



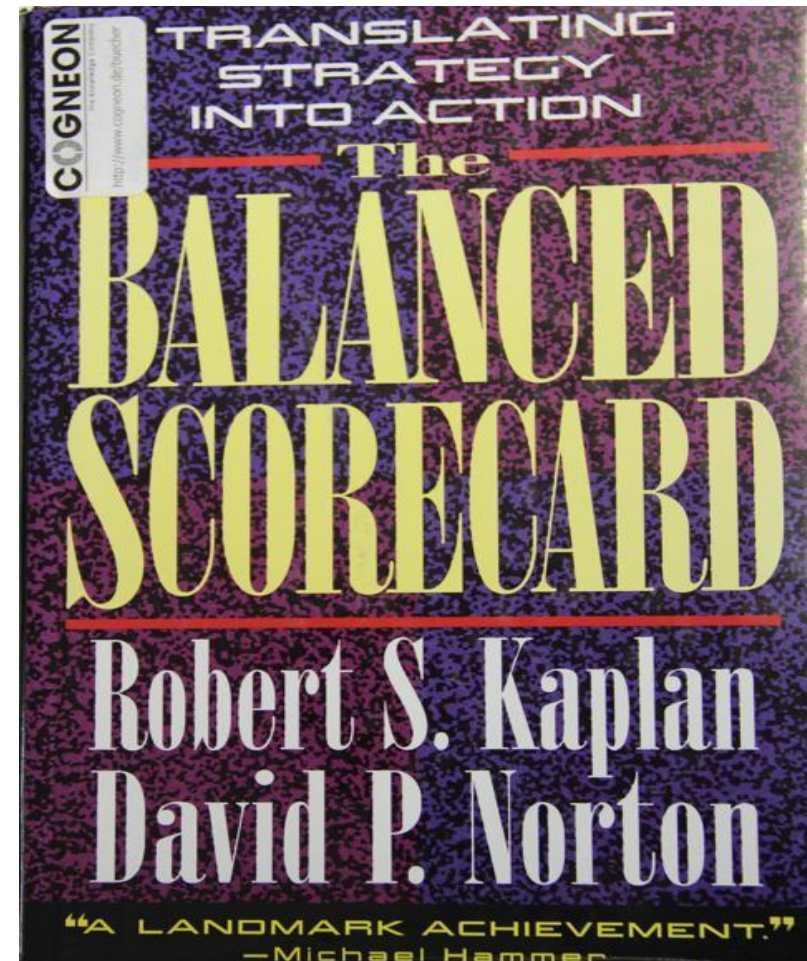
BALANCE SCORE CARD

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Definition

- The Balanced Scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organization by monitoring performance against strategic goals.



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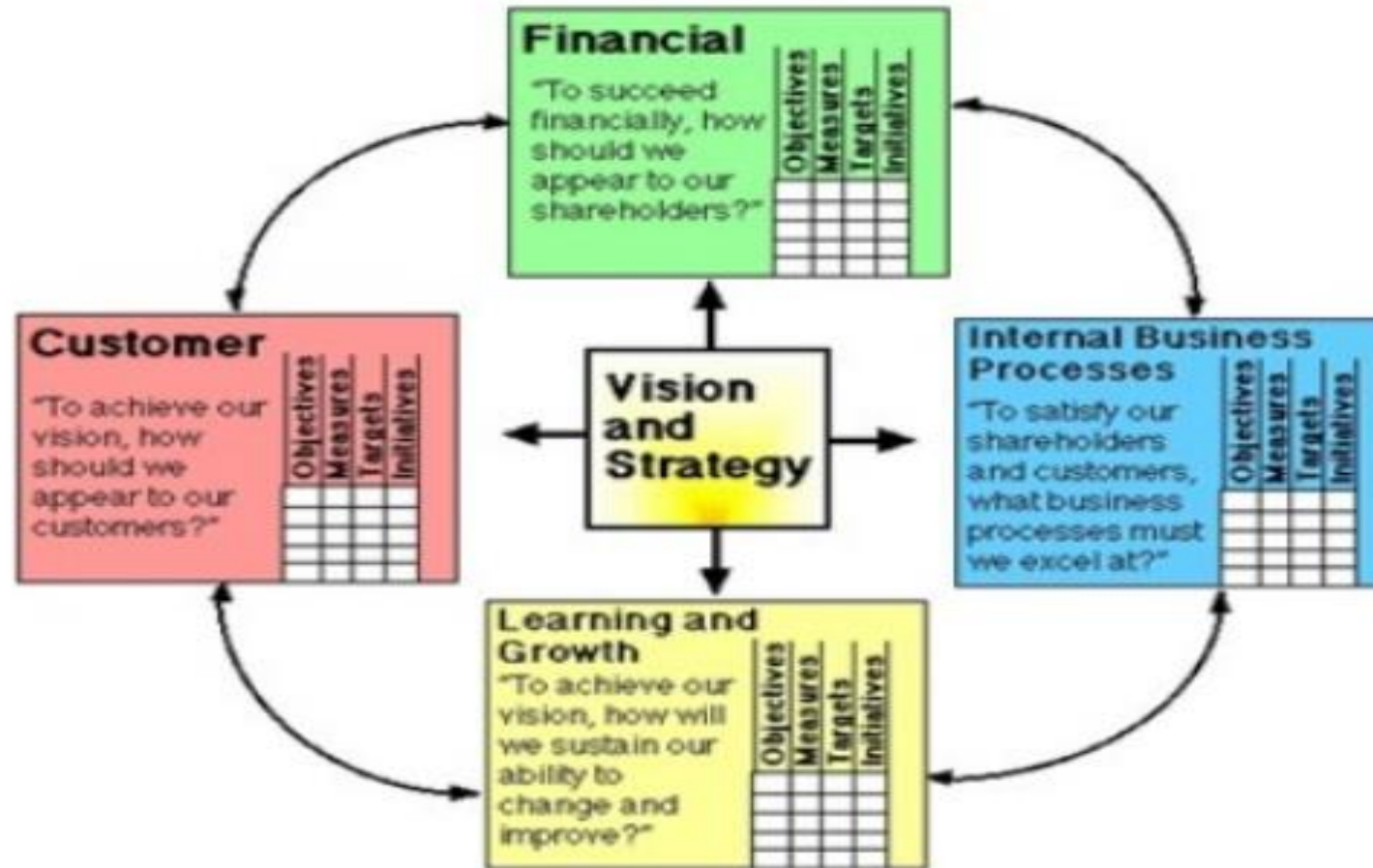
History

- Was first published in 1992 by Kaplan and Norton, a book followed in 1996.
- Traditional performance measurement that only focus on external accounting data are obsolete.
- The approach is to provide 'balance' to the financial perspective

Why Balance score card

- Improve organizational performance by measuring what matters
- Increase focus on strategy and results
- Align organization strategy with workers on a day-to-day basis
- Focus on the drivers key to future performance
- Improve communication of the organization's Vision and Strategy
- Prioritize Projects / Initiatives

Perspectives of Balance Score Card

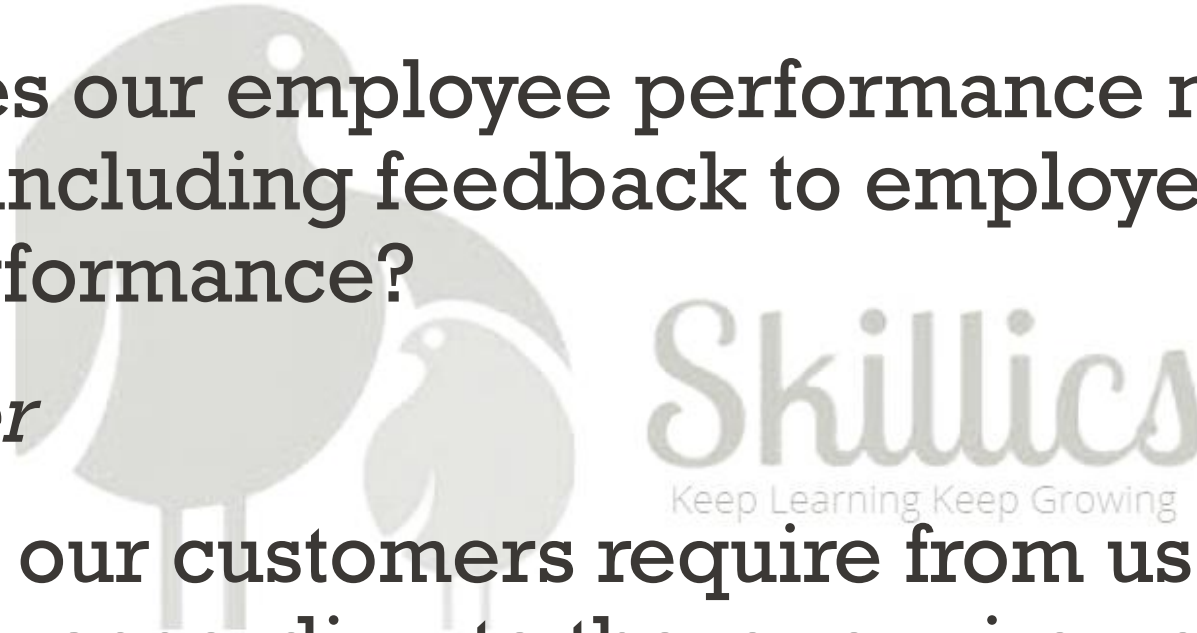


Perspectives of Balance Score Card

- *Financial*
- What must we do to create sustainable economic value?
- *Internal Business Process*
- To satisfy our stakeholders, what must be our levels of productivity, efficiency, and quality?

Perspectives of Balance Score Card

- *Learning and Growth*
- How does our employee performance management system, including feedback to employees, support high performance?
- *Customer*
- What do our customers require from us and how are we doing according to those requirements?



Perspective	Generic Measurements
Financial	Return of Capital Employed, Economic value added, Sales growth, Cash flow

Customer	Customer satisfaction, retention, acquisition, profitability, market share
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Internal business process	<p>Includes measurements along the internal value chain for:</p> <p>Innovation - measures of how well the company identifies the customers' future needs.</p> <p>Operations - measures of quality, cycle time, and costs.</p> <p>Post sales service - measures for warranty, repair and treatment of defects and returns.</p>
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Learning and growth	<p>Includes measurements for:</p> <p>People - employee retention, training, skills, morale.</p> <p>Systems - measure of availability of critical real time</p>
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Key success factors while implementing BSC

- Obtaining executive sponsorship and commitment
- Involving a broad base of leaders, managers and employees in scorecard development
- Beginning interactive (two-way) communication first
- Viewing the scorecard as a long-term journey rather than a short-term project
- Getting outside help if needed

Pitfalls of Balance Score Card

- Lack of a well Defined Strategy
- The balanced scorecard relies on a well defined strategy and understanding of linkages between strategic objectives and metrics. Without this foundation the implementation could fail.
- Too much focus on the lagging measures
- Focusing on only the lagging measures may cause a lack of priority or opportunity for the leading measures.
- Don't just copy metrics from another firm. Identify the measures that apply to your strategy and competitive position .
- Managers whose goal is to achieve a desired result in order to obtain a bonus or other self reward.

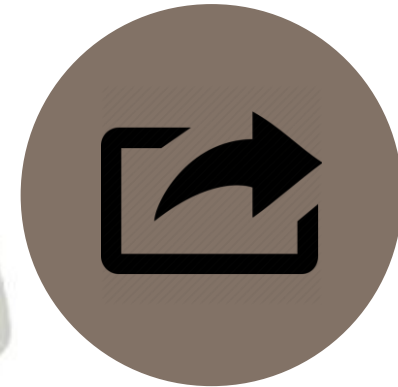
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