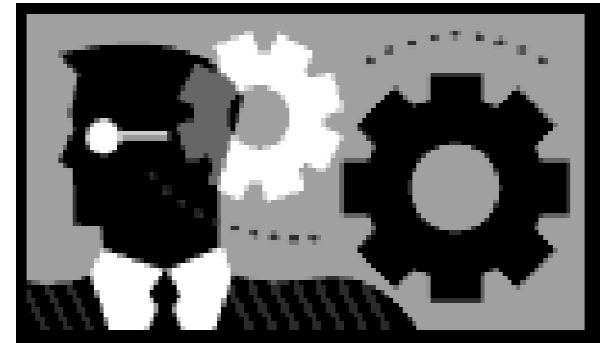


ECONOMIC EVOLUTION

COMPANY A



TO NEW MANAGEMENT METHODS



COMPANY B



CLASSIC MANAGEMENT METHODS

TO MEASURE ONLY WITH FINANCIAL PARAMETERS ITS NOT ENOUGH



NEW MANAGEMENT TRENDS

VALUE CREATION



CUSTOMERS



INTERNAL PROCESS



HUMAN RESOURCES

Balance Sheet

Profit and Loss Account

INTELLECTUAL ASSETS, BRAND,
CUSTOMERS
TECNOLOGY



TYPICAL PROBLEMS OF MANAGEMENT

- ▶ Missing Information for Decision Making
- ▶ Arrive late information
- ▶ Missing Responsibility

Financial

- ▶ Excessive delivery times
- ▶ Customers not satisfied

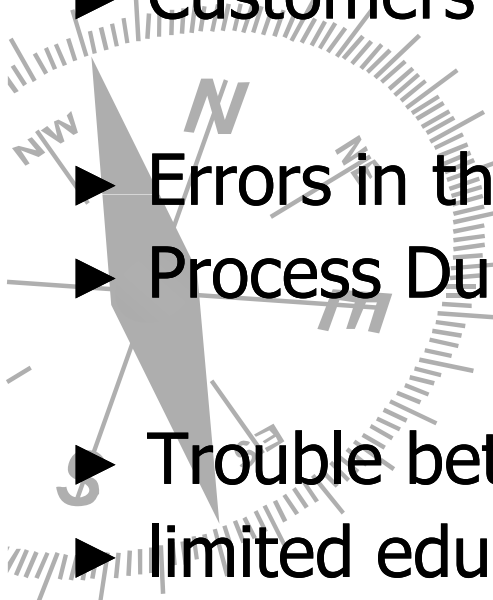
Customers

- ▶ Errors in the production process (Quality)
- ▶ Process Duplication

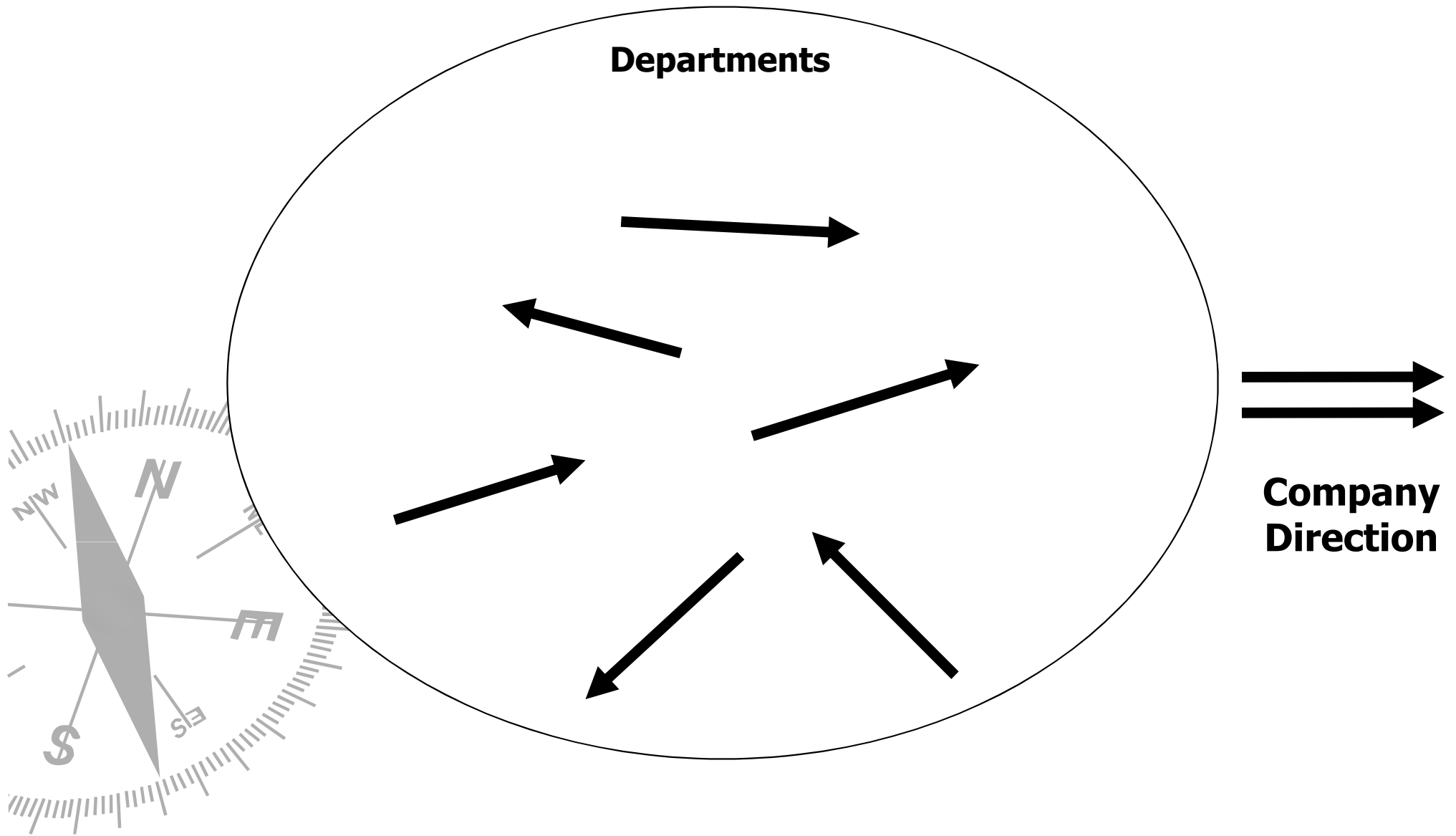
Process

- ▶ Trouble between Departments
- ▶ limited education
- ▶ Missing Motivation of employees

Employees



DIRECTION TO FOLLOW



ALIGNMENT



Optimum

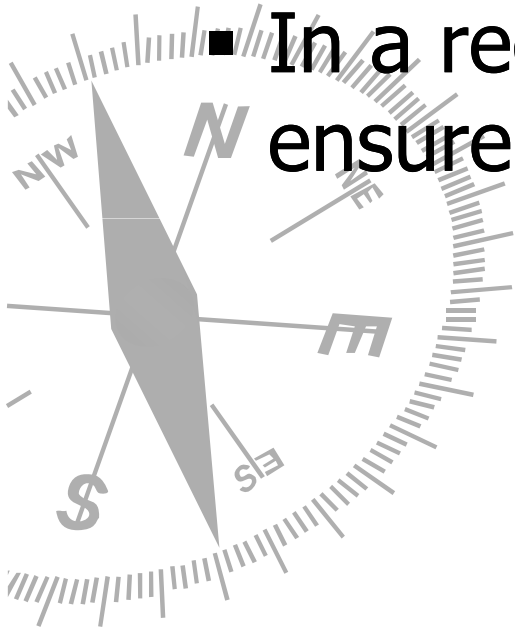


Current

STRATEGY CONCEPT

- Art of directing military operations

- In a regulated process, the set of rules that ensure an optimal decision at any time



STRATEGY CONCEPT

▶ Business Reality

- Archiver full of market research, spreadsheets and slides supporting the result we want to achieve but if we follow exactly will lead to absolute ruin



STRATEGY CONCEPT

▶ SUCCESS IS ACHIEVED WHEN "THE STRATEGY OF DAILYWORK IS EVERYONE WHO IS IN THE BUSINESS"



▶ 70% OF COMPANIES FAIL IN THE IMPLEMENTATION OF THE STRATEGY: BECAUSE OF A BAD FORMULATION OR IMPLEMENTATION

CAUSES OF THE FAILURE

- ▶ 95% of employees do not understand or know the strategy
- ▶ 70% do not relate to the Strategy objectives
- ▶ 60% does not link budgets to strategy
- ▶ 85% of executives do not spend even 1 hour a month to discuss the strategy, only talk of short-term performance



STRATEGY IN THE BUSINESS

▶ STRATEGIC OBJECTIVES

Where we go?

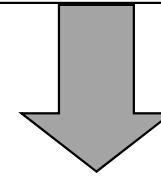
▶ INITIATIVES

How we do?

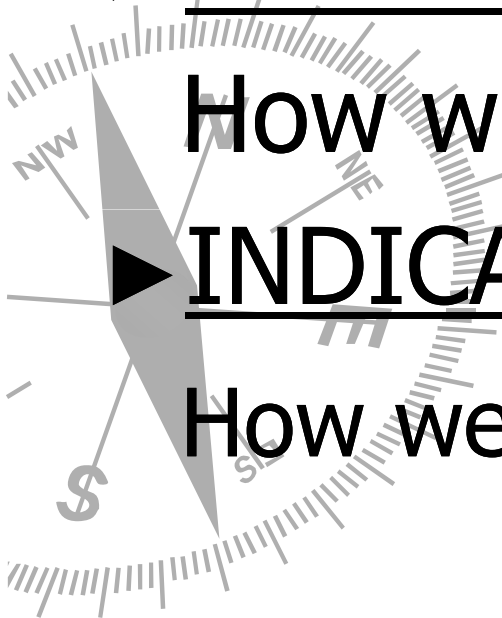
▶ INDICATORS

How we know if we are in the correct way?

**ENTERPRISE-WIDE
MUST BE INVOLVED
THE STRATEGY**

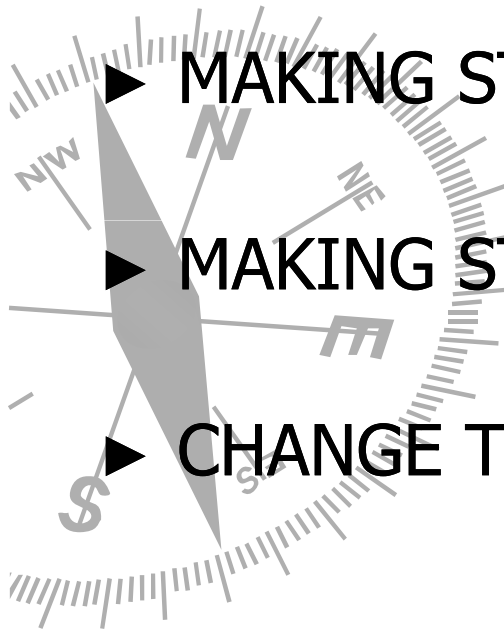


CREATING COMPETITIVE ADVENTAGE

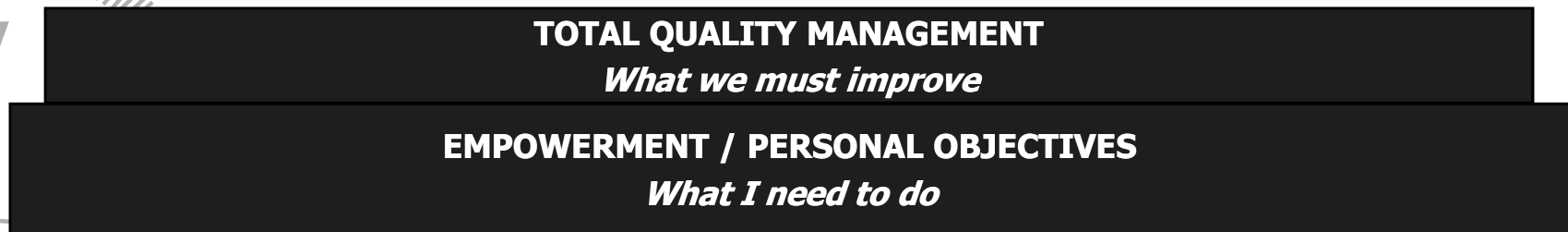
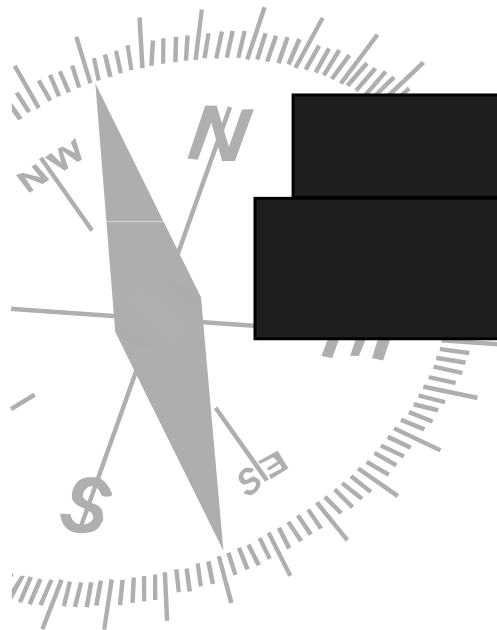


PRINCIPLES OF STRATEGY IMPLEMENTATION

- ▶ TRANSLATE THE STRATEGY INTO OPERATIONAL OBJECTIVES
- ▶ ALIGN THE ORGANIZATION STRATEGY
- ▶ MAKING STRATEGY EVERYONE'S JOB
- ▶ MAKING STRATEGY A CONTINUOUS PROCESS
- ▶ CHANGE TO IMPLEMENT THE EXECUTIVE LEADERSHIP



A Gap Exists Between Mission-Vision-Strategy and Employees' Everyday Actions

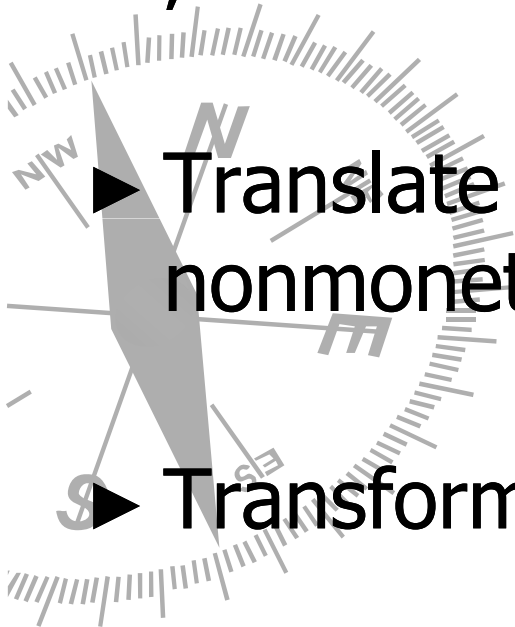


The Balanced Scorecard Links Vision and Strategy to Employees' Everyday Actions



WHAT 'S BALANCED SCORECARD?

- ▶ Strategic management tool that provides measurements of Effort and Results
- ▶ Help to communicate, align , inform , monitor , motivate, encourage, train and improve
- ▶ Translate the strategy into a set of monetary and nonmonetary indicators
- ▶ Transforming strategy into action and results

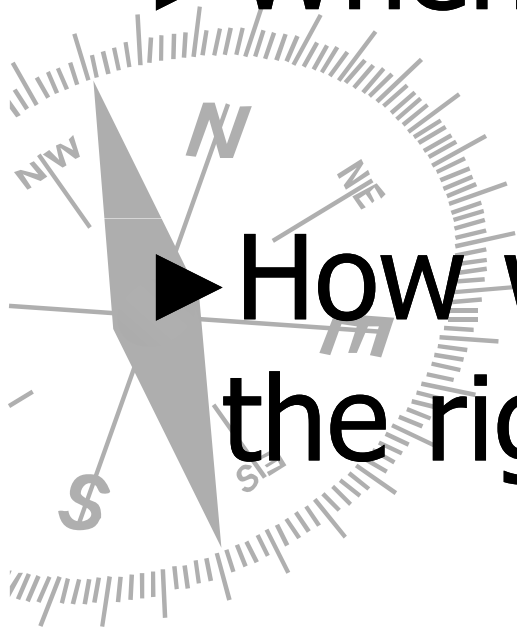


BSC OBJECTIVES

▶ DEFINE What do we achieve?

▶ When did you get?

▶ How will we know we're on the right way?



BSC PERSPECTIVES

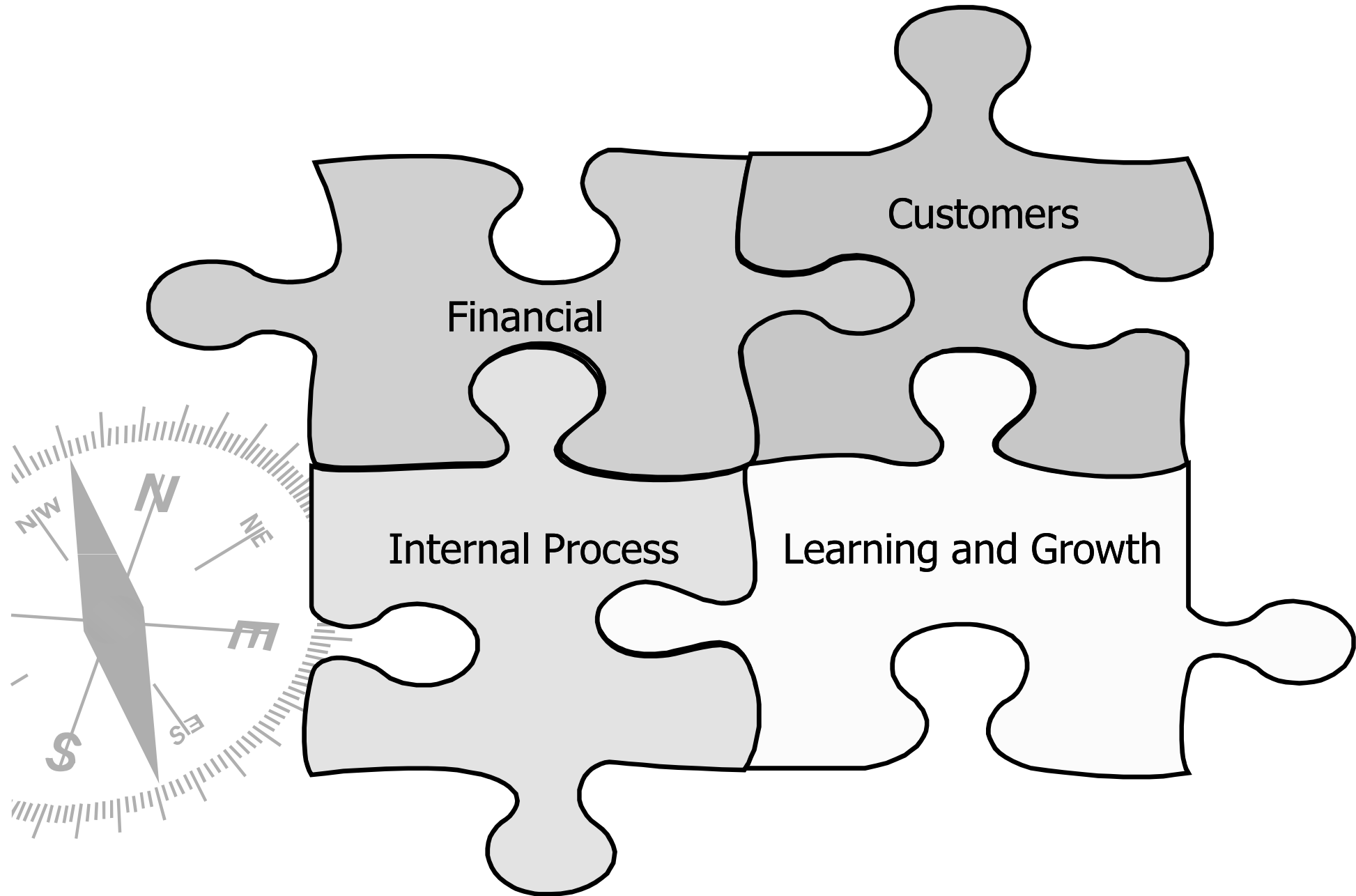




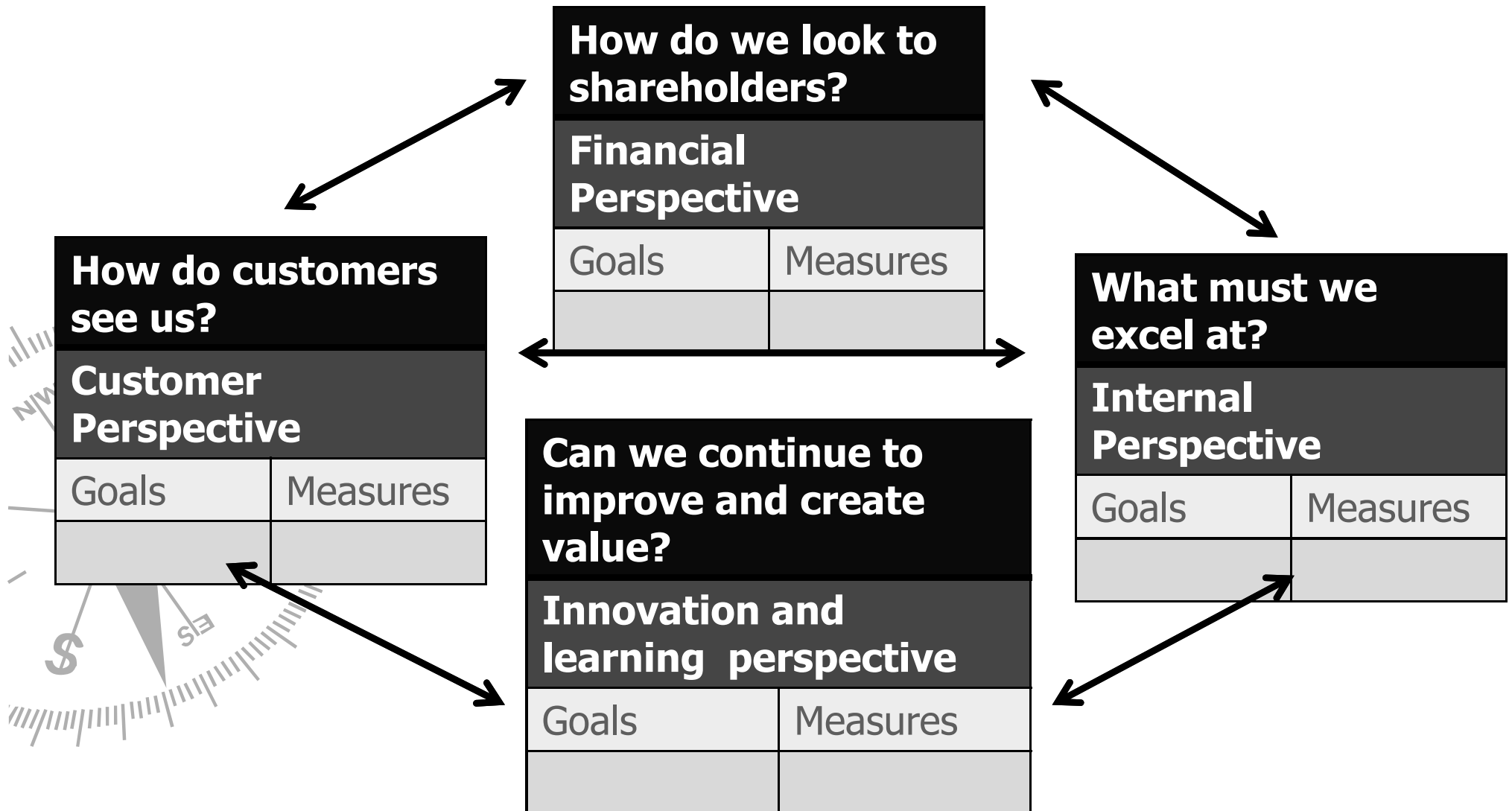
IMAGE COURTESY OF BOEING

MARCO GOMEZ ICI NPI | WWW.MANDOLUX.COM

PILOTS ONLY WITH ALTIMETER INDICATOR CAN LEAD TO DISASTER

Four Perspectives

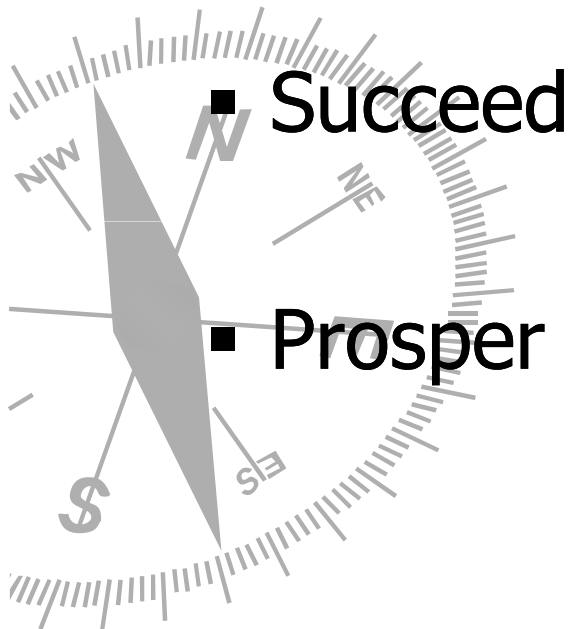
- ▶ It allows managers to look at business from four different perspectives and it provides answer to four basic question:



Financial Perspective

► How do we look to stockholders?

- Survive



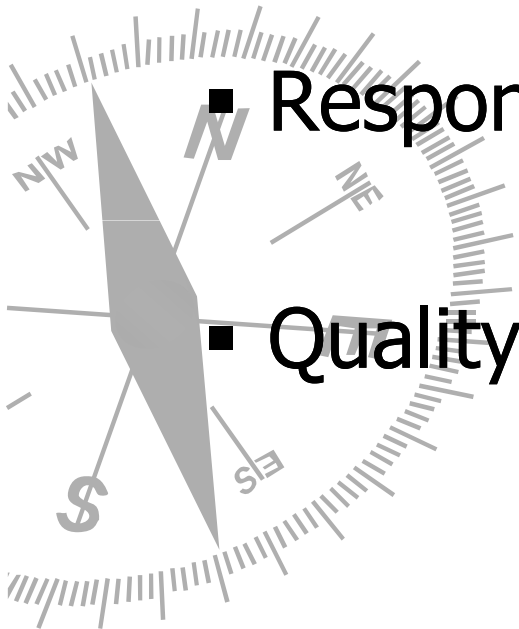
Customer Perspective

▶ How do our customers see us?

- New products

- Responsiveness

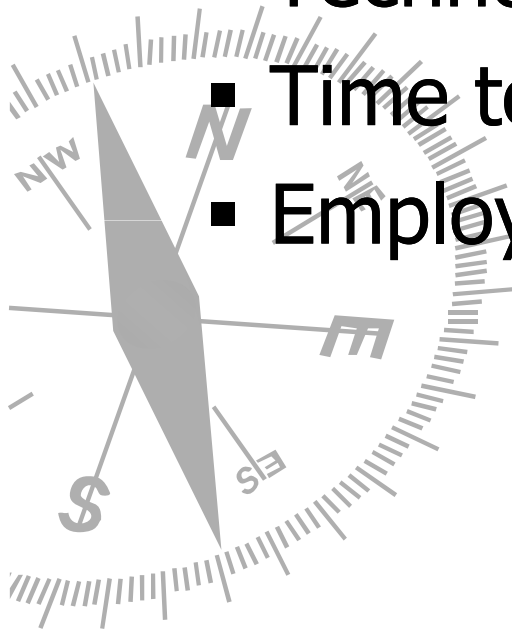
- Quality



Innovation and Learning Perspective

► Can we continue to improve and create value?

- Technological leadership
- Time to market
- Employee training and satisfaction



Perspectives are Interrelated

- ▶ Innovation pleases customers which are necessary for good financial results
- ▶ Good financial results make financing improvements possible



DESIGN AND MONITORING OF BSC

Define Strategy:

- Mission
- Action Plan



Identify Key Factors and Strategy Map



Select correct indicators



Design your Balanced Scorecard



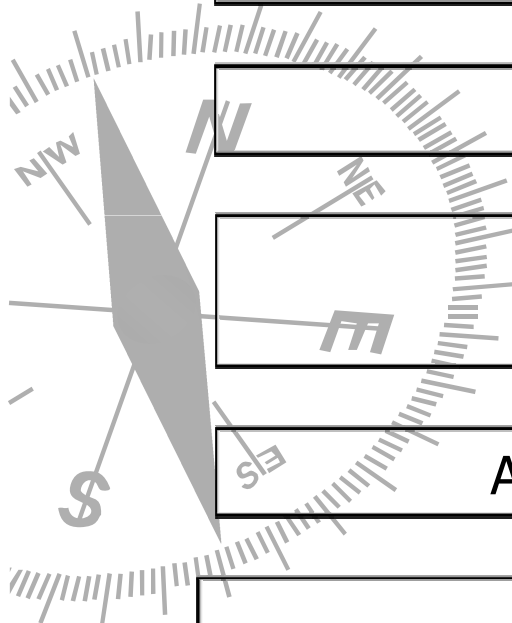
Define goals for indicators



Analyze Deviations / Target Values – Real Values



BETTER DECISIONS/ INITIATIVES



DEFINITION OF KEY FACTORS

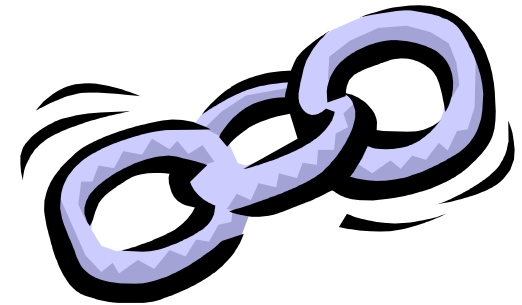
- ▶ **FINANCIAL:** What should we do to meet the expectations of our shareholders?
- ▶ **CUSTOMER:** What should we do to meet the needs of our customers?
- ▶ **PROCESS:** What processes must be great to satisfy these needs?
- ▶ **PERSONAL:** What aspects are critical to maintaining this excellence?



KEY INDICATORS DEFINITION

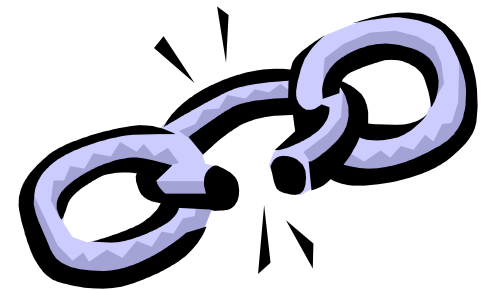
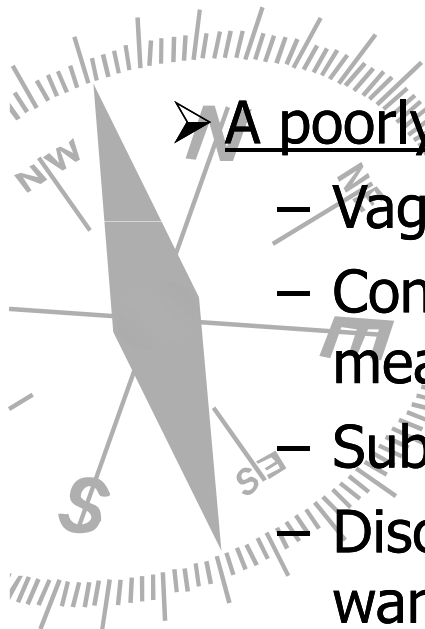
▶ A well-defined indicator:

- Concrete
- Consuming time in the definition phase
- Clear rules of the game
- No discussion / interpretation in the measurement



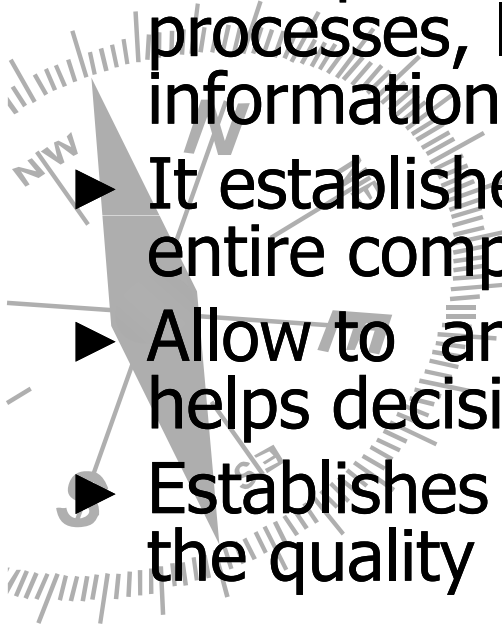
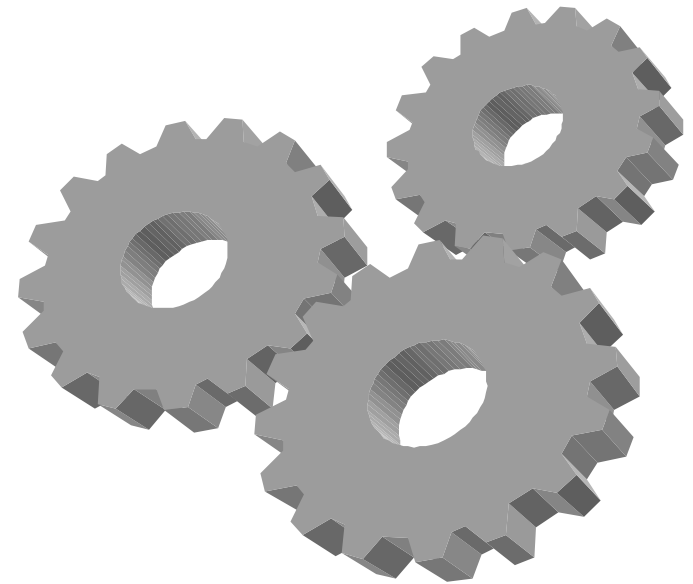
▶ A poorly defined indicator:

- Vague / undefined
- Consuming too much time in each measure
- Subjective Rules
- Discussion / interpretation of what we wanted to measure
- Lack of motivation



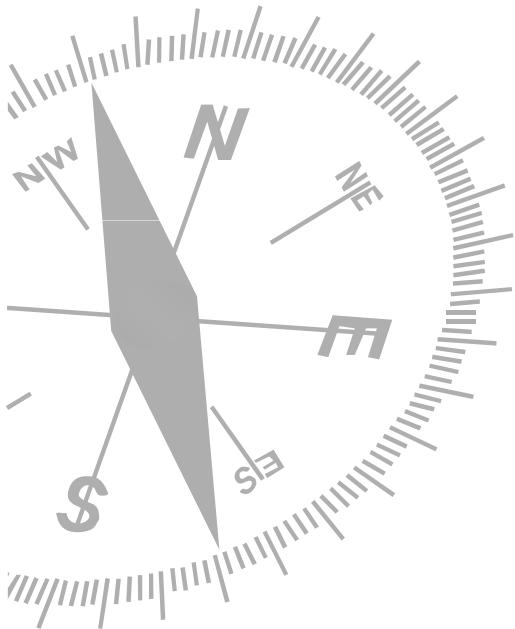
CONCLUSION

- ▶ Allows you to control all aspects of the Company
- ▶ Integrates the key factors of success
- ▶ Establish cause-effect
- ▶ Balance short-and long-term
- ▶ Solve problems such as duplication of processes, lack of motivation, lack of information and responsibilities
- ▶ It establishes a way forward for the entire company
- ▶ Allow to analyze the deviations and helps decision making
- ▶ Establishes procedures and improve the quality



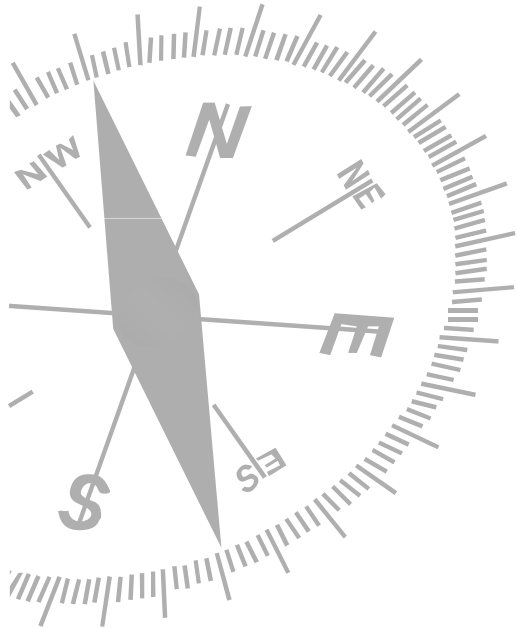
IMPLEMENTATION OF **THE STRATEGY**

"BALANCED SCORECARD"



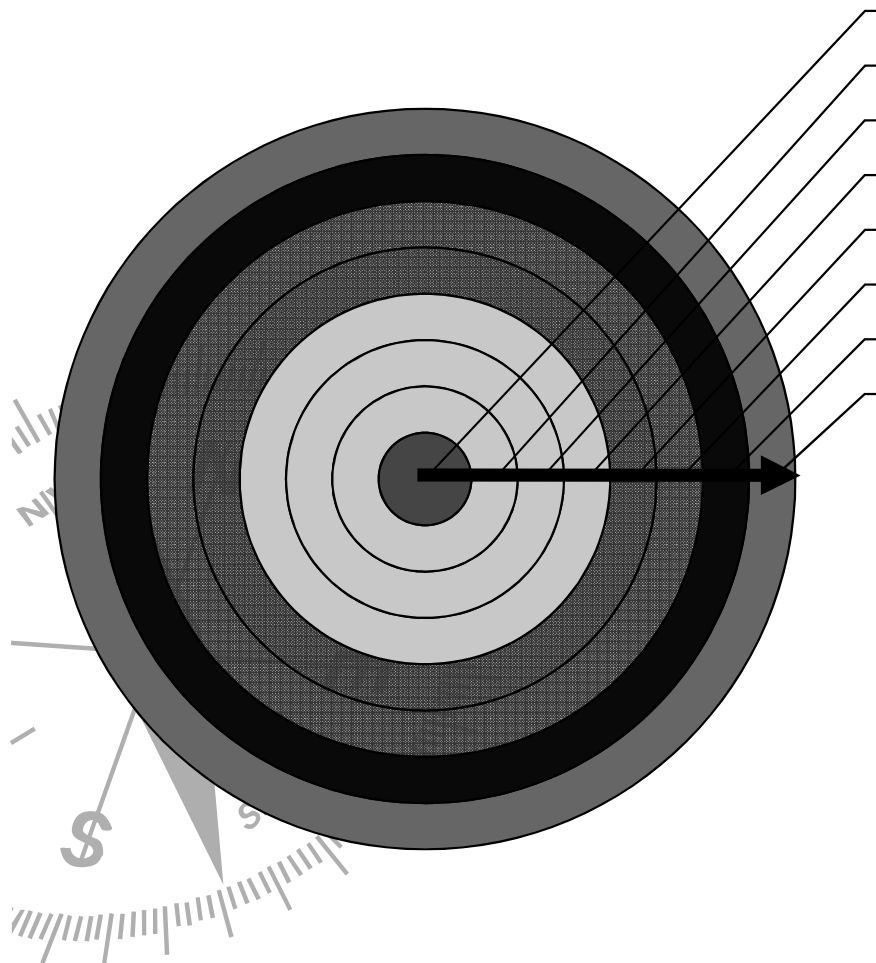
YOUR COMPANY POSITION

.

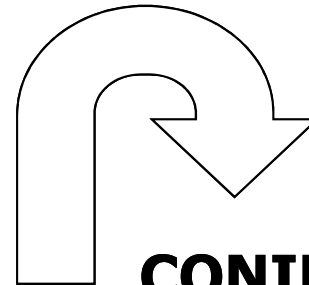


IMPLEMENTATION PHASES

"Balanced Scorecard"

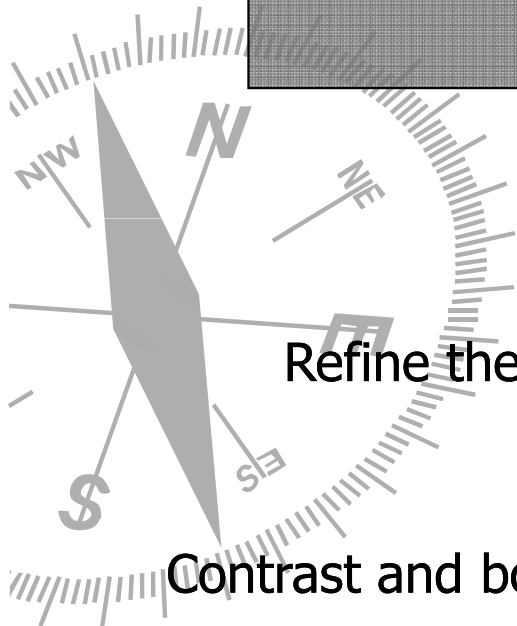


- 1.Strategy Relexion
- 2.Strategy Map Definition**
- 3.Identification of Objectives**
- 4. Cause-Effect Relationship**
- 5.Definition of indicators**
- 6.Goals and Initiatives**
- 7.Software**
- 8.Communicate to all organization**



CONINUOUS MONITORING

STRATEGIC REFLEXION

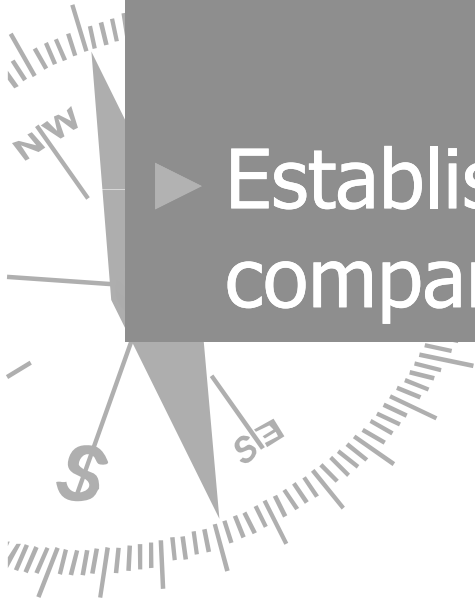


Review and identify concrete strategic issues
Refine the separation between the formulation and implementation
(thought and action)

Contrast and boosts the consensus of senior management on strategic issues

STRATEGY MAPS

- ▶ Explicit strategic thinking: Shared Vision
- ▶ Its construction has "as much art as science"
- ▶ Establish cause-effect relationships of the company



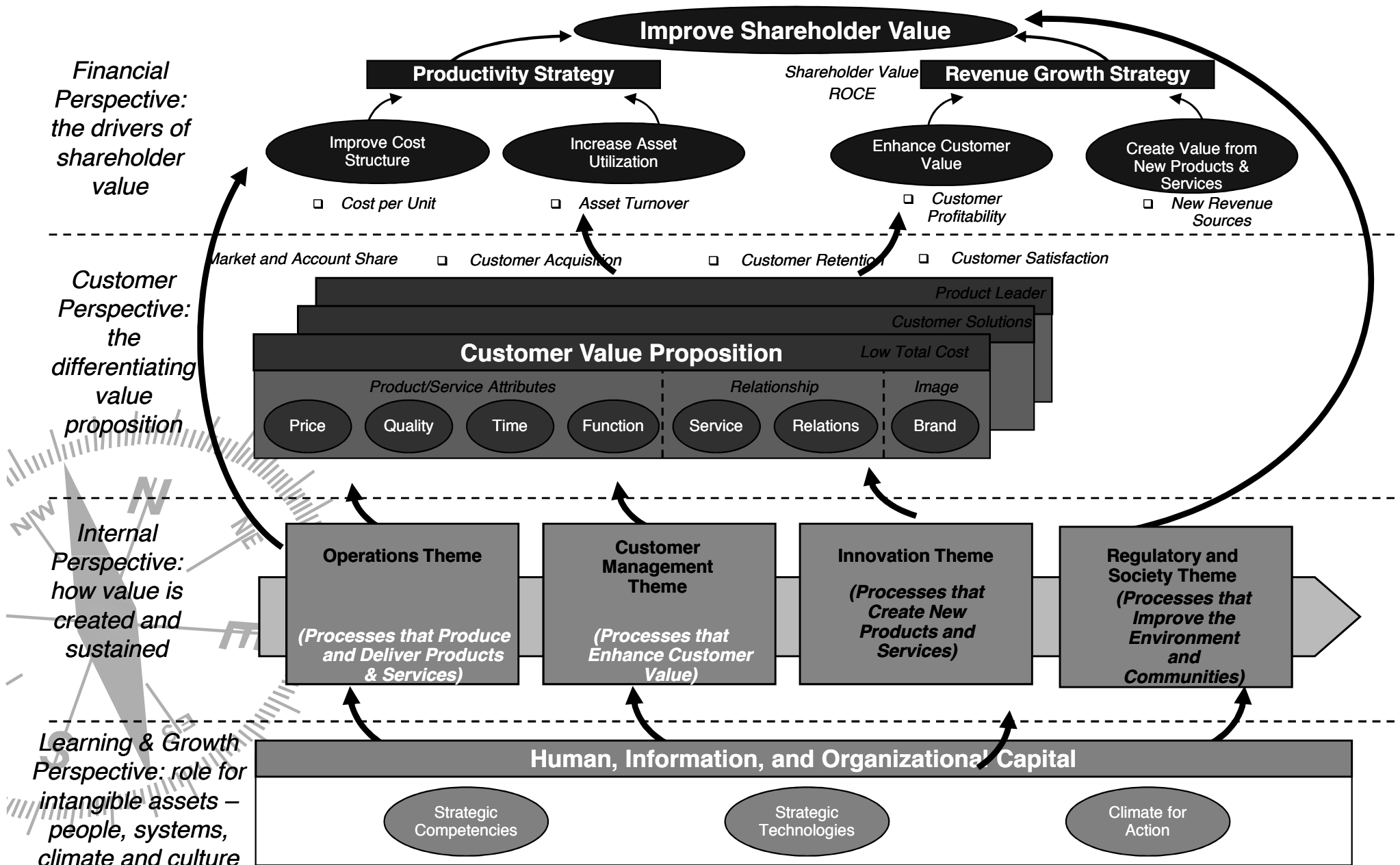
INDICATORS AND GOALS

- ▶ Each strategic objective is associated with an indicator and a target with levels of success and failure
- ▶ Two types of indicators: outcome and drivers
- ▶ Measurement is the language that gives clarity to vague concepts
- ▶ The measure is oriented to communication, not control
- ▶ All measurements are finally connected to the results of the organization

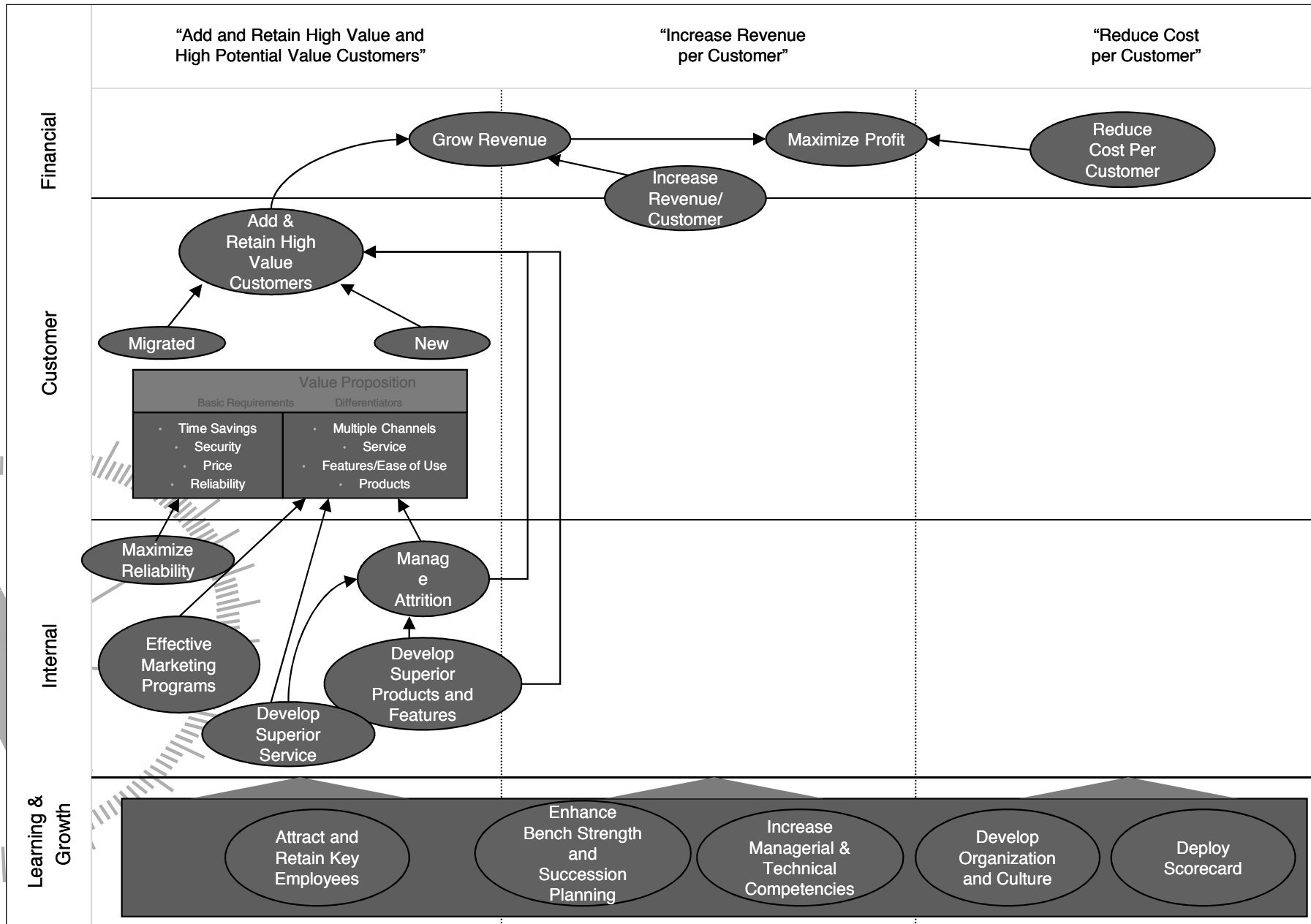
Initiatives

Not an end in itself but a means to achieve strategic objectives

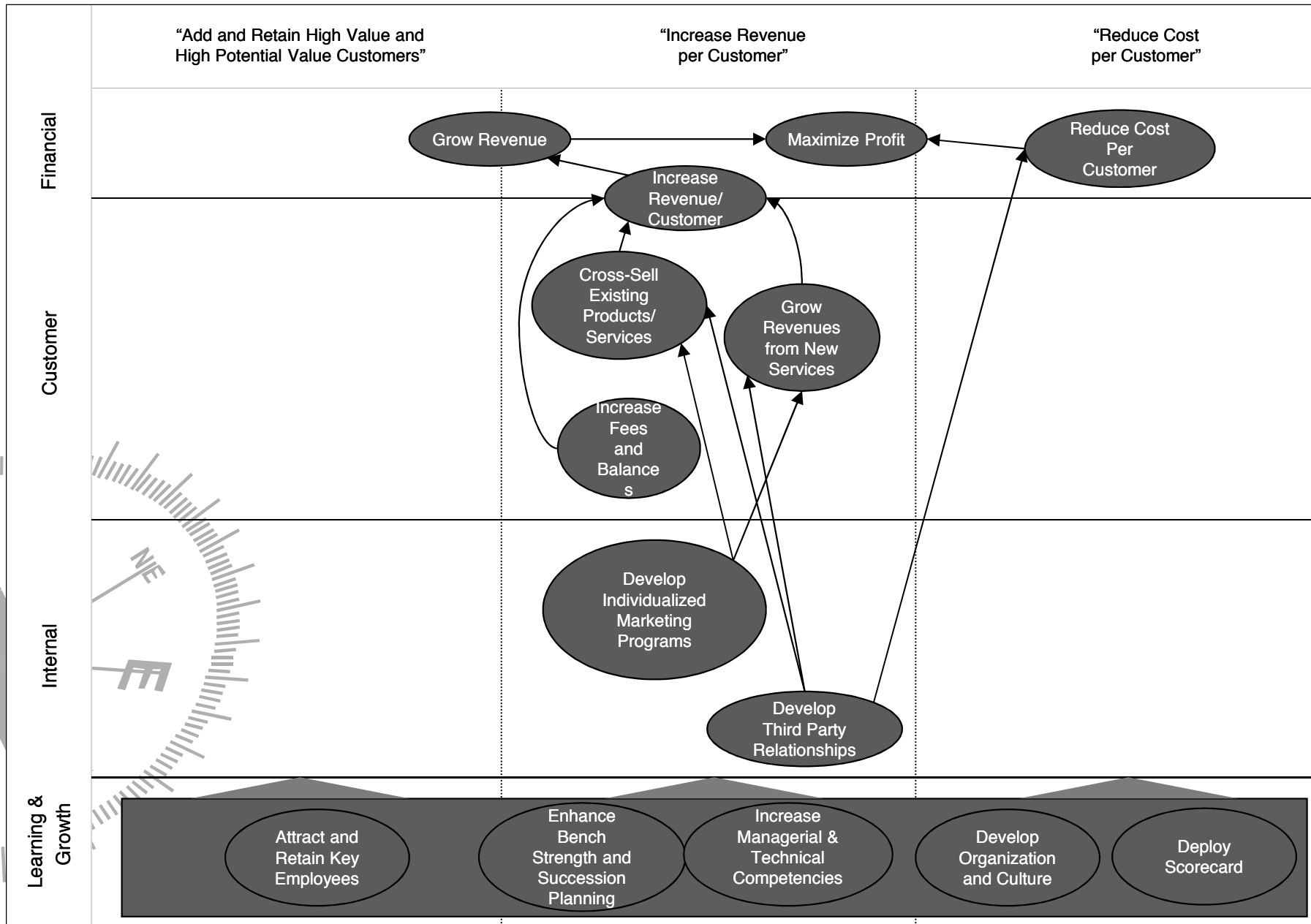
The Complete Balanced Scorecard Strategy Map



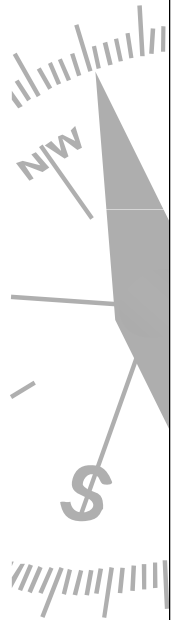
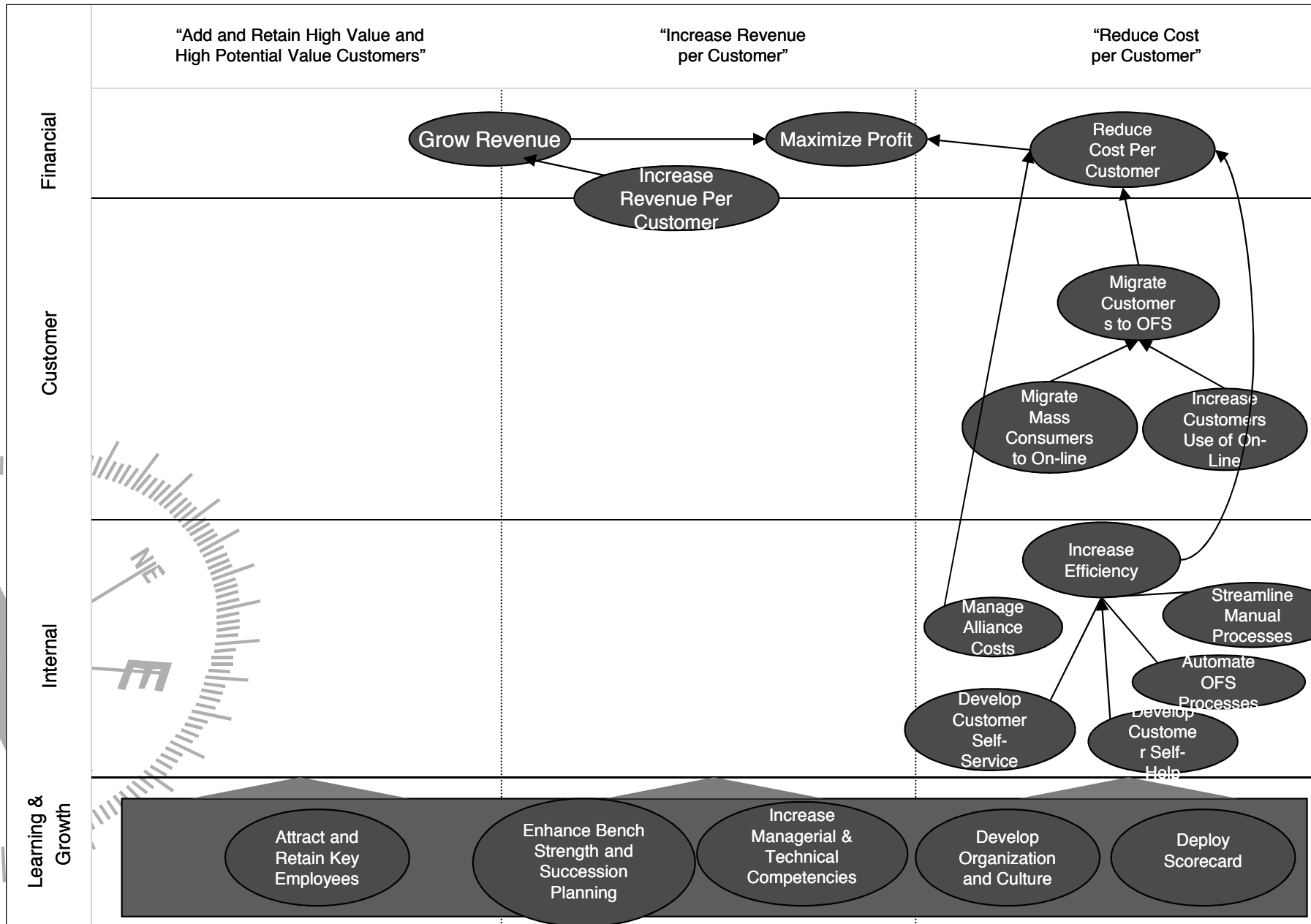
Internet Banking Company: “Add and Retain High Value Customers” Theme



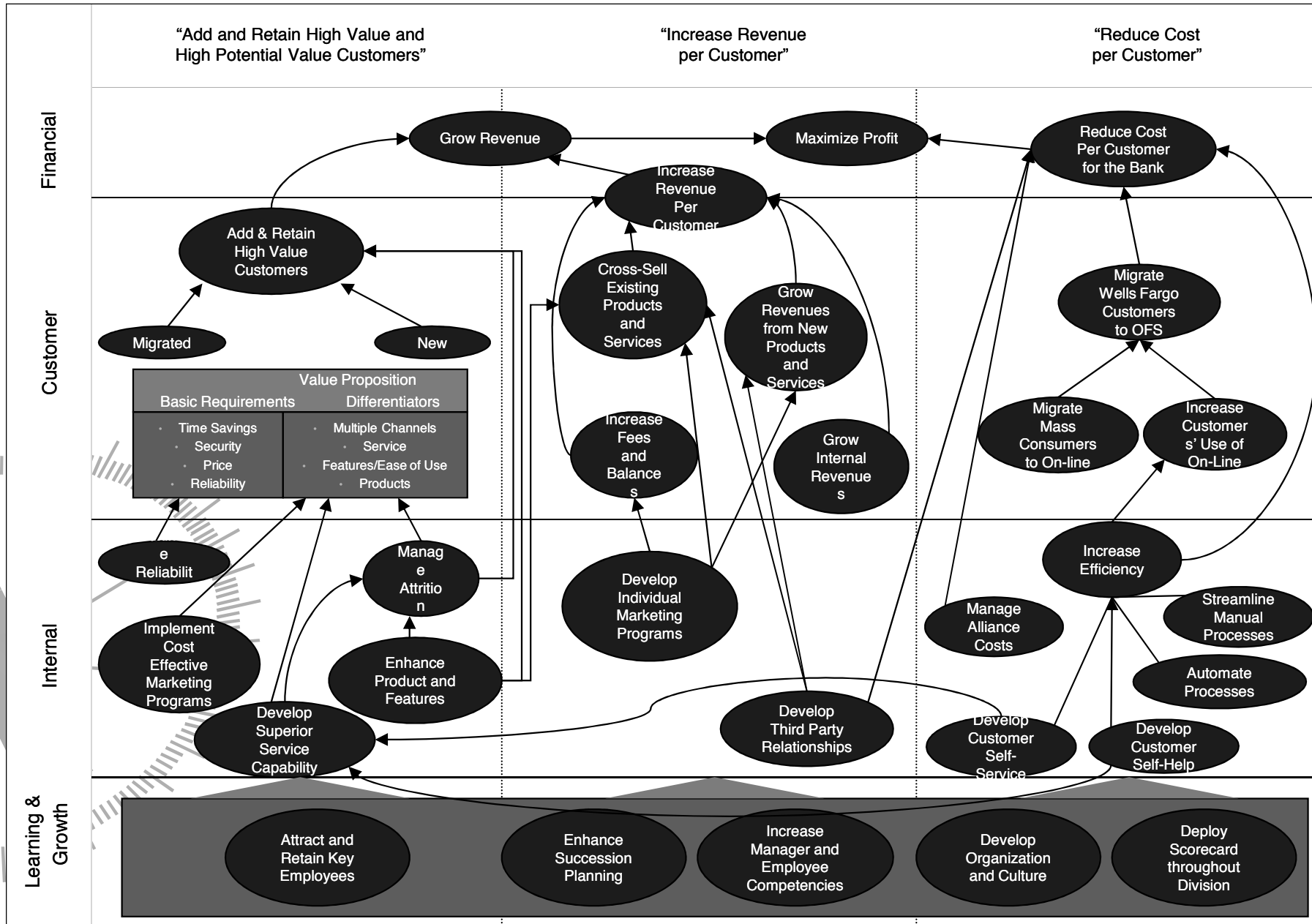
Internet Banking Company: "Increase Revenue per Customer" Theme



Internet Banking Company: "Reduce Cost per Customer" Theme

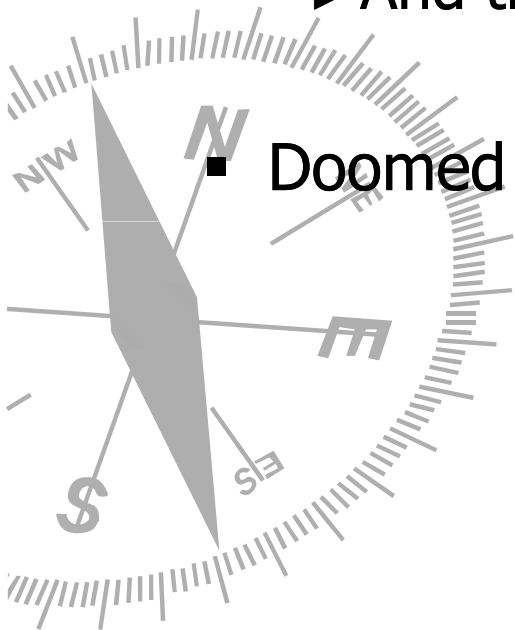


Online Financial Services: Complete Strategy Map



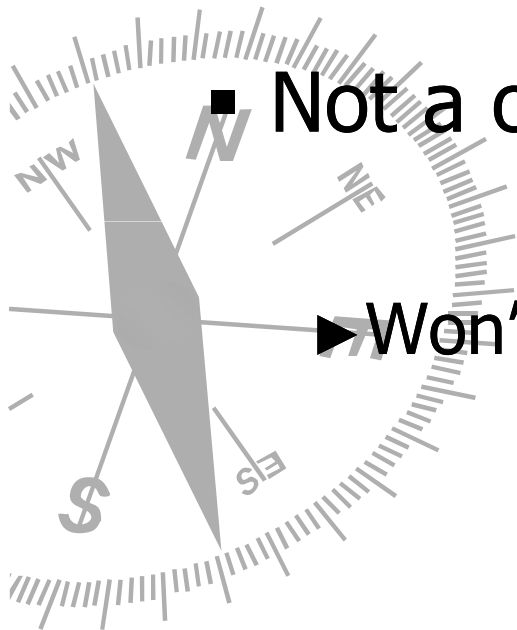
Implementation Steps

- ▶ Initiative must start at the top
 - Only senior management has grasp of overall strategy
 - ▶ And the authority to make strategic decisions
 - Doomed without commitment from the top



Implementation Steps

- ▶ Requires teamwork, collaboration
 - Different perspectives, expertise required

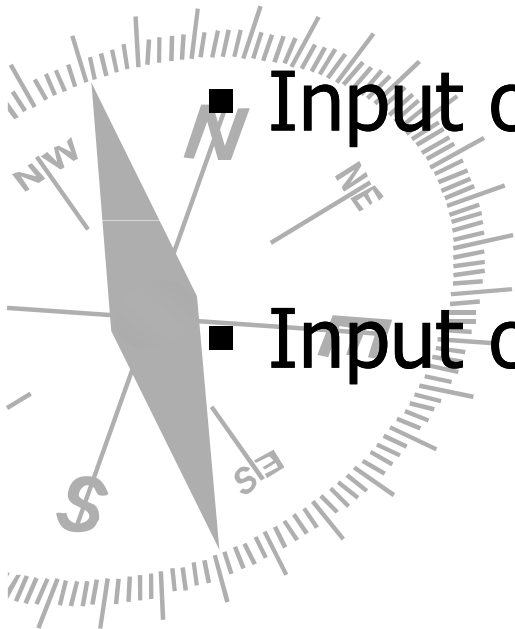


- Not a one-person job

▶ Won't produce buy-in

Implementation Steps

- ▶ Interview senior managers
 - Input on strategic objectives
 - Input on critical success factors
 - Input on possible measures



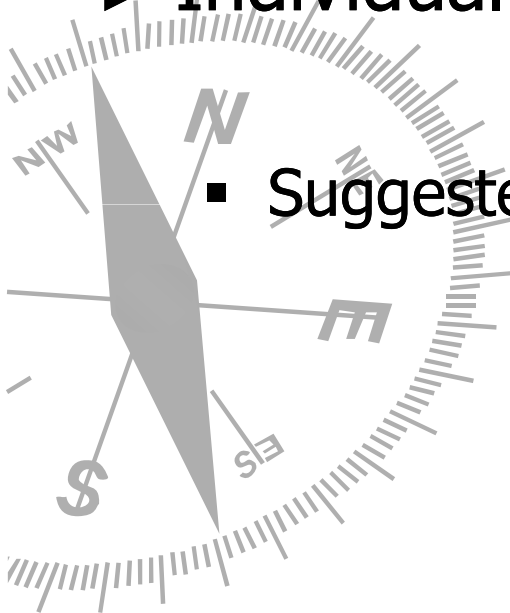
Implementation Steps

▶ Gain consensus

- Senior managers develop tentative scorecard as a group

▶ Individual reactions

- Suggested refinements



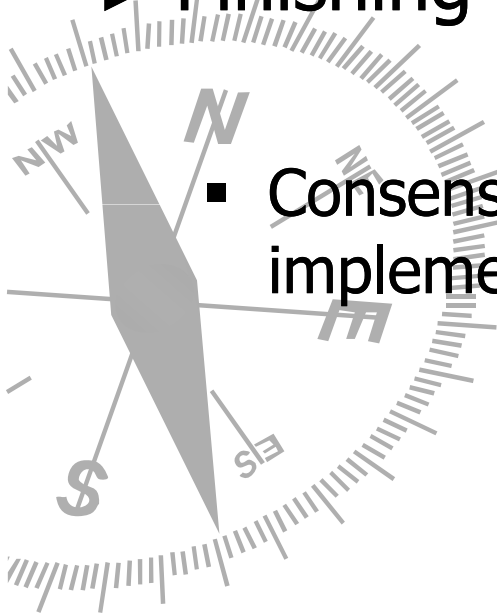
Implementation Steps

► Expand consensus

- Larger group refines tentative scorecard

► Finishing touches

- Consensus on vision, objectives, measures, targets, implementation program, etc.



Implementation Steps

► Selection of metrics

- Must relate to strategic goals
- Both leading and lagging
- May not be “exact”
- May come from external sources
- Not too many
- Not too few



Implementation Steps

► Roll-out

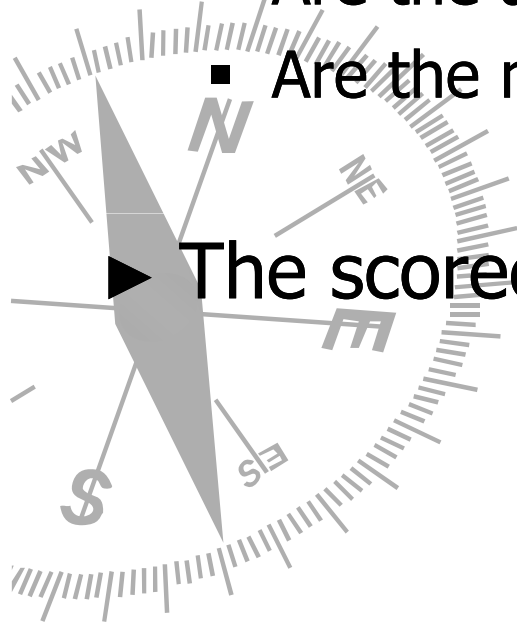
- Link to data bases and information system
- Communicate to employees
- Develop scorecards for lower levels



Implementation Steps

► Periodic reviews

- Has strategy changed?
- Are the objectives valid?
- Are the activities valid?
- Are the measures valid?



► The scorecard evolves with the organization

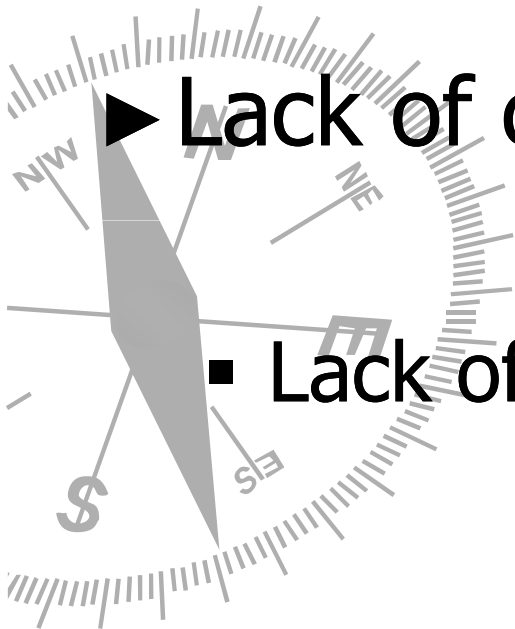
The Road to Disaster

- ▶ Senior management not committed

- No one else will be either

- ▶ Lack of consensus

- Lack of commitment

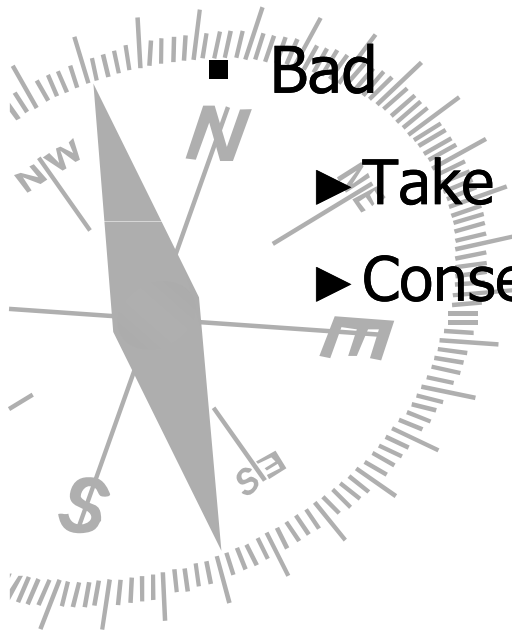


The Road to Disaster

▶ Consultants

- Good

- ▶ Provide needed expertise



- ▶ Take over the project

- ▶ Consensus, commitment of employees is lost

The Road to Disaster

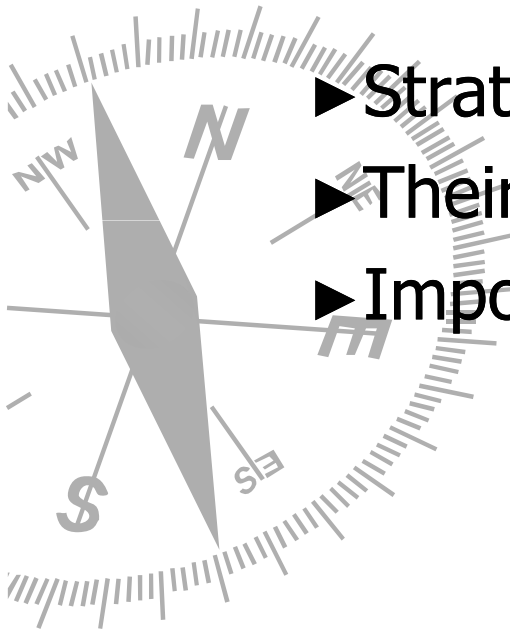
▶ Failure to communicate

- Employees don't understand:

- ▶ Strategy

- ▶ Their roles

- ▶ Importance of the scorecard measures



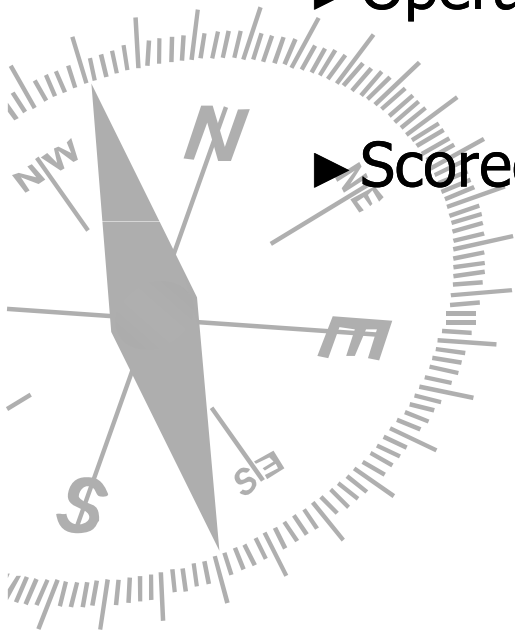
The Road to Disaster

- ▶ Lack of “push-down”

- Lower levels operating as before

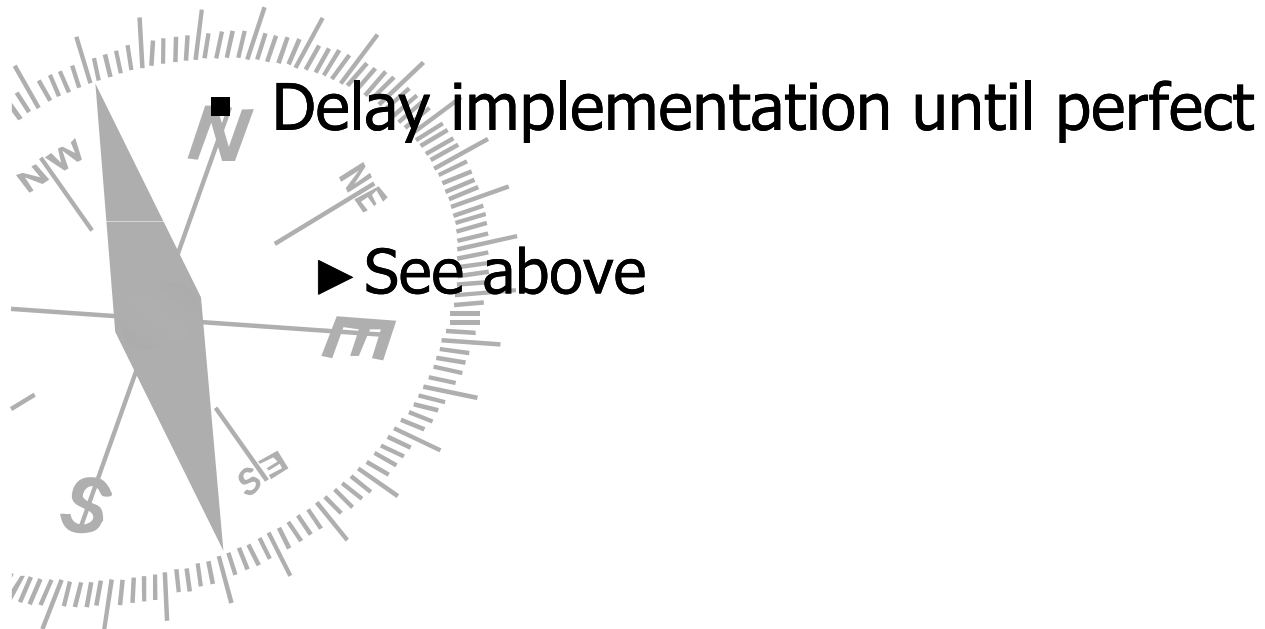
- ▶ Operations are not tied to corporate scorecard

- ▶ Scorecard is ignored at lower levels



The Road to Disaster

- ▶ Carve it in stone
 - It won't be perfect, ever
 - ▶ Must evolve



The Road to Disaster

- ▶ The compensation issue

- Powerful motivator of performance

- ▶ Poorly designed scorecard will not show strategic improvements even if individual measures show progress



The Scorecard as a Change Agent

► Four steps

- Translating the vision into action
- Communicating and linking
- Business planning
- Feedback and learning



Translating the Vision

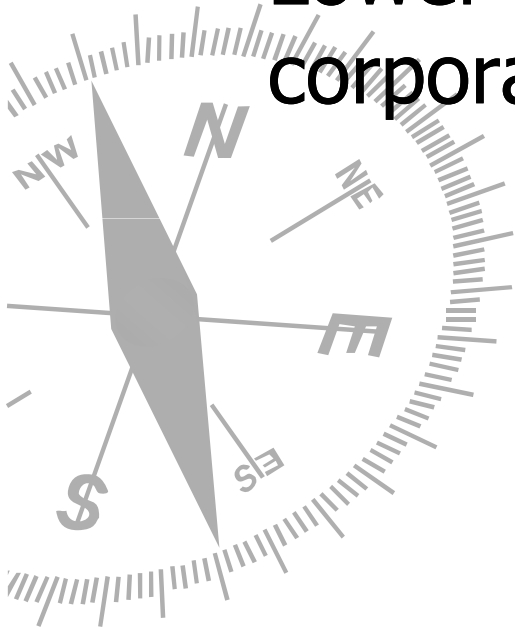
- ▶ Strategy must be reduced to a set of objectives and measures which can be operationalized



■ “We want to be the best” won’t do

Communicating and Linking

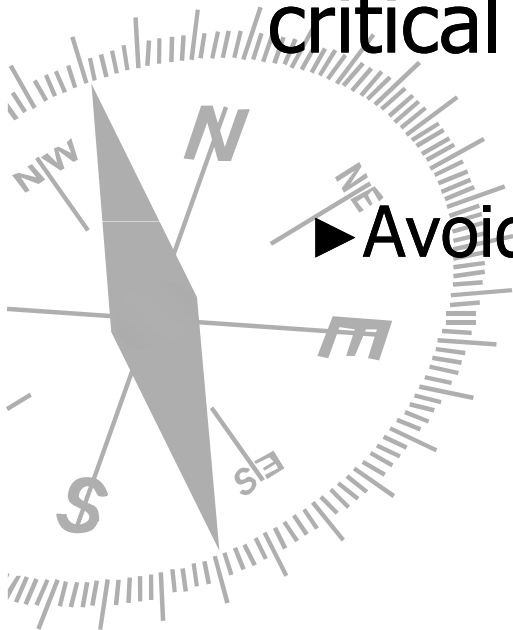
- ▶ Corporate strategy must be communicated to all levels
 - Lower levels must have objectives linked to corporate objectives



Business Planning

- ▶ Integrate the financial plan with the business plan
 - Use the scorecard to allocate resources to critical activities

- ▶ Avoids the short-term spending mentality



Feedback and Learning

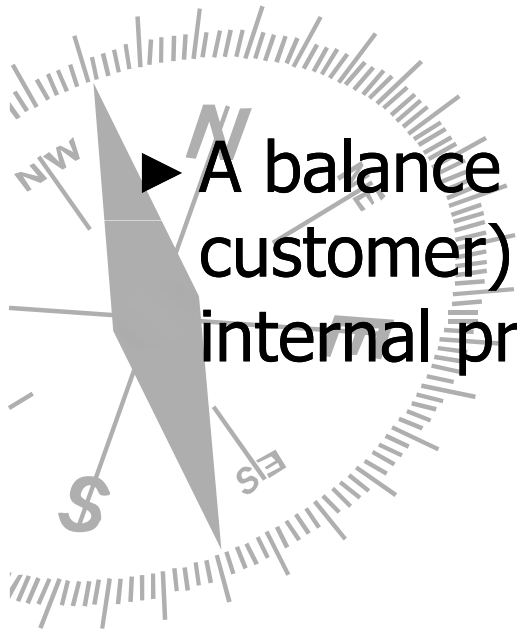
- ▶ Monitor short-term results to determine if progress is being made toward long-term objectives

- May need to refine measures, activities, objectives, even strategy



A Good Balanced Scorecard Tells the Story of Your Strategy

- ▶ Every measure is part of a chain of cause and effect linkages
- ▶ All measures eventually link to organizational outcomes
- ▶ A balance exists between outcome measures (financial, customer) and performance drivers (value proposition, internal processes, learning & growth)



Typical Balanced Scorecard Project Schedule

