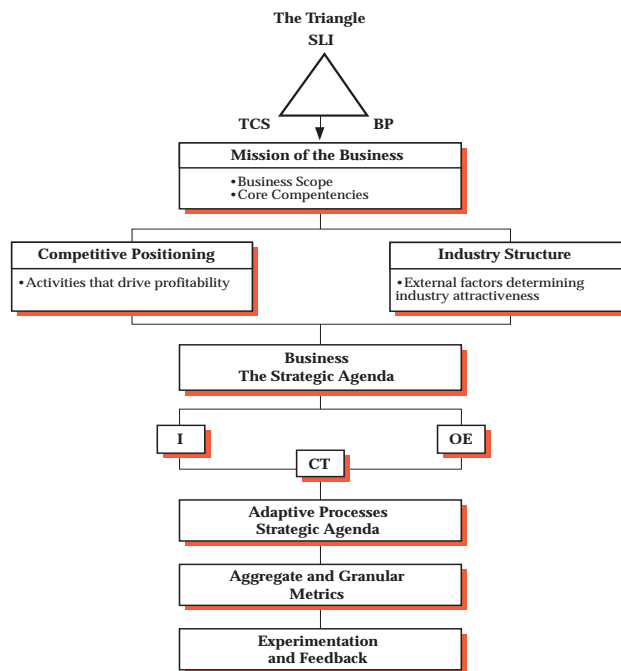


AGGREGATE METRICS AND THE BALANCED SCORECARD

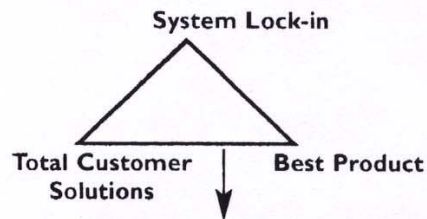
The Delta Model – An Integrative Strategic Framework

Figure 11.5
The Delta Model – An Integrative Strategic Framework

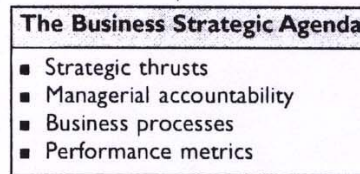


Measuring Success: Aligning Strategy, Processes and Metrics

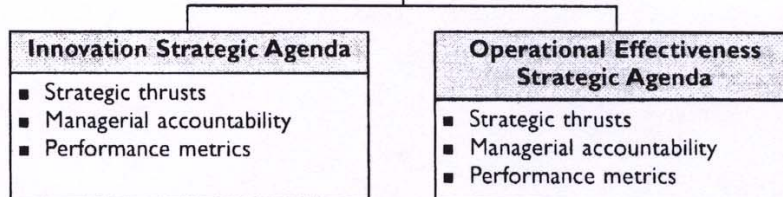
1. The Triangle – choosing the strategic position



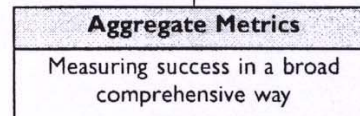
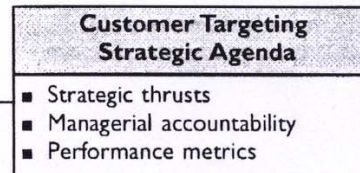
2. The business Strategic Agenda – translating strategic positioning into execution



3. The Adaptive Processes – translating execution into concrete tasks



4. Aggregate Metrics – the overall scorecard of business performance



5. Granular Metrics – de-averaging, explaining and exploiting variability

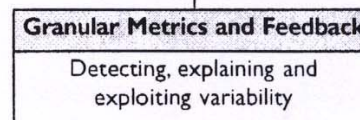


Figure 9.1 The Delta Model – the complete framework

Performance Metrics For Business Drivers of the Delta Model

	Best Product	Total Customer Solutions	System Lock-In
Innovation (Renewal Drivers)	<ul style="list-style-type: none"> ● Cost performance ■ Unit cost ■ Lifecycle cost ■ Variable and total cost ● Cost Drivers ● Quality performance ● Degree of differentiation 	<ul style="list-style-type: none"> ● Customer value chain ■ Total cost ■ Total revenue and profit ● Customer economic drivers ● Impact on customer profit due to our service vs. competitors 	<ul style="list-style-type: none"> ● Description of system infrastructure ● Total system costs/revenues ● Complementor's investments and profits ● Complementor costs of adhering to your standard ● Systems performance drivers
Customer Targeting (Profit Drivers)	<ul style="list-style-type: none"> ● Product market share ● Channel cost ● Product profit ■ By product type ■ By offer ■ By channel ● Profit drivers 	<ul style="list-style-type: none"> ● Customer share ● Customer retention ● Our profitability by customer ■ Individual and by segment ● Customer bonding ■ Switching costs 	<ul style="list-style-type: none"> ● System market share ● Our share of complementors ■ % of investments tied to our proprietary standard ● Our profit by complementor
Innovation (Renewal Drivers)	<ul style="list-style-type: none"> ● Rate of product introduction ● Time to market ● Percent of sales from new products ● Cost of product development ● R&D as % sales 	<ul style="list-style-type: none"> ● Relative involvement in customer value chain ● Percentage of product development ■ From joint development ■ Customized ● Degree of product scope ■ Current vs. potential bundling 	<ul style="list-style-type: none"> ● Switching costs for complementors and for customers ● Rate of product development ● Costs of competitors to imitate standard

Measures of Performance Related to the Financial Strategy

Capital market indices, oriented at representing an external assessment of the economic performance of the firm in relation to key competitors, through a variety of popular and widely watched indicators such as: price-earning ratio (P/E), dividend yield (dividend-price ratio), earnings per share (EPS), market-to-book value (M/B), and many others.

Profitability measures, being the most widely used: return on assets (ROA), return on equity (ROE), return on investments (ROI), and sales margin. It is important to observe the capability of the firm to earn a profitability above its cost of capital. These measures can be contrasted with the firm's competitors to judge the firm's performance against its industry.

Risk, measured in terms of beta leverage (debt/equity) or bond rating, for example.

Cost of capital, for both debt and equity, and other meaningful weighted average combinations of them.

Growth, of assets, earning, sales, investment opportunities, and whatever is considered relevant for the firm.

The Balanced Scorecard Provides A Framework to Translate Strategy Into Actionable Terms

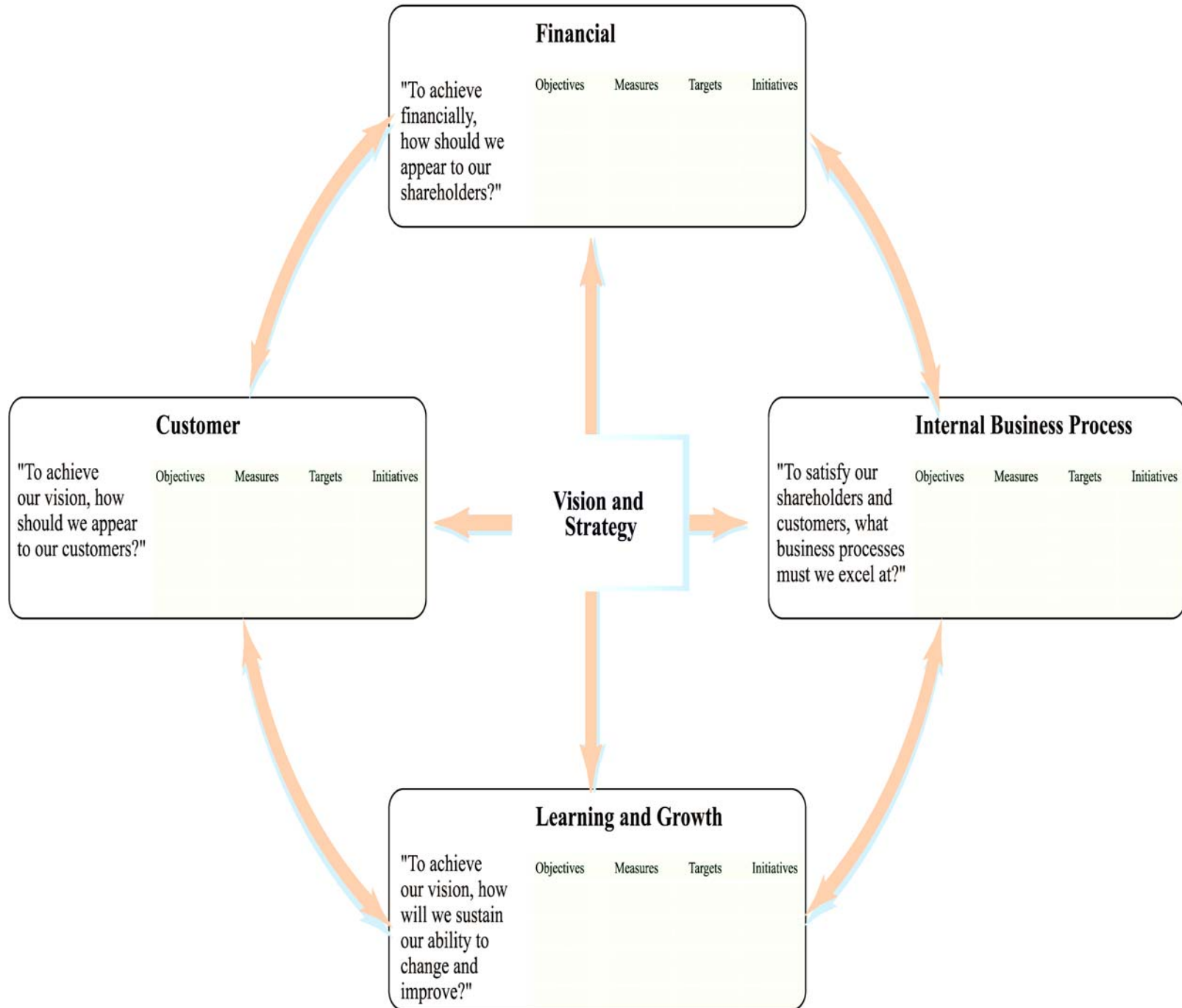
Balanced Scorecard



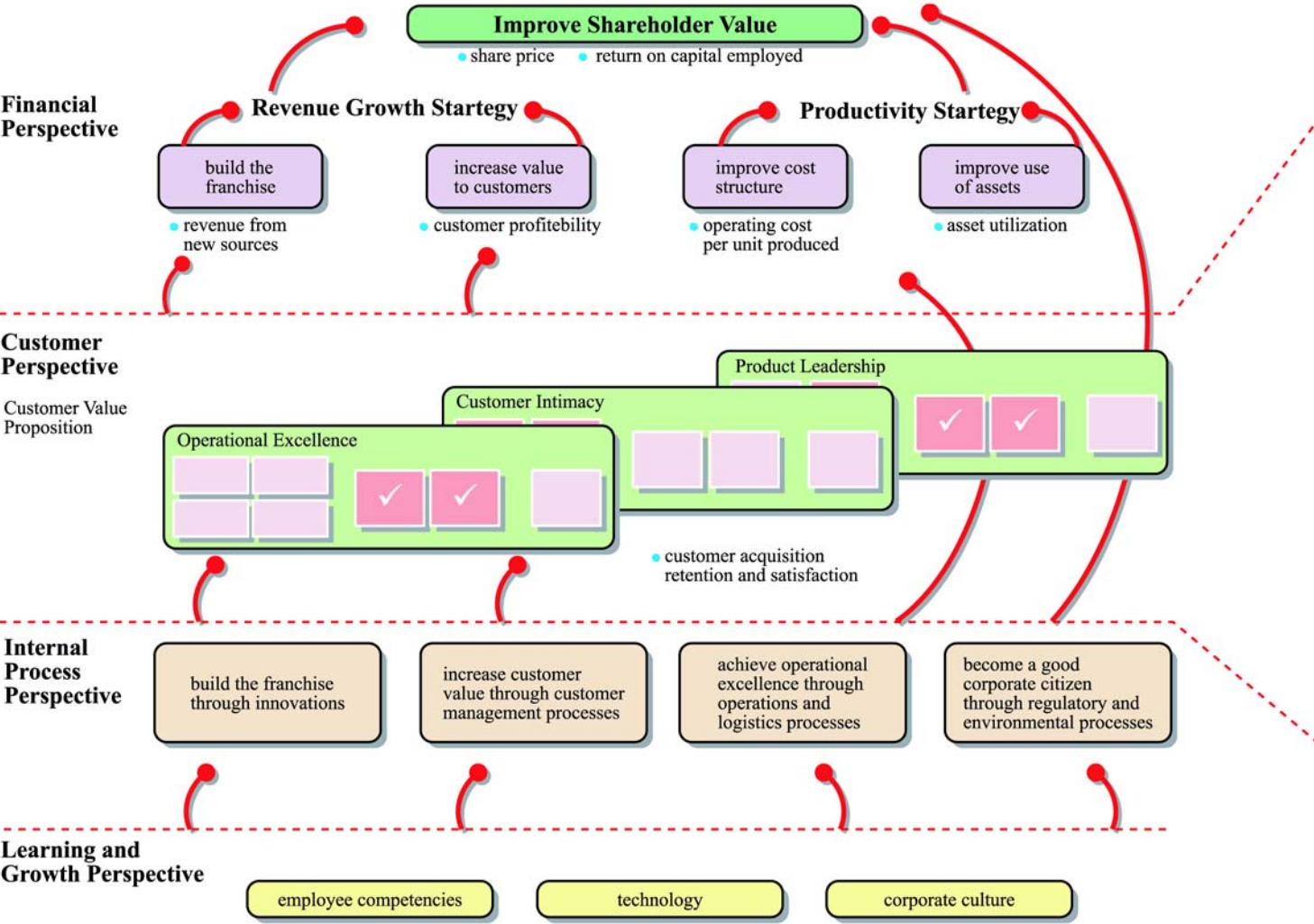
Reference: "The Balanced Scorecard - Measures That Drive Performance," Robert S. Kaplan, Davip P. Norton, Harvard Business Review, Jan- Feb'92.

Kaplan and Norton's "FOUR PERSPECTIVES"

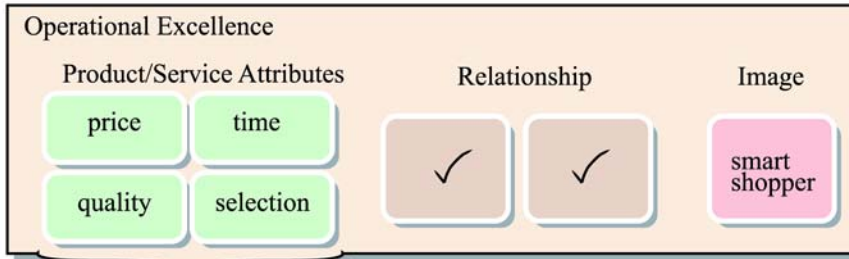
As a "Balanced Scorecard"²



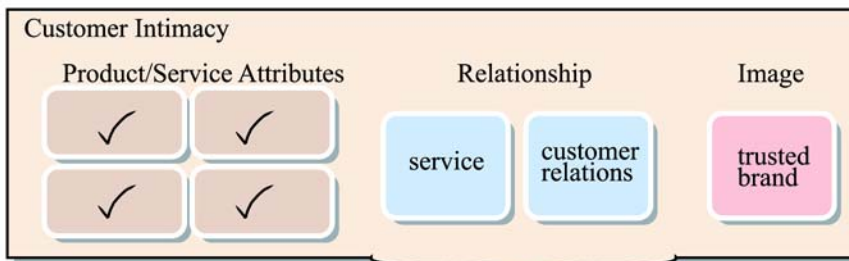
The Balanced Scorecard Strategy Map



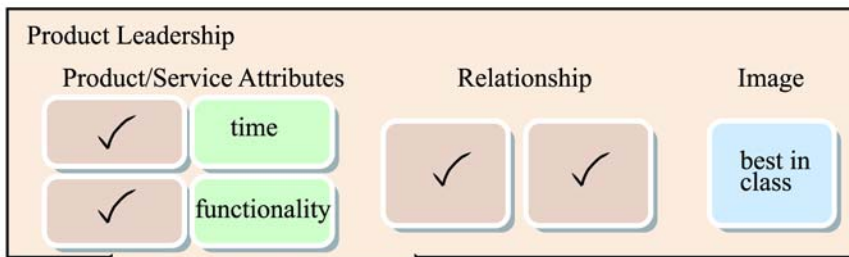
Customer Value Proposition Strategies



Companies excel at competitive pricing, product quality, and on-time delivery

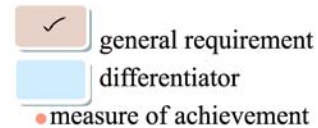


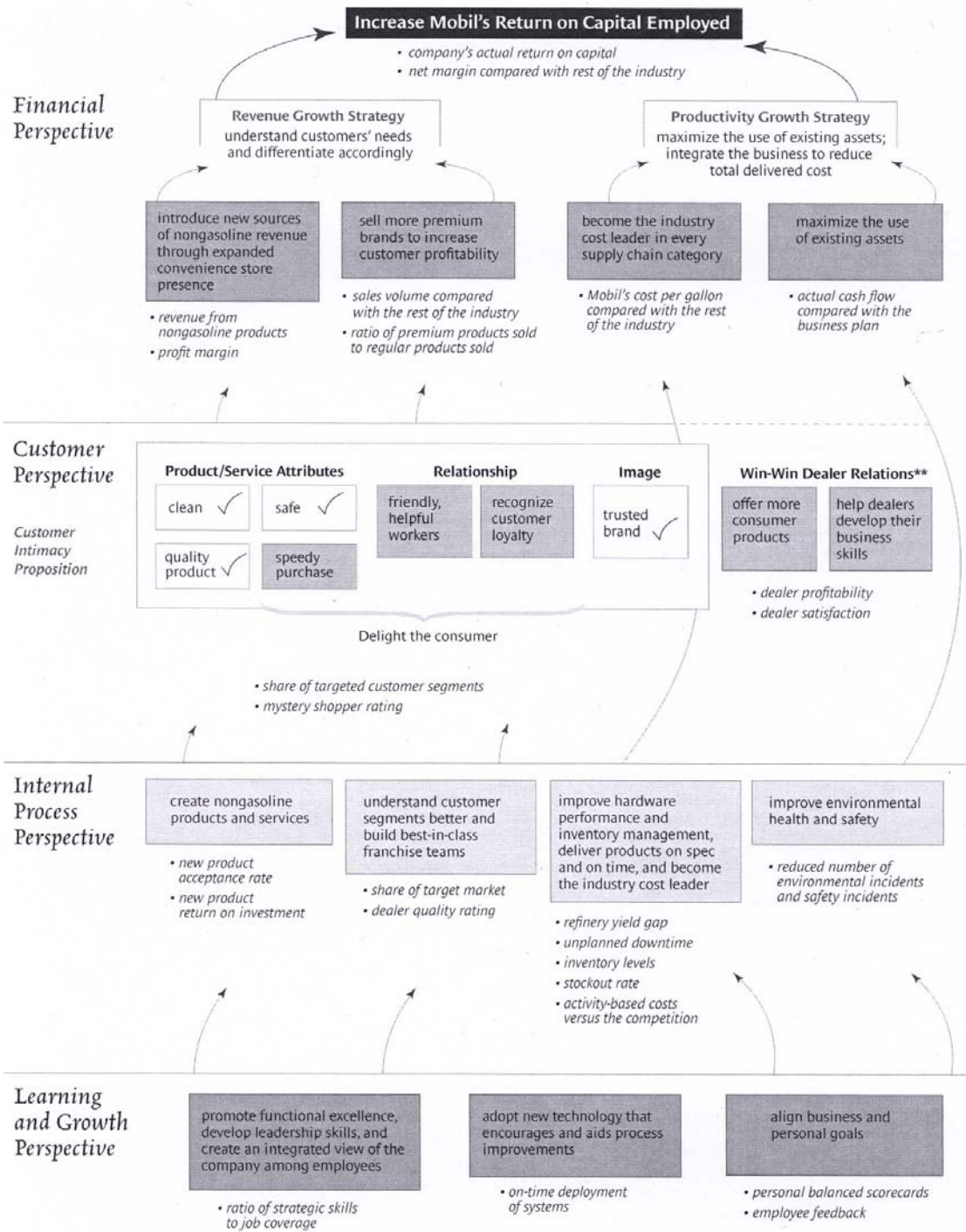
Companies excel at offering personalized service to customers and at building long-term relations with them.



Companies excel at creating unique products that push the envelope.

Strategy maps show how an organization plans to convert its various assets into desired outcomes. Companies can use the template here to develop their own strategy maps, which are based on the balanced scorecard. At far left, from bottom to top, the template shows how employees need certain knowledge, skills, and systems (learning and growth perspective to innovate and build the right strategic capabilities and efficiencies (internal process perspective) so that they can deliver specific value to the market (customer perspective) which will lead to higher shareholder value (financial perspective). For the customer perspective, companies typically select one of three strategies: operational excellence, customer intimacy, or product leadership.





What's Missing?

- Strategy maps can help a company detect major gaps in the strategies being implemented at lower levels in the organization. At Mobil, senior managers noticed that one business unit had no objectives or metrics for dealers, as shown below left. Had this unit discovered how to bypass Mobil dealers and sell gasoline directly to consumers? Another business unit had no measure for quality, as shown below right. Had this unit somehow perfected its operations?

