

International Business Environment & Strategy

BC430002S

The Balanced Scorecard

Based on Kaplan and Norton 1992

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The Balanced Scorecard



* CSF = critical success factor
Exhibit 8.9

Based on Kaplan & Norton

The Balanced Scorecard
is *quantitative*

– based on KPIs

Key Performance Indicators



The Balanced Scorecard

Financial perspective

e.g. Operational view

Cost reduction %

Sales growth %

e.g. Shareholder view

ROCE %

eps ratio

Customer perspective

e.g. Customer satisfaction

Customer retention %

Customer “churn” %

Customer loyalty %

Acquisition of new customers 000s

Customer satisfaction %

Internal Perspective

e.g. Assess quality of people & processes

Training & development %

Staff retention %

Product quality %

Stock turnover ratio

Innovation & learning

e.g. Continuous improvement

Quality circles – new ideas 000s

e.g. Research & Development

Projects in R&D “pipeline” 10

Time / speed to market months

The Balanced Scorecard

is quantitative – based on KPIs

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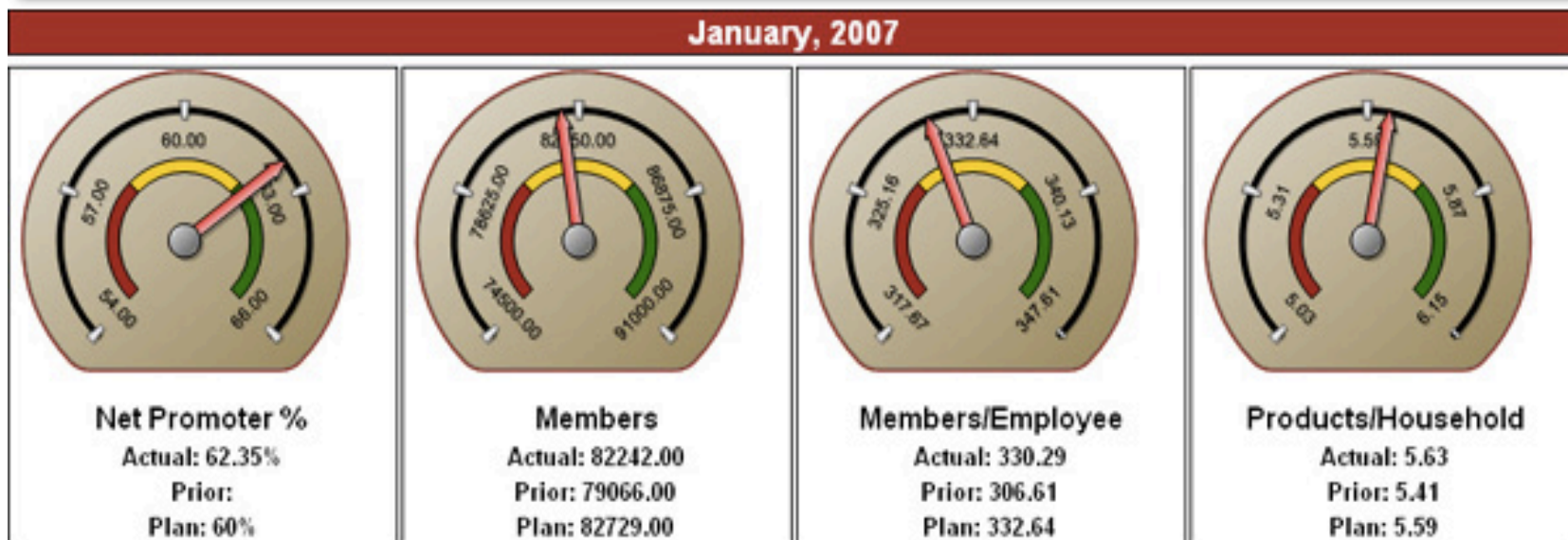
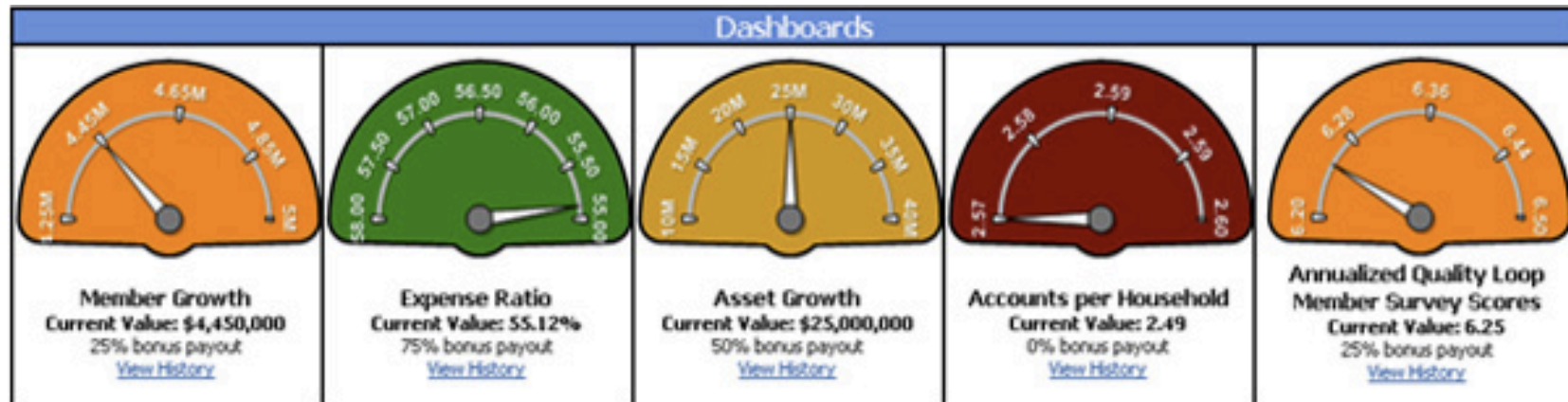
e.g. Continuous improvement

Quality circles – new ideas 000s

e.g. Research & Development

Projects in R&D “pipeline” 10

Time / speed to market months





<http://www.ecollections.com/images/Dashboards.gif>

Each industry sector has its own specialist KPIs

Which KPIs are important in your chosen sector?



The Balanced Scorecard

Identify your industry-specific KPIs

Financial perspective

Financial KPI 1	%
Financial KPI 2	%
Financial KPI 3	ratio

Customer perspective

Customer KPI 4	%
Customer KPI 5	%
Customer KPI 6	000s

Internal Perspective

Operational KPI 7	%
Operational KPI 8	ratio
Operational KPI 9	%

Innovation & learning

Innovation KPI 10	000s
Innovation KPI 11	months
Innovation KPI 12	%

A derivative of the Balanced Scorecard is

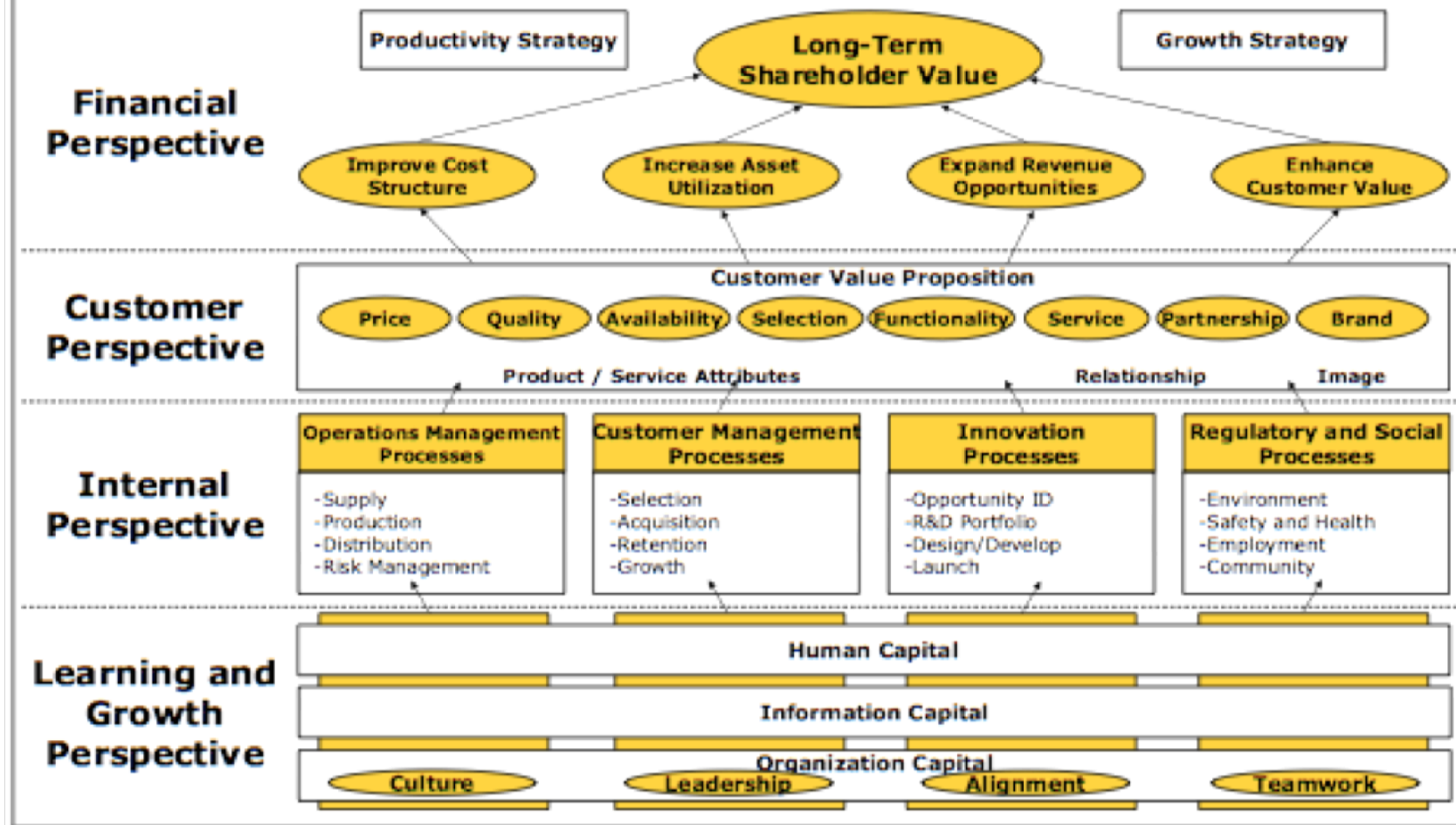
The Strategy Map

The Strategy Focused Organization –

How balanced Scorecard Companies Thrive in the New Business Environment

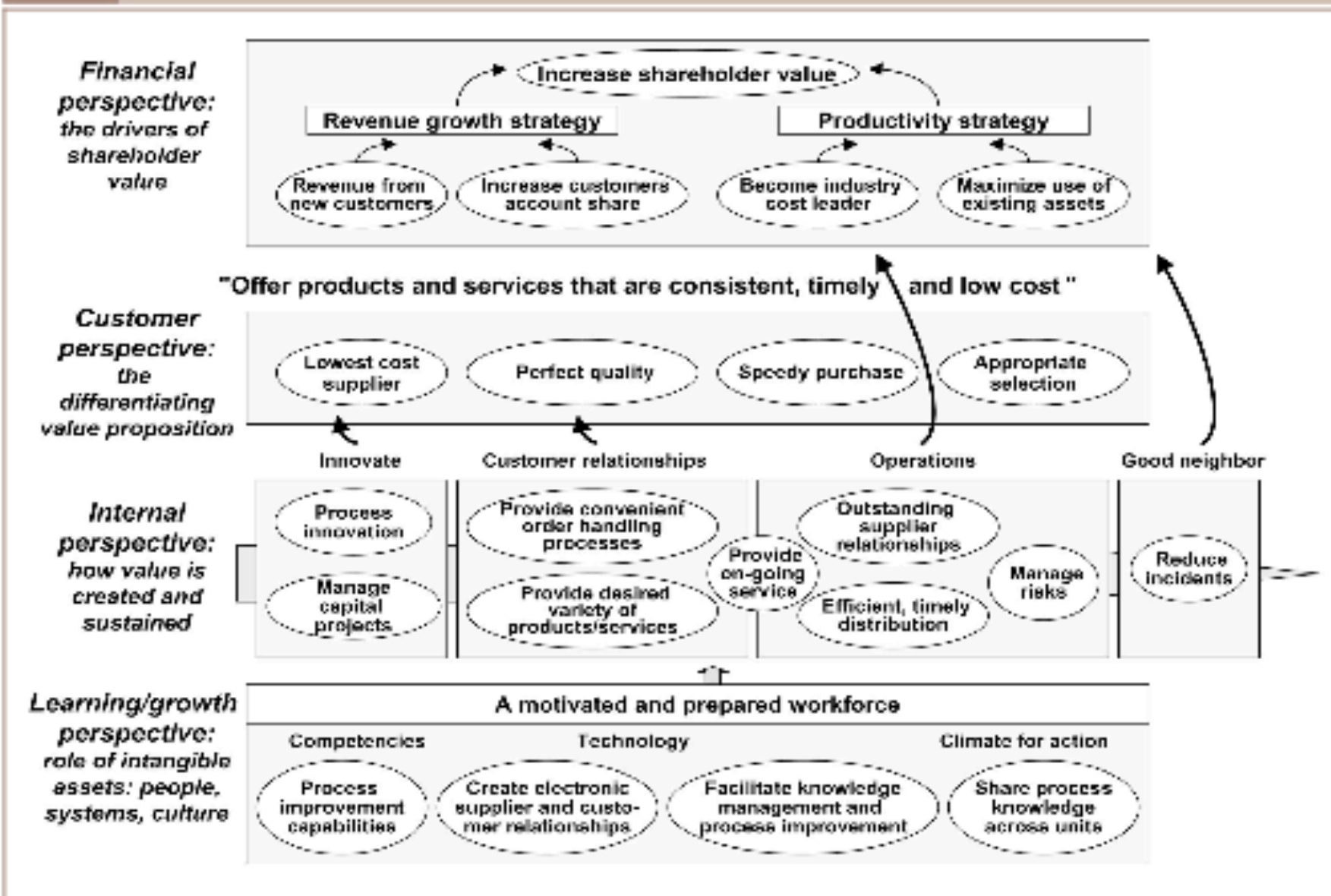
Kaplan and Norton (2001)

Strategy Map



The Strategy Focused Organization –
How balanced Scorecard Companies Thrive in the New Business Environment
Kaplan and Norton (2001)

Figure 1 Example of a "value for money" strategy map (source: R.S. Kaplan, Building Strategy Focused Organizations with the Balanced Scorecard; Presentation during the Third International Performance Measurement and Management Conference, Boston, July 2002)



SOUTHWEST AIRLINES' BALANCED SCORECARD:

What It Looks Like

	Objectives	Measures	Targets	Initiatives
Financial	Profitability	Market value	30% CAGR*	
	Increased revenue	Seat revenue	20% CAGR	
	Lower costs	Plane lease cost	5% CAGR	
Customer	On-time flights	FAA on-time arrival rating	No. 1	Quality management
	Lowest prices	Customer ranking (market survey)	No. 1	Customer-loyalty program
Internal	Fast ground turnaround	Time on ground	30 minutes	Cycle-time optimization program
		On-time departure	90%	
Learning	Ground crew alignment with company goals	% ground-crew shareholders	Year 1: 70%; Year 3: 90%;	Employee stock option plan
		% ground crew trained	Year 5: 100%	Ground-crew training

* CAGR = compound annual growth rate

■ A balanced scorecard takes a broad, holistic look at organizational goals – not just the financials.

For example, this Southwest Airlines scorecard shows that well-trained ground crews mean faster turnaround and more on-time flights, which lead to higher customer satisfaction, lower costs and greater profits.

<http://www.computerworld.com/action/article.do?command=viewArticleBasic&articleId=78512>

Public Sector Scorecard

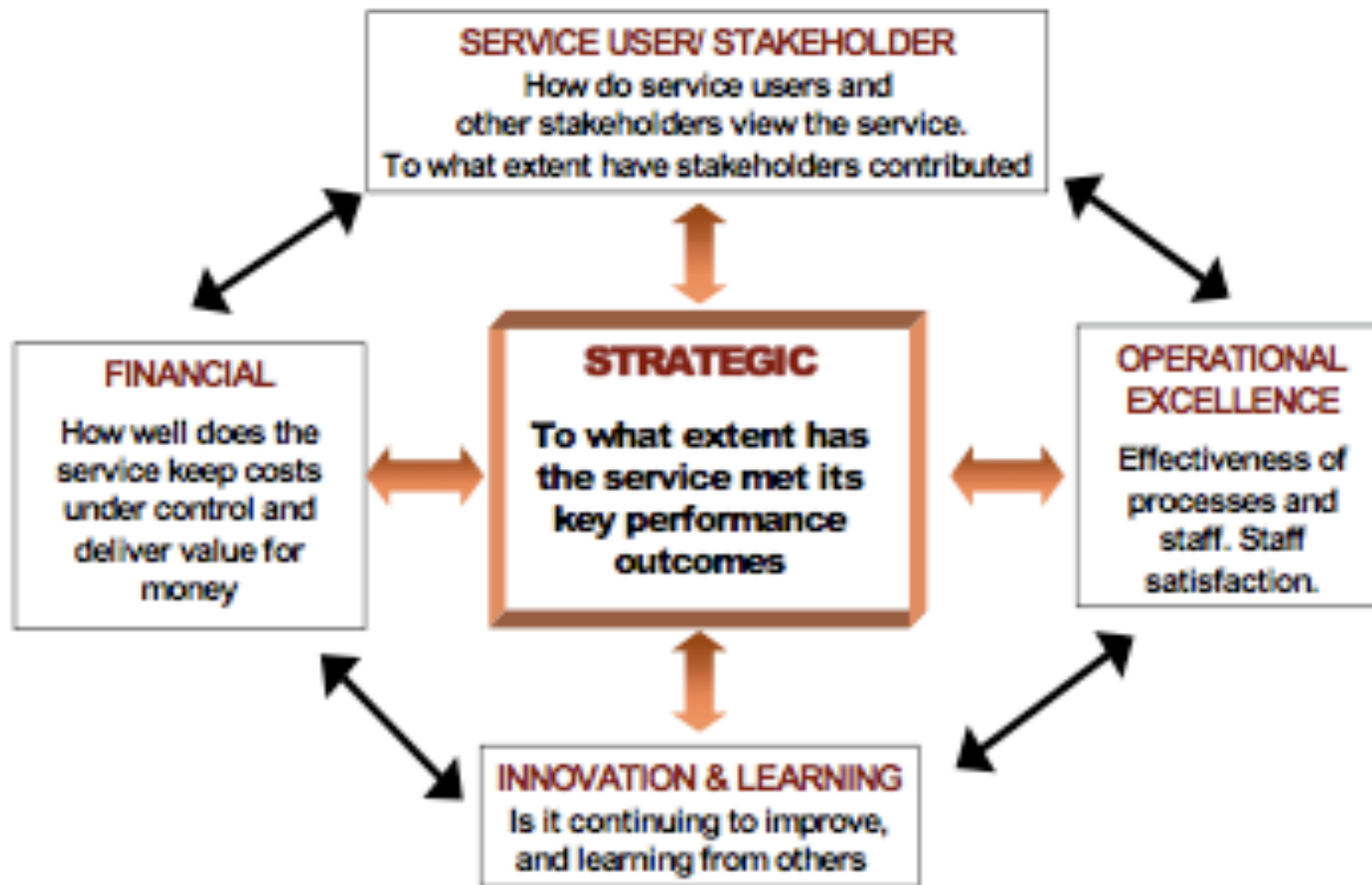
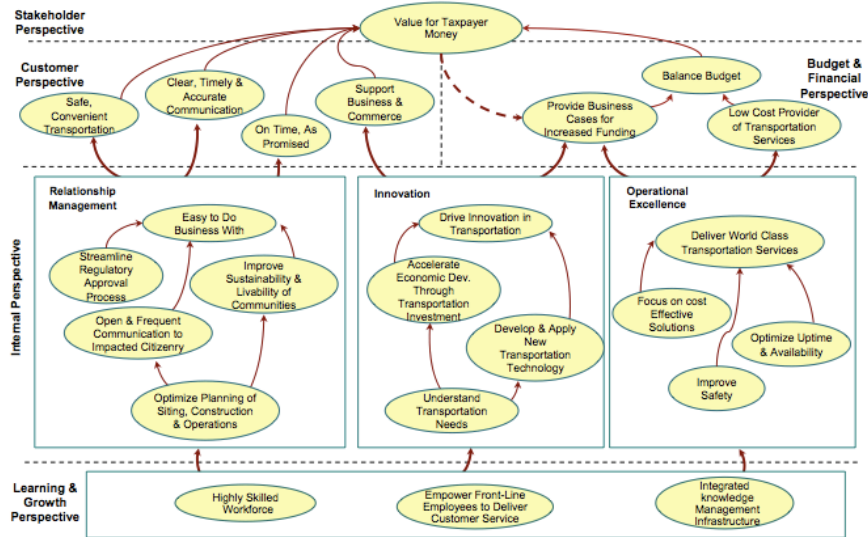


Figure 1. The Public Sector Scorecard

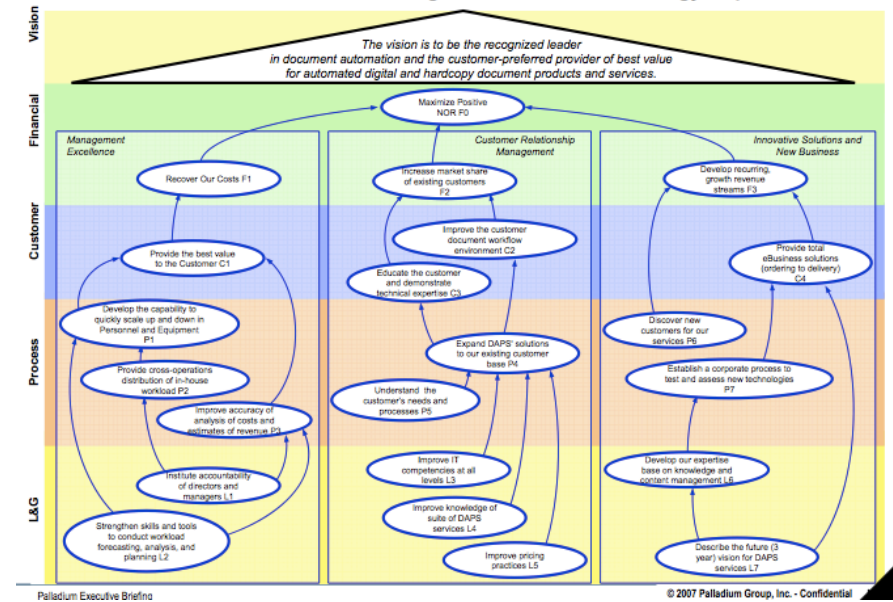
USING THE PUBLIC SECTOR SCORECARD IN HEALTH AND SOCIAL CARE

Max Moullin, 2002

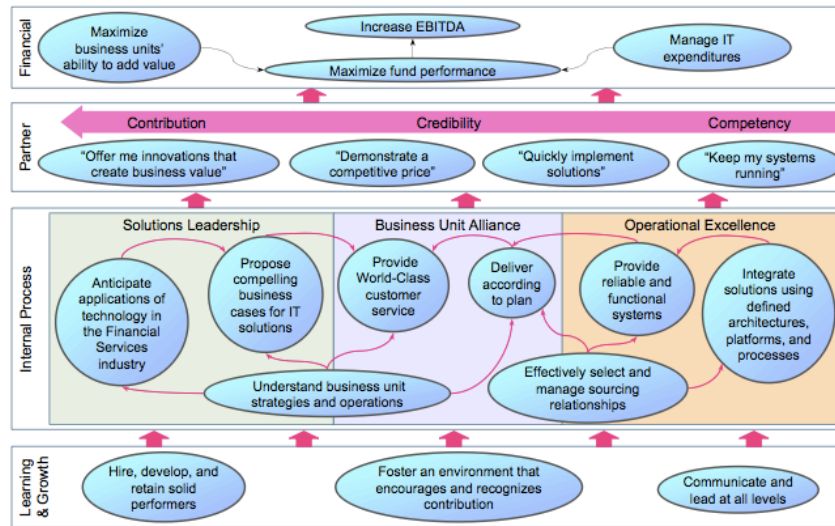
State Department of Transportation Strategy Map



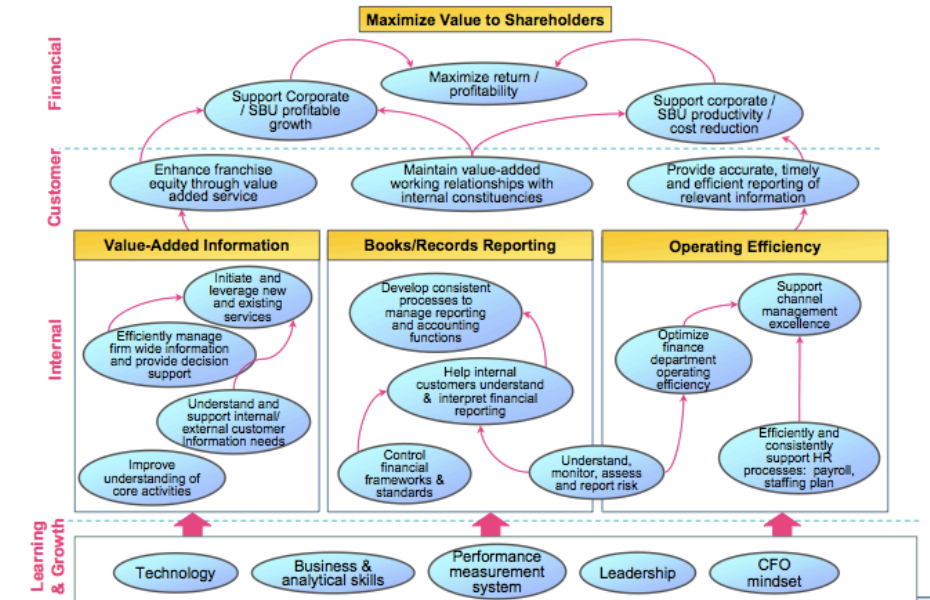
Federal Government Printing- Communications Strategy Map



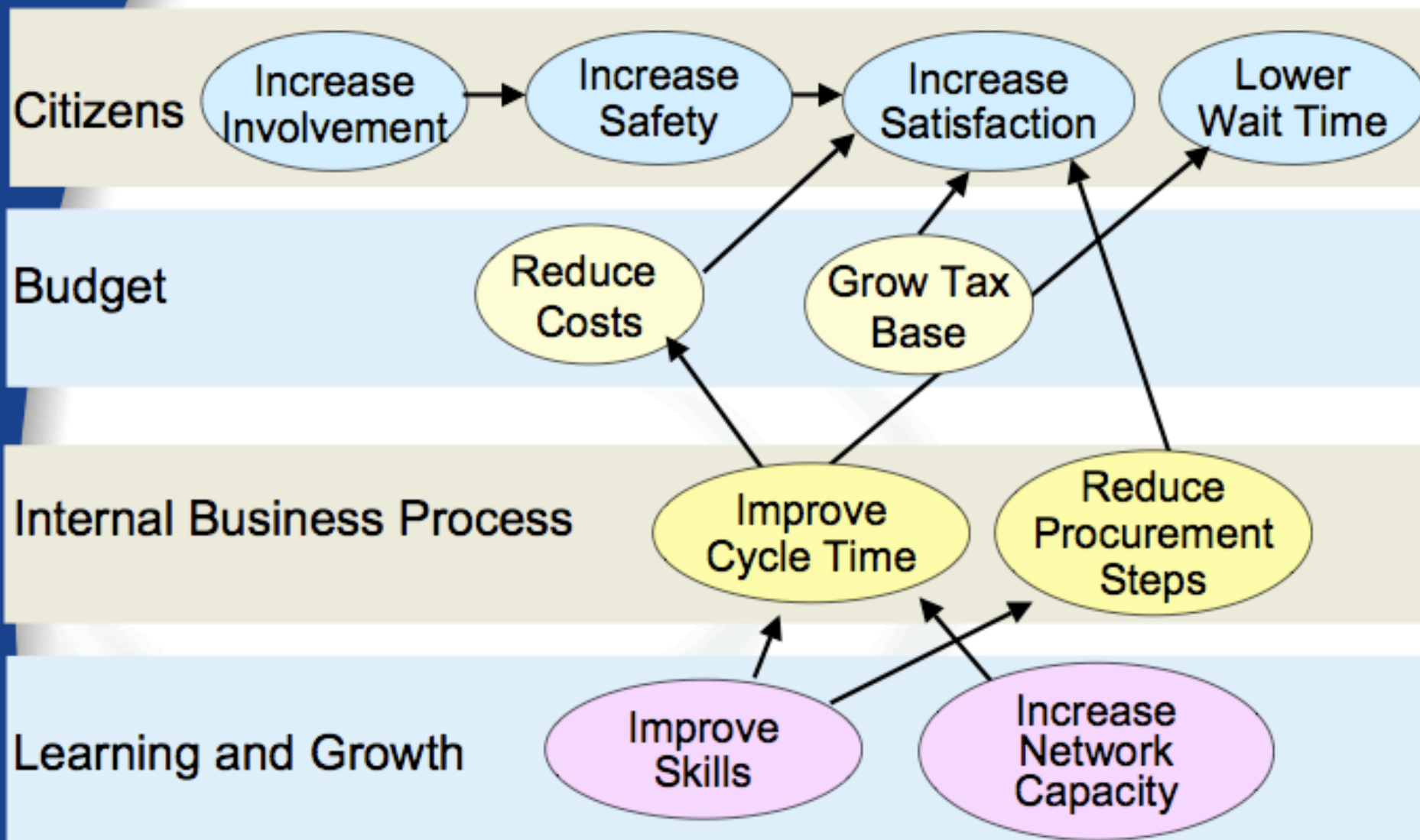
IT Department Strategy Map



Finance Function Strategy Map



Step Four Public Sector Strategic Map



Supermarket plc
 Balanced scorecard
 The “Steering Wheel”,
 With real operational KPIs



Customer

- ★ Earn lifetime loyalty
- ★ The aisles are clear
- ★ I can get what I want
- ★ The prices are good
- ★ I don't want to queue
- ★ The staff are great

Operations

- ★ Shopping is better for customers
- ★ Work is simpler for staff
- ★ The way we operate is cheaper for Tesco
- ★ The way we operate is responsible and safe

Finance

- ★ Grow sales
- ★ Maximise profits
- ★ Manage our investment

People

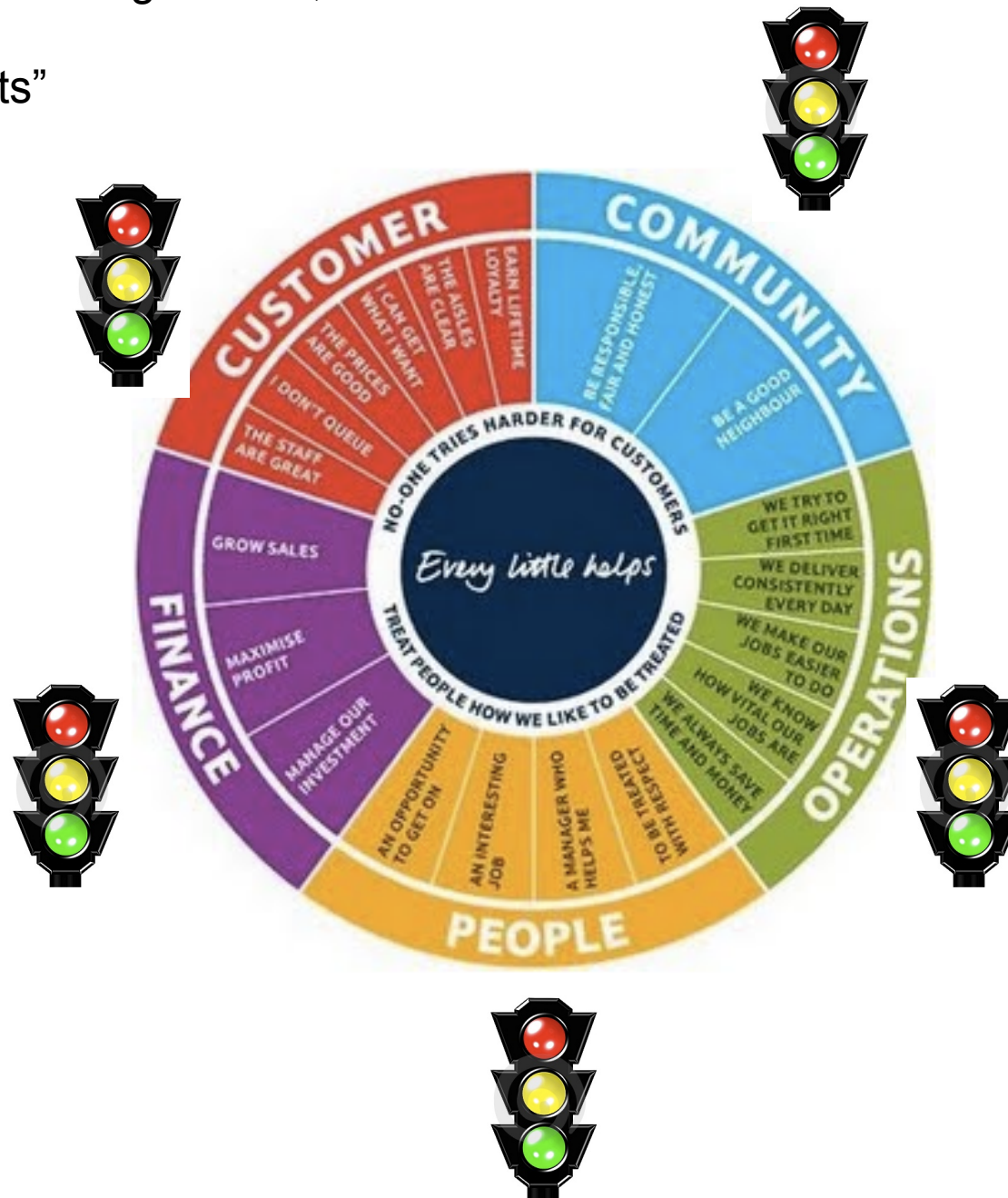
- ★ We trust and respect each other
- ★ My manager supports me to do a good job
- ★ My job is interesting
- ★ I have the opportunity to get on

Tesco plc
Balanced scorecard
updated “Steering Wheel”,
with Tesco operational KPIs



Operating the “Steering Wheel”,

With “traffic lights”



1. “The Balanced Scorecard: Measures that Drive Performance”, Robert S Kaplan and David P Norton, Harvard Business Review (January-February 1992).
2. “The Balanced Scorecard: Translating Strategy into Action”, Robert S Kaplan and David P Norton, (Boston: Harvard Business School Press, 1996).
3. “Strategy Maps: Converting Intangible Assets into Tangible Outcomes”, Robert S Kaplan and David P Norton, (Boston: Harvard Business School Press, 2004).