

# Balanced Scorecard Basics



The balanced scorecard (BSC) is a performance management model. It can be used in any size organization to align the vision and mission with customer requirements and day-to-day work, manage and evaluate business strategy, monitor operation efficiency improvements, build organization capacity, and communicate progress to stakeholders. Originally developed as a framework to measure private industry financial and non-financial performance, BSC systems are made applicable to non-profit and public sector organizations by changing the overall objective from making money to achieving the Mission. For this discussion, we will assume the BSC is for a non-profit or public organization.

The balanced scorecard concept was developed by Robert Kaplan and David Norton of Harvard Business School in the mid-nineties. It was originally designed to offer a more balanced approach to performance measurement, by focusing not just on bottom-line financial metrics, but also the drivers of performance: customer focus, effective internal processes and investments in employees and technology. Organizations quickly realized that the model offered more than just a measurement system. Used well, it enabled organizations to develop, communicate and execute their business strategy.

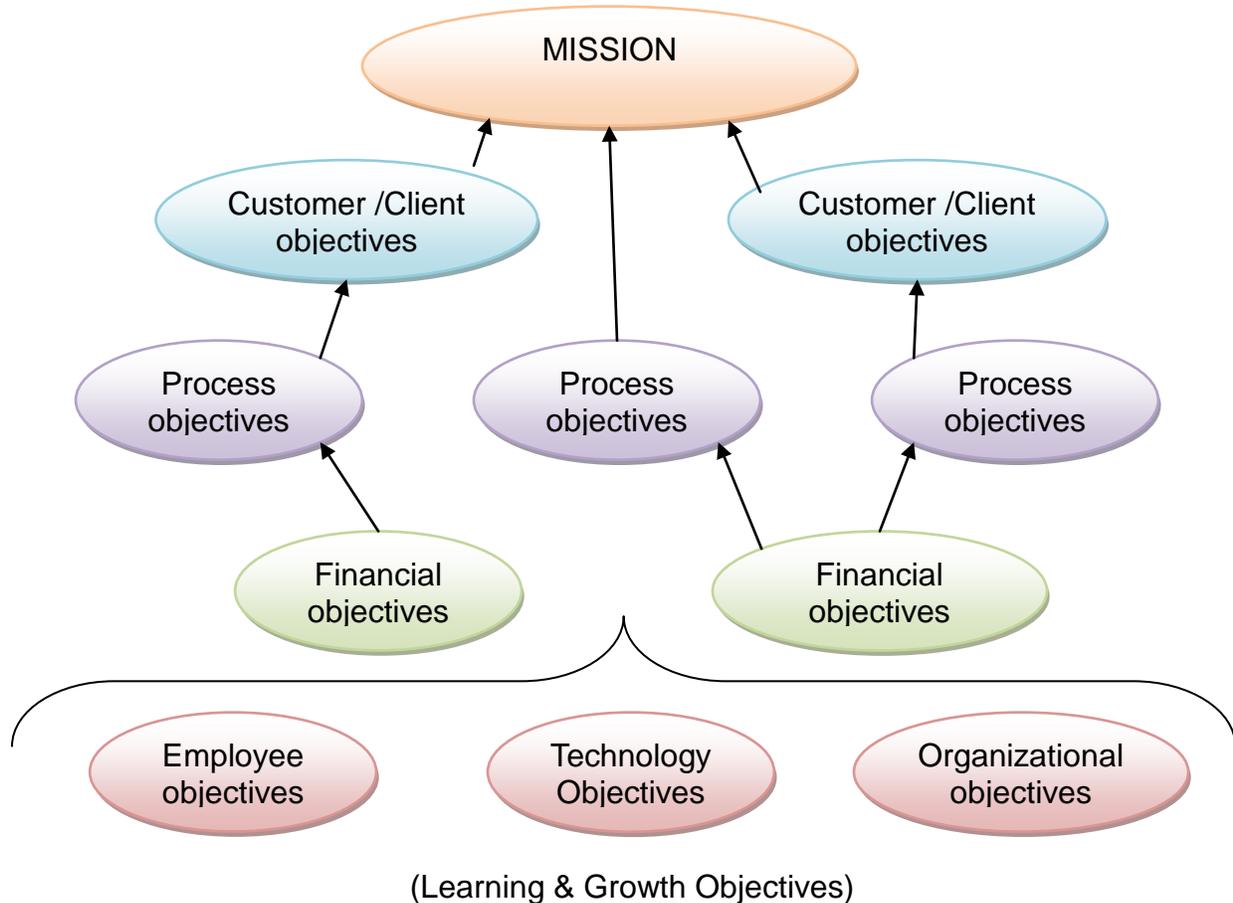
The BSC looks at the organization from several perspectives, traditionally: customers, finances, internal processes and organizational learning and growth. Variations are common, with organizations adding additional perspectives, or rearranging the order of perspectives on the *strategy map*.

The strategy map is a picture of your strategy, which identifies objectives in each perspective in a cause and effect relationship. You start at the top, with a well defined Mission, and then ask yourselves:

- How do we want to serve our clients? What services will we provide? How will we provide value? The answers to these questions become your customer objectives.
- In order to meet the needs of our clients/customers, what do we need to do well? What do we need to do differently than today? The answers to these questions become your internal process objectives.
- In order to meet our customers' needs and perform well, how do we need to look financially? What are our strategies for maintaining revenue and controlling costs? The answers to these questions become your financial objectives.
- In order to achieve the Mission and objectives, how must we invest in our employees? What improvements do we need to make in our computer systems and communication technology? How do we need to change the organizational culture? The answers to these questions became your learning and growth objectives.

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A Typical Strategy Map for a Non-profit Organization



Once objectives have been identified, measures are developed for each objective. While traditional measurement is done to monitor, report and control, a more positive measurement system serves many vital purposes, including focusing attention, clarifying expectations and improving decision-making. Each measure should be clearly defined and have a target. Finally, organizational initiatives should be identified that directly relate to the measure and objective.

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The example below is for the Fremont Education Foundation, an organization that supports the students in the Fremont Unified School District public schools.

	Objectives	Measures	Actions/ Initiatives
Mission: Enhance educational opportunities for all our students; Increase community investment & involvement in schools			
Client	Sponsor After-School Bands	# of participating students Ratio of participating students to eligible students, by school	
	Award Innovative Education Grants	# of applications	<ul style="list-style-type: none"> <li>Develop criteria/guidelines for when to expand programs</li> </ul>
	Award Sport Fund Grants	# and amount of grants	
Financial	Establish stable, adequate funding	Total dollars raised % by sources (individual, business, other)  % from Foundation Sponsors (>\$15,000)  % from sustaining donors (multiple years)	<ul style="list-style-type: none"> <li>Develop a plan</li> <li>Solicit sustaining donors</li> <li>Define a "sustaining donor" (multiple year pledges?)</li> <li>Look into a membership structure for donors</li> </ul>
People	Develop the Board	# sitting, qualified Board members  # contributing associate and/or honorary board members	<ul style="list-style-type: none"> <li>Develop list of desired Board skills, knowledge, contributions</li> <li>Start a recruitment for new Board members (and volunteers)</li> </ul>
	Expand volunteer base	# of critical tasks on list covered by capable volunteers	<ul style="list-style-type: none"> <li>Develop a list of critical tasks</li> </ul>
Processes	Increase community awareness	# of business supporting FEF at \$X level  # of outreach events/promotions	<ul style="list-style-type: none"> <li>e-newsletter</li> <li>Develop marketing materials (Power Point, video, handouts)</li> </ul>
	Update technology systems		<ul style="list-style-type: none"> <li>Improve donor database</li> </ul>