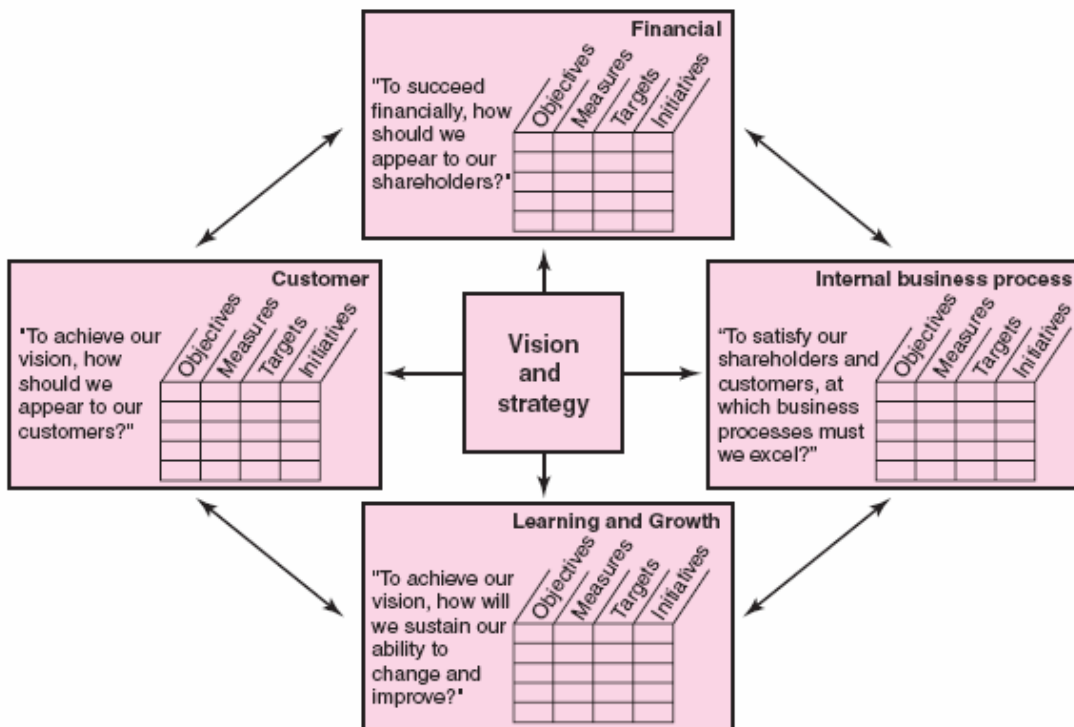


## Balanced Scorecard (BSC)

The balanced scorecard developed by Robert Kaplan and David Norton, enables the strategy of the business to be linked with shareholder value creation while providing several measurable short-term outcomes that guide and monitor strategy implementation.

The score card focuses on four dimensions: (1) **The Learning and Growth Perspective:** *How well are we continuously improving and creating value? Or to achieve our vision, how will we sustain our ability to change and improve?* (2) **The Business Process Perspective:** *What are our core competencies and areas of operational excellence? Or to satisfy our shareholders and customers, what business processes must we excel at?* (3) **The Customer Perspective:** *How satisfied are our customers? Or to achieve our vision, how should we appear to our customers?* (4) **The Financial Perspective:** *How are we doing for our shareholders? Or to succeed financially, how should we appear to our shareholders?*



All of the boxes are connected by arrows to illustrate that the objectives and measures of the four perspectives are linked by cause-and-effect relationships that lead to the successful implementation of the strategy. Achieving one perspective's targets should lead to desired improvements in the next perspective, and so on, until the company's performance increases overall.

The balanced scorecard suggests that we view the organization from *four* perspectives, and to develop metrics, collect data, and analyze it relative to each of these perspectives:

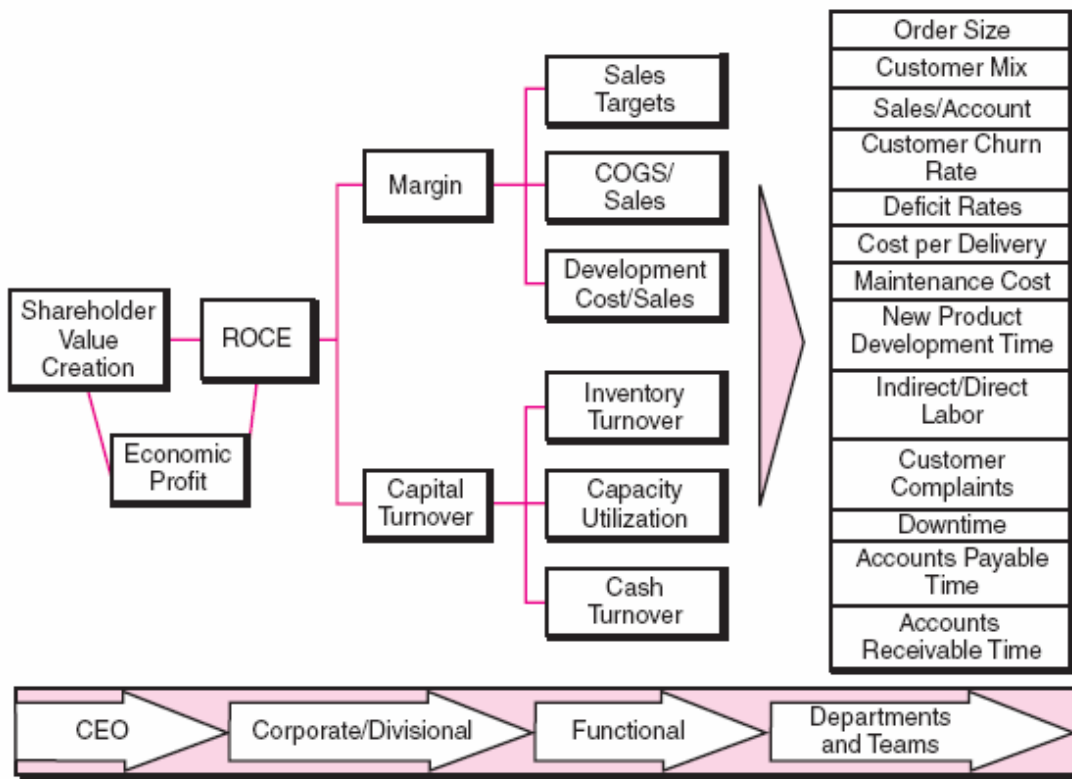
## **Balanced Scorecard (BSC)**

1. *The Learning and Growth Perspective: How well are we continuously improving and creating value?* The scorecard insists on measures related to innovation and organizational learning to gauge performance on this dimension—technological leadership, product development cycle times, operational process improvement, and so on.
2. *The Business Process Perspective: What are our core competencies and areas of operational excellence?* Internal business processes and their effective execution as measured by productivity, cycle time, quality measures, downtime, various cost measures among others provide scorecard input here.
3. *The Customer Perspective: How satisfied are our customers?* A customer satisfaction perspective typically adds measures related to defect levels, on-time delivery, warranty support, product development among others that come from direct customer input and are linked to specific company activities.
4. *The Financial Perspective: How are we doing for our shareholders?* A financial perspective typically using measures like cash flow, return on equity, sales and income growth.

Through the integration of goals from each of these four perspectives, the balanced scorecard approach enables the strategy of the business to be linked with shareholder value creation while providing several measurable short-term outcomes that guide and monitor strategy implementation.

## Balanced Scorecard (BSC)

Figure below illustrates the balanced scorecard approach drawing on the traditional DuPont formula.



Chemical Bank, Mobil Corporation's US Marketing and Refining Division, and CIGNA Property and Casualty Insurance have used the Balanced Scorecard approach to assist in individual and team goal setting, compensation, resource allocation, budgeting and planning, and strategic feedback and learning.

## Balanced Scorecard (BSC)

### Example - Balanced Scorecard for Mobil Corporation's North American Marketing and Refining business (NAM&R)

		Strategic Objectives	Strategic Measures
Financially Strong	Financial	F1 Return on Capital Employed F2 Cash Flow F3 Profitability F4 Lowest Cost F5 Profitable Growth F6 Manage Risk	<ul style="list-style-type: none"> <li>• ROCE</li> <li>• Cash Flow</li> <li>• Net Margin</li> <li>• Full cost per gallon delivered to customer</li> <li>• Volume growth rate vs. industry</li> <li>• Risk index</li> </ul>
Delight the Consumer	Customer	C1 Continually delight the targeted consumer	<ul style="list-style-type: none"> <li>• Share of segment in key markets</li> <li>• Mystery shopper rating</li> </ul>
Win-Win Relationship		C2 Improve dealer/distributor profitability	<ul style="list-style-type: none"> <li>• Dealer/distributor margin on gasoline</li> <li>• Dealer/distributor survey</li> </ul>
Safe and Reliable	Internal	I1 Marketing 1. Innovative products and services 2. Dealer/distributor quality	<ul style="list-style-type: none"> <li>• Non-gasoline revenue and margin per square foot</li> <li>• Dealer/distributor acceptance rate of new programs</li> <li>• Dealer/distributor quality ratings</li> </ul>
		I2 Manufacturing 1. Lower manufacturing costs 2. Improve hardware and performance	<ul style="list-style-type: none"> <li>• ROCE on refinery</li> <li>• Total expenses (per gallon) vs. competition</li> <li>• Profitability index</li> <li>• Yield index</li> </ul>
Competitive Supplier		I3 Supply, Trading, Logistics 1. Reducing delivered cost 2. Trading organization 3. Inventory management	Delivered cost per gallon vs. competitors <ul style="list-style-type: none"> <li>• Trading margin</li> <li>• Inventory level compared to plan and to output rate</li> </ul>
Good Neighbor		I4 Improve health, safety, and environmental performance	<ul style="list-style-type: none"> <li>• Number of incidents</li> <li>• Days away from work</li> </ul>
On Spec On Time		I5 Quality	<ul style="list-style-type: none"> <li>• Quality index</li> </ul>
Motivated and Prepared	Learning and growth	L1 Organization involvement L2 Core competencies and skills L3 Access to strategic information	<ul style="list-style-type: none"> <li>• Employee survey</li> <li>• Strategic competitive availability</li> <li>• Strategic information availability</li> </ul>

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