

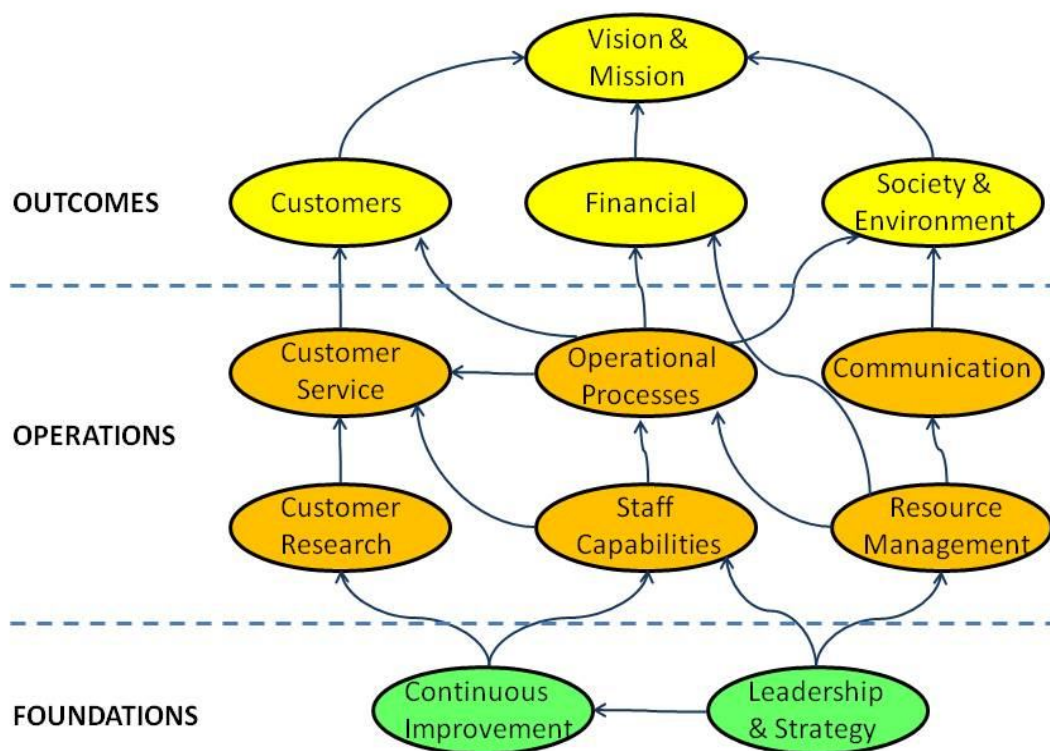
The Balanced Scorecard

Strategies for Success

'Third-Generation' Scorecards

The Balanced Scorecard has developed greatly since its inception in the early 90s. What was originally a measurement tool has become a powerful method of driving change and improving results.

Many people still think of Balanced Scorecards in terms of the original four-quadrant version. But modern, "third generation" scorecards are based on understanding the cause-effect links needed to achieve success. This is known as strategy mapping, and each organisation can develop its own Strategy Map (or 'Success Map'). This is a generic example - in practice every organisation's strategy map is unique:



The organisation's own Balanced Scorecard is then developed by putting measures to each element of the strategy map. Customised scorecards devised in this way are increasingly being used by all kinds of organisations, to focus on what really matters and improve results.

Many organisations gain a lot simply from the strategy map - it forms a route-map for success that they have not had before. Taking this further though produces an organisation-specific Balanced Scorecard. It may be virtually any shape or size, but it will be unique and meaningful to those using it.

Real Benefits

I'm a great believer in the Balanced Scorecard, not least because creating one makes the organisation *think*. It's a test of whether the organisation really knows what it's doing. Vague objectives and glib phrases won't stand up to the questions the scorecard framework asks:

- How is success defined by our customers, our board or sponsors, and others? What outcomes are they seeking?
- What 'critical success factors' do we need to manage to achieve these outcomes?
- How can we measure these factors to make sure we do them successfully?

The Balanced Scorecard isn't a peripheral or support activity. It's part of core strategy, and should include and monitor all aspects of the organisation's work. Properly designed and implemented, it will:

- Present a clear and simple overview of current performance
- Help to clarify objectives and make these measurable
- Establish clear targets and performance measures
- Identify cause-effect links needed to improve performance
- Provide a succinct yet comprehensive reporting framework
- Help communicate the organisation's goals and improvement priorities
- Work at many levels within the organisation

I've also seen it increase staff engagement, where staff themselves help to build the strategy map and scorecard measures. Instead of churning out statistics, they can discuss how their work really contributes, and how that contribution can be measured.