

# Balanced Scorecard—It Can Work in Your Firm

Outline:

## Implementation Of The Balanced Scorecard

### Today's Agenda

- Historical Perspective
- Future Thinking
- Implementation
- Your Plan

### Historical Perspective

- Partner Compensation drove the plan
- Charge Hours
- Performance What?
- Once a Year... at the most

### Change? Why?

- Staff is changing....
- You are changing...
- Business model is changing....
- Process must change....

### Balanced Scorecard

- What is it?
- Why are we interested?
- How do we use it?
- Where do we go from here?

### Background

- "Harvard Business Review" 1992  
R.S. Kaplan and D.P. Norton
- Organizational Performance Measurement
- Successful Strategy Implementation

- **Widespread Acceptance**

#### **Balanced Scorecard for CPA Firms**

- **Myth?**  
-or-  
**Possibility?**

#### **The Pay for Performance Theory**

#### **Facts of Life**

- **Fact #1:**  
**Most organizations do not successfully execute their strategy**
- **Fact #2**  
**To successfully execute your strategy,**  
**YOU MUST HAVE ONE!**

#### **Steps to Success**

- **Step 1 - Clearly Defined BUSINESS Strategy**
- **Written**
- **Communicated**
- **Supported by IT Plan**

#### **Steps to Success**

- **Step 2 - Find a way to:**
- **Communicate Strategy**
- **Measure Success**
- **Motivate and Reward**
- ***So you can successfully execute your strategy!***

#### **Parts and Pieces**

#### **Barriers to Success**

- **Vision Barrier**
- **People Barrier**
- **Management Barrier**
- **Resource Barrier**

#### **The Vision Barrier**

- Most employees don't understand the business strategy
- Employees represent the key asset in a knowledge based business
- Communicating and understanding is a key to success

#### The People Barrier

- Is compensation linked to performance?
- Is performance measured in the "right" way?
- Does compensation reinforce achieving strategic objectives?

#### The Resource Barrier

- How are budgets related to strategy?
- Long term vs. Short term
- Measures and evaluation

#### The Management Barrier

- Where is management attention?
- What is being measured?
- Financial results, and BEYOND!

#### Breaking Down the Barriers

##### Financial

- Increase firm profits
- Increase client profitability
- Increase leverage
- Personnel
- Technology
- Services
- Increase employee earnings

##### Client Development

- Define client profiles
- Average revenue
- Cost to obtain
- Cost to retain
- Lifetime value
- Client surveys

- You are responsible for setting the rules

### Internal Operations

- Revenue per FTE
- Days in WIP & AR
- Turn around time
- Maintain quality

### Learning & Growth

- Define core competencies
- Define standards, policies & procedures
- Develop a training curriculum
- Develop a personal training plan
- Mentoring
- Cross training

### IT Is An Internal Business Process

- Only Part of One Out of Four Perspectives
- Integrated With All Other Components
- Driven By Business Objectives
- Success Measured By Business Results
- *Evaluate Your Own Priorities and Successes!*

### Overcoming the Barriers to Success

- The Vision Barrier
- Translate Strategic Goals into tasks, performance standards, and desired outcomes.
- The People Barrier
- “Cascade” scoreboard down to individual level. Reward value creation.

### Overcoming the Barriers to Success

- The Resource Barrier
- Budgets keyed to strategic objectives. Priorities toward long term goals.
- The Management Barrier
- Lead towards the strategy. Check the right things. Balance among conflicting priorities.

### Objectives and Measures

- Performance Objectives: Establish WHAT to measure
- Performance Measures:
- Establish HOW to measure
- Leading and Lagging

## Objectives and Measures

### OBJECTIVES

- Increase Revenue per FTE
- Increase client satisfaction and loyalty
- Improve staff training
- Streamline internal processes

### MEASURES

(monthly, quarterly)

- Revenue per staff
- Client surveys and visitations
- Individual training plans, tasks accomplished
- Number of processes reviewed and documented,

### Cause and Effect

- Effect: Client retention in excess of 95%
- Causes:
- Timeliness
- Customer Service
- Relationship Building
- If . . . . Then . . . (else)

### Indicators

- Lagging (Effects?)
- Net income
- Reduced WIP/AR
- Market share
- Sales
- Employee satisfaction
- Leading (Causes?)
- # of proposals outstanding

- # of sales calls
- Defined processes
- Absenteeism

### **Cascading Scorecards**

- Translate Firm Goals, Objectives, and Measures to Individual Performance

### **What's Next**

- Decide whether this approach has value for your firm
- Additional learning and research
- Decide to implement, and take action

### **Advice on Getting Started**

1. Start with your strategic plan
2. Don't start without the total commitment of the MP or CEO
3. Commitment is different than support
4. Use a facilitator
5. Start with the partner group
6. Use the positive focus and game plans to reduce time
7. Schedule quarterly meetings in advance
8. Insure performance funds
9. Focus on limited objectives
10. Use graphics for positive visuals around the office

### **Resources**

### **Questions and Discussion**