# Balanced Scorecard: Linking Strategy To Execution

Strategy is of critical importance in today's business environment of rapid change and unforgiving competition. Many organizations devote extensive resources to developing a winning strategy, and then wonder why it is not being executed correctly or why conflicts exist. Executives are looking for ways to align the organization to focus on actions and results, as well as effective ways to measure health and success.

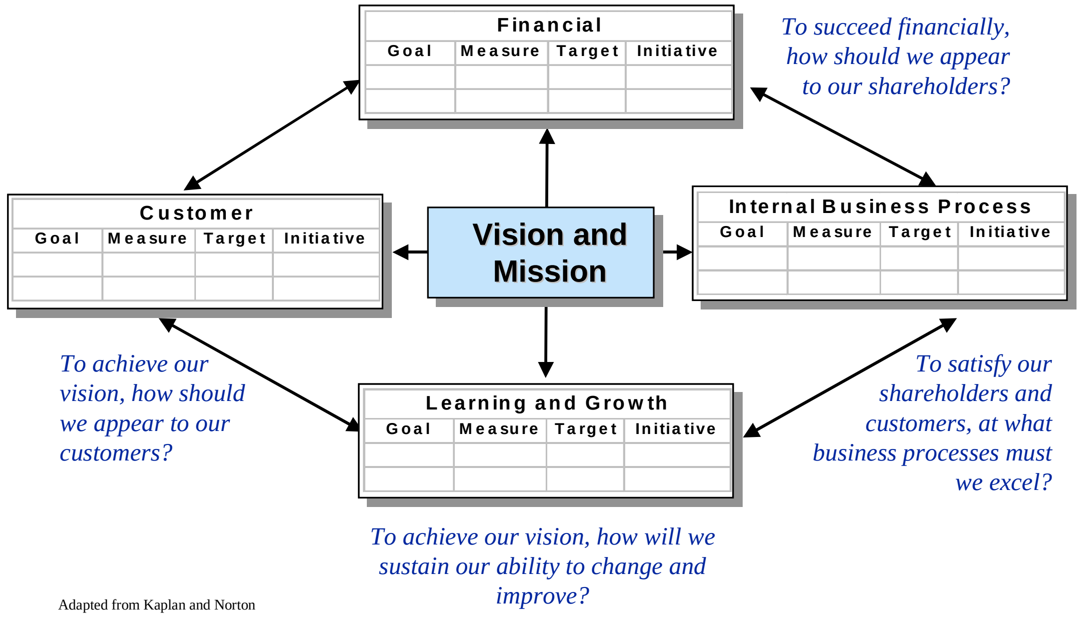
The Balanced Scorecard is a guideline and approach, which drives that performance. It provides managers and leaders a framework for translating business objectives into action and measurable results. Benefits include the following:

- Alignment. Aligning activities, processes, and groups throughout the organization with strategic goals and objectives.
- Communication. Decisions and actions become mutually reinforcing, highly visible and communicated throughout the organization.
- Accountability. Links individual performance to corporate strategy and provides a constructive mechanism for holding people accountable, at all levels, for results.
- Individual Contributions. As managers and individuals come to understand the strategy and how their performance contributes to success, they are able to make independent decisions that contribute to the strategy in ways never anticipated by those that developed the strategy.
- Transformation. As people work together to achieve common objectives, the Balanced Scorecard provides leverage and becomes a catalyst for action. As performance is reported throughout the organization, the feedback process becomes a mechanism to transfer knowledge and to refine and modify the strategy based on facts and insights of people throughout the enterprise. Strategy development becomes an ongoing, dynamic process that can evolve readily in response to a changing, competitive climate.

The Balanced Scorecard format consists of a set of performance measures that give a comprehensive view of the company; here are four examples:

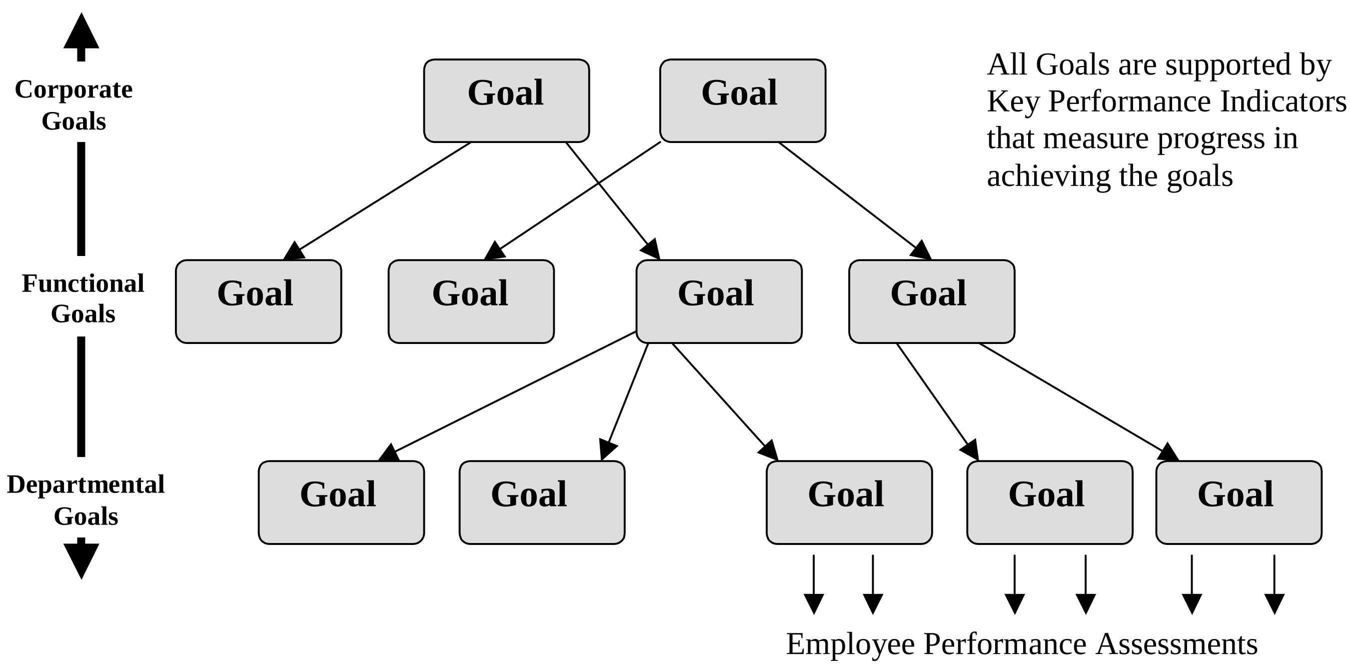
- **Financial**, including traditional financial measures such as revenue growth, return on investment or assets, market share, and earnings per share.
- **Customer**, including measures of importance to customers such as timeliness, quality, performance, cost and service.
- **Internal Business Process**, including measures of the critical internal activities, cycle time, quality and processes that the organization uses to meet corporate objectives.
- **Learning and Growth**, including measures of the organization's ability to adapt and innovate for the future; this could include time to market for new product development, workforce training and development, and process improvement.

This provides a multi-dimensional balance between internal and external requirements, objective versus subjective measures, current versus future needs.  Example:




Adapted from Kaplan and Norton

Measures are developed for each area defined in a Balanced Scorecard, which are grounded by strategy.   This becomes a communication and linkage for the meaning of the strategy and how the organization contributes to achieving the strategy.

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