

"I want to include my business risk at the stage of strategy development!"

Building on the Balanced Scorecard (BSC), the Harvard Professors Norton & Kaplan (1996) developed the 'strategy map'. This permits a unified and consistent strategy description, and represents the previously missing link between strategy formulation and realisation.

In the first stage of a strategy map, the goals of the company are entered in a grid formed of the upcoming strategic themes and the (four) perspectives. Next, the various goals are connected with one another by means of cause and effect relationships.

We ask the following questions: Why do we exist (mission)? What is important to us (values)? What do we want to be in the future (vision)? What is our plan (strategy)? How do we describe our strategy (strategy map)? Where do we put our focus and measuring points (BSC, early warning indicators)? What do we need to do (initiatives)? What do I personally need to do (my BSC)?

But defining a strategy is only one side of the coin. The implementation of initiatives, projects and processes needs to be steered and monitored, and lessons need to be learned from it. Is the implementation successful? Are we heading in the right direction? Is the strategy still the right one, or does it need to be adapted?



But the core of entrepreneurial action also consists in taking risks in order to take advantage of opportunities.

Both the Balanced Scorecard and risk management reveal structural similarities. Both enable the steering of vision, strategy, philosophy and risk-oriented principles in a defined and systematic process. However, the classic BSC does not fully satisfy the requirements of business risk management. Firstly, it is hardly possible, using the four BSC perspectives, to capture all the risks which are relevant for a company. Secondly, it has not been firmly established to what extent risk interactions are really identified. Thirdly, operative risks are often not known at the stage of strategy development.

A high-quality integrated management system needs to link risk management and Balanced Scorecard.

The danger of decisions being taken in ignorance of the relevant risk combinations must be reduced.

In principle, there are a number of possibilities:

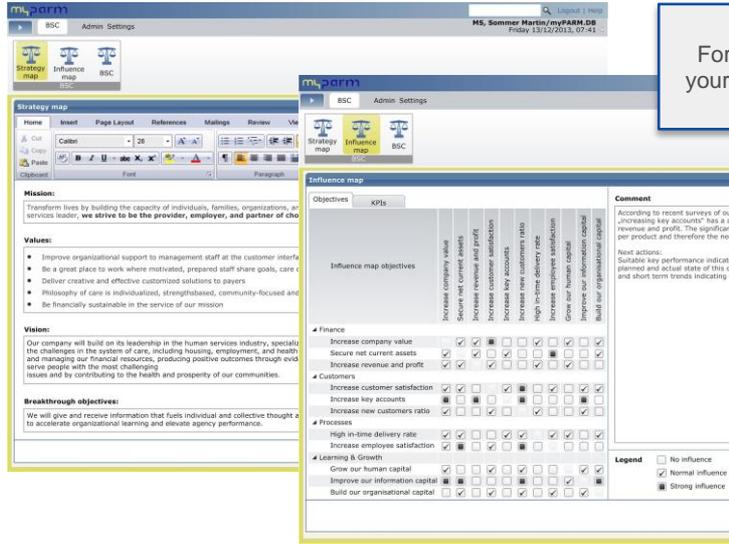
- Balanced Scorecard with integrated risks and opportunities. This concept extends each perspective to include the most important opportunities and risks, as well as their influencing factors.
- Balanced Scorecard with independent risk perspective. All risks are integrated into the existing BSC by means of codes via a new perspective.
- Balanced Scorecard + Risk Scorecard. Separate scorecards for opportunities and risks are produced.
- Balanced Scorecard + Risk register + Early warning indicators. This variation follows a generic approach and permits risks at each stage of the business process to be considered. Linking the value-oriented early warning system to strategic success factors connected with the original BSC perspectives permits causal connections to be taken as a basis and mathematical connections between an early warning indicator and a KPI to be created. If, in addition, operative risks and early warning indicators are defined in terms of operative success figures, the system is consistent and comprehensive.

The integration of Balanced Scorecard, risk management und early warning system leads to noticeably better, more transparent and more reliable decisions, and saves a great deal of time.

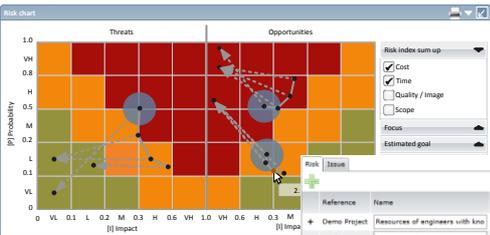
"Some right decisions were only taken because the path leading to the wrong one was not clear at the time."

Hans Krailsheimer (1888-1958), German aphorist

“This is how we fix the problem”



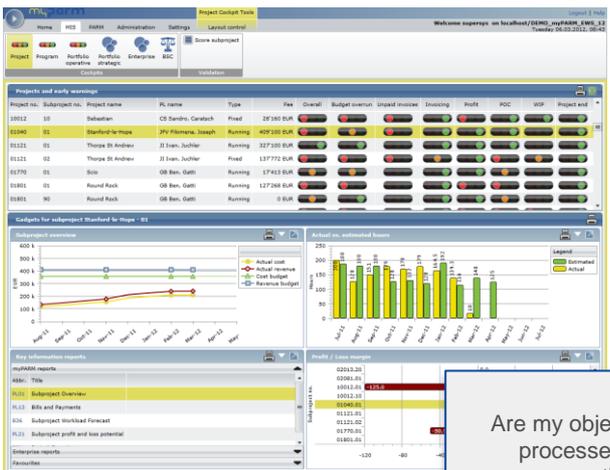
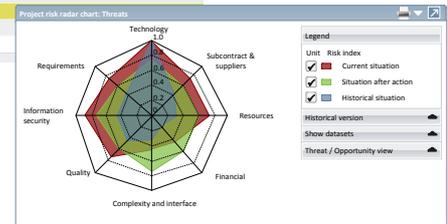
Strategic Layer.
Formulation and implementation of the strategy map with your key business perspectives, goals and KPIs with status and trend analysis.



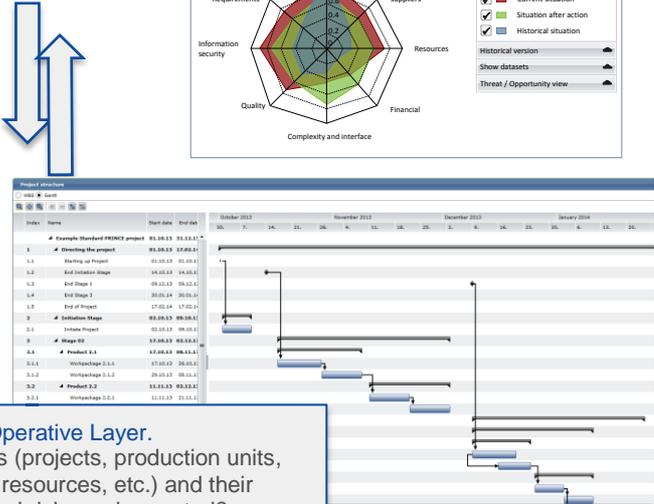
Risk-based Management System.
Consistency of risk assessment allows transparency, efficiency, creates security and saves costs / time.

Reference	Name	Date identified	Risk description	Impact	Probability	Strategy	Risk owner
Demo Project	Resources of engineers with line	01.05.13	According to recent	Minor	Possible	Accept	OE Kitz
Leaf 2.1.1	Payment default	17.02.14	The risk that custo	Critical	Unlikely	Transfer	SEA Sca
Demo Project	Change of customer requirements	17.12.13	The risk that the n	Catastrophic	Rare	Mitigate	MS Sier

Number	Action	Action description	Responsible person	Due date	Status	Current date
1	Review contract	The action to mitigate...	BB Stanisevic-Barata	29.12.13	N/A	
2	Request confirmation of L&I	Reducing the uncertainty...	AP D. Aleksandra	18.12.13	N/A	
3	Prepayment after milestones	Secure the invoice can be	MS Sommer, Martin	22.03.14	N/A	



Operative Layer.
Are my objects (projects, production units, processes, resources, etc.) and their operational risks under control?



Further Information

Do you have any further questions, or would you like more information about applying?
Martin Sommer will be pleased to give you personal advice and further information
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