

FAQ Answer: Can I use measures from other organisations to build my own Balanced Scorecard?

Can I use measures from other firms to build my own Balanced Scorecard?

Yes – but... It is possible to use the same measures as other organisations (databases are available that list potential measures), but doing so is usually less helpful than it might appear at first. The value of the Balanced Scorecard lies in its ability to provide relevant information about an organisation's performance in pursuit of key strategic or management goals. However, most organisations, even within the same market segment, have different goals: Using measures from other organisations is not, therefore, a good substitute for working out what information is actually needed – in fact, it is potentially harmful. The actions such "borrowed" measures might trigger (if any) would probably not be those most likely or most important to achieving the organisation's own aims and by not clarifying first what the aims are, potentially more useful measures might be missed.

So when is it OK?

It depends mostly on how the Balanced Scorecard will be used – whether it is for Strategic Control or for Operational (Management) Control purposes. For more information on how these applications differ see the 2GC FAQ – [What are the main benefits of a Balanced Scorecard?](#) Broadly, the scope to use others' measures is greater in Operational Control applications. This is particularly true in larger organisations where some departments, functions or processes may be very similar to those elsewhere, and hence share similar operational performance goals. This is the premise upon which most "Benchmarking" activity is based.

"Strategic Control" Balanced Scorecards also presents plenty of scope for different designs to share common measures, for example most include some sort of "total cost" measure, but these similarities, should not occur by design. In order to ensure relevance, measures must be selected based on how well they are likely to help monitor achievement of the specific strategic objectives the particular organisation has agreed to pursue; not what others have chosen to monitor.

Measures for Operational Control Balanced Scorecards

The design requirement is to identify what small set of performance measures provides the most relevant information for making better decisions about management intervention in the unit in question. Yet, this needs to be done in a relevant strategic context, usually informed by the Strategic Control process (see below), which provides answers to questions like whether the unit needs to focus on quality, speed or cost in order to make the expected contribution to the achievement of organisational goals. For example, a firm operating in a new and high-growth market with demand outstripping supply decided it needed to focus operational management attention on overall supply-chain performance rather than product quality. However, when it investigated what similar firms were measuring, it found that most of them focused on product quality. Thus, using the "standard" industry measure would have been inappropriate, due to the organisation's particular strategic context.

Designing Operational Control Balanced Scorecards often involves some kind of "modelling" of the processes involved identifying the most relevant levers to pull (measures to monitor). In one extreme case, a firm built a dynamic simulation of one of their retail outlets to help identify the couple of dozen key measures that could highlight improving performance across the whole store. Where well documented standardised processes are used, best practice is often a given, and generic measures can be used.

Measures for Strategic Control Balanced Scorecards

Strategy implementation typically involves managing a high degree of uncertainty based on the management team's theories about what produces the desired results i.e. do we focus on quality, speed or cost? There are no given answers to these questions and no pre-defined best practice. Identifying the 'correct' measures for a Strategic Control Balanced Scorecard therefore requires the top management team of an organisation or unit first to agree on what they are trying to achieve and how they are going to achieve it.

The modern 3rd Generation Balanced Scorecard approach facilitates clarification of this by helping the management team to:

- Agree upon the long term goals of the organisation or unit
- Make choices about the medium term objectives to deliver the long-term goals - i.e. what has to be done first to make the changes happen?
- Create a focussed measurement system that enables them to track performance towards those strategic goals - i.e. are we doing what we set out to do and does it have the intended effect?

Once the management team has established the company's strategic goals and how they believe they can achieve them, the choice of how to monitor the progress (i.e. what measures to choose) becomes a lot clearer. For more information look at the 2GC FAQ - [How do I create a Balanced Scorecard for controlling strategy?](#)

Where can I find a Measures Database?

These three websites have some performance measurement suggestions and links:

1. The Foundation for Performance Measurement site features a Guide to Performance Measures
2. The Centre for Business Performance site run by Cranfield University in the UK
3. Zigon Performance Group – a site run by a US based consultancy

More Information

The [Resources](#) section of the 2GC web site contains other 2GC FAQs relating to the Balanced Scorecard and modern 3rd Generation Balanced Scorecard and also recommendations for books and articles on the subject and links to useful web sites. For information on 2GC's services including our consultancy and training programmes, visit our services section of the web site or email Services@2gc.co.uk

About 2GC

2GC is a research led consultancy expert in addressing the strategic and performance management issues faced by organisations in today's era of rapid change and intense competition. Central to much of 2GC's work is the application of 3rd Generation Balanced Scorecard, an approach to strategic implementation, strategy management and performance measurement.