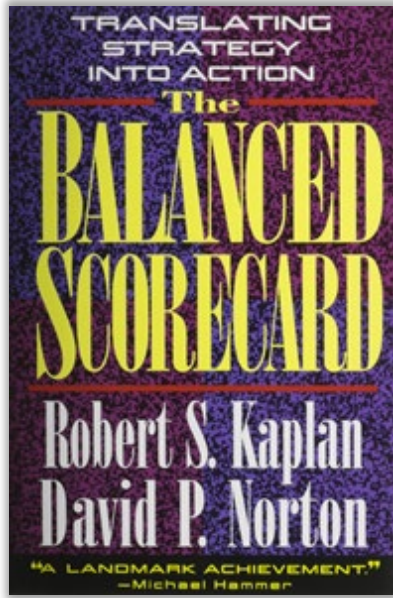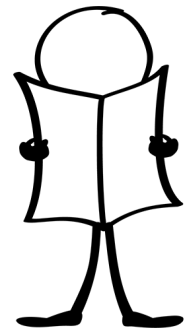# POINT

*Get to the **point**, fast!*

The Balanced Scorecard

Translating Strategy into Action

POINT of Reference:

Kaplan, R.S., & Norton, D.P. (1996). *The Balanced Scorecard: Translating strategy into action.* President and Fellows of Harvard College.

ISBN: 0-87584-651-3 | 336 pages

At 336 pages, this is a High-effort read. Contains good examples to help understand the premises, but the concepts require thought and consideration.

Genre

Business

Leadership

Business Management

Strategy Management

Business Operations

Becoming a timeless classic. A good baseline to scorecards, dashboards, metrics, and operationalization of strategy. There have been substantial additions to the concepts, but the core is the same.

Key POINTs

- Put it all on 1-page!
  (Vision, Mission, Strategic Goals, & Metrics…one of the key points of the balanced scorecard is to put is all on one page)

- Metrics need to be balanced!
  (Hence the word "balanced" scorecard. Balanced meaning financial, customer, operations, and in-process metrics.)

- Alignment is a key to enabling organizational performance and using a tool like the balanced scorecard helps ensure communications and alignment throughout the organization.

# Alonos®
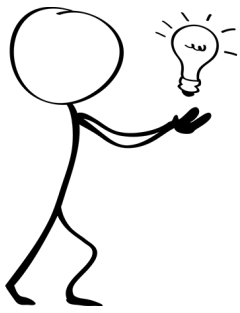
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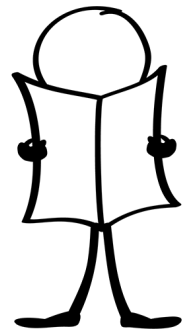
Main POINTs

The first main point with The Balanced Scorecard, is that it all comes down to a single piece of paper. It is a mighty thing to grapple with the entirety of strategy, operationalizing strategy, and measuring performance with the aim of putting it all on one piece of paper. That's exactly what the authors did in this book, which is why it has been one of the most popular business books in strategic management for over two decades. Many other reviewers focus on the metric dimensions, but the real power of the Balanced Scorecard is organizational alignment: getting the organization to work as one unit achieving commons goals. The Balanced Scorecard places mission, vision, goals, and metrics all on one page. This allows people the ability to quickly see and understand the organization's strategic direction.

The second main point is around strategy definition. Strategies are listed on the balanced scorecard which define where the company would like to go and what needs to be achieved. The authors realized that strategy definition at the highest level is not enough; therefore, what is a 1-page scorecard turns into a 2-page packet. The second page includes a strategy map that allows the organization to see how strategic

Extra POINTs

Scorecarding is important, whether you choose to use this methodology or not. Every successful company/organization must figure out how to communicate their direction and align the work of their employees. Of course, the best communications tools tend to be the simplest. The psychology of keeping things concise and to the *point* resonate strongly in this book. It is no accident that Michael Hammer, renowned author of business process re-engineering, wrote an endorsement on the cover.
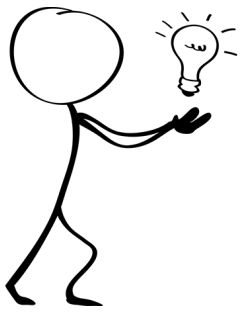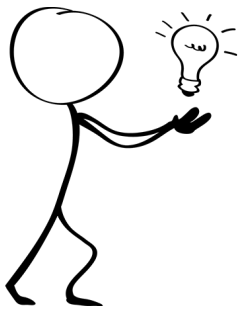
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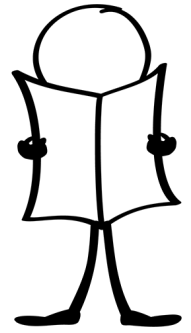
goals and objectives cascade through the organization. *(Provided that you can place your strategy map on a single page.)*

The third point is around metric definition and balance. The operative word is *balance*. Scorecarding by itself was not a new concept in 1996…not by a longshot. The differentiator here was the recommendation that organizations use a *balanced* set of metrics to measure performance. When the book was initially published it had become common that companies focused most of their metrics on financials. Financial metrics are indeed important. The authors suggest that equally important are metrics associated with Customers, Internal Business Processes, and Learning & Growth. Organizations are able to measure short term success, and set themselves up for long term success by taking a more holistic and balanced approach to metrics.

Graphical POINTs

<div>

ACME Corporation
2021 Balanced Scorecard

<Insert Company Logo>

| Vision	Strategic Objectives		Key Business Measures							
	Financial		Metric	Unit	Freq.	2019	2020	2021	Target Performance	Target Date
<Enter vision statement here>		Financial Objective 1								
		Financial Objective 2								
Mission	**Customer**									
		Customer Objective 1								
		Customer Objective 2								
<Enter mission statement here>	**Internal Business Processes**									
		IBP Objective 1								
		IBP Objective 2								
	Learning & Growth									
		Learning/Growth Objective 1								
		Learning/Growth Objective 2								

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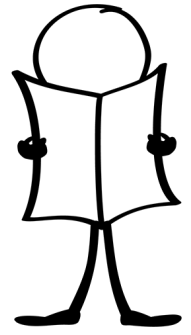
Before we state some counter-points, we want to say that we recognize that it is so much more challenging to innovate and create than it is to make iterative improvements. The Balanced Scorecard has undergone many iterations since the authors released the book in the mid-90's. Today, entire companies exist to help you systematize, digitize, track, and manage scorecards. Each of these companies, and individual practitioners have their own take on the Balanced Scorecard. But, we all build upon the wonderful work that Kaplan and Norton have provided us…*so a hearty "thank you" to the authors for spurring us all forward on our journeys.*

Below are some counter-points that you should look for (or solve for) when you proceed to set up your own Balanced Scorecard:

- Cascading of Objectives & Metrics:

    Every organization of significant size, that has implemented the Balanced Scorecard, has quickly realized that it lacks the ability to easily cascade. Goals need to be further defined into objectives, and the objectives need to be subdivided so that each portion of the organization can own their piece of contribution. Metrics need to follow the same subdivision and cascading process. Strategy maps help if you're a smaller organization, but they quickly become unwieldy in a large company. Hence the prevalence of providers that will systematize and digitize. Even when you use a system, there is still a gap between these systems and performance management systems on the human resources/employee side of things. Connecting and cascading all of this is a large job.
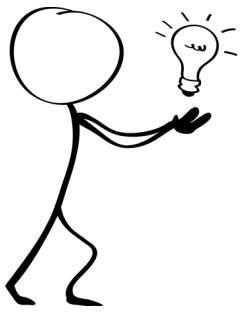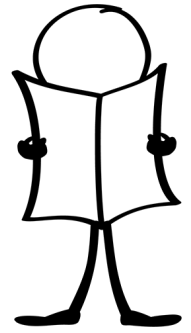
- Attribution & Traceability:

  Similar to the above, attributing and tracing contributions and performance down and through the organization is difficult. It is made more difficult by the fact that every department will a) look at a higher level goal, b) decide what their contribution of work should be to that goal, c) decide how they will measure their successful completion of the work, and d) report on their progress. BUT, how do we know, when we roll it all up, that the combined effort will indeed achieve the desired performance of the original company-level goal? It's a little easier to do on revenue generating business units/departments such as sales. It's much harder to do with value contribution business units/departments, and even more difficult if these departments are indirect value chain functions versus direct value chain functions.

- Alignment of Projects:

  You'll notice on the scorecard that there is no place to list or align projects that need to be completed to achieve the goals/metrics. Big gap. Strategy maps attempts to solve this, but they still do not let you identify things like Sponsors, Owners, Teams, Deliverables, Resource Requirements, Deliverables, Timing, etc. This will need to be solved separately. Couple this need with the counter-point on attribution and traceability and you can see that execution will need additional thought and support.