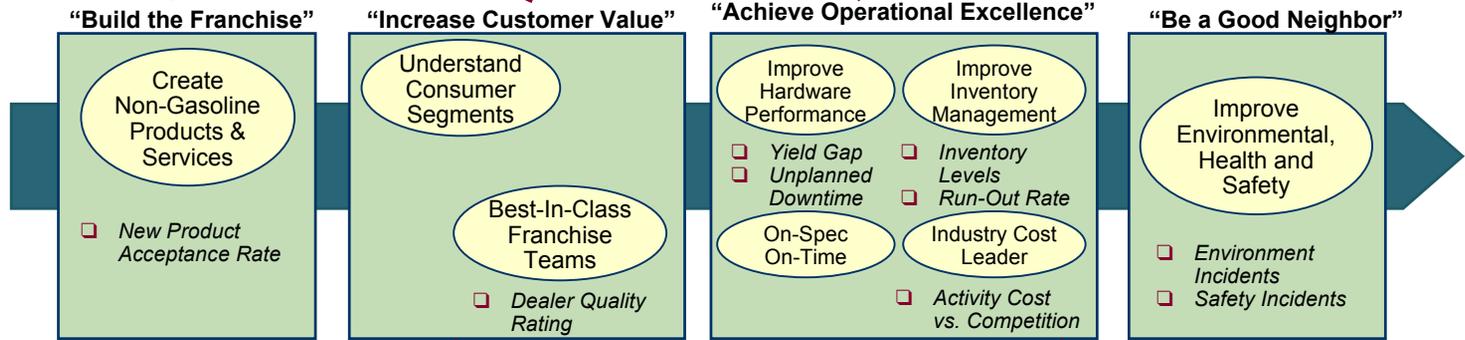
Financial Perspective



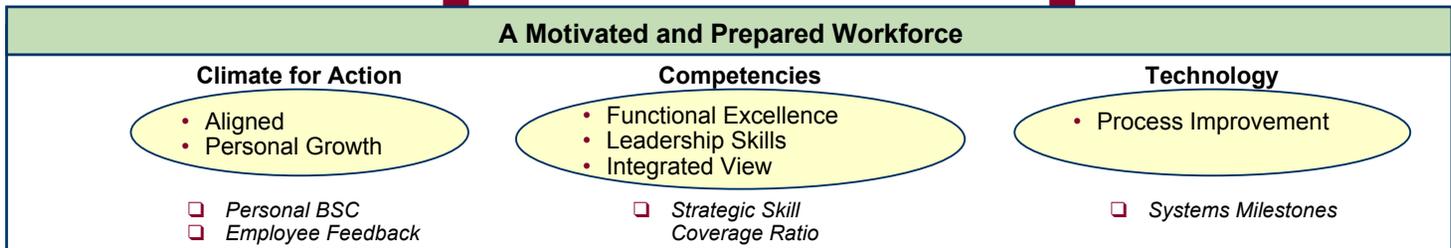
Customer Perspective



Internal Perspective



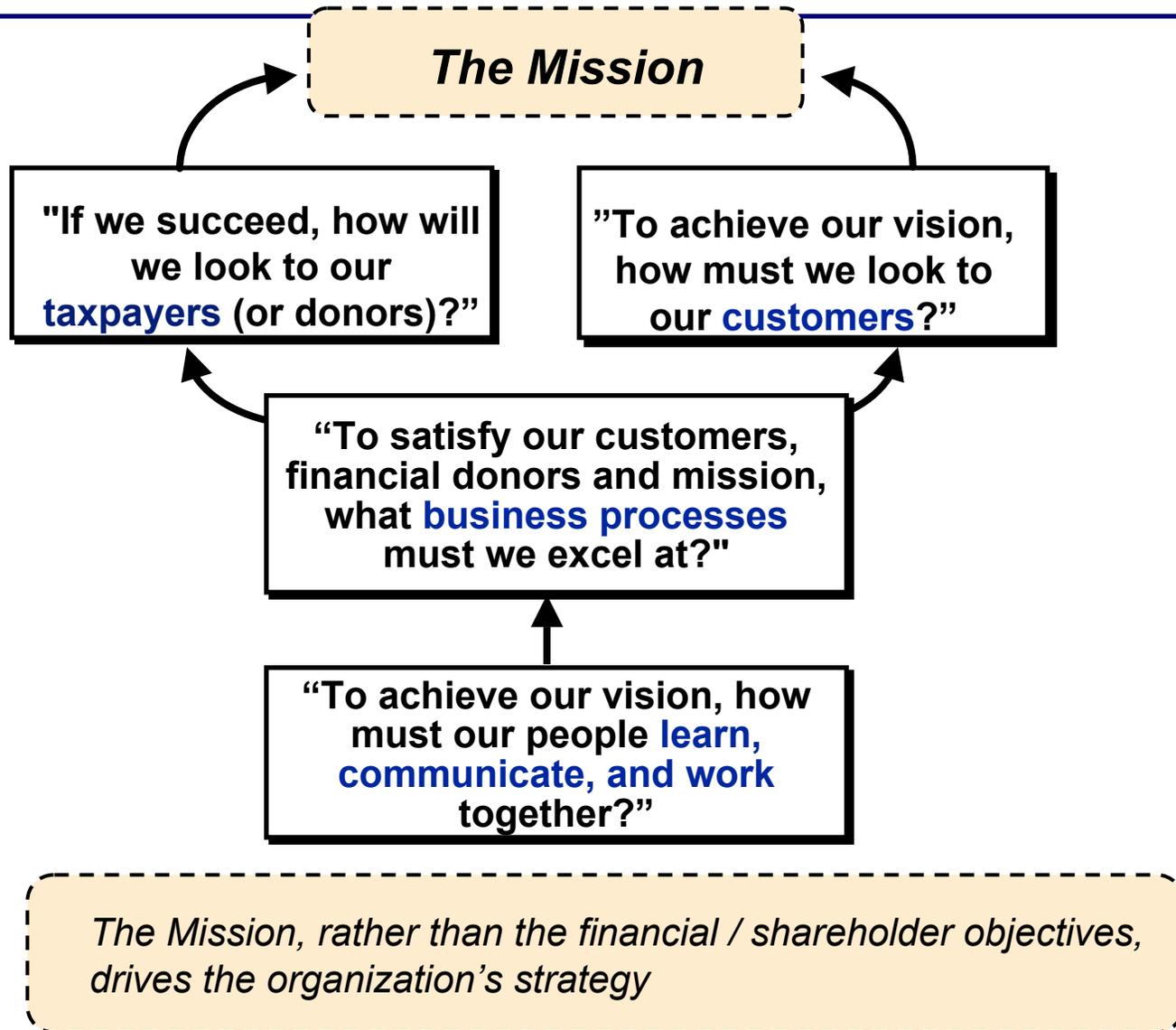
Learning & Growth Perspective



New Source of Revenues and Customer Loyalty Attractive Convenience Store

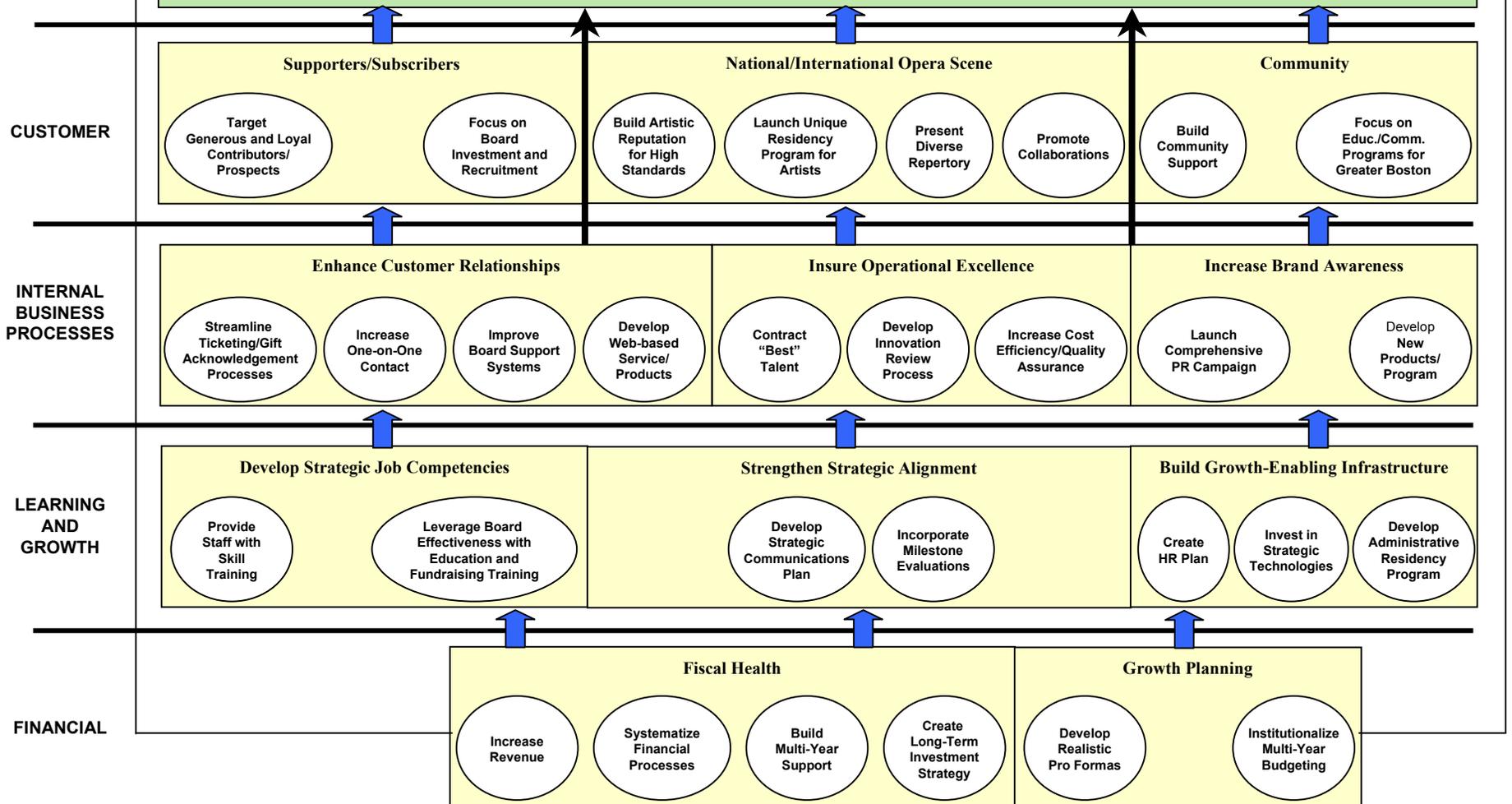


The Balanced Scorecard Framework Is Readily Adapted to Non-Profit and Government Organizations

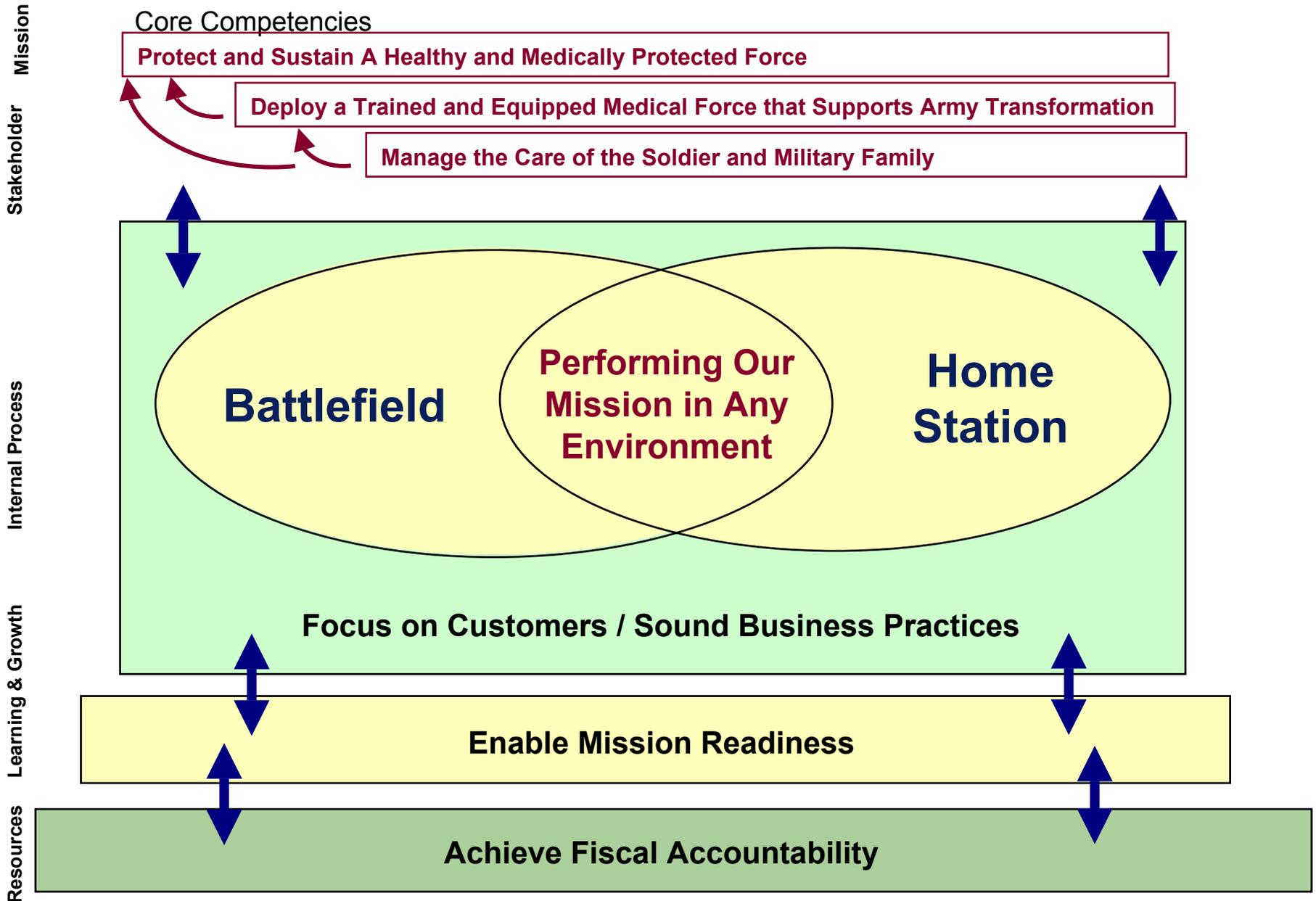


Boston Lyric Opera Strategy Map

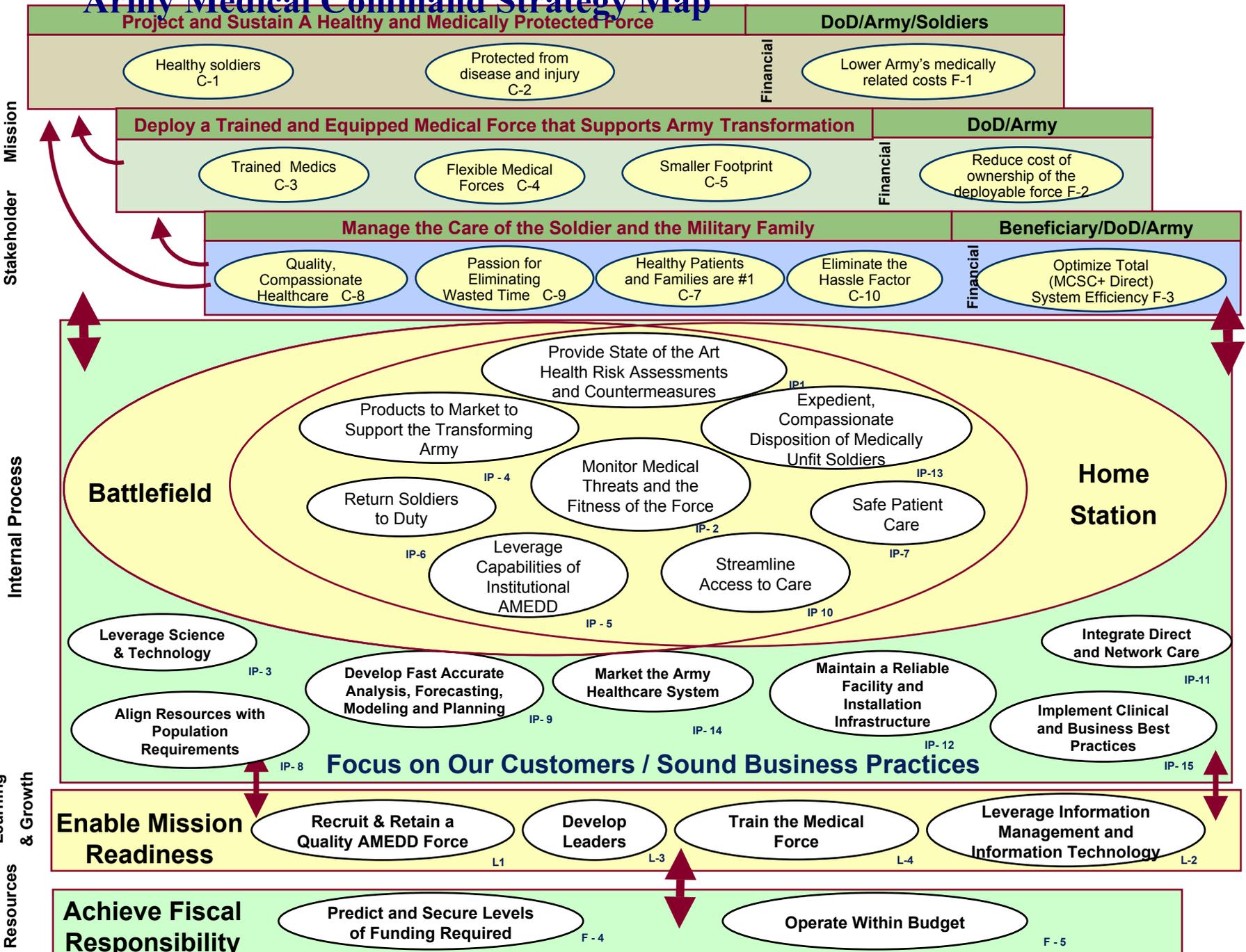
Our mission is to ensure the long-term future of opera in Boston and New England by (1) producing the highest quality professional productions of diverse opera repertoire that are artistically excellent as well as musically and theatrically innovative; (2) developing the next generation of opera talent; (3) engaging and educating a diverse community about opera to become enthusiastic audience members, educators, supporters, and volunteers. (HBS Case #9-101-111)



Medical Readiness for the Transformed Army



Army Medical Command Strategy Map



Goal 1: Project and Sustain a Healthy and Medically Protected Force

Strategic Theme:	Objective Statement	Measures
<p>Mission/ Customer</p> <p>Healthy Soldiers C-1</p> <p>Protected From Disease and Injury C-2</p>	<p>C-1 Improve and sustain the general health of soldiers to ensure medically-ready deployable forces.</p> <p>C-2 Sustain the health and fitness of the deployed forces, preventing casualties from disease, injuries, and stress reactions.</p>	<p>C-1 Percent of units reporting medical readiness.</p> <p>C-2 Number of Man-Years Lost Due to Disease, Injury, Stress Reactions.</p>
<p>Internal</p> <p>Provide State of the Art Health Risk Assessments and Countermeasures IP-1</p> <p>Monitor Medical Threats and the Fitness of the Force IP-2</p>	<p>IP-1 Enhance health and performance through strategies, tools, products and other countermeasures to reduce risks of disease, non-battle injury, chemical and biological warfare casualties, and stress reactions. Promote the use and assess the effectiveness of these countermeasures throughout their life cycle.</p> <p>IP-2 Improve monitoring and reporting on demand the medical risk assessments and the health status of units and individuals.</p>	<p>IP-1 Percent of threats (Infectious Disease, chemical and biological warfare) on the validated, prioritized threat lists for which effective countermeasures are available to deployable and deployed forces .</p> <p>IP-2 Percent of requested medical threat/risk assessments and health status reports delivered electronically on demand to operational commanders and their staffs.</p>
<p>Financial</p> <p>Lower Army's Medically Related Costs F-1</p>	<p>F-1 Identify, Target & Reduce the Army's Medically-Related Costs and Increase Return to Duty Rates Through Improved Management</p>	<p>F-1a Number of injury/illness driven claims (Rate per 100 employees);</p> <p>F-1b Cost of injury/illness driven claims.</p>

Several Different Types of “Balanced Scorecards” Have Emerged in Practice



A KPI Scorecard: The Four “P’s”

- **Profits**
- **Portfolio (loan volume)**
- **Process (ISO certification)**
- **People (diversity)**

What's missing from the 4P's KPI scorecard?

- **Where are the customers?**
- **What is the value proposition?**
- **How does ISO certification lead to increases in loan volume?**
- **How does a more diverse work force lead to ISO certification?**
- **Is there no role for information technology?**
- **Is innovation not important?**

A Good Balanced Scorecard Tells the Story of Your Strategy

- Every measure is part of a chain of cause and effect linkages
- All measures eventually link to organizational outcomes
- A balance exists between outcome measures (financial, customer) and performance drivers (value proposition, internal processes, learning & growth)

The Principles of a Strategy-Focused Organization

TRANSLATE STRATEGY

- Mission / Vision
- Strategy Maps
- Balanced Scorecard
- Targets
- Initiatives

ORGANIZATION ALIGNMENT

- **Corporate Role**
- **Corporate - SBU**
- **SBU - Shared Services**
- **External Partners**



EVERYONE'S JOB

- Strategic Awareness
- Goal Alignment
- Linked Incentives

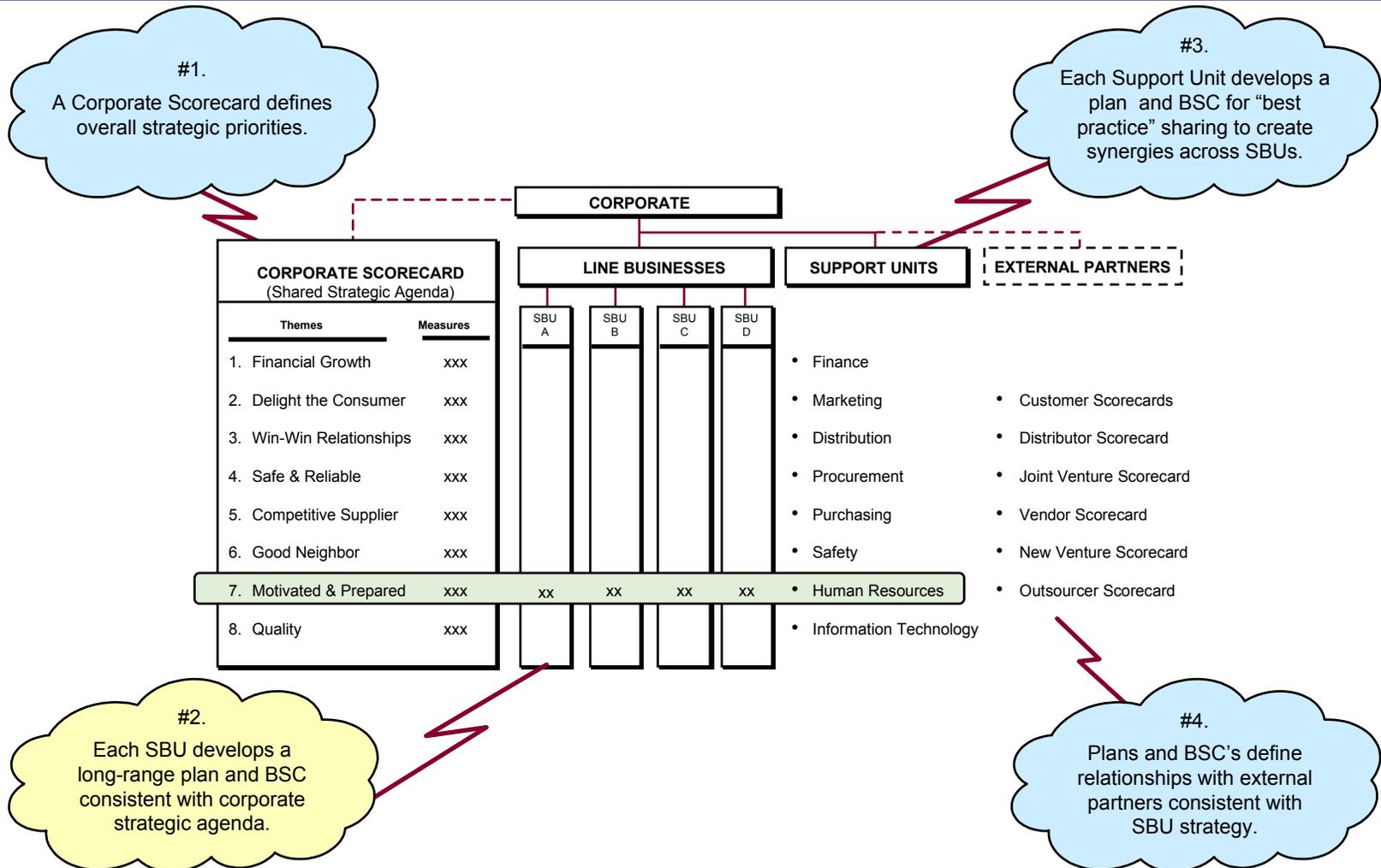
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- "New Way of Managing"
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CONTINUAL PROCESS

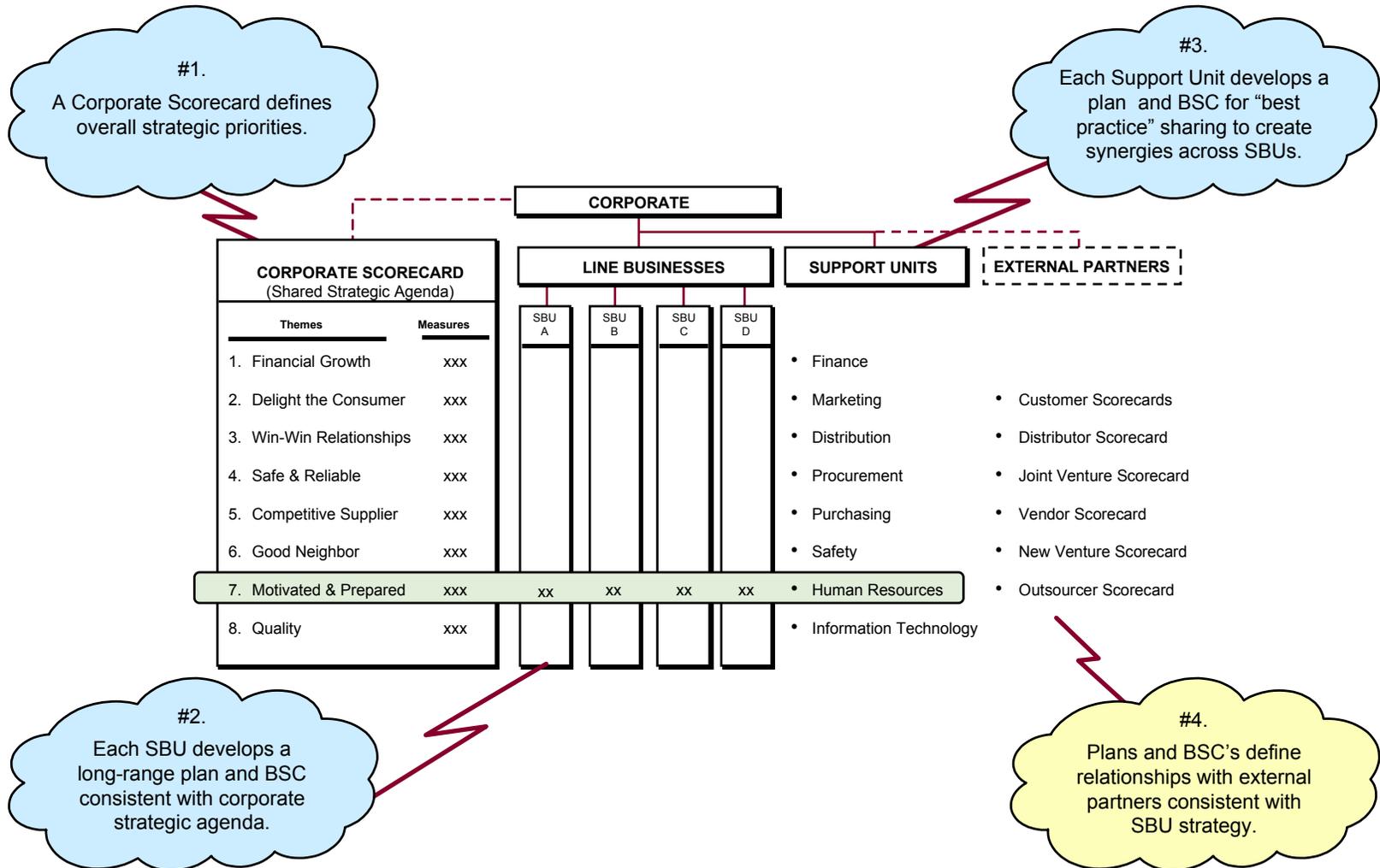
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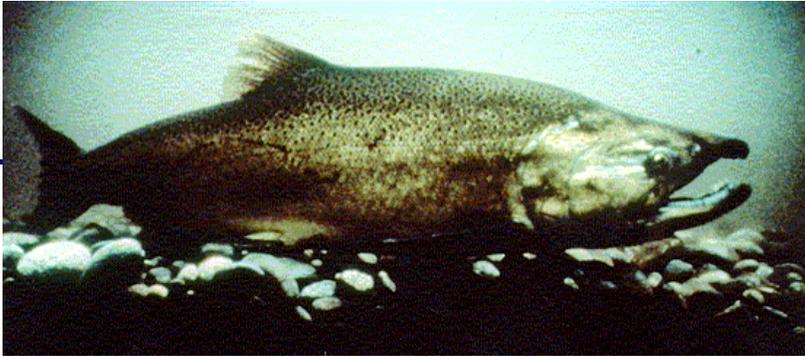
Principles of the Strategy-Focused Organization: LINK AND ALIGN THE ORGANIZATION AROUND ITS STRATEGY



Strategies Are Executed Through Business Units. The Strategies of the Business Units Must Be Integrated If Organization Purpose and Synergies Are to Be Achieved.

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

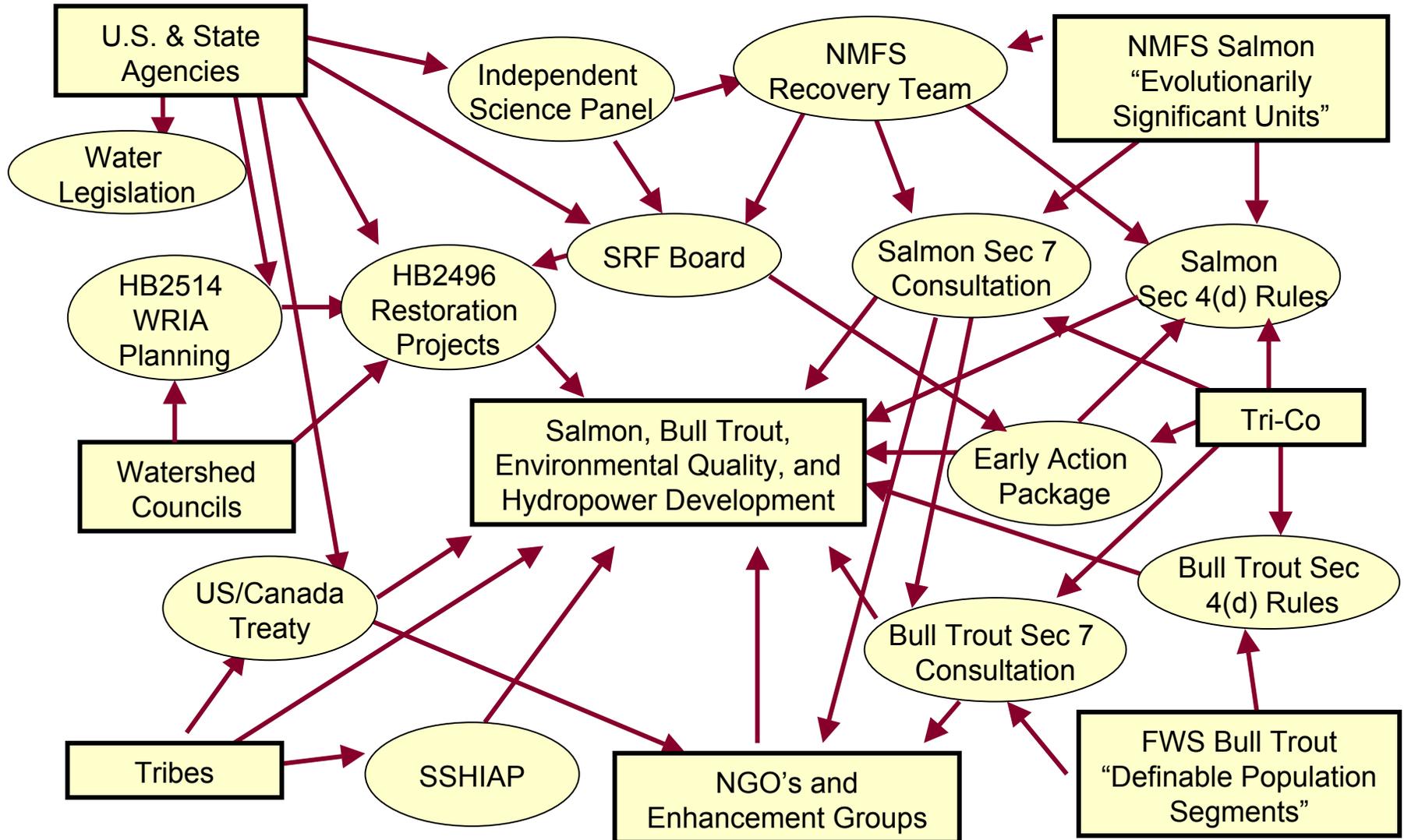




Washington State: The Salmon Recovery Problem

- Endangered Species Listing of 18 Species
- Federal Approval of Recovery Plans -- *or*
 - no government or private entity make “take” any salmon - - *thus*
 - forestry, agriculture, hydro power production, transportation improvements and land use changes stopped or curtailed
 - i.e.. A train wreck
- Fractured governance
 - six states, another country (Canada) and 27 Indian tribes
 - eight US agencies, 12 state agencies, 39 counties, 277 cities
 - 300 water and sewer districts, 170 local water suppliers

Many Regulations and Constituents Influence Salmon Recovery Projects



Salmon Recovery Scorecard



Goal: Restore salmon, steelhead, and trout populations to healthy and harvestable levels and improve habitats on which fish rely.

Customer: **To protect an important element of Washington's quality of life**

- We will have productive and diverse wild salmon populations.
- We will meet the requirements of the Endangered Species Act/Clean Water Act.

Processes: **Our habitat, harvest, hatchery, and hydropower activities will benefit wild salmon.**

- Freshwater and estuarine habitats are healthy and accessible
- Rivers and streams have flows to support salmon.
- Water is clean and cool enough for salmon
- Harvest management actions protect wild salmon.
- Enhance compliance with resource protection laws.



Collaboration: **We are engaged with citizens and our salmon recovery partners.**

- We will reach out to citizens
- Salmon recovery roles are defined and partnerships strengthened.

Financial and Infrastructure: **Our building blocks for success include**

- Achieve cost-effective recovery and efficient use of government resources
- Use best available science and integrate monitoring and research with planning and implementation
- Citizens, salmon recovery partners and state employees have timely access to the information, technical assistance, and funding they need to be successful.

Summary: Top-to-Bottom Strategy Alignment Unleashes Full Organization Potential

- The Corporate Strategy is communicated to business units and agencies through key themes, opportunities for integration and synergies, and shared measures
- Cooperation and greater synergy between business units, staff and shared service functions, and across diverse organizational units becomes formalized through the Scorecard

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EVERYONE'S JOB

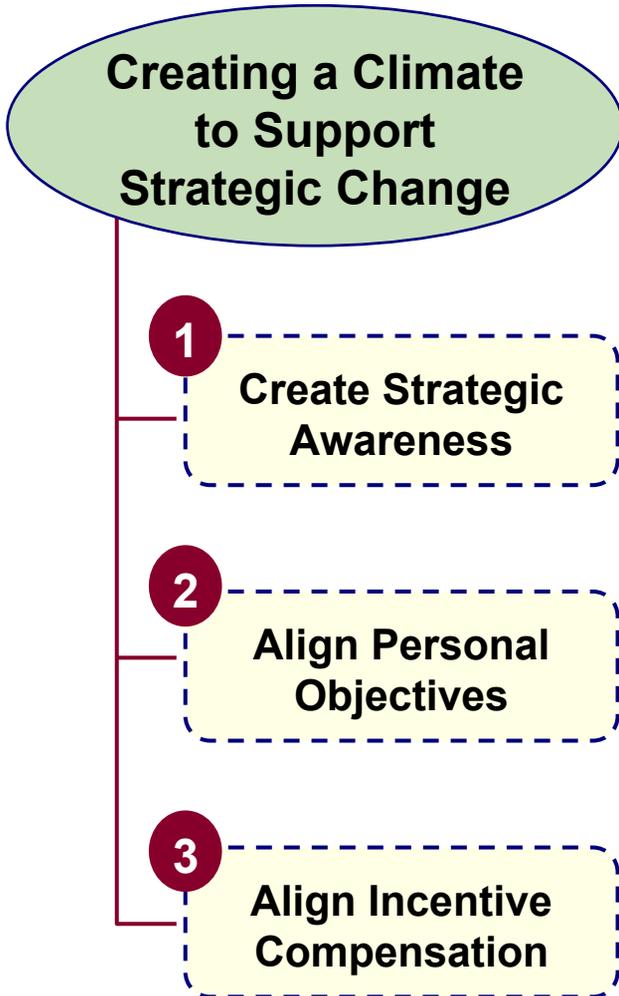
- **Strategic Awareness**
- **Goal Alignment**
- **Linked Incentives**

Principles of the Strategy Focused Organization: **MAKE STRATEGY EVERYONE'S EVERYDAY JOB**

HR Processes Are Essential for Moving Strategy From the Top to the Bottom



Making Strategy Everyone's Job



- *Insure that each individual has sufficient understanding of the strategy (You can't execute what you don't understand)*

- *Insure that each individual knows where they fit into the overall game plan*

- *Reinforce desired behavior and increase intensity of awareness*

USM&R Strategic Themes ...

will guide us to our vision and are defined above each graph.

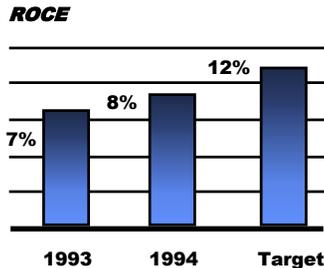
USM&R Strategic Measures

that will keep us focused on achieving USM&R's strategic themes are explained in the graphs and the bulleted text accompanying them.

Financially Strong

Reward our shareholders by providing a superior long-term return which exceeds that of our peers.

- Income divided by capital employed including all allocations.



Delight the Customer

Understand our consumers' needs better than anyone and offer them products and services which exceed their expectations.

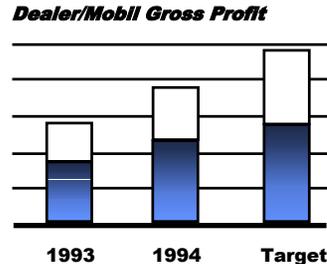


- The Mystery Shopper program rates how well each of our stations is delivering the "best buying experience."

Win/Win Relationship

Improve Dealer/Wholesale Marketer profitability through customer-driven products and services and by developing their business competencies.

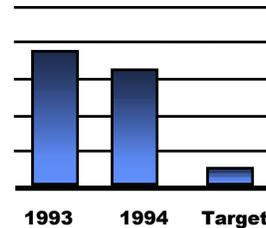
- Total profit earned at Mobil outlets and split between our dealers/wholesale marketers and Mobil.



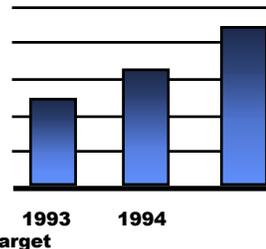
Safe & Reliable

Maintain a leadership position in safety while keeping our refineries fully utilized.

USM&R Days Away From Work



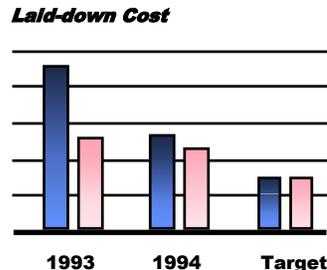
Manufacturing Reliability Index



Competitive Supplier

Provide product to our terminals at a cost equal to or better than the competitive market maker.

- Our cost to deliver product to the terminal vs. lowest cost provider.

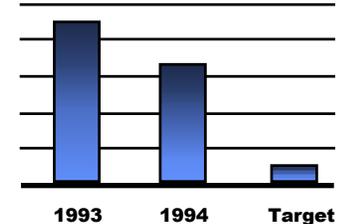


Good Neighbor

Protect the health and safety of our people, the communities in which we work, and the environment we all share.

Environmental Index

- Composite of:
 - reportable releases to air and water
 - reportable spills
 - community reported incidents.

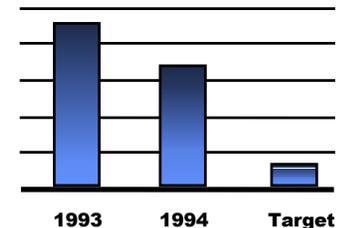


On Spec On Time

Provide quality products supported by quality business processes that are on time and done right the first time.

- Composite of incidents of:
 - product off spec
 - order shipped late
 - business process errors
 - customer complaints
 - cost of rework.

Quality Index

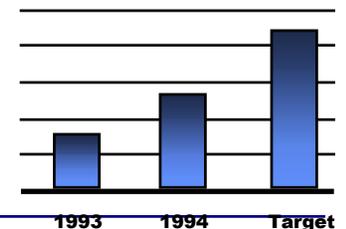


Motivated & Prepared

Develop and value teamwork and the ability to think Mobil, act locally.

- Survey of employees to measure how people perceive the Mobil workplace environment.

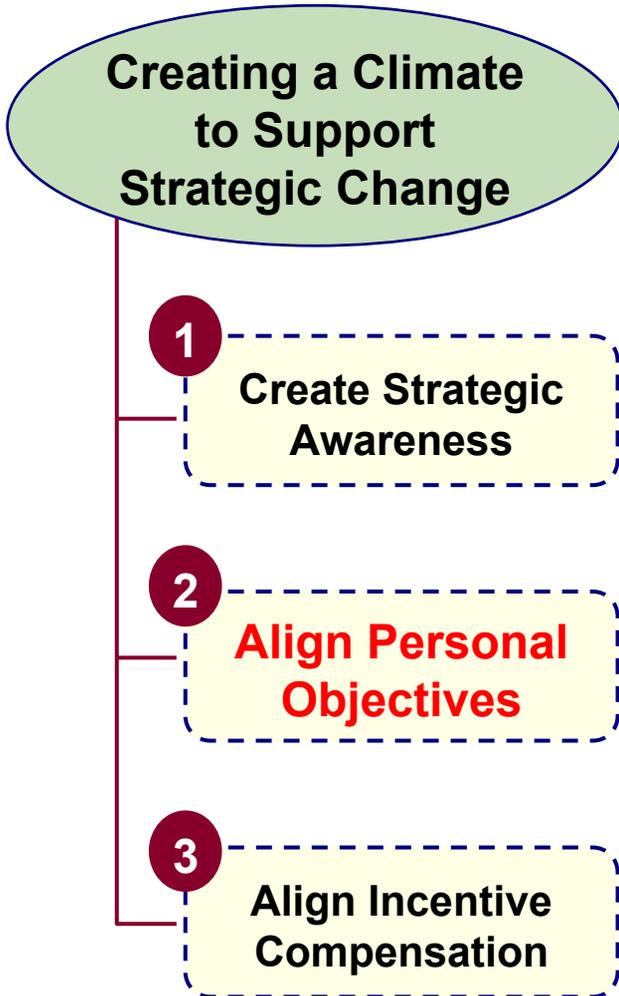
Climate Survey



Employee Innovations: Mobil Speedpass™



Making Strategy Everyone's Job



- *Insure that each individual has sufficient understanding of the strategy (You can't execute what you don't understand)*

- **Insure that each individual knows where he or she fits into the overall game plan**

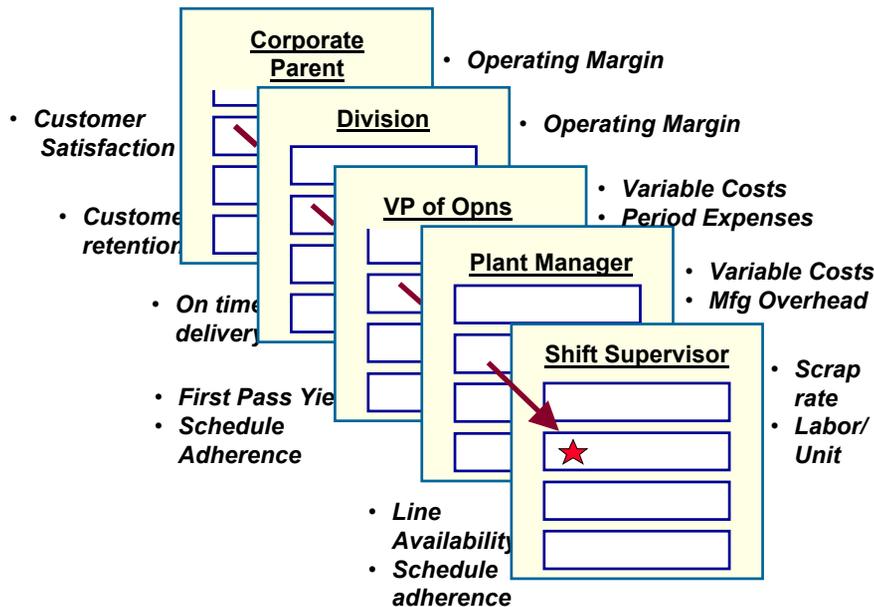
- *Reinforce desired behavior and increase intensity of awareness*

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	And Near Term Action Steps
Targets					Financial							1.
100	120	160	180	250	• Earnings							
100	450	200	210	225	• Net Cash Flow							
100	85	80	75	70	• Overhead & Operating Expense							
Targets					Operating							2.
100	75	73	70	64	• Overhead & Operating Costs							
100	97	93	90	82	• Finding & Development Costs							
100	105	108	109	110	• Total Annual Production							
					(Indexed: 1993=100)							3.
Corporate Objectives					Individual Measures							
<ul style="list-style-type: none"> • Double our value in 10 years. • Increase our earnings by an average of 20% a year • Achieve an internal rate of return 2% above the cost of capital. • Reduce our overhead & operating costs by a further 30% by 1997. • Reduce our 5-year average finding & development costs by 20%. • Reach the top quartile of industry profitability by 1997. • Increase production by 10% by 1997. 					<ol style="list-style-type: none"> 							
					<p><i>If we can achieve all these business objectives, we will be a top quartile competitor</i></p>							
					<p>Name: <input type="text"/></p> <p>Location: <input type="text"/></p>							5.

Making Strategy Everyone's Job

Creating a Climate to Support Strategic Change

1

Create Strategic Awareness

- *Insure that each individual has sufficient understanding of the strategy (You can't execute what you don't understand)*

2

Align Personal Objectives

- *Insure that each individual knows where he or she fits into the overall game plan*

3

Align Incentive Compensation

- **Reinforce desired behavior and increase intensity of awareness**

Mobil USM&R Incentive Plan

	Poor	Average	Best-in Industry
Base Pay	90%	90%	90%
Corporate Award (Return-on-Capital, Earnings Growth)	0-1	3-6	10
USM&R/SBU			
M&R (30%)	0	5-8	20
SBU (70%)	_____	_____	_____
Total Pay (% of Market)	<u>91%</u>	<u>98-104%</u>	<u>120%</u>

Linking Compensation to the Balanced Scorecard

Experience with successful BSC users indicates that linking the BSC to incentive compensation is essential to success

Executive Perspectives

“People got that scorecard out and did the calculations to see how much money they were going to get. We could not have got the same focus on the scorecard if we didn’t have the link to pay.”

Brian Baker, Mobil

“It would be hard to get people to accept a totally different way of measurement - which the BSC is - if you don’t reinforce that change through incentive compensation.”

Gerry Isom, CIGNA

Supported by Research

Mercer survey of compensation practices in 214 companies (1999)

- 88% of responding companies consider the use of balanced scorecard measures linked to reward systems to be effective.

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EVERYONE'S JOB

- Strategic Awareness
- Goal Alignment
- Linked Incentives

EXECUTIVE LEADERSHIP

- CEO Sponsorship
- Executive Team Engaged
- "New Way of Managing"
- Accountable for Strategy
- A Performance Culture

CONTINUAL PROCESS

- Linked to Budgeting
- Linked to Operational Improvements
- Management Meetings
- Feedback System
- Learning Process

Making Strategy a Continual Process

**Imbed the Strategy
in Ongoing
Management
Processes**

1 **Integrate Strategy
with Planning and
Budgeting**

- *Establish stretch targets; Select initiatives, Align operational improvement programs (TQM, Six Sigma, Activity Based Management); Allocate resources to projects*

2 **Introduce the New
Reporting System**

- *Develop systems for data collection, analysis, and reporting*

3 **Conduct the New
Management
Meeting**

- *Open discussion of performance shortfalls; team problem-solving; adapting and learning*

Mobil NAM&R: Setting Targets and Performance Factors

Business Group Variable Pay Opportunity

Variable Pay Percent	Performance Factor	Qualitative
20	1.25	BEST IN CLASS
	1.20	Well
	1.15	Average
	1.12	
	1.09	
	1.06	Above Average
	1.03	
7	1.00	Average
	0.90	
	0.80	
1	0.75	Below Average

How to think about performance factors:

† Objective:

External Benchmark

1.00 means target equals the average of competition

1.25 means target equals the top of the competitive group

† Subjective:

Internal Benchmark

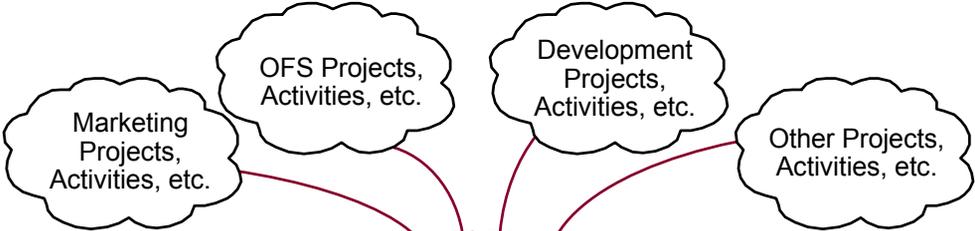
1.00 means the difficulty of the dive is average

Achieving Stretch Target Performance May Require

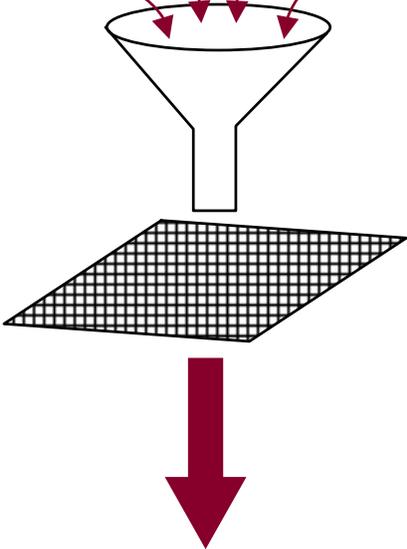
- Strategic Initiatives
- Capital Investments
- New Products/Services
- New Customers
- New Regions
- New Partners

The Scorecard Process Provides Rigor for Selecting and Managing Initiatives

**—1—
Identify All Potential Candidates for Strategic Initiative Consideration**



**—2—
Screen Candidates to Identify Those That Qualify as “Strategic”**



Criteria

Area	Score	Points	Comments
Strategic Importance	●	8	*The "killer" application *X
Cost	◐	-2	*\$
Benefit	●	4	*\$
Required for Other Initiatives/Dependence	◐	1	*X
Time to Implement	◐	-2	*# months
Overall Score	●	9	*X

**—3—
Select Strategic Initiatives**

Rank	Strategic Initiative	Strategic Importance	Cost	Benefit	Required for Other Initiatives/Dependence	Time to Implement	Overall Score	Overall Rank
1	A	●	●	●	◐	◐	9	1
2	B	●	●	●	◐	◐	8	2
3	C	●	●	●	◐	◐	7	3
4	D	●	●	●	◐	◐	6	4
5	E	●	●	●	◐	◐	5	5
6	F	●	●	●	◐	◐	4	6
7	G	●	●	●	◐	◐	3	7
8	H	●	●	●	◐	◐	2	8

Prioritized List of Strategic Initiatives

The Principles of a Strategy-Focused Organization

TRANSLATE STRATEGY

- Mission / Vision
- Strategy Maps
- Balanced Scorecard
- Targets
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Using the BSC to Link Strategy to Operational Management

Activity-Based Costing

- Cost of Internal Processes
- Customer Profitability

Shareholder Value

- Explicit Value Proposition
- Path for Revenue Growth Strategy

Quality Programs

- Link to Customer and Financial Outcomes
- Identify New Processes; Set Priorities
- Integrated Strategic Management Approach

BSC Adds to Total Quality Programs

- Explicit Causal Links from Operational Improvements to a Customer-Based Value Proposition
- Explicit Linkages to Productivity Enhancements and Financial Outcomes
- Identify Entirely New Processes for Improvement
- Set Priorities among Processes to Improve

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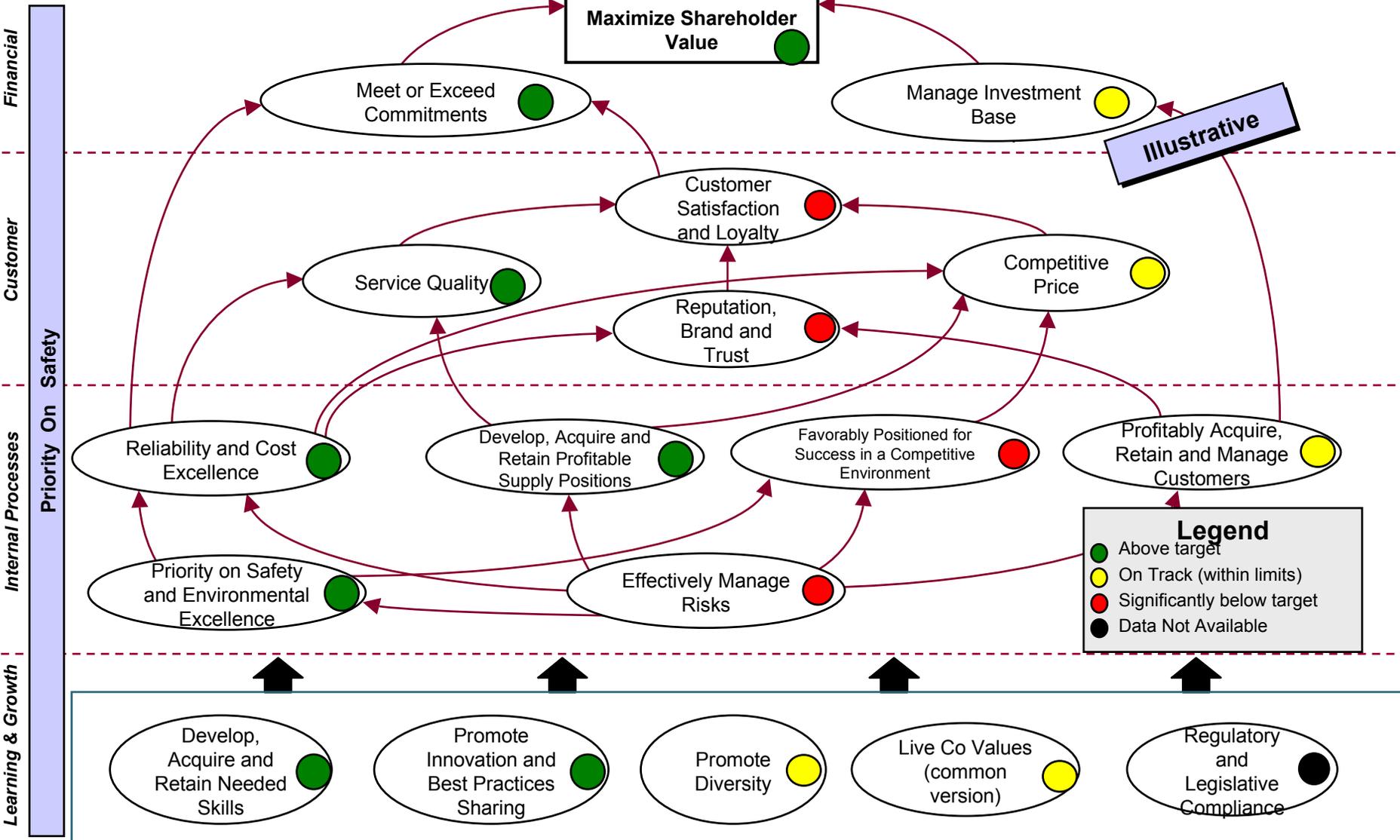
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- Linked to Operational Improvements
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- **Learning Process**

Reporting and Feedback: Monthly Scorecard Summary



The New Management Meeting: Strategic Learning Replaces Control

The Shift In Focus (At City of Charlotte)

Control

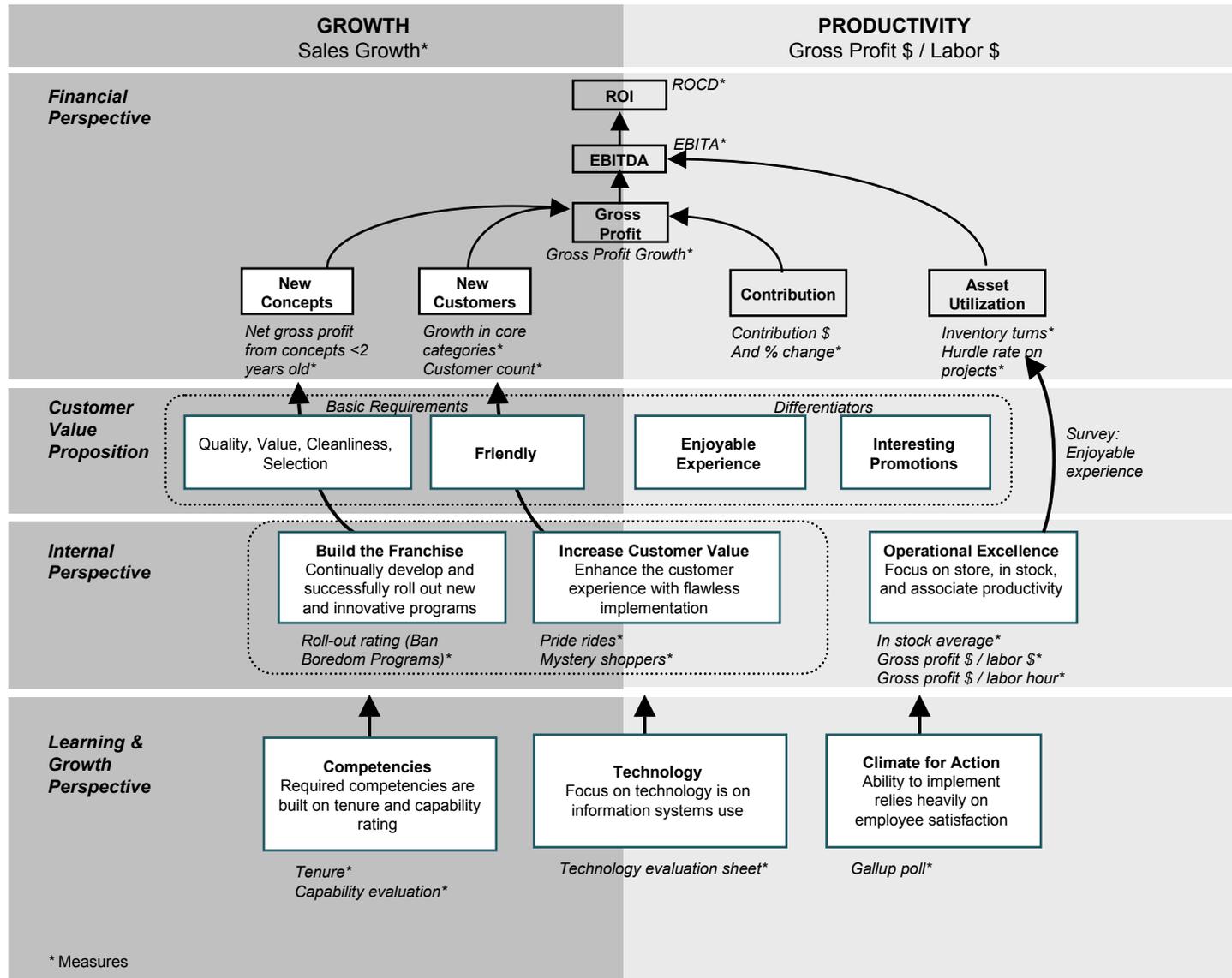
Is the project...
on-time?
on-budget?



Learning

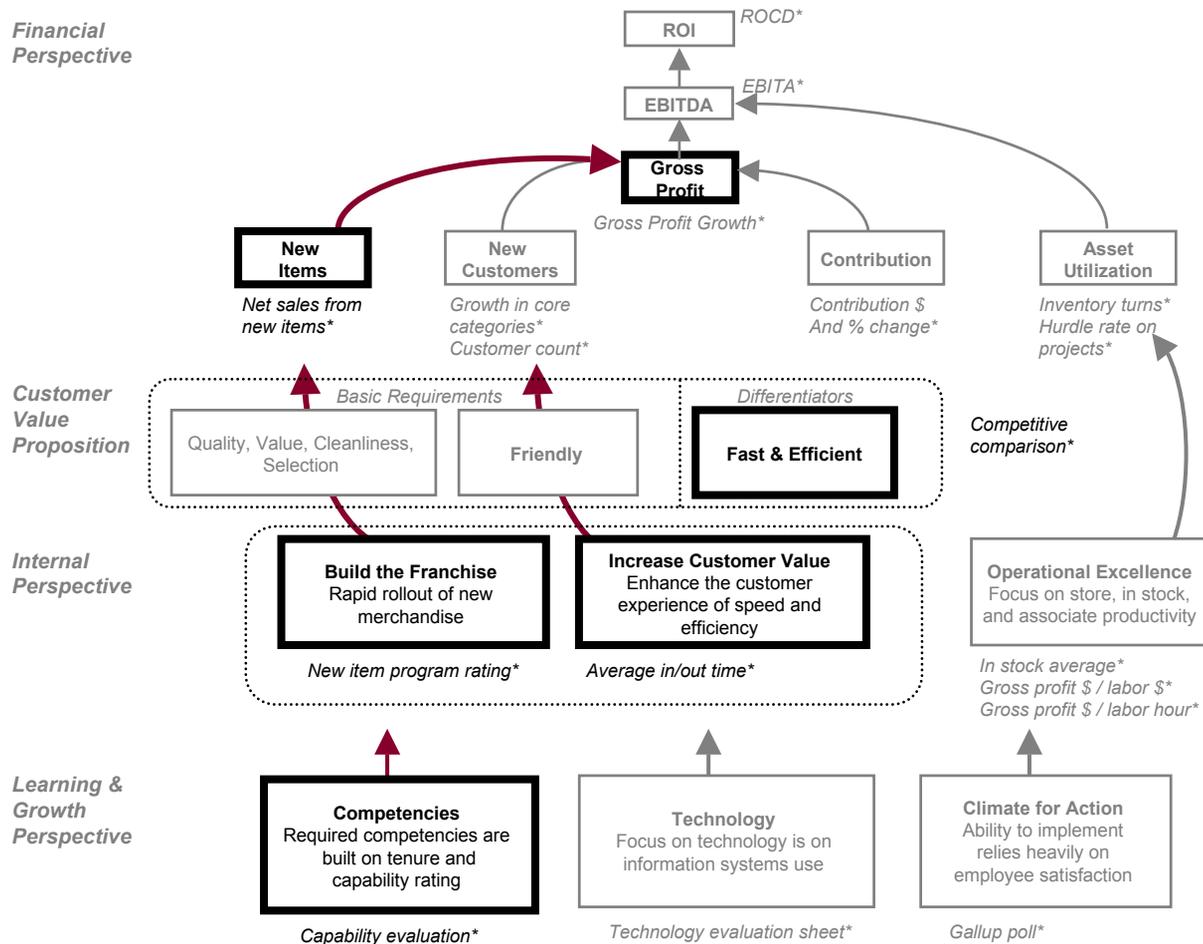
What is the impact of
the project on...
– neighborhoods
– jobs
– transportation

Store 24 Introduced an Innovative Strategy to Build Customer Intimacy: “Ban Boredom”



Testing the Strategy in Real Time Leads to Strategic Learning

Updated Strategy: "Cause You Just Can't Wait"



* Measures

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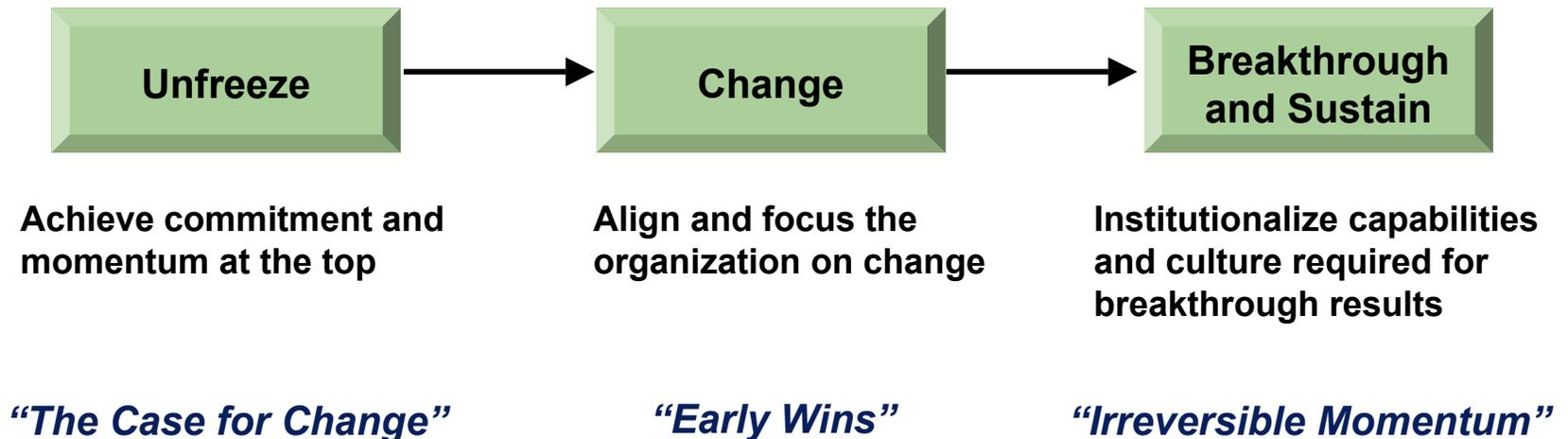
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To Succeed, the Executive Leader Must be Engaged in the Strategic Change Process...

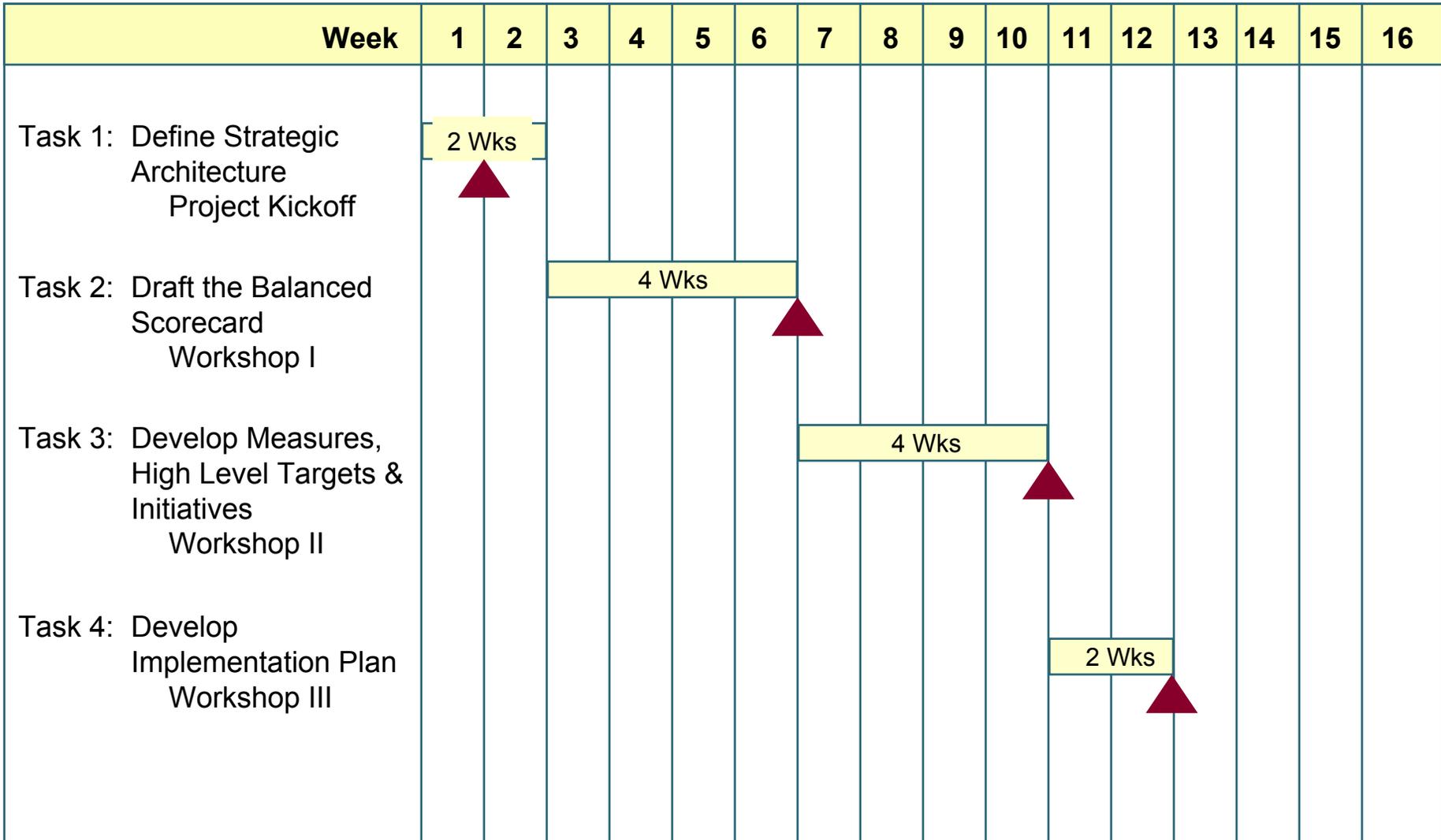


“A successful Balanced Scorecard program is a transformation process not a “metrics” project.”

Pitfalls

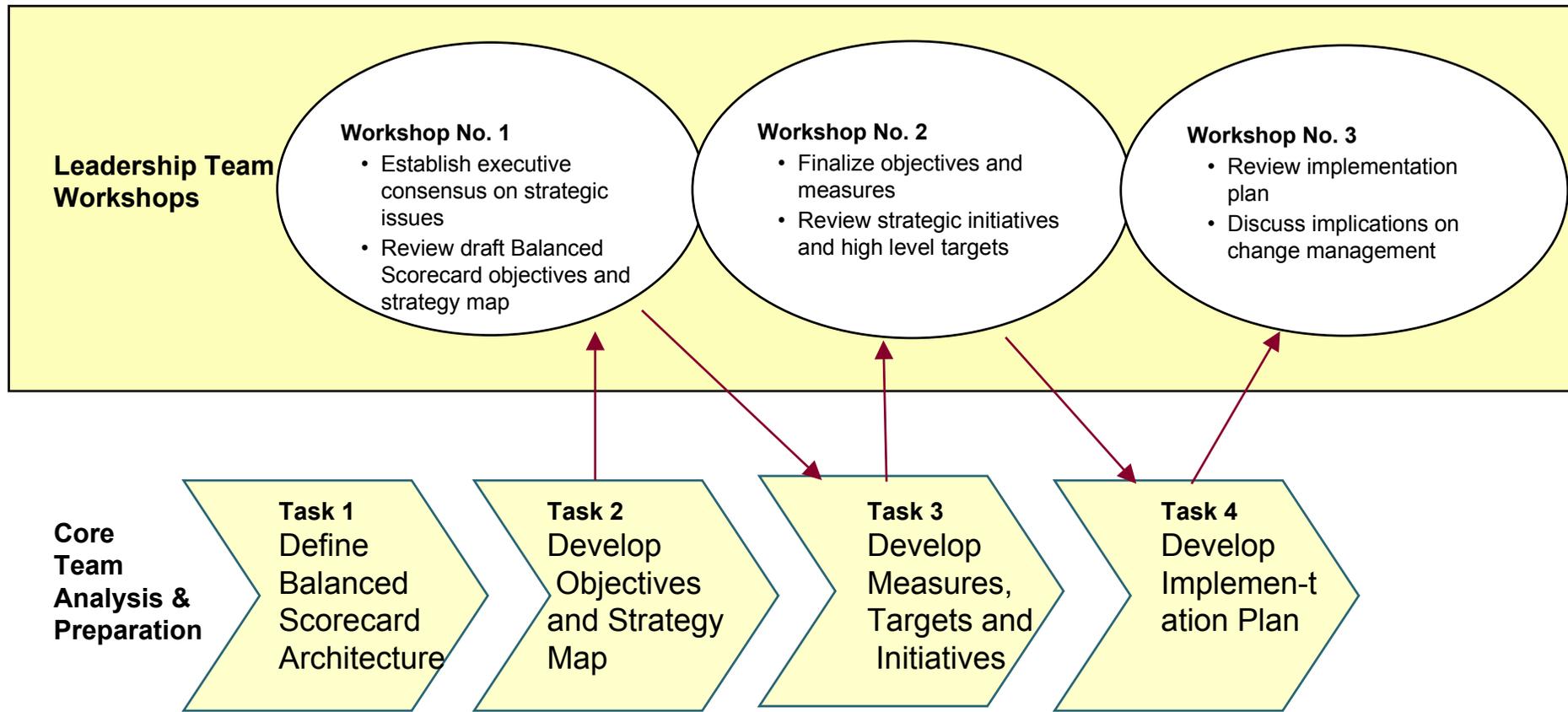
- Middle Management Team: Lack of Senior Management Commitment (“Bacon and Eggs Breakfast”)
- Done Only by One or Two Individuals
- Held at the Top: For Senior Management Only
- Too Long a Development Process: “Best Becomes the Enemy of the Good”
 “Just Do It!”
- Treating the Balanced Scorecard as a Systems Project
- Just a “checklist” for compensation purposes (the 4 P’s)

Typical Balanced Scorecard Project Schedule

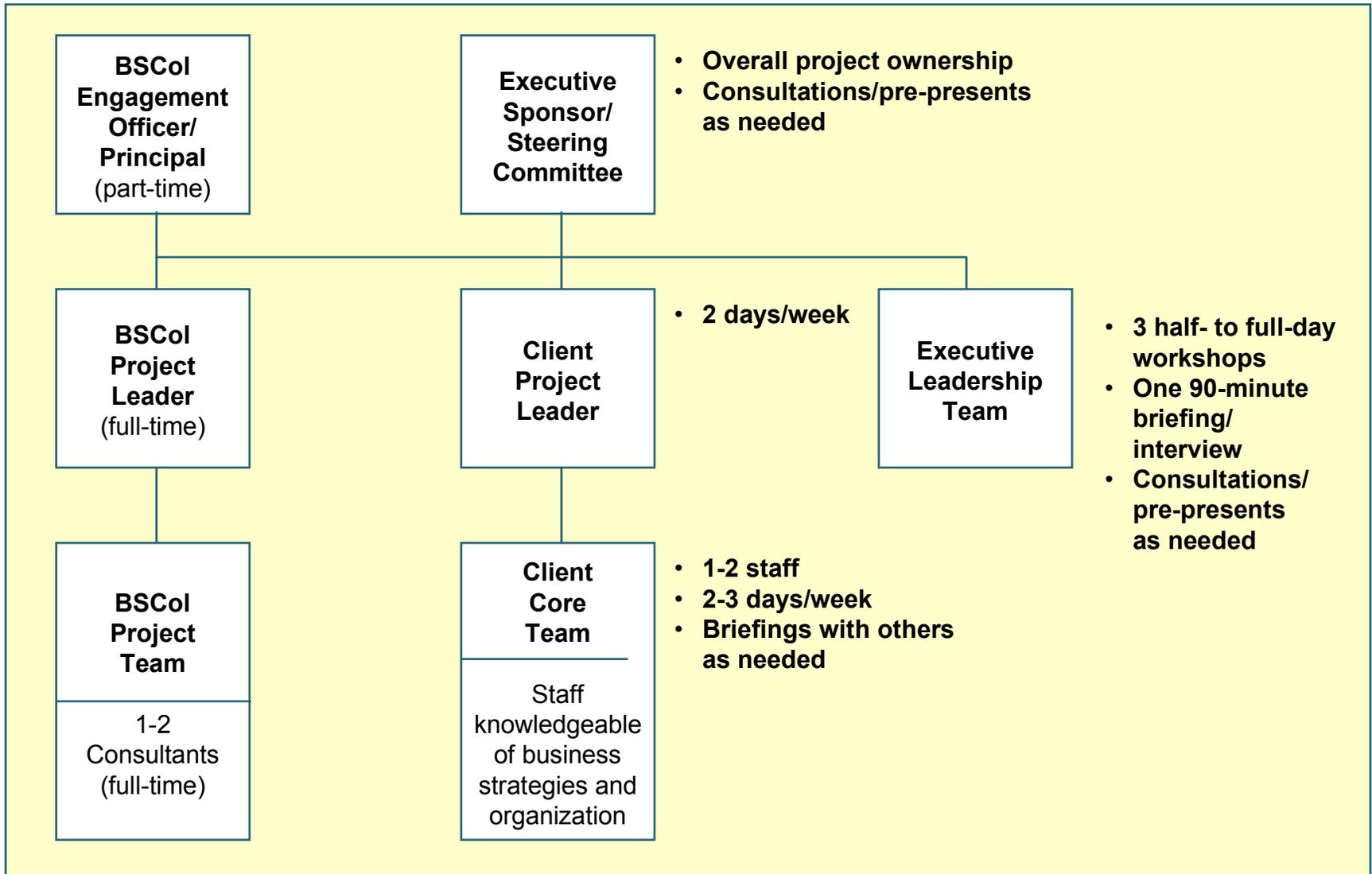


An Effective Balanced Scorecard Development Process Encourages Focused Participation by Leadership Team and Leverages Knowledge Within the Organization

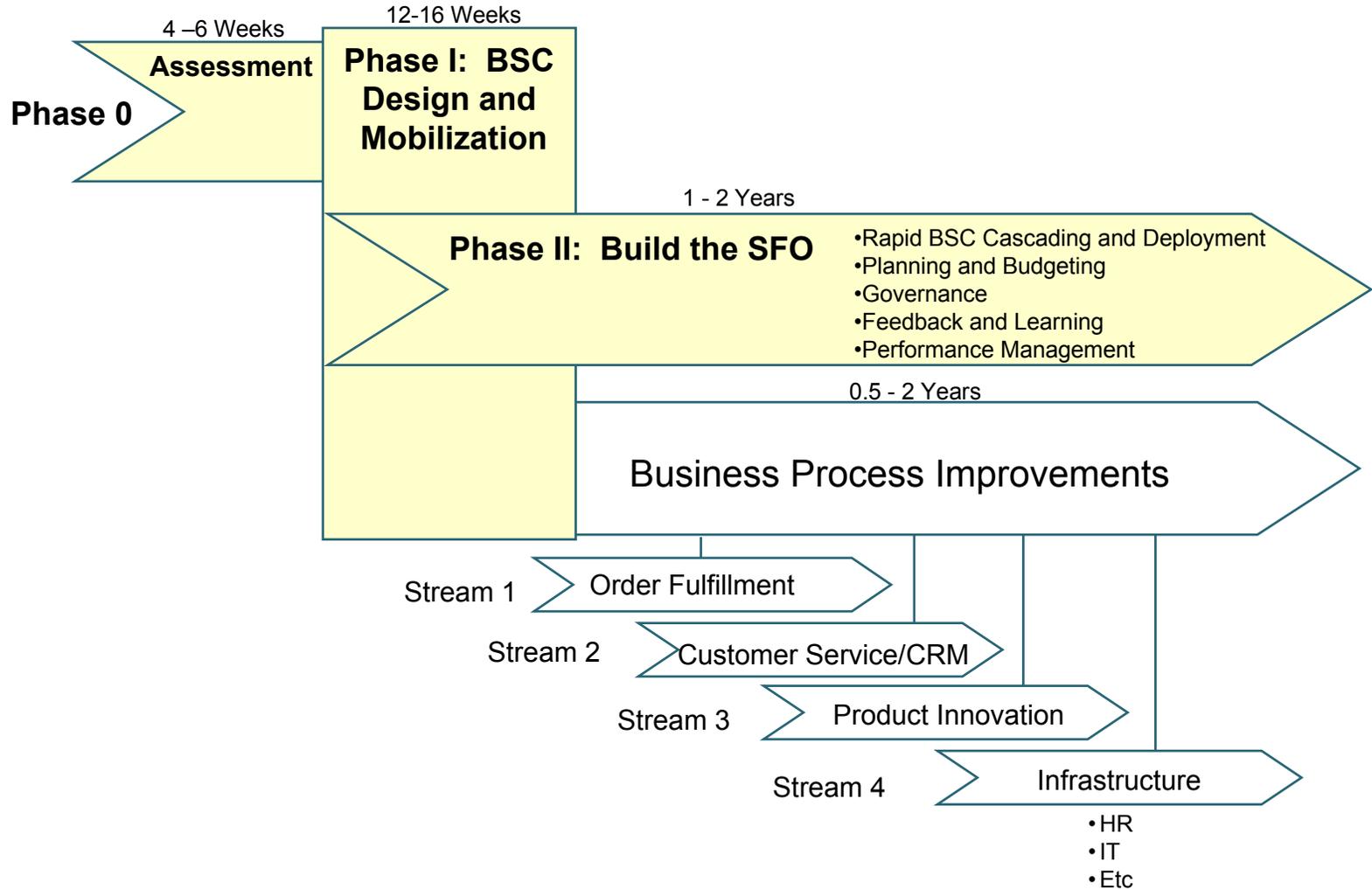
The Balanced Scorecard Design Program



Balanced Scorecard Project Team



BSCol's Framework for Building the SFO



How are Organizations Doing on the Journey?

A survey of online members of the BSCol:
500 responses; 250 reported, “Yes, we have BSC.”
50% of these: too early to tell about impact.

Of the 125 who had sufficient experience with the program:

Achieved breakthrough results	15%	(n = 19)
Some progress	64%	(n = 80)
No or limited results	21%	(n = 26)

What Separates the Winners from the Losers?

	Breakthrough Results	Some Progress	No Results
Executive Team has created a sense of urgency	84%	53%	20%
Strategy translated to a strategy map and Balanced Scorecard	84%	41%	0%
Corporate/Business Unit measures are linked & aligned	72%	39%	0%
Employees are aware of the strategy	56%	32%	0%
Individual and team goals are aligned with the strategy	42%	26%	0%
The BSC is an integral part of the strategic planning process	100%	40%	0%
The budget is driven by the strategy	42%	29%	0%

Based On What You Have Learned in This Conference, Rate Your Organization's Readiness to Execute Its Strategy

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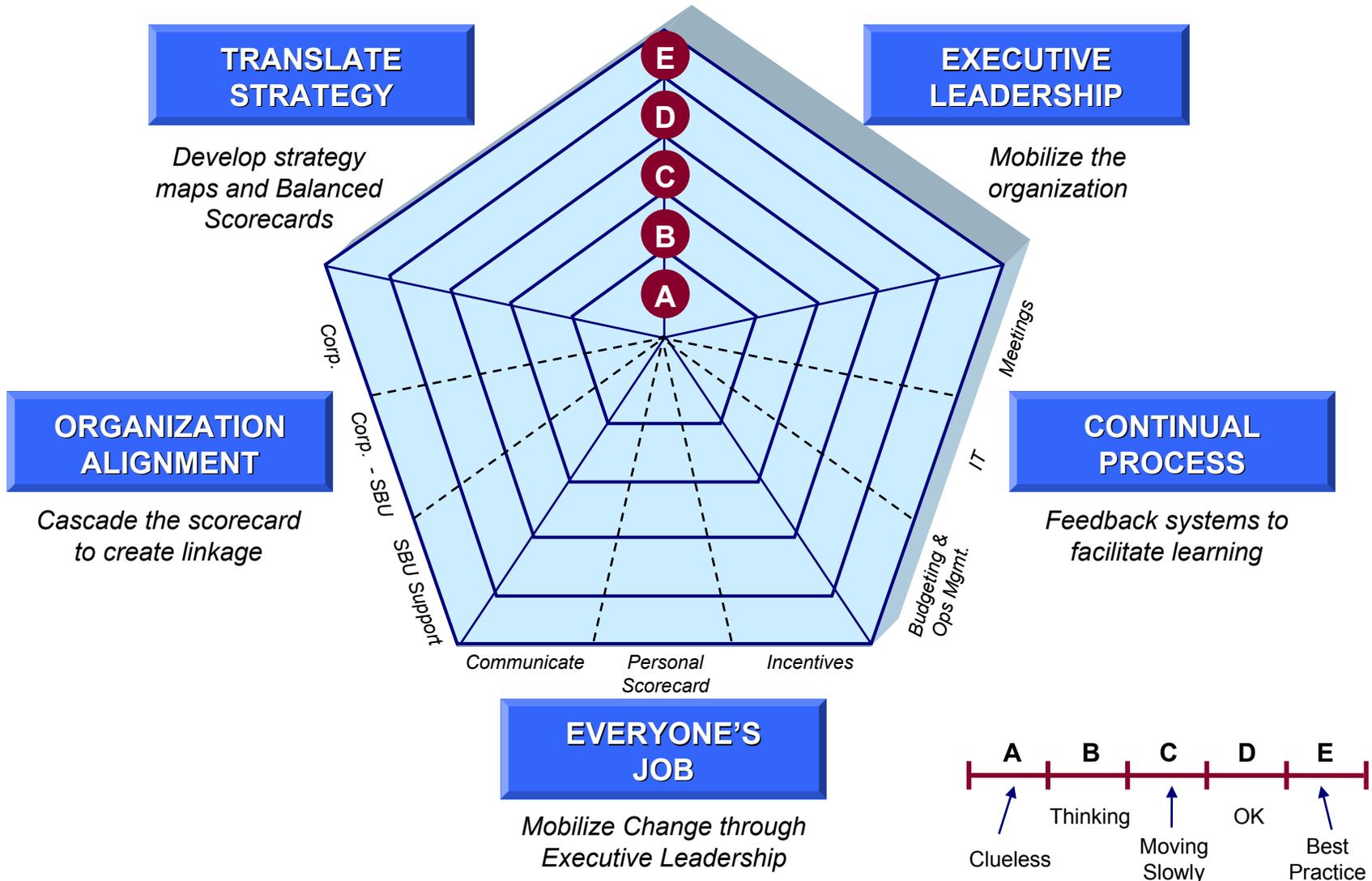
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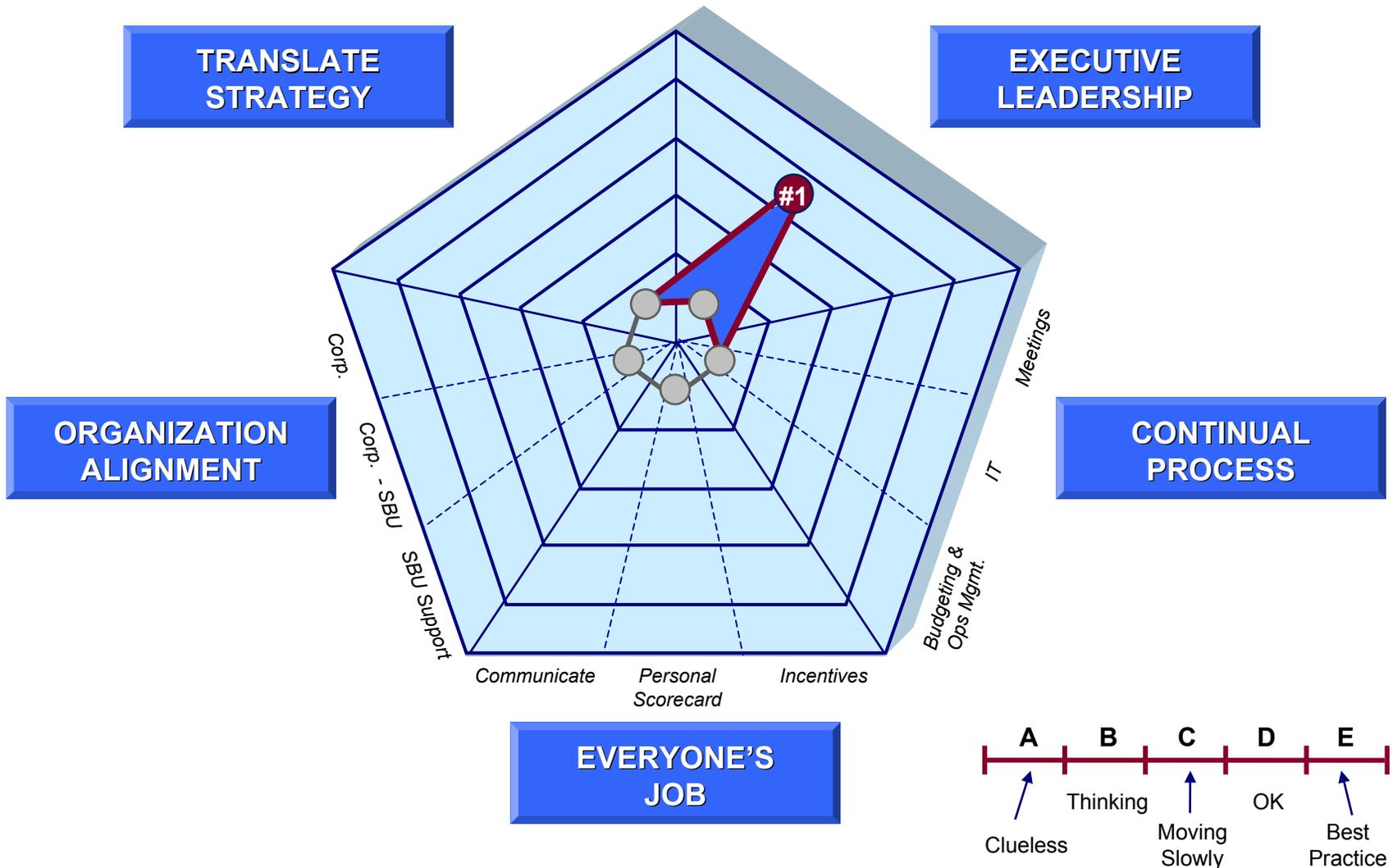
Rate Yourself

- **E** “Best Practice”
- **D** We're OK
- **C** Moving Slowly
- **B** Thinking About It
- **A** Clueless

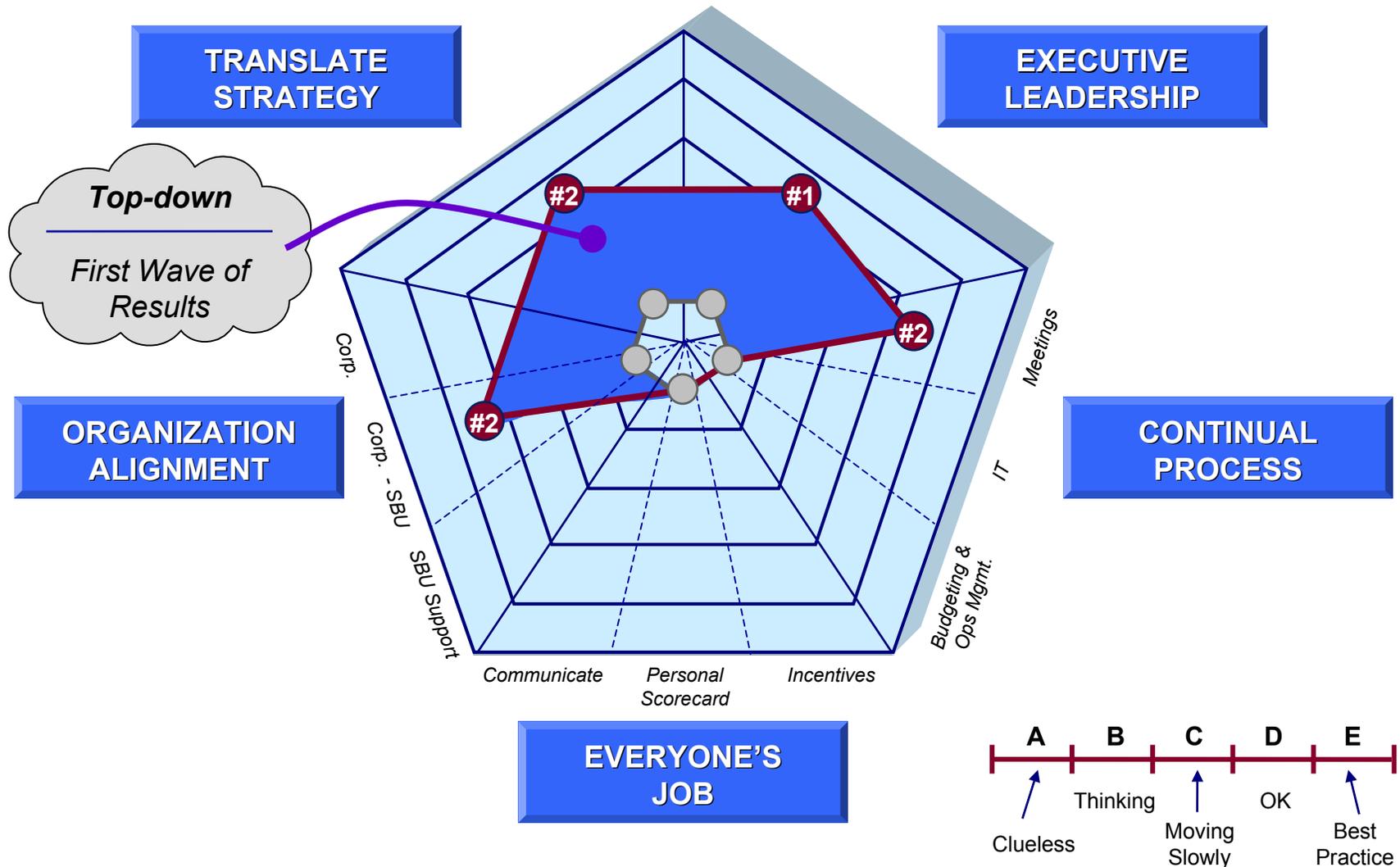
The SFO Readiness Profile: Plot Yourself



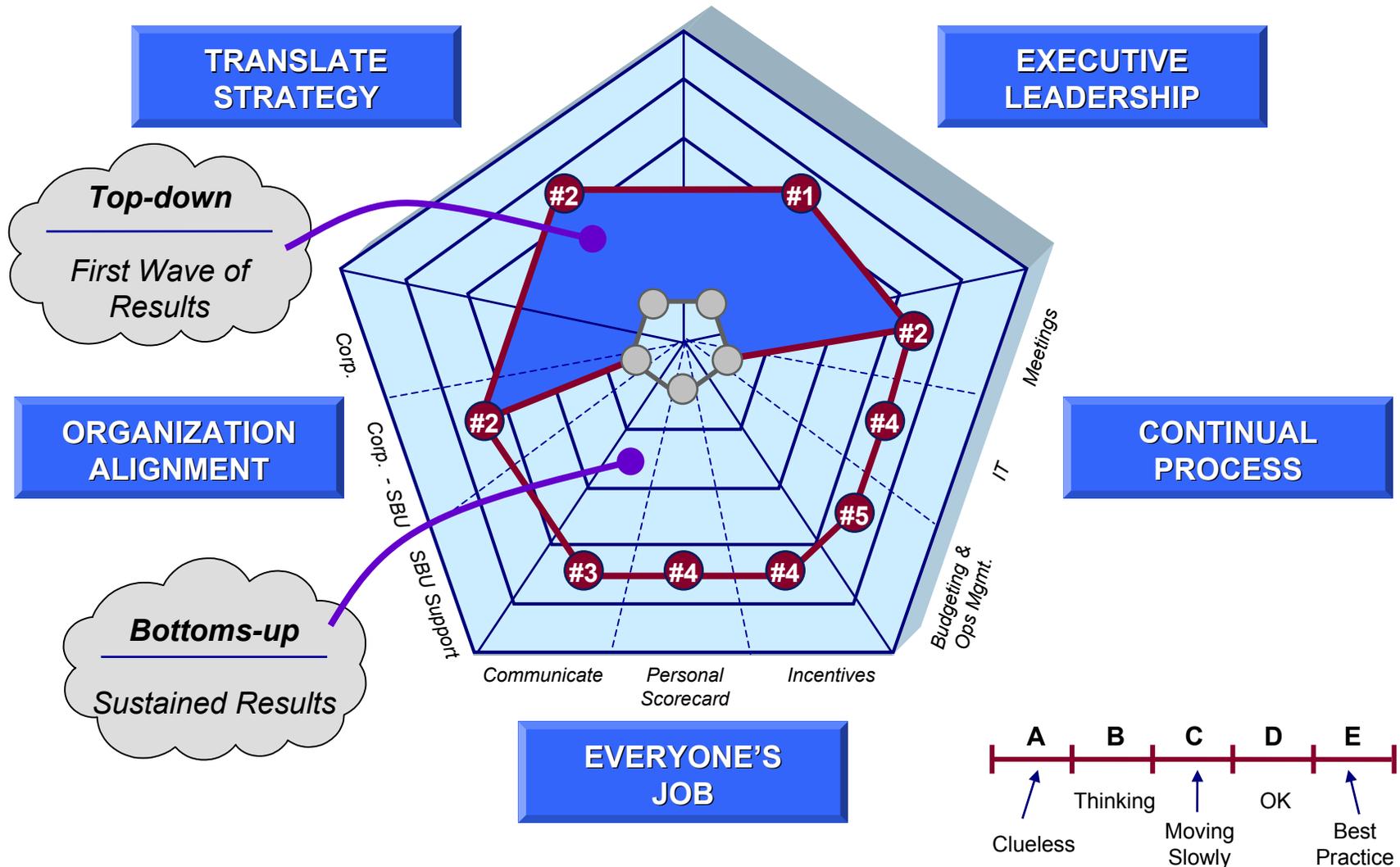
Building the SFO: Some Thoughts on Priority and Sequence



Building the SFO: Some Thoughts on Priority and Sequence



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For further information, visit www.bscol.com



**BALANCED
SCORECARD
COLLABORATIVE**

Our Mission:

“To facilitate the worldwide awareness, use, enhancement, and integrity of the Balanced Scorecard as a value-added management process”

Conferences

Membership

Research

Consulting

Training

Networking

Publications

Certification