<table>
<thead>
<tr>
<th>Name of the tool</th>
<th>Balanced scorecard (BSC)</th>
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<tbody>
<tr>
<td>Categories</td>
<td>Monitoring and Evaluation – Evaluation Methodologies</td>
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<tr>
<td>Aim of the tool</td>
<td>The balanced scorecard (BSC) to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions</td>
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<td>When to use it?</td>
<td>This tool is useful to clearly communicate an organisation's accountability.</td>
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<td>How difficult is it to use it?</td>
<td>Easy – <em>moderate</em> – for experienced users/facilitators</td>
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<tr>
<td>Tool for thought or tool for action?</td>
<td>Tool for thought and for action</td>
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</table>
| Benefits         | BSC can be used to:  
  • enable improved alignment behind strategic goals across the whole organisation  
  • strengthen existing management processes, making them more focused on achieving and maintaining performance improvements |
| Issues to be aware of | • The selection of measures and targets it rather difficult  
  • The Balanced Scorecard is more of a performance measurement device than a framework for change |

**Description of the tool**

BSC is a strategy performance management tool that can be used by managers to monitor the performance of all or part of an organisation, towards (usually) strategic goals. It uses financial and non-financial performance measures (normally less than 25, spread across two or more ‘perspectives’) to highlight areas where the organisation is failing to do what is required or was expected. Popularised in the early 1990s, BSC has been widely adopted across the private, public and NGO sectors.

**Examples**

![Figure 1: showing the overall picture](image-url)
Examples (continued)

Steps involved in using the tool (see Figure 3)

Step One: Assessment

Step One of the scorecard building process starts with an assessment of the organisation's Mission and Vision, challenges (pains), enablers, and values. Step One also includes preparing a change management plan for the organisation, and conducting a focused communications workshop to identify key messages, media outlets, timing, and messengers.

Step Two: Strategy

In Step Two, elements of the organisation's strategy, including Strategic Results, Strategic Themes, and Perspectives, are developed by workshop participants to focus attention on customer needs and the organisation's value proposition. In Step Two, elements of the organisation's strategy, including Strategic Results, Strategic Themes, and Perspectives, are developed by workshop participants to focus attention on customer needs and the organisation's value proposition.

Step Three: Objectives

In Step Three, the strategic elements developed in Steps One and Two are transformed into Strategic Objectives, which are the basic building blocks of strategy and define the organisation’s strategic intent. Objectives are first initiated and categorised on the Strategic Theme level, categorized by Perspective, linked in cause-effect linkages (Strategy Maps) for each Strategic Theme, and then later merged together to produce one set of Strategic Objectives for the entire organisation.

Figure 2: BSC strategy outlined

Steps involved in using the tool (continued)

Step Four: Strategy Map

In Step Four, the cause and effect linkages between the enterprise-wide Strategic Objectives are formalized in an enterprise-wide Strategy Map. The previously constructed theme Strategy Maps are merged into an overall enterprise-wide Strategy Map that shows how the organisation creates value for its customers and stakeholders.

Step Five: Performance Measures

In Step Five, Performance Measures are developed for each of the enterprise-wide Strategic Objectives. Leading and lagging measures are identified, expected targets and thresholds are established, and baseline and benchmarking data are developed.

Step Six: Initiatives

In Step Six, Strategic Initiatives are developed that support the Strategic Objectives. To build accountability throughout the organisation, ownership of Performance Measures and Strategic Initiatives is assigned to the appropriate staff and documented in data definition tables.

Figure 3: Key BSC steps

Step Seven: Performance Analysis

In Step Seven, the implementation process begins by applying performance measurement software to get the right performance information to the right people at the right time. Automation adds structure and discipline to implementing the BSC system, helps transform disparate corporate data into information and knowledge, and helps communicate performance information. In short, automation helps people make better decisions because it offers quick access to actual performance data.
Steps involved in using the tool (continued)

Step Eight: Alignment

In Step Eight, the enterprise-level scorecard is ‘cascaded’ down into business and support unit scorecards, meaning the organisational level scorecard (the first Tier) is translated into business unit or support unit scorecards (the second Tier) and then later to team and individual scorecards (the third Tier). Cascading translates high-level strategy into lower-level objectives, measures, and operational details. Cascading is the key to organisation alignment around strategy. Team and individual scorecards link day-to-day work with department goals and corporate vision. Cascading is the key to organisation alignment around strategy. Performance measures are developed for all objectives at all organisation levels. As the scorecard management system is cascaded down through the organisation, objectives become more operational and tactical, as do the performance measures. Accountability follows the objectives and measures, as ownership is defined at each level. An emphasis on results and the strategies needed to produce results is communicated throughout the organisation.

Step Nine: Evaluation

In Step Nine, an Evaluation of the completed scorecard is done. During this evaluation, the organisation tries to answer questions such as, “Are our strategies working?”, “Are we measuring the right things?”, “Has our environment changed?” and “Are we budgeting our money strategically?”


Source and further readings