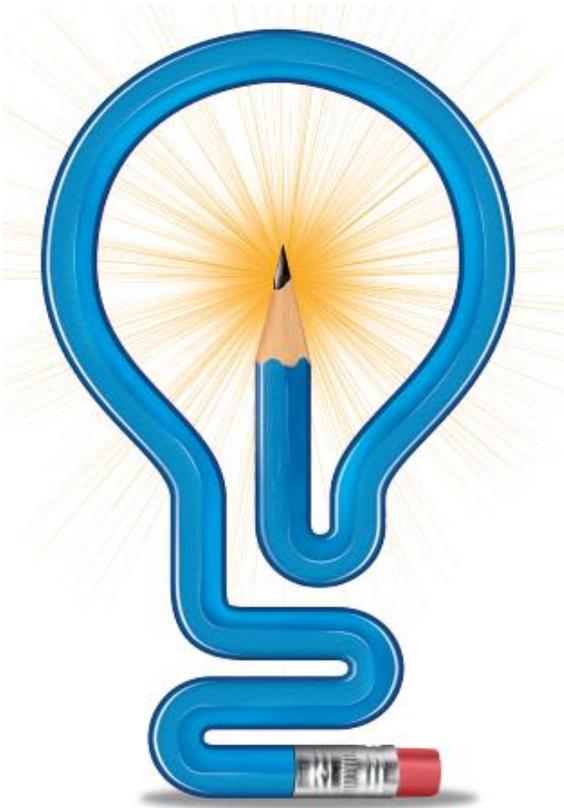




White paper

Balanced Scorecard (BSC)

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Introduction



Balanced Scorecard (BSC) or a Management Dashboard is a modern day MIS for managing any organization objectively. One of the panaceas for any organizational improvement intervention is measurement at different levels! The Balanced Scorecard or a Dashboard is the final output of the strategic interventions and it is a means to monitor, review and take action on different parameters organization focuses on.

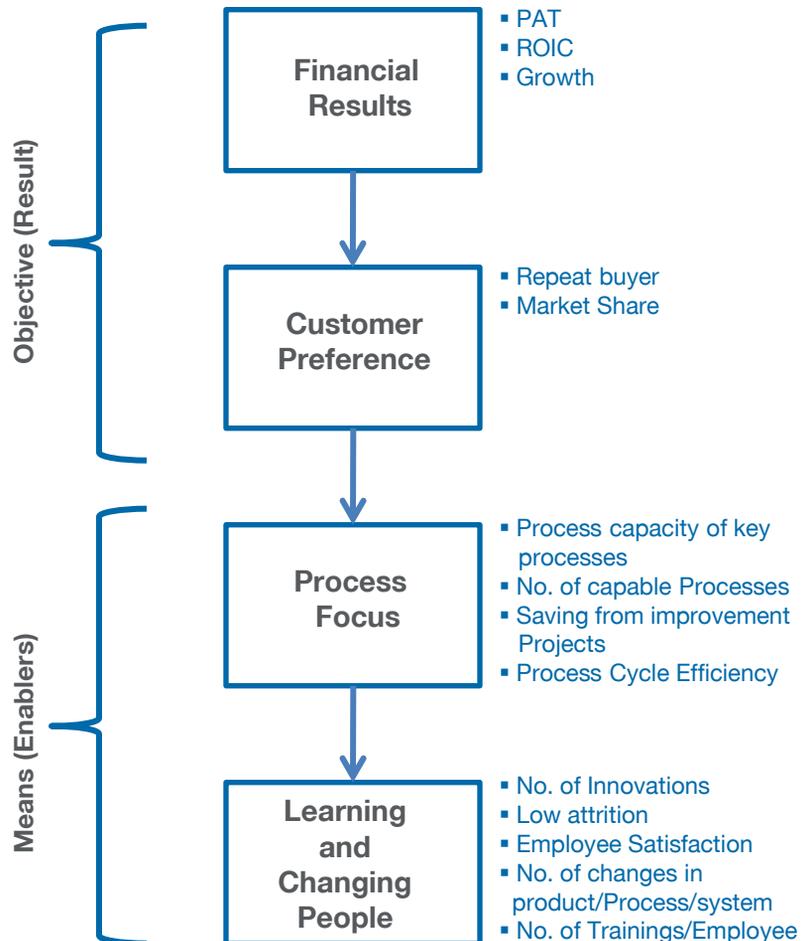
What Is NOT BSC?

As with any initiative, there is a harder aspect of implementation and an easier aspect of the same. In the case of BSC, it is a management tool / methodology to indicate the performance of the organization, understand underlying reasons for performance and decide course of actions – this is the hard part. However, over time as the word and usability of BSC increased, its usage has been commoditized to an HR solution for managing people appraisals. While the BSC extends excellently to present a robust and integrated HR solution (as part of the policy deployment process), that is not the primary goal to implement BSC.

What is BSC?

As the term implies, there are two parts to it: Balanced & Scorecard. A 'Scorecard' is something that everyone can visualize easily and is same as a report card or scoreboard that gives the state of affairs. The 'Balanced' refers to content of the card or rather what scores are being reported. Every organization is working towards financial growth and profits. This is the final goal that is in the scorecard. The growth can be achieved only when the customer goodwill is created to have new and repeat buyers continuously. These two elements – the financials & customers are one leg of the Balance collectively known as the 'Results or Lag Indicators' i.e. These are the effects of what you do within organization and if you need to change these indicators, you need to look at the causes or enablers which form the second leg of the Balance also known as Lead Indicators.

The Lead indicators are the Internal process measures, which let you know how robust your processes are and finally the Learning and Growth indicators that includes employee training, R&D and corporate cultural attitudes, related to individual and corporate self improvement.



Robert S. Kaplan and David P. Norton, were the original proponents of this strategic concept and put it as follows:

- BSC is a management system to translate Organization's Vision, Mission & Strategy to stakeholders and employees, and for aligning day-to-day work to the strategy.

- It provides a framework for planning and measuring strategy, of organizational performance as viewed from multiple dimensions of organizational performance. BSC presents the organization from the perspective of internal and external customers, employees, and shareholders.
- Uses performance measures to channel the energies, abilities and specific knowledge held by people to achieve long-term strategic goals.

In essence, BSC not only retains an emphasis on achieving financial objective but also includes the performance drivers of these financial objectives. The scorecard measures organizational performance across four balanced perspectives: financial, customers, internal business processes, and learning and growth. It enables companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they need for future growth.

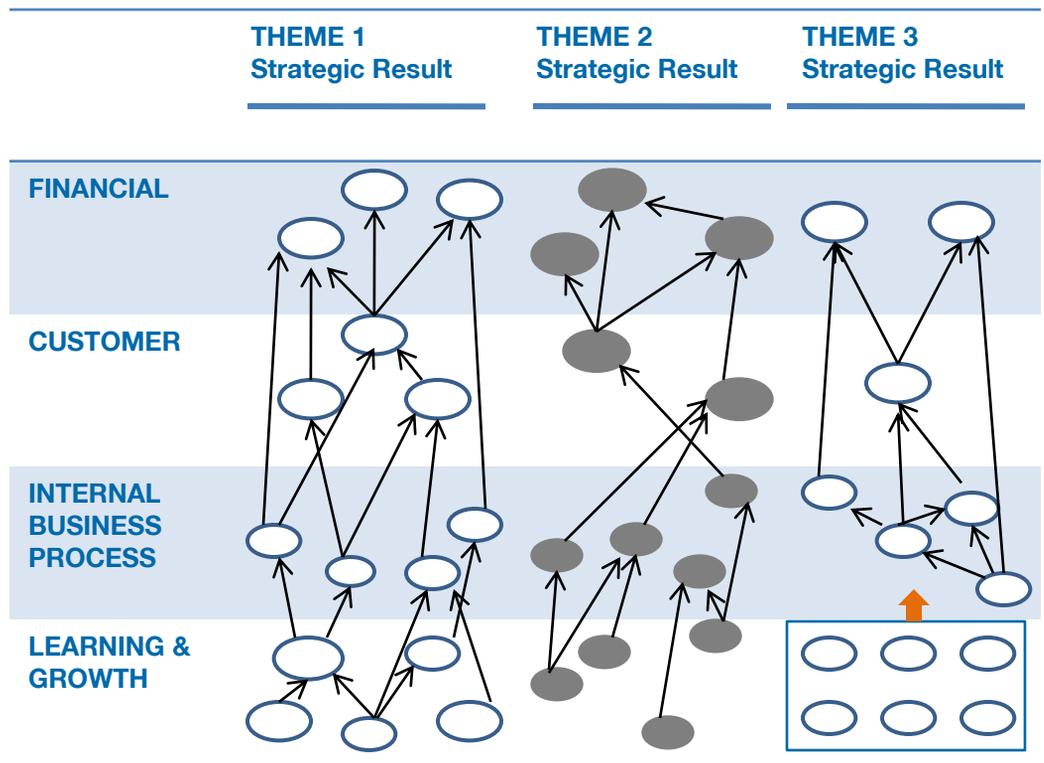
Steps to implement BSC

Broadly, BSC implementation can be characterized in these following steps,

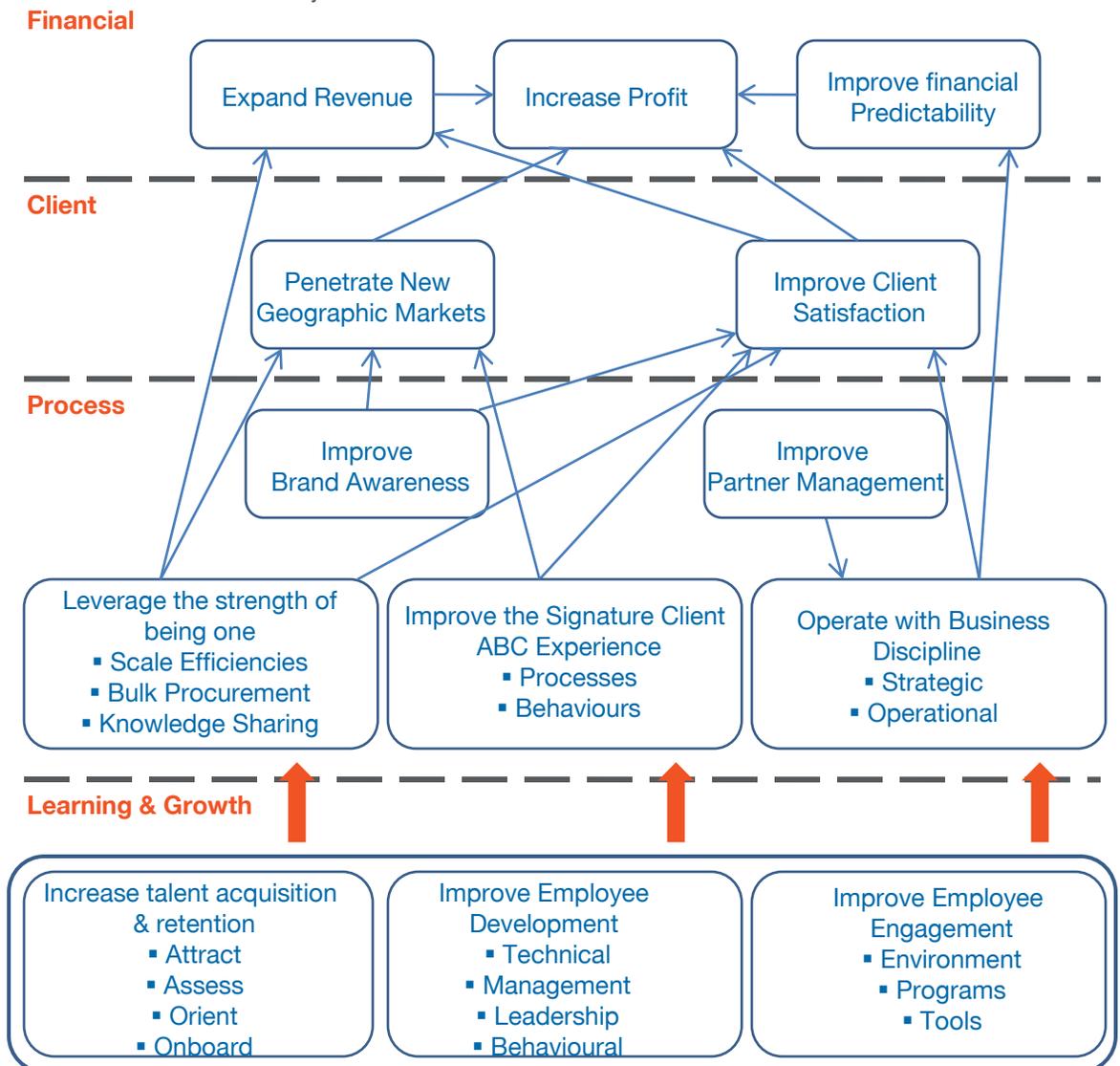
- **Know where you are and where you want to be:** Broadly put, it starts by first defining the Mission, Vision and Values of the organization. Mission is the purpose the organization exists, which would not ideally change in the medium or long term, the Vision could be either quantitative or qualitative giving direction for the short to medium term and setting the dream of what is to be achieved, and the values are the guiding principles or work ethics. This is followed by doing the internal / external assessment using SWOT (Strength, Weakness, Opportunity, Threat analysis), PESTEL (Political, Economical, Social, Technological, Environmental & Legal analysis) and various benchmarking information.
- **What are your main focus areas to reach the Vision:** The next step is to develop the plan to achieve the Vision identified in above step . If the Vision is the 'what', this step is the 'how' to achieve. Strategy is making choices and creating the master project plan for achieving the vision. The first step in this is identifying the 'Strategic Themes' – the main key drivers (not more than 5-6) that will form the basis of the organization's business model. In short, the strategic theme is the area your organization must excel to achieve the vision. Organizations tend to confuse strategic themes with the strategic perspectives laid my Kaplan & Norton.

The strategic theme elements should cover all the four perspectives of Financial, Customer, Processes and Learning & Growth; these can be visualized as the main pillars that support the vision like operational excellence, strategic partnerships, product/technology innovation etc. Since the strategic themes would more or less be similar for various organizations, then what would be the differentiator? The 'Strategic Results' that define the end state of the theme, will be different depending on where the organization is in their maturity journey and what they want to achieve in the theme depending on the business vertical they are in.

- What are the building blocks of the focus areas:** The building blocks or 'Strategic Objectives' define the intent of the organization and are the larger activities to be performed to achieve the strategic results of step 2. These are the first actionable components within the BSC implementation process. The strategic objectives will have the performance measures as indicators that are identified in step 5.



Check the drill down from Vision to Objectives: Once all the themes have been broken down into objectives, it is important to consolidate the same at the organization level. Also, it is essential to check for the cause & effect relationship and check how value is created and improved for our customers and stakeholders. Drawing the 'Strategy Maps' is the tool to use to do this checking. In doing so, we also validate if the objectives are 'Balanced' i.e. Do you have objectives across all the four perspectives: Finance, Customer, Process and Learning & Growth. A good strategy map will show an upward value creation from performance driving (enabling) to results objectives



- **Identify the Performance Measures for the Objectives:** This is another tough step in the process. In this step, we identify the targets (expected values to achieve the vision), Unit of Measure, frequency of collection and thresholds for each objective. The measures need to be both - leading and lagging, strategic and operational, quantitative and qualitative. It is very important to put actionable measures, rather than vague measures. The performance measures should help in the decision making process based on patterns and trends.
- **Build Accountability to Execute Objectives:** In this step, 'Strategic Initiatives' or Projects are assigned to people. Each Objective may have to be executed using couple or more of projects. The schedule, deliverable and other resource commitments are planned keeping the cause and effect relationship of the Initiatives to the Strategic Objectives. This step creates the first level of drill down of the strategies.
- **Create Scorecards for all Units:** If you are a large organization with multiple Business Unit's, then in this step, we will translate the organizational scorecard down the organization. What is important in this step is to not recreate the organizational scorecard with lower target numbers, the sum of which is equal to the organizational target, but necessary to find the cause and effect relationship from BU's to Organizational Targets.
- **Monitoring and Control:** The hardest step of the implementation is to recognize what Initiatives are being done, what are not being done, what performance metrics are setup, are the cause and effect relationships working as planned, or do we need to modify the causes. In essence, we answer the question of 'Are our strategies working?', 'Are we measuring the right metrics?', 'Has any external factors changed, which requires a us to re-strategize?'

What makes SSA's BSC model unique?

SSA's unique BSC consulting model aims to synergize SSA's facilitation skills with the domain knowledge of the client's teams. This approach ensures timely completion of the project and measurable achievement of goals before SSA signs off. SSA takes the responsibility of achieving the results through implementation of BSC methodology.

Industry Application

CLIENT	INDUSTRY	SCOPE	OBJECTIVE
NSE	Stock Exchange	Implementation of BSC and aligning for EFQM Excellence Model	Create a systemic process for Strategy Development and Deployment.
Jyoti Plastics	Plastic	Strategy Planning	Establish the corporate KPIs for driving accountability and performance
Elgen	Electrical Engineering	Inverter Manufacturing	Develop a Business Plan and strategy for 3-year to achieve their vision
L&T Finance	Financing	Development of vision and strategic themes and objectives	Develop a 3-year Business Plan



About SSA

SSA is a leading management consultancy firm headquartered in Mumbai, India with local presence in Middle East and Africa and a rich clientele base spread across Asia, Middle East and Africa. SSA provides tailor-made solutions for the various problems faced by an organization with special focus on improving profitability and reducing costs.

Founded in 1999 with a missionary zeal to make 'Made in India Synonymous to Quality', In well over a decade of its existence, SSA has worked successfully with valued clients such as Pfizer, DHL, Maruti Suzuki, Reliance Industries, Vodafone, ABN AMRO, Bharat Petroleum, Novartis, Cadbury, and National Stock Exchange of India, to name a few, and has effected cumulative savings of over US \$200 million.

In the area of corporate training, SSA is the first and only institution in India to have been accredited to IACET, USA (International Association for Continuing Education and Training). SSA offers a host of training and certification programs on topics ranging from Lean, Lean Six Sigma to Performance Scorecard.

To know more about SSA, visit us on www.ssa-solutions.com

Our Clientele

