THE BALANCED SCORECARD APPROACH
Topics of Discussion

- Survey
- Balanced Scorecard Overview
- Balanced Scorecard Development Process
- Survey
- The Weyerhaeuser Example
- Summary
- Questions and Answer Session
Today’s Objectives

• Provide an overview of the Balanced Scorecard (BSC) Approach
• Facilitate the group discussion for our collective learning
  – Experiences with the BSC
  – How this tool can be effective in driving improved Facility Management
• Each of us walks away with 2-3 that we really needed
Survey

• How many of you have experience with the Balance Scorecard Approach?
The Balanced Scorecard is a framework that helps organizations translate strategy into operational objectives that drive both behavior and performance.
BSC History

- Developed in the early 1990’s
- Developed by Drs. Robert Kaplan (Harvard Business School) and David Norton
- Provides a clear prescription for what companies should measure in order to “balance” the financial perspective
- It is a management system (not only a measurement system) that allows the clarity of vision and strategy into action
BSC History

- Suggests that we view our organizations from four perspectives:
  - The Learning and Growth Perspective
  - The Business Process Perspective
  - The Customer Perspective
  - The Financial Perspective
- Requires us to develop Performance Indicators or metrics and collect and analyze data relative to each of these perspectives
- Critical Performance Indicators
BSC Double-Loop Feedback

The BSC Double-Loop Feedback model is a comprehensive approach that integrates financial, customer, internal business processes, and learning and growth perspectives to drive organizational performance. Each perspective is linked to the others in a feedback loop, ensuring that the organization remains responsive to changing conditions and capable of continuous improvement.

1. **Financial**
   - Vision and Strategy: "To succeed financially, how should we appear to our shareholders?"
   - Objectives: 
     - Measures
     - Targets
     - Initiatives

2. **Customer**
   - Vision and Strategy: "To achieve our vision, how should we appear to our customers?"
   - Objectives: 
     - Measures
     - Targets
     - Initiatives

3. **Internal Business Processes**
   - Vision and Strategy: "To satisfy our shareholders and customers, what business processes must we excel at?"
   - Objectives: 
     - Measures
     - Targets
     - Initiatives

4. **Learning and Growth**
   - Vision and Strategy: "To achieve our vision, how will we sustain our ability to change and improve?"
   - Objectives: 
     - Measures
     - Targets
     - Initiatives

The cycle continues, with each perspective informing and being informed by the others, creating a dynamic and adaptive system.
Measuring financial performance alone doesn’t facilitate the value creation that companies in our age must make in terms of investments in customers, suppliers, employees, processes, technology and innovation.
Key Premise Behind the BSC is that Measurement Motivates Behavior

The Premise
Measurement Communicates Values, Priorities And Direction

The Conclusion
Measurement Must Be Linked To Strategy

Measurement To Communicate, Not To Control
BSC and your Strategy

1. The economic model of key levers driving financial performance

2. The value proposition of target customers

3. The value chain of core business processes

4. The critical enablers of performance improvement, change and learning
Strategic Objective: Data Center Uptime

Objectives

- 99.95% Uptime

Measurement

- Downtime
- PM Completion Ratio

Target

- <.05%
- 97%

Initiative

- Implement Predictive Maintenance

Strategy Map: Diagram of the cause-and-effect relationships between strategic objectives

Financial

- Profitability

Customer

- More customers
- Uptime
- Optimized Price

Internal

- Fewer Repairs

Learning

- More customers
- Uptime
- Optimized Price
- Effective PdM
- Data Center crew alignment

Statement of what strategy must achieve and what’s critical to its success

How success in achieving the strategy will be measured and tracked

The level of performance or rate of improvement needed

Key action programs required to achieve objectives
## Balanced Scorecard Example

### Strategic Objective: Data Center Uptime

<table>
<thead>
<tr>
<th>Financial</th>
<th>Objectives</th>
<th>Measurement</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Customers</td>
<td>Profitability, More Customers, Fewer Repairs</td>
<td>Market Value, Growth %, Cost of Repairs</td>
<td>$20%</td>
<td>Implement work order system</td>
</tr>
<tr>
<td>Fewer Repairs</td>
<td>Profitability</td>
<td>$</td>
<td>Measure and Report: # of Repairs, Monthly Growth %</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer</th>
<th>Objectives</th>
<th>Measurement</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uptime</td>
<td>Maximized uptime, Optimized prices</td>
<td>Uptime %, Customer Ranking (Market Survey)</td>
<td>99.95%, #1</td>
<td>PdM, Customer loyalty program</td>
</tr>
<tr>
<td>Optimized Price</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal</th>
<th>Objectives</th>
<th>Measurement</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective PdM</td>
<td>PdM inspection completion</td>
<td>Completion %</td>
<td>&gt;95%</td>
<td>Implement work order system</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning</th>
<th>Objectives</th>
<th>Measurement</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Center Crew alignment</td>
<td>Data Center crew alignment, % crew trained on PdM, Crew certification</td>
<td>yr. 1 70%, yr. 3 95%, &gt;85% certified</td>
<td></td>
<td>Training program, Certification program</td>
</tr>
</tbody>
</table>
Some of the Indicators of a Good BSC

A good Balanced Scorecard will "tell the story" of your strategy in actionable terms.

1. **Executive Involvement**
   Strategic decision makers must validate and own the strategy and related measures.

2. **Cause-and-Effect Relationships**
   Every objective selected should be part of a chain of cause and effect linkages that represent the strategy.

3. **Balance between outcome and leading measures**
   There should be a balance of outcome measures and leading measures to facilitate anticipatory management.

4. **Financial Linkage**
   Every objective can ultimately be related to financial results.

5. **Linkage of Initiatives and Measures**
   Each initiative should be based on a gap between baseline and target.
Some Goals of the Balanced Scorecard

- Provide a framework to translate strategy into operational terms
- Create a systems approach to form an integrated Strategic Management Process
- Provide a clear line of sight to the vision and strategy of the company
- Provide a tool for communicating the:
  - strategy, and
  - processes and systems required for implementing the strategy
- Draw a cause and effect roadmap to stakeholder value – shareholder, customer, and employee
BSC Benefits for Your Organization

- Improves management effectiveness by having a shared and actionable view of the strategy
- Optimizes and ensures strategic outcomes for a given set of resources
- Enables employees to work in a coordinated, collaborative fashion towards organizational goals
- Speeds time to value through faster, more informed decision-making on time and resource allocation
- Accelerates the approach, and its accuracy to the strategic destination
Survey

• How has a BSC Approach impacted your Organization?
Step 1: Develop a BSC Plan

Step 2: Understand your Strategic Imperatives

Step 3: Determine Linkages between Strategies and Objectives

Step 4: Determine Measures and Goals

Step 5: Develop Strategic Initiatives

Step 6: Plan for implementation
Weyerhaeuser Example - Overview

- McKinstry Essention provides Facility Management Services (FMS) for the Weyerhaeuser Corporate Campus in Federal Way, WA

- McKinstry Essention FMS includes responsibility for the following:
  - Facility Management
  - Asset Management
  - Project Management
  - Operations and Maintenance
  - Cleaning Services
  - Landscaping and Urban Forestry Management
  - Space and Move, Add, Change Management
  - Special Event and Conference Room Management
Weyerhaeuser Example - Overview

- **Weyerhaeuser Expectations**: McKinstry Essention must continually meet or exceed performance goals for agreed upon CPI.

- **CPI** measure the quality, speed, availability, capacity, reliability, user-satisfaction, customer service, timeliness, conformity, efficiency and/or effectiveness of the services provided by McKinstry Essention.

- McKinstry Essention performance relative to CPI has financial implications in terms of agreed upon “at-risk” fee.
CPI are jointly developed by Weyerhaeuser and McKinstry Essention each year.

CPI performance is reviewed quarterly:
- Reported on a Quarterly Dashboard
- Action plans are developed for CPI not achieving Goals

Continuous improvement process

IFMA Benchmarks are utilized to establish appropriate Goals

CPI based upon the four perspectives are measured
<table>
<thead>
<tr>
<th>CPI #</th>
<th>Weyerhaeuser BSC Categories</th>
<th>Focus Area</th>
<th>Objectives</th>
<th>Measurement Method</th>
<th>Measures</th>
<th>2006 Goal</th>
<th>1st Quarterly Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Utility</td>
<td>Operate Commercially Competitive</td>
<td>Annualized cost/S.F. for WTC</td>
<td>Utility Cost per SF</td>
<td>Green</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Utility</td>
<td>Operate Commercially Competitive</td>
<td>Annualized cost/S.F. for Weyerhaeuser Campus (minus WTC)</td>
<td>Utility Cost per SF</td>
<td>Yellow</td>
<td></td>
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<tr>
<td>3</td>
<td>Cost</td>
<td>Operate Commercially Competitive</td>
<td>Annualized cost/S.F. for WTC</td>
<td>Cost of Operations/SF</td>
<td>Red</td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>Financial</td>
<td>Operate Commercially Competitive</td>
<td>Annualized cost/S.F. for Weyerhaeuser Campus (minus WTC)</td>
<td>Cost of Operations/SF</td>
<td></td>
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<tr>
<td>5</td>
<td>Financial</td>
<td>Operate in accordance with Approved Budget</td>
<td>Actual Total Operating Cost</td>
<td>Total Facility Operating Cost (Actual to Budget)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Financial</td>
<td>Operate Commercially Competitive</td>
<td>Actual Total Cost per Box Move</td>
<td>Space Management Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Financial</td>
<td>Operate Commercially Competitive</td>
<td>Actual Total Cost per Reconfiguration Move</td>
<td>Space Management Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Financial</td>
<td>Reduce Operating Costs</td>
<td>Annualized cost savings</td>
<td>Provide Sustainable Cost Reduction</td>
<td></td>
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<tr>
<td>CPI #</td>
<td>Weyerhaeuser BSC Categories</td>
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<tr>
<td>9</td>
<td>Customer</td>
<td>Customer</td>
<td>Consistently meet Service Level expectations</td>
<td>FMT and McK E Mgmt Team Audit results % (Total of Meets Expectations&amp;Exceeds Expectations/Total of Inspectable Areas)</td>
<td>Internal and External Building and Trade Quality Assurance Audit results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Customer</td>
<td>Customer</td>
<td>Achieve high levels of customer satisfaction</td>
<td>For the &quot;Overall Satisfaction&quot; question, % of respondents who responded with &quot;Satisfied&quot; or better satisfaction rating</td>
<td>Customer Satisfaction Survey Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Learning and Growth</td>
<td>Quality Assurance</td>
<td>Institute a disciplined Organizational Learning process that effectively captures internal and external best practices and lessons learned from operations.</td>
<td>Evidence of the deployment of those learnings through improvements to processes.</td>
<td>Positive changes in the Quality, Cost, Delivery and Safety of FM metrics.</td>
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<tr>
<td>CPI</td>
<td>Weyerhaeuser BSC Categories</td>
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<tr>
<td>11</td>
<td></td>
<td>Safety</td>
<td>Provide Services Safely</td>
<td>Actual number of hours lost due to workplace injury</td>
<td>Loss time injuries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>Safety</td>
<td>Provide Services Safely</td>
<td># of RIR compared to Goal</td>
<td>RIR (Recordable Incident Rate)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Operational</td>
<td>Improve service levels</td>
<td>Elapsed time from Request to Complete based upon the top ten most frequent Issue Types</td>
<td>Work Order Request to Completion Time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Operational</td>
<td>Improve service levels</td>
<td>% (Number of work orders completed/number of work orders opened). Measurement will be based upon the top ten most frequent Issue Types.</td>
<td>Work Order Completion Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Internal</td>
<td>Operational</td>
<td>Improve service levels</td>
<td>% (Number of PM work orders completed/number of PM work orders open). Reporting period will be from the first day of the month that the PMs are due until the 15th of the following month.</td>
<td>PM Work Order Completion Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Process Reliability</td>
<td>Prevent Business Interruptions</td>
<td>Monthly review of operations with the FMT and a joint determination of Business Interruptions. InfoCentre work order will document the results of these situations.</td>
<td>Number of service situations that cause a disruption to standard Weyerhaeuser business operations.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Process Reliability</td>
<td>Complete Procedures Manual in accordance with approved project schedule</td>
<td>Procedures Manual completed by December 31, 2006 and in accordance with development project schedule. % (on time completed actions/total actions due in time period)</td>
<td>Completion of Procedures Manual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Process Reliability</td>
<td>Complete Document Library in accordance with approved project schedule</td>
<td>Campus-wide Document Library completed by March 31, 2007 and in accordance with development project schedule. % (on time completed actions/total actions due in time period)</td>
<td>Completion of Campus-wide InfoCentre Document Library</td>
<td></td>
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</tbody>
</table>
Summary

- The Balanced Scorecard is a framework that helps organizations translate strategy into operational objectives that drive both behavior and performance.
- The Balanced Scorecard is based on the premise that measurement motivates.
- The scorecard is broken down into four perspectives that are linked.
- The balanced scorecard has benefits across organizations.
THANK YOU VERY MUCH!

and copies of this presentation are available upon request
Session References

- The Balanced Scorecard Institute at [www.balancedscorecard.org](http://www.balancedscorecard.org)
- Free Management Library at [www.managementhelp.org](http://www.managementhelp.org)
- 12 Manage, Rigor and Relevance in Management at [www.12manage.com](http://www.12manage.com)
- Balance Scorecard News at [www.bs-news.com](http://www.bs-news.com)
- Multiple other internet sites through Google Search on “Balanced Scorecard”