

THE BALANCED SCORECARD - Strategic Management System

“Strategy is
Nothing
but
Making Choices”

The Holistic Consultation Approach For Strategic Excellence using Balanced Scorecard

Six Sigma Alchemy (P) Ltd (SSA) extensively supports organizations in achieving process excellence as well as strategic excellence. For the past five years SSA has been counseling different industries in India on Six Sigma and Lean Six Sigma deployment. Although the Six Sigma initiative is meant for top-down driven approach, SSA found that most of the organizations tend to choose their Six Sigma projects more by bottom-up approach. Though this approach enhances the people involvement, it fails to recognize strategically important Six Sigma projects leading to poor improvements. It is to be remembered that Six Sigma is a powerful tool, comparable to a sledge hammer that should never be used for insignificant, smaller applications as driving a nail. Due to the above reason, SSA has developed an integrated holistic approach for Visioning, Strategizing and Drilling - Down to the selection of specific Six Sigma projects along with the strategic objectives.

In the early 1980's Dr Yasutoshi Washio had proposed the concept of Policy Deployment as a part of Total Quality Management Approach. Policy deployment focused on Visioning and formulating strategies as a means to achieve the Vision. He also provided the methodology for systematic drilling down from CEO's performance measures, right up to grass root level. Keeping up the above principles, SSA specialized in deploying Balanced Scorecard in organizations keen on setting up a robust learning system for testing, gaining feedback, & building a sound system for the organization's strategy. Thereby, it ensures that the organizations achieve breakthrough improvements and experience long term benefits in their journey for excellence.

For the above purpose SSA has developed the 12 step approach, for the holistic integration of Balanced Scorecard & Six Sigma. In addition to setting up the strategic planning system, SSA being the implementation partner with iGrafx, USA; offers an automated solution applying iGrafx Enterprise Central, which is a web based Enterprise Management System.

What is Balanced Scorecard (BSC)?

The Balanced Scorecard (BSC) is a management system applicable to clarifying the organizational vision and strategy and translating them into action. When fully deployed, it brings about continuous improvement in strategic performance and results. This is done through providing a 'double-loop feedback' built around both the internal business processes and external outcomes. BSC effectively transforms strategic planning from an academic perspective into the very spirit of thought and actions within the organization.

BSC is a management system and should not be misconstrued to be a 'measurement system', as propagated.

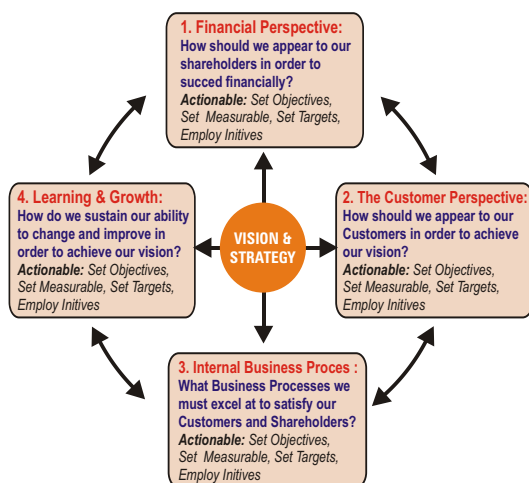
The BSC was developed in the early 1990's by Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton as a new approach to strategic management. This approach recognized the weaknesses and vagueness of the previous management approaches, and provided a clear prescription as to what companies should measure in order to 'balance' the financial perspective.

The 4 Perspectives for strategic excellence covered under BSC:

The BSC suggests that an organization be viewed from four perspectives. It also suggests that all data collected and analyzed, and the essential measurement metrics be developed only relative to each of those perspectives. Following are the four perspective propagated by BSC:

The Financial Perspective : The financial performance of an organization is fundamental to its success. This perspective tries to assess the financial performance, for example through number of debtors, cash flow or return on investment. This perspective relies on the timely and accurate funding of data.

The 4 Perspectives for strategic excellence covered under BSC:



The Learning and Growth Perspective: This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. This is in keeping with the ideology that learning and growth constitute the essential foundation for success of any knowledge intensive organization.

SSA Consultation Approach to 'Strategic Management through BSC'

Deliverables from Consultancy Process

The deployment of BSC is done in 4 stages. Following are the deliverables from each stage:

- STAGE-1: Scenario Building
- STAGE-2: Strategy Planning (Workshop)
- STAGE-3: Roadmap for Implementation
- STAGE-4: Automation using Software

The entire consultation outlook is aimed at providing the following:

- Understanding the importance of strategic planning
- Formulating the corporate strategy (using the 12 step approach)
- Integration of Balanced Scorecard with Six Sigma Methodology
- Managing change

Duration & Methodology :

The duration of building & implementing the BSC ranges from 4 to 6 months depending upon the nature & scale of the business.

Methodology includes extensive knowledge transfer and hands-on workshops for developing the Balanced Scorecard.

Knowledge Transfer for BSC is in the following areas:

- Basic concepts of the BSC and how it can be used to improve organization performance
- How to build and implement a Balanced Scorecard using a 12-step methodology
- Use an organizational assessment to set vision, mission, and strategy
- Develop strategy maps, and initiatives for improving organization strategy and processes
- Develop meaningful performance measures
- Align mission and vision with performance
- Define requirements and select appropriate software
- Scorecard deployment, budgeting and time scheduling
- Use a scorecard system to drive a performance-based budget and employee accountability
- Cascade the enterprise scorecard throughout the organization
- Overcome obstacles and challenges within the organization
- Evaluate the organization's planning documents and process

The Balanced Scorecard is applicable to the following Industries :

This BSC is suitable for organizations in private, public or nonprofit-sectors that want to adopt a strategic and successful performance management system. Typically these organizations would have taken up or want to take up the responsibilities for implementing and/or maintaining a management system; developing appropriate performance measures; selecting software tools; and/or cascading the scorecard to lower tiers in the organization; evaluating or reporting strategic and operational performance data; and/or improving resource allocation decision making.

Customer Perspective : Customer focus and customer satisfaction are the lead indicators of growth for any business today. If customers are not satisfied, they will eventually find other suppliers to meet their needs. In developing metrics for satisfaction, it is very important to analyze the customers in terms of kinds of customers and the kinds of processes for which the product or service is being provided to the customer groups.

The Business Process Perspective : This perspective refers to internal business processes, wherein such metrics are developed that allow the managers to know how well their business is running, and whether the products and services conform to customer requirements (the Company's mission). These metrics necessarily must be designed by those who know these processes intimately.

THE 12 STEP APPROACH TO STRATEGIC MANAGEMENT

SSA offers a 12 step approach to strategic planning using the BSC. It employs a unique strategic planning approach in deploying the BSC that combines the benefits of both the much acclaimed Japanese approach of 'Policy Deployment' and the western (American) approach to Balanced Scorecard.

The 12 Step Approach involves the following:

- Formulating (or revising, adapting- as applicable) the **Mission**
- Envisioning (or revisiting the **Vision**)
- Formulating (or readapting, if applicable) the **Values** in keeping with the Vision and Mission
- Developing **Strategic Themes** to live out the Vision, Mission & Values
- Reflecting on and considering the **Strategic Results**
- Setting **Strategic Objectives** in spirit of the Vision, Mission & Values
- Prioritizing** the Objectives
- Combining & formulating** the company's objectives
- Engaging in **Strategic Mapping**
- Drawing up the **Performance Measures**
- Deciding the **Strategic Initiatives**
- Identifying **Strategic Theme Owners**

For further details please contact:

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Business Excellence Enablers



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