

Introduction to Build a Scorecard

Agenda

- Overview of Scorecards
- Building a Scorecard Example: A Metaphor
- Before You Get Started
- Breakout Sessions
- Recap



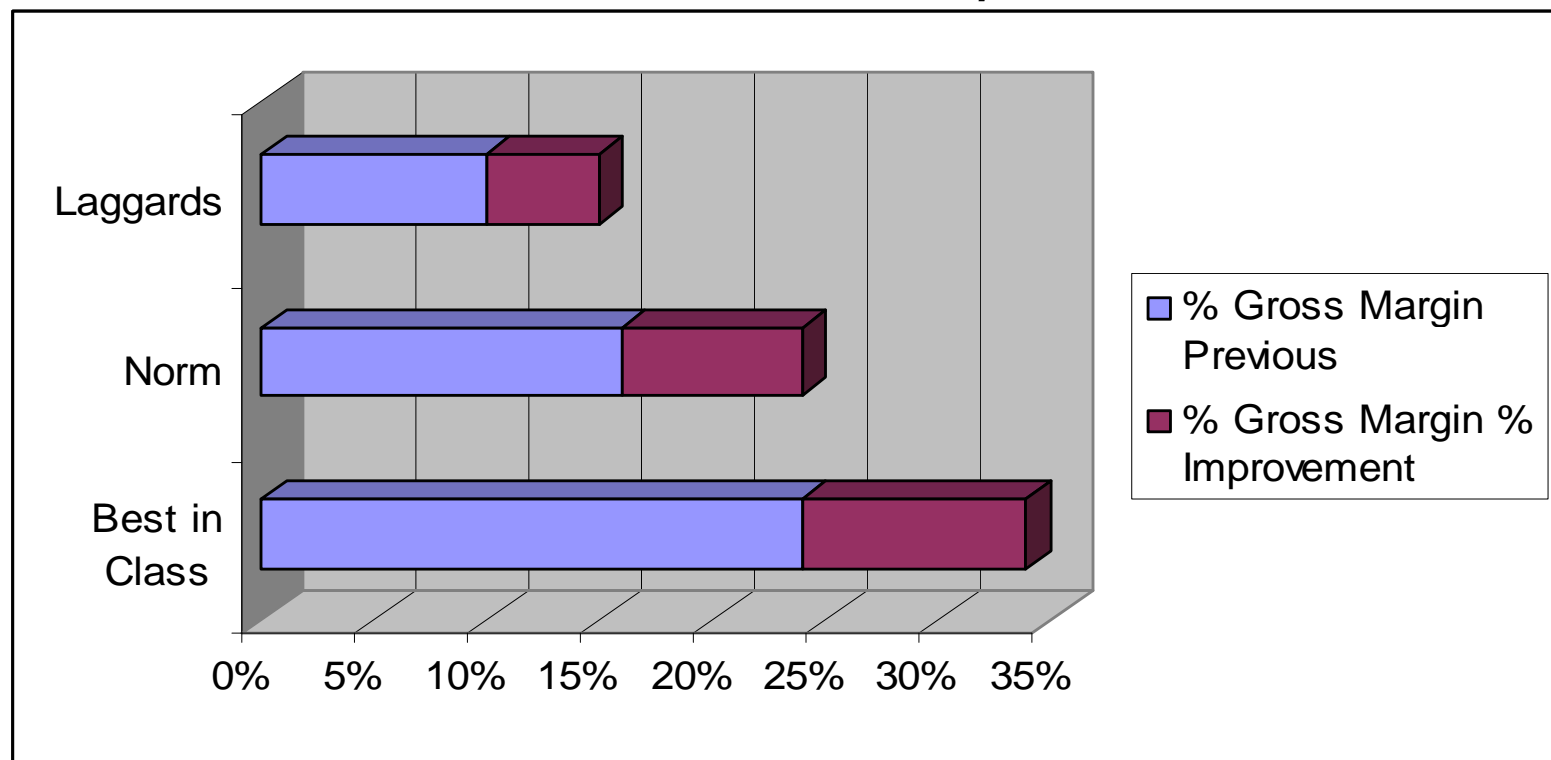
Scorecard Fast Facts Quiz

- What decade were the first management scorecards used?
- Who invented the first management scorecards?
- When was scorecarding popularized?
- Who popularized the concept of scorecarding?



Why Develop Scorecards?

Companies with best-in-class performance management systems realize best-in-class financial performance.



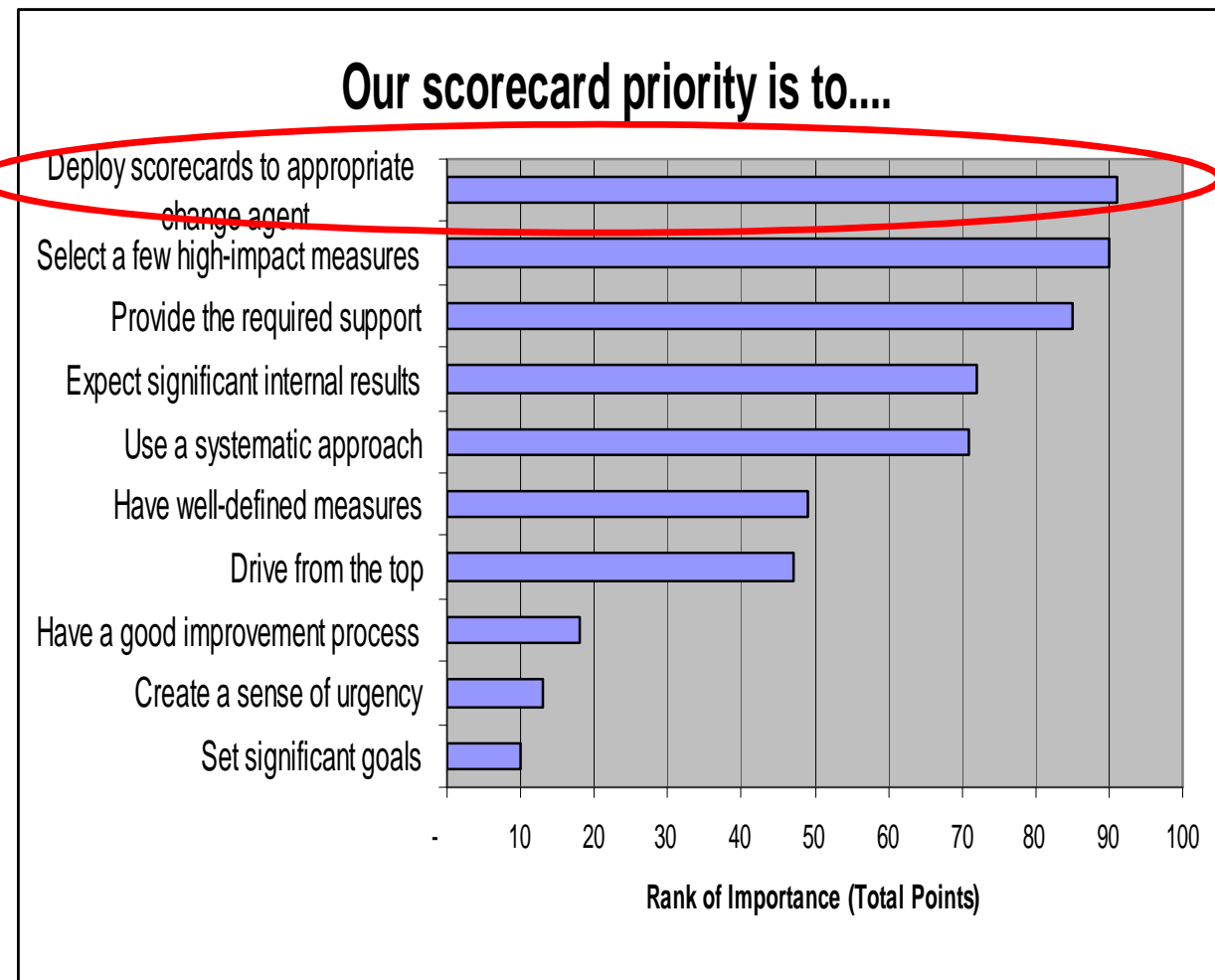
Source: Aberdeen Group, 2005: "The Closed Loop Corporate Performance Management Benchmark Report"

Profitability – that's why!

© Supply Chain Visions 2007 –
All Rights Reserved

Why Develop a Scorecard?

APQC study shows the #1 priority for using Scorecards is to drive change!



A Scorecard Analogy

A successful scorecard is like a cockpit dashboard – it gives you real time feedback that helps you successfully get from point A to point B.

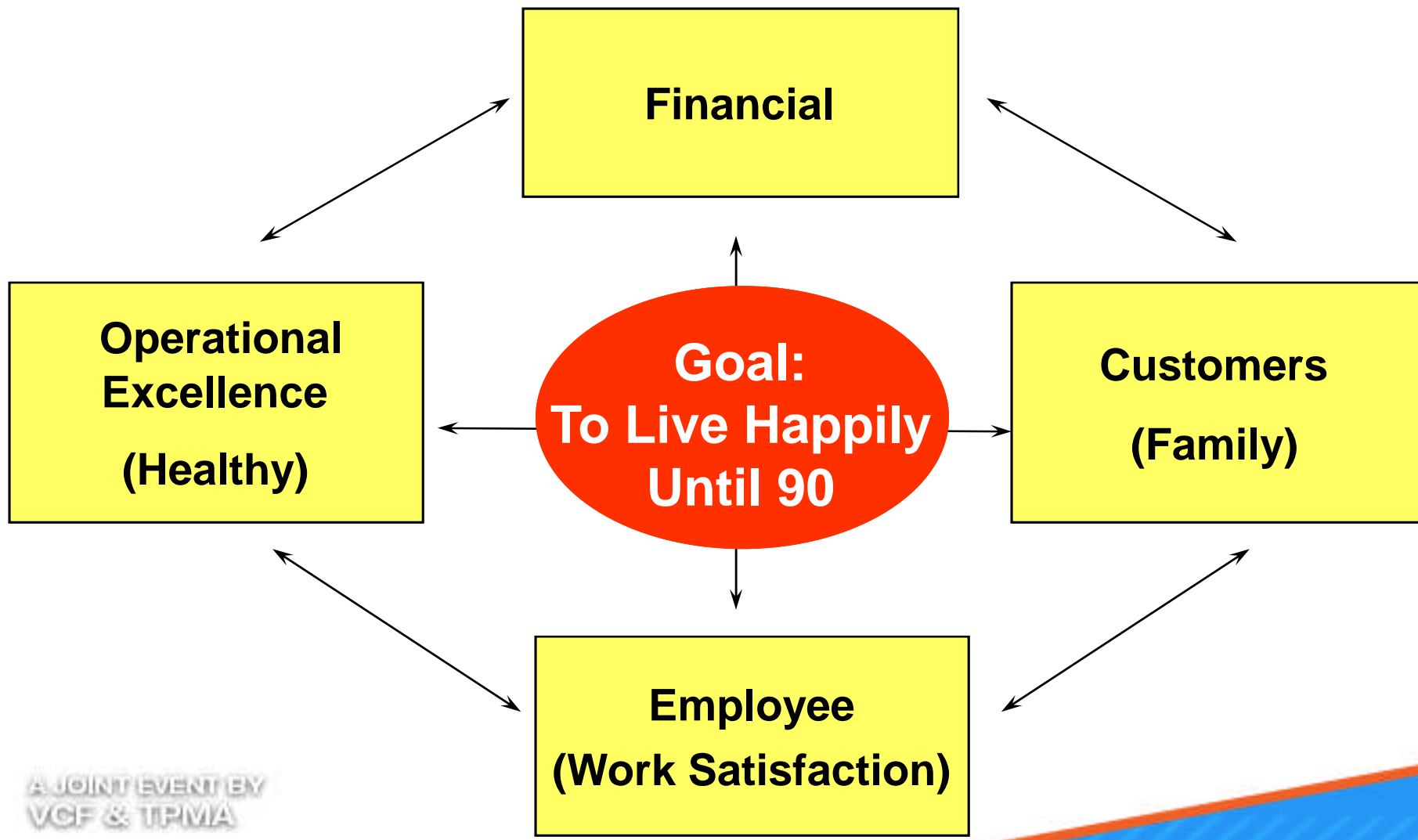


Agenda

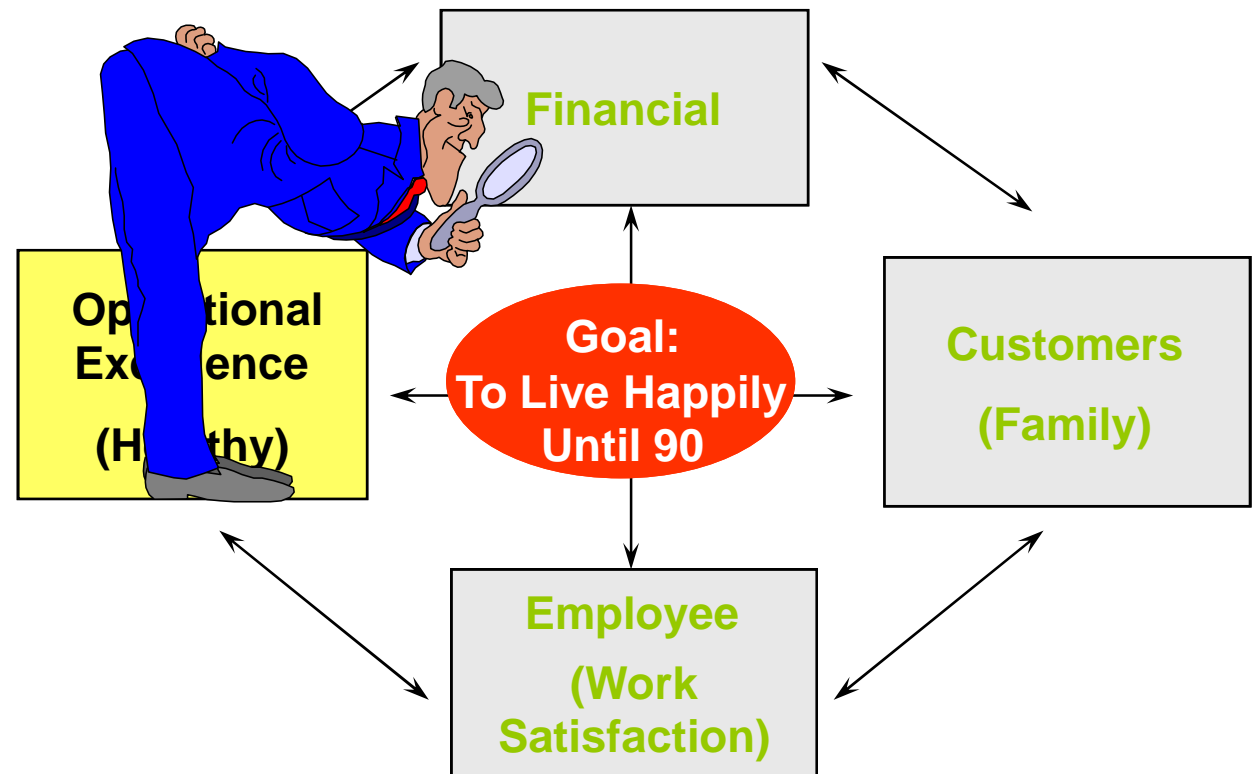
- Overview of Scorecards
- ***Building a Scorecard Example: A Metaphor***
- Before You Get Started
- Breakout Sessions
- Recap



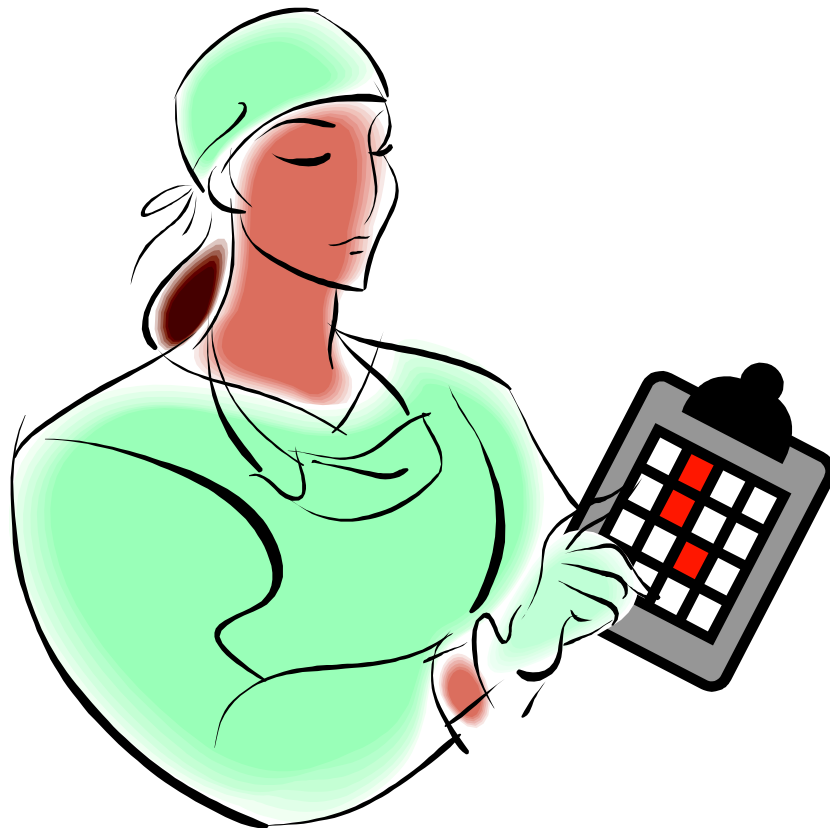
The Balanced Scorecard of Life



Let's take a look at one area (health) and see how measurement impacts our ability to drive our success.

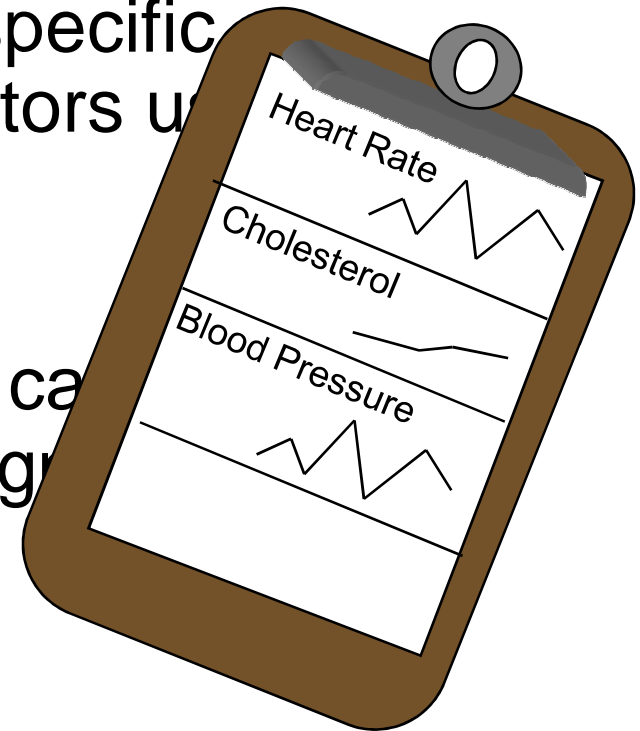


A person's "health metrics" are so important they are called "Vital Signs". The "metrics" monitor your overall health.



High Level “Diagnostic” Measures

- For each function, there are specific diagnostic measures that doctors use to monitor health
- For example, to measure our cardiovascular health have the following “diagnostic” measures
 - Heart rate
 - Cholesterol
 - Blood Pressure



Understanding Gaps

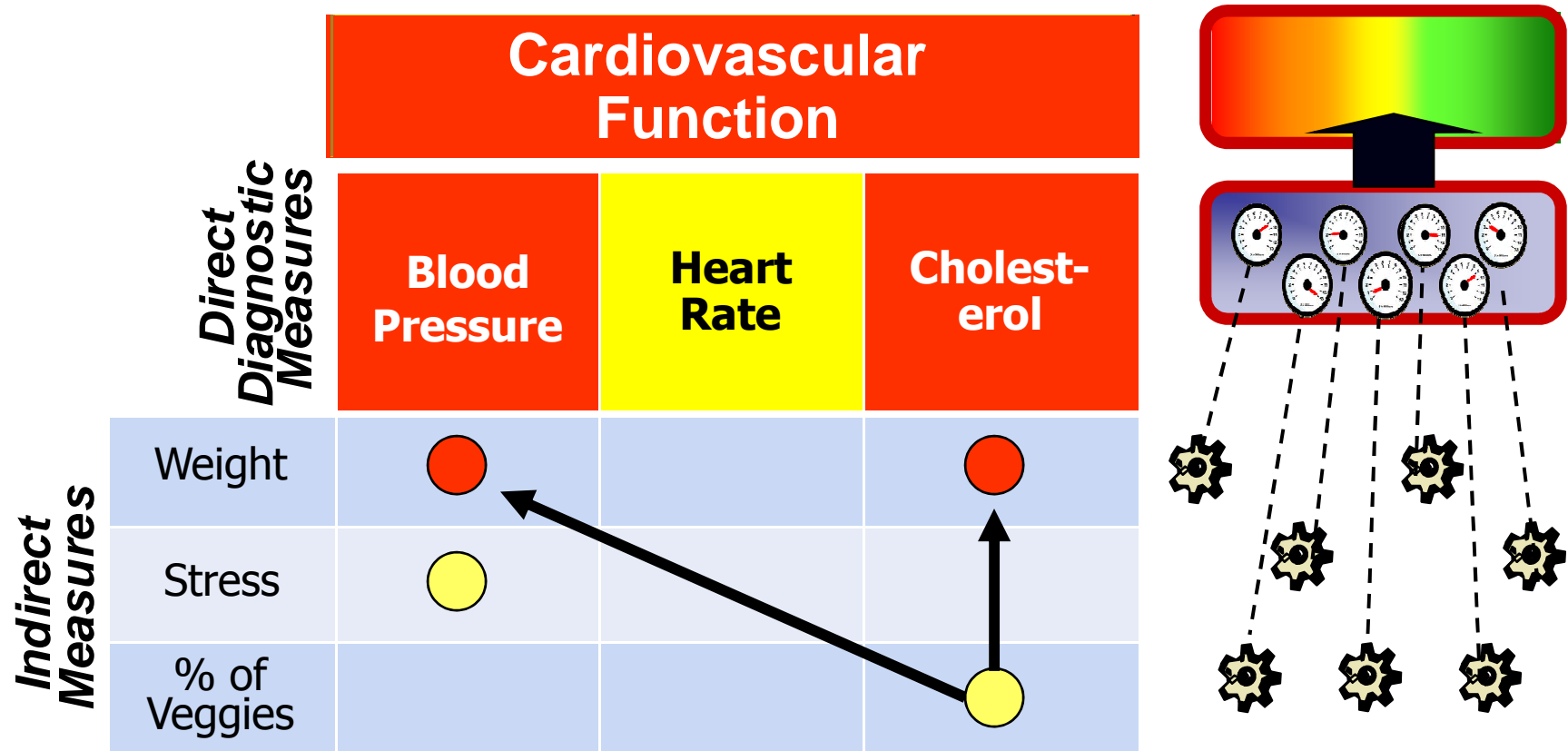
Based on your individual goal/strategy, you may have different targets. For a **Marathon Runner** you will want to achieve higher levels of performance than a housewife.

	Poor	Common	Good
Heart Rate			
Cholesterol	✓	→	
Blood Pressure		✓	→
	✓ →		



Alignment

Often there are indirect measures that impact the diagnostic vital signs – which impact the function.



We must understand the linkages between the direct and indirect measures

Focus on Practices That Drive Results

If we have gap in our desired performance level, we must change our practices in order to drive results. This may mean creating a focused improvement initiative.

			Cardiovascular Function's Health		
Metric	Current Performance	Target	Blood Pressure	Heart Rate	Cholesterol
Weight	210	145	●		●

Improvement Initiatives

Weight Control Program

- Calories Consumed Per Day vs Target
- % of vegetable servings consumed per day

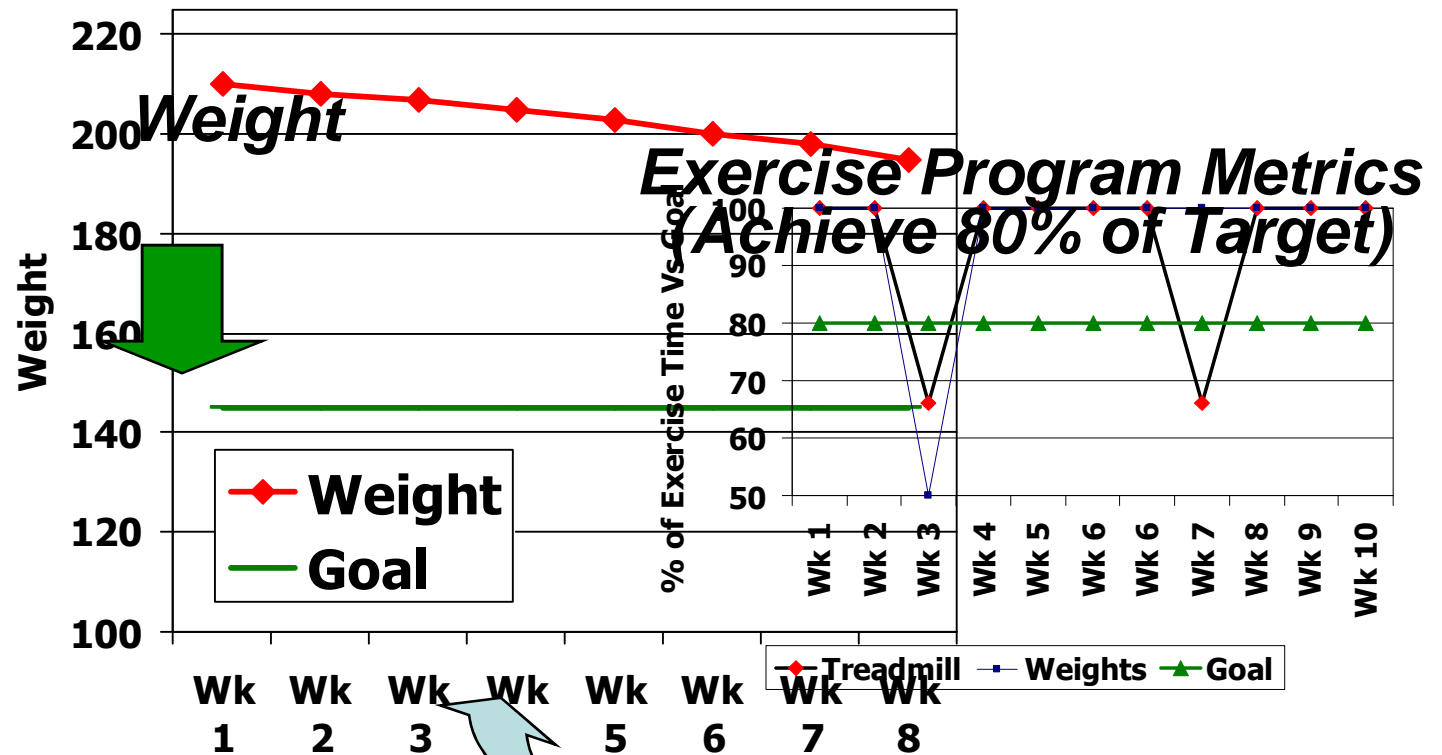
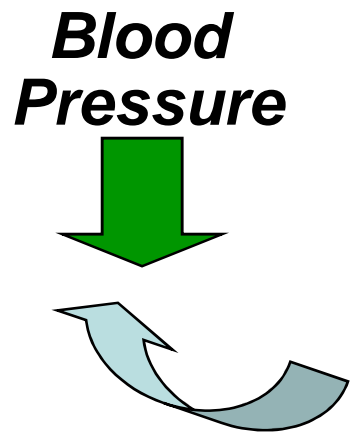
Exercise Program

- 90% of the Time use Treadmill 45 minutes a day 3 x a week
- 90% of the Time lift weights 1 hour per week 2 x a week

Activity Metrics

Trending

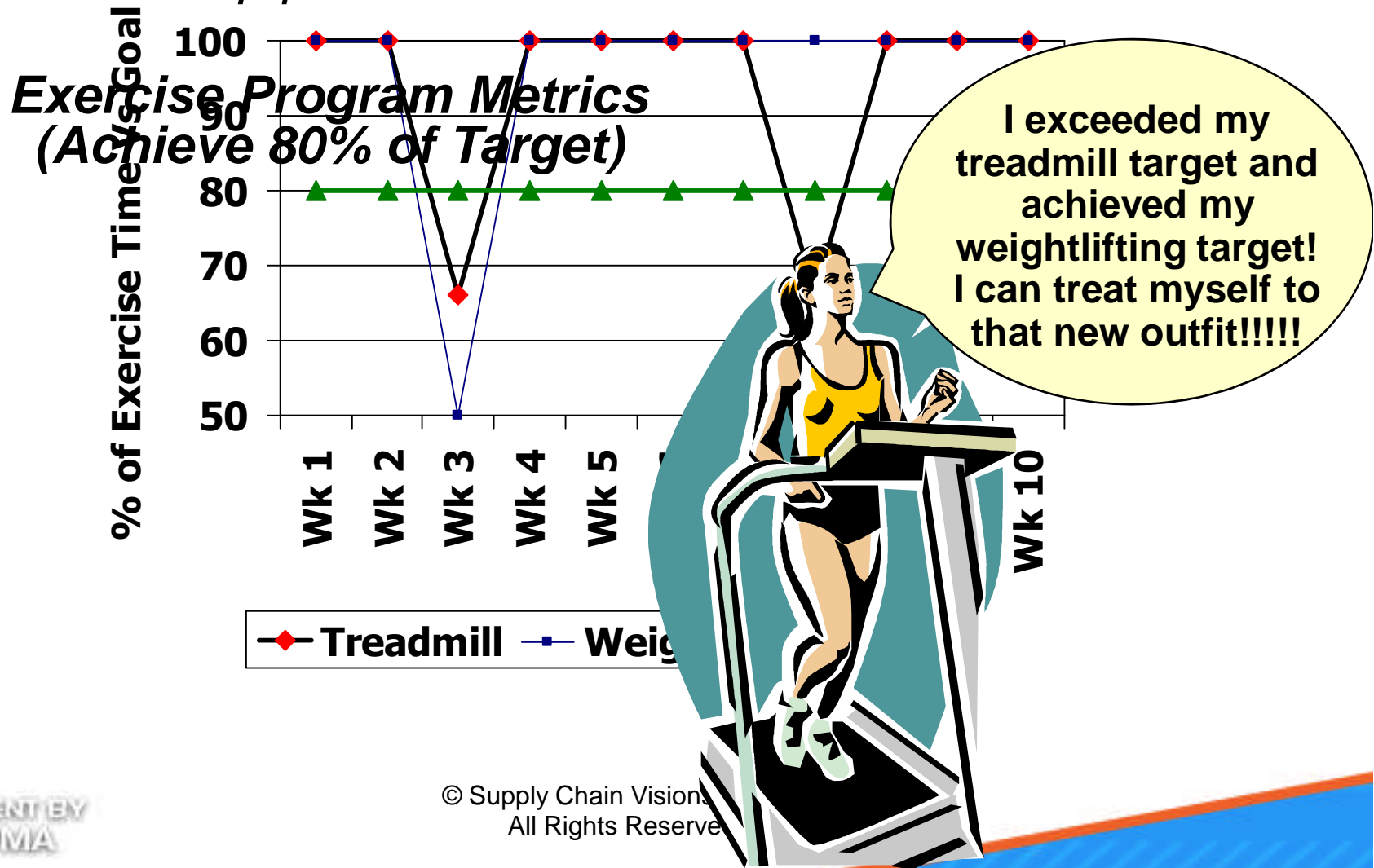
It is important we monitor our activity performance frequently and watch how our activity impacts our performance.



We begin to see the improvements over time as we achieve our activity level targets.

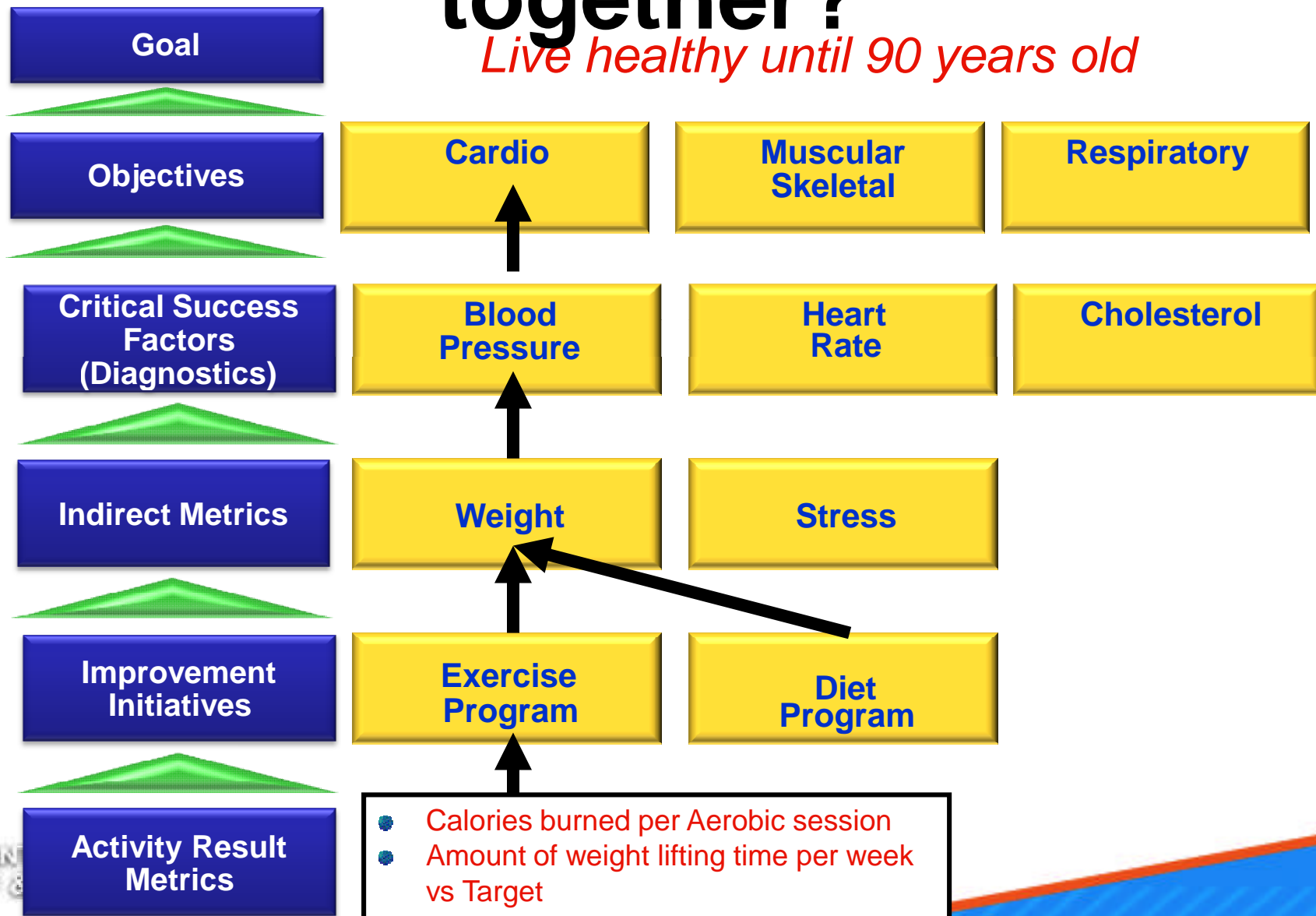
Recognize Successes (and Failures)

It is also important we recognize our successes – and our failures to help promote the desired behavior.



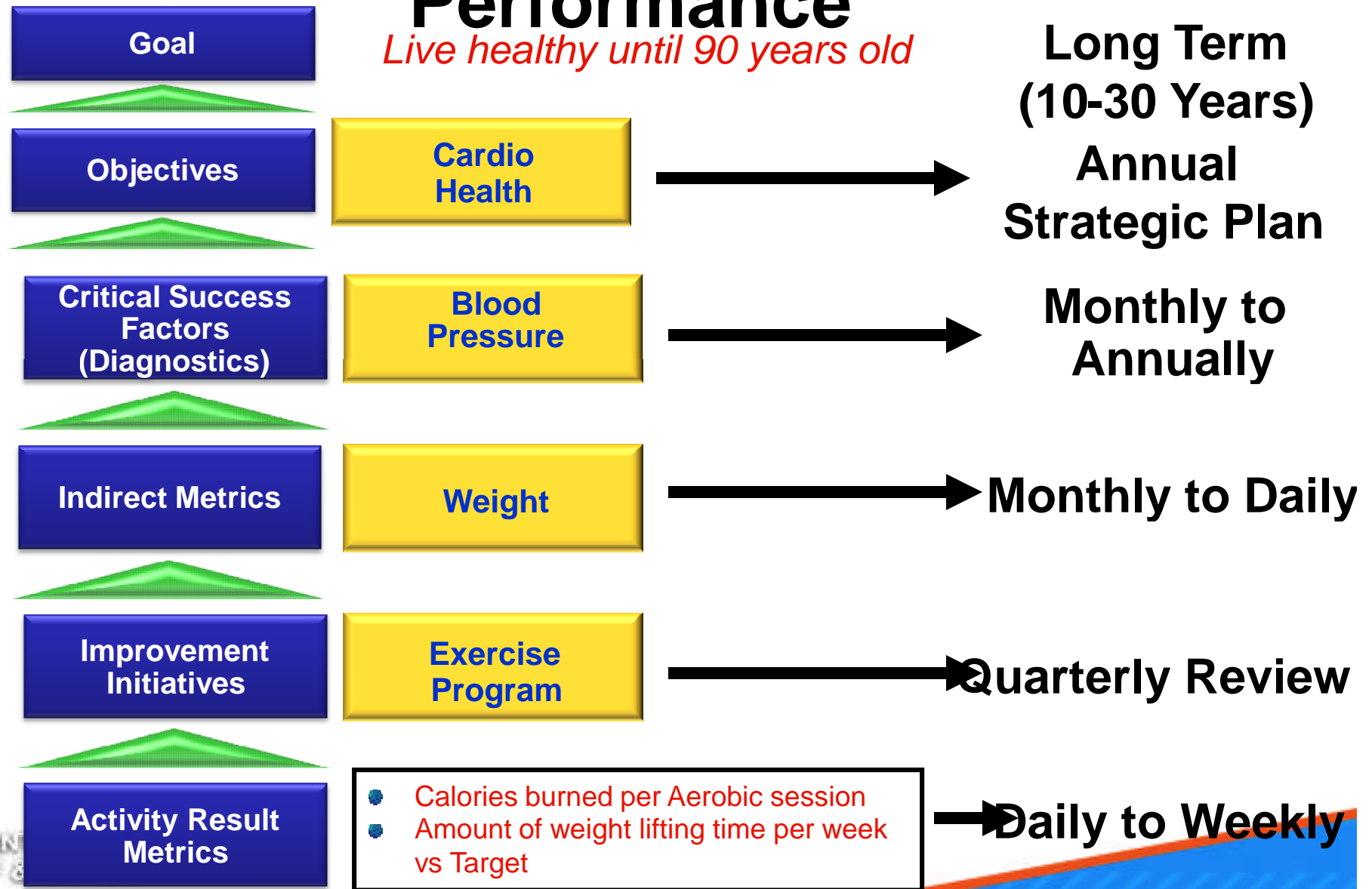
So how does it all come together?

Live healthy until 90 years old



Frequency of Monitoring Performance

Live healthy until 90 years old



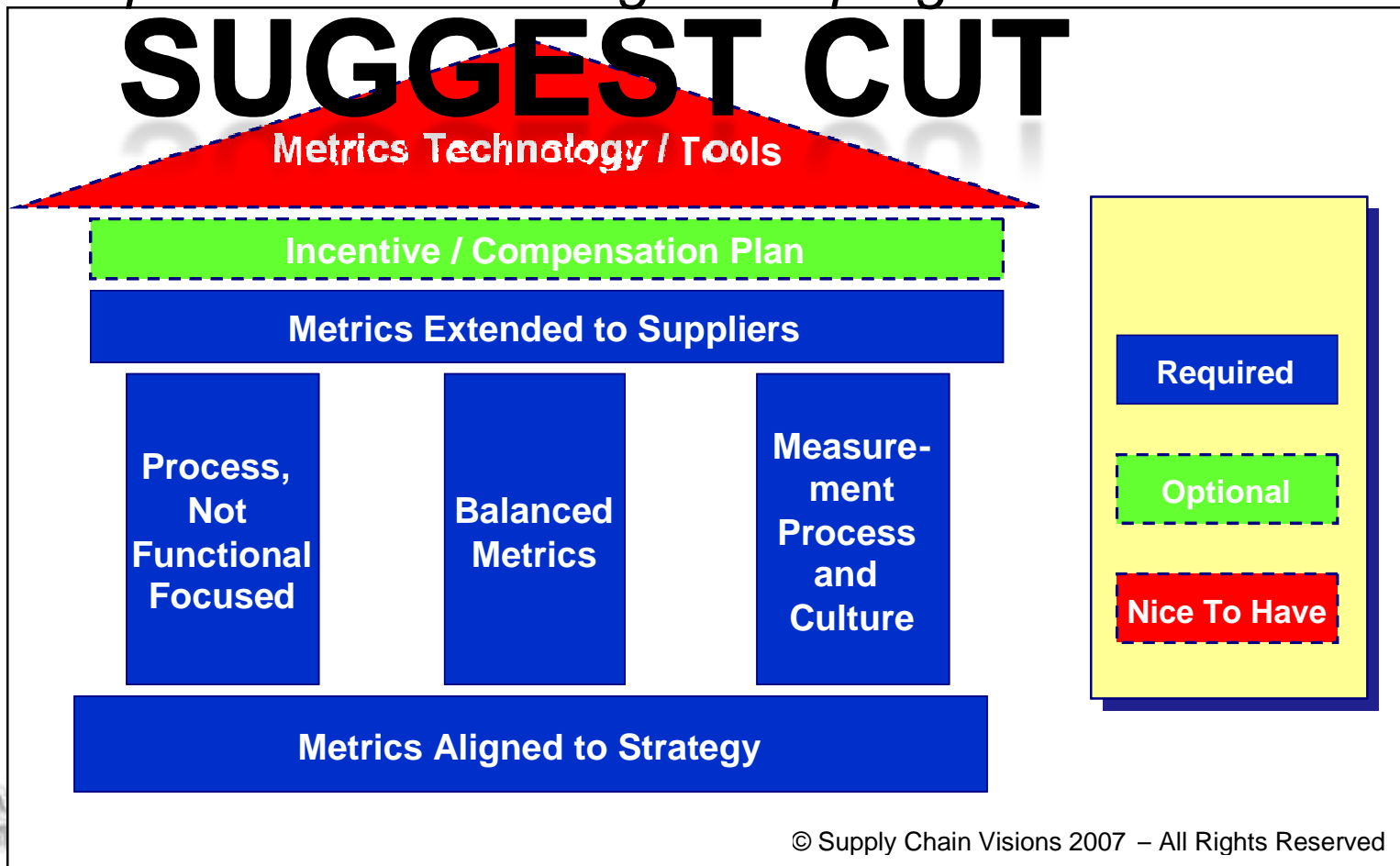
Agenda

- Overview of Scorecards
- Building a Scorecard Example: A Metaphor
- ***Before You Get Started***
- Breakout Sessions
- Recap



Performance Measurement. The Building Blocks

Remember - Scorecards alone will not guarantee good performance; Your scorecard needs to be driven by an overall performance management program.



Characteristics of Successful Scorecards



- Drive action and decision making; a culture that supports performance reporting and improvement
- Focus on the “vital few” measures to provide focus
- Clear documented definition of metrics and targets
- Ability to provide trending and progress
- Heavy use of color to improve readability
- A clearly defined process for collecting data and publishing scorecards
- The scorecard changes over time as the strategy changes



Typical Mistakes

- Use scorecards as a tool to punish employees
- Exclude history and trending
- State measures in absolute terms, rather than in relative terms. For example, stating that you have \$100 million in costs is far less meaningful than stating you have a 20% or a 2% profit margin.
- Fail to establish common, clear and concrete definitions.
- Fail to establish common, clear and quantified calculations.
- Fail to define the source(s) of data required for each measure.
- Fail to define the owner of the measure and, if needed, each element of data in the measure.
- Deploy a measurement technology to generate scorecards before having a process in place.
- Measure and report infrequently.



Agenda

- Overview of Scorecards
- Building a Scorecard Example: A Metaphor
- Before You Get Started
- ***Breakout Sessions***
- Recap



Agenda

- Overview of Scorecards
- Building a Scorecard Example: A Metaphor
- Before You Get Started
- Breakout Sessions
- ***Recap***



In Summary.....

Your ability to improve the business depends on your ability to monitor performance and make decisions or course corrections

- Too little data and decision making is undermined
- Too much data and management cannot focus



© Scott Adams, Inc./Dist. by UFS, Inc.

A JOINT EVENT BY
VCF & TPMA

© Supply Chain Visions 2007 –
All Rights Reserved