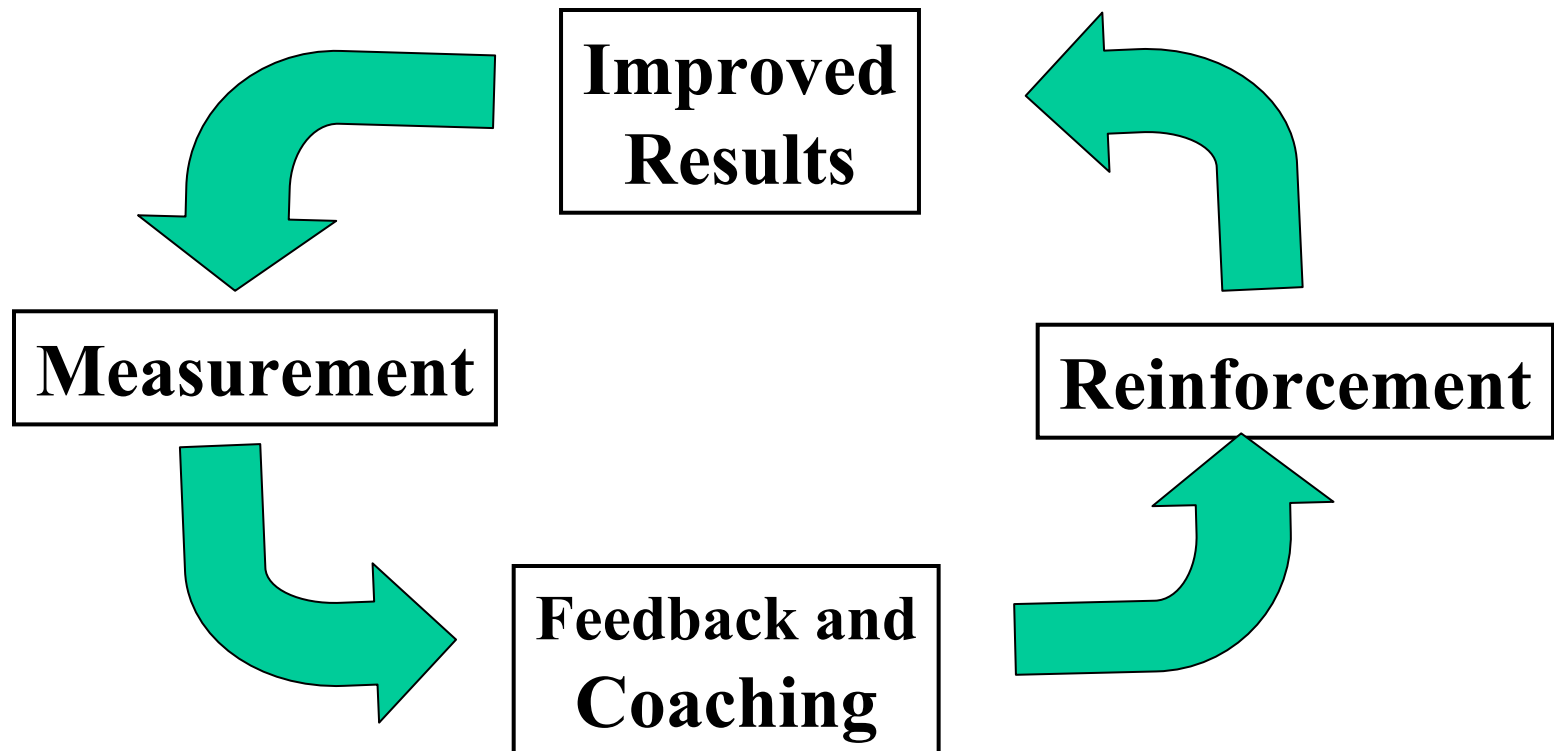


# **Strategic Measurement and Feedback Systems as a Tool for Performance Improvement**

# Measurement and Performance Improvement

*Any system, be it an individual or an entire company, must receive feedback to improve performance.*



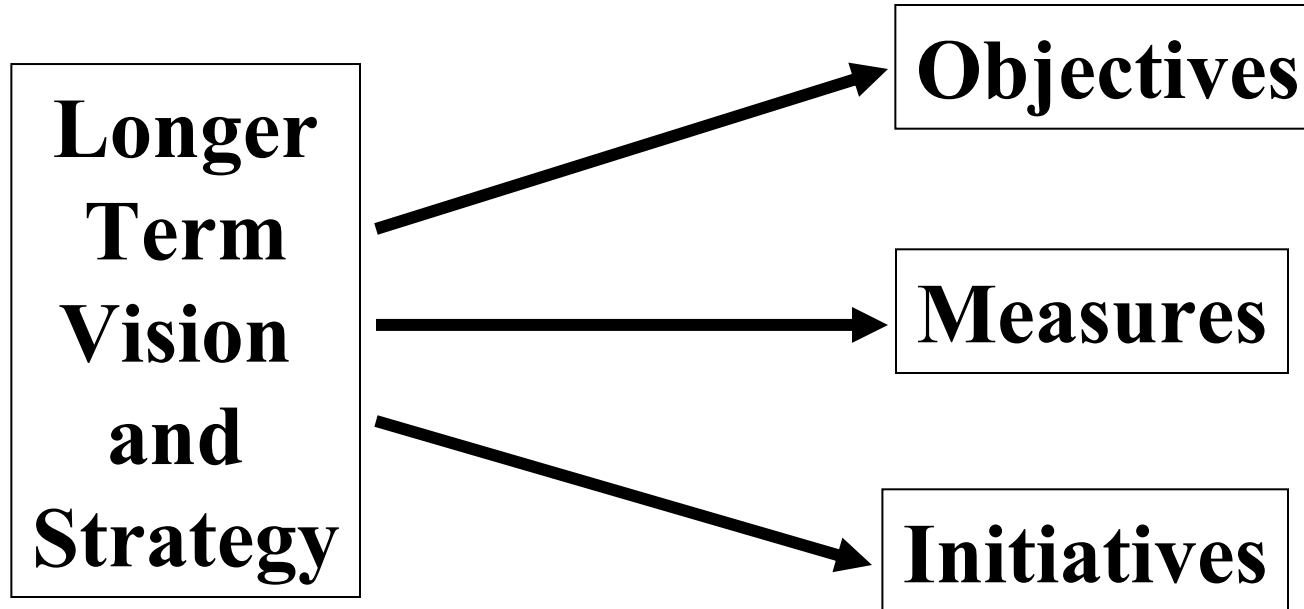
# The “Balanced Scorecard”

- Made popular by the writings of Robert Kaplan and David Norton
- Origins in 1990 based on KPMG study of “Measuring Performance in the Organization of the Future”
- Process development was based on learned experiences in companies
- Evolution from a measurement system to a communication and strategic management tool

# Key Scorecard Premises

- Derived from the business strategy
- Multiple areas of measurement - “balanced”
- A system for measuring, learning, communicating and planning
- Longer term orientation

# The Process Answers the How Question of Vision and Strategy



# **Characteristics of the Measurement System**

- Internally and Externally Focused
- Quantitative and Qualitative
- Cause and Effect Relationships (Lead vs. Lag)

# **The Four Measurement Perspectives**

## **Financial**

- “To succeed financially, how should we appear to our shareholders?”

## **Internal Business Processes**

- “To satisfy our shareholders and customers, what business processes must we excel at?”

## **Learning and Growth**

- “To achieve our vision, how will we sustain our ability to change and improve?”

## **Customer**

- “To achieve our vision, how should we appear to our customers?”

# Core Measurement Themes

## Financial

- ✓ Revenue Growth and Mix
- ✓ Cost Reduction / Productivity Improvement
- ✓ Asset Utilization / Investment Strategy

## Customer

- ✓ Market Share
- ✓ Customer Retention
- ✓ Customer Acquisition
- ✓ Customer Satisfaction
- ✓ Customer Profitability

## Internal Processes

- ✓ Innovation Processes
- ✓ Operations
- ✓ Post-sale Service

## Learning and Growth

- ✓ Employee Capabilities
- ✓ Information System Capabilities
- ✓ Motivation, Empowerment, Alignment

# **Attributes of Well Conceived Strategic Measures**

- Outcome based not solution driven
- Relative not absolute
- Eternally benchmarked
- Mixture of lead and lag measures
- Lead measures drive lag measures
- Cascade through an organization (top down)