

BALANCED SCORECARD YOU GET MORE THAN A MEASURE

This illustrates how a Balanced Scorecard can be used. The material is drawn from a number of sources.

BACKGROUND

The company is a major financial institution offering investment products and services to retail and corporate customers. It was set to undertake a significant drive towards cost reduction, primarily as a result of poor fund performance.

At the time of this project, the company had recently been acquired by a larger corporation. This corporation used Balanced Scorecard within its own organisation for strategy implementation and performance measurement.

OBJECTIVES

The management considered it an opportune time to implement Balanced Scorecard throughout the organisation; initially at a corporate level and then rapidly cascading to the business lines.

KEY RESULTS

- A corporate Balanced Scorecard was created over a three month period, with input from all senior executives, each business line, customers and suppliers.
- A clear strategy was developed, which enabled each business line to have a key input to their Balanced Scorecard.
- All business lines had developed their Balanced Scorecard within three months of the corporate one being implemented.
- A common spoken and visual language helped to bring a collective focus on the company's business objectives.



Balanced Scorecard is an approach known and employed by many organisations. In the main they use it as a mechanism for measuring operational activities and customer service levels. Yet its real power is as a methodology for translating and implementing strategies and cascading them to all levels of the business.

HERE'S THE STRATEGY, NOW HOW...

Senior executives of the company had developed a broad strategy that encapsulated the dual aims of meeting customers' needs and doing so profitably.

The difficult task lay ahead; how to translate that into specific strategic objectives with deliverables that can be agreed and measured. Never easy in a large, complex organisation, with multiple disciplines, a wide range of management styles and numerous business lines that spanned from lending to asset management.

It is here that Balanced Scorecard can be at its most effective.

The standard starting point is to drill one layer below the overall objective and establish strategic objectives across four perspectives:

Financial (what do we look like to our shareholders); Client (what do our customers think of us); Internal (what processes and procedures are required to support the other perspectives); Learning and Growth (how do we train and develop our people to ensure that we meet our strategic objectives).

This approach is cascaded throughout the organisation. At each level objectives are set that management and employees can understand, act upon and measure, and which in turn can be communicated up and down the hierarchy.

As a simple example, one of the strategic objectives in the client perspective was to achieve mutually beneficial client relationships. Performance against service level agreement (SLA) was the measure. The challenge was to determine how that

measure was to be applied across each of the six business lines. Some business lines had measures that were relevant, others didn't. Achieving a collective result with those kinds of variables requires sensitive and objective facilitation.

ACCURATELY MEASURING THE WRONG THING

Instinctively, people lean towards measuring the things that they have always measured. For example, the number of incoming calls processed in an hour or applications processed in a day. Sometimes these are the right things to measure, sometimes they are not.

It is here that impartial external resources can be especially effective at keeping the programme on track - ensuring that the objectives are set first and drive what's measured and not vice versa.

It is also common for people to over measure and over analyse. They lose sight of the business objectives and instead become lost in complex mathematical formulae; dissecting subsets of information every which way and then some.

Addressing these issues and keeping a small team on track with one criteria on one level is relatively simple. When hundreds of different criteria are involved, across multiple business streams and operational and management layers, having everyone eyeballing the same objective takes considerable experience and skills.

GREEN MEANS STAY

To a degree, common language can assist. In this instance colour-coding was used to flag objectives that were being achieved

and did not require management attention (green), those which were in need of some management attention (amber) and those which were in need of significant management intervention (red).

Using this visual approach across the organisation eased the transfer of information both upwards and downwards. However it still took considerable effort to gain agreement within teams on whether the status of an objective was red, amber or green ('mine is fine, yours is not'). And further effort to ensure that the information reported was in a manner that people could use; the larger view that managers needed for strategic decisions, and the details that operational levels needed to agree and implement changes.

FIFTEEN MINUTES OF CLARITY

A useful side benefit was that, with some additional coaching, managers learned to succinctly present information to their teams and to their reports. It became the agreed norm that effective presentations could be made within fifteen minutes. Easily recognised objectives, an understanding of the detail required, and a common spoken and visual language combined to keep the flow of information clear and the messages on track.

WHEN THE GROUND SHIFTS

The introduction of Balanced Scorecard as a method of implementing strategy has built valuable resilience and flexibility. The organisation has acquired both the skills and the confidence to adapt to new or modified strategies and to do so with comparative ease. What remains entrenched is the approach; first determine the strate-

gies, next set the objectives, and only then put the measures in place to ascertain what changes are required and where.

EASY ON PAPER

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