

THE BALANCED SCORECARD

A DIFFERENT PERSPECTIVE

The Balanced Scorecard (BSC) was first articulated by Robert Kaplan and David Norton in a 1992 Harvard Business Review. As a management tool it has evolved quite significantly since then. The basic principle however remains intact – *you can't manage a business by looking only at the financials, you need to take a much more holistic look.* The BSC requires managers to look at four key elements of their business:

The financial perspective or “how we look to shareholders”.

An organisation's financial performance is fundamental to its survival and to satisfying its shareholders. As such, few organizations suffer from any lack of financial data however it is not always organized or presented in a useful manner and there is sometimes too much of it. Further, financial data by definition is historical. It tells us what happened previously and is silent on what is happening now or what the future might hold. So, while undoubtedly useful and necessary, the financial perspective is just one of the views of the business that a manager should be looking at.

The customer perspective or “how we look to customers”.

In most businesses, it costs a lot more to find new customers than to keep the existing ones. It is important therefore to view the organization from the customer standpoint. Measurement here includes customer satisfaction, customer loyalty and image and perceptions. An organization cannot satisfy customers if it does not first seek to understand them.

The business process perspective or “how effective are we internally”

This looks at internal processes and systems, measuring how well we perform on key business drivers. The measurements themselves depend on the nature of the business but include product quality, time to market, distribution, etc. Keeping on top of how you do things allows your company to be responsive and react quickly to changes in the marketplace. It also allows you to make the most of your resources.

The learning and growth perspective or “how can we change and improve”

This perspective focuses on what must be done to develop the organization and its people. It directs our attention forward and gives a measure of future performance. Your people represent your organization, if the organization is to grow and prosper your people must also grow and prosper.



Bringing together the answers to these four different questions provides the “balanced” view of your organisation the Balanced Score Card management tool promises. Feedback from the scorecard should inform management actions and indeed strategy development.

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