Introduction

The CIMA Strategic Scorecard (‘the scorecard’) is a tool that is being developed by CIMA. A trial of the concept has been undertaken within CIMA and pilots are being initiated in a small number of major organisations. The aim of this preliminary paper is to provide an overview of the scorecard concept and its current state of development in order to facilitate further discussion and debate.

The rationale for the scorecard emerged from an earlier project led by the International Federation of Accountants (IFAC) to develop the framework of enterprise governance. This framework emphasises the need to balance the conformance and performance aspects of the business in order to generate long-term sustainable shareholder value. The outcome of this project was published in *Enterprise Governance – getting the balance right*, but a brief summary will be provided in this paper.

The scorecard should provide the means for the board of directors of companies of all sizes to obtain assurance that the strategic process is operating effectively in order to generate long-term sustainable value. It aims to help boards to fulfil their responsibilities to oversee strategy effectively, particularly at times of major transformational change. There are many examples of companies where the area of strategy has proved to be particularly problematic and some of these will be mentioned in this paper. The concept is also applicable to organisations within the public and not-for-profit sectors.

This paper is structured as follows:

- Background on the role of the board in strategy development;
- The enterprise governance framework and the rationale for the CIMA Strategic Scorecard;
- A description of the CIMA Strategic Scorecard;
- A specimen scorecard;
- The CIMA Strategic Scorecard and external reporting;
- The CIMA Strategic Scorecard and the Balanced Scorecard;
- CIMA’s experience in preparing and using the CIMA Strategic Scorecard; and
- Future developments – issues and challenges.
The role of the board in strategy development

A key starting point for this paper is that company boards have a crucial role to play in strategy as exemplified by principle A.1 (and supporting principles) of the UK Combined Code on Corporate Governance:

Every company should be headed by an effective board, which is collectively responsible for the success of the company.

The board’s role is to provide entrepreneurial leadership...The board should set the company’s strategic aims... and review management performance.

...non-executive directors should constructively challenge and help develop proposals on strategy.

This may be easier said than done. There are two interrelated questions to consider:

- What should the board actually be doing in practice in order to fulfil its responsibilities effectively?
- What are the obstacles that make this difficult to achieve?

The issues of board design and performance are major topic areas in their own right and encompass board structures, composition and processes. Our main focus here relates to board processes.

In his article, Building Better Boards, David A Nadler argues that ‘boards must decide how engaged they want to be in influencing management’s decisions and the company’s direction’. Enlightened boards need to invest effort in clarifying their role, agenda and information requirements (Nadler, 2004). The level of involvement of the board in strategic issues will depend on the particular circumstances facing the company, for example, the experience of the management team, whether the company is undergoing major change or facing a crisis. It may also change over time and will need to be kept under regular review.

The following are all well rehearsed reasons as to why boards struggle to make effective contributions to their company’s strategic development and leave them captive to management’s view of the business:

- Lack of time and crowded agendas – directors often complain that they spend too little time discussing strategic issues (Carter and Lorsch, 2004);
- Greater complexity of business combined with information overload that can make it difficult for non-executive directors to get a deep understanding of the company and engage in constructive debate with management. Carter and Lorsch discovered that many directors simply forget much of the information that they have been given in previous meetings (see box); and
- Lack of robust strategic processes at board level.

Chief executives’ perceptions of non-executive directors

In research underpinning their book, Back to the drawing board, Carter and Lorsch surveyed 132 chief executives across the world for their views on non-executive directors. Most chief executives agreed that in order to make major decisions about their company’s future, board members need a clear understanding of what drives strategic success and the major issues faced by the company. Yet only half of the respondents believed that the directors had that knowledge. Many chief executives expressed concern about the quality of the contribution from directors – they failed to focus on critical issues, were insufficiently prepared or could not recall what had happened at previous meetings (ibid).
As will be shown below, the advantages of the CIMA Strategic Scorecard are that it can address these issues in that it:

- Helps the board to focus on the major strategic issues facing the business;
- Provides a framework for the board’s involvement in the strategic process;
- Helps the board to identify its specific information needs on strategic issues;
- Synthesises the immense amount of literature and techniques on strategy in a way that boards can digest and so helps boards to do the necessary strategic thinking; and
- Helps the board to report to external stakeholders on strategic issues.

In other words, we believe that the CIMA Strategic Scorecard has the potential to make a significant contribution to greater board effectiveness and, in consequence, improved company performance.

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**The enterprise governance framework and the rationale for the CIMA Strategic Scorecard**

Enterprise governance has been defined by the Information Systems Audit and Control Foundation (2001). From this, IFAC developed the enterprise governance framework in response to recent high profile cases of corporate failure such as Enron, WorldCom and Parmalat. These have brought corporate governance issues to the forefront of debate. Many countries have reviewed their corporate governance arrangements and in consequence, 28 new codes of best practice have been published over the last two years (Source: Grant Thornton). The US has gone even further with the Sarbanes-Oxley Act.

However, while corporate governance failure has been a factor in such cases, there have been many other examples of companies running into difficulties as a consequence of their strategic choices and/or their failure to implement strategy effectively.

In the UK alone, there are a number of well-known examples where companies are struggling to succeed. These include Marks and Spencer, Sainsbury’s, WH Smith and Abbey (formerly the Abbey National) – all of them household names with successful track records.

In consequence, it is clear that both corporate governance and strategic issues need to be considered and that company boards need to maintain a healthy balance between the two. The framework of enterprise governance has been developed in order to address this need and was the subject of a major project undertaken by the International Federation of Accountants (IFAC) in 2003. The outcome of the project has been published in *Enterprise Governance – getting the balance right*. The Enterprise Governance framework is shown opposite:

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We have now reached a point in the corporate governance debate where both managements and investors must recognise the obligation to find better ways in which strategy is communicated, understood and supported by all involved.

The key point to note about the framework is that enterprise governance encapsulates two dimensions of conformance (i.e. corporate governance) and performance (i.e. strategy) that need to be kept in balance. At the heart of the framework is the argument that good corporate governance can help to prevent failure, but it cannot guarantee success. The recent corporate failures have led to significant efforts to improve best practice on the conformance or corporate governance side of the equation, but there has not been as much attention on the performance side in terms of strategic decision-making and implementation.

An additional point to note is that the conformance dimension can be addressed with codes and/or standards with compliance being subject to assurance/audit. There are also well established oversight mechanisms for the board to ensure that good corporate governance processes are effective e.g. committees mainly or wholly composed of independent non-executive directors and, in particular, the audit committee or its equivalent in countries where the two tier board system is the norm.

On the other hand, the performance dimension does not lend itself as easily to a regime of standards and audit. Companies have to use best practice tools and techniques such as balanced scorecards in a way that is suitable for the particular business. However, while it is true that strategy is the responsibility of the full board, there are no dedicated oversight mechanisms comparable to the audit committee. In other words, while issues such as remuneration and financial reporting are subject to particular scrutiny by a specialist board committee of independent non-executive directors and then referred back to the full board, the crucial area of strategy does not receive the same dedicated attention.

While most boards have processes for dealing with traditional audit and compensation issues because of the committees established for those purposes, they also need well-designed processes for engaging in strategy development ...

(Carter and Lorsch, 2004)

This means that there is an oversight gap in relation to the performance dimension. This was supported by the findings of the case studies that were undertaken as part of the IFAC enterprise governance project referred to above. A particular danger point is at times of transformational change when incremental changes in strategy fail to match the pace of change in the operating environment.

A detailed discussion of the issue of strategic oversight is covered in chapter 4 of Enterprise Governance – getting the balance right, but in summary:

- At times of transformational change, the executive directors are heavily involved and this can put at risk objectivity and transparency both to the board and to external stakeholders.

- One possible safeguard against such risk is the presence of independent non-executive directors who can bring considerable experience to board deliberations over strategy. However, to contribute effectively to the future strategic direction of the company, independent directors have to assimilate substantial amounts of information within severe time constraints. In situations where they are largely reliant on information supplied by the executive management, it can be easy to fail to spot what is missing.

In summary, what directors need (in particular, the non-executives) is assurance in relation to the company’s strategic position and progress. They also need to be able to exercise effective oversight of the strategic process. The CIMA Strategic Scorecard aims to fulfil these requirements.
The CIMA Strategic Scorecard

The scorecard is intended to be a pragmatic and flexible tool to help companies deal with the difficulty of maintaining effective board oversight over strategy.

The objectives of the scorecard are to:

- Assist the board, particularly the independent non-executive directors, in the oversight of a company’s strategic process;
- Assist the board in dealing with strategic choice and transformational change;
- Give assurance to the board in relation to the company’s strategic position and progress;
- Track actions in, and outputs from, the strategic process – not the detailed content; and
- Assist the board in identifying key points at which it needs to take decisions.

The scorecard has four basic elements as set out opposite:

This generic approach would need to be adapted to each company’s own situation. For each dimension, the board (in conjunction with management) would need to determine which high-level issues and/or activities were to be included on the scorecard. The specimen scorecard, in figure 7 on page 10, illustrates a number of standard column headings for each dimension, but these could be modified in order to suit the particular organisation. For example, some organisations might choose to indicate the ‘lead’ non-executive director for a particular project. These headings basically prompt management to provide an adequate description of the activity being undertaken, including when the last relevant information was put to the board and when new information will be presented again in the future. A checklist of questions for the board is also given for each dimension. Depending on the answers provided, the board can determine whether they are satisfied with progress on each item. A column has been included on the scorecard for organisations to include a score or satisfaction rating. However, we are still considering whether this should be included as there is a danger that it could lead to a ‘tick-box’ approach. We would be interested in hearing readers’ views on this.

Internal audit could give the board assurance focusing on process and coverage rather than the precise detail of the output.

The fundamental point to note about the scorecard is that it is not a tool for helping directors to undertake detailed strategic planning. This will be illustrated in the following discussion on each of the four dimensions of the scorecard.

The Strategic Scorecard – The generic elements

Element 1 – The Strategic Position

This element focuses on providing information for the board rather than making major decisions. The discussion at the board would focus on reviewing the information and considering its implications.
A company needs to be reviewing its strategic position on a continuous basis and the board requires assurance that this is indeed taking place.

In terms of the content, the areas that need to be reviewed fall into the following categories:

- Micro environment(s) – e.g. market, competition, customers;
- Macro environment(s) – e.g. economic, political, regulatory;
- Threats from significant/abrupt changes – e.g. strategic inflection points;
- Business position(s) – e.g. market share, differentiation on pricing, quality, service;
- Capabilities – e.g. core competencies, SWOT analysis (Strengths, Weaknesses, Opportunities and Threats); and
- Stakeholders – e.g. investors, employees, suppliers.

There are various models available. Porter’s five-force model is well known (Porter, 1985). The board should receive updates and analysis on each/a combination of, or/all of the forces at intervals appropriate to the company, market structure and competitive dynamics.

Porter’s model categorises the forces under the power, vigour and competence of:

- Existing competitors – rivalry among existing firms;
- Potential competitors – threat of new entrants;
- Customers – bargaining power of buyers;
- Suppliers – bargaining power of suppliers; and the
- Threat of substitute products or services.

Where possible, the financial analysis should be based on economic profit, residual income or an equivalent.

The board should also receive a thorough analysis of general environmental influences. The PESTEL framework (Johnson & Scholes, 2002) is also a respected framework which considers political, economic, socio-cultural, technological, environmental and legal factors.

Other models can supplement or be substituted but these are well acknowledged frameworks. The point of the scorecard is to make the board aware of what work is being done and when within the strategic process.

In today’s fast moving competitive environment, scanning should not be the one-off exercise typically associated with the ‘strategic plan’ or ‘strategic review’ cycle. It should rather be ‘thin but constant’. It means that the board must be sensitive enough to spot what could possibly be significant developments. If there is a need to dig deeper it can, and should, be done.

It is important to clarify that it is not the responsibility of the board to undertake the detailed analysis of the company’s strategic position. This task needs to be done by management. The board’s main role is to review both the process and summarised content and then challenge it in a constructive manner. However, there may be situations where it is necessary for the board to drill down below the summary information and review the detailed content of a particular piece of analysis. In summary, the board needs to:

- Receive assurance that management is undertaking rigorous analysis on a timely basis;
- Receive assurance that the analysis is complete and appropriate to the particular organisation;
- Make constructive suggestions as to other aspects of the operating environment that should be considered;
- Review a summary of the analysis and consider whether the conclusions are valid and whether there are any additional implications; and
- Consider whether it needs to review the detail of certain aspects of the analysis.
Ideally, the scorecard should provoke the following questions.

Questions for the board

- How often do we need to look at this information?
- Who has prepared it? What process have they followed? How have they obtained the information? Is it reliable, rigorous? Or just hearsay?
- Are we receiving a complete picture?
- Do we need to look at any aspect in more detail?
- Do we simply perform the same analysis every year? Do we need to adopt a different approach to avoid blinkered thinking?

Element 2 – Strategic Options

The board needs to be aware of what strategic options are available to the company in terms of the following:

- Change of scope – e.g. geography, product, market sector; and
- Change of direction – e.g. high/low growth, offering of price/quality.

These options would be those big ‘strategic bets’ that have the greatest potential for creating or destroying shareholder value. Such bets are often difficult to reverse and may amount to ‘betting the company’.

These kind of decisions fit under the framework of ‘real options’. This topic easily becomes very complex but much can be gained from a ‘real options’ way of thinking. Real options are features that make a project flexible. The word ‘real’ signifies that they concern real assets rather than financial securities.

For each business there are probably only about three or four strategic options that will be under active consideration at any one time. For each of these, it is useful for the board to know what analysis has been done, what the resource constraints are, and when the board may be presented with alternatives. The board also needs to be clear about the timing and nature of the key decision points in relation to the strategic options.

It is also useful for the board to know what other strategic options are available that are not under consideration at that point in time. A short rationale as to why they are not being pursued informs the board, particularly the independent directors, as to the context of the current strategy.

A summarised presentation of all the options and the actions on the selected few should enable a reasonably informed debate at the board. This can cover why certain options are being explored, whether these are the right ones in terms of value creation, whether certain options are missing or possibly whether the options could be better ‘framed’.

This does not comprise a strategic plan but rather a scoping of options that can evolve in a dynamic way. The detailed analysis of each of the options would need to be the subject of a separate board discussion. The purpose of the Strategic Scorecard is to set out the landscape.
Questions for the board

- When did we last consider options? What were they? How does this latest list of options compare?
- How have these options been generated? By whom?
- How do they relate to the strategic position of the organisation?
- Are we looking at options at a high enough level? Are these 'bet the company' options?
- What other options have been considered? Why were they rejected?
- What are the implications of each?
- Does each option make sense? If not, how should it be modified?
- Are there any other options that we would like to propose?
- Do we keep looking at the same 'old chestnuts' without making a decision either way to pursue or reject?
- When do we need to discuss these options again?
- Which ones should we now accept to be worked up in more detail into a full project plan?
- How do these options compare with the strategies of our competitors?

Element 3 – Strategic Implementation

Once a project or process improvement has moved through the evaluation stage to implementation, the board needs to be updated on progress.

The detailed evaluation of a specific option should have developed and set out attainable milestones and timelines that need to be met. These should be reported on regularly with failures to meet the targets explained along with an outline of any implications and corrective action that has, or needs to, take place.

Critical success factors should also be clearly set out – what are those things that must happen to make the strategy successful? There may be a critical path linked with the milestones.

The board needs to be aware of where there are breakpoints when board decisions and/or intervention might be required. These decisions would include whether to accelerate, abort, delay or, possibly, switch strategy. Management needs to react to new information rather than sticking rigidly and dogmatically to the original plan.

Also covered here would be the reporting of whether a post completion audit has or will be carried out. Organisations need to learn from experience and an objective review after completion is a key part of this.

Questions for the board

- When did we last review this?
- When do we need to review it again?
- Is the strategy working? If not, what is going wrong? What do we need to do about it? Are we creating the right conditions and tone from the top?
- How is the management implementing the strategy? How is it being communicated? How are people being rewarded? Is it consistent with the strategic aims?
- Where are the breakpoints?
- Do we need to take a more 'hands-on' approach?
- Is this particular programme complete? If so, is the post completion audit in progress? When will the outcome of this be presented to the board?
- For post completion audit reviews: are there any recurrent themes compared with previous projects?
**Element 4 – Strategic Risks**

In recent years, there has been an increasing emphasis on risk management and various frameworks have been developed, for example enterprise risk management (ERM). The ERM approach recognises that risk management needs to encompass all the organisation’s risks and that it should enable management to seize value-creating opportunities and not just to manage the impact of adverse occurrences. The US-based Committee of Sponsoring Organisations of the Treadway Commission (COSO) has recently issued *Enterprise Risk Management – integrated framework*. This categorises organisational objectives as follows:

- **Strategic** – high-level goals, aligned with and supporting its mission;
- **Operations** – effective and efficient use of resources;
- **Reporting** – reliability of reporting; and
- **Compliance** – with applicable laws and regulations.

The scorecard focuses on the first category, although it is acknowledged that boards are responsible for overseeing all risks as clearly indicated by such corporate governance guidance as the UK Turnbull Report on internal control which forms part of the UK Combined Code.

In terms of strategic risks, boards need to have reasonable assurance that they understand the extent to which the organisation’s strategic objectives are being achieved.

In summary, there are three key components to strategic risk management:

- **Risk appetite** – as the COSO report states, ‘all entities face uncertainty, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value’;
- **Strategic risks and opportunities facing the organisation** – the nature and extent of these, the likelihood of their occurrence and/or potential for exploitation, ability to manage risks etc.; and
- **Process issues** – how risks are actually managed within the organisation, training issues, stress testing, risk monitoring processes etc.

The scorecard would need to capture all these three components. However, it would be necessary to ensure that the main focus is on strategic risks. The work done in this area would then feed into the board’s more comprehensive reviews of enterprise-wide risks. As was the case for the strategic options and strategic implementation dimensions, it is also important for the board to be aware of the key decision points.

**Questions for the board**

- Have we determined the organisation’s risk appetite? If not, when do we need to consider this in detail? If yes, do we need to review it? When did we last review it? How frequently should we review it in future?
- When did we last review the major strategic risks? Are they consistent with the company’s risk appetite?
- What is the process for reviewing and managing risks? Is it embedded in strategy?
- What is the level of sophistication involved in understanding risks?
- Have all aspects been considered? Blinkered thinking?
- Are we taking enough risk? Is our approach helping or hindering us? Are we able to seize opportunities?
- Are the risks going to threaten the achievement of strategic objectives?
A specimen scorecard

Companies should already have much of this information. The scorecard provides a useful means of pulling it together in summary form.

It is envisaged that a scorecard would consist of five separate sections:

- A summary section. This shows all the four dimensions of the scorecard in a single view and simply lists each item heading covered. The value of providing a simple list of all the strategic issues lies in the fact that it provides a very clear snapshot. This would be of particular value to incoming non-executive directors who need to understand the business very quickly.
- More detailed sections for each of the four dimensions. As indicated above, the scorecard has a number of standard column headings, but these could be adapted in order to suit the particular organisation.

A specimen scorecard is illustrated below in Figure 7.

**The CIMA Strategic Scorecard**

<table>
<thead>
<tr>
<th>Strategic Position</th>
<th>Strategic Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section lists the key areas of importance for the organisation. No more than ten issues and listed in order of importance e.g.</td>
<td>This section lists the major ‘strategic bets’, and should contain no more than five.</td>
</tr>
<tr>
<td>• Regulatory developments</td>
<td>• Merger in related business</td>
</tr>
<tr>
<td>• Technological developments</td>
<td>• Outsourcing major process</td>
</tr>
<tr>
<td>• Competitors</td>
<td>• Major divestment and refocus of business</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Implementation</th>
<th>Strategic Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section lists major strategic projects that are in progress. Should be different from items listed under Strategic Options.</td>
<td>This section lists the key strategic risk issues, in terms of appetite, process and actual risks.</td>
</tr>
<tr>
<td>• Development of major new delivery channel</td>
<td>Risk appetite</td>
</tr>
<tr>
<td>• Major relocation</td>
<td>Process issues</td>
</tr>
<tr>
<td>• Expansion into Eastern Europe</td>
<td>• Risk review process</td>
</tr>
</tbody>
</table>

**Figure 7: Specimen CIMA Strategic Scorecard (continued overleaf)**
<table>
<thead>
<tr>
<th>STRATEGIC POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Action</strong></td>
</tr>
<tr>
<td>Detailed study of new environmental legislation and impact</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STRATEGIC OPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option</strong></td>
</tr>
<tr>
<td>Major divestment and refocus of business</td>
</tr>
<tr>
<td>Outsourcing major process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STRATEGIC IMPLEMENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Action</strong></td>
</tr>
<tr>
<td>Relocation of warehouse</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STRATEGIC RISKS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Issue</strong></td>
</tr>
<tr>
<td>Process issues</td>
</tr>
<tr>
<td>Determination of risk appetite</td>
</tr>
<tr>
<td>Strategic risks</td>
</tr>
<tr>
<td>Reputation</td>
</tr>
</tbody>
</table>

Figure 7: Specimen CIMA Strategic Scorecard
The CIMA Strategic Scorecard and external reporting

The CIMA Strategic Scorecard is primarily an internal tool that aims to help boards improve their effectiveness. However, the process of preparing the scorecard and the resulting outputs can help boards to fulfil their external reporting responsibilities.

There is increasing pressure on companies to provide greater transparency for shareholders through clear, succinct and timely disclosure. This applies to financial information, but also to narrative reports on the company’s position and prospects. In the UK, for instance, the government has finalised its requirements for a mandatory Operating and Financial Review (OFR) for listed companies. This has arisen in consequence of the UK Company Law Review (CLR) which stated that the objective of the OFR should be ‘to provide a discussion and analysis of the performance of the business and main trends and factors underlying the results and financial position and likely to affect performance in the future, so as to enable users to assess the strategies adopted by the business and the potential for successfully achieving them’.

In a similar vein, the Accounting Standard Board’s draft reporting standard on the OFR, which was issued at the end of 2004, states that ‘the OFR shall set out an analysis of the business through the eyes of the board of directors’ and that it should focus on matters of interest to investors and have a forward-looking orientation. It should include discussion and interpretation of the performance of the business and the structure of its financing, in the context of known or reasonably expected changes in the environment in which it operates.

The regulations make it clear that it is the responsibility of the directors to prepare the OFR. Failure to comply means that every director of the company, who knew that the OFR did not comply, or was reckless as to whether it complied, is guilty of an offence and liable to a fine. Directors will be expected to apply ‘due care, skill and diligence’ in the preparation of the OFR.

What this means in practice is that directors need to have a good handle on strategy if they are to discharge their responsibilities to produce an OFR effectively. We have already seen how the scorecard can help boards to focus on the major strategic issues and to ensure that accurate and timely information is being prepared to assist their oversight and decision-making responsibilities. This, in turn, should help boards in preparing the OFR.

The CIMA Strategic Scorecard and the balanced scorecard

The CIMA Strategic Scorecard is intended to be complementary to the well-known balanced scorecard. In summary, they are different tools for different jobs.

The balanced scorecard was first developed to improve performance measurement, in particular, to capture the value created from the organisation’s intangible assets such as processes, people, customer relationships, innovation, technology and so on. In this way, it has usefully brought non-financial performance indicators into better focus. Its use has evolved and in some companies, it has been used to translate agreed strategy into action.

Although Kaplan and Norton have emphasised that the best balanced scorecards should reflect the strategy of the organisation and that a scorecard can help to force clarification and consensus about what the strategy is, they are quick to acknowledge that ‘strictly speaking, the balanced scorecard is a strategy implementation tool’ and that the ‘formulation of strategy is an art’ (Kaplan and Norton, 2001).

Unlike the CIMA Strategic Scorecard, the balanced scorecard is not really designed to address strategic issues that confront the company as a result of major external disruption such as market collapse, competitor activity or regulator stance. Nor does it help with strategic choices, for example, whether to undertake mergers and acquisitions.

1 For a more detailed discussion on this, please see CIMA’s forthcoming discussion paper, The Enterprise Report at www.cimaglobal.com
The CIMA Strategic Scorecard and the balanced scorecard also differ in the way that they are used at other levels of the organisation. The CIMA Strategic Scorecard is primarily a high level tool for use by boards in exercising strategic oversight. The major rationale for the preparation of a strategic scorecard would be any situation where a board exists which includes some non-executive directors. This contrasts with the balanced scorecard which is often cascaded to lower levels of the organisation. Many organisations have prepared ‘lower level’ scorecards e.g., at business unit, department and even individual level. These scorecards are designed to be used as a management tool to support implementation of the organisation’s agreed strategy.

Despite these differences, there is a link between the two scorecards in that the balanced scorecard can be incorporated into the strategic implementation dimension of the Strategic Scorecard. This then provides a clear cycle from the strategic position through to options and then to implementation.

**Case study – CIMA’s experience**

As part of the development of the scorecard, CIMA decided to undertake a trial. Although a not-for-profit organisation rather than a listed company, the governance structures of CIMA means that the achievement of effective strategic oversight by CIMA’s Council Members can be a challenging issue. It was felt, therefore, that the scorecard could be of real benefit.

CIMA is controlled by a Council of up to 54 members. The Council is responsible for determining and reviewing strategy and policy in line with the objects of CIMA’s Royal Charter, and representing the interests of, and reporting to the general membership. Council normally meets five times per year and has an annual strategy away-day. Members are either elected or co-opted and are broadly analogous to the non-executive directors of a limited company. The Council is headed by a President who serves a one-year term, having served one year each as Vice President and Deputy President. There are a number of specialist policy committees as well as the Executive Committee. This is chaired by the President and also comprises the Immediate Past President, the Deputy and Vice Presidents together with the Chairmen of the main policy committees and two additional elected members. The Senior Management Team is headed by CIMA’s chief executive and is responsible for the day-to-day running of CIMA in much the same way as the executive team of a limited company.

CIMA has over 65,000 members and 85,000 students in 156 countries. It is one of six professional accountancy bodies in the UK and Republic of Ireland. CIMA members are accountants in business. CIMA represents financial managers and accountants who work in industry, commerce, not-for-profit and public sector organisations. Its key activity is related to business strategy, information strategy and finance strategy. CIMA members are not trained in audit.

CIMA’s focus is to qualify students, support members and employers, and protect the public interest. Its purpose, vision and mission are set out below.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Ever greater employability of CIMA members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>CIMA members driving the world’s successful organisations</td>
</tr>
<tr>
<td>Mission</td>
<td>To be the first choice for employers in the qualification and development of professional accountants in business.</td>
</tr>
</tbody>
</table>

Figure 8: CIMA’s purpose, vision and mission

Current issues facing CIMA are possible consolidation of the profession (CIMA and two of the other UK bodies) together with the changing role of the finance professional and the need to restore public confidence in the profession in the wake of high profile corporate failures.

The initial version of the scorecard was prepared during a half-day strategy discussion. Since then, the time commitment required to update the scorecard has been minimal. It is updated for each meeting of Council and Executive Committee (in total, 10 times per year). The scorecard is strongly championed by the chief executive who ensures that it is brought to the attention of the Council and committee members.
The key points emerging from the trial are that the scorecard has:

- Helped management to identify gaps in knowledge and analysis;
- Provided an invaluable structure to help identify and prioritise options, monitor progress and ensure that risks are identified;
- Provided a complementary tool to CIMA’s existing balanced scorecard;
- Provided a medium-term perspective given that the scorecard is an open ended rolling tool and not bound by an annual timeframe;
- Helped Council Members and management to focus on the issues that really matter, both internal and external;
- Shown how difficult it can be to maintain a high-level view. The temptation is always to get caught up in the detail; and
- Forced directors and Council Members to ‘lift their eyes above the horizon’ and to avoid the comfort zone of detail. It is proving to be a valuable tool in encouraging effective strategic thinking. As one user commented, ‘that is the real strength of the scorecard’.

The view was also expressed that the scorecard would come into its own when it was produced in electronic format with the facility for users to drill down to the underlying information, for example, a Council Member would be able to review progress on the organisation’s work on competitor analysis in terms of when it was last undertaken etc, but s/he would also be able to drill down to read the latest competitor analysis report itself if desired. As one user said, it ‘would be a dream come true – it would be awesome’.

What directors need is information that focuses on the important issues and ensures that they understand the real drivers of performance and the major elements of risk….they should be able to seek and access much of (the information) on their own, electronically (Carter and Lorsch, 2004).

Future challenges and issues

There are two key challenges:

- To test the scorecard in other organisations in order to develop the scorecard into a practical and robust business tool; and
- As indicated above, the scorecard will be of greater use when it is produced in electronic format with the facility for users to drill down to further detail as required.

CIMA would welcome your comments regarding the content of this paper. Please write to Gillian Lees, Technical Services at CIMA, 26 Chapter Street, London, SW1P 4NP or email technical.services@cimaglobal.com. NB. Correspondence cannot always be entered into.

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References and further reading:


The Combined Code on Corporate Governance, (also includes the Turnbull Guidance on internal control), Financial Reporting Council, July 2003 – see www.frc.org.uk.
