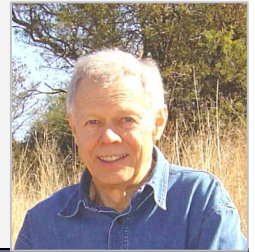


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Creative front-end strategies assured by effective back-end controls



BUILDING A FOCUSED STRATEGY THROUGH BALANCED SCORECARD TECHNOLOGY

The Basic Concept – published in “*Going Concerns*”, J.C.C.I – February 2001

By Keith Edmeades

For executives charged with the task of strategy design and implementation, Balanced Scorecard technology, is really exciting stuff.

In the early 1990s we began to realise that measuring corporate performance primarily against financial accounting criteria was no longer a reliable way to assess an organisation's performance. And it was in recognition of these inadequacies that Robert Kaplan and David Norton conceived The Balanced Scorecard as a means of designing corporate strategy and measuring corporate performance.

This is not a plea to play down financial measures and beef up operational measures like quality and productivity ratios, nor is it a matter of choosing between financial and operational measures or in any way relying on one set of measures to the exclusion of another. No single measure or cluster of measures in isolation is enough to draw attention to all the critical areas of the business that the strategy must embrace in order to assure the organisation's success. The whole idea is to define a balanced set of both financial and non-financial measures against which the success of the strategy can be evaluated. This is the driving principle underlying Balanced Scorecard technology – presenting a balanced set of measures that give a succinct, but comprehensive description of the organisation's strategy.

In the words of Kaplan and Norton, "The balanced scorecard includes financial measures that tell the results of *actions already taken*. And it complements the financial measures with operational measures on customer satisfaction, internal processes and the organisation's innovation & improvement activities; operational measures that are the drivers of *future* financial performance".

In order to assure success in today's turbulent business environment, it is more critical than ever before, to monitor performance in *each* key area of the business *concurrently* in order to assess the impact of strategic initiatives in different areas of the business, upon each other. This is precisely what Balanced Scorecard technology enables us to do extremely accurately. Furthermore, this technology has reduced an excess of key performance areas to four critical perspectives, which embrace every conceivable area in which business performance can be measured. These are:

- ❑ The *financial* perspective
- ❑ The *customer* perspective
- ❑ The *internal business systems* perspective
- ❑ The *innovation & learning* perspective.

While giving managers a tool for measuring performance in whatever area of the business they choose, categorising the areas of measurement into four perspectives, has minimised the likelihood of information overload and enabled managers to monitor performance against a critical few measures that really matter.

Key to the power of Balanced Scorecard technology, is the ease with which it links the performance measures in each of the four perspectives to the core of the strategy. This gives managers a powerful tool for implementing strategy and managing performance simultaneously and also, for linking the strategy to the organisation's performance management system. When applied properly, this technology removes the risk of going off at a tangent with fashionable, costly initiatives such as productivity improvement or CRM programmes, which (because they are not integrated components of a focussed strategy) make no real contribution to the company's bottom line performance.

If interested in introducing Balanced Scorecard technology to your company,