



## Balanced Scorecard

# With a balanced scorecard the degree of feasibility of your strategy is measurable

**The balanced scorecard (BSC) is a comprehensive management model for strategy-orientated management, which goes beyond the financial key performance indicators. The close association of strategic objectives, measures for achieving objectives and key performance indicators for measuring results enable measuring, monitoring and controlling of the development of the company from a strategic perspective.**

### The BSC as an instrument for strategic implementation

The strategy gives the company a clear target with regard to future development, for which continuous monitoring is a matter of course nowadays. Nevertheless, the strategy is often too little used in the day-to-day activities of the company.

MAK considers the strategy as the core of a company, according to which daily activities should conform. This requires a management model with which the strategic objectives can be broken down into specific feasible measures, and in which the implementation of these measures can be undertaken directly. The BSC, introduced by Robert S. Kaplan and David P. Norton, is a suitable instrument for this, which

- ensures cross-functional alignment with the company strategy
- differs from the financial focus of other models
- offers great freedom for company-specific adaptations

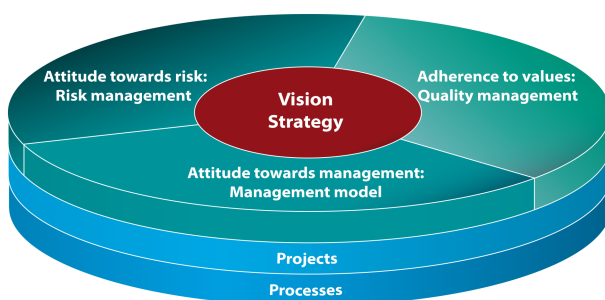
As the strategy must constantly be monitored along with the development of the company, BSC is not static. The focal points and the orientation must be periodically adapted to current developments.

### The goal-oriented company model according to MAK

A long-term vision and strategy ensures that all activities coordinated in your company are oriented towards the same objectives.

A clearly-defined attitude to management, risk and value will systematically and lastingly guarantee the operational control of your company – while maintaining high standards.

The project level sees to it that you implement change and innovation guidelines to continuously develop your company. The foundation of your enterprise is represented by its process level because your net value added is guaranteed by the performance process.



*With the balanced scorecard company model, management behaviour in the company is closely connected with the strategy formulated. Management decisions conform to strategically developed objectives and measures derived from them, which are formulated in accordance with the risk behaviour and intrinsic values of the company. These measures have an effect on the projects and processes, whereby management behaviour is noticeable across the entire company.*

## Setting up a balanced BSC

Development of the BSC runs through all three management levels of the company:

### Strategic level – where do we want to go?

The BSC is based on the company strategy. Before a company can begin with setting up a BSC, its strategic core objectives must be clearly defined.

### Tactical level - how do we achieve this?

The tactical level defines with which actions the strategic core objectives should be achieved. The development of the BSC largely includes the following stages at the tactical level:

- Definition of four to six areas of company development (perspectives), such as "client", "staff", "processes" or "resources"
- Analysis of effect relationships between strategic core objectives and resolving conflicts in objectives
- Derivation of partial objectives, whereby the strategic core objectives are considered with regard to the areas of development defined
- Definition of measures to achieve these partial objectives

### Operational level - where does the company stand?

To evaluate and measure the degree of goal attainment for the partial objectives and measures via BSC, relevant key performance indicators are defined. In order to be able to include all critical factors, BSC relies on qualitative measurement parameters. These are ascertained not only from systems, but also by means of evaluations, studies or action-based measurements. Target values are defined for all key performance indicators at which the relevant measures are aimed.

Successful BSC development requires that the management supports BSC as a management model and includes aspects of areas of expertise for all their members. The development of tactical and operational elements of BSC generally pursues an iterative process in the context of interdisciplinary workshops.

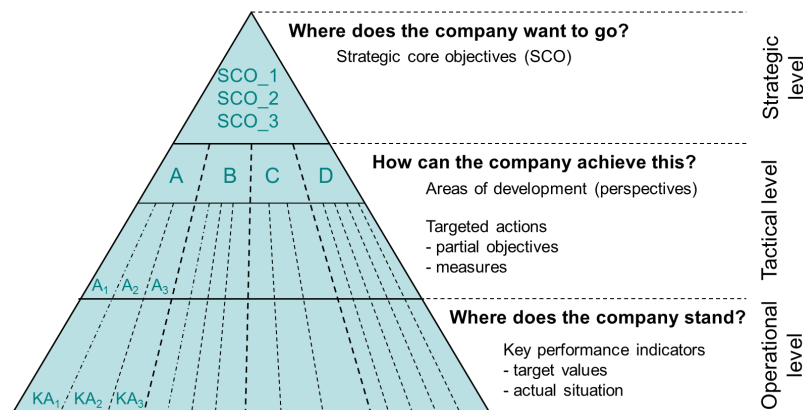


Image: Development of BSC across management levels<sup>©</sup>

## Analysis of effect relationships

Strategic objectives rarely stand alone without affecting other objectives. Many objectives support each other mutually and others conflict with one another. The presentation of cause-effect chains, and thus the consideration of dependencies between objectives, facilitates understanding of complex connections within a company. It is only this very understanding that enables successful

company management. However, in practice, the presentation of effect relationships often founders on the enormous complexity and immense analysis input for all target relationships.

MAK has developed a methodology with which the strategic objectives are strictly grouped into clusters, and the focus of the definition of effect relationships does not lie in depicting all conceivable

effects between objective, but in creating clarity with regard to why individual objectives should be achieved. It is not the question "which other objectives are affected by objective X which we are considering?" that is relevant but "Why do we want to achieve objective X?" For example, the presentation answers the question: "Why do we want to use e-channels?" Using this methodology, the relevant

relationships between objectives can be demonstrated with reasonable input and the entire company strategy, as well as the functioning of the company, can be comprehensibly presented. Conflicts between objectives can also be analysed and multiplication effects recognised, in order to evaluate measures correctly.

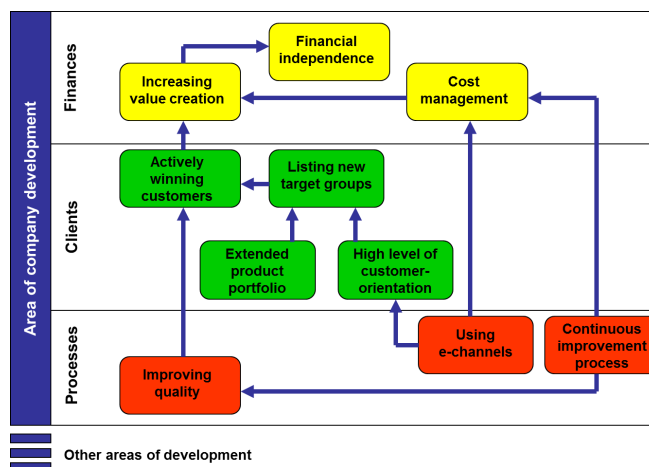


Image: Presentation of effect relationships (example)

### Management model as a critical success factor in company management

Strategically orientated company management is an obligatory precondition for long-term success as a company. A comprehensive and broadly supported management model enables the company to introduce suitable measures which conform with the strategic objectives. MAK deems the balanced scorecard to be the preferred instrument for this.

The management model of the balanced scorecard supports you in achieving your company objectives:

- **Visualisation of the strategy** - presentation of the strategy that is comprehensible for all staff and reduction of the complexity via MAK methodologies
- **Making the strategy operational** - transforming your strategy into operational measures which can be pursued in a targeted way
- **Demonstrating deficiencies and important tasks** - ensuring the comprehensive implementation of your strategic objectives, using a methodologically stringent approach
- **Simplifying management** - reducing complexity thanks to clear organisation of the current measures and a meaningful key performance indicator model
- **Ensuring that your activities conform to the strategy** - initiating new measures based on strategic requirements, testing effect chains and guaranteeing coordinated implementation
- **Transparency of implementation of the strategy** - clear knowledge of the level of implementation through constant measurement, using defined key performance indicators
- **An integrated management process** - comprehensive thinking that includes non-monetary objectives and measurements; legitimacy and comprehensibility of previously "irrational decisions" through BSC
- **Motivation and loyalty of employees** - the activity of each employee makes a measurable contribution to the implementation of the overall strategy of the company.

### How can MAK support you?

MAK supports you in all phases - from analysis and design to completion and implementation, till the continuous improvement of your BSC.

To be specific, MAK offers the following services in these areas, which may be tailored to your requirements in a modular format:

- Introductory workshops in the fields "management model" and "BSC" according to your requirements
- Review (second opinion) of your existing balanced scorecard (including strategy and conformity check) with qualified recommendations and possible measures
- Analysis and presentation of effect relationships for your strategic objectives
- Development of a balanced scorecard, customised as required for your company (including preparation and moderation of workshops)
- Development of key performance indicator catalogues, to complete your balanced scorecard
- Support in the evaluation and procurement of a IT-assisted solution according to your requirements
- Support in the sustainable introduction of your balanced scorecard, to include the staff involved
- Organisation and moderation of assessments, for the periodic evaluation and continuous improvement of your balanced scorecard

### Possible support by MAK:

- Project management
- Support / coaching of your internal project team
- Cooperation / support in your internal project team
- Support by our specialists to complement your internal project team

We offer these types of cooperation in conjunction with the complete execution of a project as well as supporting individual project phases.

### Portrait of MAK

MAK Consulting AG is an independent consulting company in the fields of consulting, project management and implementation, as well as operational business support. In its activities and processes, MAK always complies with Business Excellence (EFQM). Thanks to its track record of practical experience and tried-and-tested methodological instruments, MAK makes substantial contributions to the targeted and sustainable further development of companies.

Cooperation with MAK brings tangible results such as

- Improving competitiveness
- Optimising value creation
- Promoting growth
- Effective instruments
- Efficient execution of planning

Are you interested in receiving further information? We will be pleased to answer your questions in an in-person meeting.

Your partner beyond the conception phase



**MAK CONSULTING AG**  
MANAGEMENT • ASSESSMENTS • KNOW-HOW

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