

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

Overview

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 not as helpful as it might at first appear. 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 may trigger (if any) in the organisation would probably not be those most likely or most important to achieving its own aims.

So when is it OK?

It depends mostly on how the Balanced Scorecard will be used – whether it is for Strategic Control or for 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 Management 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. For "Strategic Control" Balanced Scorecards there is plenty of scope for different designs to share common measures – for example most include some sort of "total cost" measure – but this is usually discovered "after the event" once the measures appropriate to the specific strategic objectives that make up the Balanced Scorecard have been selected.

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

Measures for Operational Control Balanced Scorecards

The design requirement is to identify what small set of performance measures provides the most relevant information the unit being managed – for example do we want to focus on quality, speed or cost etc. Designing this type of Balanced Scorecard often involves some kind of "modelling" of the processes involved – 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.

Example: A firm operating in a new and high-growth market with demand outstripping supply decided it needed to focus 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. Quality is always important. However, for this firm, achieving the highest levels of quality was not a priority. So using the "standard" measure would have been inappropriate.

Measures for Strategic Control Balanced Scorecards

The process of identifying the 'correct' measures is easier if you know what information the management team require, and how it will be used.

The approach 2GC uses with its clients to do this has these steps:

- ⇒ Define and agree a vision for the future – if the strategy works, what will the organisation look like then?
- ⇒ Define and agree what the major changes are between then and now, and what has to be done to make the changes happen – i.e. what is the plan to achieve the strategic vision?
- ⇒ Identify and agree what measurement information will usefully inform the management team about how well the plan is being implemented, and whether it is working out as expected.

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 2GC FAQ - How do I create a Balanced Scorecard for Controlling Strategy?

More Information

Other 2GC FAQs relating to the Balanced Scorecard describe factors that should be considered when developing and using a Balanced Scorecard (e.g. FAQ - How do create a Balanced Scorecard). The [Resources](#) section of the 2GC web site contains 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.



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