

BALANCED SCORECARD - AN OVERVIEW

The [Balanced scorecard \(BSC\)](#) is a strategic [performance management](#) framework supported by proven design methods and automation tools that can be used by managers to keep track of the execution of activities by staff within their control and monitor the consequences arising from these actions. The core characteristic of the BSC and its derivatives is the presentation of a blend of **financial and non-financial** measures each compared to a 'target' value within a concise report. The report is not meant to be a replacement for traditional financial or operational reports, but used as a summary that captures the information most relevant to the organization stakeholders.



Balanced Scorecard - History

The earliest balanced scorecard was created in 1987 at Analog Devices, a mid-sized semiconductor company, followed by applications of the concept in various companies by Harvard professor Dr. [Robert S. Kaplan](#) and [David P. Norton](#). In 1996, they published a seminal book *The Balanced Scorecard*, later followed by their second book *The Strategy Focused Organization* on the value of visually documenting the links between measures by proposing the "Strategic Linkage Model" or [strategy map](#).

Balanced Scorecard - The four perspectives

The four "perspectives" proposed in BSC framework was:

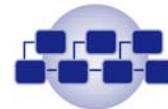
- Financial
- Customer
- Internal Business
- Innovation and Learning

The "financial perspective" encourages the identification of a few relevant high-level financial measures that help answer the question "How do we look to shareholders?"



The "customer perspective" encourages the identification of measures that answer the question "How do customers see us?"

The "internal business perspective" encourages the identification of measures that answer the question "What must we excel at?"



The "innovation and learning perspective" encourages the identification of measures that answer the question "Can we continue to improve and create value?"

Balanced Scorecard Design

Design of a Balanced Scorecard ultimately is about the identification of a specific set of financial and non-financial measures and attaching targets to them, so that when they are reviewed it is possible to determine whether **current performance 'meets expectations'**. The idea behind this is that by **alerting managers to areas where performance deviates from expectations**, they can be encouraged to focus their attention on these areas, and hopefully as a result trigger improved performance within the part of the organization they lead.

Balanced Scorecard is **focused on information relating to the implementation of a strategy** which is illustrated well by the four steps required to design a Balanced Scorecard namely:

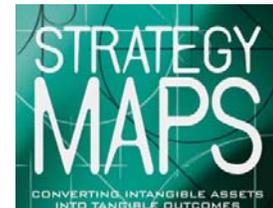


- Translating the vision into operational goals
- Communicating the vision and link it to individual performance
- Business planning and index setting
- Feedback and learning, and adjusting the strategy accordingly

These steps help integrate the Balanced Scorecard with the wider business management process as achieved by adopting the “strategic linkage model” or “[strategy map](#)” approach

A Balanced Scorecard can help focus managers' attention on strategic issues and the management of the implementation of strategy, however, it has no direct role in the creation of strategy but can well co-exist with other strategic planning systems and methods.

With the strategic linkage approach, the **strategic objectives are distributed across the four measurement perspectives**, so as to connect strategy and the measures. Recent developments include defining the “strategic end-state”, a form of “Destination” statement and leveraging this understanding to **Strategic Activity and Outcome objectives**. Once this is done, Measures and targets could then be selected to track the achievement of these objectives.



BSC Popularity

Balanced Scorecards have been implemented by corporations, government agencies, defence units, business units, non-profit organizations and even schools. It is essential to note that much of the benefit of the Balanced Scorecard comes from the design process itself; hence each organization should evolve its own balanced scorecard measures.

Balanced scorecards are best evolved **initially with the guidance of specialist external consultants with a team of Top/Senior managers** who have good knowledge of the organization and hold appropriate management responsibilities.



BSC Software Applications



The processes of collecting, reporting, and distributing Balanced Scorecard information can be labour intensive and prone to administrative problems hence software applications that automate BSC data capture, reporting and distribution have emerged. BSC applications are either developed **in-house (bespoke)** or **commercially packaged** ones. There are 100+ Software vendors offering BSC software that provides data capture, analysis and reporting features.

Interested in establishing Balanced Scorecard performance management at your organization?

Corporate / In-House programs

eXample Consulting Group's "Strategy and Analytics" Corporate programs can help your organization to learn, design, deploy, manage and benefit from a structured BSC initiative through the following engagement programs i.e.,

- **BSC - Executive Overview**

Introduce Balanced Scorecard to the Top/Senior Management from a strategic perspective either at the group, company or divisional level

- **Certified BSC Professional / Practitioner**

Create BSC trained professionals who can be part of the organizational team to scope, design, deploy and manage BSC initiatives in your organization or business divisions. Practitioner program blends classroom training with On-site project guidance to develop Certified BSC practitioners



(Program coverage may include a blend of Consulting, Training, Assessment, Certification, Onsite (or) Offsite Project Guidance, Audit and Advisory services customized for client specific needs)

For details of our Balanced Scorecard - [Corporate / In-house programs](#), reach us at training@examplecg.com

Public Workshops

eXample Consulting Group conducts high quality, immensely practical and superior value [Strategy and Analytics](#) training and certification public workshops regularly at major Indian cities.

Experienced (5+ years) professionals (Individual or Company sponsored) keen to acquire Balanced Scorecard skills and certification may visit:



For details and brochure, http://www.examplecg.com/services/strategy_analytics.htm.

(If there is no program scheduled at your city, drop a line to training@examplecg.com with Name and City preference and we shall keep you updated on future workshops)

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Institutional / Student Programs



eXample Consulting Group plays a key role in developing the next generation of management professionals by imparting **Strategy and Analytics** competencies to students at Management, Technology, Engineering and Academic institutions with our world class short to medium term training and certification courses. Educational institutions interested to offer **Strategy and Analytics** certification programs in-campus can reach us at training@examplecg.com

eXample Consulting Group enables excellence in organizations, professionals and institutions with Strategy (Net Promoter Score, Balanced Scorecard, Strategy Models), Process and Operational excellence (Six Sigma, Lean, DFSS), Business and Data Analytics, E-Business (ERP, SCM, CRM, DW and BI), Outsourcing and Offshore consulting, advisory, training and certification programs.

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