UTILIZING THE BALANCED SCORECARD TO ACHIEVE ORGANIZATIONAL ALIGNMENT, STRATEGY, AND VISION

By Martin Chaw

Abstract:

In 1992, Harvard Business School Professors Robert Kaplan and David Norton developed the Balanced Scorecard (BSC). Drs. Kaplan and Norton recognized the importance for high performing organizations to use a balanced view of an organization's performance. The premise of the BSC was that intangible assets of an organization (processes and tools, employee knowledge) played a central role in value creation and if organizations wished to improve, the organization must recognize the value intangible assets play in an organization and to properly invest in them.

While the tool was initially created for use in the private sector, since its inception, the BSC has been used by many organizations public and private. In Washington State, the BSC was used as a foundational framework under Governor Gary Locke with remnants of this work continuing today in Governor Inslee's administration.

The importance of taking a holistic view of an organization's performance cannot be underestimated. For example, in a recent interview with the Wall Street Journal, Slack Technologies CEO Stewart Butterfield, stated that an effective leader need three skills: first, setting the overall vision and strategy; second, governance, supervisory and administration; and third, and what Mr. Butterfield deems the most important role of a CEO -- ensuring that the organization as a whole is performing at the highest possible level.[1]

The purpose of this paper is to share the value of the BSC and how it can be applied to any organization, large or small and public or private, including yours.

[1] The Wall Street Journal, Management, *What failure taught Slack's CEO*, October 11, 2018

If you can not measure it, you cannot improve it. This was the fundamental premise for Drs. Kaplan and Norton with the Harvard Business School.

Prior to the BSC, industry relied almost exclusively on financial performance measures to evaluate corporate performance, measures which are more typically retrospective and are limited in conveying the important role of internal processes and the part it plays in creating value for the organization. The BSC suggested a more prospective approach to managing an organization. The BSC suggests that organizations should take a long-term view of success by using a balance of performance metrics that are organized into four key areas. Each area would be strategically aligned to guide the entire organization in meeting its vision and strategy. These four areas include: Financial, Customer, Internal Business Processes, and Learning and Growth, and each area is guided by a single and simple key question:

Financial category: To succeed financially, how should we appear to our City Council?

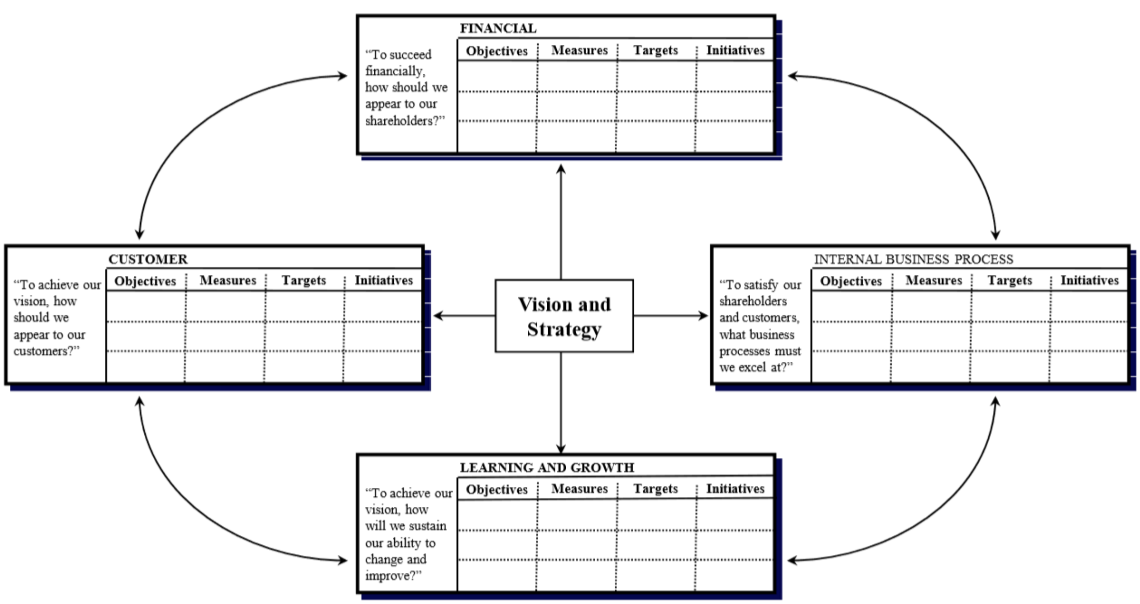
Customer category: To achieve our vision, how should we appear to our customers?

Internal Business Process category: To satisfy our City Council and customers, what business processes must we excel at?

Learning and Growth category: To achieve our vision, how will we sustain our ability to change and improve?

The framework for the BSC can be illustrated with the following diagram.

Exhibit 1: The Perspectives of the Balanced Scorecard[2]



[2] Source: *The Balanced Scorecard*, Robert S. Kaplan and David Norton.

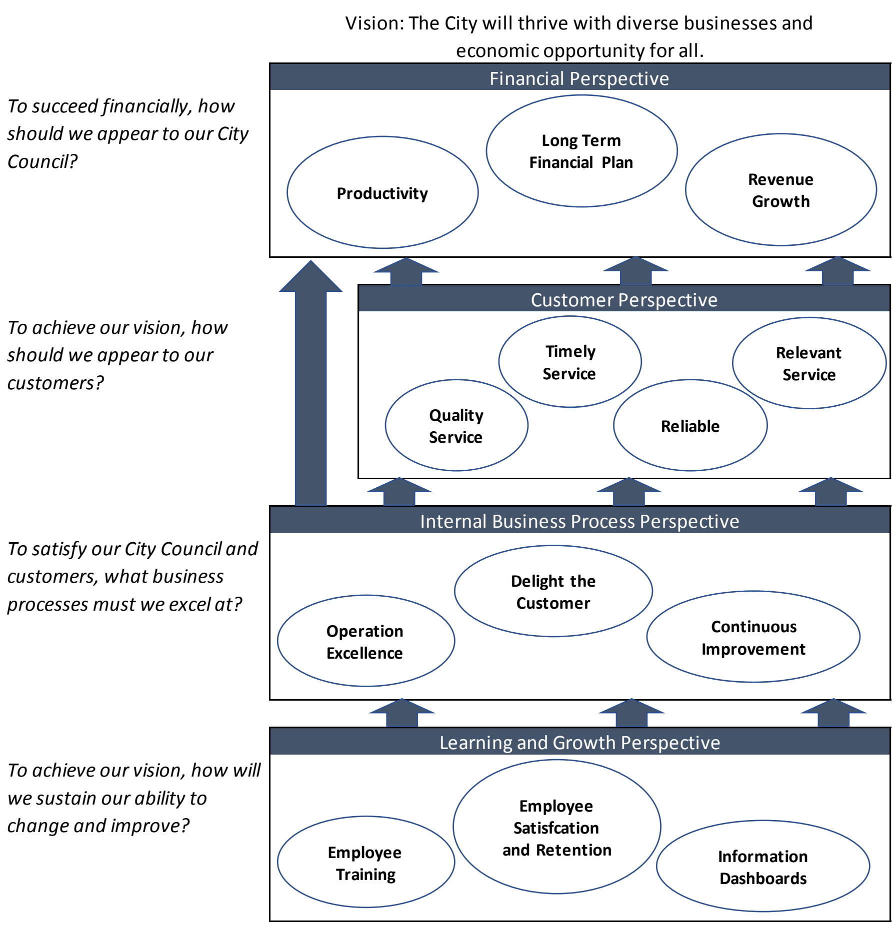
Why the four perspectives?

The four perspectives provide a balanced approach to assessing your organization's performance. The balance also help to demonstrate the importance of each initiatives in each area and that each is vital to the organization's ability to meet its overall vision and strategy. The scorecard, once established, becomes a driver of change and to guide action.

Many organizations have strategic plans and business strategies – recall how many times you may have been involved in developing a strategic plan. While it can be challenging preparing a strategic plan, its real challenge is how to implement its strategies in a meaningful way, and in a way that can be help the organization continue to move forward and in a unified direction.

How do the four perspectives work together to achieve vision and strategy?

The four perspectives are arrayed into a strategy map that illustrate the relationships between the objectives within each perspective and how together it creates value for its customers. For example, take the following strategy map. Starting from the bottom and working up, the strategies in the *Learning and Growth* perspective are focused on improving internal business processes; The strategies in the *Internal Business Process* perspective are focused on improving the experience for the customer and in supporting the *Financial* perspective; The strategies in the *Customer* perspective help to support satisfaction and in turn support the *Financial* perspective; Finally as the strategies of the *Financial* perspective are achieved, the entire scorecard help to support the organization's vision, which in this hypothetical case, is to support a thriving business climate that has economic opportunity for all.



How to implement?

Implementing a balanced scorecard and strategy map takes effort and include five fundamental steps: 1) Mobilize change through the executive leadership team. Leaders drive change and must make the case for change. Strategy starts from the top. 2) Translate your strategy into operational terms. Identify performance targets, establish accountability, and regularly report on performance. Make performance reporting as regular and routine as budget monitoring. 3) Align the organization to the strategy. Define roles and responsibilities for each workgroup and help each workgroup understand the role they play in achieving the organization's vision. 4) Motivate to make strategy everyone's job. Create awareness of the organization's strategy and aligning the personal goals of each employee toward the strategy. 5) Governing to make strategy and continuous process of learning, growth and improvement. Link the budget, process improvements and IT systems to support the strategy. Just like you would review your budget, regularly review the strategy and its organizational linkages. Use data and analytics to make informed decisions.

Developing and defining strategy takes time and effort. But defining *how* to implement strategy can be where most organizations' efforts stall. By instituting the disciplined and systematic approach advocated by a balanced scorecard and a corresponding strategy map, the organization has a management tool to communicate to its constituents, internal and external, monitor where it is going, show by what means and in what manner its vision will be supported.