

# The KEY Elements of Balanced Scorecard Success

*This is a **specialty updated version** of an article that was previously published in the Ivey Business Journal in 2004 as a companion to the article "The Balanced Scorecard: To adopt or not to adopt?"*

Balanced Scorecard (BSC) initiatives have a mixed track record in a variety of industries and organizations. However, when you study organizations that have had success with the development, implementation, and ongoing utilization of a balanced scorecard, you will notice several recurring themes that provide important lessons for success for all current and prospective balanced scorecard practitioners.

## **Success Element 1:**

*Understand that the balanced scorecard is part of a bigger process that starts with strategy*

The BSC is a business management framework that is one (key) component in an integrated business performance management process that is built around business strategy. This process is really a system where the balanced scorecard plays a critical role in translating business strategy into measurable action. With this in mind, successful BSC organizations define a solid business strategy prior to BSC development. While this may appear obvious to BSC practitioners, many "war stories" exist about organizations that threw themselves into a measurement initiative without spending time on strategy first. Generally, the result of these initiatives is sub-optimization through the use of measures and performance results that may or may not support business strategy achievement.

When cascaded from strategy via the strategy map, the BSC framework, measures, and targets provide an important connection between strategic business performance and individual activities and performance. In addition, the BSC helps close the feedback loop in the business management system by providing a means for the business to: monitor and actively manage progress towards the achievement of business strategy, further explore and understand the cause and effect relationships within the business, and manage/change business strategy dynamically based on learnings and internal insights and/or shifts in the external operating environment.

***Lesson 1: Embedding the BSC in a business performance management process that begins with business strategy creation starts the process of building strategic alignment within your organization up front***

## **Success Element 2:**

*Senior Leadership involvement in **critical!***

Visible and genuine senior leadership involvement is critical to the success of any BSC initiative. That is, you must secure active executive leadership that includes hands-on participation in the balanced scorecard development, implementation and management processes. Commitment at the top is so important that successful BSC organizations treated it as a "show stopper" when they started out – resolving support issues before moving forward.

The issue of gaining leadership support is the most frequent concern/challenge faced by new balanced scorecard practitioners. Most BSC journeys don't begin with executive support from the start – very frequently, the push for a balanced scorecard initiative begins at a grass roots level. The key to “selling” the BSC to executives is taking an individualized approach. That is, look for the burning platform or key improvement opportunity in your business that could be addressed by the successful application of a business performance management approach like the balanced scorecard. Then, complete your BSC research (*note: there is information out there that can help support your situation!*) and build a balanced scorecard business case that clearly demonstrates the benefits required to solve your organization's critical business issue. Keep at it until the executives in your organization get the message.

***Lesson 2: Lack of leadership support can destroy your balanced scorecard initiative so: DO NOT PROCEED ON YOUR BALANCED SCORECARD JOURNEY WITHOUT IT.***

### **Success Element 3:**

*The balanced scorecard is all about FOCUS*

Focus on a clear vision for your balanced scorecard:

A balanced scorecard vision or philosophy is simply a clear statement that describes what your BSC will look like, how it will operate, how it will be built, and how the organization will use it. When created early in the balanced scorecard development process, your BSC vision provides a type of roadmap that will serve as a valuable touchstone going forward providing focus and facilitating quick consensus when critical balanced scorecard decisions are required.

Design a focused measure set:

One of the biggest challenges in BSC development is selecting a “vital few” set of performance measures that will give the best overall view of strategic business performance and facilitate strategy execution and progress management. In contrast to daily information overload – the BSC requires an organization to get focused on the key activities and indicators that will really move the business forward. Your business strategy and execution plans will be your best friends in selecting the critical 24 – 30 strategic metrics that will form your balanced scorecard. Successful BSC organizations take the time to look at these documents carefully and explore which measures best represent what their organization wants to achieve strategically. Successful BSC implementers do not let themselves be limited by the measures that currently exist in their organizations - they get creative and they benchmark with other organizations! To optimize your BSC measure set, slow down the measure development process and identify the best possible measures for your business strategy (i.e. the ones that fit best with your strategic objective definitions).

***Lesson 3: Achieve BSC success through a dedication to focus.***

### **Success Element 4:**

*Maximize balanced scorecard utilization by fully deploying to all levels of the organization*

Successful BSC organizations make their balanced scorecard widely available so that everyone can “make strategy their job”. Fully deploying a balanced scorecard across an organization helps develop strategic awareness amongst employees. This is important because successful strategy implementation requires the active contribution of every employee as they make decisions in their day to day work – decisions that can either contribute to or take away from the business strategy. Many business leaders voice concern about sharing their business strategy so broadly across the organization. Worries include the disclosure of critical strategic elements to competitors. While these are valid concerns, successful BSC organizations know that the benefits of a broad communication philosophy in mobilizing the organization behind strategy and in building employee satisfaction, loyalty, and engagement levels far outweigh the risk of serious information leaks.

***Lesson 4: Implement the BSC at all levels of the organization to maximize organizational alignment.***

### **Success Element 5:**

***COMMUNICATE-COMMUNICATE-COMMUNICATE!***

To support BSC implementation and ongoing use, successful BSC organizations view communication and education on their business strategy and the balanced scorecard (i.e. the BSC methodology, BSC measures and their linkage to strategy, BSC processes, business performance results and learnings, etc.) as an important internal marketing campaign. As a result, few of these organizations use only a single mode of communication to do the job. In fact, they use almost every type of communication method available from general communication modes (e.g. large group meetings and mass distribution e-mails) to those that are very personalized with customized messages (e.g. face to face discussions) to ensure communication success.

***Lesson 5: Be sure to plan and budget for BSC communication activities because experience shows that these activities are critical, they need to happen, and they won't without a solid plan and dedicated funding.***

### **Success Element 6**

***Extend the balanced scorecard and make it "the way we work"***

Successful BSC companies deepen organizational alignment with strategy by mirroring their balanced scorecard framework and perspectives in every business activity possible: reward and recognition programs, individual goal plan formats, incentive compensation plan formats, strategic plan categories and format, and almost anything else they can think of! They maximize alignment with their business strategy via the balanced scorecard until it becomes so integral to the business that it is embedded in everyday work.

***Lesson 6: Build integration into your business performance management system until the BSC changes from just a measurement framework to the framework by which the business operates.***

What is the reward for the application of these balanced scorecard success factors?

For BSC organizations, the pay off comes from the fact that their balanced scorecard matures to become an effective facilitator of organizational and cultural change for them (critical in most business environments today) and business performance results achievement.

Experience shows that you can successfully apply these six critical balanced scorecard lessons to your BSC plans and your organization can join other organizations in gaining these powerful results from your balanced scorecard business performance management framework.

#### **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.

Sandy is a subject matter expert in the areas of strategic planning, strategy mapping, strategy execution excellence, performance measurement and management, accountability and governance framework development, and organizational alignment, and is recognized as a master balanced scorecard practitioner and trainer.

As a published author, conference speaker, and expert facilitator, Sandy comments regularly on the process and benefits of transforming companies into high performance, strategy focused organizations.

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