

Contents at a Glance

<i>Introduction</i>	1
<i>Part I: The ABC's of Balanced Scorecard</i>	7
Chapter 1: Goals, Scores, and the Balanced Scorecard	9
Chapter 2: Building and Balancing Scorecard Strategies	31
Chapter 3: Planning For the Balanced Scorecard.....	49
Chapter 4: Putting Your Balanced Scorecard into Action	61
<i>Part II: The Customer — The Critical Leg</i>	73
Chapter 5: Understanding Your Role with Customers.....	75
Chapter 6: Creating a Customer Scorecard.....	89
Chapter 7: Building the Customer Leg Dashboard.....	111
<i>Part III: Financial Measurement — The Foundation Leg</i>	125
Chapter 8: Understanding Your Role in Financial Measurement	127
Chapter 9: Building the Financial Leg Scorecard	149
Chapter 10: Building the Financial Leg Dashboard	177
<i>Part IV: Internal Business Processes — The Value-Creation Leg</i>	197
Chapter 11: Understanding Your Role in Internal Business Processes	199
Chapter 12: Building the Internal Business Process Scorecard	229
Chapter 13: Building Dashboards for Internal Business Processes	243
<i>Part V: Knowledge, Education, and Growth — The Learning Leg</i>	255
Chapter 14: Understanding Your Role in Learning and Growth	257
Chapter 15: Creating the Knowledge, Education, and Growth Scorecard.....	285
Chapter 16: Creating The Knowledge, Education, and Growth Dashboard	305
<i>Part VI: The Part of Tens</i>	321
Chapter 17: Ten Tips for Balanced Scorecard Success	323
Chapter 18: Ten Biggest Scorecard Mistakes to Avoid	331
Chapter 19: Ten Tips for Overcoming Barriers	339
<i>Index</i>	345

Table of Contents

<i>Introduction</i>	1
About This Book.....	2
Conventions Used in This Book	2
What You're Not to Read.....	3
Foolish Assumptions	3
How This Book Is Organized.....	3
Part I: The ABC's of Balanced Scorecard.....	3
Part II: The Customer — The Critical Leg	4
Part III: Financial Measurement — The Foundation Leg	4
Part IV: Internal Business Processes — The Value Creation Leg	4
Part V: Knowledge, Education, and Growth — the Learning Leg.....	4
Part VI: The Part of Tens	5
Icons Used in This Book.....	5
Where to Go from Here.....	5
<i>Part 1: The ABC's of Balanced Scorecard</i>	7
Chapter 1: Goals, Scores, and the Balanced Scorecard	9
Getting Familiar with Balanced Scorecard.....	10
Just what is Balanced Scorecard, anyway?	10
Leaning on the four legs of the scorecard.....	10
Achieving Organizational Balance	11
Analyzing Your Customers: Critical Leg.....	12
Knowing who you sell to	12
Focusing on future customers	13
Considering your internal customers.....	14
Following the Money: Foundation Leg	14
Measuring your financial health.....	15
Common mistakes made in finance	17
Tracking Your Internal Business Processes: Value-Creation Leg	18
Assessing the current state of your business	18
Installing effective measures for tracking processes.....	19
Anticipating your business's future state	20
The top five process-tracking problems.....	20
Managing Company-wide Knowledge, Education, and Growth: Learning Leg	21
Understanding the importance of taking care of your own.....	22
Measuring knowledge, education, and growth.....	23
Staying on the right course in the fourth leg of the scorecard	25



Using Dashboards to Apply Balanced Scorecards to Your Business25
 Market, environmental, and technology considerations
 for your dashboards.....27
 Reviewing strategy, operational, and tactical scorecards
 and dashboards28

Chapter 2: Building and Balancing Scorecard Strategies 31

Understanding How the Four Legs Interact and Link to Strategies32
 Putting strategies in the driver’s seat.....32
 Focusing resources on your strategies.....33
Borrowing from Other Companies’ Success34
 Translating strategies into operational terms35
 Aligning your organization to the strategies.....36
 Making strategies everyone’s daily job36
 Turning strategic deployment into a continual process36
 Mobilizing change through your executive leadership team37
Developing Your Strategy Map: A Balancing Act38
 Doing your mapping homework.....38
 Drafting the strategy map39
Ensuring a Balanced Scorecard (And What to Do When Yours Isn’t)40
Adapting to Changes in Your Markets or Business.....43
 Spotlighting external influences and their effect
 on your business.....43
 Recognizing early warning signals47
 Balancing in today’s environment — a moving platform48

Chapter 3: Planning For the Balanced Scorecard 49

Getting Your Planning in Order49
Planning Your Work and Working Your Plan.....51
 Planning for the resources you will need.....51
 Garnering support from management and others52
Building the Foundation and the Structure of a Scorecard53
 Stacking the building blocks for implementing a scorecard.....54
 Adding flexibility so you can adjust a scorecard for effectiveness....55
 Contingency planning methods57
Adding the Final Touches.....58
 Taking care of the details58
 Ensuring that your scorecard is fireproof.....59
 Performing a final inspection.....59

Chapter 4: Putting Your Balanced Scorecard into Action 61

Deciding When to Launch Your Balanced Scorecard61
 The Scorecard passed the pilot, and everyone knows it!61
 The Scorecard is seen as genuinely adding value.....62
Sustaining the Balanced Scorecard62
 Promoting the scorecard concept.....63
 Making scorecard the talk of the town64
 Cooking up the best time to launch66

Mastering the Art of Communicating Your Balanced Scorecards66
 The view from the top: Senior executives.....67
 Surviving scorecards as a middle manager68
 Spreading the word from the front line69
 Avoiding communication pitfalls.....70

Part II: The Customer — The Critical Leg73

Chapter 5: Understanding Your Role with Customers75

Five Things You Must Know about Customers76
 Not all customers are created equal.....76
 Customers can go away.....77
 You must master the art of customer service78
 Customers watch you closely.....79
 Do right by your customer79
 Using Customer Info to Keep Your Customers Happy80
 Gathering info about your customers’ satisfaction levels80
 Being proactive to find out what your customers desire.....82
 Walking miles (and miles) in your customers’ shoes84
 Setting customer-based strategic measures.....84
 Linking Customer Measures to Your Strategies, Policies, and Plans.....85
 Developing customer strategies.....85
 Creating customer plans and tactics86
 Taking action when your customers don’t get what they want86
 Following Up With Your Customers for Adjustments.....87

Chapter 6: Creating a Customer Scorecard89

Zeroing In on the Right Customer Measures90
 Weeding out the wrong measures91
 Discovering customer measures that matter91
 Understanding customer loyalty.....92
 Taking customer measurements94
 Getting Dependable Data96
 Hocus, pocus — the focus group97
 Asking all the wrong questions.....98
 Keeping data charts simple99
 Avoiding Interpretation Pitfalls100
 Drawing wrong conclusions.....100
 Communicating timely with your customers102
 Reading between the lines102
 Building the Customer Scorecard103
 Strategic-level scorecards103
 Operational-level scorecards.....105
 Tactical-level scorecards106
 Analyzing a Scorecard and Determining a Course of Action107
 Knowing which way to go107
 Making sure you stay on course.....109

Chapter 7: Building the Customer Leg Dashboard111

Customer Dashboard Fundamentals	112
Dashboard basics	112
Determining ownership and responsibility	113
Taking appropriate action: Who, when and how	114
Building the Customer Dashboard	115
Keeping-it-simple-style dashboards (KISS)	115
High-end dashboards with all the fluff.....	116
Just-in-time versus just-too-late dashboards.....	118
Tracking and Analyzing the Customer Dashboard	120
Figuring out who needs to know	121
Updating the customer dashboard	122
Drilling down to root causes	123

**Part III: Financial Measurement —
The Foundation Leg 125****Chapter 8: Understanding Your Role in Financial Measurement . . .127**

Five Things You Must Know About Financial Measurement	128
Your financial measures must be accurate and highly dependable.....	128
Your financial measures must truly reflect the value of your business.....	129
Your financial measures must cascade easily from top to bottom	131
Your financial measures must be easy to use and explain	132
Your financial measures must adhere to current regulatory and tax laws	134
Finding The Financial Data Gold Mines	135
Scratching the surface of a goldmine	135
Knowing your business equals leveraging your financial data	135
Using key measures to gain a significant competitive edge	136
Turning difficulties to your advantage	137
Measuring and Interpreting with Accuracy	139
Making sure the right people do your measuring	140
Using consistent and dependable measures	141
Avoiding measurement pitfalls	141
Turning Numbers into Information.....	142
Examining reporting pitfalls.....	142
Showing financial info simply	143
Linking Financial Measurements To Strategies, Plans And Tactics	144
Financial measurement is dependant on strategic focus.....	145
What you do depends on what you want.....	145
Using Failure Mode Effects Analysis (FMEA) to assess risk	146

Chapter 9: Building the Financial Leg Scorecard	149
Key Aspects of Financial Measures.....	150
Focusing on the right things	150
The WIIFM (What’s in it for me?) station everyone tunes into	151
Timeliness is your competitive edge	152
Financial Measures That Matter.....	152
Key questions help you see what to measure	153
Selecting key performance indicators (KPIs)	155
Tips for finding key measures.....	155
How measures differ	156
Ensure competitive success by revisiting measurement	158
Creating The Financial Scorecard	159
Select either a strategic, operational, or tactical level.....	159
Customizing your financial measures, and how to score them ...	160
Examining examples	162
A word or two (or three) about information management	166
Interpreting Financial Measures for Balanced Scorecards	168
Understanding scorecard financial measures, and what they tell you.....	168
Pointing toward additional information and insight.....	170
Structures for decision making from scorecard financial measure.....	171
Understanding the Essence of Accuracy	173
Oh no, the numbers are wrong!	174
The right numbers, the wrong analysis.....	174
Tracking the numbers by automatic pilot.....	175
Chapter 10: Building the Financial Leg Dashboard	177
The Basics of Financial Dashboards.....	177
Determining ownership and responsibility of the financials.....	178
An emphasis on real-time measurement and response.....	179
Taking appropriate action: Who, when, and how	180
Creating Financial Dashboards That Have Impact.....	181
Keep it simple, complete, and effective!.....	182
Types of dashboards.....	183
Some examples of dashboards that work!	186
Enabling response and adjustment agility and flexibility	189
Avoiding Pitfalls While Designing Dashboards.....	190
Selecting the wrong measures	190
Organizing goals and objectives poorly	191
Having the wrong number of financial measures.....	191
Thinking in the short-term thinking	191
Understanding Your Financial Dashboard.....	192
Make it part of your daily work	193
So what does it mean, and how will I know what to do next?	194
Follow through — it’s what’s for breakfast	196

***Part IV: Internal Business Processes —
The Value-Creation Leg*** 197

Chapter 11: Understanding Your Role in Internal Business Processes 199

Five Things You Must Know about Internal Business Processes.....	200
Waste abounds in your processes.....	200
Many process measures don't link to the customer.....	202
Your measurement system is probably broken.....	202
Process workers are under-utilized and unappreciated	203
Technology isn't always the right answer.....	204
Creating Value.....	205
Looking at your value streams' current state.....	205
Where you want to be when: The future state	206
You Get What You Reward	207
Sending mixed messages	207
Old rewards do not create new behaviors	208
Rewards that matter	209
Building-In Continuous Improvement.....	210
Process improvement in a nutshell.....	211
Determining, what, when, and where to measure.....	211
How to measure your performance	213
Acceptance and ownership means getting everyone involved....	213
Pitfalls to Continuous Improvement	215
Implementing continuous improvement	215
Identifying core processes and outsourcing.....	217
Technology isn't always the answer	218
The Weakest Links in Internal Business Processes	219
The problem with integrating strategies, plans, and tactics	220
Systems thinking and internal business processes	222
It's a people thing.....	224
Tying Internal Processes to Your Strategies, Plans, and Tactics	226
Playing catchball: The art and science of deployment	226
Developing your process strategies, plans, and tactics.....	227

Chapter 12: Building the Internal Business Process Scorecard .. 229

Finding the Right Measures for Internal Business Processes.....	230
Identifying the critical few measures	230
The Input-Process-Output diagram: Your best friend.....	232
Waste, scrap, and other bad things	233
Where's the variation?	234
Building Scorecards for Internal Business Processes	235
Strategic level scorecards	235
Operational level scorecards.....	236
Tactical level scorecards	236

Making Process Decisions That Give Competitive Advantage.....239
 Involving the right people in process decisions239
 Staying ahead of the competition: Tools that help240
 Common mistakes made with internal business
 process scorecards.....241

Chapter 13: Building Dashboards for Internal Business Processes243

Understanding Internal Business Process Dashboards244
 The what and why of internal process dashboards.....244
 Getting to real-time data and information.....246
 Drilling down to get the gold247
 Creating Your Internal Business Process Dashboards248
 Who should be involved with your dashboards and how248
 Making sure you’re hitting the right targets250
 Ten common mistakes with business process dashboards251
 What Your Internal Business Process Dashboard is Telling You251
 Analyzing your dashboards252
 What to do if you’re not getting there253
 Five common mistakes made in business process
 dashboard analysis.....254

Part V: Knowledge, Education, and Growth — The Learning Leg.....255

Chapter 14: Understanding Your Role in Learning and Growth . . . 257

Getting Schooled on Knowledge, Education, and Growth258
 Putting your finger on the elements of productivity258
 Understanding how information flows260
 Examining leadership style and culture261
 Identifying and filling competency needs262
 Aligning your employees organization263
 Have a Clear Direction for the Future.....264
 Growing means changing: the concern of complacency.....265
 Getting clarity from learning and growth chaos.....266
 Having a plan for growth and development.....267
 Knowing and Understanding Liabilities269
 Turning liabilities into assets, weaknesses into strengths270
 The dangers of shortcutting training for growth272
 Inventorying Knowledge, Skills, and Abilities273
 Your company’s wish list: Defining what you need274
 Step away from the office! Getting to know your people275
 Mind the gaps: Determining knowledge
 and skill gaps and filling them.....277
 Linking Your Strategies, Operations, and Tactics
 for Learning and Growth280

Balancing at the strategic level for organizational knowledge and growth.....	281
Having an operational focus for the future	282
Acting tactically for growth, capability improvement, and retention	283
Chapter 15: Creating the Knowledge, Education, and Growth Scorecard	285
Finding The Right Measures For Knowledge, Education And Growth	286
Determine key growth goals for the future	286
Identifying operational goals, measurements for growth	287
Indicators at the action level	288
Constructing The Knowledge Management Growth Scorecard	291
Aligning key growth measurements, for strategies and their impact.....	291
Determining the right measures for today and tomorrow.....	292
Always reassess and adjust, per market changes as well.....	293
Some examples of growth and development scorecards.....	294
Determining What Your Scorecard Is Telling You	300
How to read your future	301
Adjusting when it's not what you want	302
Some mistakes to avoid in interpretation	303
Chapter 16: Creating The Knowledge, Education, and Growth Dashboard	305
Requirements For Knowledge, Education, and Growth Dashboards	306
Translating growth goals into meaningful daily measures	306
Selecting key short- and long-term measures.....	307
Wait! It's time to do a sanity check!.....	308
Creating Dashboards That Increase Knowledge Management.....	309
Formulating the structure of your growth dashboard for action	309
Setting up feedback systems	311
Using the dashboard to achieve greater potential.....	311
Analyzing Your Knowledge, Education And Growth Dashboard	312
How to use the growth dashboard to make adjustments to scorecard balance.....	313
What your dashboard is telling you as you work toward achieving your future.....	314
The importance — and the risks — of being truthful	315
Understanding the Pitfalls of Analysis	316
Performance results alone do not a benchmark make.....	317
Comparing apples and elephants: best practices where?	318
Beware of cookbook approaches and case studies	319

<i>Part VI: The Part of Tens</i>	321
Chapter 17: Ten Tips for Balanced Scorecard Success	323
Establish (and Remember) Where Your Company is Headed.....	323
Understand and Stay Current with What Your Customers Want	324
Define Your Scorecard and Dashboard Roles and Responsibilities	325
Charter Effective Steering Committees	325
Establish and Maintain Accountability	326
Link Your Scorecards and Dashboards to Your Strategies, Goals, and Objectives	326
Communicate Your Personalized Four-Legs Approach to Everyone	327
Use Feedback and Feed-Forward Loops	327
Plan and Execute Your Balanced Scorecards Relentlessly	328
Synergize Your Scorecards for Competitive Advantage and New-Market Entrance	329
Chapter 18: Ten Biggest Scorecard Mistakes to Avoid	331
Cherry Picking	331
Following Case Studies Too Closely	332
Delegating Responsibility without Authority	333
Ignoring the Soft Stuff	333
Focusing Too Much on the Tools	335
Overanalyzing	335
Not Dealing with Key Detractors	336
Sending Mixed Messages	337
Exaggerating the Returns	337
Ignoring the Customer	338
Chapter 19: Ten Tips for Overcoming Barriers	339
Empower Your Employees	339
Be Flexible	341
Apply Psychology	341
Identify and Use Influential People	342
Limit the Use of Force	342
Don't Shoot the Messenger; Make Everyone the Messenger	342
Implement Stage-Gate Reviews	343
Reward, Recognize, and Celebrate Success	343
Communicate, Communicate, Communicate (And Don't Forget to Talk)	344
Provide Structure for Coaching, Mentoring, and Learning from Mistakes	344
<i>Index</i>	345

