Business Balanced Scorecard

Summary of "The Balanced Scorecard - Measures that Drive Performance' by R. Kaplan and D. Norton

The balanced scorecard is described as 'a set of objectives that gives top managers a fast, but comprehensive view of the business.' It allows managers to look at the business from four different perspectives and provides answers to four different questions:

- How do customers see us? (customer perspective)
- What must we excel at? (internal perspective)
- Can we continue to improve and create value?

  (innovation and learning perspective)
- How do we look to shareholders? (financial perspective)

While giving managers information from four different perspectives, it minimizes information overload by limiting the number of measures used and forces them to focus on a handful of measures that are most critical.

Customer Perspective

Customer concerns tend to fall into four categories: time, quality, performance and service, and cost. To put the scorecard to work companies should articulate goals for the above and then translate these goals into specific measures. Doing this forces a company to see itself through the eyes of its customers.

Internal Business Perspective

Customer based measures must be translated internally to meet customer expectations. The internal measures should stem from the business processes which have the greatest impact on customer satisfaction. Companies should also attempt to identify and measure their core competencies. The top management measures must link the key internal processes and competencies to targets for action, decisions and improvement activities that can be followed by employees at lower levels

Innovation and Learning Perspective

The customer based and internal business scorecard identify the parameters that the company considers most important for competitive success, but these targets keep changing. A company's ability to innovate, improve and learn therefore ties directly to the company's value. Only through the ability to launch new products, create more value and improve operating efficiencies continually can a company penetrate new markets and increase revenues and margins.

Financial Perspective

Financial performance measures indicate whether the company's strategy implementation and execution are contributing to bottom line improvement. Typical financial goals have to do with profitability, growth and shareholder value. Many, however have criticized financial perspectives because of their short term, backward looking focus and inabili1y to reflect contemporary value creating actions. Some extremists state that financial success is merely the logical consequence of doing the fundamentals well. Assertions that financial measures are unnecessary are incorrect for at least two reasons. A well-designed financial control system can enhance rather than inhibit an organization's total quality management program. More importantly the alleged linkage between improved operating performance and financial success is actually quite tenuous and uncertain.

Measures that move companies forward

The scorecard puts strategy and vision, not control at the centre. It establishes goals, but assumes that everyone will take whatever actions and adopt whatever behaviors are necessary to arrive at those goals.

By combining the financial, customer, internal process and innovation and the organizational learning perspectives, the balanced scorecard helps managers understand, at least implicitly many inter-relationships.

Financial Perspective	
Objectives	CSFs
Survive Succeed Prosper	Cash flow Quarterly sales growth and operating income by division Increased market share and ROE

Customer Perspective	
Objectives	CSFs
New products Responsive supply Preferred supplier Customer partnership	Percentage of sales from new products On-time delivery Share of key account purchases Number of co-operative engineering efforts

Innovation and Learning Perspective	
Objectives	CSFs
Technology leadership Manufacturing learning Time to market	Time to develop next generation Process time to maturity New product introduction vs. competition

Internal Business Perspective	
Objectives	CSFs
Technology capability Manufacturing excellence Design productivity New product introduction	Manufacturing vs. competition Cycle time; unit cost; yield Engineering efficiency Actual introduction schedule vs. plan