

# The Importance of Terminology to your Balanced Scorecard

## Article Highlights:

- Differences of opinion regarding definitions are more than a matter of semantics.
- Before you can build a successful Balanced Scorecard you must carefully define your terms.
- A simple terminology exercise will help you create a lexicon for the Balanced Scorecard and ensure shared understanding.

**Author's Note:** *In my consulting engagements I often find organizations struggling with the lexicon of Performance Management. What you call an objective I may refer to as an initiative. What passes for a measure in your shop, may be a key performance indicator in another. Far from an exercise in "semantics," these differences can have a profound impact on the success of your Scorecard implementation. If you're unable to find a common language it will be exceedingly difficult to determine a set of measures to which you hold yourselves mutually accountable. In this article I will describe the issues associated with terminology, and to help you surmount the obstacles words may present a simple exercise is presented that may be used by any organization using, or contemplating, a Balanced Scorecard system.*

## A Word or Two About Words

In his 1833 book "On War," Karl von Clausewitz declared, "The first task of any theory is to clarify terms and concepts that are confused...Only after agreement has been reached regarding terms and concepts can we hope to consider the issues easily and clearly, and expect others to share the same viewpoint..." I'm generally not a big fan of military metaphors in the business world since, unlike the results of war, I believe organizations should strive for an outcome in which everyone benefits. However, I am particularly struck by the power of this German General's words. Reaching agreement on terms and concepts is not as easy as it sounds. This is especially the case when you consider there are over 14,000 meanings for the 500 most common words in the English language. It's amazing we're able to communicate at all!

Language can have a profound impact on an organization. Listen to what Organizational Learning expert Peter Senge has said on the topic. "Words do matter. Language is messy by nature, which is why we must be careful in how we use it. As leaders, after all, we have little else to work with. We typically don't use hammers and saws, heavy equipment, or even computers to do our real work. The essence of leadership – what we do with 98 percent of our time – is communication. To master any management practice, we must start by bringing discipline to the domain in which we spend most of our time, the domain of words." <sup>i</sup> This is especially relevant in a world dominated by knowledge workers, one in which success is derived primarily from the transformation of intangible assets. Never has communication been so vital to the prospects of organizations, and of course words are at the core of



## About the author

**Paul R. Niven** is an author, management consultant, and noted speaker on the subject of the Balanced Scorecard. As both a practitioner and Consultant he has developed successful Balanced Scorecard systems for clients large and small in a wide variety of organizations, including Fortune 1000 companies, public sector agencies, and nonprofit organizations. The second edition of his very popular book "Balanced Scorecard Step by Step: Maximizing Performance and Maintaining Results" was released in September, 2006. The first edition has been translated into over a dozen languages. His two previous books are: "Balanced Scorecard Step by Step for Government and Nonprofit Agencies" released by John Wiley & Sons in June, 2003, and "Balanced Scorecard Diagnostics" which was released in April, 2005. He may be reached at 760.789.2449 or through his website at [www.paulniven.com](http://www.paulniven.com),

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*“Confusing our words can lead to the transmission of conflicting and contradictory signals to employees and result in less than desirable outcomes for the organization”*

communication.

### *The Consequences of Not Agreeing on Definitions*

Confusing our words can lead to the transmission of conflicting and contradictory signals to employees and result in less than desirable outcomes for the organization. In my experience, the two terms most prone to obfuscation on the organizational landscape are mission and vision. Recently, when working with a new public sector client I engaged the Balanced Scorecard team in a discussion of mission and vision. I began by providing my definitions for these terms and they appeared to resonate with everyone. Everyone, that is with the exception of one person. To her the vision was the core purpose of the organization (what I define as mission) and the mission was the desired future (what I call vision). We went back and forth on the issue several times, both of us articulating our best prose on the subject with neither budging, and after some time we agreed to disagree.

This is far more than a philosophical difference. Consider the ramifications when my client begins to communicate these terms to a broader audience. The vast majority will understand mission to be the core purpose of the organization, but

one small pocket, those reached by the person holding a contrary opinion, will understand core purpose to mean vision. Undoubtedly, these employees will speak with one another, and of course we want people talking about these terms. But in this case they'll be using different words to convey the meanings of two fundamental principles. I can hear the conversations now:

Wanda: “Hey Frank, I hear we have a new mission statement.”  
Frank: (with a light chuckle) “No, no Wanda, that’s a vision, or at least that’s what my manager calls it.”  
Wanda: “Well, I’m sure whatever it is they’ll spend about a year figuring it out, so I guess it doesn’t matter to us.”

As the above dialog demonstrates, confusion will surely reign. Equally discouraging, the leaders of the Scorecard initiative will undoubtedly lose credibility in the eyes of the employee base, the very group they must win over if they hope to achieve success on the initiative.

Not surprisingly, I would recommend you use the definitions and connotations I recommend in my books. However, in the end it really doesn’t matter what you call the concepts – remember Shakespeare’s ad-

monition: What’s in a name? That which we call a rose by any other name would smell as sweet. – just so long as you use them with unwavering consistency throughout the organization. If you’ve deliberated with your team on the concepts of vision and mission and as a group feel your *raison d’être* is best described as a vision, then so be it. Just ensure there is true consensus on the point, and the term is communicated clearly to all stakeholders.

### *A Terminology Exercise*

In the spirit offered by General von Clausewitz I would like to introduce a terminology exercise. The task is designed to help you foster agreement on the key terms of your Performance Management Process so that, as von Clausewitz aptly advises, we can hope to consider the issues easily and clearly, and expect others to share the same viewpoint.

The activity will be completed in two phases over the course of a week or two, depending on the current demands and pressures you face. Phase one is an individual exercise, while phase two draws the entire team together. Begin by circulating to your Balanced Scorecard team a simple template which contains the Performance Management terms you use, or plan to use, in your



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organization. Typical terms include: mission, vision, Balanced Scorecard, strategy, objective, measure, initiative, budgets, and Performance Management. Advise the group they each have one week (or whatever timeframe you designate) to complete the template and return it to the Scorecard champion. Once all templates have been returned, the Scorecard champion will prepare a document compiling all definitions supplied for each term.

In addition to the terms I suggest above you should add any that are germane to your situation. For example, a local government organization will most likely include the term “general plan.” But, and this is a big but, don’t overload the request with dozens of terms. It can prove to be a taxing exercise for those completing the templates, and may take hours, if not days, to come to consensus on definitions in the group setting which follows. Focus on the key terms you will be using, and attempt to keep it under fifteen.

To facilitate the discussion of terms at the Scorecard meeting which follows, I would suggest you use a combination of high-tech and low-tech devices. The definitions for each term should be captured in either a MS Word or Powerpoint document and displayed on a

screen from a computer so that everyone can easily view what has been shared. You should also distribute paper copies of the definitions, and have a flip chart and markers at your disposal.

The facilitator will begin the meeting by thanking everyone for their submissions, and reiterating the importance of reaching consensus on Performance Management terms. She then displays the first term on the screen, reads a portion of the definitions and examples provided, and invites comments. You can record any changes to your terms “live” using your computer, or on the flip charts you’ve stationed within the room. The range of discussion you can expect will depend almost entirely on the amount of consensus reflected in the definitions you’ve received from the participants. If everyone agrees in principle, it will simply be a matter of wordsmithing to concoct a formal definition with which all can concur. I can see the eye rolling of readers everywhere as they read that last sentence. Yes, wordsmithing can prove to be an onerous chore of its own, I admit. To alleviate the pain try instituting a time limit for each term. If you cannot develop an adequate definition that meets everyone’s requirements within ten minutes, assign an individ-

ual or smaller group to work on it “offline,” and move on to the next term.

As a consultant I’ve had the opportunity to facilitate a number of these terminology sessions. I’m always pleasantly surprised at the amount of dialog and learning that results. That learning comes in a variety of forms. First and foremost, the team will have reached agreement on specifically what they mean by the terms that form their Performance Management lexicon. They’ve also constructed a solid foundation from which to launch both their Scorecard building efforts and educational initiatives throughout the organization. Finally, and perhaps most importantly, this exercise gives team members an insight into the unique perspectives held by their colleagues. Exploring the perceptions of others, freely exchanging ideas, and being open to new points of view will all lead to a stronger team.



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<sup>i</sup> Peter M. Senge. "The Practice of Innovation" *Leader to Leader*. 9 (Summer 1998): 16-22.

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