



TenStep Supplemental Paper

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The Scorecard

Robert Kaplan and David Norton developed the Balanced Scorecard approach to performance measurement. It is both a financial and a non-financial measure of a company's critical success factors, documented as components of a scorecard. In short it is an admixture of traditional and modern systems of performance measurement.

Components

1. Financial

The financial perspective aligns the financial objectives of the unit with the overall business strategy. Every action should be taken keeping in mind the short and long-term financial performance.

2. Customer

The customer perspective aligns the company's measures to provide maximum customer value to target customers and market segments. Customer value focuses on aspects like satisfaction, loyalty, retention, acquisition and profitability.

3. Internal business process

This is a unique value chain process, which identifies the future needs of the customers and the means to satisfy them.

4. Learning and growth

It is the identification and measurement of successful drivers of the first three phases.

Implementation

The industry trends reflects that it will take almost two years to implement Balanced Scorecard approach in any company, irrespective of its size. A typical schedule is as follows:

Stage 1: Redefine the vision and mission through strategic planning to identify the critical components in the company's Balanced Scorecard.

Stage 2: Form a strategic planning committee to revamp the objectives, identified in step1.

Stage 3: Seek views and feedback from every member of the organization.

Stage 4: Modify the company's Balanced Scorecard after receiving and analyzing feedback from employees

Stage 5: Communicate the modified Balanced Scorecard to individual members. Thereafter, members will make a personal Balanced Scorecard after aligning their goals with the objectives of the company

Stage 6: Modify the Balanced Scorecards (personal or the company's) after review by the strategic planning committee



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Stage 7: Formulate a five-year-strategic plan for the whole organization based on the final version of the company's Balanced Scorecard

Stage 8: Review individual and company's progress for a certain period (say, quarterly) to address significant deviations quickly.

Stage 9: Evaluate employees on the basis of the personal Balanced Scorecard.

Stage 10: Revise Company's Balanced Scorecard on the basis of the external and internal analysis of the company's performance and changes in macroeconomic factors.

Advantages

- Communicates the company's goals
- Rewards employees who achieve goals
- Focuses on areas like strategy, structure and vision to improve performance
- Helps to integrate traditional and non-traditional measures
- Breaks down strategic measures to local levels (unit managers, operators, and employees) to set performance standards