

Development and implementation of a Balanced Scorecard

In the previous note by the marketer, we looked at the need for the introduction of BSC, determined what a Balanced Scorecard is. In this article we will look at the key performance indicators and stages of the development and implementation of a Balanced Scorecard.

Key performance indicators

As noted, key performance indicators, KPI, are defined to measure the degree of achievement of goals. In the process of building a "KPI tree" company gets a balanced picture of short- and medium-term goals, financial and non-financial indicators. The strategy is divided into sub-strategies for prospects, sub-strategies, in turn, are detailed down to the level of subdivisions and departments. For each developed goal of the lower level, indicators are developed, a system of their weights is formed, and then the weighted average method can be used to calculate the higher level.

When building a strategic map, a link is formed between all aspects of the company. So, the organization's financial goals are realized through a certain set of activities in the field of customer relations, initiatives to improve the efficiency of internal business processes, etc. Improvements in training and development have a positive impact on the KPI of the internal processes of the organization. In turn, increasing the efficiency of internal processes has a positive effect on KPI in the "Client" perspective.

It should be noted that the KPI system should be developed at each enterprise individually and determined by the vision and strategy. It is impossible to rely on any averaged or key indicators for the industry or indicators characteristic of "similar" firms.

Stages of development and implementation of a Balanced Scorecard

The process of implementing BSC, according to the authors of the methodology, should consist of the following steps:

Development: the transformation of the strategy into a set of goals and activities. To do this, determine the required set of changes. After development, the system should be integrated into the management process;

Coupling: linking all hierarchical levels from top management to support services by building relevant goals and indicators, organizing strategic communications, ensuring compensation systems. Cause-and-effect relations between strategic installations are established, indicators of the fulfillment of the tasks set and their target values are determined;

Planning: identifying ways to achieve target values of indicators through specific plan targets, allocating resources, designing strategic activities, and identifying company employees responsible for implementation

strategic initiatives and achievement of targets;

Feedback and training: testing the theoretical base of the strategy and updating it based on the

results obtained.

The classic BSC method also describes a seven-step implementation method. The first four steps are the definition of indicators, that is, the process of dividing the vision into strategies, goals, activities, and measures. The fifth step is to evaluate the system. Step number six - the implementation of the actions provided for in the plans. And finally, the seventh step is the work on updating and improving the developed system.

As part of the organizational hierarchy, the BSC is implemented from the top down. It is believed that the system should begin to work at the level of the entire enterprise, and then descend to the levels of business units and individual employees of the company. At the same time, one of the main conditions is to achieve consensus at the management level in the vision of individual strategies and strategic goals.

As strategic changes are made in the company, not only the target KPI values are adjusted, but the set of indicators used can also change, and the changes can be significant.

An important step in the implementation of the BSF is a bundle of long-term strategic planning and processes related to the preparation and adoption of the budget. For this:

strategic goals are communicated to employees, KPIs are determined that correspond to the goals of different perspectives of the system, their causal relationships are identified;
the implementation of strategic measures begins with the achievement of those KPIs, the current values of which are most different from the planned ones. This procedure links strategic investments and action programs with the achievement of the most significant goals in the long run;
key activities of the company are formed so that their combined effect allows to achieve the strategic goals to the greatest extent;
KPI target values link budgets that correspond to different time horizons of planning with budgets of specific activities and projects of the company.

The implementation of the above principles in practice allows us to link the process of implementing the strategy at various levels with the budgeting process and build all the resources for the implementation of the company's strategy.

In the implementation of the BSC system, it is necessary to distinguish between indicators that measure achieved results and indicators that reflect the processes that contribute to obtaining these results. Both categories of indicators should be linked to each other, since to achieve the first (for example, a given level of performance), you need to implement the second (to achieve a certain capacity utilization).

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