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Balanced Scorecard

The Balanced Scorecard (BSC) is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the **vision** and **strategy** of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

The Balanced Scorecard has the following elements:

- **Strategy Map**, which shows the strategy on one page
- **Perspectives**, which are 4-5 groupings of objectives
- **Themes**, which are groups of strategic objectives
- **Objectives**, which are the key elements of your strategy
- **Measures**, which measure your progress against your objectives
- **Targets**, which define the level of performance needed
- **Initiatives**, which are the projects required to meet your targets

History

The Balanced Scorecard was developed by Drs. Robert S Kaplan (Harvard Business School) and David P Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance.

Today, the BSC is more than just a simple performance measurement framework. It's a

full strategic planning and management system. The “new” balanced scorecard transforms an organization’s strategic plan from a passive document into the "marching orders" for the organization on a daily basis.

It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.

Kaplan and Norton describe the innovation of the balanced scorecard as follows:

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and

customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

Publications

This approach to strategic management was first detailed in a series of Articles and Books by Drs. Kaplan

and Norton. Recognizing some of the weaknesses and vagueness of previous management approaches, the Balanced Scorecard approach provides a clear prescription as to what companies should measure in

order to 'balance' the financial perspective.

Category: Definitions