

How can I maximise the chances of successfully implementing a Balanced Scorecard?

Overview

As with many other management tools or systems, although the theoretical principles are well founded, the practical value of a Balanced Scorecard can only be realised if it is successfully implemented. Poor implementation can result in Balanced Scorecard failing to deliver its potential benefits. In the most extreme cases, this could leave an organisation with something that does not work: a burden rather than an asset. This FAQ highlights some of the causes of poor implementation and suggests some ways in which they can be avoided. To find out more about the potential benefits from use of the Balanced Scorecard, see the 2GC FAQ document "[What are the benefits of a Balanced Scorecard?](#)" which is available from the 2GC website.

Four things to focus on

When implementing Balanced Scorecard in organisations four areas present particular challenges:

1: Getting the Design Right

Although superficially the Balanced Scorecard is a very simple methodology, the design itself and the design processes initially proposed to help create one each have significant weaknesses. To correct these problems, Balanced Scorecard has evolved. This evolution is discussed in more detail on the 2GC web site – see the FAQ "[What is current best practice Balanced Scorecard?](#)" available from the 2GC web site.

Using the right design and design process is extremely important – making poor choices can reduce the inclination of the management team to use the new system. Three common factors that contribute to poor initial design are:

- **Poorly informed or unrealistic expectations for the Balanced Scorecard:** If the management team involved in the project do not possess a reasonable understanding of the concepts behind the process and the reasons for implementing the Balanced Scorecard, it is unlikely that it will succeed. For example, poor understanding could lead the internal sponsor to choose either an inappropriate design approach which does not involve the managers themselves or uses unsuitable facilitators.
- **Poor design process used:** The design process to develop a Balanced Scorecard can take many forms from very basic questionnaire style development to complex multi-workshop management team facilitation as favoured by 2GC. The choice of design process has a strong influence on the success of a Balanced Scorecard project – choose poorly and the project will fail. The current best practice design process for most applications is used in 3rd Generation Balanced Scorecard.
- **Poor management of the design process:** A major influence on the quality of the output resides in the ability of the process facilitators to manage and deliver the project (whether they be internal teams or external consultants). Key to successful process facilitation is depth of understanding of the concepts behind Balanced Scorecard. For success you need facilitators that are both informed and experienced.



2: Aligning Balanced Scorecard with other processes

There is no reason to suppose that the pre-existing processes will work smoothly with a Balanced Scorecard once it is introduced. Often existing processes contain implicit goals and objectives that might be at odds with those described in the Balanced Scorecard. To ensure the pre-existing processes are aligned with the goals described in the Balanced Scorecard, academics and practitioners agree that pre-existing processes in an organisation should be reviewed and adjustments made to mitigate conflicts. The processes that often require review are: **budgeting, strategic planning and performance reporting.**

3: Embedding Balanced Scorecard thinking within the organisation

If the Balanced Scorecard is not fully supported within the organisation by the management team then it is likely to either fall short or fail in its objectives. Key to this support are:

- **Ownership:** Managers are more likely to use, and support the use of a Balanced Scorecard if they feel some ownership of it. A good way of building ownership is to involve the managers who will use the Balanced Scorecard in its design. Not only does this ensure that they understand the content of the Balanced Scorecard, but also that the design adopted is relevant to the issues they are managing (rather than what someone else thinks they are managing). But the design process need to be 'owned' internally as well - to ensure that the capability to develop and maintain Balanced Scorecard is retained even as managers come and go. A good approach is to use mixed project teams that combine the management team and some key support personnel (and maybe an external expert consultant) in the development process.
- **Culture:** The Balanced Scorecard works by building consensus within a management team about shared goals, and focusing their attention on the status of activities being carried out to achieve these goals. This approach requires an organisational culture that fosters co-operative working, and recognises the need for shared responsibilities and accountabilities. To work the Balanced Scorecard approach also requires clear and concise communication of objectives and expectations within the organisation. It is always sensible think through these cultural issues during the Balanced Scorecard design process.
- **Rewards:** Embedding objectives contained in the Balanced Scorecard in the "owner's" performance appraisal objectives is an important link in making Balanced Scorecard work.

4: Encouraging managers to use the Balanced Scorecard

A Balanced Scorecard will only help organisations control and implement strategy if it is fully used and regularly updated. But management teams have busy schedules, and it is not wise to assume simply because a Balanced Scorecard has been designed that the target management team will find time in their shared meetings to review it. Discussion of when and how the Balanced Scorecard will be used should be an essential part of the Balanced Scorecard design process. One approach is to insert Balanced Scorecard into the agenda of a regular meeting the management team already have, and in doing so agree with the managers what topics will be removed from the agenda to make time for it to be discussed; getting the management team to agree to put the Balanced Scorecard near the beginning of the agenda is also helpful.

Putting Balanced Scorecard 'on the agenda' will ensure it gets reviewed once or twice. To ensure that the Balanced Scorecard continues to be on the agenda, it is important that the management team find the discussions of Balanced Scorecard useful. Having a good design will help; ensuring that the measures and targets chosen for the Balanced Scorecard are reported ahead of the meeting is also necessary. Many organisations underestimate the effort required to complete the design of a Balanced Scorecard (e.g. Setting targets for all the measures chosen), and to subsequently collect up and report the data needed. During the later part of 2GC supported projects, we encourage the management team to discuss, and agree to resource, the reporting activity needed to ensure that their Balanced Scorecard meetings are fully informed about progress on objectives.



More Information

The [Resources](#) section of the 2GC web site contains other 2GC FAQs relating to modern 3rd Generation Balanced Scorecard and performance management in general. You will also find recommendations for books and articles on these subjects 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 commercial, public and non-governmental 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.