



Using the balanced scorecard at BT Financial Group

BT Financial Group (BTFG) found itself in an uncertain and unstable environment as a consequence of the acquisition and subsequent break-up of the former Bankers Trust group. Earlier, Deutsche Bank AG acquired parent company Bankers Trust Corporation, USA, and in early 1999, put the Australasian BTFG up for sale. Later that year, *The Principal Financial Group*, USA, bought BTFG, then sold the investment banking business to *Macquarie Bank*. Principal's overriding intention was to own the funds management (Australia and New Zealand), margin lending and portfolio services businesses, which now comprises BTFG.

Amidst these tumultuous conditions, BTFG's CEO, Ian Martin, instigated a process using the Balanced Scorecard to refocus the company. Uniting the staff and repairing the damage incurred both internally and externally, the company gained a shared sense of purpose and re-built its market presence. In testimony to the dedication of the team, the results were clear across the business. BTFG won awards for its client service excellence from ASSIRT in 2000 and 2001 and for its all around asset management capabilities from RetireInvest in 2001. For the New Zealand business the impact was powerful: winning Morningstar's 2001 'New Zealand Fund Manager of the Year' for its funds management and investment performance, and voted by its staff as 'Best Place to Work' in an *Unlimited Magazine* survey.

The Challenge

"For over a year, the questions in everyone's mind were 'who would own us?' and 'what are we going to be doing?'" reflected Karen Hickmott, Senior Vice President and member of the Balanced Scorecard project team. This uncertainty, lack of direction and constant changing of priorities manifested itself in a contraction of the BTFG business. The market and advisers echoed concern for the lack of clarity around "who is BT now?" The flagging inflow of business that resulted led to low morale which compounded the issue. The split of the business and sale of the investment banking arm came as the final blow. The team had lost a shared sense of purpose and had little sense of control in their destiny.

The Way Forward – Using the Balanced Scorecard

Once the questions of ownership and identity were resolved, Martin recognised he needed to instill focus and accountability to restore the business. He needed a way to cohesively bring the team together. "It was important to get people focused on the future and where the organisation was headed", said Martin, "...to identify and agree on a clear strategic direction, and demonstrate their commitment by being accountable for the outcomes."

Like its new parent, BTFG used the Balanced Scorecard as a framework to focus the company. Using the Balanced Scorecard, BTFG was able to articulate clearly the company's direction and monitor progress as it underwent its rebirth.

A 'group-level' scorecard was developed and subsequently cascaded into five business units. This enabled each business unit to align its objectives with the wider requirements of the group and provided the CEO with a consistent framework to assess and monitor the performance of each entity.

Developing BTFG's scorecard began with the 'end in mind' by reviewing and refreshing the vision to reflect the current ambitions of the company. With a clear vision agreed, BTFG then created a 'Strategy Map' that set out what the business specifically needed to do to be successful from four multi-dimensional and interrelated perspectives – financial, client, internal process, staff learning and growth. Several strategic themes such as client relationship, investment performance, and service were clear at the outset. In each theme, strategic objectives were agreed that defined how BTFG would achieve its vision. This initial step was critical because it not only articulated the direction of the company from a holistic point of

view, but perhaps more importantly, it enabled the team to gain a shared understanding of the key priorities.

With the strategic objectives of the organisation clear in the team's mind, a discrete and focused set of strategic performance measures were devised. The ensuing discussion and debate served to further focus the team's thinking around the specific indicators and drivers of success. Finally, to achieve its objectives and meet the targets it set, BTFG needed to implement a number of initiatives to improve certain aspects of the business and change the behaviour of the company. The Strategy Map was a valuable guide for then aligning initiatives to the strategic priorities of the business. The Balanced Scorecard for BTFG was a broad and integrated management tool used to convey the strategic direction; identify the priority strategic initiatives; and provide a mechanism for measuring and thus monitoring the progress of this transformation.

Once Martin's Management Team had created an aggregate view of the business in the Group-level Balanced Scorecard, the business units underwent a similar process. Each business unit developed a Strategy Map that reflected the unique priorities of the unit, while being aligned with

role, contribution and approach to achieving the BTFG vision. Each business head communicated this story to their staff, once their Balanced Scorecard was complete.

Early Results – The Balanced Scorecard in Action

As the Balanced Scorecard began to unfold, the sense of accountability important to Martin began to emerge. Ownership for outcomes of the new Balanced Scorecard strategic themes, measures and initiatives were distributed across management, at the group and business unit level. Individual performance objectives were set and aligned to the Balanced Scorecard, this helped everyone to recognise the importance of their contributions. Delivery against results became transparent. Shared understanding of the strategy and vision became shared commitment.

BTFG were able to benefit from the Balanced Scorecard because it provided a vehicle to mobilise the company and focus attention on critical elements to create a cohesive and successful company in the post-acquisition phase. Senior management were able to clearly and succinctly articulate the company's strategy. It provided everyone with a common framework for discussion of key strategic issues across the diverse business units.

The degree of focus that the scorecard helped BTFG achieve was quite specific and tangible. The scorecard enabled projects to be aligned with achieving

corporate goals and thus they were prioritised, "...if it's not on the Scorecard, we are not doing it." The impact was significant where resources were most stretched. For example, in conjunction with a full review of technology practices at BT, technology initiatives were re-assessed and those not contributing to the strategic objectives of the company were dropped; demonstrating alignment to Balanced Scorecard strategic objectives is now a requirement for approval of such projects.

BTFG had been astute in how they applied the Balanced Scorecard in their organisation, ensuring it not only served the business need, but also fit with their culture. As a result they were able leverage the broader benefits the Balanced Scorecard could deliver.

BT Funds New Zealand – Significant Impact

A powerful example of this impact, the New Zealand division of BTFG was named 'Funds Manager of the Year, 2001' by Morningstar and 85% of the staff felt so positive about their improved workplace that they voted it the 'Best place to work,' receiving the top award in a recent survey by Unlimited Magazine. Craig Stobo, CEO BT New Zealand, said "The Balanced Scorecard is 'simply a way of life' for us and integral to the way we operate here in New Zealand".

"It gets us away from [only discussing] pure financials...financials alone will never get you there". Stobo was

keen for his team to focus on leading indicators of success and not rely solely on historical financial data. The Balanced Scorecard has enabled everyone to understand clearly the goals of the organisation and thus allow them to prioritise their efforts and focus on achieving the critical success factors.

The Balanced Scorecard provides a platform for managing the business, however Stobo recognised that the process of developing the scorecard was a critical element of the success they attained. "You need to achieve consensus", commented Stobo, "...by using a very participative approach we were able to discuss and reach consensus about the really important issues facing the business". Over a short, but intense period BTFG drilled into the core of their business issues. This process of analysis gave them an understanding about 'why' and not simply 'what' their actions contributed to the business model. Craig Stobo concluded, "The Balanced Scorecard process provided the team with a level of 'togetherness' since we now share a strong sense of purpose".

In Conclusion

For Ian Martin and his management team, the Balanced Scorecard has been more than a useful management tool. The Balanced Scorecard helped BTFG pull together a team and instill focus and accountability after a period of extreme turbulence.

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