



What is BSC?

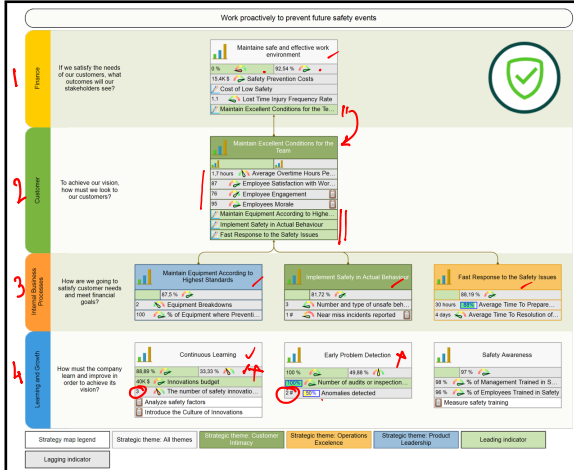
The Balanced Scorecard is a management tool that provides stakeholders with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals.



Like a flight simulator



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Work proactively to prevent future safety events

It Provide a Visual picture of Strategy with cause and effect connections, business goals, initiatives, and metrics

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BSC History

Measurement and Reporting	Alignment and Communication	Enterprise-wide Strategic Management
1992	1996	2000

Articles in Harvard Business Review:

- "The Balanced Scorecard — Measures that Drive Performance" January - February 1992
- "Putting the Balanced Scorecard to Work" September - October 1993
- "Using the Balanced Scorecard as a Strategic Management System" January - February 1996

Acceptance and Acclaim:

- "The Balanced Scorecard" is translated into 18 languages
- Selected by Harvard Business Review as one of the "most important management practices of the past 75 years."




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The Strategy Focused Organization

- The Five Principles
 1. Translate the strategy to operational terms.
 2. Align the organization to the strategy
 3. Make strategy everyone's job.
 4. Make strategy a continual process.
 5. Mobilize change through executive leadership

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Why BSC?

- Traditional financial reports look backward
 - Reflect only the past: spending incurred, and revenues earned
- Does not measure creation or destruction of future economic value
- Inability to measure intangible assets

Brand Equity
Human Capital
Customer Loyalty

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Why BSC?

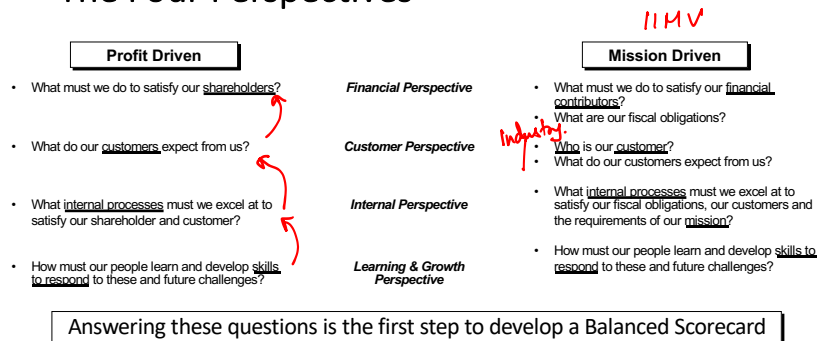


- The Balanced Scorecard identifies the factors that create long-term economic value in an organization, for example:
 2. **Customer Focus:** satisfy, retain and acquire customers in targeted segments → *Mktg.*
 3. **Business Processes:** deliver the value proposition to targeted customers → *Operative*
 - innovative products and services
 - high-quality, flexible, and responsive operating processes
 - excellent post-sales support
 4. **Organizational Learning & Growth:** → *HR / IT.*
 - develop skilled, motivated employees;
 - provide access to strategic information
 - align individuals and teams to business unit objectives

1. Financial.

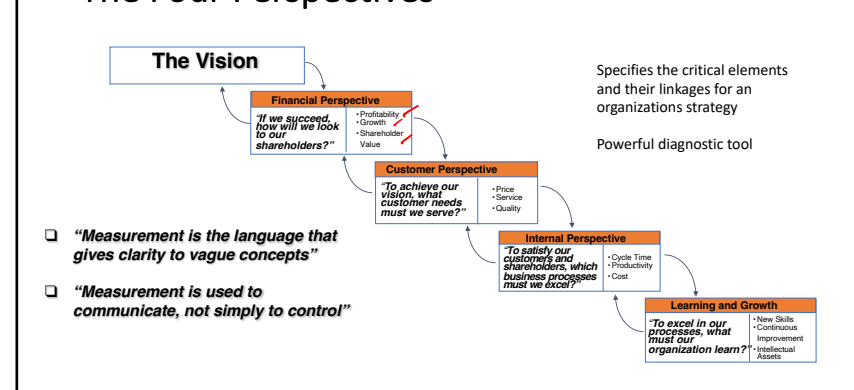
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The Four Perspectives



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The Four Perspectives



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Financial / Regulatory Perspective

- To satisfy our constituents, what financial and regulatory objectives must we accomplish? *ROS ROE ROCE RoA*
 - Revenue growth
 - Productivity
- Possible Performance Measures
 - Cost / Unit
 - Unfunded Requirements or Projects
 - Cost of Service
 - Budget Projections and Targets

The FINANCIAL perspective is the MAIN perspective of Balanced Scorecard

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Customer Perspective

- To achieve our vision, what customer needs must we serve?
 - Differentiate from competitors to attract, retain and satisfy customers
 - Operational excellence
 - Customer intimacy
 - Product leadership
- Possible Performance Measures
 - Customer Satisfaction (Average)
 - Satisfaction Gap Analysis (Satisfaction vs. Level of Importance)
 - Satisfaction Distribution (% of each area scored)

Differentiation: - Innovation - Service - Features
Cost leader: - Pricing - Customer awareness
Time
Quality
Quantity

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Internal Process Perspective

- To satisfy our customers, in which business processes must we excel?
 - Build the franchise
 - Increase customer value
 - Achieve operational excellence
 - Become a good corporate citizen
- Possible Performance Measures
 - Cycle Time
 - Completion Rate
 - Workload and Employee Utilization
 - Transactions per employee
 - Errors or Rework

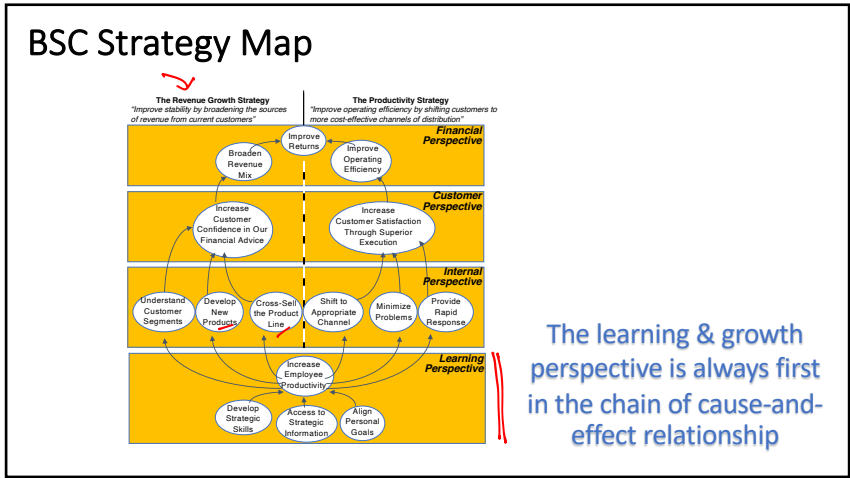
Distribution Network
CX QX
The generic internal value chain of a company consists of its innovation, operations and post sales service

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Learning & Growth Perspective

- To achieve our goals and accomplish core activities, how must we learn, communicate and work together?
 - Align HR & IT to strategic requirements
- Possible Performance Measures
 - Employee Satisfaction
 - Retention and Turnover
 - Training Hours and Resources
 - Technology Investment

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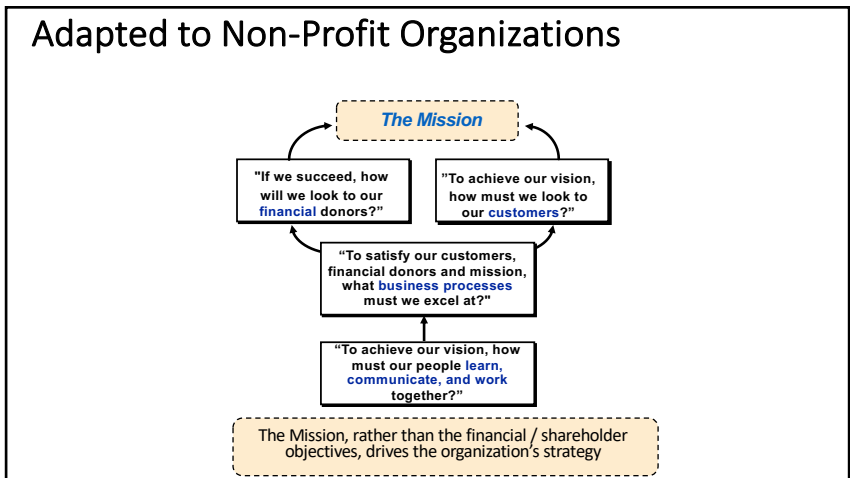
Cause and Effect Hypotheses

	Strategic Objectives	Strategic Measurements	
		(Lag Indicators)	(Lead Indicators)
Financial	F1 - Improve Returns	<input type="checkbox"/> Return on Investment	<input type="checkbox"/> Revenue Mix
	F2 - Broaden Revenue Mix	<input type="checkbox"/> Revenue Growth	
	F3 - Reduce Cost Structure	<input type="checkbox"/> Deposit Service Cost Change	
Customer	C1 - Increase Customer Satisfaction With Our Products & People	<input type="checkbox"/> Share of Segment	<input type="checkbox"/> Depth of Relation
	C2 - Increase Satisfaction "After the Sale"	<input type="checkbox"/> Customer Retention	<input type="checkbox"/> Satisfaction Survey
Internal	I1 - Understand Our Customers	<input type="checkbox"/> New Product Revenue	<input type="checkbox"/> Product Development Cycle
	I2 - Create Innovative Products		
	I3 - Cross-Sell Products	<input type="checkbox"/> Cross-Sell Ratio	<input type="checkbox"/> Hours with Customers
	I4 - Shift Customers to Cost-Effective Channels	<input type="checkbox"/> Channel Mix Change	
	I5 - Minimize Operational Problems	<input type="checkbox"/> Service Error Rate	
	I6 - Responsive Service	<input type="checkbox"/> Request Fulfillment Time	
Learning	L1 - Develop Strategic Skills	<input type="checkbox"/> Employee Satisfaction	<input type="checkbox"/> Strategic Job Coverage Ratio
	L2 - Provide Strategic Info	<input type="checkbox"/> Revenue per Employee	<input type="checkbox"/> Strategic Info Availability Ratio
	L3 - Align Personal Goals		<input type="checkbox"/> Personal Goals Alignment (%)

20% Product 1 25%
80% Product 2 10%

Lead indicators are DRIVERS

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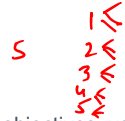


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- ### Components of BSC
- 5
- Objectives
 - These are your high-level organizational goals.
 - Taking into account your already-developed company strategy, you should be able to come up with 10-15 strategic objectives that you are trying to accomplish.

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Components of BSC



• Measures

- After you define your business' objectives, you need to focus on its measures.
- The measures help you determine whether you are on track to achieve your objectives (KPIs).
- Each objective should have no more than three KPIs that indicate whether you will achieve your objective.
- Strong KPIs should use language that everyone in your company understands, measure accomplishments, show success (not just a useless metric), be able to show change over time, and reduce uncertainty.

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Components of BSC

• Targets

- You should write your targets so that they relate directly to each of your KPIs.
- For each KPI, you should have an associated value.
- Your targets should be ambitious but achievable.

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Components of BSC

• Initiatives

- In your BSC framework, your initiatives should be the action items and projects that you need to help your company succeed with its strategy.
- These projects have a start and end date.
- You should identify them when writing your BSC and set them up when implementing your BSC.
- Your initiatives mean the difference between your company's reality and its stretch targets.

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Components

		Objectives	Measures	Targets	Initiatives
Perspectives	Financial	1 2	1 2 3	— — —	⋮
	Customer	1	1 2 3	— — —	
	Internal Business Processes	1	1 2 3	— — —	
	Learning & Growth	1	1 2 3		

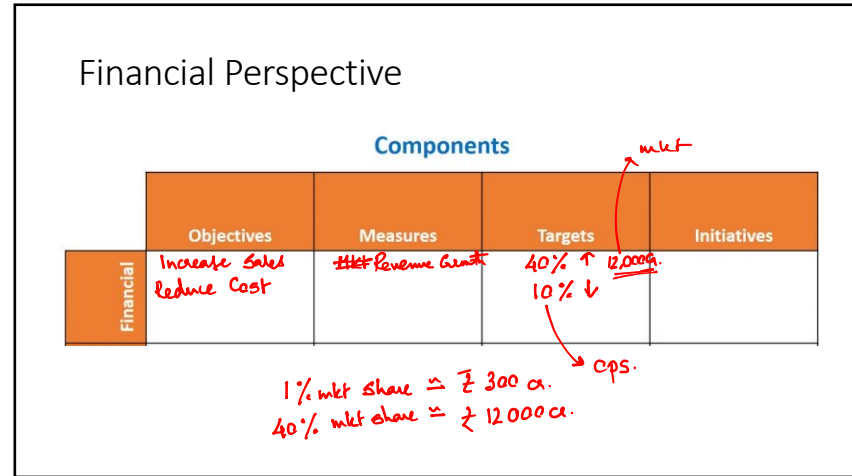
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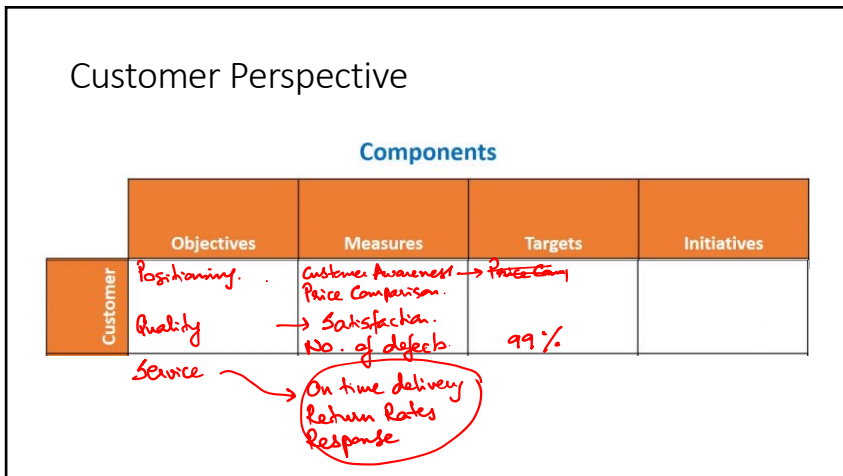
E-Shop is an Indian e-commerce start-up which began its journey in the year 2020 through a mobile application (available for both Android and iOS) and a website. It is backed up by a well-known business group which is a leader in different businesses including but not limited to Offline Retail, Telecom, Oil to chemicals, etc. E-Shop sells products across various categories like Fashion, Grocery, Electronics, Home, and Kitchen etc. which are either listed by the sellers or are procured in its warehouses across Pan India. E-shop has been on a smooth sail in accessing high end Tech capabilities, Product features, financial resources etc. due to a solid foundation. E-Shop currently has acquired less than 1% of the market share in the Indian e-commerce industry and does a monthly business of ~300 Cr majorly contributed by Grocery category. It has been striving to project itself as a horizontal player and grow its share in the industry which has intense competition due to multiple horizontal and vertical e-commerce players. Currently, E-shop is trending at an EBITDA of negative 40% and spends around 10% of its overall revenue on marketing activities like Brand Building (TV / Digital Ads, Influencer marketing, Print Ads through Newspapers and OOH) and Performance Marketing.

E-shop has an ambitious goal of being the market leader in the Indian e-commerce industry and is hence targeting to acquire a market share of 40% by the end of the year 2026 with a positive EBITDA. E-shop is thus looking forward to a comprehensive strategy or a road map over the next 3 years listing the initiatives across different business functions including but not limited to Finance, Marketing, Operations, and HR etc.

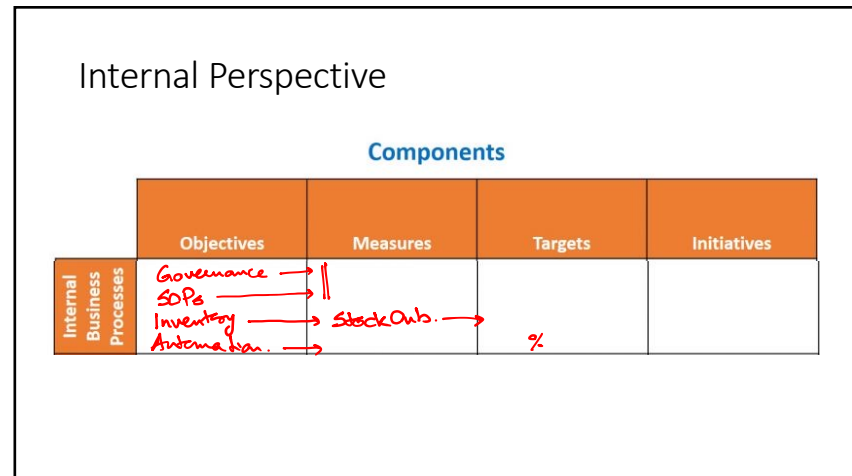
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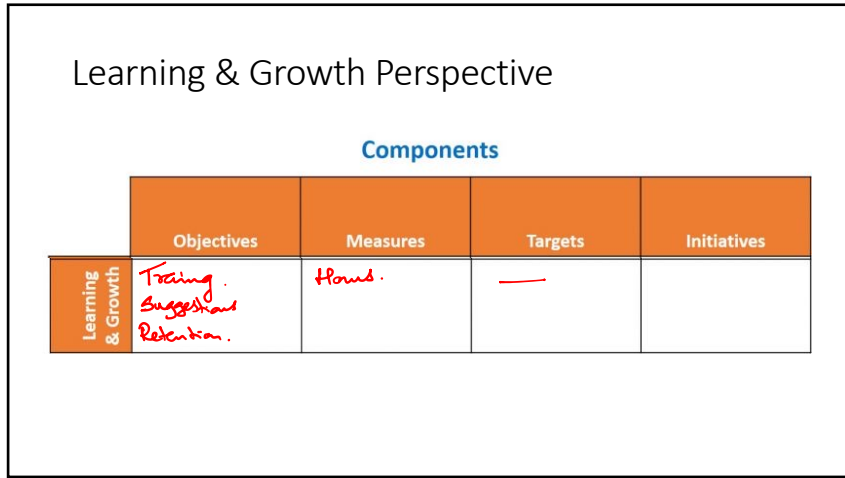
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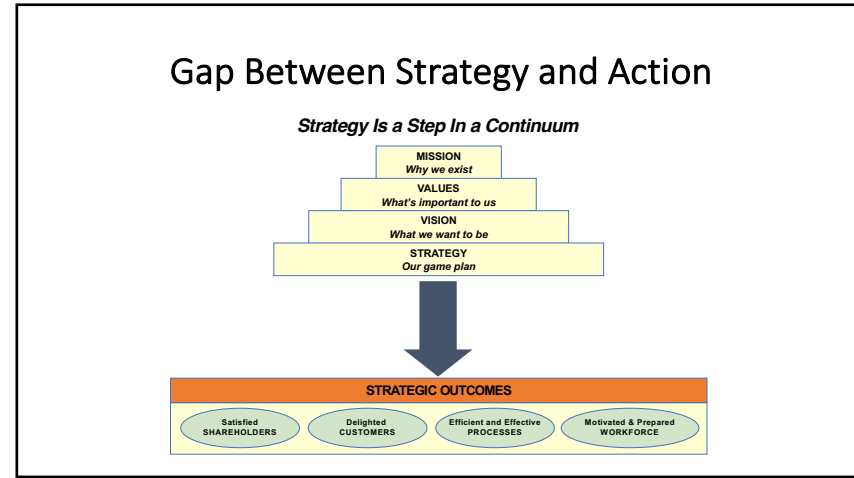
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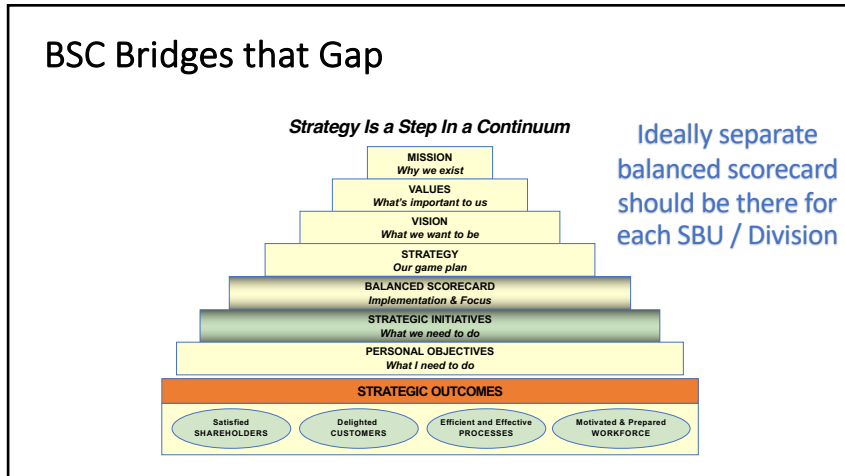
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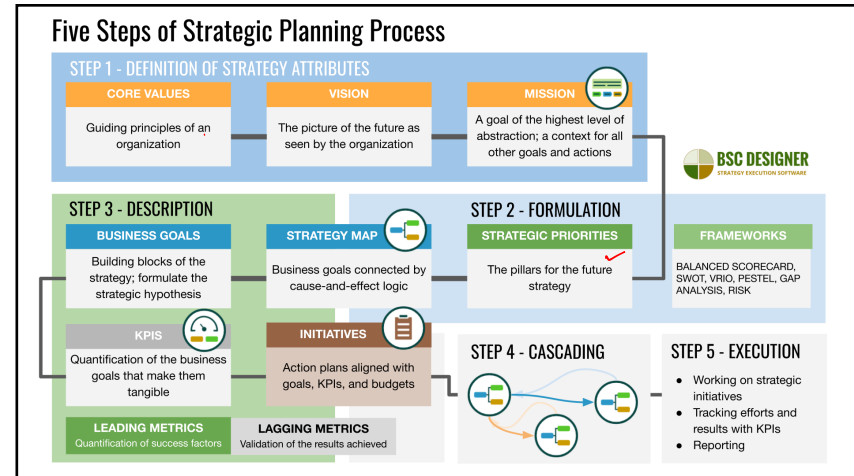
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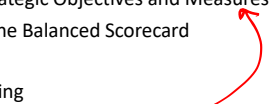


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4 strategic management process linked to BSC

1. Translating the Vision into Strategic Objectives and Measures
 2. Communicating and Linking the Balanced Scorecard
 3. Planning and Target Setting
 4. Strategic Feedback and Learning
- 

Balanced Scorecard is a Strategic System
 Only those stakeholders vital for achieving the firm strategy should be included in the scorecard

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Disadvantages of BSC

- A typical misleading idea is that it is all about “balancing” KPIs by placing them into the four perspectives.
- Focuses extensively on the internal factors at the cost of the external environment
 - Lack of risk analysis and time dimension
- The choice of indicators is not validated
- The bottom-up approach is not the way many teams think about strategy and can lead to confusion.
- Consultants can only do so much
 - Strategy Maps/KPIs are hard to maintain
 - Cultural Change required

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What is BSC?

- Balances financial and non-financial measures
- Balances short and long-term measures
- Balances performance drivers (leading indicators) with outcome measures (lagging indicators)
- Should contain just enough data to give a complete picture of organizational performance... and no more!
- Leads to strategic focus and organizational alignment.

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