



BOARDROOM STRATEGY

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Building a better company using the balanced scorecard approach

Founded by David Norton and Robert Kaplan, the balanced scorecard management system has been heralded as a transformational business tool for the past 20 years.

The short version?

The balanced scorecard management system essentially ties day-to-day activities or short-term actions to long-term strategic objectives. The approach includes two main components: a strategy map, which is a one-page diagram depicting the strategy as a hypothesis (if we do these things, we will accomplish these results), and four per-

spectives on managing strategy – financial, customer, internal process and learning and growth.

Used as a communication and management tool, the balanced scorecard system forms the basis for focusing an entire organization on strategy by integrating itself into critical management processes like business planning, resource allocation and performance management.

Here are the top five benefits of using the balanced scorecard management system.

■ It clearly articulates strategy in a standardized way

so you can understand and communicate your company's strategy to anyone in less than 30 minutes.

■ It covers critical business management considerations from four perspectives. Building strategy and measures within four scorecard perspectives – financial, customer, internal processes and learning and technology – ensures integration and alignment of business management functions. An added bonus of the four perspectives approach? Employees learn to consistently consider all four, and how they come together, at all times.

■ It opens up conversations. First, because it provides a forward-looking management tool that includes specific measures of success and targets that can be easily understood and cascaded down through the organization; and second, because people at all levels of the organization can have conversations where they're informed about the changes in strategic direction, making the possibilities for creative new solutions endless.

■ It fosters engaged, excited and productive employees. Employees are more engaged and excited when they understand how their job supports the bigger goal – how what they do every day contributes to the company's vision and mission. The balanced scorecard system ensures that high-level objectives and

measures are linked to the targets and measurements for individual departments and are translated into personal scorecards for individual employees, building productivity and engagement at every level.

■ It is flexible. The strategy map and scorecard are useful for all sizes and types of organizations. It can be used by

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commercial and non-profit organizations, for individuals (personal scorecards) and can

be adapted for triple-bottom-line management requirements where the social and environmental perspectives are managed along with the financial.

If you want to learn more about the balanced scorecard approach, check out *The Strategy Focused Organization* and *Strategy Maps*, both of which are written by Kaplan and Norton. ■

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