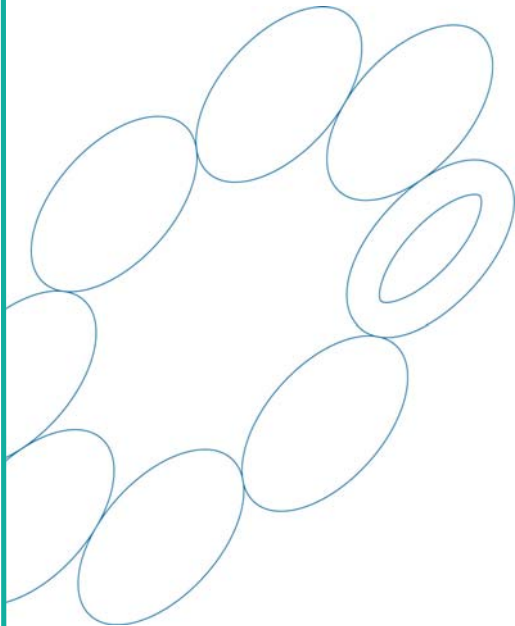


Maximising the Benefits of the Balanced Scorecard

Presented at BetterManagement Seminar
By Gavin Lawrie, 2GC Active Management



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Topics for this presentation

Balanced Scorecard in Context

Modern Balanced Scorecard
The Same ... but Different

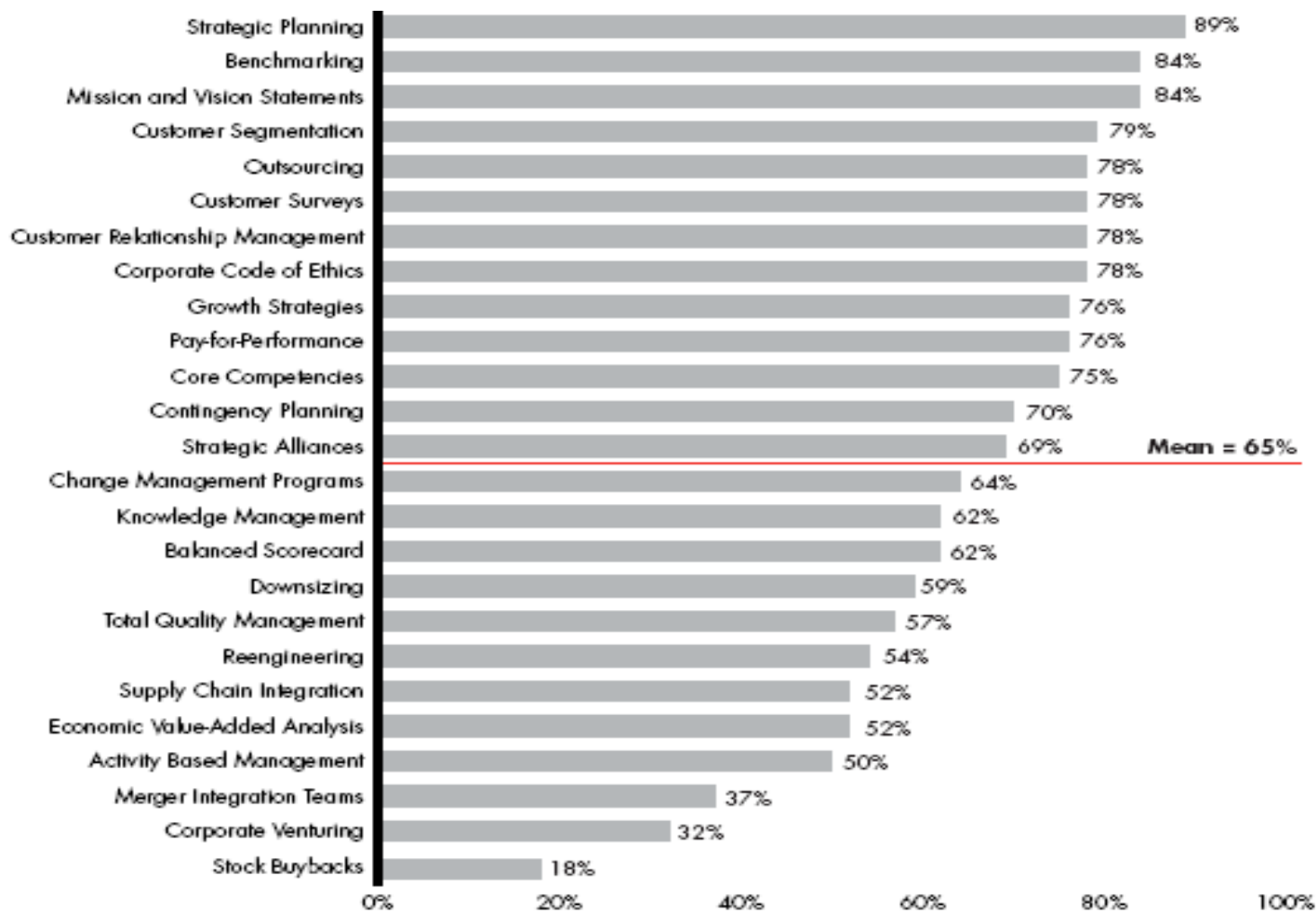
Maximising Balanced Scorecard
Benefits in Your Organisation

Resources You Might Find Useful

Q & A

Balanced Scorecard in Context

Popular management tools



Source: Bain & Company 2002 Management Tools Survey
 © 2GC Limited, 2009 16th June 2005

Maximising the benefits of the Balanced Scorecard



Balanced Scorecard in Context

It is becoming more widely adopted

Balanced Scorecard Penetration

2000 Bain Survey* said BSC was used by 36% - Rank 14th

2002 Bain Survey** said BSC was used by 62% - Rank 16th

2000		2002	
Growth Strategies *	55%	Pay-for-Performance	76%
Strategic Alliances *	53%	Core Competencies	75%
Pay-for-Performance *	52%	Contingency Planning	70%
Customer Segmentation *	51%	Strategic Alliances	69%
Core Competencies *	48%	Change Management Programs	64%
Total Quality Management	41%	Knowledge Management	62%
Cycle Time Reduction	39%	Balanced Scorecard	62%
Reengineering	38%	Downsizing	59%
Balanced Scorecard *	36%	Total Quality Management	57%
Customer Relationship Management *	35%	Reengineering	54%
Scenario Planning *	33%	Supply Chain Integration	52%
Shareholder Value Analysis *	32%	Economic Value-Added Analysis	52%
		Activity Based Management	50%
		Merger Integration Teams	37%
		Corporate Venturing	32%
	Mean = 41%		Mean = 65%

* Bain Survey by Darrel Rigby - 451 organisations surveyed from 4 continents and a spread of sectors

** Bain Survey by Darrel Rigby - 708 organisations surveyed from 4 continents and a spread of sectors



Balanced Scorecard in Context

Satisfaction with the tool is persistently high

Balanced Scorecard Satisfaction

2000 Bain Survey* said BSC had above average satisfaction - Rank 7th

2002 Bain Survey** said BSC still had just above average satisfaction - Rank 8th

2000		2002	
Pay-for-Performance *	4.10	Corporate Code of Ethics	4.05
Strategic Planning *	4.06	Strategic Planning	4.04
Customer Segmentation	3.99	Core Competencies	4.01
Cycle Time Reduction	3.99	Customer Segmentation	4.01
Real Options Analysis	3.97	Customer Surveys	3.99
Balanced Scorecard	3.96	Benchmarking	3.96
Mission and Vision Statements	3.94	Pay-for-Performance	3.90
Merger Integration Teams	3.92	Balanced Scorecard	3.88
Shareholder Value Analysis	3.92	Economic Value-Added Analysis	3.85
Customer Satisfaction Measurement	3.91	Outsourcing	3.84
Total Quality Management	3.91	Merger Integration Teams	3.83
One-to-One Marketing	3.90	Growth Strategies	3.82
Benchmarking	3.89	Customer Relationship Management	3.81
Activity-Based Management	3.87		
	Mean = 3.89		Mean = 3.85

* Bain Survey by Darrel Rigby - 451 organisations surveyed from 4 continents and a spread of sectors

** Bain Survey by Darrel Rigby - 708 organisations surveyed from 4 continents and a spread of sectors

Balanced Scorecard in Context

Balanced Scorecard - Popular and Effective

An unusual record

- Balanced Scorecard has maintained high penetration and satisfaction rates for years!

Other tools that have done this include:

- Pay for Performance
- Strategic Planning
- Customer Segmentation
- Core Competencies
- ... the Abacus

The Issue:

- Are these simply 'better tools', or are there other reasons why they have stayed around for so long?



Topics for this presentation

Balanced Scorecard in Context

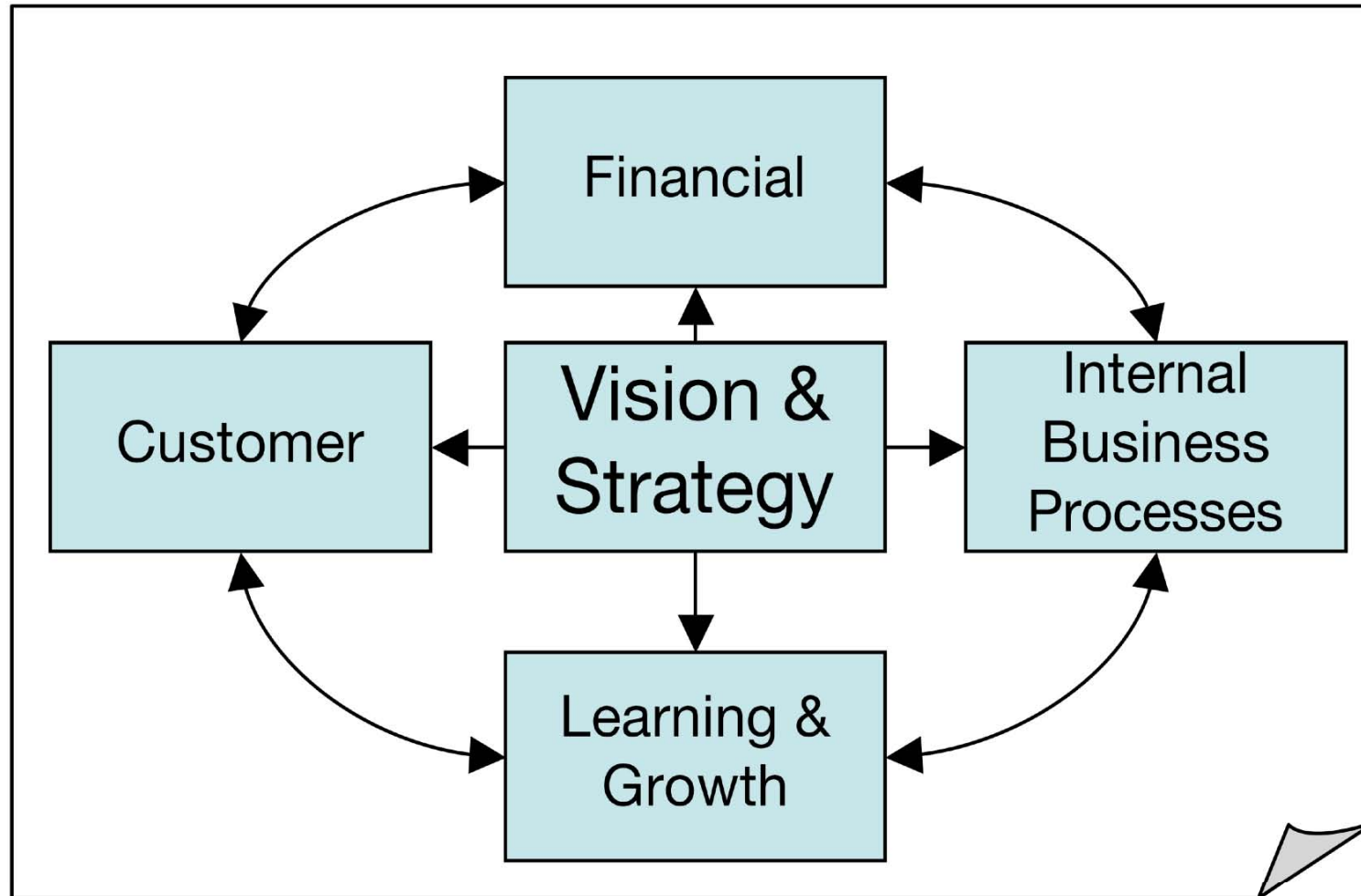
Modern Balanced Scorecard
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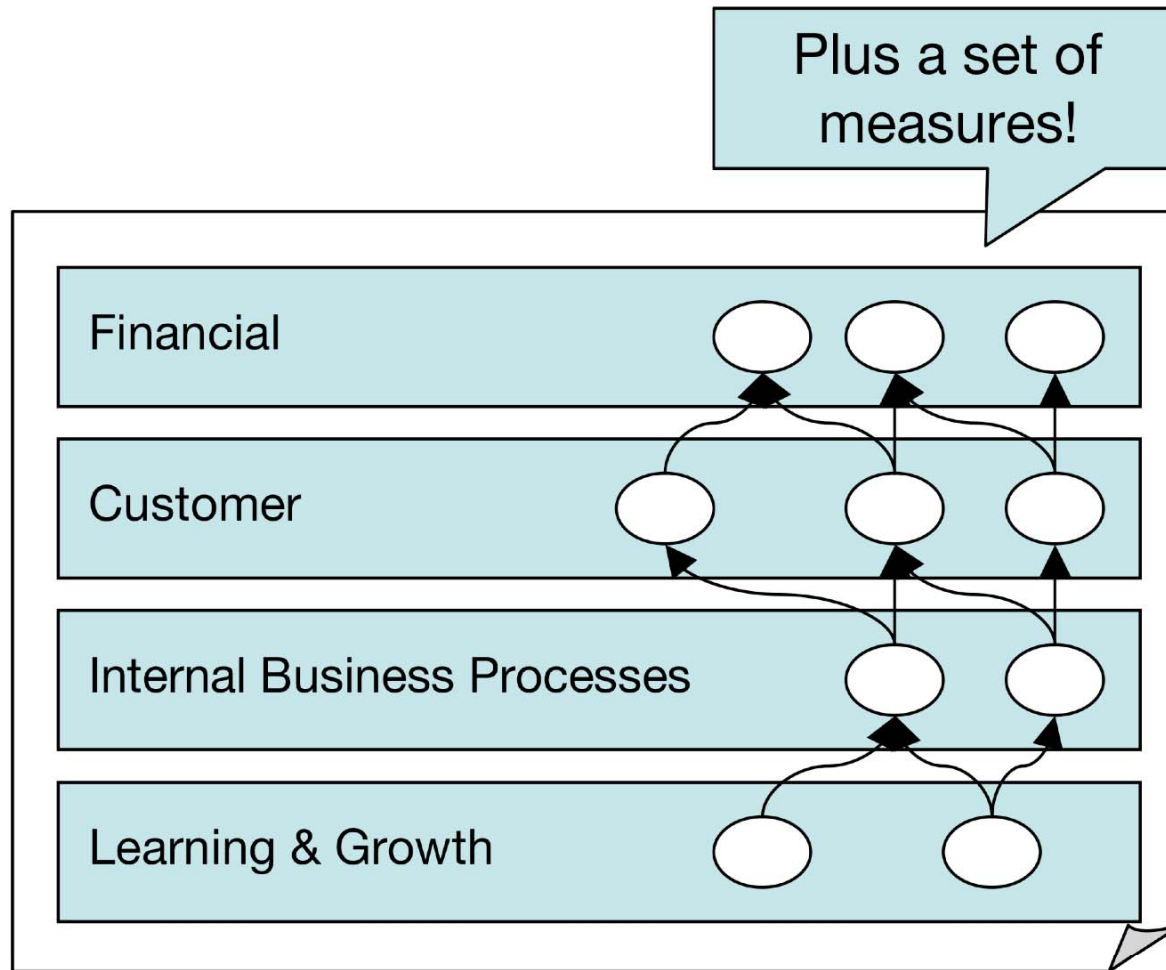
Resources You Might Find Useful

Q & A

Modern Balanced Scorecard: The Same... but Different 1st Generation Balanced Scorecards

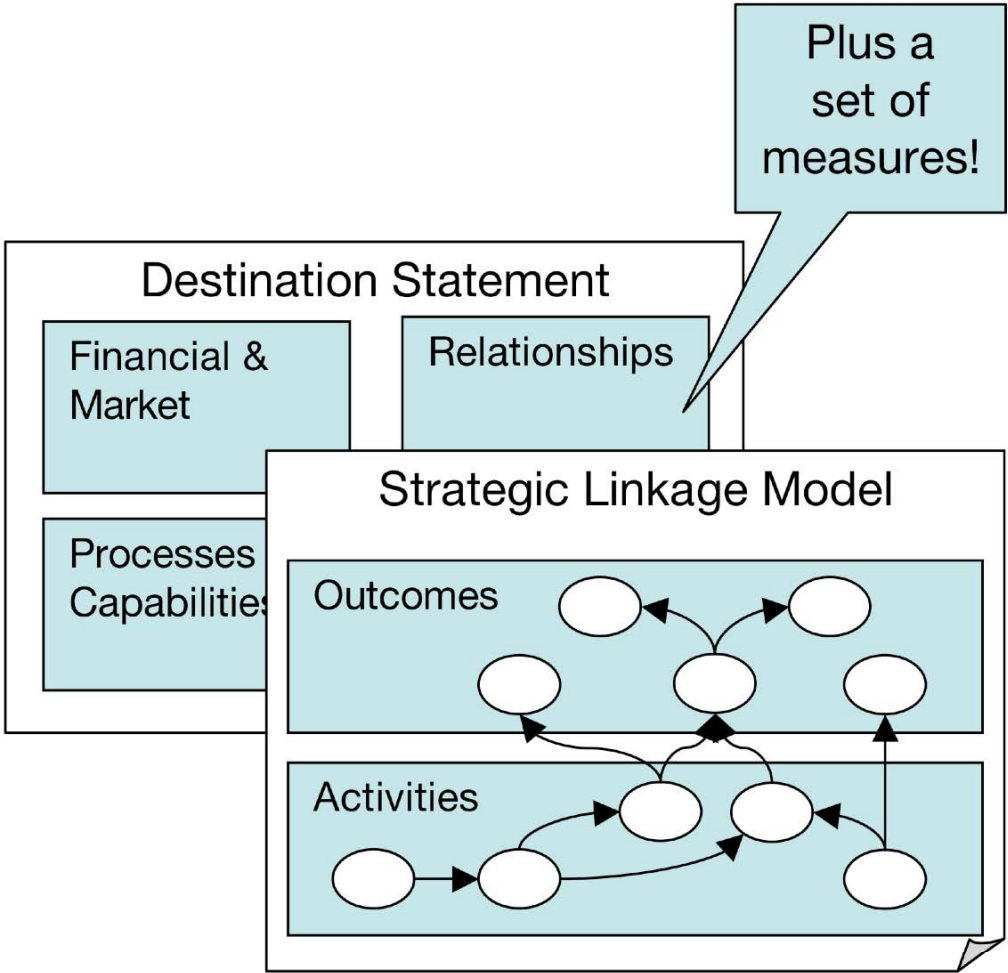


Modern Balanced Scorecard: The Same... but Different 2nd Generation Balanced Scorecards



Modern Balanced Scorecard: The Same... but Different

3rd Generation Balanced Scorecards



Modern Balanced Scorecard: The Same... but Different Key components – Put them together with an effective management process for best results

Key Learnings

- A well designed Balanced Scorecard that no one uses will not positively impact organisational performance
- Using the right type of Balanced Scorecard, and a best-practice design process, is critical to success

Destination Statement Sep 2012

Financial and Buyer Expectations

- F101: We have a turnover of £200m from over 100000+ Customers, over 10000+ franchises and 10000+ employees
- F102: We have a net profit of £200m - 10%
- F103: EBITDA (earnings before interest, taxes, depreciation and amortisation) 20%
- F104: Our sales increase in spite of high 20% inflation and 10% wage increases
- F105: We have a net profit margin of 10% (10% of £200m) and 10% of the world's 1000+ largest companies
- F106: We have a net profit margin of 10% (10% of £200m) and 10% of the world's 1000+ largest companies
- F107: We have a net profit margin of 10% (10% of £200m) and 10% of the world's 1000+ largest companies
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- F118: We have a net profit margin of 10% (10% of £200m) and 10% of the world's 1000+ largest companies
- F119: We have a net profit margin of 10% (10% of £200m) and 10% of the world's 1000+ largest companies
- F120: We have a net profit margin of 10% (10% of £200m) and 10% of the world's 1000+ largest companies

Customer Expectations

- C101: We have a customer satisfaction score of 90%
- C102: We have a customer retention rate of 90%
- C103: We have a customer loyalty score of 90%
- C104: We have a customer engagement score of 90%
- C105: We have a customer net promoter score of 90%
- C106: We have a customer lifetime value of 90%
- C107: We have a customer churn rate of 90%
- C108: We have a customer acquisition cost of 90%
- C109: We have a customer service score of 90%
- C110: We have a customer feedback score of 90%
- C111: We have a customer advocacy score of 90%
- C112: We have a customer referral score of 90%
- C113: We have a customer recommendation score of 90%
- C114: We have a customer endorsement score of 90%
- C115: We have a customer testimonial score of 90%
- C116: We have a customer review score of 90%
- C117: We have a customer rating score of 90%
- C118: We have a customer score of 90%
- C119: We have a customer score of 90%
- C120: We have a customer score of 90%

Operational & Cultural

- O101: We have a process efficiency score of 90%
- O102: We have a process quality score of 90%
- O103: We have a process reliability score of 90%
- O104: We have a process consistency score of 90%
- O105: We have a process flexibility score of 90%
- O106: We have a process scalability score of 90%
- O107: We have a process adaptability score of 90%
- O108: We have a process innovation score of 90%
- O109: We have a process improvement score of 90%
- O110: We have a process optimization score of 90%
- O111: We have a process automation score of 90%
- O112: We have a process digitalization score of 90%
- O113: We have a process integration score of 90%
- O114: We have a process collaboration score of 90%
- O115: We have a process communication score of 90%
- O116: We have a process transparency score of 90%
- O117: We have a process accountability score of 90%
- O118: We have a process ownership score of 90%
- O119: We have a process responsibility score of 90%
- O120: We have a process stewardship score of 90%

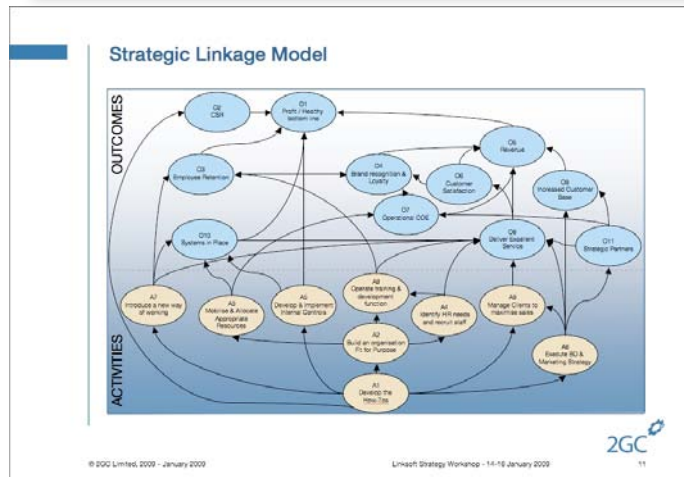
Process & Capabilities

- P101: We have a process efficiency score of 90%
- P102: We have a process quality score of 90%
- P103: We have a process reliability score of 90%
- P104: We have a process consistency score of 90%
- P105: We have a process flexibility score of 90%
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Designing and using 3rd Generation Balanced Scorecards

2GC



Balanced Scorecard Measures and Targets

Priority	Champion	Indicator	Target	Status	Status	Freq.
R2 - Results-oriented programming; high quality delivery	Kurio Wak	% of programmes evaluated meeting Quality assurance standards per internal views on quality of programme support provided by TSD, SPD	90%	92%	Green	Quarterly
R4 - Improved capacity to build partnerships	Thoraya Obaid	Delivery assessment by ICs as per DOS missions	7.5	7.3	Yellow	Annual?
		Number of H2-hed partnerships evaluated in 2009	20	21	Green	Quarterly
S1 - Market advocate & communicate externally	Mahi Simonen	Number of public statements by HQ partners per quarter supporting the IC/CPD	5	3	Yellow	Quarterly
		Milestones of a communications plan to market/locate to any external professional posts	100%	75%	Yellow	Quarterly
S6 - Develop staff technical and managerial capacity	Sean Hand	UN Reform strategy against missions	Fully on track	Fully on track	Green	Quarterly
		Milestones of a plan to complete a staff skills/training needs inventory	Fully on track	Fully on track	Green	Quarterly
		Milestones of the training plan completed	Fully on track	Fully on track	Green	Quarterly
		% of staff trained in plan	95%	90%	Yellow	Quarterly

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Modern Balanced Scorecard: The Same... but Different To be effective, management tools must adapt

The Issue:

- Is Balanced Scorecard simply a 'better tool', or are there other reasons why it has stayed around for so long?

The Answer:

- The Balanced Scorecard concept is both simple and powerful – but early ideas about how to implement it were flawed – and resulted in many failed projects
- Balanced Scorecard is unusual in that it has evolved dramatically over the last 12 years to address the weaknesses present in the original
- Balanced Scorecard today offers a richer and more powerful set of tools to an organisation than ever before



Topics for this presentation

Balanced Scorecard in Context

Modern Balanced Scorecard
The Same ... but Different

Maximising Balanced Scorecard
Benefits in Your Organisation

Resources You Might Find Useful

Q & A

Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

Three Recommendations

Learning from Evolution: Recommendation No. 1

- Use the latest 3rd Generation Balanced Scorecard Design Standard – build increased ownership and use of Balanced Scorecards within your organisation



Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

Three Recommendations

Learning from Evolution: Recommendation No. 2

- Include 'Strategic Alignment' as a goal for your Balanced Scorecard design process – and deliver it!



Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

Three Recommendations

Learning from Evolution: Recommendation No. 3

- Focus on improving the ways in which your management use the Balanced Scorecard – if the tool does not lead to changes in the behaviour of your managers it can't generate any new benefits!



Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

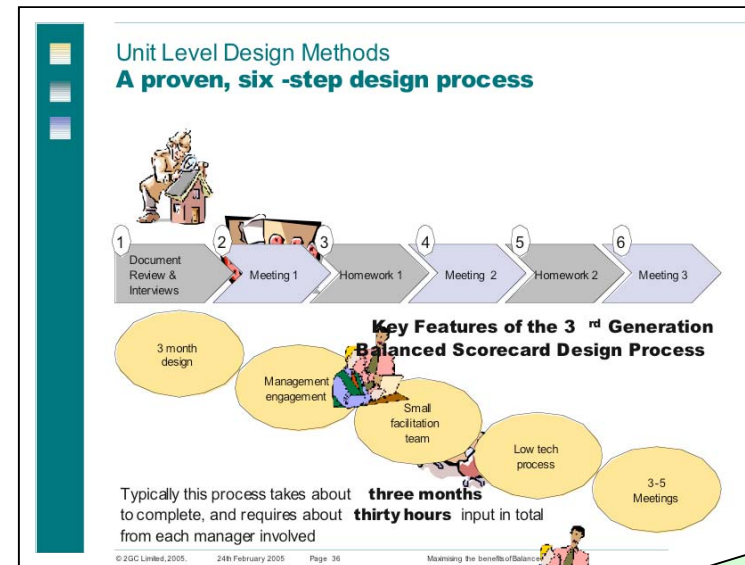
1. 3rd Generation Balanced Scorecard

Action

- Use the latest 3rd Generation Balanced Scorecard Design Standard – build increased ownership and use of Balanced Scorecards within your organisation

Practical Steps You Can Take

- Balanced Scorecard design processes take about three calendar months to complete (but involve only about 30 hours work for each participant).



To find out more – see the presentation packs and resources available from the 2GC web site and from BetterManagement.com

Maximising Balanced Scorecard Benefits

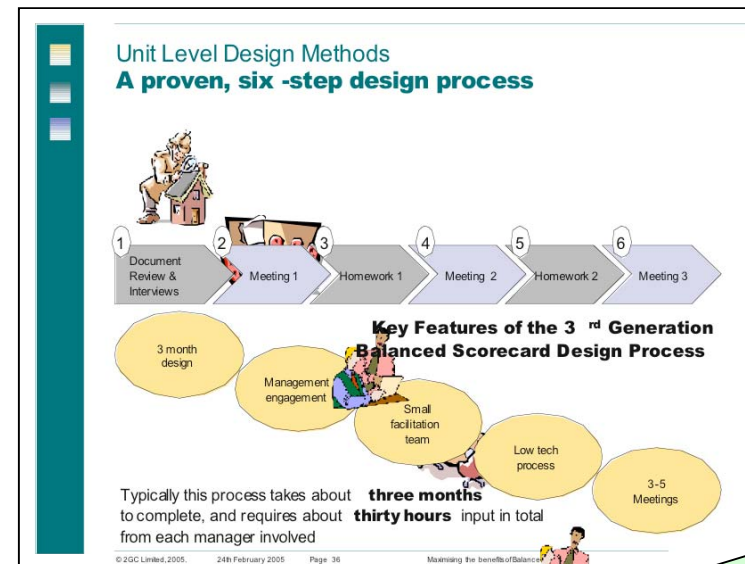
Practical Steps You Can Take

1. 3rd Generation Balanced Scorecard

- Use the latest 3rd Generation Balanced Scorecard Design Standard – build increased ownership and use of Balanced Scorecards within your organisation

Practical Steps You Can Take

- Work out when you need to start to ensure your Balanced Scorecard is complete at least one month prior to start of next annual cycle



To find out more – see the presentation packs and resources available from the 2GC web site and from BetterManagement.com

Maximising Balanced Scorecard Benefits

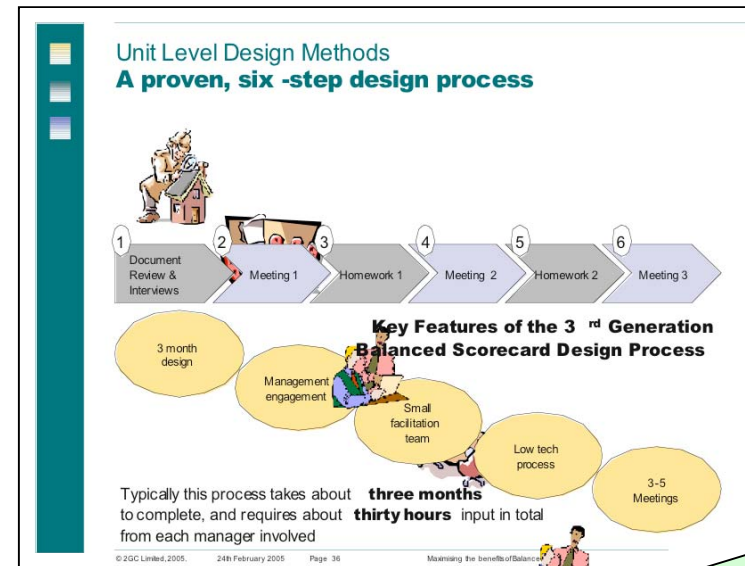
Practical Steps You Can Take

1. 3rd Generation Balanced Scorecard

- Use the latest 3rd Generation Balanced Scorecard Design Standard – build increased ownership and use of Balanced Scorecards within your organisation

Practical Steps You Can Take

- Make sure you plan your design (or update) process in a way that allows the users of the Balanced Scorecard to participate fully in the design process



To find out more – see the presentation packs and resources available from the 2GC web site and from BetterManagement.com

Maximising Balanced Scorecard Benefits

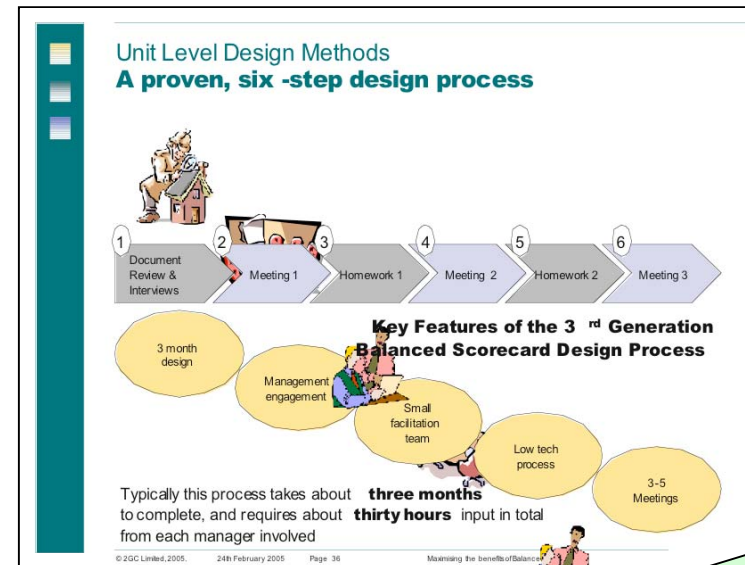
Practical Steps You Can Take

1. 3rd Generation Balanced Scorecard

- Use the latest 3rd Generation Balanced Scorecard Design Standard – build increased ownership and use of Balanced Scorecards within your organisation

Practical Steps You Can Take

- To get maximum buy-in to the design activity, focus your skills on facilitating the process – make sure everything works smoothly and efficiently



To find out more – see the presentation packs and resources available from the 2GC web site and from BetterManagement.com

Maximising Balanced Scorecard Benefits Practical Steps You Can Take

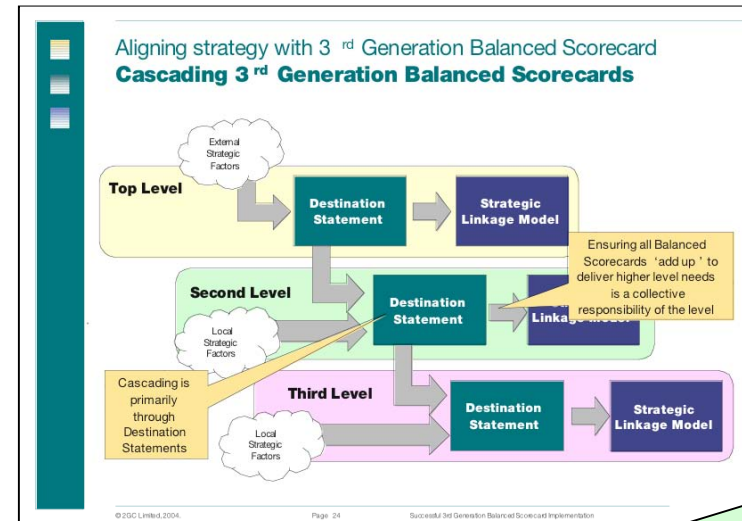
2. Deliver 'Strategic Alignment' that works!

Action

- Include 'Strategic Alignment' as a goal for your Balanced Scorecard design process – and deliver it!

Practical Steps You Can Take

- 3rd Generation Balanced Scorecard methods are especially designed to make the creation of whole sets of Balanced Scorecards quick, easy and effective.



To find out more – read the case study written by 2GC and the Environment Agency describing how they approached a complex strategic alignment project

Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

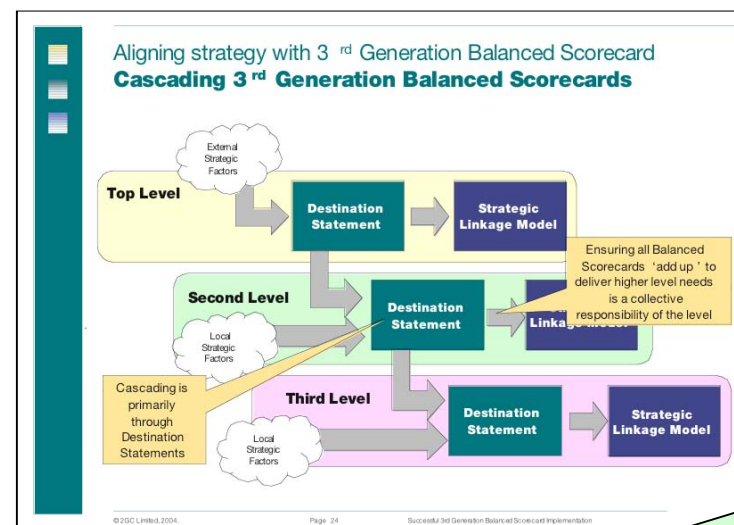
2. Deliver 'Strategic Alignment' that works!

Action

- o Include 'Strategic Alignment' as a goal for your Balanced Scorecard design process – and deliver it!

Practical Steps You Can Take

- o Planning and scheduling a project is important – you need to plan the process to ensure that it has maximum value and minimum time impact on the organisation



To find out more – read the case study written by 2GC and the Environment Agency describing how they approached a complex strategic alignment project

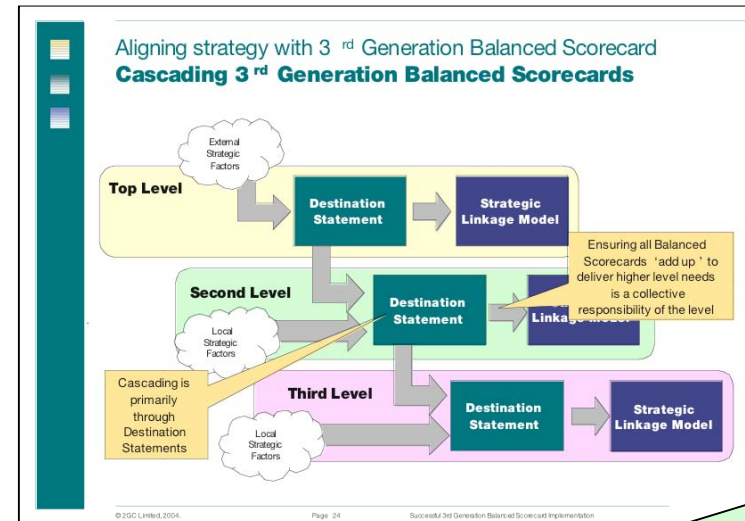
Maximising Balanced Scorecard Benefits Practical Steps You Can Take

2. Deliver 'Strategic Alignment' that works! Action

- Include 'Strategic Alignment' as a goal for your Balanced Scorecard design process – and deliver it!

Practical Steps You Can Take

- Strong support from the leadership of your organisation is key: a good way of getting such support is to show them a well designed plan, and then run a project that sticks to it



To find out more – read the case study written by 2GC and the Environment Agency describing how they approached a complex strategic alignment project

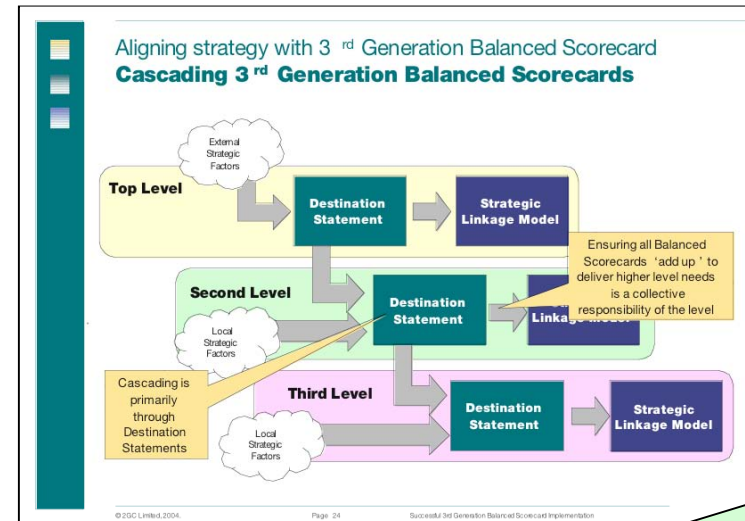
Maximising Balanced Scorecard Benefits Practical Steps You Can Take

2. Deliver 'Strategic Alignment' that works! Action

- Include 'Strategic Alignment' as a goal for your Balanced Scorecard design process – and deliver it!

Practical Steps You Can Take

- Getting alignment is easier if everyone is speaking 'the same language' when they discuss strategic things – the Destination Statement and SLM elements are proven to be effective in this role



To find out more – read the case study written by 2GC and the Environment Agency describing how they approached a complex strategic alignment project

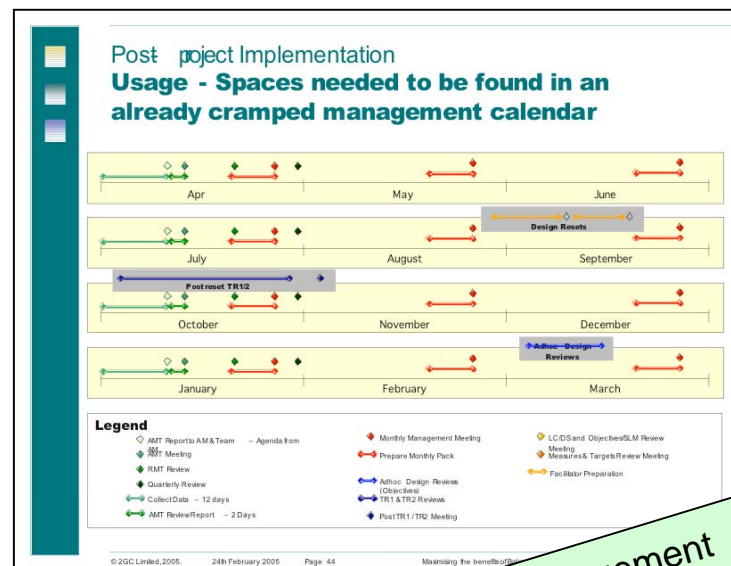
Maximising Balanced Scorecard Benefits Practical Steps You Can Take

3. Manage using the Balanced Scorecard Action

- Focus on improving the ways in which your management use the Balanced Scorecard – if the tool does not lead to changes in the behaviour of your managers it can't generate any new benefits!

Practical Steps You Can Take

- One of the main reasons why Balanced Scorecards don't deliver maximum value is that managers simply don't use them



Bonus Hint – building a management calendar like this one showing what actions need to occur when if the Balanced Scorecard is to be fully used can be a useful way of explaining things to the management team(s) involved

Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

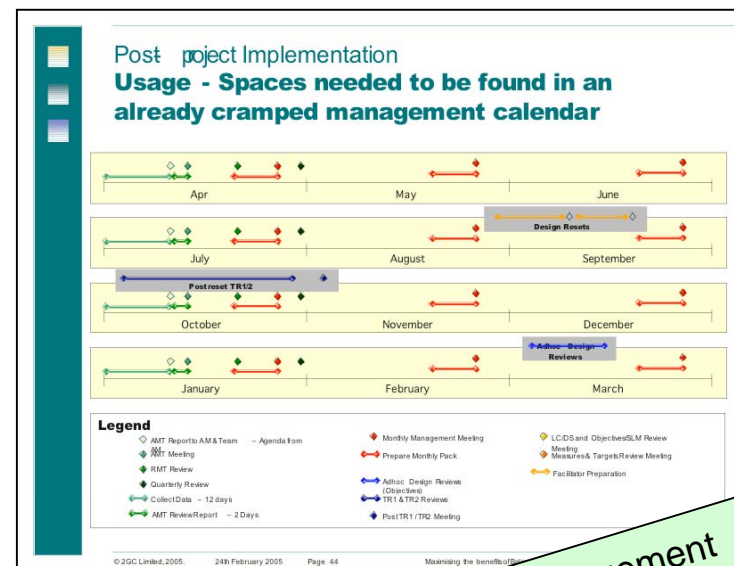
3. Manage using the Balanced Scorecard

Action

- Focus on improving the ways in which your management use the Balanced Scorecard – if the tool does not lead to changes in the behaviour of your managers it can't generate any new benefits!

Practical Steps You Can Take

- A well-designed Balanced Scorecard should contain relevant, timely and accurate information that will keep a management team well informed about their key objectives – a badly designed Balanced Scorecard doesn't



Bonus Hint – building a management calendar like this one showing what actions need to occur when if the Balanced Scorecard is to be fully used can be a useful way of explaining things to the management team(s) involved

Maximising Balanced Scorecard Benefits

Practical Steps You Can Take

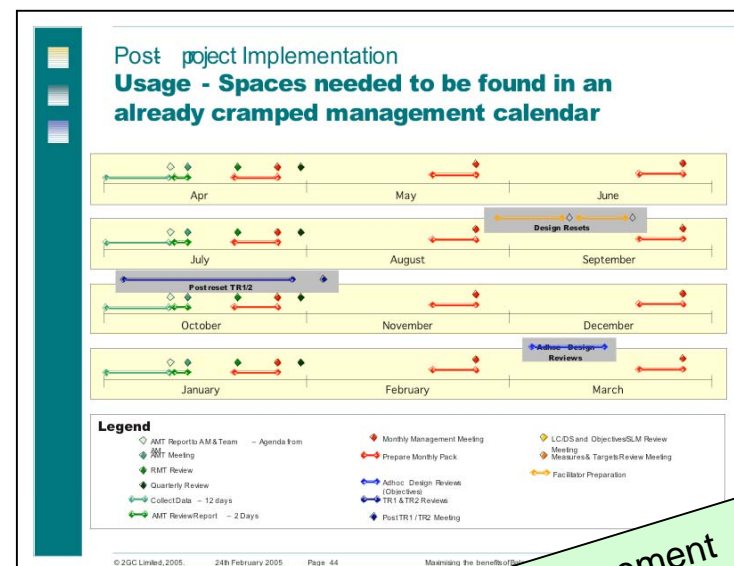
3. Manage using the Balanced Scorecard

Action

- Focus on improving the ways in which your management use the Balanced Scorecard

Practical Steps You Can Take

- But even if the Balanced Scorecard is well designed, if the information is never reviewed it cannot inform management decision making. A valuable step to take is to review the management meeting calendar and work out in which meetings the Balanced Scorecard needs to be reviewed, and adjust the meeting Agenda to ensure that this happens (put it first!)



Bonus Hint – building a management calendar like this one showing what actions need to occur when if the Balanced Scorecard is to be fully used can be a useful way of explaining things to the management team(s) involved

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Maximising Balanced Scorecard Benefits Resources You Might Find Useful From 2GC

2GC Training / Events

- June - IIR International Quality Congress - Dubai, UAE
- July – United Kingdom
- September – United Kingdom
- September - EIASM - Nice, France

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- FAQs,
- Case Studies,
- White Papers,
- Discussion Forum
- Internet Links,
- All free to access

Ask 2GC!

- Post a question in the **Ask2GC!** Area of the **2GC Discussion Forum**: get 2GC to answer your questions for free...!

WWW.2GC.CO.UK



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