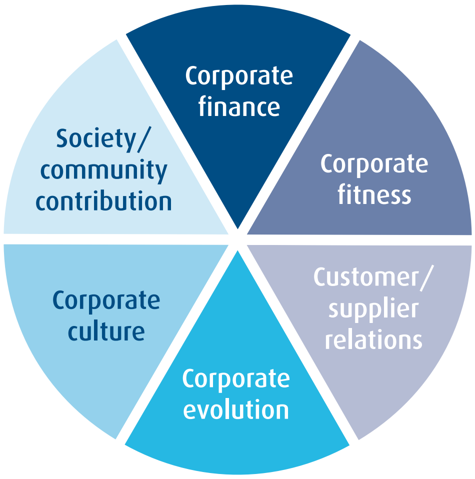
Balanced needs scorecard

The concept of the balanced scorecard was invented by Kaplan and Norton to help companies recognise the importance of measuring performance in a balanced way by measuring inputs as well as outputs. For example, profit is an output, whereas money spent on improving productivity is an input that increases profit. Similarly, money spent on improving customer satisfaction, research and development, leadership development, and community involvement are inputs that ultimately result in improved financial performance.



If you are currently monitoring performance of your company only in financial output terms then it is as if you are driving a car without any instruments on the dashboard except a rear view mirror. Financial results only tell you about the past. They do not tell you about the state of the future. Only when you set goals and measure inputs for all categories of the scorecard do you get an idea of how you might improve your financial performance in the future.

Successful companies set goals and objectives for each category of their scorecard and closely monitor their progress.

The model of the balanced needs scorecard was created by Richard Barrett and is described in 'Liberating the Corporate Soul: Building a Visionary Organisation.'

The model of the balanced needs scorecard differs from Kaplan and Norton's model in two important ways.

- It adds two categories to the four-part scorecard – corporate culture, and society and community contribution.
- It is used as part of the culture assessment to provide a business-focused diagnostic of the current culture, and to identify which categories of the scorecard are important for the future growth and development of the organisation.

Description of the balanced needs scorecard categories

The first three categories of the balanced need scorecard represent the primary needs of an organisation: corporate financial-profits, finance, and funding; corporate fitness-productivity, quality, and efficiency; and customer/supplier relations-sales, service, and product excellence. These are fundamental issues for the successful operation of every business and organisation. They represent the 'hard stuff' that every business has to get right in order to survive.

The next three categories represent the 'soft stuff' that supports these front-line needs. They include corporate evolution-participation, innovation, learning, creativity and intellectual capital; corporate culture-vision, mission, values, and employee fulfilment; and society and community contribution-social and environmental responsibility, being of service, and making a difference. In the twenty-first century, the 'soft stuff' is destined to become the principal arena for determining competitive advantage.

Corporate finance

Performance in this category is measured in terms of financial or growth indicators. The indicators may vary during the life cycle of the organisation. A start-up company, for example, may set goals related to capital formation. A well-established company may focus on goals related to profit, return on assets, and cash reserves. A public company may want to measure its success by its stock price. Growth indicators in the service sector may relate to number of customers or number of outlets.

Corporate fitness

Indicators that relate to improving systems and processes-speed, cycle time, quality, productivity, and efficiency measure performance in this category. The most important of these processes are those that affect customers, finances, and employee productivity. Thus, the time between order taking and delivery, the time between order taking and payment, and the output per employee are popular targets for improving corporate fitness. The targets are usually achieved through some form of reengineering.

Customer/supplier relations

Indicators related to market share, brand loyalty, customer satisfaction, and customer collaboration measure performance in this category. Indicators that relate to supplier relations are also important. The values audit instrument can be used to measure the quality of customer and supplier relations. It can also be used to measure the degree of values alignment between the organisation and its customers and suppliers.

Corporate evolution

Performance in this category is measured by indicators that relate to how well the organisation is doing in generating ideas that result in product and process innovation-creating new products and services, adapting existing products and services, and generating ideas that improve internal processes. The indicators chosen should reflect the organisation's goals for improving employee participation, research and development, developing an innovation pipeline, and learning and knowledge.

Corporate culture

Indicators that relate to vision, mission and values alignment as well as employee fulfilment measure performance in this category. The Corporate Transformation Tools Culture Assessment instrument allows organisations to measure the degree of alignment between personal and organisational values, organisational and ideal organisational values, and actual and espoused values, as well as the strength and type of core culture. Key indicators might include the CTS index, the PROS index, and the PL index.

Society/community contribution

Indicators that relate to social and environmental responsibility measure performance in this category. Key indicators in this category might include the number of volunteer hours worked by employees for the local community and measures of the impact that the organisation is having through its outreach programs to the local community and society at large. Programs to reduce environmental pollution and improve environmental awareness in the organisation also come under this category.