

CREATING A BALANCED STRATEGY

The Balanced Scorecard: An Overview

Balanced scorecard (BSC): A planning and management tool that helps businesses develop, implement, and track a well-rounded strategy.

A BSC typically includes four sections:

1. Strategy map
2. Key performance indicators
3. Targets
4. Initiatives

Sections are divided into **perspectives**, which are points of view used to evaluate the business. Perspectives include:

1. **Financial**, or how shareholders see the business
2. **Customer**, or how customers perceive the business
3. **Internal processes**, or activities the business must excel at to provide value
4. **Organizational capacity**, or the culture, technology, tools, and infrastructure that help a business absorb change

The Strategy Map

The **strategy map** describes an organization's strategic objectives and their relationships with each other. To show relationships, try:

- grouping objectives together into themes
- using arrows to show causation between different objectives

Remember: the perspectives on the BSC are carefully ordered so that each perspective tends to influence the perspectives above it.

The Balanced Scorecard

Strategy Map/ Objectives			KPIs	Targets	Initia- tives
Financial	increase shareholdr. value	reduce costs	share price	20% increase by 2020	stock buyback
Customer	improve experience		net promoter score	30% scoring 8-10	customer service overhaul
Internal processes	increase efficiency	improve products	capacity utilization rate	90% by end of year	new maint. procedure
Org. capacity	increase expertise		competency profile	95% employee comp.	staff training program

A balanced scorecard may also include the company's mission, vision, values, and goals.

Before writing a BSC, a business owner must first conduct an analysis of the current state of his or her business.

Remember: Each perspective should focus on one to five strategic goals, drawn from analysis of the company.

The Strategy Map



Key Performance Indicators and Targets

Key performance indicators (KPIs): Quantifiable measures used to evaluate whether a business is meeting its objectives.

Leading indicators predict goal achievement.

Lagging indicators measure goal accomplishment.

A well-chosen set of KPIs will:

- provide objective evidence
- measure relevant information
- show change over time
- have a balance of leading and lagging indicators

Targets are specific, time-bound goals.

Each KPI should have at least one target.

Pro tip: Track one or two KPIs per strategic objective.

Targets not only inspire future performance, but help evaluate past performance and guide one target. revisions to the overall strategy.

Strategic Initiatives

Strategic initiative: A plan that aims to close the gap between the current state of a business and its desired state.

Initiatives can be developed in five steps:

1. Setting criteria
2. Taking inventory of all initiatives
3. Brainstorming
4. Evaluating
5. Prioritizing

Unlike a strategic objective, a strategic initiative has a scope, budget, and completion date.

Pro tip: Initiatives should align with at least one strategic objective.