

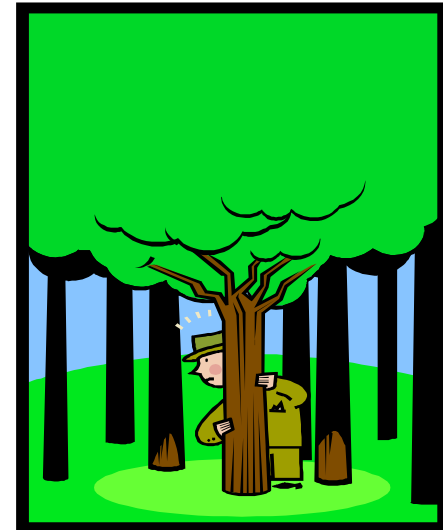
# Seeing the Forest for the Trees: Strategic Planning and the Balanced Scorecard

American Institute for Chemical Engineers  
Fall, 2004

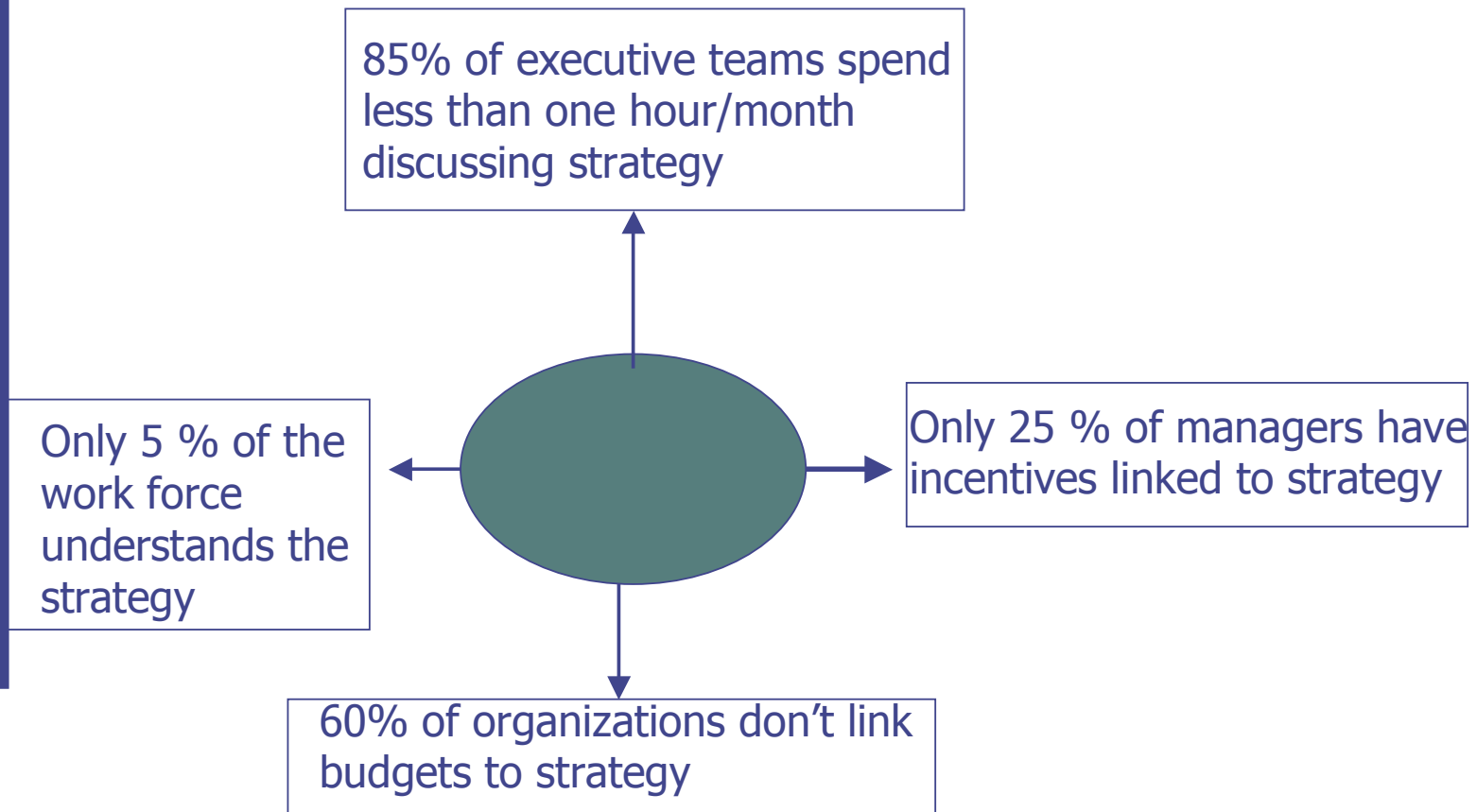
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[www.inv-strat.com](http://www.inv-strat.com)

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# What Strategy?



## Fortune Magazine

1982

- ◆ Less than 10% of strategies are effectively executed

1999

- ◆ In business failures... we estimate 70% of real problem isn't bad strategy but bad execution

## Another study....

- ◆ 35% of success factors were non-financial
- ◆ #3 was quality of business strategy
- ◆ #1 was *execution* of business strategy

Ernst & Young, 1998



## What does a Balanced Scorecard do?

Links long term strategy

With short term actions

And tracks progress

With leading indicators



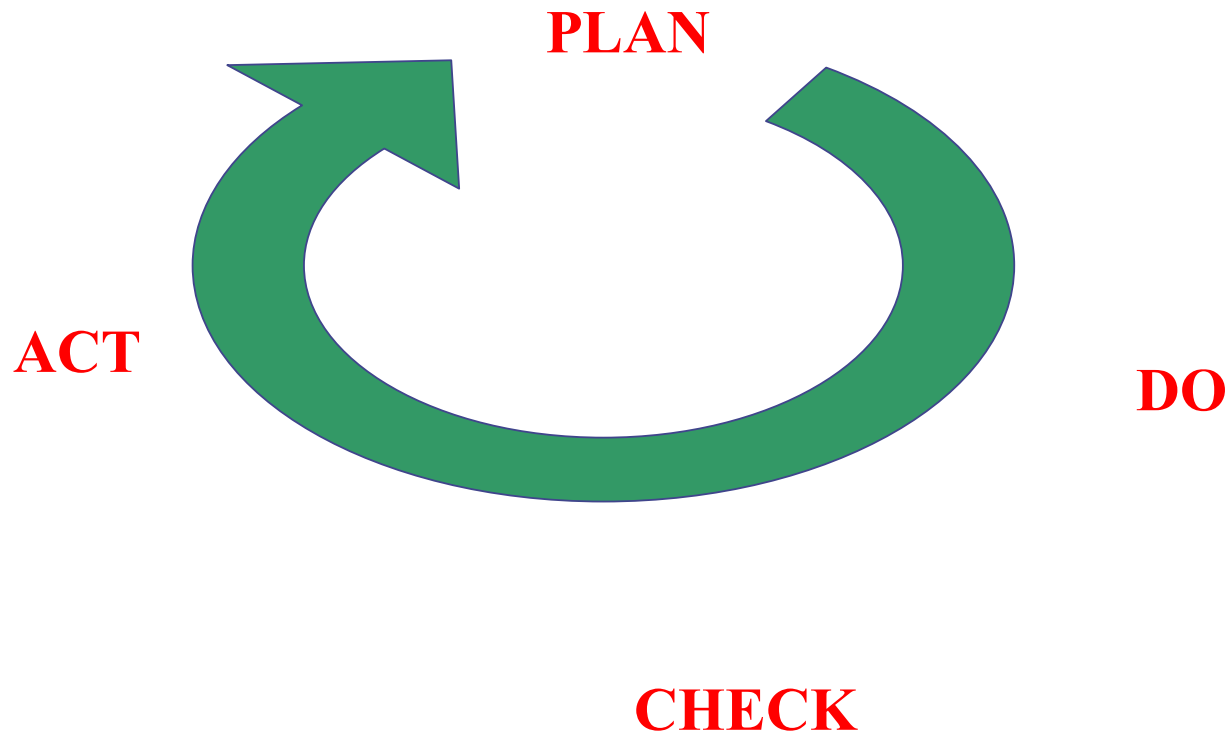
## Two Key Ideas



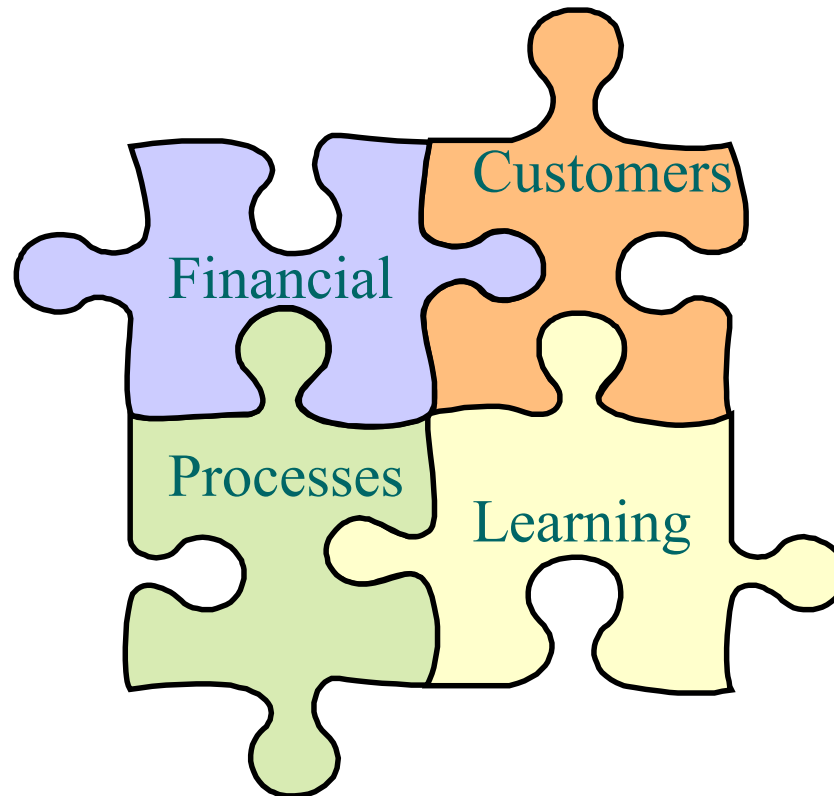
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- ◆ Set business objectives from multiple perspectives
- ◆ Look at leading as well as lagging indicators

## A Familiar Process...?



# Managing Strategy: Four Perspectives



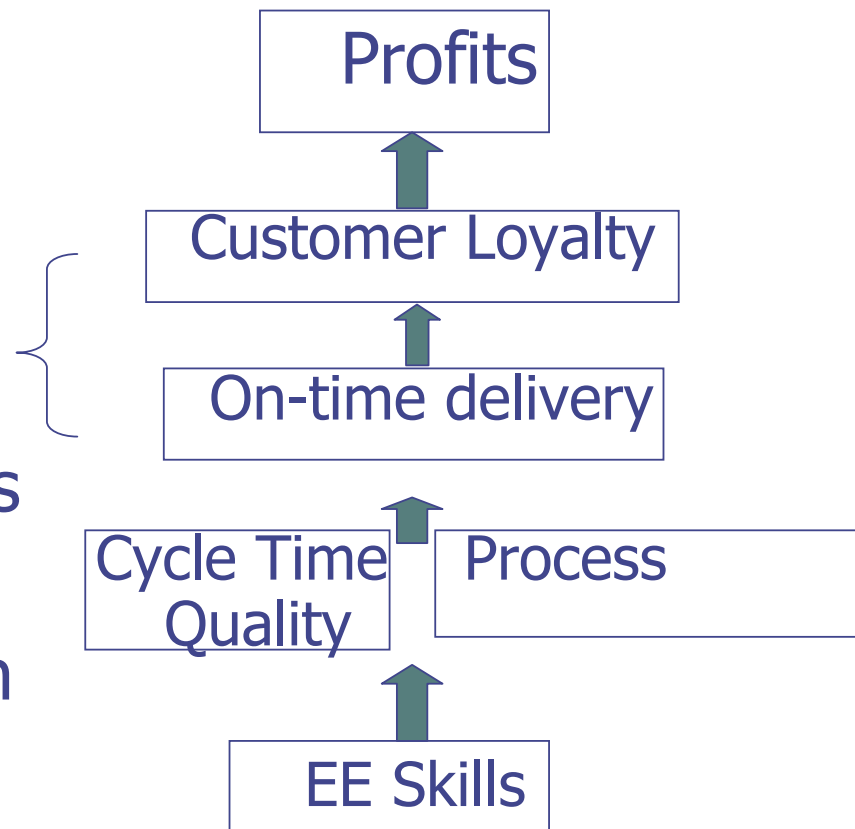


## The Heart of the Matter

	Objectives	Measures	Targets	Initiatives
Financial	- -			
Customer				
Internal Bus.Proc				
Learning& Growth				

## Set Business Objectives on Multiple Levels

- ◆ Financial, e.g.
- ◆ Customer Perspective
- ◆ Business Processes
- ◆ Learning & Growth



## Set Business Objectives on Multiple Levels

- 
- ◆ Financial, e.g.
  - ◆ Customer Perspective
  - ◆ Business Processes
  - ◆ Learning & Growth
- 
- ◆ Revenue
  - ◆ Sales targets
  - ◆ Competitive Index
  - ◆ On-time delivery
  - ◆ % Sales New Products
  - ◆ Cycle Time
  - ◆ % Over 30 days
  - ◆ Team Training

# Key Performance Indicators

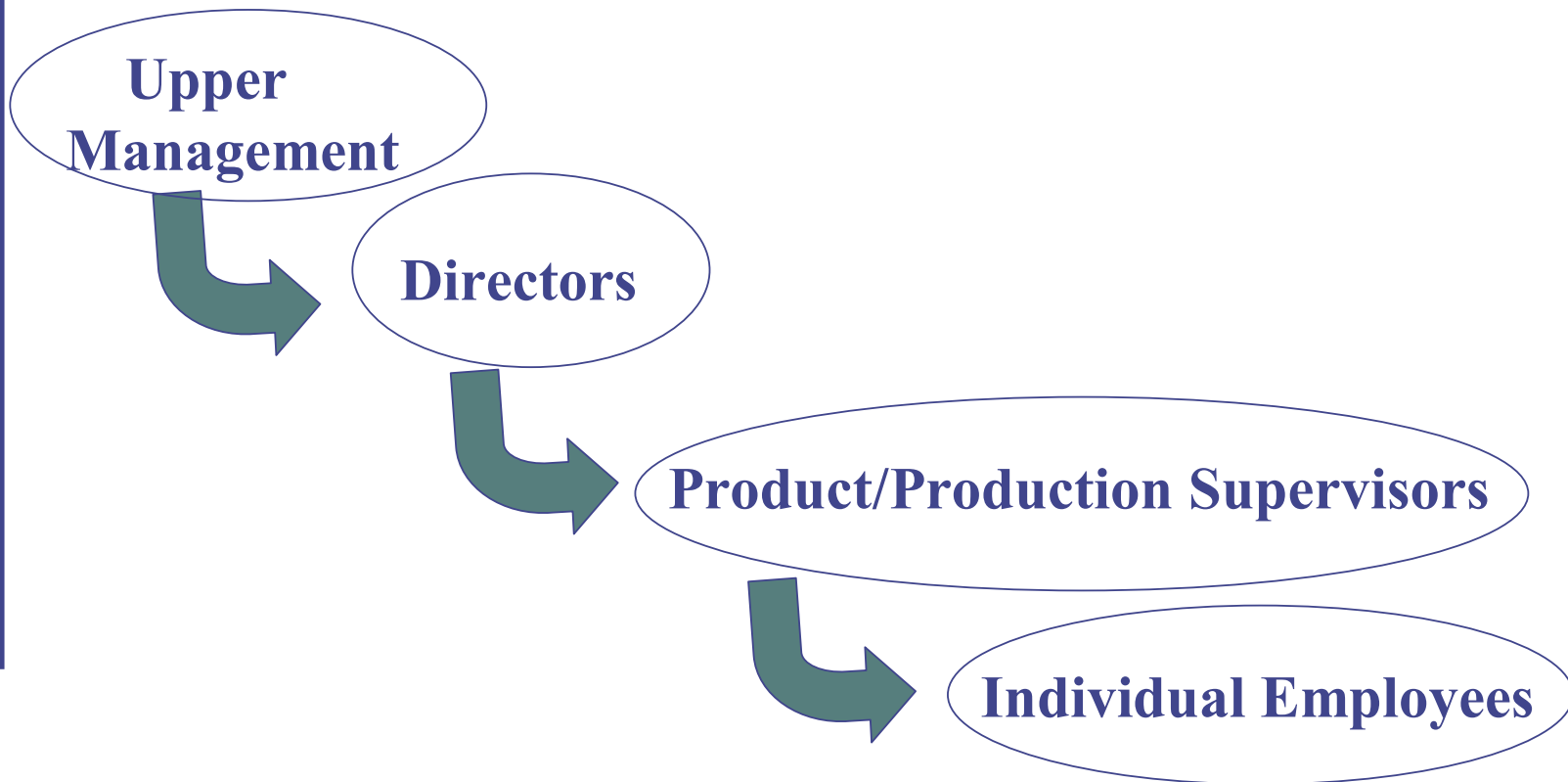


	Leading	Lagging
Financial	Cash flow	After-tax profits
	On-time receipts	ROI
Customer Focus	Satisfaction survey	Market Share
Business processes	Results vs. Plan	Budget Overrun
	Reduction in process variability	Product Rejects
	% Milestones Met	On-time deliveries
Learning/Growth	Access to latest IT	Employee Retention

## Vision: Ink the world!

<b>Corporate</b>	Objectives	Measures	Targets	Initiatives
Financials	Up revenue Be #1 in niche	Gross revenue	\$3MM	New customers or products
Customer	Increase repeaters	% reorders	80 vs. 50	Follow-up after sale
In-house	Improve efficiency	Order-to-ship time	3 hrs vs. 8	Improve materials handling
Learning..	Improve communications	EE satisfaction	2 points on Likert	Scorecard rollout Weekly staff meetings

## Align and Cascade to Each Business Unit



# Balanced Scorecards and Quality Management

- ◆ Certification programs
  - ◆ Look outward to compare with best practices
- ◆ Six Sigma
  - ◆ Measures process quality and looks in to reduce variability
- ◆ Balanced Scorecard
  - ◆ Looks out to customers and markets

Krieger & Gregory, 2001

## Project Management adds Value

- ◆ Integrity
  - ◆ Overview of major projects
- ◆ Ethics
  - ◆ Due diligence on achievability
- ◆ Realism
  - ◆ Your necks are on the line





## Other Applications for Scorecards



- ◆ A project management example



As we cascade the strategy downward, link the scorecards

- ◆ Keep a business function (Manufacturing, Sales) focused on...
- ◆ Keep a support function (IT, NPD, Quality) focused on
- ◆ *why* it exists...

## Strategic Goals

## BSC and Quality Methods are Synergistic

### Balanced Scorecard + Quality/Project management

- ◆ Use strategic objectives to drive improvements
- ◆ Top down
- ◆ Voice of the Marketplace
- ◆ Use Six Sigma or PM methods to make improvements
- ◆ Bottom up
- ◆ Voice of the Process

## The Combination...

- ◆ Expands your view
  - ◆ Beyond what to why
- ◆ Checks reality
  - ◆ Where the indicators are pointing
  - ◆ Whether to shift focus
- ◆ Keeps your eye on the prize
  - ◆ Process excellence AND profits

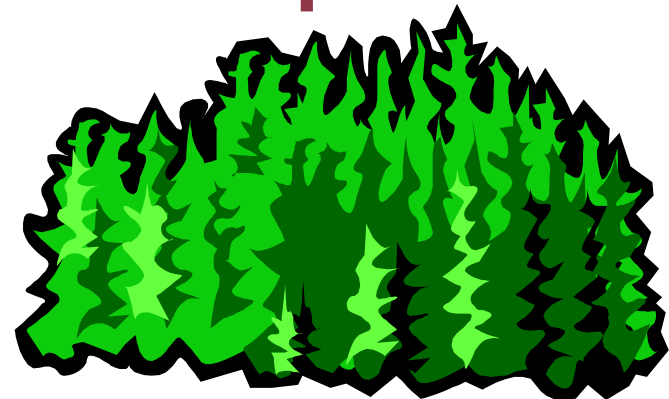


The short version...with new key idea.

- ◆ Use multiple perspectives to set strategies
- ◆ Cascade to all levels
- ◆ Set SMART goals
- ◆ Choose leading and lagging measures
- ◆ Set timetable for measures/assessment
- ◆ **Integrate quality processes and process management**

AND

- ◆ *There's the forest...  
Growing!*



## References and sources

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- ◆ The Balanced Scorecard Newszine
- ◆ Client experiences