

BALANCE SCORECARD

By Deepak Bharara



LEVERAGING PEOPLE FOR TOMORROW...

“when you can measure what you are speaking about & express it numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager & unsatisfactory kind....”



Lord Kelvin
Irish Mathematician

Questions to answer....

1. How do we look towards management ?
2. How do external world look at us?
3. How can we continue & improve on growth path/performance?
4. What technologies & business opportunities are emerging?
5. How good we are at internal working efficiencies?
6. What must we excel at?
7. Are we satisfying the stakeholder interest?

The Balance Scorecard

The Balance Scorecard is a Strategic Planning & Management System used to align business activities to the Vision & Strategy of the organization by monitoring performance against strategic goals

1. It helps to identify key drivers & get focused
2. Provides Consistency
3. Alignment cross functions
4. Framework to link all key elements of business such as Quality, Customers Satisfaction, Productivity & Profitability
5. Completely Data Driven

75 most influential ideas of the 20th century

The Balance Scorecard

The concept was developed in 1992 by David Norton & Robert Kaplan & first introduced in 1996. Approach is to provide balance to the Financial Perspective top line or bottom line..

1. Four Key Business Perspectives

- Financial – to ensure value add
- Internal Business Process – to ensure quality & satisfy stakeholder
- Learning & Growth – to ensure development
- Customer Focus – to ensure customer value for business growth

2. Develop Metrics, Collect Data & Periodic analysis & review to do course correction

Balance Scorecard Model



Balance Scorecard Model

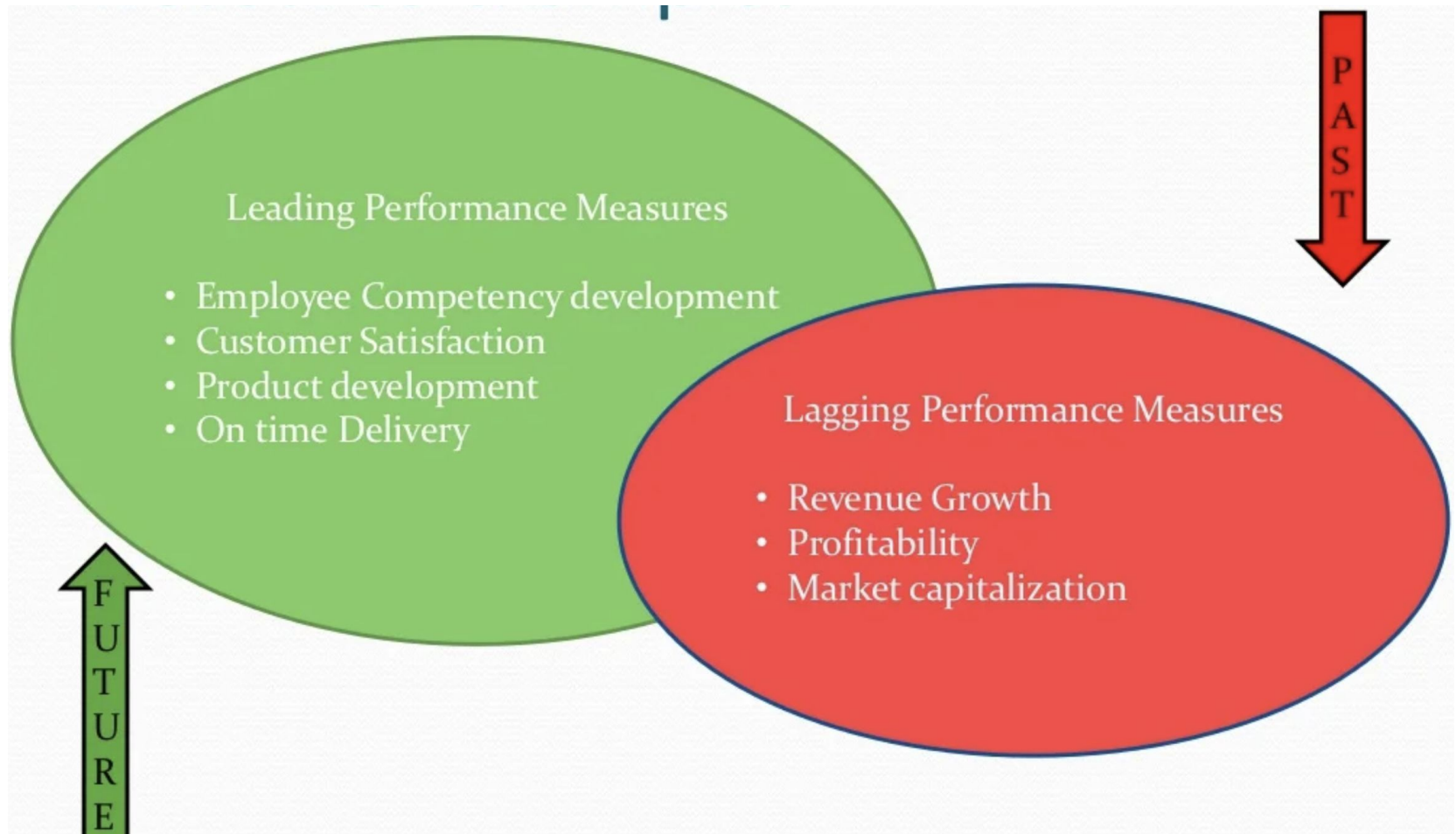
“Balance Scorecard is carefully selected set of Quantifiable measures representing a tool for leaders to use in communicating to employees & external stakeholders the outcomes & performance drivers by which the organization will achieve its mission & strategic objective ...”



Why to use Balance Scorecard

1. Helps to improve organizational performance by measuring what matters
2. Focus on Strategy & Results
3. Key to Future Performance
4. Pace of Change
5. Exponential Business Growth
6. Improve communication across – Common language
7. To prioritize Projects/Initiatives
8. Focus at Lead Indicators instead Lag Indicators

Leading Vs Lagging Performance Indicators...



Success Factors Balance Scorecard

- Obtaining Executive Sponsorship & Commitment
- Involve Leaders & Employees
- Choose the Champion to drive the initiatives
- Begin with interactive sessions to explain for the need & why?
- Looking Balance Score card as long term rather than short term
- Get outside support, if required

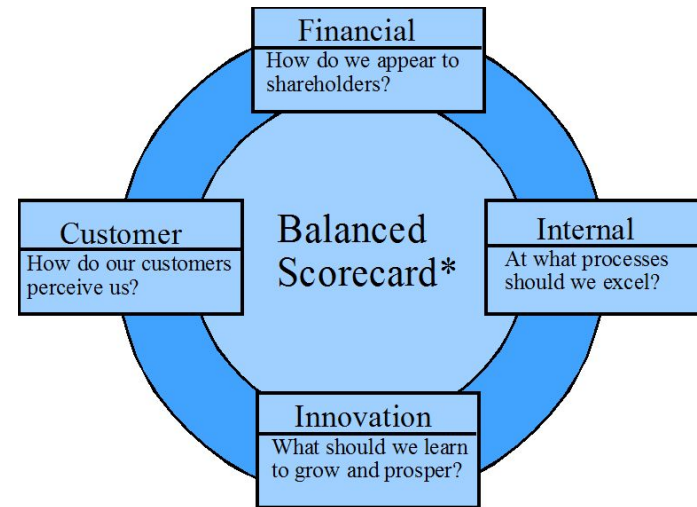
Why Balance Scorecard Fails ...

- Lack of well-defined strategy
- Too much focus on the lag measure instead lead measure
- Use of Generic metrics
- Self Serving Managers - limited focus



Steps to Implementing Balance Scorecard

- Educate Top Management
- Set Performance Goals
- Select Key Measurable
- Establish Measurement Plan
- Review & consolidate BSC
- Create a BSC Manual
- Schedule regular review's & analysis of Performance Data
- Have BSC Assessments – Internal/External



Sample BSC Measures...

Elements	Measurements	Target Achieved
Financial	Return on Capital Employed Economic Add Value Sales Growth Cash Flows	
Customer	Customer Satisfaction Customer Retention, Customer Acquisition Profitability & Market Share	
Internal Business Process	Innovation Quality Cycle Time Costs Warranty & Repair Costs	
Learning & Growth	Training skills & Evaluations - Effectiveness Cost of Training Employee Retention Availability of Critical Resource in house	

Sample Sheet BSC...

STRATEGY MAP		BALANCED SCORECARD		ACTION PLAN	
PROCESS: MANUFACTURING EXCELLENCE THEME: ROCE > xx%, VOLUME = xx,xxx units		MEASUREMENT	TARGET	INITIATIVE	BUDGET
FINANCIAL PERSPECTIVE	Long-Term Shareholder Value ROCE > xx% Improve Productivity Grow Revenue	•Operating Cost & Efficiency	• Cost/Unit, Efficiency	• Monthly Monitoring	OPEX RM XX M CAPEX RM xx M
		•Capacity Utilization	•% Utilization	• Weekly/Monthly Monitoring	
		•Capability Utilization	• Trial Prod. • Spare Parts Prod	• Monthly Monitoring	
		•Brand / Image	•Warranty Cost	• Weekly/Monthly Monitoring	
CUSTOMER PERSPECTIVE	OFFER PRODUCTS & SERVICES THAT ARE CONSISTENT, TIMELY and LOW-COST Low Cost World Class Customer Satisfaction Enhance Brand	•Low Cost Manufacturing	• Man-hour per Unit	• Weekly Monitoring	
		•World-Class Quality Standards	• Defect per Unit	• Daily Monitoring	
		•World-Class Delivery Timing	• Sales Delivery	• Daily Monitoring	
		•Knowledgeable & Skilled Partner	• Direct Pass Rate	• Daily Monitoring	
		•High Customer Satisfaction	• Market Feedback	• Weekly Monitoring	
		•Reinforce Brand Image	• Sales Volume	• Monthly Monitoring Prod. & Sales Mtg.	
INTERNAL PERSPECTIVE	ENSURE OPERATIONAL EXCELLENCE WITH INNOVATION AS WELL BEING SOCIALLY RESPONSIBLE Operational Excellence Process Innovation Alliances with SBUs Socially Responsible	•Productivity	• Cycle Time	• Hourly Monitoring	
		•Delivery	• Meet Daily Plan • WIP	• Daily Monitoring • Daily Monitoring	
		•Continuous Improvement	• KAIZEN • ICC	• Monthly follow-up • Specific Programmed	
		•NPI	• Timely Introduction	• Weekly Follow-up	
		•Safety & Health	• Industrial Accident • Commuting Accident	• Cross Audits • Defensive Driving	
		•Environment	• Toxic Waste Disposal • ISO 9002	• Facility Readiness • Certification	
LEARNING & GROWTH PERSPECTIVE	STRATEGIC JOB & SYSTEMS Skills Info. System	•Develop the Necessary Skills	• R&D & Development	• Training and Skill Build-up	
		•Information Systems Availability	• ALC, Procurement, Financial	• Set-up, Test and Validation	
		•Strategic Awareness	• Alignment	• Communication Programmed	

Let us get going



Ordinary people can deliver extraordinary performance





Contact Us

Email: contact@peoplea2z.com

Twitter: @peoplea2z

LinkedIn: <https://in.linkedin.com/in/peoplea2z-advisory-n-solutions-a52837124>

Facebook: @peoplea2z

Mobile: +91 9810048409