



UNIT-2

2.15 BALANCED SCORE CARD

The Balanced Scorecard (BSC) is a strategic performance management framework developed by Robert S. Kaplan and David P. Norton in the early 1990s. It is designed to help organizations translate their strategic objectives into actionable measures that can be monitored and managed effectively. The Balanced Scorecard provides a comprehensive view of an organization's performance by considering both financial and non-financial metrics across four perspectives: financial, customer, internal business processes, and learning and growth. Here's a detailed explanation of each perspective and how they contribute to strategic management:

1. Financial Perspective

- **Objective:** Measure financial performance and outcomes that are critical to achieving the organization's financial goals and objectives.
- **Key Metrics:** Revenue growth, profitability, return on investment (ROI), cash flow, cost reduction, shareholder value.
- **Purpose:** Focuses on financial outcomes and ensures alignment with the organization's financial strategy and objectives.

2. Customer Perspective

- **Objective:** Evaluate customer satisfaction and loyalty to drive long-term profitability and sustainable growth.
- **Key Metrics:** Customer satisfaction scores, customer retention rates, market share, customer lifetime value, net promoter score (NPS).
- **Purpose:** Helps in understanding and meeting customer needs, enhancing relationships, and building brand loyalty.

3. Internal Business Processes Perspective

- **Objective:** Assess the efficiency and effectiveness of internal processes that drive customer satisfaction and financial performance.
- **Key Metrics:** Process cycle time, defect rate, on-time delivery, productivity, quality metrics, innovation rate.
- **Purpose:** Focuses on improving operational efficiency, streamlining processes, and delivering value to customers.

4. Learning and Growth Perspective



- **Objective:** Evaluate the organization's ability to innovate, learn, and adapt to changing market conditions.
- **Key Metrics:** Employee training and development, employee satisfaction, knowledge management, employee turnover, innovation rate.
- **Purpose:** Facilitates continuous improvement, fosters a culture of innovation, and develops human capital to support long-term success.

Implementation Process of the Balanced Scorecard:

1. **Strategy Clarification:** Clearly define the organization's vision, mission, and strategic objectives.
2. **Identify Key Performance Indicators (KPIs):** Determine the critical success factors and key metrics for each perspective.
3. **Set Targets and Goals:** Establish specific targets and goals for each KPI to measure progress and performance.
4. **Align Initiatives and Actions:** Develop action plans and initiatives to align with strategic objectives and improve performance in each perspective.
5. **Monitor and Review:** Continuously monitor performance against targets and review the effectiveness of initiatives.
6. **Communicate and Cascade:** Communicate the Balanced Scorecard framework and performance results throughout the organization. Cascade objectives and initiatives to departments and teams.

Benefits of the Balanced Scorecard:

- **Holistic View:** Provides a balanced view of organizational performance across multiple dimensions.
- **Alignment:** Aligns strategic objectives with operational activities and measures.
- **Focus:** Helps in focusing on key priorities and drivers of success.
- **Communication:** Improves communication and understanding of strategic goals throughout the organization.
- **Performance Improvement:** Facilitates performance measurement, feedback, and continuous improvement.

Practical Example:

Company: XYZ Corporation



- **Financial Perspective:** Increase annual revenue by 10%.
- **Customer Perspective:** Achieve a customer satisfaction score of 90%.
- **Internal Business Processes Perspective:** Reduce process cycle time by 20%.
- **Learning and Growth Perspective:** Increase employee training hours by 15%.

Conclusion:

The Balanced Scorecard is a powerful strategic management tool that enables organizations to translate their vision and strategy into tangible objectives and measures. By considering financial and non-financial perspectives, the Balanced Scorecard provides a comprehensive framework for managing performance, driving strategic alignment, and achieving long-term success.