



Balanced Scorecard Initiative Guidelines for Building a BSC

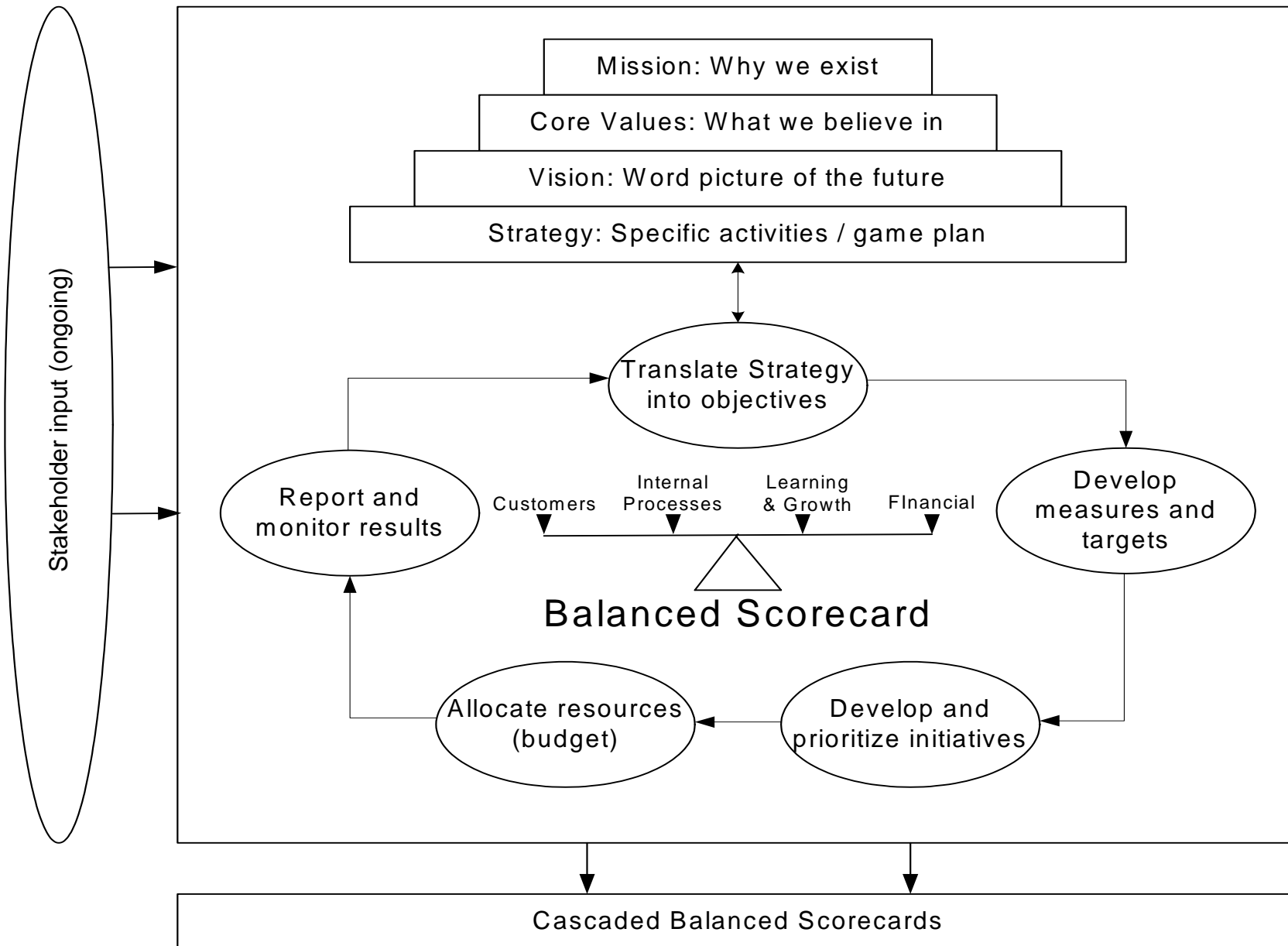
Before you start

- Develop a work plan for the project:
 - Clarify deliverables
 - Decide on participants
 - Decide on frequency of meetings
 - Set a deadline for the project
 - Place the project in the context of total BSC Initiative and the Performance Management Map



Microsoft Word
Document

Performance Management Map



The Big Picture

1. Define the strategic destination: The Vision
2. Identify Strategic Themes
3. Build strategic linkages: The Strategic Objectives
4. Determine Measures (KPIs) and Targets
5. Select priority Initiatives
6. Plan for Implementation

Strategic Destination (Vision)

- Refine and validate previously developed work unit vision (if available)
- A strategic destination statement provides answers to the questions: “What does the work unit look like in three to five years?”

Strategic Destination (Vision)

A good strategic destination statement:

- Goes to the essence of the business of the work unit
- Is agreed to and supported by all key stakeholders
- Does not contain “fluff”

Strategic Destination (Vision)

Use one or more of the following:

- Past Work unit performance
 - What have we done in the past?
 - What do the stakeholders expect from us?
- Industry trends
 - Where is the industry headed?
 - Where are we headed?
- Competitive benchmarking
 - What are other institutions doing?
 - What is considered best practice?

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Strategic Themes

- Articulate the strategy
- Help focus the organization on arriving at strategic destination (vision)
- Are limited to 3-5 major thrusts
- Include a stream of linked objectives that slice across the various perspectives

Strategic Themes

Most organizations use variations of the following common strategic themes:

- Innovation or Product Leadership (e.g. Medical Research Laboratories)
- Customer Management or Intimacy (e.g. Private Banking)
- Operational Excellence (e.g. Power Plant)

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BSC SWOT Analysis

Work Unit Name

	Strengths	Weaknesses	Opportunities	Threats	Wild Card
Customer					
Internal Processes					
Employees' L&G					
Financial					

Strategic Objectives

- Objectives are action statements that clarify how we will implement the strategic theme
- Objectives are a linked set of priorities that deliver the strategic theme
- Objectives pertaining to a given strategic theme are linked by a cause-and-effect relationship

Strategic Objectives

A good set of BSC objectives should:

- “Tell the story” of the strategy
- Reflect systems/logical thinking
- Be actionable
- Be inspirational
- Be achievable

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Strategic Measures

Purpose of measures:

1. Evaluation of Strategy and Strategic Learning
 - Managers use strategic measures to test the organization's progress in achieving its strategic objectives
 - Strategic measures show the relationship between strategic objectives and are a constant test upon the validity of the strategy
2. Organizational Motivation
 - A tool to drive desired behavior
 - Provide individuals with direction in what they need to accomplish for the organization strategy
 - People respond to what's inspected not to what's expected

Strategic Measures

Criteria for selecting measures:

1. Strategic Communication
2. Repeatable and Reliable
3. Frequency of Update
4. Validity for the objective measured
5. Usefulness for target setting
6. Usefulness for establishing accountability
7. Availability of data

Strategic Measures

Types of measures:

1. Outcome (Lag) measures
2. Driver (Lead) measures

Strategic Measures

Outcome (Lag) measures:

- Purpose: Focus on performance results at the end of a time period or activity
- Example: Number of students registered
- Strength: Usually objective and easily captured
- Issues: Outcome measures reflect success of past, *not* current, activities and decisions

Strategic Measures

Driver (Lead) measures:

- Purpose: Measure intermediate processes, activities and behaviors
- Example: Number of high school visited
- Strength:
 - More predictive in nature
 - Allow organizations to adjust behaviors for performance
- Issues:
 - Based on hypotheses of strategic “cause-and-effect”
 - Often difficult to collect supporting data

Strategic Measures

Driver (Lead) measures:

- Are more reflective of an organization's strategy
- They communicate "HOW" an organization intends to accomplish the strategic objective they relate to

Strategic Measures

Guidelines for selecting measures:

- At least one measure for each objective
- If more than one measure is applicable, use the one that best communicate the objective
- No more than 25 measures (or 1 to 1.5 measures per objective)

Strategic Measures

To facilitate the selection of the “few critical” measures try:

- Rationalizing the number of objectives on the BSC
- Identifying the measures most appropriate for review of the Leadership Team holding the BSC
- Selecting the measures that represent indicators of progress over the strategic time horizon (3-5 years)

Before you continue

- Get the work unit BSC organization in place
 - Appoint and train the BSC Coordinator (One for the work unit)
 - Appoint and train the Performance Owners (One for each measure)
 - Appoint and train the Measure Leaders (One for each measure)

Targets

Purpose of Targets:

- Set and communicate the expected performance level for the organization
- Focus the organization on improvement
- Motivate the organization, not control or constrain it

Targets

Targets should:

- Match a measure, one for one
- Be quantifiable
- Clearly communicate the expected performance

Stretch Targets

- Set a LONG TERM goal (3-5 years)
- Keep the organization focused on long term, not only short term targets
- Identify where the organization may need change the “status quo” via a process re-engineering

Targets v/s Milestones

- Targets often refer to stretch targets which are LONG TERM goals (3-5 years)
- Milestones are typically annual progress points in achieving the stretch target

Before you continue

- Obtain Management Approval on:
 - Strategy Map (Vision and Objectives)
 - Measures and Targets
- Organize Stakeholder Advisory Committee meetings and obtain buy-in on:
 - Strategy Map (Vision and Objectives)
 - Measures and Targets

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Initiatives

Initiatives are the activities or projects that address the performance gap (current result v/s stretch target)

Initiatives

By mapping key initiatives to objectives, management can:

- Re-balance, fill “gaps” and rationalize initiatives to better support the strategy
- Allocate resources to those initiatives that best support the achievement of the strategy

Rationalizing initiatives

- Collect all initiatives
- Map initiatives to strategic objectives
- Identify and fill-in the gaps
- Prioritise initiatives for strategic impact (as needed)

Mapping initiatives

	Strategic Objectives																			
	Customer Perspective					Internal Process Perspective					Learning & Growth Perspective					Financial Perspective				
	C1	C2	C3	C4	C5	I1	I2	I3	I4	I5	L1	L2	L3	L4	L5	F1	F2	F3	F4	F5
Initiative 1																				
Initiative 2																				
Initiative 3																				
Initiative 4																				
Initiative 5																				
Initiative 6																				
Initiative 7																				
Initiative 8																				
Initiative 9																				
Initiative 10																				
Initiative 11																				
Initiative 12																				
Initiative 13																				
Initiative 14																				
Initiative 15																				
Initiative 16																				

Initiative Criteria

A “good” strategic initiative should have:

- Accountability at the work unit leadership level
- Clearly defined deliverables
- Clearly defined duration and progress milestones
- A budget
- Committed resource allocation (Real employee hours)

Before you continue

- Obtain Management Approval on:
 - Strategy Map (Vision and Objectives)
 - Measures and Targets
 - Initiatives

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Plan for Implementation

1. Finalize strategic themes, objectives and linkages
2. Finalize measures and targets
3. Obtain higher level management approval on strategy (Vision, Objectives, Measures, Targets and Initiatives)
4. Establish reporting process and plan management review meetings
5. Hold first BSC management review meeting within 60 days

Completion levels of a BSC

- 10% : “Vision” statement exists
- 20% : “Objectives” and “Strategy Map” exist
- 30% : “Measures” exist
- 40% : “BSC Coordinator”, “Performance Owners” and “Measure Leaders” assigned
- 50% : “Actual” data exist for more than half of Measures
- 60% : “Targets” set for more than half of Measures
- 70% : “Initiatives” articulated for more than half of objectives
- 80% : “Targets” and “Initiatives” discussed with advisory committee and approved by higher-level management
- 90% : “Report Card” exist for more than half of Measures
- 100%: Minutes of three “Management Review Meetings” exist