

# Time to implement Balanced Scorecard!

## - for all companies from small to industry-leading

**We mean that Balanced Scorecard gives companies and organizations the decision support they want and need at the right point in time.** Unfortunately, the majority of companies and organizations still hold the delusion that they can monitor the organization with budgeting and other traditional methods. It is time to acknowledge that without modern methodologies to run and monitor their organization, these companies face the risk of falling behind and losing competitive advantages when compared to their competitors.

The competent personnel of today demand a different form of steering than giving orders. As the development goes towards knowledge based organizations and organizational forms based on networks, it isn't enough to state what you are planning to do. You have to show what you want to achieve in order to create spontaneous work in that direction. Consequently, managers today look for new ways to describe and steer their business. One methodology that has already reached a major break through today, in Sweden as well as internationally, is the Balanced Scorecard.

### What is the Balanced Scorecard?

Balanced Scorecard is a methodology developed by Mr. Kaplan and Mr. Norton (the methodology was presented for the first time in Harvard Business Review in 1992), which aims to steer a business with the help of measures beyond the traditional, financial measures. Rather than simple following up on what has already happened, you want to be able to steer the business in a more forward-looking manner. With the Balanced Scorecard you get the possibility to navigate the business from different perspectives and time dimensions. In this way, you can create an understanding for the whole picture within the organization. In principle, the Balanced Scorecard is about:

- giving a strategic direction to the business navigation
- getting a more relevant and structured navigation
- giving a clear picture to everyone about the purpose of their performance
- raising respect for the notion that not everything that exists is money; everything does not generate further revenue - enabling discussions on how investments in e.g. keep-fit measures and the environment give future dividends
- complementing traditional accounting with non-financial information – presenting and steering the intellectual capital or e.g. environmental effects

What does a scorecard look like? The scorecard can be seen as a pyramid breaking down the vision in smaller pieces.

Vision:	The overall goal that the company has. It describes to where the organization is heading. What do we want to accomplish?
Strategy:	Describes how we get there and how we use the resources in the company to achieve the vision. How do we get there?
Perspectives:	Describe the areas that we should focus on to reach the defined company strategies. Which perspectives should we focus on?
Critical Success Factors:	Describe what is critical for us to perform well. What do we have to do well?
Measures:	Describe what we should measure to secure the critical success factors. How do we measure that we are doing well?
Action Plans:	Describe what steps should be initiated to be able to achieve our goals. What do we have to do?

## **Which effects can you expect after implementing the Balanced Scorecard?**

The Balanced Scorecard creates an "increased relevance". This means that organizations look at the right things and that everyone agrees on the motives, needs and methodology used in steering the organization. For example, putting the motto "Customer in the center" into practice provides a remarkable increase in customer value.

Furthermore, the time consuming budget process can be abandoned, allowing more free time to be used on other more valuable things. To make the individual development and importance of personnel visible, will create trust, security and loyalty. This can have a great significance on the internal attitudes within the organization.

In summary, you could say that used correctly, Balanced Scorecard not only creates concrete results, but also creates a long-term balance in the company. This balance can be described from many different angles. The Balanced Scorecard provides a balance between the short term and the long term. This means that it offers a balance between what is important today and what is important tomorrow. It also gives a balance between external and internal measures, indicating a balance between what is important to us and to our stockowners or principals. Moreover, Balanced Scorecard gives you a balance between financial and non-financial measures. Or, simply expressed, a balance between hard and soft. Finally, it gives a balance between different levels in the company. This balance is the one established between what is important to the management and what is important to all employees.

Kaplan and Norton have shown in their latest research that the Balanced Scorecard also can produce the promised effects. Examples of these results can be seen in companies such as Mobil Oil and Rockwater, which have increased their competitiveness and profitability considerably with the implementation of Balanced Scorecard.

## **Are you considering implementing the Balanced Scorecard?**

To succeed with the implementation of the Balanced Scorecard, a number of different components must coincide. A good methodology and plan to implement the Balanced Scorecard is one of the cornerstones. The methodology described in our book, To implement the Balanced Scorecard – a practical guidance, contains seven different steps. The four first steps involve the definition of the scorecard. That is, the breaking down of the vision into strategies, critical success factors, perspectives and measures. In the fifth step, the created scorecard is evaluated. In step number six, actions are initiated to plan and follow up on the scorecard. Finally, a follow-up and updating routine is created in step number seven. Carrying out this last step renders the scorecard a living tool in the organization.

If you are interested in learning more about Balanced Scorecard, you can order the book, "Att införa Balanced Scorecard - en praktisk vägledning" at [www.studentlitteratur.se](http://www.studentlitteratur.se) or by contacting Ensolution at +46 (0)8 640 70 00.

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