

## **The Balanced Scorecard – Measures that Drive Performance**

by

**Robert S. Kaplan and David P. Norton**

Kaplan and Norton chose the following to describe The Balanced Scorecard:

- “The balanced scorecard is like the dials in an airplane cockpit: it gives managers complex information at a glance”.

That’s a great summary of one of the most widely read – and widely implemented – articles from The Harvard Business Review. The article been republished multiple times and is included in the Harvard Business Review classic collection.

The scorecard consists of four distinct, equally important “perspectives” (to use the language of the authors):

- Innovation and Learning Perspective
- Internal Business Perspective
- Customer Perspective
- Financial Perspective

For a company to be successful, the authors propose that it must (i) maintain a balance of focus on each of these dimensions, (ii) have a strategy to address each of these dimensions, and (iii) establish and monitor metrics for each of these dimensions. Each of the dimensions focuses on a critical aspect related to business success:

- The Innovation and Learning Perspective focuses on continuous improvement and continuously creating value. For an organization to survive long term, it needs to continually re-invent itself and ensure that it remains relevant in the market place.
- The Internal Business Perspective focuses on the tasks at which the company must excel. This can be thought of as the core competencies or the “what” that the business is known for.
- The Customer Perspective focuses on how customers perceive the company. Ultimately a company will only be successful if it is able to find and retain customers. Many would submit that this is the most critical dimension.
- The Financial Perspective focuses on how shareholders view the company. Ultimately any organization – be it a “for profit” businesses or a “for cause” not-for-profit – must remain financially viable. The financial dimension is the dimension that often receives the most attention.

The balanced scorecard is easily understood and easily applied. For that reason it has survived the test of time and been adopted by many.

It is worth any leader or manager's time to review their current business through this lens. By asking what the organization does and how the organization measures the learning, internal, customer, and financial dimensions, leaders and managers are able to obtain quickly a fairly comprehensive view of the organization. It is this quick, comprehensive assessment that motivated the authors to liken the balanced scorecard to the dials and gauges in the cockpit of an airline.

While the framework is very robust, there is one dimension that I feel is missing – the employee dimension. I would argue that any organization is at its core a sum of the individuals working within the organization. As a result, we need to continually monitor how the individuals in the organization perceive things. Ironically, the same balanced scorecard framework can be used to assess the employee dimension:

- What opportunities are there for employees to innovate and learn?
- Are the employees able to do what they do best each day?
- Is each employee aware of his or her impact on the end client and are their actions aligned to continually add value to these clients?
- Are the employee's financial objectives being met and are they aligned with the broader organization's objectives?

Explicitly including an “employee perspective” in the balanced scorecard enables the manager or leader to avoid potential pitfalls that occur when the employees are disconnected from the broader organization's objectives. In fact, I would argue that the failure to include this dimension in many company's scorecards has led to heightened levels of employee dis-satisfaction; and, subsequently, in under performance by many companies.

My personal opinion is that the employee perspective needs to be placed ABOVE all of the other perspectives – satisfied employees will take care of end clients who will in turn take care of the shareholders.

A link to the full paper may be found [here](#):

Whether you choose to go with the four dimensions Kaplan and Norton proposed or to augment their framework with the fifth dimension related to the employee perspective, developing and using a balanced scorecard for your business is something that every leader should do.

If you have any questions, thoughts or comments about the topics covered in this article, feel free to reach out to me at any point in time. I enjoy working with entrepreneurs, corporate executives, and families to define their goals and make sure they have plans in place they are executing to achieve those goals.