Balanced scorecard article review examples

Business, Company

- Balanced scorecard vs traditional performance measures

A balanced scorecard is a strategic planning system that is widely used in governments, business, industry and nonprofit organizations. Unlike the traditional performance measures which used ad hoc collection of measures that were more like checklists to keep track and improve, balanced score card aligns the activities of the organization to the goals, visions and strategy of the organization. This leads to the improvement of the internal and external communication in the organization. It also helps in the monitoring of the organization performance against its strategic goals (Kaplan & Norton, 90). Linking all these performance areas to financial metrics leads to a broader outlook of the company's health and activities. Furthermore unlike the traditional performance measure, the score card gives a reflection of the dynamic nature of technology and competition advantage. A balanced scorecard improves the traditional measures with benchmarks for performance in the organization key internal processes, the learning and growth and the company`s relationship with the customers. A balanced scorecard provides a framework that describes the value of intangible assets in the organization like knowledge. It gives a way to link the intangible assets in the organization to the tangible assets to create customer value proposition and financial outcomes.

- Challenges posed by implementing the balanced scorecard

Implementation of a balanced scorecard should reflect the strategy of the organization goals and vision. It must communicate the desired outcome of the organization. When an organization selects measures that do not reflect the organization strategy it leads to problems. This occurs when an organization applies all the Key Performance Indicators (KPIs) into the organization`s perspectives without ensuring that they are linked to the strategy (Niven, 191). Organizations must select measures that are in connection to the organization strategy to avoid problems.

When the company implements a balanced scorecard with few measures in every perspective of the organization, it fails to achieve a balance between financial and non-financial indicators. The company must obtain a balance between all these indicators. The implementation of the balanced scorecard may not receive commitment from the senior leadership and the other members of the organization. The leadership must work together to ensure the implementation of the balanced scorecard.

Works Cited

Kaplan, Robert S., and David P. Norton. " Transforming the balanced scorecard from performance measurement to strategic management: Part I." Accounting horizons 15. 1 (2001): 87-104.

Niven, Paul R. Balanced Scorecard Diagnostics: Maintaining Maximum Performance. Hoboken, N. J: Wiley, 2005. Print.