

# The Balanced Scorecard

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## 1. Introduction

Many business coaches use The Balanced Scorecard with their clients to help identify key business strategies to achieve objectives in the following four categories:

- Financial
- Customer
- Internal Business Process
- Learning and Development

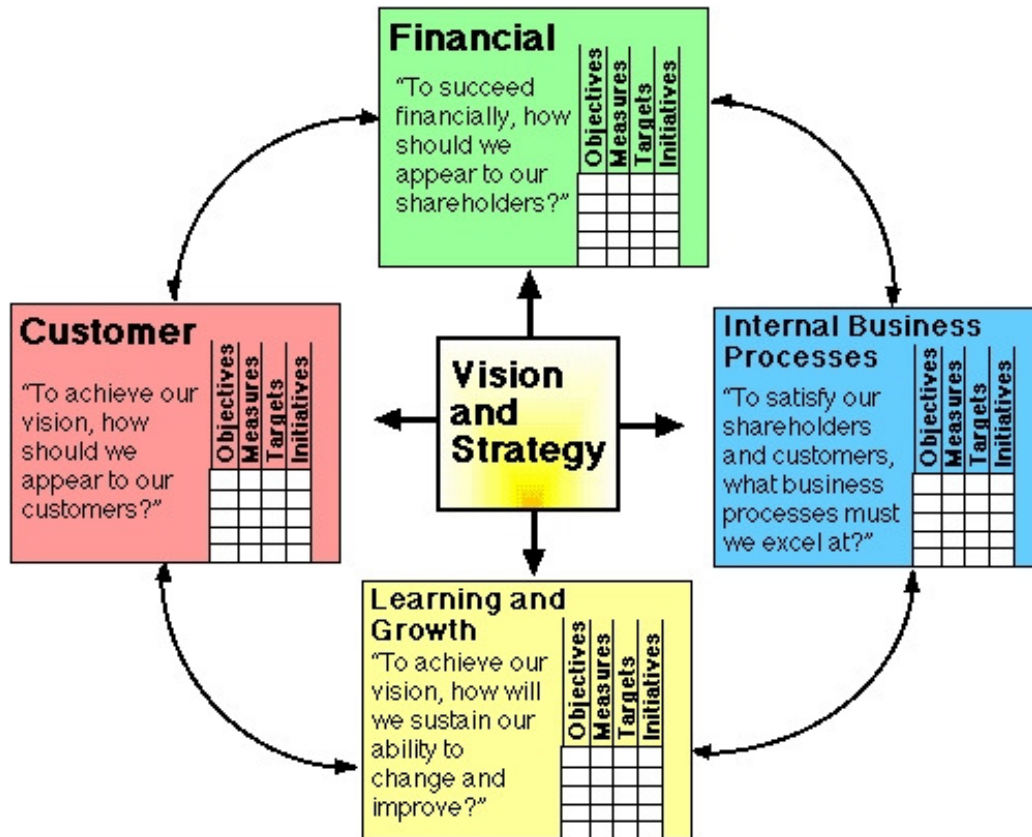
This document provides an overview of how The Balanced Scorecard works. Additionally, a number of exercises and questions are presented for your consideration. This relates to the fundamental coaching model, consisting of three core steps:

- Raise Awareness
  - Make Decisions
  - Modify Behaviour
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## 2. Overview

The Balanced Scorecard (BSC) is a strategy-focused measurement and reporting mechanism developed by Kaplan & Norton in the mid nineties at Harvard Business School. Should you want to read more on the subject, their two essential readings are [The Balanced Scorecard](#) and [The Strategy Focused Organization](#). There is much written on this subject, and can be easily researched as well on the Internet. You may also choose to visit The Balanced Scorecard Institute website by clicking [here](#).

There are four perspectives of the Balanced Scorecard: Financial, Customer Focus, Internal Business Process, and Learning & Development.



*Image Source: The Balanced Scorecard Institute*

As compared to other management models and approaches, the 'balanced scorecard' approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective.

In other words, many businesses have such a focus on their financial targets, that the attention is unbalanced against other important areas of the business.

For a business to achieve its financial targets, it must be able to meet all of its customer targets. Customer targets can only be met if there are sound internal business processes objectives being achieved. And none of this is possible without also focusing on the learning and development objectives of the organisation and its people, in order for them to perform the necessary behaviours in all categories.

According to The Balanced Scorecard Institute, "The balanced scorecard is a management system (not only a measurement system) that enables organisations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise."

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

"The balanced scorecard retains traditional financial measure. 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."

The next sections include definitions of the four perspectives of the balanced scorecard according to The Balance Scorecard Institute. As the Learning and Development (or sometimes referred to as Learning and Growth) perspective feeds into all other objectives, we shall start our exploration of the BSC there.

### 3. The Learning and Development Perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Many business often find themselves unable to hire new technical workers, and at the same time there is a decline in training of existing employees. This is a leading indicator of 'brain drain' that must be reversed. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization.

Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed.

#### 4. The Internal Business Process Perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants.

In addition to the strategic management process, two kinds of business processes may be identified: a) mission-oriented processes, and b) support processes. Mission-oriented processes are the special functions related directly to the higher-level and customer-centric strategic objectives of the organisation, and many unique problems are encountered in these processes. The support processes are more repetitive in nature, and hence easier to measure and benchmark using generic metrics.

#### 5. The Customer Perspective

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

NOTE: Lead indicators refers to behaviours that the organisation must consistently demonstrate in order to achieve the strategic objectives. Lead indicators are forward thinking and focused. Lag indicators, on the other hand, are often past performance focused, meaning that an analysis is performed against past performance and new decisions made to enhance current performance. Typically a balance of both lag and lead indicators works well for an organisation, where lead indicators are the key strategic measurement.

#### 6. The Financial Perspective

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives.

There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

## 7. Measurement and Management

The balanced scorecard, as mentioned before, is a management system. This means that not only is it used to help identify strategic objectives across the organisation, but also to measure the outcome of the performance toward those objectives.

- You can't improve what you can't measure, as the saying goes. So metrics must be developed based on the priorities of the strategic plan.
- The value of the metrics is in their ability to provide a factual basis for defining:
  - Strategic feedback to show the present status and performance of the organisation from many perspectives. For example, being able to compare how the organisation is performing from an internal business process perspective versus a customer perspective.
  - Diagnostic feedback into various processes to guide improvements on a continuous basis. For example, if one key metric within the customer perspective isn't being achieved, one might be able to drill down into some internal business process and learning and development metrics to identify the root cause of the under-performance.
- Trends in performance over time.
- Feedback about the measurement methods themselves, and which metrics are best to be tracked at this time.

Ultimately, the BSC supports the entire decision making process at multiple levels throughout the organisation.

## Skill Development Exercises

The questions and exercises below are designed to support you in developing a greater awareness of your business and its strategic objectives, which could further support you in developing a balanced scorecard for your organisation.

These exercises will not however, design the scorecard system for you. If you would like to explore various templates to create the scorecard, including tracking the metrics, consider researching for these templates in a Google search. You will find a wide variety of free and for fee resources.

The questions which follow may also serve as part of the agenda, or a checklist for a strategy development session for your leadership team. Please note that some questions are the same in each section as they are solid foundation questions regardless of the 'perspective.'

## General

- What is your organisation's Vision Statement? In other words, what is the ultimate future-oriented goal of the organisation, which would also be the reputation you will have earned?
- How do you currently measure your performance against your Vision Statement? If you are not currently measuring it, what metrics could be used?
- What is your organisation's Mission Statement? In other words, what are the consistent behaviours and strategies you demonstrate and measure which will achieve your Vision?
- How do you currently measure your performance against your Mission Statement? If you are not currently measuring it, what metrics could be used?
- What are your organisation's Company Values? These are your core operating principles, either in terms of business practice, or individual behaviours?
- How do you currently measure your performance against your Company Values? If you are not currently measuring it, what metrics could be used?
- What are the top 5 objectives of your organisation right now and for the coming year or so?
- Are there different streams, or categories of business products or services you provide? Using a coaching business as an example, there may be the actual coaching, information products, training and seminars. Each of these may have different financial, customer, internal business process and learning and development objectives. If you're business has different streams like this, it may be helpful to also identify some top objectives in each stream
- If you are having difficulty with any of the above questions, have you considered engaging a business coach, consultant or other specialised professional service to assist you? If you haven't considered it before, can you see any benefits by doing so now?

## Financial Perspective

- What are your high-level financial objectives?
- When do they have to be achieved by?
- Is there a particular order in which they need to be achieved?
- How are you evaluating these as important?
- How are you measuring these objectives? In other words, what data and reporting mechanisms do you have in place?
- What strategies do you have in place already, or which could be designed, to address each of the objectives? In some cases, there may be more than one strategy required to achieve the desired outcome?
- For each strategy, do you have any dates identified to achieve them?
- For each strategy, what are the measurement criteria and how specifically are you going to collect the data?
- Who is responsible for each strategy? What reporting do you need from them?
- For each objective, what customer targets are required to be met to achieve the desired outcome?
- For each objective, what internal business process objectives must also be met? These may link to the customer objectives as well.
- For each objective, and for all stakeholders related to the achievement of that objective, what learning and development objectives must also be met? These may also link to the internal business process objectives and the customer objectives.
- If you have already been measuring certain financial objectives, and have been able to identify that one or more of them is underperforming, which related financial, customer, internal business process and/or learning and development objectives are also underperforming? This information may help you in identifying the root cause of the problem, and from this awareness, you can explore new choices and actions to implement to correct the issue.
- If you're unsure about the objectives, the data, causes of problems or opportunities to improve the situation, who within or outside of your organisation could you be turning to for assistance? This is potentially part of your own learning and development.

## Customer Focus Perspective

### Questions you can ask yourself at this stage as you develop your targets:

- What are your high-level customer objectives?
- When do they have to be achieved by?
- Is there a particular order in which they need to be achieved?
- How are you evaluating these as important?
- How are you measuring these objectives? In other words, what data and reporting mechanisms do you have in place?
- What strategies do you have in place already, or which could be designed, to address each of the objectives? In some cases, there may be more than one strategy required to achieve the desired outcome?
- For each strategy, do you have any dates identified to achieve them?
- For each strategy, what are the measurement criteria and how specifically are you going to collect the data?
- Who is responsible for each strategy? What reporting do you need from them?
- For each objective, what internal business process objectives must also be met? These may link to the financial objectives as well.
- For each objective, and for all stakeholders related to the achievement of that objective, what learning and development objectives must also be met? These may also link to the internal business process objectives and the financial objectives.
- If you have already been measuring certain customer objectives, and have been able to identify that one or more of them is underperforming, which related financial, customer, internal business process and/or learning and development objectives are also underperforming? This information may help you in identifying the root cause of the problem, and from this awareness, you can explore new choices and actions to implement to correct the issue.
- If you're unsure about the objectives, the data, causes of problems or opportunities to improve the situation, who within or outside of your organisation could you be turning to for assistance? This is potentially part of your own learning and development.

## Internal Business Process Perspective

- What are your high-level internal business process objectives?
- When do they have to be achieved by?
- Is there a particular order in which they need to be achieved?
- How are you evaluating these as important?
- How are you measuring these objectives? In other words, what data and reporting mechanisms do you have in place?
- What strategies do you have in place already, or which could be designed, to address each of the objectives? In some cases, there may be more than one strategy required to achieve the desired outcome?
- For each strategy, do you have any dates identified to achieve them?
- For each strategy, what are the measurement criteria and how specifically are you going to collect the data?
- Who is responsible for each strategy? What reporting do you need from them?
- For each objective, what customer objectives must also be met? These may link to the financial objectives as well.
- For each objective, and for all stakeholders related to the achievement of that objective, what learning and development objectives must also be met?
- If you have already been measuring certain internal business process objectives, and have been able to identify that one or more of them is underperforming, which related financial, customer, internal business process and/or learning and development objectives are also under-performing? This information may help you in identifying the root cause of the problem, and from this awareness, you can explore new choices and actions to implement to correct the issue.
- If you're unsure about the objectives, the data, causes of problems or opportunities to improve the situation, who within or outside of your organisation could you be turning to for assistance? This is potentially part of your own learning and development.

## Learning & Development Perspective

- What are your high-level learning and development objectives?
- When do they have to be achieved by?
- Is there a particular order in which they need to be achieved?
- How are you evaluating these as important?
- How are you measuring these objectives? In other words, what data and reporting mechanisms do you have in place?
- What strategies do you have in place already, or which could be designed, to address each of the objectives? In some cases, there may be more than one strategy required to achieve the desired outcome?
- For each strategy, do you have any dates identified to achieve them?
- For each strategy, what are the measurement criteria and how specifically are you going to collect the data?
- Who is responsible for each strategy? What reporting do you need from them?
- For each objective, what financial targets are required to be met to achieve the desired outcome?
- For each objective, what internal business process objectives must also be met? These may link to the customer objectives as well.
- If you have already been measuring certain learning and development objectives, and have been able to identify that one or more of them is underperforming, which related financial, customer, internal business process and/or learning and development objectives are also under-performing? This information may help you in identifying the root cause of the problem, and from this awareness, you can explore new choices and actions to implement to correct the issue.
- If you're unsure about the objectives, the data, causes of problems or opportunities to improve the situation, who within or outside of your organisation could you be turning to for assistance? This is potentially part of your own learning and development.

## Next Steps

Once you feel you have identified a number of objectives and strategies across all four perspectives, you may wish to create a balanced scorecard strategic map. An example is provided below.

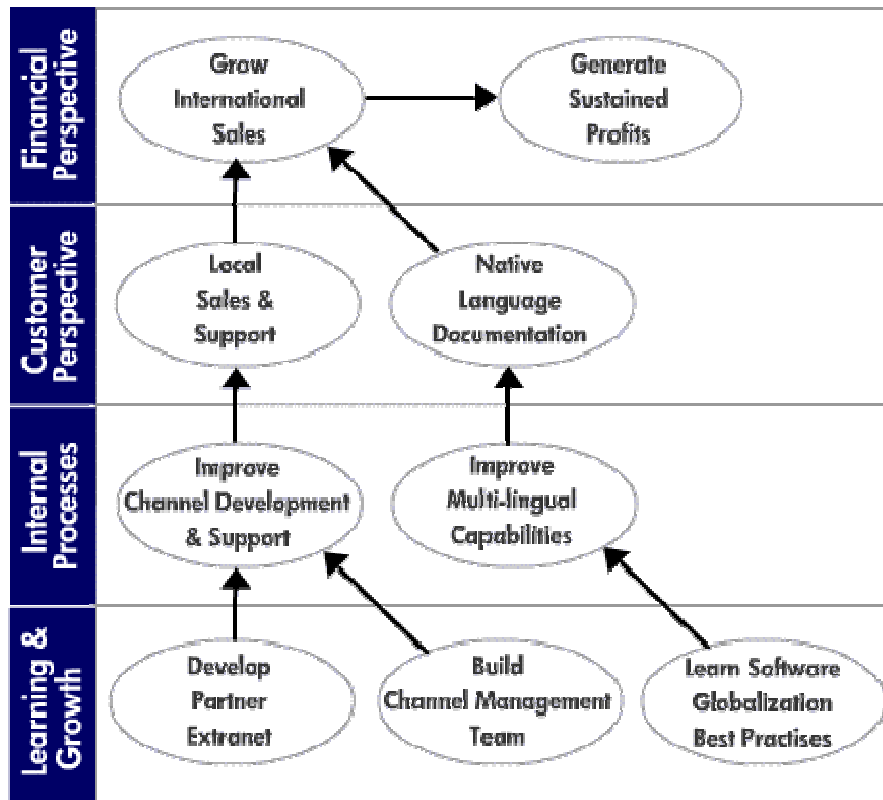


Image Source: [www.businessintelligence.com](http://www.businessintelligence.com)

To create a map like this, design a chart which shows all four perspectives as rows. Insert large oval images to represent the specific objective. Draw arrows from one objective to the next based on its relationship.

In the illustration on the previous page, we can see that the learning and growth objective of “Develop Partner Extranet” feeds into the internal process objective of “Improve Channel Development & Support” which is also fed by another learning and growth objective, “Build Channel Management Team.”

Objective “bubbles” can relate to more than one other objective. Some objectives may have two or more bubbles feeding into them.

Here’s another example:

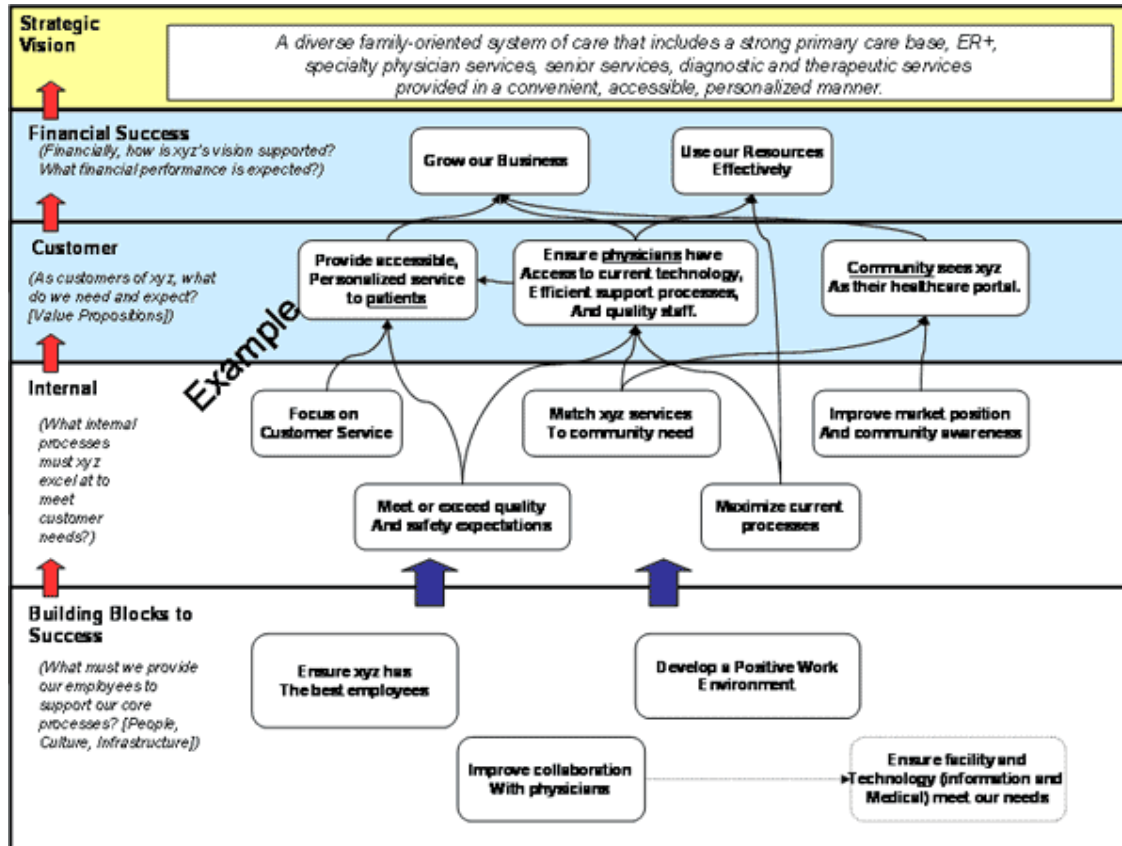


Image Source: “Beating the Balanced Scorecard Blues” –Bob Stephen

In this example, we see that all learning and growth objectives feed up to all internal objectives, meaning that learning is the foundation for all business success for this organisation.

If you would like to begin developing your own strategy map and balanced scorecard implementation project, please consider doing further research on these topics, and/or engage a specialist business coach or consultant in this area.

## For Further Exploration

The Balanced Scorecard Collaborative is one of the top sites to visit to gain more information about the BSC, and is run by the founders Drs Kaplan and Norton. To visit their site, click [here](#).

## Acknowledgements & Further Reading

Some of the material used in creating this document was sourced from The Balanced Scorecard Institute. To access this site and see the original text, click [here](#).

This resource document was created by Noel, Posus, Director [askacoach.com](#) and contributed to by other members of the [askacoach](#) team, drawing on specific coaching skills, models and knowledge from our individual and collective experiences.

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