

The Balanced Scorecard

WHAT IS A BALANCED SCORECARD?

A Balanced Scorecard is a strategic management tool that helps organisations translate their vision and strategy into actionable objectives and measurable performance metrics. It was introduced by Robert Kaplan and David Norton in the early 1990s as a way to provide a more comprehensive view of performance beyond just financial outcomes. It usually includes four perspectives that align with the organisation's strategic goals – financial, customer, employee and internal processes.

WHEN SHOULD I USE IT WITH A CLIENT?

The Balanced Scorecard is used in various contexts, including:

- **Strategic planning** is when an organisation seeks to align its day-to-day operations with long-term objectives.
- **Performance measurement** to evaluate the effectiveness of a business or team's activities, going beyond financial data.
- **Business turnaround situations** to identify problem areas and focus on critical improvements.
- **Growth or transformation phases** such as periods of scaling up, entering new markets, or adopting new technologies.

HOW IS IT USED?

A business mentor often facilitates this process by asking probing questions, guiding prioritization, and ensuring that the metrics are meaningful and actionable.

1. Defining Objectives in Each Perspective, e.g.

- Under the financial perspective, the organisation might set objectives such as improving profit margins or increasing cash flow.
- For the customer perspective, objectives might include enhancing customer satisfaction or market share.
- The internal processes perspective might focus on streamlining production or improving quality control.
- The learning and growth perspective often targets employee training or fostering innovation.

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WHAT ARE THE BENEFITS?

- **Holistic Perspective:** Unlike traditional methods that focus on financial performance, the BSC integrates financial and non-financial metrics, providing a more balanced view of organizational health.
- **Strategic Alignment:** It ensures that all activities and initiatives are aligned with the organisation's vision and strategy, minimizing wasted effort and resources.
- **Improved Decision-Making:** By highlighting interdependencies between different perspectives, the BSC enables informed and strategic decision-making.
- **Focus on Long-Term Goals:** The tool encourages businesses to think beyond short-term results, fostering sustainable growth.
- **Enhanced Accountability:** Clear objectives, KPIs, and targets make it easier to track performance and hold individuals or teams accountable.
- **Employee Engagement:** Through its emphasis on learning and growth, the BSC helps create a culture of continuous improvement, boosting employee morale and engagement.
- **Adaptability:** The framework is flexible, allowing organizations to tailor it to their unique needs, whether they are startups, non-profits, or established corporations.

In summary, the Balanced Scorecard provides a structured yet adaptable approach to guiding mentees toward achieving their organisational goals. It serves as both a diagnostic tool and a roadmap for success, fostering alignment, accountability, and long-term improvement.

Finance

Strategic target	CSF	KPI
<ul style="list-style-type: none"> Improve the ability to create wealth using capital 	<ul style="list-style-type: none"> Cost effectiveness Increase Income Reduce cost Lower risk 	<ul style="list-style-type: none"> ROI Income growth rate Saved service cost Paid service coverage

Customer

Strategic target	CSF	KPI
<ul style="list-style-type: none"> Focus on customers, shift customer / profit portfolio, increase the number and proportion of profitable customers 	<ul style="list-style-type: none"> Customer satisfaction Market share Customer retention Customer acquisition Customer profitability 	<ul style="list-style-type: none"> Customer satisfaction Market share Customer retention Customer profitability Customer complaints



Internal Operations

Strategic target	CSF	KPI
<ul style="list-style-type: none"> Improve operation efficiency and productivity 	<ul style="list-style-type: none"> Per capita sales Per capita profits New product income Target customer Distribution & service efficiency 	<ul style="list-style-type: none"> Per capita sales Per capita profits Proportion of new product income Efficient market development Distribution channel portfolio

Learning & Growth

Strategic target	CSF	KPI
<ul style="list-style-type: none"> Create a capable organisation 	<ul style="list-style-type: none"> Employee satisfaction Employee capacity Information system Employee training Reward system 	<ul style="list-style-type: none"> Employee satisfaction Employee capacity Information coverage Employee training time