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Implementing a Balanced Scorecard

Last time, we looked at what a Balanced Scorecard is, its benefits, and its barriers. This month we will continue our explanation of Balanced Scorecards by looking at the implementation process.

Organizations adopt the balanced scorecard program because it retains a focus on short-term financial results and recognizes the value of building intangible assets and competitive capabilities. The scorecard provides a new tool for senior executives to focus on strategies for long-term success. Here are a few reasons for implementation:

- Obtain clarity and consensus about strategy
- Achieve focus
- Leadership development
- Strategic intervention
- Educate the organization
- Set strategic targets
- Align programs and investments
- Build a feedback system

Because of its scope, complexity and impact, a new management system (such as a Balanced Scorecard) must be phased in over time. There are 10 action steps that should be followed during this implementation period.

Action #1 – Clarify the mission

Members of a newly formed executive team begin working together. A balanced scorecard is developed to translate a generic vision into a strategy that is understood and can be communicated. This first step is very important. Using generic measures rather than unique strategies, targeted customers, and specific internal processes may be cause for failure.

Action #2 – Communicate to middle managers and develop business unit scorecards

Bring all managers together to learn about and discuss the new strategy. Using the corporate scorecard as a template, each business unit translates its strategy into its own scorecard.

Action #3 – Eliminate nonstrategic investments and launch corporate change

The corporate scorecard clarifies strategic priorities and identifies active programs that are not contributing to the strategy. It also identifies the need for cross-business change programs.

Action #4 – Review business unit scorecards

The CEO and the executive team review the individual business units' scorecards. If any additions or revisions need to be made, recommendations will be made.

Action #5 – Refine the vision

Update the corporate scorecard with cross-business issues not yet included in the corporate strategy. Be

> ***What great thing would you attempt if you knew you could not fail?***
> ***Robert Schuller***
> ***Religious Leader***

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sure to think outside the box in order to come up with a comprehensive list.

Action #6 – Communicate the balanced scorecard to the entire company and establish individual performance objectives
Once the management teams are comfortable with the strategic approach, this can be completed. Management links their individual objectives and incentive compensation to their scorecards. Improper communication can cause the scorecard to fail.

Action #7 – Update long-range plan and budget
Establish long-term goals for each measure. Required investments to meet those goals are identified and funded and an annual budget is set.

Action #8 – Conduct monthly and quarterly reviews
After corporate approval of the business unit scorecards, the review processes begin. Quarterly reviews will focus on the strategic issues.

Action #9 – Conduct annual strategy review
The executive committee reviews strategic issues. Each business unit is asked for input on issues. Once this is complete, the strategy and scorecard are updated.

Action #10 – Link everyone's performance to the balanced scorecard
All employees are asked to link their individual objectives to the balanced scorecard. The entire organization's incentive compensation is linked to the scorecard. Doing this ensures that everyone in the entire organization is on the same page and each person knows what is expected.

A Balanced Scorecard can be a great asset to any organization. Knowing its purpose and the proper implementation will help your organization succeed.

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