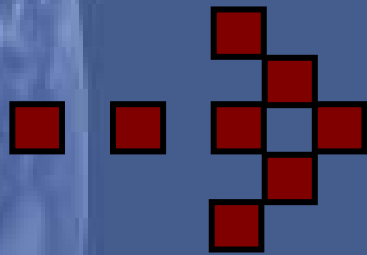


Executive Action Learning Series

Learn Together. Work Together.

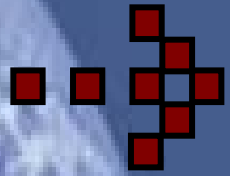


**International
Institute of
Management**

Executive Seminar Series

Mr. Med Yones

IIM Open Courseware Project



Здравствуйते

こんにちは

سلام

Howdy

你好

नमस्ते

Ciao

Hola

您好



여보세요

Hallo

Guten Tag

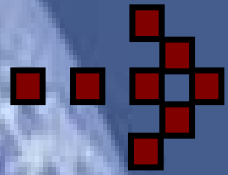
مرحباً

וּלְהָ!

Salut

Obrigado

Xin chào



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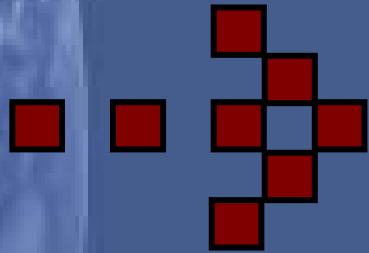
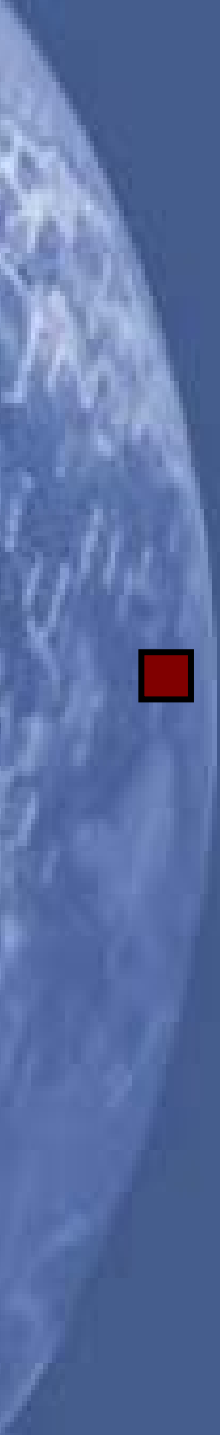
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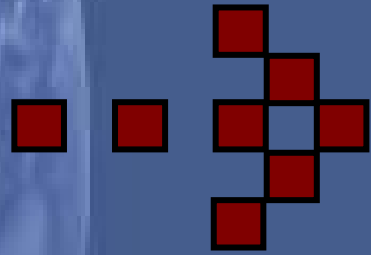


Strategy



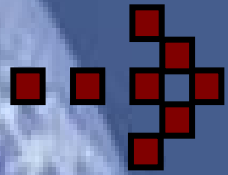
Harvard
Balanced Scorecard (BSC)

**Strategy Alignment &
Performance Measurement Tool**



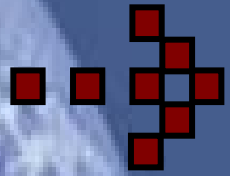
Executive Challenge

**Business Strategy
Alignment & Performance Control**



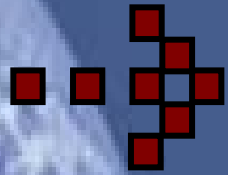
Strategy Execution

- In the 1980s, less than 10% of the strategies were successfully implemented -- Corporate Strategies under Fire - Fortune Magazine 1999
- In about 70% of the cases the real problem isn't bad strategy, but bad execution -- Why CEO's Fail, Fortune 1999
- The ability to execute strategy was more important than the quality of the strategy itself - 275 managers (E&Y research, 1998)



Strategy Failures

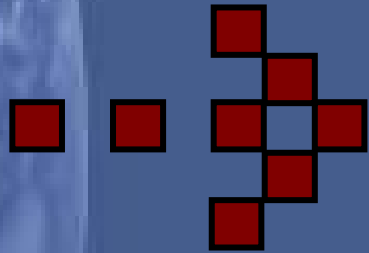
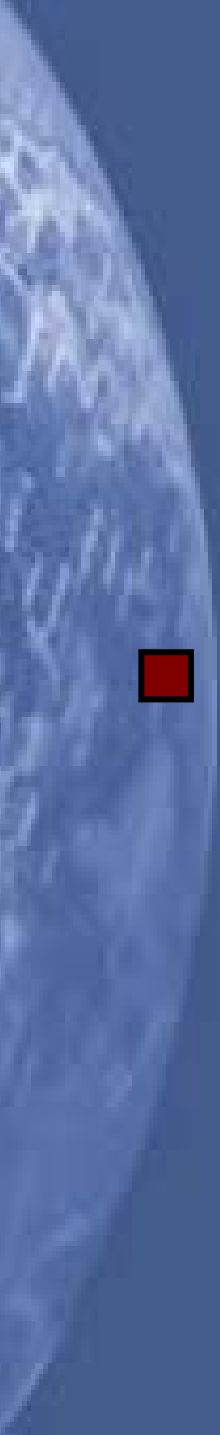
- According to IIM Research, the 5 most common reasons for strategy failure are:
 1. Wrong information or strategy to start with (12%)
 2. Inadequate implementation plans (21%)
 3. Inadequate measurement and control (26%)
 4. Change management (26%)
 5. Leadership (power, politics, style...). (15%)



Behavioural Factors

- 18 behavioural factors have the greatest impact on the successful implementation and use of measurement systems. Behaviours split into 5 categories:
 - Management understanding
 - Management attitude
 - Alignment
 - Organisational Culture
 - Performance Management System Focus

de Waal (2002), *Quest for Balance*, John Wiley & Sons



The Solution

Harvard Balanced Scorecard (BSC)



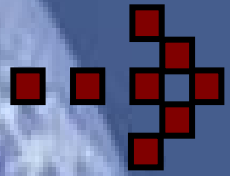
Harvard Balanced Scorecard (BSC)

- Kaplan and Norton developed the balanced scorecard in the early 90's became a Fortune 500's management best practices in 2000s
- Their Thinking:
 - Traditional financial measures is not enough to formulate and control strategy. Financial measures should be supplemented with 3 new measures concerning customer satisfaction, internal processes, the ability to innovate (solve problems and produce new products and services)
 - These additional metrics would drive the organization towards its strategic goals while keeping all four perspectives in balance

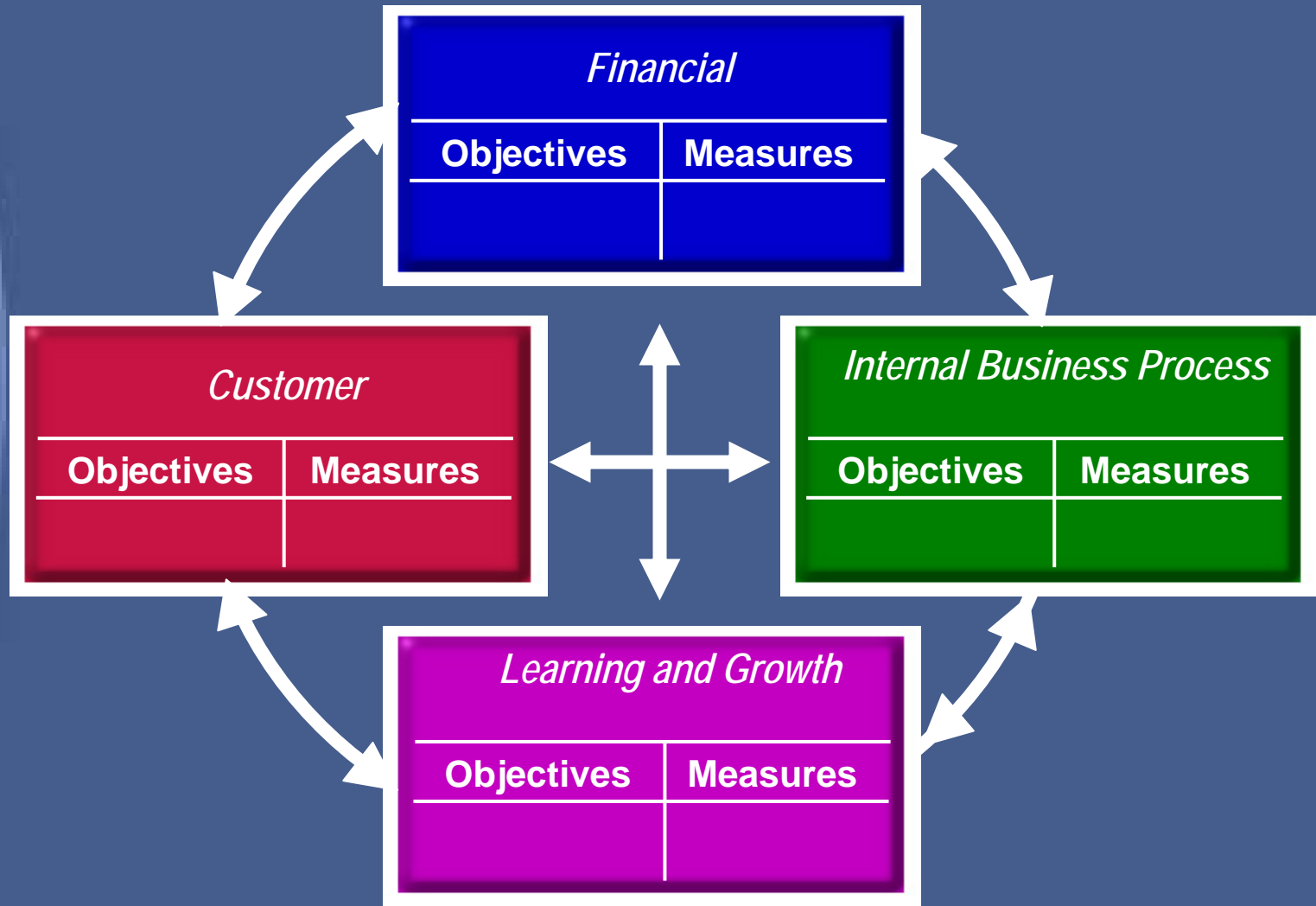


Harvard Balanced Scorecard (BSC)

- A method of implementing a business strategy by translating it into a set of performance measures derived from strategic goals that allocate rewards to executives and managers based on their success at meeting or exceeding the performance measures. -(Source: Kaplan & Norton, 1996)
- BSC 4 Dimensions
 1. Financial: Shareholders metrics?
 2. Customer: Customers metrics?
 3. Internal Business Process: Excellence Metrics?
 4. Employee and Organization: Continual Growth, Innovation and Value Metrics?



Strategy Formulation





Harvard Balanced Scorecard

Customer

Market share, new customer acquisition, customer satisfaction index, customer profitability, customer retention...

Financial

Revenue, growth%, gross margins, operating income, net margin, EPS, cash flow, ROI,

Learning & Growth

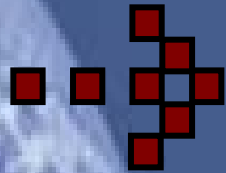
Employee: training, retention, employee satisfaction index, IS knowledgebase utility, IS collaborative activity

Sample Metrics

Internal Business Process

Innovation: % of sales from new products.

Operations: order processing time, delivery time, number of errors. product returns, SLAs.



Strategy-Focused Organization *Kaplan, PMA 2002*

TRANSLATE STRATEGY

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

EXECUTIVE LEADERSHIP

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

BALANCED SCORECARD

ORGANIZATION ALIGNMENT

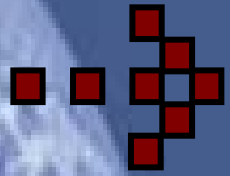
- Corporate Role
- Corporate - SBU
- SBU - Shared Services
- External Partners

STRATEGY IS EVERYONE'S JOB

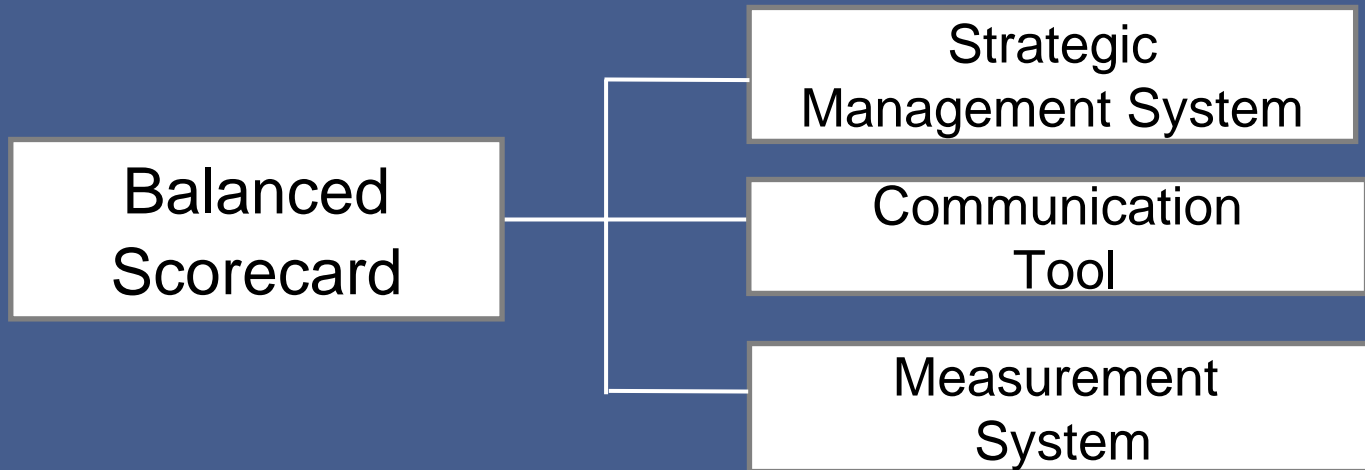
- Strategic Awareness
- Goal Alignment
- Linked Incentives

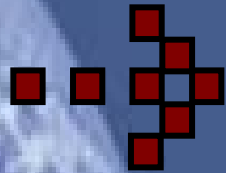
STRATEGY IS A CONTINUAL PROCESS

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



Uses of BSC





Who Uses the BSC?

Sample List

- AT&T
- Chase Bank
- CIGNA
- City of Charlotte
- Duke Children's Hospital
- Fannie Mae
- GTE
- Halliburton
- Mobile Oil
- Sears
- Shell Oil
- State of Washington
- United Parcel Service UPS
- U.S. Dept. of Energy
- U.S. Dept. of Transportation
- United Way of New England



Does It Work?

Survey of 500 Balanced Scorecard users

	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%

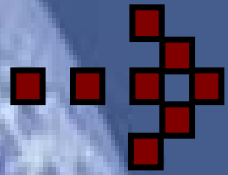
Kaplan, PMA 2002



Don't Balance The Scorecard!

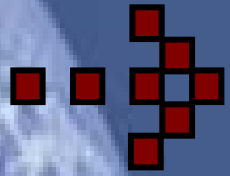
BSC Implementation Pitfall and Limitations:

- Cut the jacket to fit the person, do not cut the person to fit the jacket!
- Balanced Scorecard should not be balanced. Success factors are not equal and their relationships are not linear. Trying to balance the Scorecard will lead to confusion, conflict and lack of focus
- Insufficient cause-and-effect relationships and performance drivers
- Conflict of interests (Different stakeholders want different things)
- Measuring intangible assets (information and human capitals) is difficult
- BSC does not address
 - Misinformation or lack of information in strategy formulation
 - Does not address feedback loops for control
 - Change management
 - Leadership

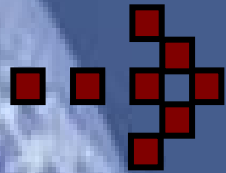


References & Useful Resources

- Balances Scorecard, Kaplan & Norton
- "Analysis of Causal Relations and Incentives at Hilton Hotels," Campbell, D. and V. G. Narayanan
- Principles of a Strategy Focused Organisation - Kaplan
- Behavioural Factors for Successful PMS Use - Andre De Waal



Questions?



Спасибо

Gracias

Grazie

متشكراً

ありがとう
ございます

धन्यवाद

Merci

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Danke

谢谢

너를 감사하십시오

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Howdy

Thank you

謝謝
شكراً

אנא בדוק האם המלה

Cảm ơn