Balanced Scorecard Analysis

A frequent and serious deficiency in management practice is to focus on short-term actions for quick fixes instead of making those short-term actions an extension of the company’s long-term strategy. Managers may be impatient to correct operational problems without considering the long-term consequences of those solutions. To address the short term and long term at once, leading companies are turning to a management tool called the Balanced Scorecard to translate corporate vision into measurable objectives.

As management of information became increasingly vital for companies in competitive markets, the Balanced Scorecard was introduced in 1992 by Drs. Robert Kaplan and David Norton, as recognition of the new dependence of managing intangible assets. The Balanced Scorecard is a tool that focuses on long-term strategy and objectives to address four perspectives, and cascades the strategies into application level action steps.

Traditional analysis of a company’s performance usually begins with financial analysis, and often ends there. But, what about the intangible elements of the business that must be successful to generate profit for the company? How can they be leveraged in defined and measurable terms?

The Balanced Scorecard (BSC) does just what the name implies: it balances the performance perspectives of three intangible assets with the management of physical assets. The four perspectives used in The Balanced Scorecard are shown in the figure below:

All strategies and objectives for the BSC must be aligned with the corporate vision and strategy, in order to support overall company success. Managers and key employees must identify and prioritize areas of accomplishment for each perspective.
By aligning with the corporate strategies and objectives, BSC planners can extend these measurable goals to the application level, which gives employees at all levels both involvement in, and accountability for, strategic corporate performance.

Creating strategies and objectives for the BSC perspectives requires the planning team(s) to consider critical factors for success in each of the perspectives. For example, achieving Customer Satisfaction often involves: on-time shipments, high fill rates for shipments, re-order history, marketing support, field sales problem resolution and many other program features that are important to customers. By defining the measurable elements necessary to earn Customer Satisfaction, the BSC planning team can begin to develop specific action steps to achieve the goal, and still earn the profit defined in the Financial Perspective.

The BSC model pictured below has been adapted from the U.S. Army to serve producers in an agricultural industry. Note that the model presents the four perspectives as tools for accomplishing the organization’s vision, through achieving measurable goals in each of the four perspectives.

The Balanced Scorecard Architecture

The Balanced Scorecard Provides a Framework to Translate the Strategy Into Operational Terms:

- Measurement is the language that gives clarity to vague concepts
- Measurement is used to communicate, not simply to control
- Each perspective drives the outcomes of the ones above it, and provides requirements to those below
Providing financial incentives to employees for achieving the measurable goals articulated in the BSC helps build proactive teamwork within the organization. It also gives employees a sense of ownership in the process that can lead to even more ambitious goals for the next BSC planning year.

In summary, building a scorecard enables an organization to achieve optimum success, by integrating its financial resources with its strategic goals that are articulated by employees at all levels.

**Our Experience**

**Identifying Best Practices**
Developed and conducted annual BSC analysis for multiple years for agricultural producers serving retailer markets

**Workshop Facilitation**
Developed and facilitated workshops to discuss findings of BSC analysis and potential strategies for improving performance

**International BSC Project**
Developed and conducted BSC analysis for European distributors of consumer goods product

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