Putting the Balanced Scorecard into Action

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Realizing the need of an integrated management system that would incorporate both traditional quantitative and more abstract qualitative performance measures, Kaplan and Norton (1996) developed the concept of the Balanced Scorecard (BSC), which aims at providing "a framework that translates strategy into action". The BSC is developed along the four well-known perspectives of *Financial, Customer, Internal Business Process, and Learning and Growth Performance*, which, at any point in time of measurement, characterize the current status and future potential of organisations. These perspectives foster a balance between short- and long-term objectives, between desired outcomes (lag performance measures) and the performance drivers of these outcomes (lead performance measures), and between quantitative-objective measures and qualitative-subjective measures.

Through the years, the Balanced Scorecard has evolved, from the performance measurement tool originally introduced by Kaplan and Norton (1992), to a tool for implementing strategies (Kaplan and Norton, 1996) and a framework for determining the alignment of an organisation's human, information and organisation capital with its strategy (Kaplan and Norton, 2004). This shift has prompted companies to view the BSC as a strategic communication and management system, thus placing significant weight on several implementation issues that have not previously been documented in the literature.

Kaplan and Norton provide significant insight into the application potential of the Balanced Scorecard for private and public sector companies and give numerous design and implementation examples from a range of industries. However, little attention is paid to different critical supporting factors such as change management, project management, IT infrastructure development, quality assurance and risk management that, from our experience are critical for the successful implementation of a Balanced Scorecard. Furthermore, the methodological approaches in the numerous case studies of BSC implementation projects vary significantly in the sequence, content and number of implementation steps and phases, and are applicable to particular companies and market segments rather than attempting to provide generalised knowledge.

In this article we develop a holistic but lean methodological approach for BSC synthesis and implementation, which capitalises on the work of Kaplan and Norton and on the knowledge already documented in similar implementations from different countries, macro and micro conditions, industries and company sizes, while incorporating critical issues that have not previously been considered systematically. In this way we attempt to generalise new and previous findings so that the principles presented in this paper can be applied universally.

The proposed methodological approach for preparing, designing, implementing and rolling out the Balanced Scorecard is a results-oriented methodology, focusing on short distinct phases with manageable outcomes. It is developed along two main axes. The horizontal axis (*project phases*) represents the chronological succession of the project activities and comprises six distinct project phases. The vertical axis (*activity groups*) comprises the different sets of activities (with two main activity groups - core and supporting activities), which are defined by the different skill sets / knowledge required to undertake a given activity. This novel approach of using activity groups will help companies identify the different skills required to complete each activity group. It also distinguishes the *core* BSC activities which account for fundamental building blocks of the BSC and which are project independent, from the *support activities*, which generally vary according to the complexity, time and budget of the project. Thus, the categorization along two axes demonstrates the vertical, cross-functional tasks that must be performed within each phase by people with different skill sets. Furthermore, this categorization provides strong inter-functional coordination, which is seen to be positively correlated with achieving the desired project outcomes (Matta and Ashkenas, 2003).

The phases that have been selected aim at encompassing groups of activities, to a degree of detail that will incorporate all the value-added information whilst not compromising the generalization that we attempt to offer. There is no interdependence between the proposed sequential phases, thus the results of the previous phases are not reconsidered / altered within the next phase.

Activity Groups

The seeming simplicity of the Balanced Scorecard concept makes people underestimate the difficulties of putting it in place (Olve *et al*., 2004). However, the process of introducing a BSC in an organization is a challenging endeavour that constitutes a significant change initiative.

The proposed BSC methodology introduces the concept of activity groups in order to account for all these levers that constitute to a large degree the success or failure of a BSC implementation. The two activity groups used also cluster the main activities performed in each of the methodology's phases while demonstrating the most important areas of concern, which must be considered throughout the BSC project.

The Core Activity group is concerned with all main strategy related activities that must be performed in order to design, implement and deploy a BSC. They start from the analysis of the vision and strategy of the company, encompass the identification and linkage of the strategic objectives in a strategy map, cover the selection of the measures and extend up to the development of the targets and the strategic initiatives. These core activities relate to the building blocks of the BSC, and therefore have been extensively analysed in the literature, both by Kaplan and Norton and other researchers. Thus, only a brief description of these activities is provided, placing the focus on the more critical implementation factors which have been seen to arise / emanate from other BSC implementations.

However, dealing with the strategy aspect of a BSC project and thus undergoing the core activities will not ensure the success of the project, since, as mentioned above, there are other components / levers that constitute an organization (structure, processes, people and technology), which must be considered during implementation.

The Support Activity group aims at identifying all these additional / supporting activities that have a large impact on the organisation and should be considered during the whole project's lifecycle. The support activity group also specifies the different competencies needed to undertake each activity, thus contributing in defining the different skill sets required by the members of the BSC implementation project team. The support activities involve:

- ***Change Management***. As the introduction of a Balanced Scorecard is equal to the introduction of a new performance measurement system and a new performance management approach, it comprises important changes in organisation, management and systems. Change efforts, however, often result in failure (Strebel, 1996). In particular, we have encountered numerous instances where the introduction of a BSC has met resistance, especially from middle managers, since the BSC is a management tool that makes organisational performance transparent to the whole organization. The aim of this activity group is to account for and minimize resistance to change by ensuring that people understand the need for change, are properly motivated to change (e.g. formulation of incentive programs) and participate in the process of designing and implementing the new performance management system (Neely *et al*., 1996).
- ***Risk Management & Quality Assurance***. Identification of project risks and the need to effectively manage them is strongly emphasised in the project management literature (Williams, 1995). However, even though risk management approaches have been found to be positively correlated with meeting time and budget goals, few projects in general integrate specific risk management practices (Raz *et al*., 2002). The proposed tasks related to risk management comprise a two-stage approach, namely *risk assessment* and *risk control*. Risks associated with BSC projects include frequent and uncontrolled changes to the building blocks of a BSC (strategic objectives, measures, etc), poor time and cost estimates, poor communication and tensions between the project team (especially in designing the strategy map and establishing the targets for the measures), project inertia and changes in the company's strategy during BSC implementation. Quality assurance (QA) is concerned with the fitness (efficiency and effectiveness) of the BSC solution to meet the needs of the users. For this reason a process should be implemented for reviewing, performing necessary changes / enhancements and approving the work done by the BSC project team. Also, a special QA team, which will be responsible for ensuring the quality of the project, should be composed.
- ***Information Technology***. Due to the data intensive nature of BSC implementations, companies engaging in a BSC project should also prepare to implement a BSC Information Technology (IT) solution, which can range from customizable large software vendor BSC solutions to simple off-the-self applications. However, IT should not only be viewed as a means for automating low value-added activities, but as a strategic enabler to efficiently use the BSC and as a mechanism which enhances coordination and control abilities throughout the firm (Grant, 2002). In this context, the IT activities proposed by this methodology relate to specific tasks for the assessment of existing technologies, the detailed definition of technology requirements, the evaluation-selection-procurement-customisation of vendor solutions, the interfacing to existing systems, and the testing of the final system.
- ***Project and Process Management***. The implementation of a BSC project requires the involvement and management of employees from different departments, thus, project management is one of the key activities that must be performed to ensure timely, accurate and within budget implementations. Even though the introduction of a BSC is a relatively small project, several cases have been recorded where BSC projects have deviated significantly from the budgeted time and cost. The majority of the time delays were the result of poor project planning and diverging agendas among project team members, while the excess costs mainly originated from the implementation of the data-mining technology required to gather and calculate the BSC performance measures.

Conclusion and Limitations

Turner (1992) describes a project as: "an endeavour in which human, material and financial resources are organised in a novel way, to undertake a unique scope of work of given specification, within constraints of cost and time, so as to achieve unitary, beneficial change, through the delivery of quantified and qualitative objectives".

Under these principles, we have developed an integrated methodological approach for BSC synthesis and implementation, which aims to provide a comprehensive framework, which will cover the important aspects of a Balanced Scorecard synthesis and hence can serve as a guideline for implementations.

Even though every attempt is made in generalising the concepts presented in this paper, company specific factors, such as size, strategy, resources etc., requiring deviations from the proposed methodology, will always need to be considered while implementing a BSC.

Furthermore, even though most organizations seem to agree that a BSC implementation will be beneficial, one must not overlook the fact that its effectiveness and benefit is highly dependent on the content of the implementation process that is used.

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