



The Balanced Scorecard Guide

Understanding the Balanced Scorecard

The balanced scorecard (BSC) is a strategic management tool aimed at translating an organization's strategic goals into a set of organizational performance objectives. As an HR professional, your role may involve facilitating the integration of the BSC framework into your organization's performance management protocols.

The balanced scorecard is a dynamic framework that transforms strategic visions into actionable plans, aligning an organization's activities with its overall mission.

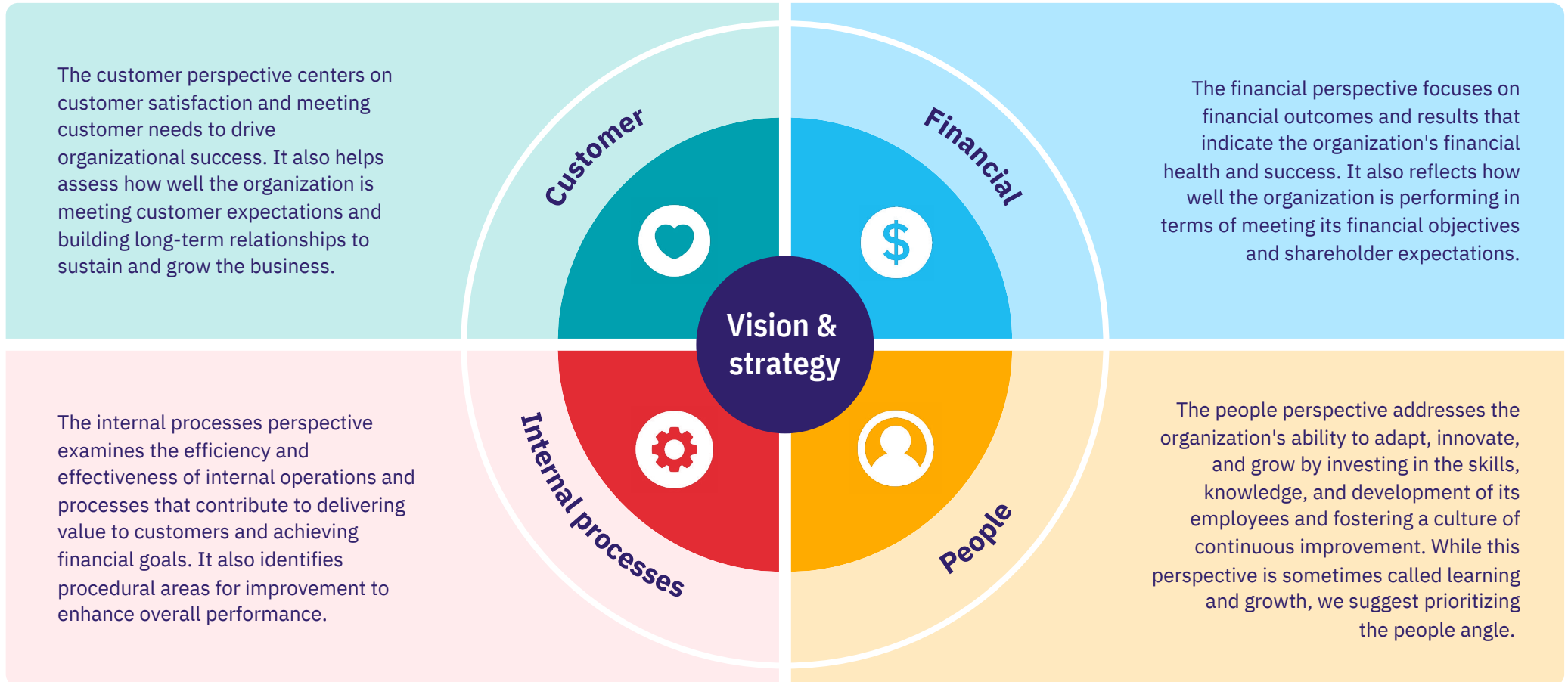
- Unpacking the mechanics of the balanced scorecard reveals a strategic cascade that begins with the identification of objectives within each perspective.
- These objectives, in turn, translate into measurable key performance indicators (KPIs).
- The BSC doesn't stop at quantifiable metrics; it extends its influence through the creation of strategy maps, visually depicting cause-and-effect relationships.

Why the BSC works

- **Strategy alignment:** It translates strategy into goals and objectives to drive defined business outcomes.
- **Balanced perspective:** It helps with both goal setting and measurement of impact.
- **Communication:** It creates a shared understanding of organizational priorities and performance metrics.
- **Objective identification:** It prompts you to define clear objectives for each perspective.
- **Development of KPIs:** It establishes measurable KPIs that reflect progress toward objectives.
- **Strategy mapping:** You can employ it to generate maps that visually illustrate organizational interdependencies

The balanced scorecard incorporates a set of KPIs across four perspectives: financial, customer, internal processes, and people. By considering each perspective, organizations can ensure a holistic approach to setting organizational goals and measuring impact. The four

dimensions are interconnected; for example, improvements in one area can positively impact the others and ultimately lead to the achievement of broader strategic objectives.



Implementing the Balanced Scorecard

This section explores the six essential steps for implementing a balanced scorecard framework within your organization. As an HR professional, part of your role may involve assisting the leadership team in harnessing the potential of the BSC. Understanding these steps is crucial for providing effective support to the leadership team as they embark on the BSC journey.

Establish vision and strategy

Vision and strategy serve as the guiding principles that define the overarching goals and direction of your organization. They encapsulate the desired future state and the roadmap to achieve it, outlining the core values, objectives, and priorities that drive decision-making and shape organizational culture.

Establishing a clear vision and strategy provides a unified sense of purpose, aligns stakeholders toward common objectives, and sets the foundation for effective planning and execution across all levels of the organization. It serves as a beacon that inspires and motivates employees, stakeholders, and partners, fostering a shared commitment to driving success and achieving sustainable growth.

STEP 1

Determine KPIs

Determining your KPIs involves selecting measurable indicators that directly align with the objectives identified for each perspective within the balanced scorecard framework. These indicators should be carefully chosen to accurately reflect progress toward achieving organizational goals. Furthermore, it is imperative to set specific and achievable benchmarks for each KPI.

By setting realistic benchmarks, organizations can effectively gauge their progress and identify areas for improvement. Additionally, these targets serve as a yardstick for evaluating the effectiveness of initiatives and guiding resource allocation efforts to maximize impact.

STEP 3

STEP 2

Set objectives for each perspective

Setting objectives for the four key perspectives involves identifying goals for each perspective: customer, financial, people, and internal processes. This step is crucial in ensuring a comprehensive approach to organizational performance management.

By clearly articulating objectives for each perspective, organizations can align their efforts with strategic priorities, foster accountability, and track progress toward overarching goals. It lays the groundwork for effective decision-making and continuous improvement initiatives, ultimately driving sustainable success and value creation across the organization.

Allocate resources

Resource allocation involves the strategic assignment of human, financial, and technological resources to support the implementation of the initiatives. This critical process requires careful consideration of the specific needs and requirements of each initiative, as well as the available resources within the organization.

By effectively allocating resources, organizations can ensure that the necessary manpower, financial support, and technological infrastructure are in place to drive successful execution and achieve desired outcomes. Additionally, resource allocation efforts should be guided by organizational priorities, risk assessments, and the potential for maximizing return on investment. This ensures that resources are utilized efficiently and effectively to support the organization's strategic objectives and enhance overall performance.



STEP 4

STEP 5

STEP 6

Identify initiatives

Identifying initiatives involves strategizing about ways to meet the targets and objectives set for each perspective. This process entails carefully determining the actions, projects, or programs that will be implemented to drive progress toward achieving organizational goals. These initiatives should be aligned with the specific KPI targets established earlier, ensuring that they directly contribute to the overall success of the organization.

Additionally, it is essential to prioritize initiatives based on their potential impact and feasibility, considering factors such as resource availability, timelines, and potential risks. By identifying strategic initiatives, organizations can effectively translate their goals into actionable plans and pave the way for success.

Monitor, review, evolve, & improve

Monitoring, reviewing, evolving, and improving involves a cyclical process of tracking progress, making necessary adjustments, and continuously refining the framework to adapt to the organization's evolving needs. This iterative approach ensures that the BSC remains relevant and effective in driving organizational performance as the organization grows and evolves.

By regularly monitoring KPIs and reviewing the outcomes of implemented initiatives, organizations can identify areas for improvement and make informed decisions to optimize performance. The BSC should be flexible enough to accommodate changes in strategic priorities, market dynamics, and internal capabilities, allowing for timely adjustments to strategic objectives and initiatives. This enables organizations to stay agile, responsive, and resilient in the face of changing business environments, ultimately driving sustainable success and growth.

Balanced Scorecard // Example for HR department

Explore an example of a balanced scorecard that focuses on how an HR team might contribute to organizational success.

While this one highlights HR's specific contributions, each department within the organization can customize its scorecard to align with its unique objectives and responsibilities.

Tailoring scorecards to departmental needs ensures a cohesive approach to measuring performance across the organization while addressing specific functional areas.

BUSINESS GOALS	TEAM GOALS	METRICS
<ul style="list-style-type: none"> Improve customer satisfaction. Create more cross-selling opportunities for customers. Expand customer service quality to drive retention. 	<ul style="list-style-type: none"> Improve employee engagement by 5%. Improve product knowledge of employees to be able to drive cross-selling. Train employees on retention skills. 	<ul style="list-style-type: none"> Employee engagement score Product knowledge assessments scores Retention metrics eNPS scores

Customer 

BUSINESS GOALS	TEAM GOALS	METRICS
<ul style="list-style-type: none"> Increase profitability. Increase revenue. Drive business growth in new markets. 	<ul style="list-style-type: none"> Improve the price of HR services per employee. Reduce cost per hire while delivering on workforce plans. Scale HR services to support new business expansion. 	<ul style="list-style-type: none"> HR price point per employee Cost of hire HR employee ration HR budget reporting

Financial 

BUSINESS GOALS	TEAM GOALS	METRICS
<ul style="list-style-type: none"> Improve customer service response times and reporting. Implement customer relationship management systems. Improve business insights and reporting. 	<ul style="list-style-type: none"> Improve customer service team lead managerial skills to drive productivity. Improve system skills in CRM systems. Build a business intelligence talent pool. 	<ul style="list-style-type: none"> Leadership 360 satisfaction scores System skills proficiency pass rates Talent pool health

Internal processes 

BUSINESS GOALS	TEAM GOALS	METRICS
<ul style="list-style-type: none"> Drive continuity in our sales force. Reward performance. 	<ul style="list-style-type: none"> Retain sales employees. Implement a robust performance management process and incentive structure. 	<ul style="list-style-type: none"> Sales employee retention Performance scores

People 

Balanced Scorecard // Template

Use this template to create your own balanced scorecard.

BUSINESS GOALS

TEAM GOALS

METRICS

Customer 

BUSINESS GOALS

TEAM GOALS

METRICS

Financial 

BUSINESS GOALS

TEAM GOALS

METRICS

Internal processes 

BUSINESS GOALS

TEAM GOALS

METRICS

People 

Maximizing Scorecard Impact

To enhance the effectiveness and usefulness of your balanced scorecard, carefully consider the following tips.

- ✓ Make your BSC **measurable** and **report against it**.
- ✓ Always keep your **business objective** in mind.
- ✓ Cascade the objectives down to **teams and their contributions** toward them.
- ✓ Highlight the **relevance of each team and individual** in their area of contribution.
- ✓ Always keep in mind that **the four pillars are connected** to each other and influence one another.
- ✓ Encourage collaboration and cross-functional teamwork by emphasizing **shared objectives** and **mutual dependencies**.

