

Balanced Scorecard Building Process

The Balanced Scorecard building process consists of 3 steps:

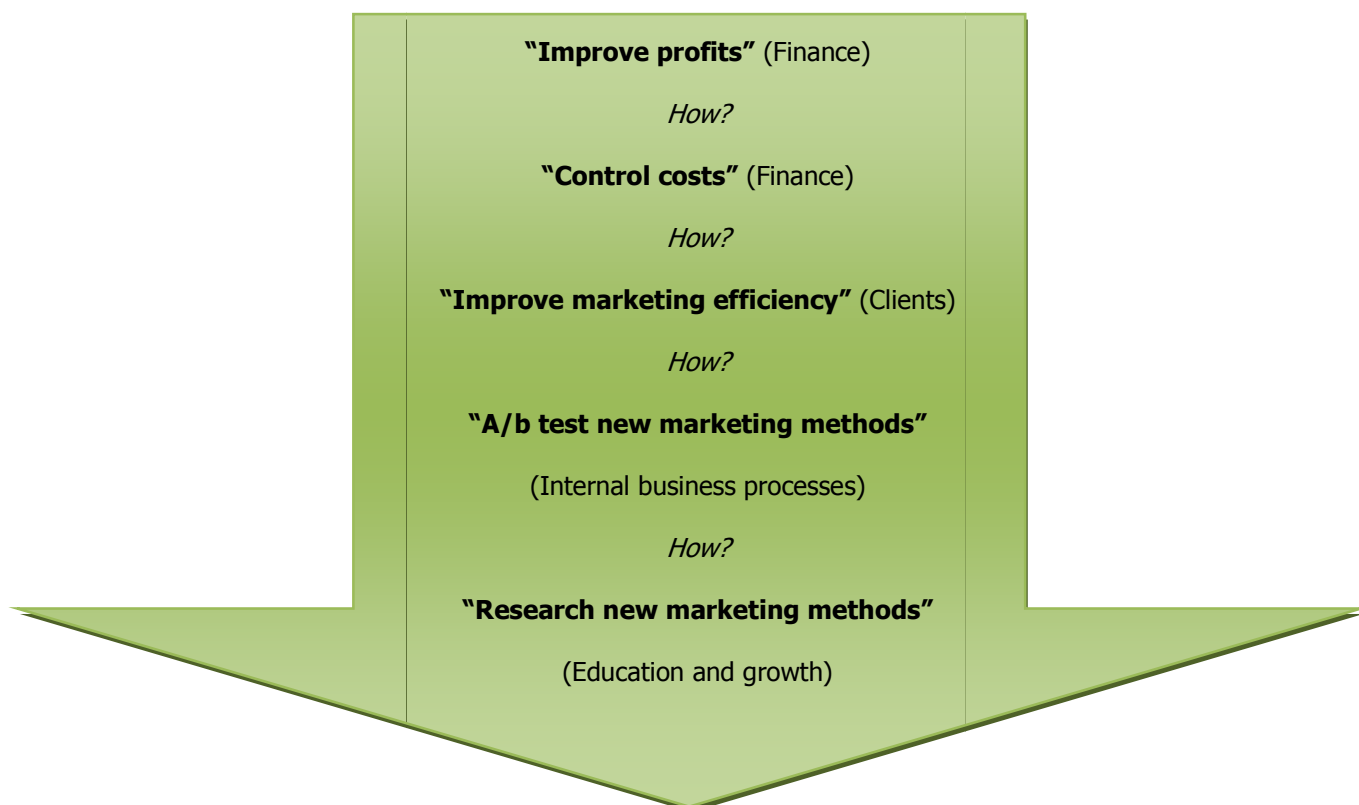
- Step 1. Formulating **business objectives** and building a strategy map
- Step 2. Suggesting **initiatives** that will help to achieve business objectives
- Step 3. Creating **KPIs** that will track the progress

Step 1. Formulating business objectives and building a strategy map

In the first step business objectives should be formalized. Below are four sections. Each section contains a question that will help to find current strategic objectives of the business.

All the objectives are connected to the major financial objective with a cause-effect link. E.g. if there is some objective like "Research new marketing methods" (in Education and Growth section), then it is connected by a cause-effect link to other objective "A/b test new marketing methods" objective (in Internal Business Processes section), this objective is a cause-effect connected with the "Improve marketing efficiency" objective (in Customers section), which is connected to "Control costs" objective (in Finance section).

Visualization:



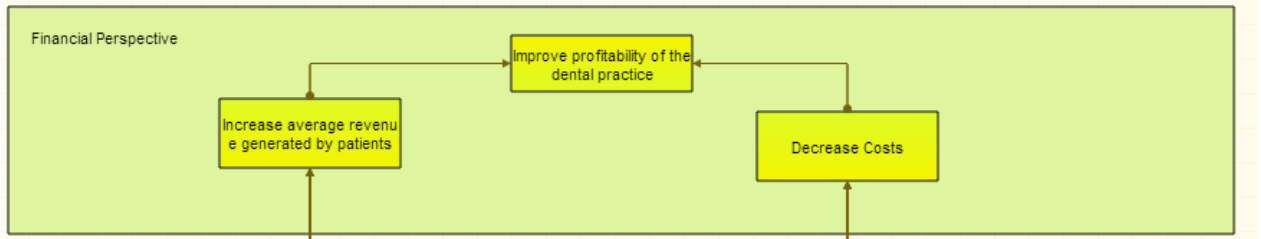
Each strategic objective here is linked by cause and effect connection with other strategic objective.

Questions that help to formulate strategic objectives:

1-Finance: What are your financial goals?

Example of the answer: The goal is to increase profits, and to increase profit we need to increase revenue and control costs. 3 Objectives: "Increase profits," "Increase revenue," "and control costs..

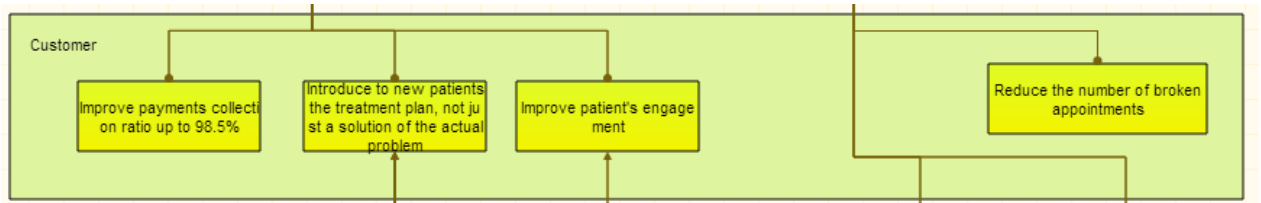
Here is how the representation looks in a strategy map:



2-Customers: What should you offer your customers to achieve the above mentioned financial goals, e.g. what should you offer to your customers to improve revenue; what should you offer to your customers to control costs?

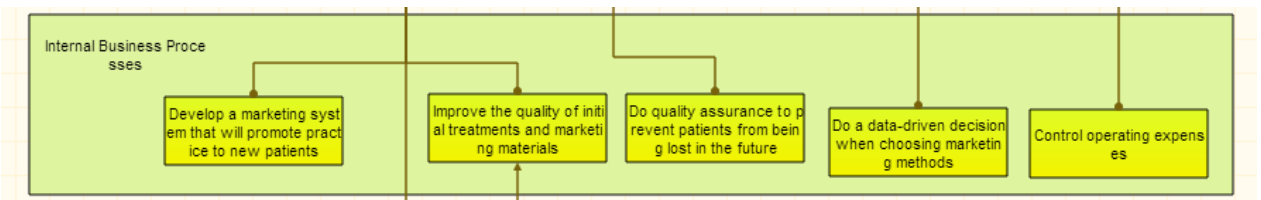
Example of the answers:

- Improve customer engagement (is linked to improving revenue);
- Improve marketing efficiency (is linked to cutting costs);



3-Internal business processes: What process or system should you change or introduce in your business to be able to satisfy customers' needs described on the previous step, so that you will be able to achieve financial goals described above?

Example: Develop a marketing system that will allow controlling costs of marketing methods.



4-Education and growth: What should your team learn to be able to create business systems or processes mentioned in the step "Internal business processes," so that you will be able to satisfy customer's needs mentioned in "Customers" stage, so that finally you will be able to achieve your financial goal of increasing revenue or cutting costs.

Step 2. Suggesting initiatives that will help to achieve business goals

Initiatives are your action plan. What should you do to achieve specified business objectives? Sometimes it is clear; sometimes suggesting initiatives is a challenging task.

For example:

- Initiative for strategic objective "A/b test new marketing methods" is clear. One should use principles of a/b testing and try two different marketing methods for some time to see which is working better.
- Initiative for "Improve marketing efficiency" is more challenging. You might need to find out the cost of each marketing method, and do some research to find new marketing methods.

Step 3. Creating KPIs that will help to track the progress

Once you have your business goals and the initiatives are formulated, it is time to focus on KPIs that will help to track your progress.

For example, the KPI for a business objective "Improve marketing efficiency" might be "Efficiency of specific business method, %," which will be calculated using average prices to get one client using this marketing method, conversion rate and average shopping cart.

Finally, each KPI needs to be compared with something, e.g. **benchmark** information. You can use benchmarks from the experiences of your company or you can research for benchmarks for a specific KPI.

Example of the results

For an example of the results please check out the Dental Practice Balanced Scorecard Project:

- <http://www.webbsc.com/document/kpi/dental-practice-balanced-scorecard>

It is not customized to any specific dental practice; it is a framework for any dental practice business.

Owners of a dental practice customize the project according to their needs and feed the data to the Balanced Scorecard each month to see if they are on the right track in achieving their business objectives.