

# Balance Scorecard

# Content

- Concept
- Define Balance Scorecard
- Why do we use Balance Scorecard
- Designing of Balance Scorecard
- Perspectives of Balance Scorecard
- Measurement
- Pitfalls and Criticism
- Benefits
- Example

# Balance Scorecard Concept

- Traditional performance measurement that only focus on external accounting data are obsolete.
- Balance Scorecard was first published in 1992 by Kalpan and Norton, followed by a book in 1996.
- The approach aims to provide a balance to the financial perspective.

# What is a Balance Scorecard

The Balance Score Card is a strategic **planning** and **management** system used to **align** the **business activities** to the **vision** and **strategy** of the organization by **monitoring performance** against **strategic goals**.

# Why do we use Balance Scorecard?

- Improve organizational performance by measuring what matters.
- Increase focus on strategy and results.
- Align organization strategy with workers on day to day basis.
- Focus on drivers key for future performance.
- Improve communication of the organizations vision and strategy.
- Prioritize Projects / Initiatives.

# Design of Balance Scorecard

1

- Determine the vision. The company's main vision belongs in the center **of a balanced scorecard**

2

- Add perspectives

3

- Add objectives and measures

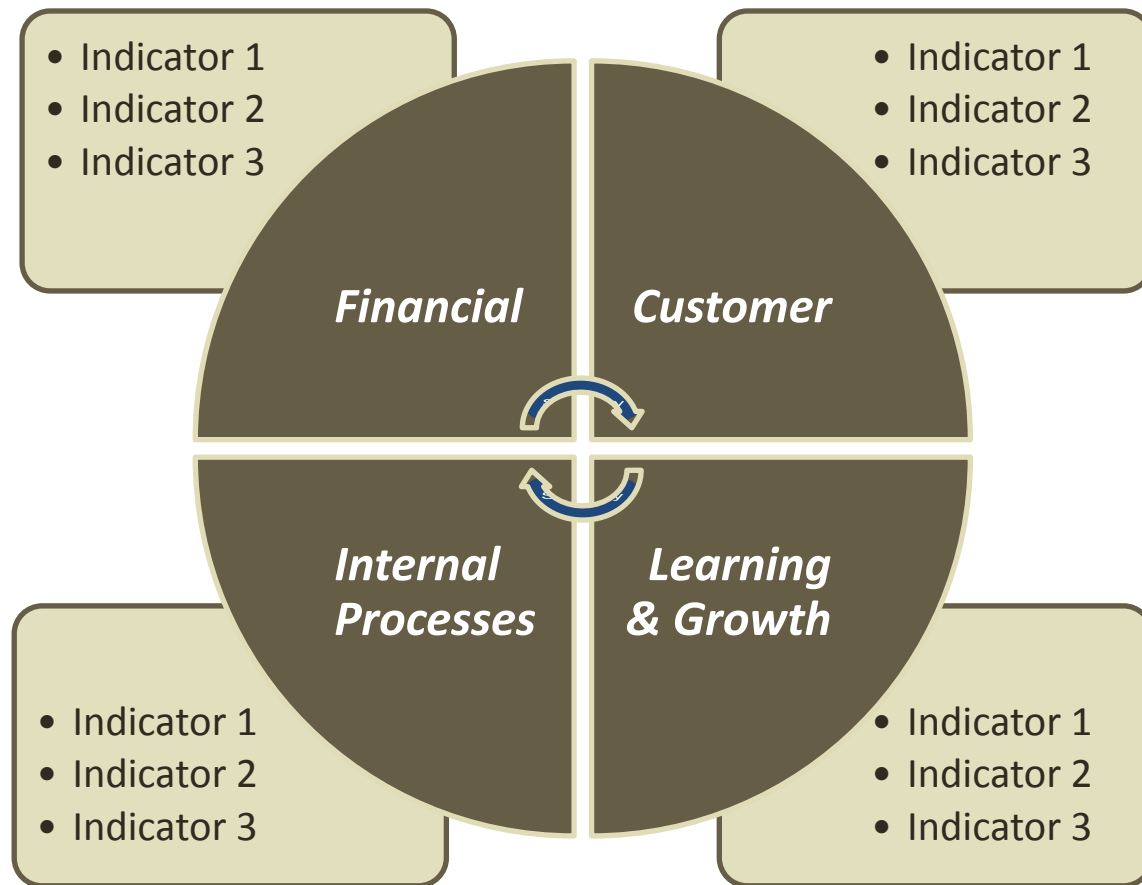
4

- Connect each piece

3

- Share, evaluate and communicate

# Balanced Scorecard



# 4 Business Perspective Questions

- **Financial**

- ☐ What we must do to create sustainable economic value ?

- **Internal Business Process**

- ☐ To satisfy our stake holders, what must be our levels of productivity, efficiency and quality ?

- **Learning and Growth**

- ☐ How does our employee performance management system, including feedback to employees, support high performance.

- **Customer**

- ☐ What do our customer require from us and how are we doing according to that requirement?



# Balance Scorecard Measurement

Perspective	Generic Indicators
Financial	Return on Capital Employed, Economic Value Added, Sales growth, cash flow
Customer	Customer Satisfaction, retention, acquisition, market share
Internal Business Process	Innovation, Operations, Post Sales services
Learning and growth	People and System

# Key factors to be considered

- Metric should be **SMART** (**S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**imely) – you cannot improve on what you cannot measure !!
- Aligned with companies strategic plan.
- Identification of a *small* number of financial and non-financial measures.
- Measuring them on a regular basis to determine success or failure
- Order of Metrics

# Potential Pitfalls and Criticism

- Lack of a well defined strategy
- Too much focus on the lagging measures
- Use of Generic Metrics
- Self Serving Managers

# Balance Scorecard Benefits

- Align key performance measures
- Facilitates communication and understanding
- Best Practices methodology
- Transform mission to marching orders

# Jewelry Companies Balance Scorecard

	Objectives	Goals	Indicators	Initiatives
<b>Financial Perspective</b>	To increase profitability	Increase the profitability by 15 %	Financial Statement	Negotiate installment partnerships with credit card
<b>Customer Perspective</b>	To have a more attractive store for customers	Increase the daily visits of customers by 20%	Count of Customers	Improve window jewelry display and invest in social media
<b>Internal Process Perspective</b>	To be a benchmark in customer service	Increase the compliments in customer service by 15% and reduce the complaints by 80%	Statistical analysis of Customer service reports	Redesign the customer service process
<b>Learning and growth Perspective</b>	To have a sales force of experienced professionals	Replace 30% of the sales people	Number of new contracts v/s staff terminations	Start the process of recruitment and selection

# Harvard – Balance Scorecard Explainer

<https://hbr.org/video/3633937148001/the-explainer-the-balanced-scorecard>

# Thank You

**Any Questions ?**