

Welcome to Stellar Leadership podcast No.5

The balanced scorecard is a strategic planning and management system that is broadly applicable to organisations regardless of size or type. Widely used across sectors, it is currently the preferred strategic planning tool of most government departments.

While to some, the balanced scorecard is a simple dashboard of performance measures, for others, it is a comprehensive planning and management system.

Used as a strategic management tool, it enables organisations to clarify their vision, formulate a strategy and, crucially, to translate the strategy into action.

It has been said that “no plan survives collision with reality” and so it is important to have indicators that lets an organisation know when to amend its plans on the go.

The balanced scorecard includes a series of measures that, when tracked, let managers monitor how well the organisation is performing. It focuses on four perspectives, which are considered critical to any organisation’s success:-

- Financial e.g. income and expenditure
- Customers e.g. number of new or repeat customers in an area
- Internal Processes e.g. whether or not things are completed or delivered on time
- Learning & Growth e.g. making sure staff are well trained and well motivated and new ideas are coming through.

An organisation needs to balance these factors if it is to be successful and sustainable. This is common to other strategic planning processes, but with the balanced scorecard and the way it insists on measures, the organisation has a built-in quality assurance and performance monitoring capability.

If it is cascaded down the organisation, as intended, it will ensure that there is:

- common understanding of **mission** and shared **vision** in terms of the organisation’s purpose and what it wants to achieve
- a set of **strategic objectives** that, when achieved, will deliver on the mission and realise the vision
- a programme of work made up of **initiatives** that, when enacted, will translate the strategy into action
- performance **measurement** and a feedback system to ensure that progress, when tracked, will indicate whether or not corrective action is needed.

The balanced scorecard system promotes the idea of cause and effect - the interdependent relationship that exists between objectives and measures within and across each perspective. For example, if we change the opening times (an initiative), then will we get 10% more customers (a measure) leading to a percentage rise in our margin or profit (the original financial objective we had set ourselves).

The organisation's strategic objectives are selected to focus effort on the key issues that matter the most to achieving success. The example above suggests a strategic objective relating to margin or profit. Strategic objectives then need to be translated into measurable and actionable work streams that can be monitored.

At Stellar we are interested in leadership. It is important to remember that vision and strategy come from good leadership. Leaders are at their best when they harness the wisdom of the organisation to formulate a compelling vision and winning strategy. It doesn't work the other way round - the balanced scorecard works best and indeed only works at all, when it is championed by leaders in the organisation.

It is important to emphasise that the balanced scorecard should be used as a communication and learning system and not as a controlling system. Everyone should know the about the scorecard for the organisation and have their own specific scorecard covering their role and guiding delivery of what they are being asked to achieve.

Think of a cascade, like water flowing down a gentle waterfall. The idea is that the corporate scorecard drives and informs the content of departmental scorecards and so on, with each level drawing on relevant objectives, measures and initiatives from the scorecard above.

Cascading converts high-level strategy into lower-level objectives, measures, and operational plans. Cascading is the key to organisational alignment around strategy. Team and individual scorecards link day-to-day work with those higher level department objectives and corporate strategy.

The balanced scorecard has evolved from its early use as a simple performance measurement framework to encourage leaders to consider non-financial performance measures as well as their focus on the bottom line financially. It is now used as a full strategic planning and management system. Leaders now realise we need well-developed people, who can deliver great work that satisfies customers if they are to achieve financial goals. It is all interlinked.

In summary, the balanced scorecard transforms an organisation's strategic plan from an attractive but passive document into the "marching orders" for the organisation on a daily basis. It provides a framework that not only provides performance measurement, but places emphasis on getting things done and getting results.

If you are interested in learning more about the Balanced Scorecard, go to the knowledge bank on our website at www.stellarleadership.com.