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| Causal Chains Code77372687 |
| A Financial Case Study |
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| Abstract: This paper will define the balanced scorecard and the criteria used to implement such. Paramount in this presentation is the comparison/contrast between two bank branch office case studies categorizing three performance measures: loan balances, deposit balances, and non-interest income. One will be evaluated based on their causal links connecting their measurables to the balanced scorecard [Braches A-E] and the other without benefit of the balanced scorecard [Branches F-J]. Flow charts, excel spread sheets, interviews with bank employees, and other ancillary information will be presented as supporting data. A review of relative performance for each bank will follow along with suggestions for improvement. |

**What is the balanced scorecard and how is it implemented?**

Two Harvard Business School Doctorates devised the balanced scorecard, Dr. Robert Kaplan and Dr. David Norton, (2006) because they felt that financial measurables traditionally used by management executives to evaluate performance were remiss in not considering non-financial measurables and were too grounded in the past results to look toward the future possibilities and balance between their long and short term objectives. The balanced scorecard uses targeted performance data measurement tools and/or deliverables for each segment of the job description to ascertain performance appraisals and improvement criteria such that there is optimum alignment between business objectives/outcomes, business drivers, and goals. The balanced scorecard is also noted for improvement of internal and external communication of vision, mission, and performance deliverables that connect and create the causal chain toward advancement of strategic focus/mapping and better performance results because they measure and monitor what counts.

Implementation of the balanced scorecard hinges on determining what people do day to day in their specific jobs, creating detailed job descriptions, setting benchmarks for performance objectives and measures, prioritizing those deliverables, and tweaking them [the deliverables] for continued and optimum results. The balanced scorecard is future oriented because it endeavors to ascertain what the future needs are for the organization, strategically speaking, and then delivering them [goals/objectives] consistently today and every day afterward.

For a brief description of how the balanced scoredcard can improve your organizational performance see Figure 1 below. \*Please note that the vision and strategy are set in the center. All activities and measurables stem outward from the vision and strategy. Vital components are financials and financial data: how the organization, in this instance the branch office banks, want to be seen by their investors, what are their internal business processes: how the organization [branch office banks] can achieve their financial and organizational goals with regard to customer/investor satisfaction, learning/training and growth/new opportunities for each participant/employee in this program: sustaining these changes and process improvements such that vision and mission are achievable to the overall organization. Each stage is contingent upon the other and vice versa making it an unending circle of business processes/procedures for these branch office banks. In each of these areas data is collected and analyzed as it relates to those specific objectives, then assessed to determine if there are other steps that can streamline the flow further and keep the bank’s branch office’s on track for the goals they have determined are most critical to their success. In this instance it is growth in deposits, income, and loans.

Figure 1. [Kaplan and Norton diagram for balanced scorecard, below taken from the web site [www.balancedscorecard.org](http://www.balancedscorecard.org)]



**Comparison/contrast of financial data from branch office banks**

\*(Please see appendix A, as attachment to this document, for specific financial data used to evaluate the implementation of the balanced scorecard for branch office banks. Data produced and evaluated is from years ranging from 2000 to 2001 using the balanced scorecard for some branches v. not implementing the balanced scorecard at all.)

Branch offices A thru E structured their business strategy and goals by implementing the balanced scorecard such that their goals were to increase loans, deposits, and overall income levels at all branch offices. Previously businesses (Kaplan and Norton, 1996) had little, to no, synchronization between long and short term goals and objectives. The balanced scorecard changed all of that. By determining what the desired outcomes were, setting benchmarks toward achievement of them, and building in the performance drivers these branch offices achieved unity of purpose: i.e., attracting more investors (increasing loans and deposits) was achieved by investing in human capital (staffing, training, leadership mentoring, etc.), building in metrics for increased productivity which, in turn, drove the bottom line. The results were as follows: 80%, plus or minus of the branch office banks (A thru E), increased, some substantially so, in the areas that were determined to be measured. These increases can be effectively attributed to using the balanced scorecard.

Branch offices F thru J did not use the balanced scorecard. While there was some miniscule increase in some objectives and measurable their increases were substantially lower than those who did implement the balanced scorecard (A thru). Therefore, it is reasonable to assume that the balanced scorecard can produce better results by creating value added to your business.

**Review of material presented thus far**

Before the balanced scorecard became a critical measurement and assessment tool for businesses across all industries management’s operational plans were largely directed by last year’s revenue targets and tweaked along with planned increases according to other customer demographics or other criteria that was far less specific. Typically, management developed a strategy, planned how to roll it out, aligned and allocated their resources, experienced that process/project flow without too much emphasis on monitoring the progress or testing for what could be done better. That was then and this is now.

With the balanced scorecard in place the organization’s business strategy is more closely aligned and balanced against the goals and objectives such that all processes are predetermined, streamlined, and monitored such that they can learn about what works best and adapt their system/processes/procedures to deliver better and more consistent results.

When the two cases studies were set in place it became obvious that the branch offices that implemented the balanced scorecard overachieved those who had not, in some cases as much as 80% better results were achieved. The predetermined goals were to improve deposits, increase loans, and achieve overall growth. All items/criteria shown above improved/increased, sometimes dramatically so, their hoped for results.

**Recommendations for Improvement**

Kaplan and Norton (2006, p.3-4) state that [paraphrase] strategic mapping can help managers/management to identify and communicate the origin and outcome of relationship chains and develop component value proposals. Value creation is measured on four levels: (see above) financials, customers, processes, learning and growth. Critical in this balanced scorecard plan for most organizations is development of efficient processes that streamline resource allocation, maximizing corporate domination by gaining and incorporating new business components/practices that in turn creates synergy of operations that produce more customer satisfaction via typically offering lower prices, improved convenience, and services better than their competition. Human capital enlargement is what creates durable or lasting value for an organization, i.e. staffing, education, leadership procurement, along with the liberation, accumulation, advancement and communication of information and best practices. It is the recommendation at this time that all branch office banks from this study create and implement the balanced scorecard to continue to get their best possible results.

**Conclusion**

Whether your business is looking into restructuring, streamlining, or flattening of current operations the balanced scorecard can help your management team to achieve the best possible results by tying structure to your business vision and strategy, creating synergy and balance that can aid in achievement of long and short term objectives, aid in training and staffing such that there is no duplication of processes, setting benchmarks that are realistic, pertinent, and achievable, monitoring the progress of those processes, and tweaking it to ensure that all goals are on track and produce regular and consistent results.

References:

[www.balancedscorecard.org](http://www.balancedscorecard.org)

Kaplan, Dr. Robert and Norton, Dr. David. 2006. *How to Implement a New Strategy Without disrupting Your Organization.* Harvard Business Review: March 2006. [www.hbr.org](http://www.hbr.org)

Silverstone, Sean. 2008. *Executing Strategy With the Balanced Scorecard.* The view from Harvard section of the Harvard Business Review: August 14, 2008.

Various handouts that were submitted to help create this case study

Appendix A: financial data used for comparison/contrast of branch office banks (Excel spreadsheet)

Appendix A Branch Office Key Indicators as per Balanced Scorecard

\*Please move columns over to see all ranges of measurables.



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| A-E used the balanced scorecard to measure and evaluate measurables. |  |  |  |  | Avg A-E | 3.80 |  |  |  |  |  |  |  |  |
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| F-J did not use the balanced scorecard for measurement or evaluation of measurables.  |  |  | Avg F-J | 7.07 |  |  |  |  |  |  |  |  |
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| Comparisons are made from 2000 to 2001 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| Loan growth was achieved at a higher rate in most, not all, of the branch offices that used the balanced scorecard over those that did not implement the balanced scorecard.  |  |  |  |
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| Deposit growth rose at a higher rate (80% plus/minus) in the branch offices that used the balanced scorecard v. not using the balanced scorecard. |  |  |  |  |  |  |
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| Overall income was substantially higher in 80% of the branch offices who adhered to the balanced scorecard than those who did not. |  |  |  |  |  |  |  |  |
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| Conclusion: using the balanced scorecard created greater revenue streams and increased growth in the majority of the branch office banks in this study. Can your bank afford not to use the balanced scorecard? |
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