The Importance of Establishing Your Balanced Scorecard Philosophy

You wouldn't set out on your summer holiday without a vacation spot in mind, would you?

Well, introducing the balanced scorecard in your organization is a lot like a journey to an exciting new destination. Establishing a clear vision for your balanced scorecard in advance will help smooth the bumps in the road as everyone in the organization embarks on the trail to balanced scorecard and business performance management success!

One of the most critical, but often forgotten, steps in balanced scorecard (BSC) development is the creation of your organization's BSC vision or philosophy. A BSC philosophy is simply a clear statement that describes what your balanced scorecard will look like, how it will operate, how it will be built, and how the organization will use it. To be most effective, this step should be completed early in the balanced scorecard development process and is usually created through an iterative process that is completed by the steering committee/senior leadership team with the involvement of the BSC development team.

To define your organization's balanced scorecard philosophy, answer these key questions:

- Which of our organizational core values do we want to build our BSC philosophy on and how will they affect our balanced scorecard decisions?

- Do we need to modify the standard BSC framework and, if so, what should our BSC categories look like/be?

- Which of our existing business management processes must our BSC link to/align with and how might this affect our BSC/BSC structure (or vice versa)?

- How do we want to build our balanced scorecard indicators? *(i.e. Will we focus on leveraging existing measures? Will we build new indicators? Will we take a hybrid approach?)*

- Who within our organization will use our balanced scorecard? *(e.g. The senior team only? Executives and middle management? The entire organization? Other?)*

- How will we use the BSC? *(e.g. For operations and/or strategic management? To align everyone in the organization behind business strategy through our employee performance management processes? As a basis for incentive compensation? Other?)*

- How will results data get into our balanced scorecard *(e.g. Manual data submission? Automated data submission? A combination of both processes?)*

- How will we ensure data quality/integrity? *(e.g. Via automated results generation? Through results data audits? Other?)*

- How will our employees access the BSC? *(e.g. Via a desktop system application? Via paper reports? Other?)*

- How will balanced scorecard business performance results be communicated within our organization? *(e.g. Via personal desktops? Via results posters? Via newsletters or e-mails? Via town hall meetings?, etc.)*

By taking the time to clearly define your organization's balanced scorecard philosophy, your steering committee/senior leadership team establishes early consensus on what is being created. And, by taking the step of gaining immediate BSC development team support and understanding for the balanced scorecard vision, consensus-building is widened. Once the development team is in alignment with the elements of the BSC philosophy, it is important to document and formally communicate, on an ongoing basis, your organization's vision for the balanced scorecard. This begins and sustains the important process of creating organizational consensus and, ultimately, culture change. The good news is that, with your BSC philosophy under your belt, your organization now has a solid foundation on which you can base all future balanced scorecard development, implementation, and management decisions.

In summary, establishing your balanced scorecard philosophy early ensures that your organization is successful in creating the balanced scorecard and the performance management culture you want. Most importantly for balanced scorecard success, taking the time to define your BSC philosophy will bring laser-sharp focus to your balanced scorecard design, implementation, and management activities now, and in the future!

About the Author

Sandy Richardson, B.Sc., M.Ed., President of JETrichardson (a division of Strategy Focused Business Solutions Inc.), has been a senior organizational transformation and business performance excellence professional for over 20 years. She has worked for and with organizations in a variety of business sectors and industries in both Canada and the United States to build sustainable, strategy focused organizations.

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