Balanced Scorecard - An Introduction

What is it?

The Balanced Scorecard provides managers with the instrumentation they need to navigate to future competitive success. The Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. The Balanced Scorecard should translate a business unit's mission and strategy into tangible objectives and measures.

Objectives, measures, targets and initiatives:

Financial	To succeed financially, how should we appear to our shareholders?
Internal business processes	To satisfy our shareholders and customers what business process should we excel at?
Customer	To achieve our vision, how should we appear to our customers?
Learning and growth	To achieve our vision, how will we sustain our ability to change and improve?

Why is it important?

The Balanced Scorecard translates an organisation's mission and strategy into a comprehensive set of performance measures that provide the framework for a strategic measurement system. It enables companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they need for future growth.

How does information technology fit into it?

Information technology enables today's organisations to integrate supply, production, and delivery processes so that organisations are triggered by customer orders, not by production plans that push products and services through the value chain.

Where does innovation fit in?

Companies that compete in industries with rapid technological innovation must be masters at anticipating customers' future needs, devising radical new products and service offerings, and rapidly deploying new product technologies into efficient operating and service delivery processes.

How does Balanced Scorecard go above Accounting?

Ideally, this financial accounting model should have been expanded to incorporate the valuation of a company's intangible and intellectual assets, such as high-quality products and services, motivated and skilled employees, responsive and predictable internal processes, and satisfied and loyal customers. Such a valuation of intangible assets and company capabilities would be especially helpful since, for information age companies, these assets are more critical to success than traditional physical and tangible assets.

Balanced Scorecard Benefits

1. Clarify and translate vision and strategy
2. Communicate and link strategic objectives and measures
3. Plan, set targets, and align strategic initiatives
4. Enhance strategic feedback and learning

Balanced Scorecard creation insights

The Balanced Scorecard highlights those processes that are most critical for achieving breakthrough performance for customers and shareholders. Often this identification reveals entirely new internal processes that the organisation must excel at for its strategy to be successful.

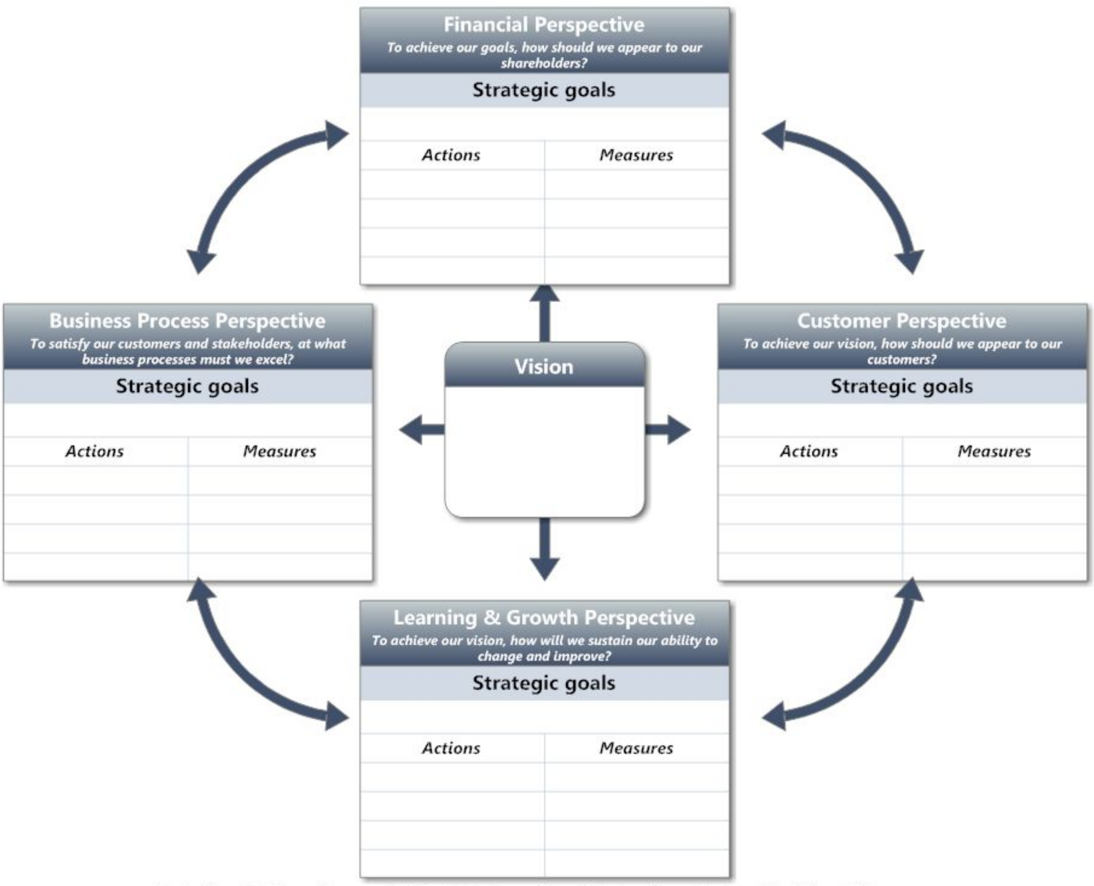
Learning Insights

Balanced Scorecard creation reveals the rationale for significant investments in reskilling employees, in information technology and systems, and in enhanced organisational procedures.

Balanced Scorecard outcome

Because the scorecard was developed using a team project it creates a shared model for the entire business with joint accountability.

Kaplan, Robert S.; Norton, David P.. The Balanced Scorecard: Translating Strategy into Action. Harvard Business Review Press.



Adapted from the Balanced Scorecard by Robert S. Kaplan and Dave P. Norton. Harvard Business School Press. 1996.