

## CGMA TOOLS

How to improve your  
board's effectiveness:  
Tool one - CIMA  
Strategic Scorecard®

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# CIMA STRATEGIC SCORECARD®

This tool was developed to help boards of any organisation to engage effectively in the strategic process. It recognises that boards struggle to engage in strategy for the following reasons:

- lack of time and crowded agendas
- information overload
- lack of robust processes at board level for dealing with strategy
- greater complexity of business.

The scorecard is designed to provide a simple but effective process that helps the board to focus on the key strategic issues and – most importantly – to ask the right questions. This means that the board can work constructively with management to promote the future success of the organisation. It can help ensure a high-level perspective on strategy, thus avoiding the ‘comfort zone of detail.’

The uniqueness of the framework is that it:

- Summarises the key aspects of the environment in which an organisation is operating to ensure that the board is aware of changing competitor, economic and other factors.
- Highlights the risks and opportunity facing the board in its strategic endeavours and moves these into manageable plans.
- Identifies the major strategic options that could have a material impact on the strategic direction of the organisation and helps the board to determine which options will be developed and implemented.
- Charts for the board the significant steps or milestones in relation to the chosen strategic plans to be achieved in the coming period and then tracks performance against these.

The framework of the scorecard has evolved over time and indeed is flexible enough for organisations to modify it to meet their needs. What really matters is that strategy and risk must be dealt with in an integrated way at board level and that the board dedicates sufficient time to issues such as determining its risk appetite and developing strategic options.

The framework is shown in Figure 1. It shows the organisation’s business model at the heart of the framework, and how this relates to the external environment and leads to the generation of risks and opportunities. Options can be derived from these and then implemented.<sup>1</sup>

FIGURE 1: CIMA Strategic Scorecard®

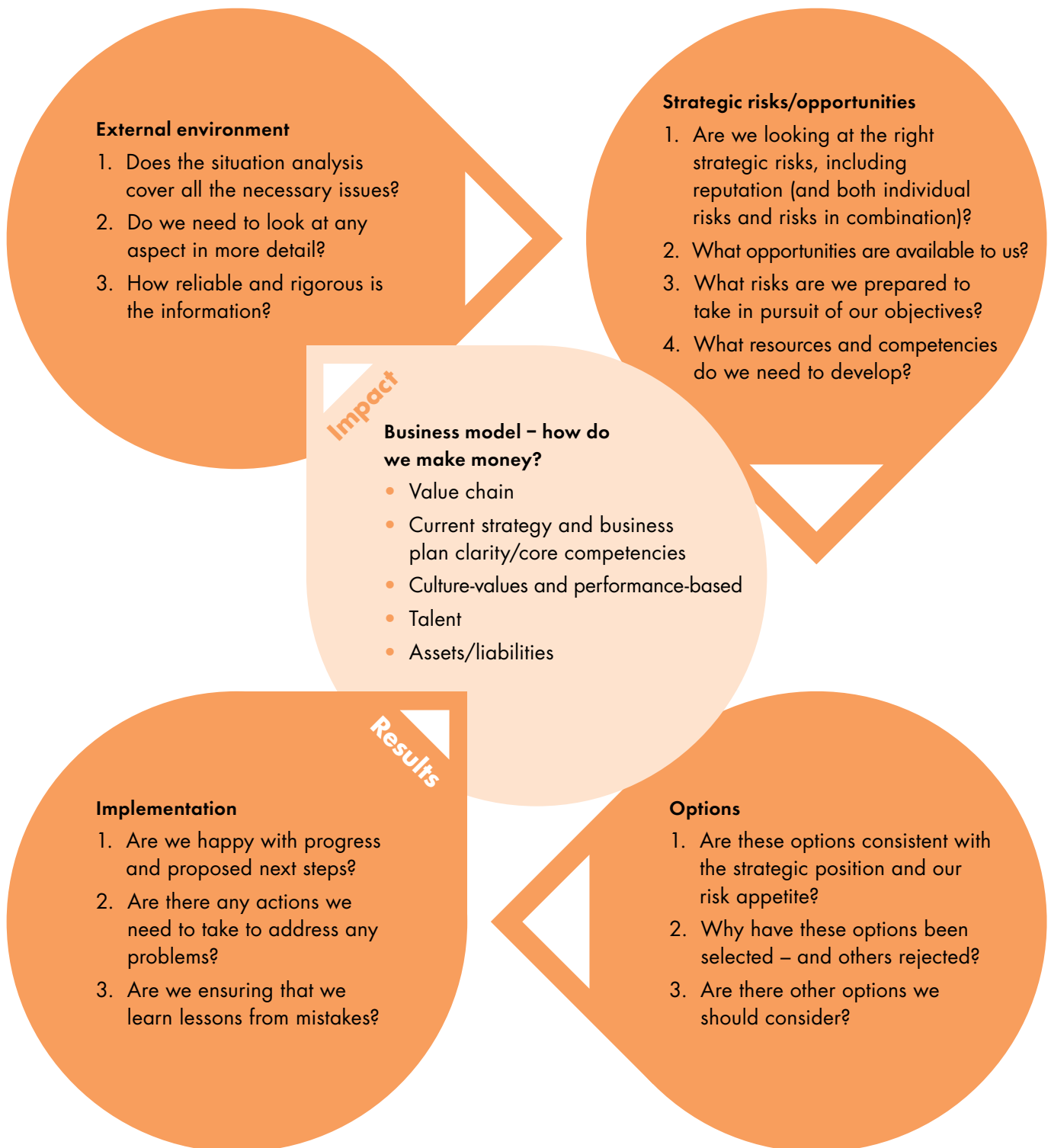


The scorecard framework helps the board to determine what information they need to address each aspect of strategy. Based on the information received, the board can then ask challenging and searching questions; depending on the answers, the board can determine

whether it is satisfied, whether action needs to be taken and/or whether it needs to explore a specific issue in more depth, perhaps by referring to the more detailed supporting analysis and whether further discussion is required in a future board meeting.

Some key questions to ask about each key aspect of strategy include:

FIGURE 2: Key questions boards should ask



Typical information requirements of the board are shown in the table below.

FIGURE 3: Board information for strategic oversight<sup>2</sup>

Topic	Minimum frequency
<b>Situation analysis</b>	
Industry information and trends (key success factors)	Annually
Competitor intelligence (major initiatives and positioning)	Annually
Regulatory, political and economic information	Annually
Technological forecast	Annually
Competitive positioning of the company – benchmark (market share, pricing, quality)	Annually
Strengths and weaknesses analysis of the company (including functional – for example, employee retention and turnover and R&D investments)	Annually
Reports on major risk factors	Annually
<b>Strategy formulation</b>	
Report on major capital expenditures, acquisitions and divestitures	As required
Annual strategic plan (corporate, major business segments)	Annually
Operating plans (major functional supporting initiatives)	Quarterly
Alternate strategies considered and rejected	Annually
Five-year strategic plan (long-term corporate strategy)	Annually
<b>Implementation process</b>	
Reports on major policies/management systems and organisational structure	Annually
Budgets	Annually
<b>Evaluation and control</b>	
Progress report on strategic plan – reports on operating variances (deviations/ shortcomings from original plan)	Quarterly
Progress reports on major capital expenditures, acquisitions and divestitures	Quarterly
Reports on financial performance (for every major business segment of the company)	Quarterly
Reports on corporate operating performance (for example, productivity or quality data) for every major business segment of the company	Quarterly
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## Footnotes

- <sup>1</sup> A more complete explanation of how to implement the scorecard can be found in *CIMA Strategic Scorecard™ - boards engaging in strategy* on [www.cimaglobal.com](http://www.cimaglobal.com)
- <sup>2</sup> *Exhibit 8, Strategic Management of Information for Board, Management Accounting Guidelines*, M.J Espstein and M-J Roy, CMA Canada and AICPA, 2007

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