

The Balanced Scorecard

A brief introduction into corporate performance management using the balanced scorecard

Balanced Scorecards and strategy maps

- ★ The use of the balanced scorecard by private companies and public sector organisations of all sizes has been growing since the publication of *The Balanced Scorecard* in 1996.
- ★ Many market leaders and world class organisations use the balanced scorecard to develop their strategy and manage their performance.
- ★ Organisations that use the balanced scorecard report significant improvements in their performance
- ★ Organisational leaders on average spend less than 16 hours per year developing and improving strategies.
- ★ Research has shown that those organisations with leaders that spend more time on strategy are more likely to be market leaders

The purpose and principles of the Balanced Scorecard

Purpose

- ★ To allow senior managers to develop & voice their strategy
- ★ To translate corporate strategy into direct activity to achieve those strategies
- ★ To set levels of performance and measure progress against those levels
- ★ To identify successful strategies, removing and adjusting strategies that don't work

Principles

- ★ The organisations leaders are the ones to develop strategy
- ★ Strategies don't only focus on money and short term gain.
- ★ Strategies are translated into terms understood by the front line.
- ★ Front line performance is used to assess strategic success.
- ★ Where strategies are failing they can be changed by the Leadership.

What does **Balanced** Scorecard Mean?

★ **Balanced**

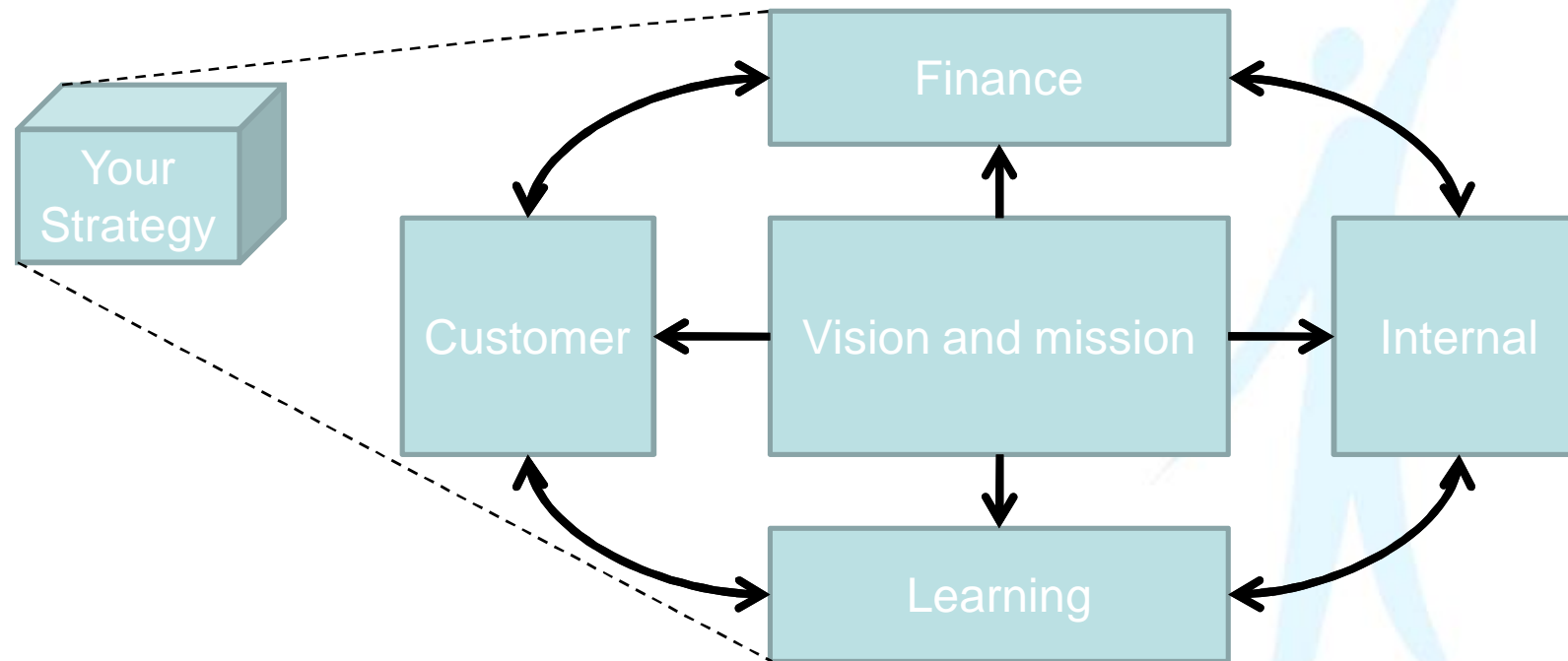
- . A balance between different organisational perspectives in terms of:
 - " the Long and Short term,
 - " The financial and non financial measures
 - " Internal and external performance measures
 - " Leading and lagging indicators

★ **Scorecard**

- . A view of the current (and historic) performance of an organisation taken from a number of viewpoints (perspectives).

Viewing strategy across different perspectives

To achieve the mission you need to deploy measures across all perspectives... Like any good blueprint!



The benefits of using the Balanced Scorecard

- ★ Allows clear strategies to be developed.
- ★ Ensure the focus is not just on financial indicators
- ★ Makes vision and strategy clear to all

- ★**Which**

- . Captures innovation
- . Allows breakthrough improvement from bottom up.
- . Leads improvement not lags behind
- . Focuses on what matters
- . Allows the appropriate targeting of resources



Do Balanced Scorecards have any drawbacks?

★ Yes they do:

- ★ The balanced scorecard cannot work without clear strategies being developed and supported by senior management. If strategies are unclear it will lead to conflict and adverse results
- ★ Consensus between levels of the organisation is required to ensure strategies are fully deployed.
- ★ Unless these are communicated and supported they will not be believed or used by all, this can lead to poor deployment reducing the results.

But all is not lost if the strategy of the organisation is clearly defined and supported by all senior managers who are willing to change strategies that are not working correctly then these issues will not be manifest.

What does it take to implement a good benchmarking system?

- ★ Work with leaders to develop a vision of their high level strategies
(involving senior teams and leaders from the outset to voice their vision of the strategy helps deployment)
- ★ Develop the leaderships vision into strategy maps
(Represent the leaderships strategy using different focal points or perspectives)
- ★ Translate strategic goals into active measures.
(Translation of strategy into frontline reality is critical to the success of any balanced scorecard system).
- ★ Identify and adopt innovative initiatives
(one of the key strengths of scorecards is the ability to identify innovation that supports strategy)a
- ★ Communicate strategy and objectives to all.
(Getting the buy in of staff to delivering key strategic objectives is crucial to successful deployment)
- ★ Identify performance measurement systems and structures
(understanding how performance data captured as a result of activity is converted to performance indicators)
- ★ Develop strategic review process
(this is a key feature of the system, understanding what is not working and what to do about it is the purpose of any strategic performance management process)

What can we do to help?

- ★ Ley hill solutions has a wealth of experience in:
 - ★ Working with Senior Management teams
 - ★ Identifying and developing strategic goals
 - ★ Developing and Using Strategy maps
 - ★ Building Scorecards and Dashboards
 - ★ Developing and supporting communication plans
 - ★ Developing performance measurement structures
 - ★ Creating strategic review processes
 - ★ Training staff in the development and use of balanced scorecards.
- ★ We also have contacts within the e-scorecard industry



★ If you want to know more please take a look at our website:

www.leyhill.com

★ Or you can call us on:

01494 772327