



How to Launch Your Balanced Scorecard Program – Making the Case at the Executive Level

Balanced Scorecard Collaborative NetConference

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Today's Agenda

- Why Making the Case at the Executive Level Must be Priority #1
- How Mobilizing the Executive Team Fits into the SFO Framework
- Six Elements to Securing Executive Buy-in to a BSC/SFO Program
- Questions & Answers

Today's Agenda



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Why Securing Executive Commitment is the Most Important First Step

- Our experience tells us that lack of strong executive commitment to a BSC/SFO program is the most common reason for failure.
- Execution of strategy is the CEO and Executive Leadership Team's (ELT's) ultimate responsibility – and they must view the BSC/SFO program as the best way to get a “handle” on the strategy and their leadership agenda.
- A BSC/SFO is far more than just a metrics exercise, it's a new way of managing strategy. The CEO and ELT must be committed to this new method of management.
- CEO and ELT need to understand the longer-term ramifications of adopting an SFO program and its various principles. They should understand the journey ahead before proceeding down the path.
- Change is never easy – establishing a high degree of commitment and buy-in upfront helps maintain forward momentum.

Securing Executive Commitment is Always the First Step, Regardless of How the Program is Introduced

- Oftentimes the BSC/SFO program is introduced by someone who is not a member of the ELT
 - Must create awareness for the CEO and ELT about the BSC/SFO concepts
 - Need to help the CEO and ELT understand how a BSC/SFO program is relevant for their organization
 - Because 50% of BSC's are not implemented correctly, sometimes need to correct misconceptions about the BSC
- Even in those instances in which the CEO introduces the BSC/SFO concept to the organization
 - Need to develop a critical mass of support and enthusiasm for the BSC/SFO among remaining members of ELT
 - Even the CEO needs to understand how the BSC/SFO will specifically benefit his/her organization in the near-term and longer-term
 - Often a desire to benchmark the organization's current strategic management practices against best practice companies

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How Executive Mobilization Fits into the SFO Framework

Today's
Topic

TRANSLATE STRATEGY INTO OPERATIONAL TERMS

- Mission/vision
- Strategy maps
- Balanced Scorecard
- Targets
- Initiatives

MOBILIZE CHANGE THROUGH EXECUTIVE LEADERSHIP

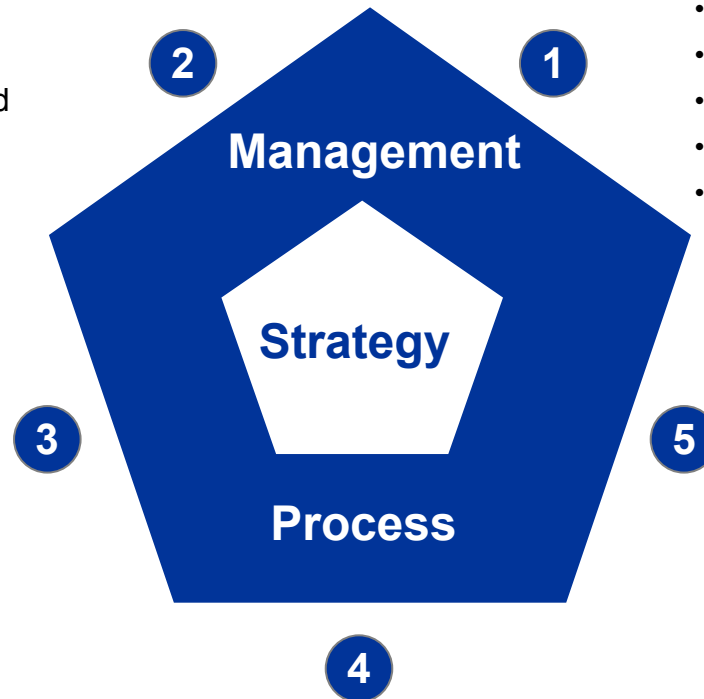
- CEO sponsorship
- Executive team engaged
- “New way of managing”
- Accountable for strategy
- A performance culture

ALIGN THE ORGANIZATION TO THE STRATEGY

- Corporate role
- Corporate - SBU
- SBU - shared services
- External partners

GOVERN TO MAKE STRATEGY A CONTINUAL PROCESS

- Linked to budgeting
- Linked to management
- Management meetings
- Feedback system
- Learning process



MOTIVATE TO MAKE STRATEGY EVERYONE'S JOB

- Strategic awareness
- Goal alignment
- Linked incentives

The Balanced Scorecard is the framework at the center of a Strategy-Focused Organization

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Six Elements to Securing Executive Buy-in to a BSC/SFO Program

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Activities Designed to Help Foster Commitment to a BSC/SFO Program

Through working with clients we have identified six activities that can help increase awareness about the BSC/SFO and secure commitment to the program

1. Establishing a shared vision with the CEO about how the BSC/SFO is inextricably linked to his/her core strategic agenda
2. Conducting executive education on key BSC/SFO concepts
3. Valuing the benefits that can be achieved through a successful BSC/SFO program
4. Analyzing the costs/risks of *not* achieving the stated strategy
5. Assessing how well the organization currently manages strategy as compared to best practice organizations
6. Estimating the near-term and longer-term resources required to successfully implement a BSC/SFO program

1. Establishing a shared vision with the CEO about how the BSC/SFO is inextricably linked to his/her core strategic agenda

- Seek first to understand the CEO's key goals and leadership agenda.
- Show that the end-result of a BSC/SFO program is superior strategy execution of that leadership agenda.
- BSC/SFO is not a simple metrics of KPI exercise.
- Ultimate ownership of the BSC rests with the CEO and his/her ELT.
- Set expectation that the CEO and ELT must be part of the development process. Cannot delegate all the work to a project team.
- Sometimes a high-level strategy map helps illustrate how the organization's strategy can be articulated through a BSC.

2. Conducting executive education on key BSC/SFO concepts

- Half of the companies claiming to use a BSC are doing it wrong. Must clear up any incorrect pre-conceived notions about what a BSC is and is not
- BSC is not an “executive dashboard”
- The BSC is familiar to many executives, but the five principles of the SFO are not as commonly understood
- Any education session should be tailored to the unique issues and challenges facing the organization and its industry. Purely academic and generic education not as impactful
- Time should be allotted for the CEO and ELT to ask questions and figure out how a program might be deployed in their organization

3. Valuing the benefits that can be achieved through a successful BSC/SFO program: Strategy Upside

- Qualitative benefits such as “alignment” and “focus” are real and powerful, but many executives prefer a quantitative measurement of breakthrough results
- Strategy Upside measures the potential impact of effectively implementing strategy, and is based on current 3-5 years projections, and their underlying assumptions.
- Underlying assumptions in the valuation should be shared with and debated by key stakeholders, so the best possible valuation can be developed
- Work with organization’s internal finance and operations teams to estimate the value of a BSC/SFO program and then build consensus with the CEO and ELT so that they “own” the result.

4. Analyzing the costs/risks of *not* achieving the stated strategy: Strategy Risk

- It is important to understand the POPSE (Price of Poor Strategy Execution)
- An element of the POPSE is the opportunity cost of not achieving the organization's strategic plan or breakthrough results
- Other elements of Strategy Risk:
 - Loss of investor confidence
 - Diminished workforce morale
 - Confusion created from shifting strategic focus
 - Erosion of CEO and ELT's credibility
 - Once lost, these other elements are difficult to regain

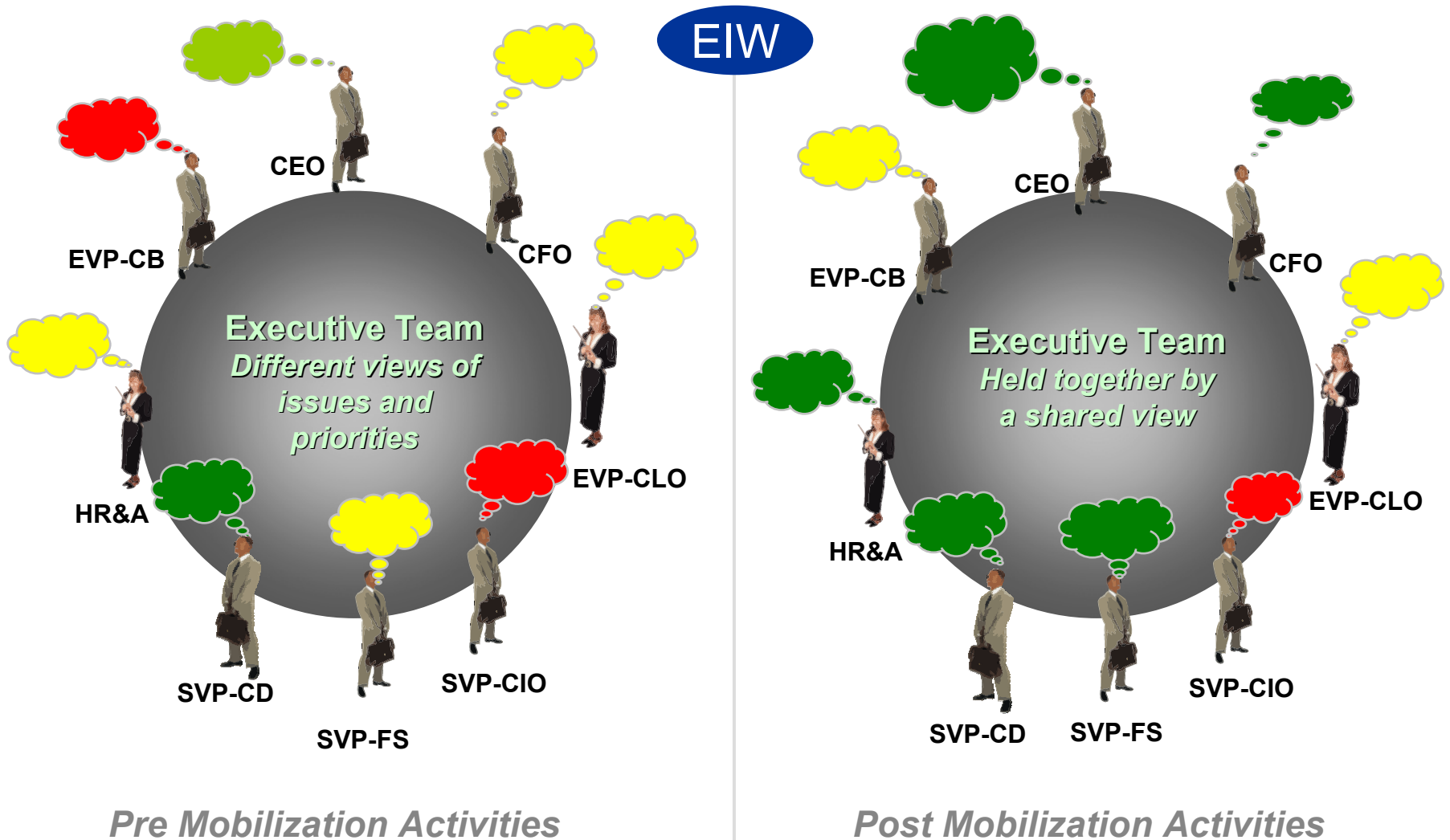
5. Assessing how well the organization currently manages strategy as compared to best practice organizations

- Even if an organization does not use the terms “BSC” or “SFO”, they may be following some of these principles
- It is important to understand what strategy management practices the organization currently performs well
- A benchmarking of strategy management practices helps prioritize which principles to focus on first, and therefore forms the basis for the near term project plan
- The assessment covers all aspects of the SFO principles, and so prepares the ELT to understand what is needed to achieve the targeted breakthrough results

6. Estimating the near-term and longer-term resources required to successfully implement a BSC/SFO program

- Before committing to a longer-term SFO program, the CEO and ELT need a basic estimate for the time and resources required
- Near-term (3-6 month) resources to develop a BSC can be estimated with great accuracy
- Longer-term (6-18 month) resources for an SFO program are harder to predict with certainty, but ranges can be determined
- Determine the mix of internal and external resources needed to be successful

Engineering Executive Buy-In: The Executive Insights Workshop overcomes lack of focus, inertia, fear of change, hidden agendas, etc.



Pre Mobilization Activities

Post Mobilization Activities

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Questions & Answers