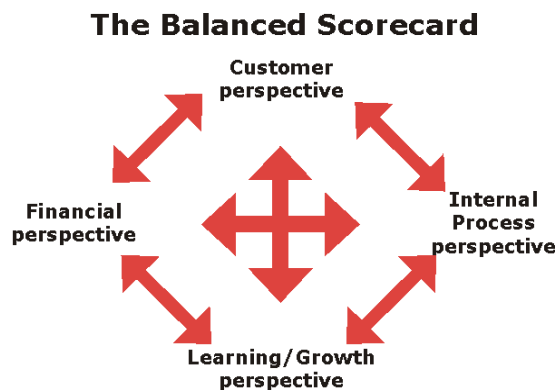




The Balanced Scorecard

Overview:

The Balanced Scorecard is a business tool that looks at four main aspects of a company's activities. These four "Perspectives" are:



- **Financial perspective** - manage finances effectively.
- **Customer perspective** - look after customers and meet their needs.
- **Internal Business Process perspective** - develop effective and efficient working processes and procedures.
- **Learning and Growth perspective** - dealing with employee satisfaction and information / knowledge management

The name "Balanced Scorecard" makes it clear that a company can only be successful if all four perspectives are addressed with comparable emphasis and linked to each other. It moves away from the traditional viewpoint that a company only needs to concentrate on finance (and in particular, short-term financial gains). In many ways, the Balanced Scorecard is a reaction against the 1970s-80's style of financial-management conglomerates.

One of the original premise of The Balanced Scorecard is that you can only manage what you are measuring, so by measuring your performance in the four perspectives, you can manage them better. It also encourages managers to take into accounts the less visible but equally important areas of a company - the internal processes and the skills of the workforce.

Origins:

The Balanced Scorecard was developed in 1992 by Robert Kaplan of Harvard Business School (he also invented Activity Based Costing!) and David Norton, a consultant.

Using the Balanced Scorecard:

In many companies, applying the Balanced Scorecard means setting and measuring performance across all four perspectives. The good news is that areas like training and development get noticed. The bad news is that in some cases, the training becomes a "box-ticking" exercise.

The Balanced Scorecard, like many other business tool, needs to be applied consistently. Problems start when companies shed people during downturns to boost short-term financial gains. Customer service can suffers as staff morale and skills drop off and internal processes start to breakdown owing to a lack of management attention.

A novel approach to using the Balanced Scorecard is in project management. The four perspectives are equally relevant in a project context and performance measures on these areas can help a project manager stay focussed to achieve an on-time, to-cost and to-spec delivery.

Resources:

The Balanced Scorecard Institute

<http://www.balancedscorecard.org/>

Kaplan, R.S., and Norton, D.P., "The Balanced Scorecard", Harvard Business Review Jan-Feb, 1992

Kaplan, R.S., and Norton, D.P., "The Balanced Scorecard", Harvard Business School Press, 1996

Neely, A., Measuring Business Performance, Profile Books, 1998