

Introduction to the Balance Scorecard

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Balanced Scorecard

Basic Concepts

Basic Concepts

- Not just a set of measures
 - Measures must relate to strategy
 - Critical success factors – Key Performance Indicators
 - Measures are interrelated
 - Must understand how the perspectives influence each other

Basic Concepts

- Not a quick process
 - Implementation requires
 - Thought
 - Analysis
 - Data-gathering
 - Time

Basic Concepts

- Thought
 - What is our strategy?
 - What is critical to implementing the strategy?
 - How can we measure our progress?

Basic Concepts

- Analysis
 - What are the linkages between functions?
 - What drives the achievement of goals?
 - What measures correlate with the drivers?

Basic Concepts

- Data-gathering
 - What data is available? What isn't?
 - How should it be gathered? Reported?

Basic Concepts

- Time
 - Cannot be done in an afternoon
 - Successful implementation may take several months
 - Never-ending process

Four aspects of firm performance



Financial



Customer



Internal
Business
Processes



Innovation
& Learning



Characteristics of the Balanced Scorecard

Learning And Growth:

- The learning and growth perspective looks at your overall corporate culture.
- Objectives and measures concerning how well our people perform, their skills, training, company culture, leadership and knowledge base.
- This area also includes infrastructure and technology
- How can we improve and create value
- How well information is captured and how effectively employees use the information to convert it to a competitive advantage over the industry.

Innovation & Learning Perspective

What does the future look like?

- Market Leadership
- Adaptability
- Employee Engagement

Characteristics of the Balanced Scorecard

Customer Perspectives:

- Data collection is used to gauge customer satisfaction with quality, price, and availability of products or services.
- Customers provide feedback about their satisfaction with current products.
- What exactly do you need to deliver in terms of your customers and market
- Brand awareness

Customer Perspective

How do customers see us?

- Innovators
- Service Quality Leader
- Value

Characteristics of the Balanced Scorecard

Financial Perspectives:

- Financial data, such as sales, expenditures, and income are used to understand financial performance.
- These financial metrics may include financial ratios, budget variances, or income targets.
- Cost savings and efficiencies

Financial Perspective

How do
shareholders see us?

- Survivors
- Market Performer
- Extraordinary Returns

Business Processes:

- How well products are manufactured.
- Operational management is analyzed to track any gaps, delays, bottlenecks, shortages, or waste.
- This is also the best area to focus on new and creative ideas
- What processes do you need to put in place to deliver your customer
- In other words, what does the business need to have in place and what does the business need to do well in order to drive performance

Internal Business Perspective

How do we see ourselves?

- Innovators
- Service Quality Leader
- Value

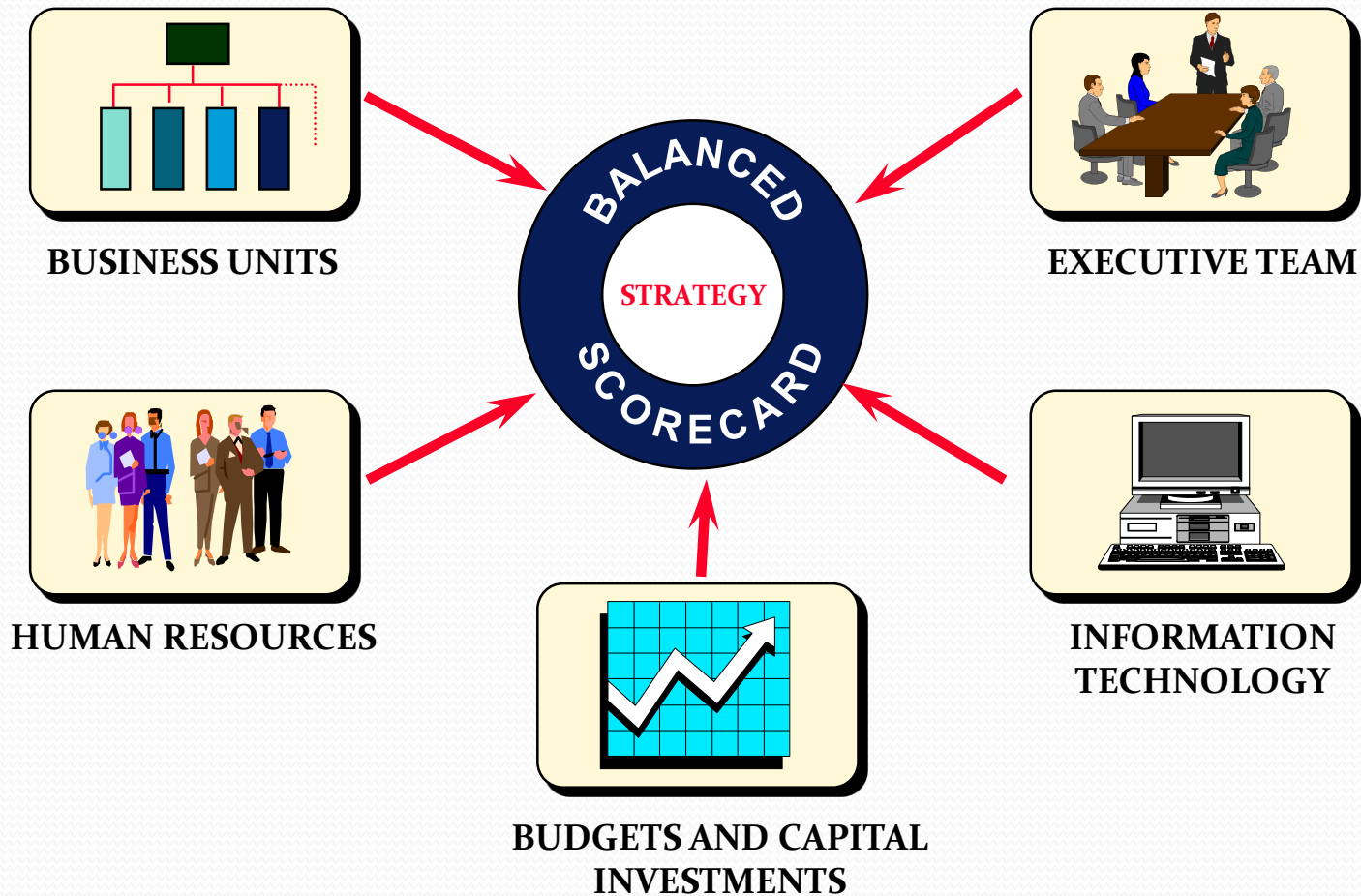
Advantages Of BSC

- Align the day-to-day work that everyone is doing with strategy
- Prioritize projects, products, and services
- Measure and monitor progress towards strategic targets
- Companies can easily identify factors hindering business performance and outline strategic changes tracked by future scorecards
- The measurements being used to track success (KPIs)
- The strategic objectives the organization is trying to accomplish, and the mission, vision, and strategy of the organization.

Question:

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

Alignment!



The Road to Disaster

- Senior management not committed
 - No one else will be either
- Lack of consensus
 - Lack of commitment