

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
- Measure and monitor progress towards targets.

## Projected performance gains

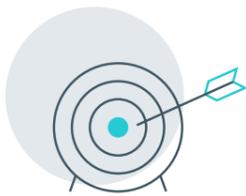


### Improved

- 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



#### Easy/Medium

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

Usually a senior team activity.

### EQUIPMENT



#### None

No equipment is 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).

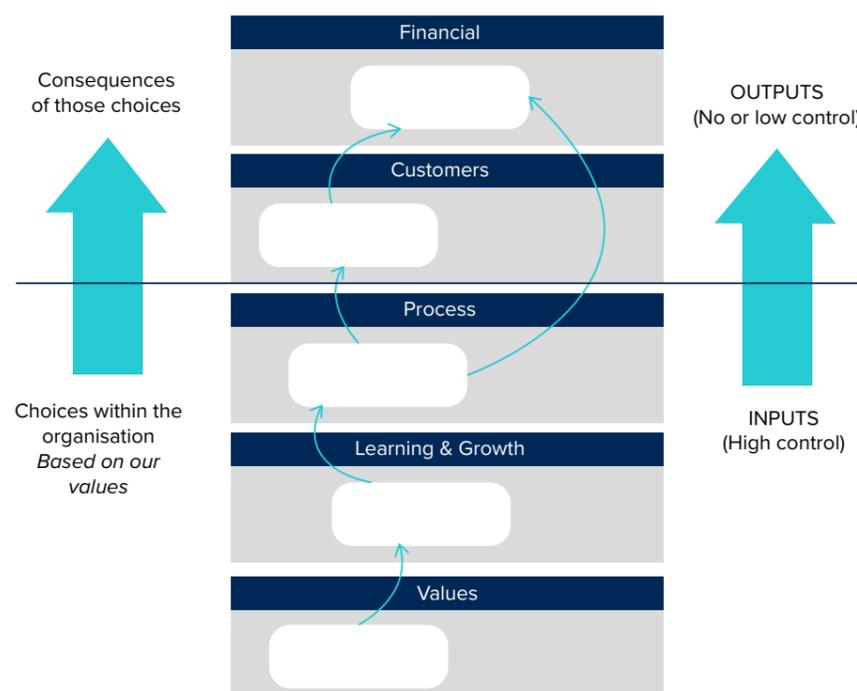
**Example of a Balanced Scorecard.**

**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>	•TBA for 20XX
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>	•TBA for 20XX
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>	•TBA for 20XX
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>	•TBA for 20XX

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:

**Strategy Development** Strategy Map



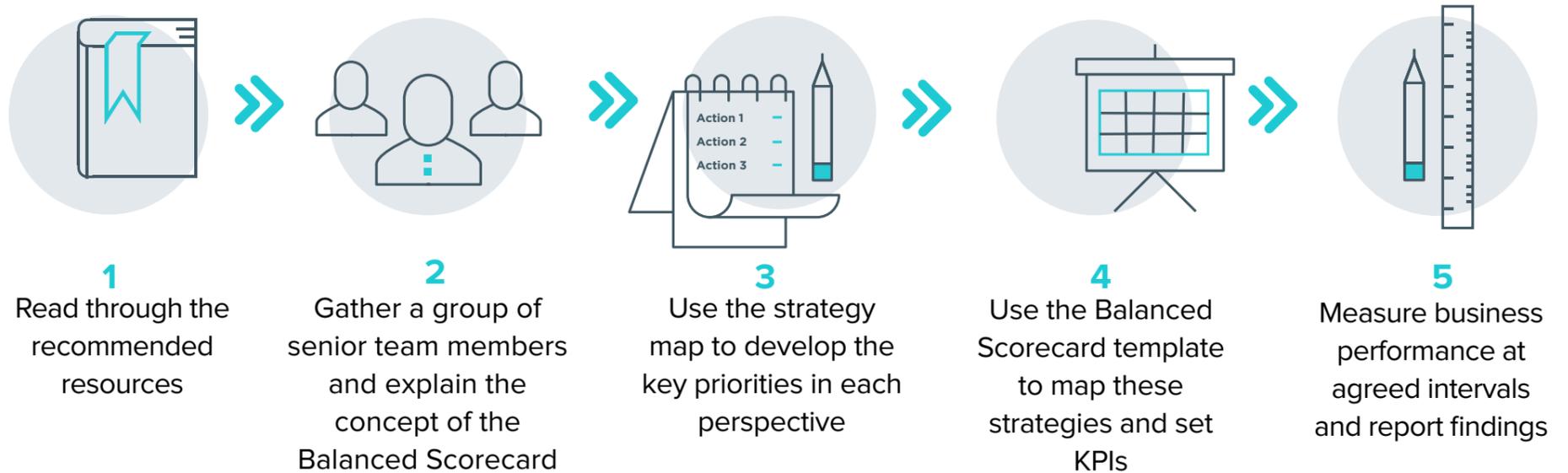
Hence an example strategy map could start with the need to exceed customer expectations and inspire loyalty, to maximise shareholder value. This leads then to a number of strategies, including creating high quality products and maximising operational effectiveness. In turn these identify the need to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

## Strategy Development Strategy Map



This strategy map can then be used to identify the required objectives (initiatives required to achieve the strategy), measures and target levels.

## What action should I take?



## Recommended Reading



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.

<https://www.businessgrowthhub.com/manufacturing/resources/factsheets>

## 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%.

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[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				