



# Balanced Scorecard

To succeed in the marketplace, companies strive to develop business strategies that provide a sustainable competitive advantage. But research shows that most companies fail not because their strategy is *wrong* but because they fail to *implement* it. Why is this?

We have found that to successfully *implement* a strategy, executives face two challenges.

First, you must find the best way to clearly *communicate* the strategy to everyone in the organization. Many companies have well-conceived strategies that are only understood by a few executives at the top of the organization. Department heads and managers need to see an explicit linkage between their goals and the overall strategy so they can line up with it.

Second, you must find the best way to *measure* the progress of the organization in carrying out the strategy. Some companies design elegant metrics that are impossible to produce from existing information systems. Others choose metrics that are too narrow, too general, or not timely. Still others flood managers with volumes of “data,” but little useful “information.”

Balanced Scorecard is a practical way to meet both of these challenges in implementing strategy.

## What is it?

Originally introduced by Norton & Kaplan in 1992, Balanced Scorecard was called by Harvard Business Review, “one of the most influential business concepts of the century.” It is based on a simple premise – that companies should not rely on financial measures alone, but should balance the financial view with other perspectives: those of the customer, operations, and employees. In addition, these key measures should be linked in a network of cause and effect, as shown in the schematic below. Thus, Balanced Scorecard is a tool for translating strategic goals into more specific objectives, giving practical direction to those who are responsible for carrying out the strategy.

## Our Approach

Our approach is to work directly with a team of senior executives and other key managers responsible for implementing strategy. We first provide an executive overview to familiarize the team with concepts of Balanced Scorecard and to charter the project. We then implement a basic version of the Balanced Scorecard that is manageable and provides near-term payback. Based on this initial success and lessons learned, we then extend the model with more measures, as needed. Through our facilitated team-based process, we ensure that the Balanced Scorecard is custom fit to your objectives and environment.

Implementing Balanced Scorecard is not an “all or nothing” proposition. Recognizing that many companies have critical needs in key areas, we can develop a Balanced Scorecard for a specific business unit, division, or key functional area. Based on that success, we can then develop a Balanced Scorecard for the company as a whole, or for other key areas.

