

A Guiding Rationale for your Balanced Scorecard

Article Highlights

- The Balanced Scorecard must be embedded in your management systems to create powerful change.
- Determining why you are developing a BSC must be based on your particular circumstances.
- In the absence of a clear and compelling rationale the rumor mill will quickly fill the void.
- A powerful guiding rationale energizes your team.

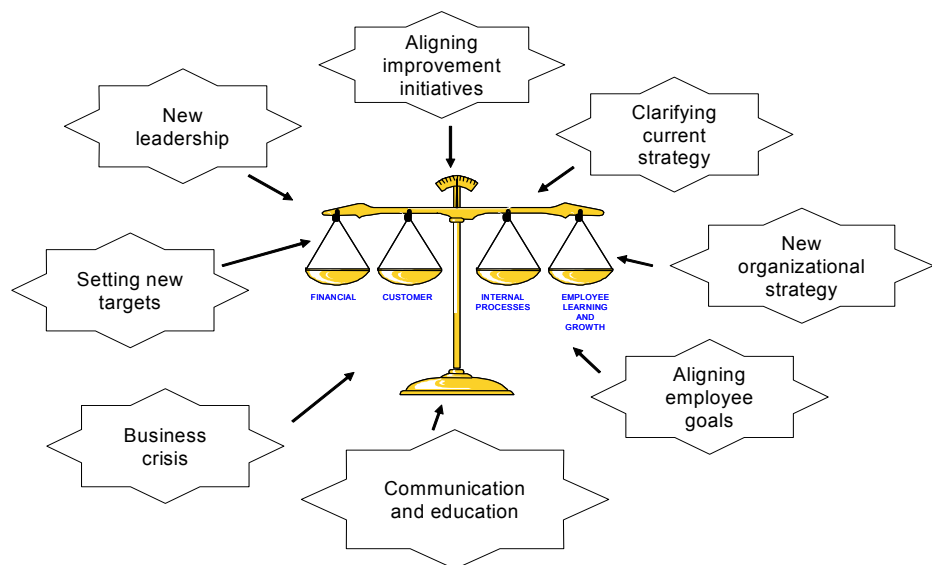
I enjoy reading the work of Stephen Covey. His writings have had a strong influence on my consulting work, and my personal mission. In "First Things First" Covey and his co-authors describe the concept of putting the big rocks in first. This is a method of determining the key priorities in your life and ensuring you address them before moving on to other pressing areas.¹ In a similar vein, but far earlier, the philosopher

Plato suggested "the beginning is the most important part of the work." I'm inclined to agree with both of these quotes and believe they apply very well to our discussion of a guiding rationale for your Balanced Scorecard program.

On its own even the most well constructed Balanced Scorecard will not instantly transform your organization. For positive change to occur the

Scorecard must be embedded in your management systems, becoming the cornerstone for management analysis, support, and decision-making. You'll need to determine exactly why you are embarking on the Scorecard journey in order to ensure the Scorecard's transition from a measurement tool to a management system. The exhibit below outlines a number of possible reasons for launching a Balanced Scorecard effort.

Objectives for the Balanced Scorecard



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, www.roadmapstrategy.com or www.senalosa.com.

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While this list provides valuable information it should not be seen as a shopping list for Scorecard objectives. Your organization must determine the precise motivation for launching this tool based on your particular circumstances.

Let's face it, you could be adopting the Balanced Scorecard for any number of reasons: You've heard a lot about it and thought it's about time you adopted it. Or maybe the idea of financial and non-financial measures just makes sense to you. Or, maybe you're implementing an enterprise wide planning system and the vendor suggested a Balanced Scorecard as an add-on product. While these are reasons they aren't enough to sustain a Balanced Scorecard program and make it a part of your management system. You need to be sure of why you're adopting this tool.

Let me give you an example of a problem that can occur when you don't have a clear and guiding rationale for your implementation. I once worked with a client that didn't develop a guiding purpose for the endeavor at the start. They were very anxious, and I should add

totally committed, to getting the Balanced Scorecard up and running quickly but answering the question "Why are we doing this?" was ignored. Within just a few weeks of starting the engagement it was stalling badly – engagement from employees was low, cynicism was high, and confusion seemed to reign the day. This situation was baffling to the group's leader since he had spent enormous energy exuding everyone to "Give their full support to the Balanced Scorecard." What he hadn't done was say why it was being used and what they could expect as a result. In the absence of a reason for launching the Scorecard the rumor mill quickly generated its own dreary reasons, including: lay-offs and budget cuts. Upon hearing the rumors the group's leader quickly set in motion a communication effort to get the word out about his real ambitions for the Scorecard program: alignment, focus, and accountability, but important momentum had been lost and it took several weeks to put the Scorecard train back on the fast track.

When you have a well understood, agreed upon, and

widely communicated rationale for the implementation, you possess a valuable tool in expanding the role of the Balanced Scorecard. The consensus achieved from an overarching objective for the Balanced Scorecard greatly assists your communication efforts as you focus and educate all employees on the goals of the implementation. And during the inevitable periods when your Scorecard implementation experiences difficulty sustaining momentum, the focal point of your guiding objective can serve as a rallying cry to re-energize and re-focus the efforts of your team. The results of developing a guiding rationale for your Balanced Scorecard aren't just anecdotal. In one survey "Communication of the purpose for using performance measurement to employees" was cited by over 60 percent of respondents as an important aspect of a successful performance management system.ⁱⁱ Remember the old adage; a journey of a thousand miles begins with a single step. To ensure your Balanced Scorecard journey is successful your first step should be the development of objectives for the program within your organization.

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ⁱ Stephen R. Covey, A. Roger Merrill, and Rebecca R. Merrill, *First Things First* (New York, NY, Simon & Schuster, 1994)

ⁱⁱ From *Performance Measurement at the State and Local Levels: A Summary of Survey Results*, Government Accounting Standards Board, 2001.

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