

BALANCED SCORECARD BASICS

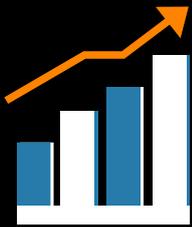
PERFORMANCE MANAGEMENT 2.0

WHAT IS A BALANCED SCORECARD?

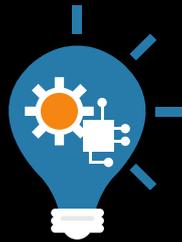
The Balanced Scorecard is a strategic management system for organizations to fully utilize its many capabilities. Linking the Balanced Scorecard to key management processes, such as budgeting, compensation, and alignment, helps overcome the barriers to implementing strategy.

WHY SHOULD I USE A BALANCED SCORECARD?

The Balanced Scorecard assists organizations in overcoming three fundamental problems:



**EFFECTIVELY
MEASURING ORG
PERFORMANCE**



**SUCCESSFULLY
IMPLEMENTING
STRATEGY**



**LEVERAGING VALUE
OF INTANGIBLE
ASSETS**

Most organizations are data rich, information-poor. So executive teams have lots of reports and dashboards but often don't feel like they're making the most effective/efficient decisions.

The Balanced Scorecard balances the historical accuracy and integrity of financial numbers with the drivers of future success. The framework enforces discipline around strategy implementation by translating strategy into **objectives, measures, targets, and initiatives** in four balanced perspectives:

- **LEARNING AND GROWTH**
- **INTERNAL PROCESSES**
- **CUSTOMER INSIGHTS**
- **FINANCIAL PERFORMANCE**

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HOW CAN A BSC DIFFER FROM USING OKRs, KPIs AND/OR MBOs AND OTHER PERFORMANCE MEASURES?

OKR (OBJECTIVES AND KEY RESULTS)

BALANCED SCORECARD

QUARTERLY/ MONTHLY CADENCE	ANNUAL CADENCE
NOT TIED TO COMPENSATION	TIED TO COMPENSATION
ENCOURAGES RISK-TAKING	STRESSES ACCOUNTABILITY
STRATEGIC (ASKS "WHAT IS THE MOST IMPORTANT THING IN THE QUARTER AHEAD?")	HOLISTIC (4 PERSPECTIVES— LEARNING & GROWTH, INTERNAL PROCESSES, CUSTOMER, FINANCIAL)
LAGGING/ LEADING MEASURES	LEADING/ LAGGING MEASURES
TOP-DOWN	SIDEWAYS (USES CASCADES + LADDERS)

HYBRID MODELS

The BSC may be termed a Business Intelligence Framework— it is a portrayal of company-wide measurements in a specific way to determine the organization's health in relation to its strategic objectives. The BSC does not typically go down to the individual contributor level / employee level.

This is where Performance Management frameworks such as OKRs, MBOs, Continuous Performance Management and other models can provide additional insights.

The BSC complements these models quite well and is agnostic of them— not mutually exclusive. It is thus able to work alongside most models for a holistic overview of performance.



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