

# The Balanced Scorecard

You would use this approach to introduce a balanced set of measures covering Financial, Customer, Business Processes and People. You will use these measures as part of a strategic planning tool to communicate business direction, align everyone's daily work to the strategy, prioritise activities required and measure and monitor progress towards targets.

The Balanced Scorecard is a high-level, proven management strategy. It is highly recommended that you access support from GC Business Growth Hub to help you with this.

## Projected performance gains



### Improved

- Alignment of every individual's and team's activities
- Success in identifying and achieving strategic objectives.

## What investment is needed to understand the concept?

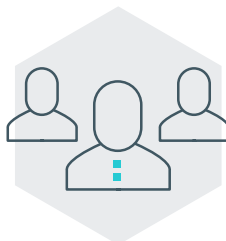
### DIFFICULTY



### Challenging

It is relatively easy to develop a new set of measures. Use of the Balanced Scorecard for strategic planning takes more effort and practice

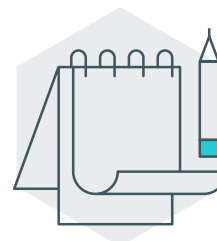
### ACTIVITY



### Team

The technique is best approached by engaging the senior team and accessing expert support

### EQUIPMENT



### None

No equipment needed

## Explanation of the concept

The Balanced Scorecard was first introduced by Kaplan & Norton, and has become widely used as a management technique. The original idea was to add non-financial measures to the traditional, short-term financial measures of success, looking through four perspectives:

### Financial:

The organisation’s financial performance and the use of financial resources.

### Customer / Stakeholder:

The requirements of the customer or other key stakeholders that the organisation is designed to serve.

### Internal Process:

The quality and efficiency of a company’s key products, services and key business processes.

### Learning & Growth (or Organisation Capacity):

The human capabilities, culture and other enablers that are key to achieving the required performance level.

By looking through these four different, balanced, perspectives, there is a more effective focus on what is required to build the mix to better achieve long-term success. The system has evolved over the years and is now considered a fully integrated strategic management system.

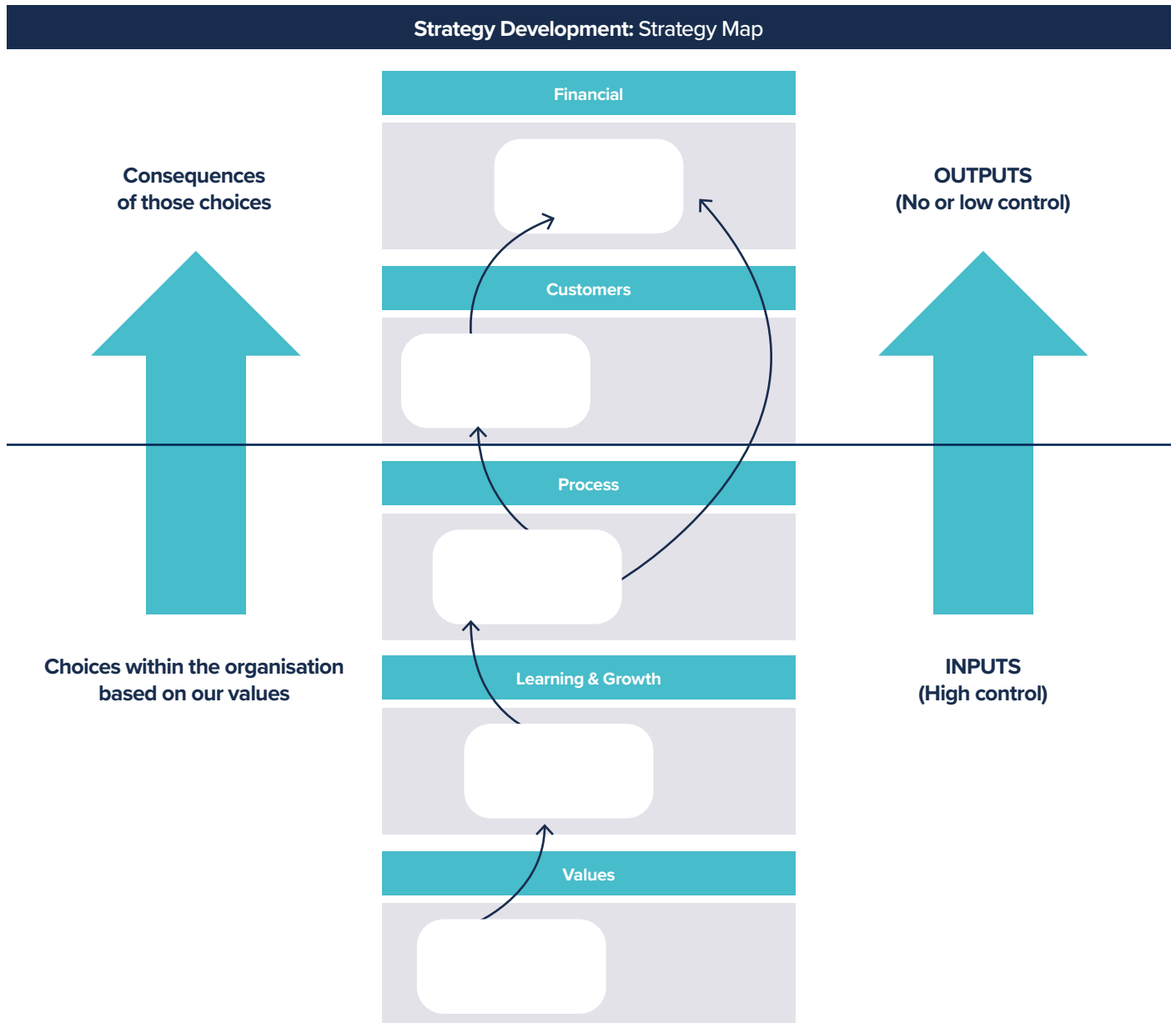
The system connects the dots between big picture strategy elements such as mission (our purpose), vision (what we aspire for), core values (what we believe in), strategic focus areas (key themes or results required to achieve the vision) and the more operational elements such as objectives (what we will do to achieve our strategies), measures (key performance indicators, or KPIs, how you will track performance) and targets (the desired level of performance).

## Example of a Balanced Scorecard

Strategy Development: Balanced Scorecard				
	Strategy	Objectives / Tactics	Methods of Measurement	Targets
Financial	<b>Financial Stewardship</b>	<ul style="list-style-type: none"> <li>• Increase alternative revenue</li> <li>• Refine pricing</li> <li>• Develop strategy for on-going operational resources</li> <li>• Establish cost recovery goals</li> </ul>	<ul style="list-style-type: none"> <li>• Program &amp; facility revenue (q)</li> <li>• Alternative revenue amount (q)</li> <li>• Non tax revenue percentage (q)</li> <li>• Program cost recovery (q)</li> </ul>	<ul style="list-style-type: none"> <li>• TBA for 20XX</li> </ul>
Customer	<b>Enhanced Quality and Service Demand</b>	<ul style="list-style-type: none"> <li>• Develop system wide customer satisfaction system</li> <li>• Build on service excellence and reduce service variation</li> <li>• Develop customer requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Overall customer satisfaction (q)</li> <li>• Customer referral (q)</li> <li>• Customer retention (q)</li> </ul>	<ul style="list-style-type: none"> <li>• TBA for 20XX</li> </ul>
Internal	<b>Operational Excellence</b>	<ul style="list-style-type: none"> <li>• Develop sustainable practices</li> <li>• Build efficiencies through documented processes and standards</li> <li>• Measure organisational performance</li> <li>• Drive innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Number of innovations implemented (q)</li> <li>• Internal customer satisfaction (q)</li> <li>• Efficiency savings (q)</li> <li>• Key processes documented</li> <li>• Shingo OpX assessments (q)</li> </ul>	<ul style="list-style-type: none"> <li>• TBA for 20XX</li> </ul>
Learning & Growth	<b>Improve the Culture</b>	<ul style="list-style-type: none"> <li>• Increase cultural survey ratings</li> <li>• Improve service training</li> <li>• Improve internal communication</li> <li>• Develop employee competencies</li> </ul>	<ul style="list-style-type: none"> <li>• Employee cultural survey ratings (q)</li> <li>• Regrettable turnover percentage (q)</li> <li>• Percentage of competencies developed (q)</li> </ul>	<ul style="list-style-type: none"> <li>• TBA for 20XX</li> </ul>

## Explanation of the concept

These strategies are developed through “strategy maps”. These start with identifying financial and customer needs, then focusing on what are the required business processes and what organisational capabilities are required:



## Explanation of the concept

Hence an example strategy map could start with the need to exceed customer expectations and inspire loyalty, to maximise shareholder value. This leads then to a number of strategies, including creating high quality products and maximising operational effectiveness. In turn these identify the need to both recruit people with the right skills and to train and develop existing employees.

Strategy Development: Strategy Map		
Shareholders financial expectations	Shareholders	To succeed financially, how should we appear to our shareholders?
Orderings and relationships that satisfy customer needs	Customers	How should we appear to our customers?
Business processes and customer needs	Structures	Identify our shareholders and customers, what business processes must we excel at?
People skills, leadership and improvement	Learning and Growth	What is our vision? How will we sustain our vision whilst adapting to change and improving?

## What action should I take?

1.



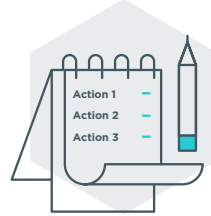
Read through the recommended resources and/or engage the GC Business Growth Hub for support

2.



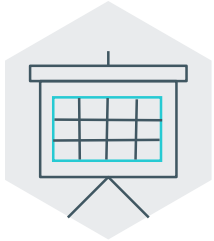
Gather a group of senior team members and explain the concept of the Balanced Scorecard

3.



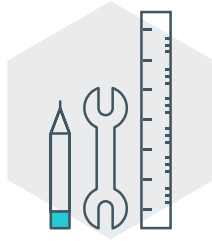
Use the strategy map to develop the key priorities in each perspective

4.



Use the Balanced Scorecard template to map these strategies and set KPIs

5.



Measure business performance at agreed intervals and report findings

## Recommended resources



Kaplan, R. S. and Norton, D. P. (1996). The Balanced Scorecard. Harvard Business Review Press. ISBN 978-0875846514



Balanced Scorecard Basics, Balanced Scorecard Institute:  
<http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard>

Putting the Balanced Scorecard to Work, Harvard Business Review:  
<https://hbr.org/1993/09/putting-the-balanced-scorecard-to-work>

[GC Business Growth Hub Factsheet 16: KPIs and Performance Management.](#)

A Balanced Scorecard template is available at the end of this factsheet for you to use as a guide.

## Glossary

**Mission:** Our purpose.

**Vision:** What we aspire for.

**Core Values:** What we believe in.

**Strategies, Strategic Themes / Focus Areas:** The key progress areas required in order to achieve our vision (e.g. increase customer satisfaction).

**Objectives:** The initiatives / actions / things we will do differently, in order to achieve our strategies (e.g. actions to improve product quality or on time delivery).

**Measures:** Key Performance Indicators (KPI's) – How we will measure performance, e.g. % On Time In Full (Delivery).

**Targets:** The desired level, e.g. 99%.

For more advice, case studies and additional factsheets visit: [www.businessgrowthhub.com/manufacturing](http://www.businessgrowthhub.com/manufacturing)

Strategy Development: Balanced Scorecard				
	Strategy	Objectives / Tactics	Methods of Measurement	Targets
Financial				
Customer				
Internal				
Learning & Growth				