Using the Balanced Scorecard as a Strategic Management System

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The **balanced scorecard** revolutionized conventional thinking about performance metrics. When **Robert Kaplan** and **David Norton** first introduced the concept in 1992, companies were busy transforming themselves to compete in the world of information; their ability to exploit intangible assets was becoming more decisive than their ability to manage physical assets.

The scorecard allowed companies to track financial results while monitoring progress in building the capabilities needed for growth. The tool was not intended to be a replacement for financial measures but rather a complement--and that's just how most companies treated it. Some companies went a step further, however, and discovered the scorecard's value as the cornerstone of a new strategic management system.

In this article from 1996, the authors describe how the balanced scorecard can address a serious deficiency in traditional management systems: the inability to link a company's long-term strategy with its short-term financial goals. The scorecard lets managers introduce four new processes that help companies make that important link.

The first process--translating the vision--helps managers build a consensus concerning a company's strategy and express it in terms that can guide action at the local level. The second--communicating and linking--calls for communicating a strategy at all levels of the organization and linking it with unit and individual goals.

The third--business planning--enables companies to integrate their business plans with their financial plans. The fourth--feedback and learning--gives companies the capacity for strategic learning, which consists of gathering feedback, testing the hypotheses on which a strategy is based, and making necessary adjustments.

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