



Cascading the BSC Using the *Nine Steps to Success*™

The Balanced Scorecard Institute uses a proven, disciplined framework, *Nine Steps to Success*™, to systematically develop, implement, and sustain a strategic balanced (see Figure 1-1 below). Our consultants will work with staff and managers at each stage to ensure successful completion of each step and transfer of learning.

Figure 1-1: Balanced Scorecard Institute *Nine Steps to Success*™ Framework



Steps 1-6 result in an enterprise-level scorecard which aligns the organization around strategy, and shows how each employee's work contributes to the shared vision of the future. Alignment (Step 8) means cascading enterprise-level strategy down into business and support unit scorecards, meaning the organizational level scorecard (the first Tier) is translated into business unit or support unit scorecards (the second Tier) and then later to team and individual scorecards (the third Tier). Cascading translates high-level strategy into lower-level objectives, measures, and operational details. Cascading is the key to organization alignment around strategy. Team and individual scorecards link day-to-day work with department goals and corporate vision. Cascading is the key to organization alignment around strategy. Performance measures are developed for all objectives at all organization levels. As the scorecard management system is cascaded down through the organization, objectives become more operational and tactical, as do the performance measures. Accountability follows the objectives and measures, as ownership is defined at each level. An emphasis on results and the strategies needed to produce results is communicated throughout the organization.

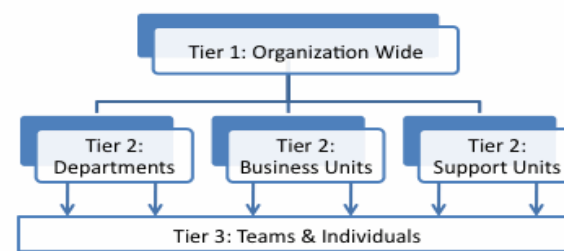
Cascading to Tiers 2 and 3

Aligning an organization's shared vision of the future with the work employees do on a day-to-day basis is accomplished by cascading the balanced scorecard. Alignment is one of the key reasons organizations develop balanced scorecard systems. Through alignment comes strategic focus on results and accomplishments.

One needs to start at the top of the organization to successfully cascade a scorecard system and align employees. That means starting with the organization's top-level strategic elements, such as mission, vision, values, desired results, and strategy. Note that organization, in this sense, means any organizational entity that has a definable and at least somewhat autonomous strategic purpose. Organizations for purposes of a scorecard system can take different forms. For example, a whole company, government agency, or nonprofit group could be the top-level organization, or a major department, unit or other group within one of these different entities could be used to define the organization of interest.

Organization strategic intent is defined and articulated through a high-level strategy map and scorecard (called a Tier 1 scorecard) and is then translated, or cascaded, down to other, lower level units in the organization. These lower level units could be departments, agencies, divisions, regions, support units, or any other operational or business unit that defines the next level or levels of the overall organization. All units below the top-level are called Tier 2 units, and strategic objectives and strategy maps are prepared at this level that are aligned to the objectives and strategy maps of the top-level Tier 1 organization. To align employees to the strategy of their units, strategic objectives at Tier 2 are translated into employee objectives. Individual employees or teams of employees (e.g., employees doing similar job functions, or employees teamed together to work on a specific project) make up the lower-level. Alignment at the employee level is called Tier 3 alignment. The logic of alignment through cascading is shown in Figure 1-2 below.

Figure 1-2: Scorecard Strategic Alignment Process



An effective cascading effort is designed to achieve the following:

- Align strategic objectives for the organization's primary operating and support units to the organization's high-level vision, mission, and strategy
- Align employee objectives and the work people do on a day-to-day basis to the organization's operating and support unit strategy
- Focus individual effort on results and accomplishments

Cascading is most effective when organizations focus and align around strategic objectives rather than on activities, initiatives, or projects. By aligning around objectives, an organization can better focus efforts on long-term results and accomplishments, instead of just short-term milestones and task completion. The same is true

for performance measures. Aligning measures, rather than objectives, quickly loses strategic intent, and the effort becomes little more than a “pick a measure we can use” exercise to satisfy a measurement goal, rather than develop aligned strategic work and results.

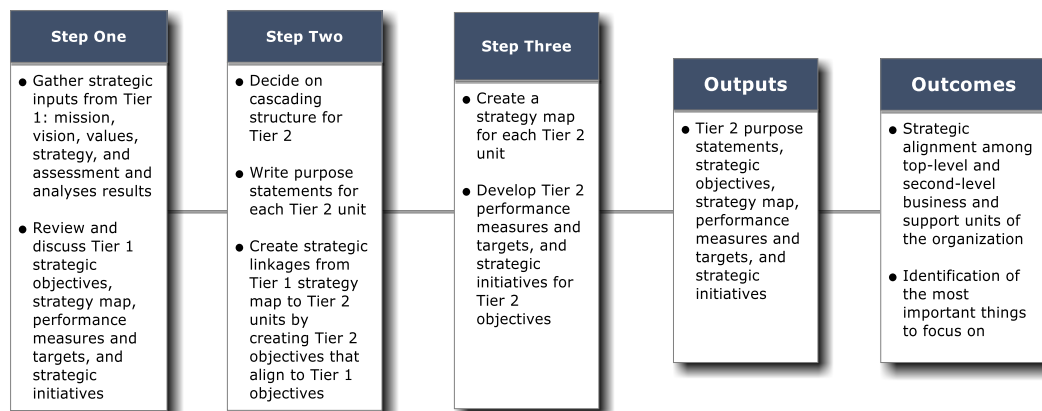
Cascading From Top-Level (Tier 1) to Second-Level (Tier 2)

The Tier 2 cascading process involves identifying unit objectives that are aligned with Tier 1 strategic objectives on the organization’s top-level strategy map, and mapping the strategic intent of the Tier 2 organization. The process begins by identifying Tier 2 strategic objectives that significantly support Tier 1 strategic objectives. Once Tier 2 strategic objectives are developed, unit strategy maps, key performance measures and strategic initiatives can be developed for the Tier 2 objectives.

The Tier 2 cascading process is shown in Figure 1-3 below. The process begins by collecting strategic information from the Tier 1 scorecard, including mission, vision, values, strategic objectives, the strategy map, performance measures and strategic initiatives. The completed Tier 1 scorecard contains these strategic elements. Following a review and discussion of Tier 1 strategic information, a Purpose statement is prepared for each Tier 2 unit. The purpose statement incorporates the Tier 2 unit’s strategic elements into a simple statement of intent.

Each Tier 2 unit meets separately to identify its Tier 2 strategic objectives that are aligned with objectives being supported at Tier 1 and any other objectives required to develop a strategy map. The Tier 2 strategy map defines the value creation story for the unit. Once Tier 2 strategic objectives and strategy maps are identified and prepared, each business and support unit can prepare their Tier 2 scorecards, including strategy maps, performance measures and targets and initiatives.

Figure 1-3: Tier 2 Scorecard Alignment Process



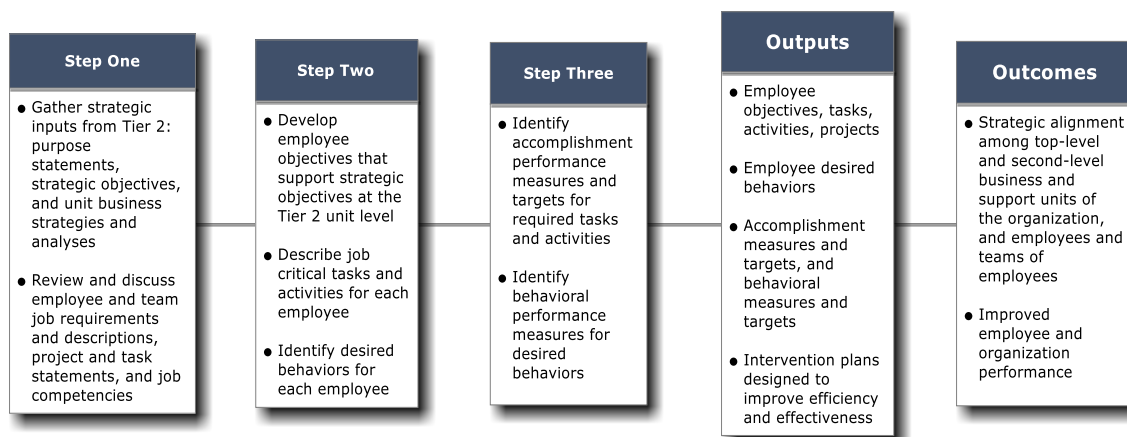
Cascading From Tier 2 to Tier 3

The Tier 3 cascading process begins by collecting relevant information for the Tier 2 unit to which an employee reports for day-to-day supervision and guidance. Tier 2 purpose statement and strategic objectives are the key components needed to cascade to individual employees and teams of employees at Tier 3. Other important inputs include: work assignments, job descriptions, personal goals and job competencies.

The next step is to develop individual objectives for each employee. For efficiency purposes, this step might focus on teams of employees that either have similar job descriptions or that are engaged in common tasks or projects. The outputs of the Tier 3 process are: individual and/or team objectives, and performance measures around desired accomplishments and expected behaviors. Once Tier 3 objectives are developed, other employee information can be developed, such as individual employee development plans, reward and recognition plans, incentive plans, targeted training programs, individual coaching plans, and communication plans. Note that employee objectives are much more operational than at Tier 2 or Tier 1. Even though employee objectives tend to be more operational and tactical, strategic intent is preserved by aligning objectives through multiple organization levels.

Individual and team operational objectives and associated job accomplishments and individual performance measures form the basis for the organization's personnel performance management system. The Tier 3 cascading process, from Tier 2-level units down to individual employees, is shown in Figure 1-4 below.

Figure 1-4: Tier 3 Scorecard Alignment Process



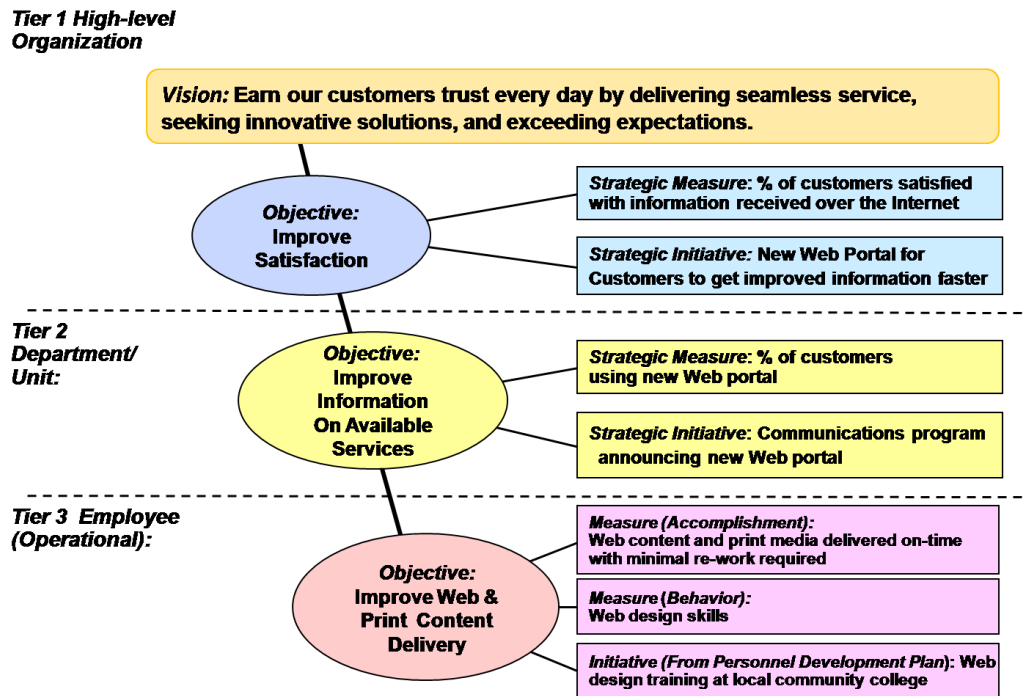
Cascading Example

"Line of sight" alignment enables one to see the logical connection of work performed by each employee and the objectives that are supported at both the unit organizational level where they work and at the top level of the organization. It is created through effective cascading. Individual employee and team accountability is created by aligning individual and team objectives with the department objectives, which in turn are aligned with organizational vision, mission, and strategy. The key component of line of sight strategic alignment is development and linking of strategic objectives to communicate strategic intent through all levels of the organization.

In Figure 1-5 below, this strategic alignment is shown for three levels in an organization. Note how the strategic objective at Tier 1 (Improve Satisfaction) is translated into another strategic objective (Improve Information On

Available Services) for one department at the next lower unit of the organization (at Tier 2), and then how the unit objective is translated into an employee objective (Deliver Effective Information Content for Web and Print) at the individual level (Tier 3). Strategic alignment for the employee in this example is created by the linked objectives.

Figure 1-5: Linking Organizational Performance to Employee Performance



For each individual goal and team objective, two types of measures are important: accomplishment measures that track progress on desired accomplishments, and behavior measures that track how well individuals and teams are functioning at human interaction levels.

Following development of team and individual objectives and associated measures, employee performance plans, reward and incentive plans, and individual development plans can be developed to integrate the strategic planning and management aspects of the balanced scorecard with the human resource performance management functions of the business.