

The Balanced Scorecard: A Strategic Chart of Accounts

The Balanced Scorecard is the “strategic chart of accounts” for organizations that focus on strategy. It captures both the financial and the non-financial elements of an organization’s strategy, and discusses the cause and effect relationships that drive business results.

The Balanced Scorecard allows, for the first time, an organization to look ahead, using leading indicators, instead of only looking back using lagging indicators. The Balanced Scorecard puts strategy – the key driver of results today – at the center of the management process.

The major components of the Balanced Scorecard provide both a holistic view of an organization’s strategy *and* the path toward executing its strategy. The major components are:

- Perspectives
- Objectives
- Strategy maps
- Themes
- Measures
- Targets
- Initiatives

The Balanced Scorecard management system (often referred to as the “Strategy-Focused Organization” and discussed in an accompanying Ascendant white paper) is the system that integrates the Balanced Scorecard into the day-to-day operations of the organization and enables rapid and effective strategy implementation.

Perspectives

A central idea of the Balanced Scorecard is the idea of cause-and-effect relationships between elements of the strategy. In the mission-driven Balanced Scorecard model, there are five

perspectives, linked in a cause and effect relationship. They are:



Figure 1: Mission-Driven Organization Perspectives¹

Objectives

Within each perspective, there are a set of key *objectives* that seek to answer the questions outlined above. They are high-level statements of elements of your strategy.

For example, in the financial perspective, typical objectives might include:

- Manage Program Effectiveness
- Increase Major Gifts
- Satisfy Evolving Client Needs

These objectives are themselves linked together in a cause and effect relationship. For example, both “Increase Major Gifts” and “Increase Productivity” are linked to “Maintain Long-Term Viability.” Most Balanced Scorecards have between 15-20 objectives, distributed equally across the four perspectives.

Strategy Map

When a set of linked objectives is displayed graphically, it is called a *Strategy Map*. A Strategy Map is a one-page visual depiction of an organization's strategy, expressed as a series of linked objectives:

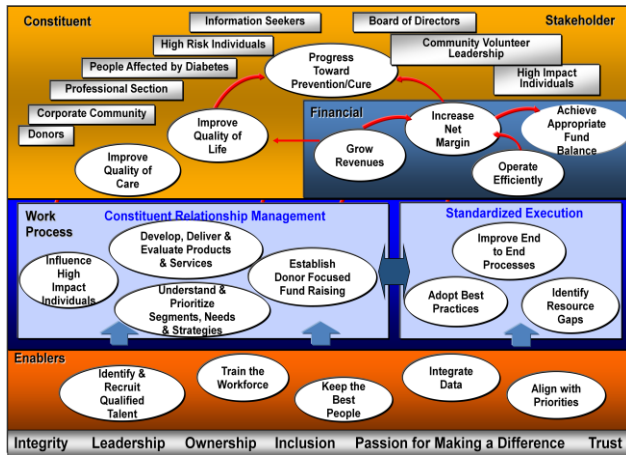


Figure 2: American Diabetes Association Strategy Mapⁱⁱ

The strategy map visualizes the logic behind your strategic hypotheses. Good strategy maps can “tell the story of your strategy”:

“If we provide employees with the necessary training, technology, and culture *then* they will be able to develop the necessary internal processes that will provide customers the right value proposition that in turn will result in achieving our financial objectives, allowing us to execute on our mission.”

Measures

“What gets measured gets managed.” Progress in achieving objectives is determined through measurement. By creating a set of *measures*, linked to the organization's strategy, you can ensure that you are measuring and managing your organization based on your strategy.

It's important to develop a set of balanced measures in a Balanced Scorecard. Most Balanced Scorecards have between 20-25 measures, distributed across the four perspectives equally.

Targets

Targets describe the level at which a measure must be achieved in order to execute the strategy. Generally, a stretch target is set from 3-5 years out, and the current period targets are backed into based on the stretch targets.

Targets also help determine the level of investment in particular areas of the strategy. For example, a revenue growth strate-

gy might have particularly high revenue targets, and more achievable cost targets. A profitability strategy might have equally hard cost and revenue targets.

Initiatives

Initiatives are the projects that are put in place to help close the performance gap between the actual and the target on a measure. Initiatives are not the “day-to-day” business operations but rather are special projects that generally have a budget, timeline, person accountable, and other resources. Initiatives may be large or small in scope. They generally are owned by a person or group and are managed like projects.

To Learn More

The Balanced Scorecard has been the subject of four articles in the *Harvard Business Review (HBR)*; two best-selling business books that have been translated into 19 languages; and numerous case studies and public conferences worldwide. The editors of *HBR* identified the Balanced Scorecard as one of the most significant management ideas of the past 75 years.

Learn more about the Balanced Scorecard and join the global Balanced Scorecard community at www.bscwiki.com and www.bsccommunity.com.

Ascendant Strategy Management Group

Ascendant Strategy Management Group is a professional services firm dedicated to helping associations, foundations, government agencies, and charities drive breakthrough results with the Balanced Scorecard. Founded by professionals with more than 30 years of combined work experience with Drs. Kaplan and Norton, originators of the Balanced Scorecard, Ascendant is uniquely qualified to help organizations manage strategy.

Ascendant offers training, consulting, facilitation, and technology services to clients directly or via a Collaborative Network that encourages group knowledge sharing, learning, and networking. With a singular focus on strategy management, Ascendant's goal is to transfer knowledge and capabilities to improve the management capacity of the not-for-profit sector.

Please visit our website and read Ascendant Strategy Management Group's blog at www.ascendantsmg.com.

ⁱ Kaplan and Norton, *Strategy Maps: Converting Intangible Assets Into Tangible Outcomes*, Harvard Business School Publishing, 2004

ⁱⁱ *Ibid*