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Step 3: Balanced Scorecards

The Balanced Scorecard is a single performance measurement system combining financial and non-financial measures.

The Balanced Scorecard monitors the critical areas of your business and reports how well you are doing.

Balanced Scorecards facilitate strategic planning, improved customer service, real-time problem solving and quality analysis.

The Balanced Scorecard is fast becoming one of the most important management tools for creating value.

My role is to facilitate the process of building a Balanced Scorecard for your organization.

1. The Real Source of Creating Value

Creating value comes from all parts of your business. Everything from employee development to product innovation. Here are some quick examples of value-creation:

- Extremely efficient operations (like Federal Express).
- Exceptional customer service (like Wal-Mart).
- Outstanding product quality (like Nike).
- An emphasis on product innovation (like Michelin).
- Re-inventing how the marketplace works (like Amazon.com)

Your organization must create value in everything you do – it's no longer good enough to just focus on financial performance as a measure of creating value.

2. The Need to Measure Non-Financial Performance

Since value is created all over the place, you need to measure the non-financial parts of your business. And remember, **things that get measured get done!** The system used for measuring the non-financial parts of your business is called the **Balanced Scorecard**. This is your third step in *Creating Value through Excellence in Financial Management*.

3. The Overall Process

The process for building a Balanced Scorecard includes:

1. Identifying critical success areas within your business.
2. Leading a cross-functional team for developing individual scorecards.
3. Coordinating the design of an enterprise-wide scorecard based on individual scorecards.
4. Linking your strategic plans to the design of the Balanced Scorecard.

The Balanced Scorecard is a dramatic change in how performance is measured. It represents one of the leading edge tools in strategic management. I encourage you to explore this new integrated systems approach to performance measurement.