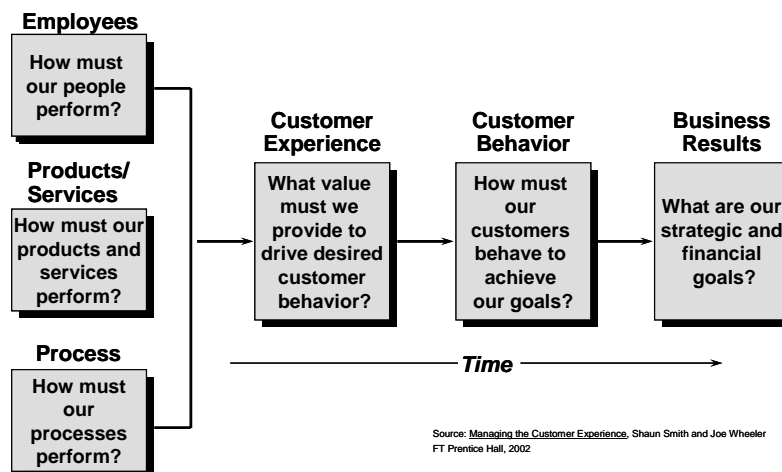


Designing the Business Scorecard

The truth is, most organizations measure too many things. In an effort to explain past performance, a volume of facts and data are collected and analyzed in an attempt to understand: "what happened?"

But value profit chain companies treat measurement differently. Of course they want to understand what drove past performance, but more importantly, they want to predict future performance and constantly monitor and adjust those factors that appear to drive growth. This 'cause and effect' relationship is at the heart of building a business scorecard to bring the value profit chain to life.



It starts by understanding the specific Business Results our client is trying to achieve and to determine the right set of goals, measures and targets for each. Based on a shared view of the results we are after, we identify the Customer Behaviors that will ensure achievement of those goals. Again, we set goals, measures and targets for each behaviour before then determining the goals and measures for the Customer Experience that will impact them. Finally, we identify what will be critical in terms of the Product/Service, Process and Employee performance necessary to deliver on this Customer Experience and the goals, measures and targets associated with each.

The Business Scorecard is designed at the customer interface level, but is shared broadly and used to align Shared Services and other staff groups as they build their own Business Scorecard in support of the front line organization. Once designed, only the critical few goal, measures and targets are deployed to front line teams to ensure a clear focus on the critical few driver of customer loyalty. As we move up the organization, the broader set of measures are collected and shared as the broader organization's performance is compared to targets.

A key benefit of this approach is normalizing unit performance in an effort to compare 'apples to apples' across stores or front line sales/service offices. Referential benchmarks compliment historical results to reflect unit performance based on a combination of other factors such as the relative market opportunity of like stores or units. Thus, targets are set based on true stretch goals rather than simply internal historical performance that may or may not represent good or bad performance.

The Business Scorecard creates the opportunity to link store or unit performance to variable pay or profit sharing systems, supporting the concept of hiring and retaining 'fewer, better people' and performance-base pay. As a result of building the Business Scorecard, organizations are able to:

- Identify the leading and lagging indicator of performance in their business
- Apply predictive statistical analysis based on the 'cause and effect' relationship identified between the goals and measures
- Take appropriate management actions based on the behaviours of measures that are proven to be most important to achieving their business results
- Align the entire organization toward delivering a powerful value proposition by building Shared Services Business Scorecards that support the front line organization.