



Strategic Management *Insights*

Does the BALANCED SCORECARD Need a New Name?

Let's face it, **for people who don't know what the Balanced Scorecard is, the name itself can be a turn off.** It makes it sound complex, technical, judgmental, and definitely not fun. Is it a complicated metrics exercise? Do bad scores get people in trouble? Does it involve expensive software? And who uses it? Is it a C-level tool to control the workforce? Should we stay away from it?

Unfortunately the Balanced Scorecard has an identity problem because it is definitely not what the name implies. In fact it's quite the opposite. The **Balanced Scorecard is a comprehensive management process** that puts strategy at the center (with a mechanism to measure its effectiveness, i.e. the scorecard) and involves the entire workforce in strategy execution **which almost always improves morale.** Think of it as **MBO, management by objective, updated to MBS, management by strategy.**

The Balanced Scorecard came on the scene in the early 1990s when Drs. Kaplan & Norton were looking for a way to help companies measure intangible assets (e.g. information, knowledge, innovation). In the industrial age, most companies had tangible assets like inventory and equipment that are fully represented on a balance sheet and thus can be measured and managed. But in the information age, and in a primarily service economy, assets are increasingly intangible. They are what people know and can do. They are innovation, information, relationships. These invisible assets don't show up on financial statements and thus cannot be measured and managed in the traditional way. **So to help companies manage in this new environment, Drs. Kaplan and Norton devised a cause and effect framework (Strategy Map) with measures (Balanced Scorecard) to explain how people, information, and processes drive customer value and profits.**

They called it a Balanced Scorecard because their initial focus was on measurement. But over the years, by learning from early adopters, they **evolved the Balanced Scorecard into a comprehensive and practical management system with an emphasis on focus, learning, organizational alignment, workforce involvement, and ... measurement.** Bain & Co. reports that in 2007 **nearly 70% of the companies it surveyed were using the Balanced Scorecard** somewhere in their organizations. And because it is no longer just a way to measure intangible assets, the Balanced Scorecard has been implemented by the manufacturing sector nearly as much as in the service/technology sector.

Does the Balanced Scorecard need a new name? I believe it does if it's to achieve its full potential as the most effective way to run a successful business, nonprofit, or government organization in the 21st century. **The name 'Balanced Scorecard' creates at least two problems: it can turn people away or it can attract people for the wrong reasons.** On the one hand, leaders who are looking for a practical, people-centric way to manage may avoid a metrics-sounding process like the Balanced Scorecard. Even leaders who understand what it is and choose to bring the people-centric system into their organizations face the challenge of creating workforce enthusiasm for a new process with an uninviting name. On the other hand, leaders who want a pure measurement solution may focus entirely on the Balanced Scorecard's measurement aspects and miss its real value as a comprehensive strategic management system. Worse yet, in doing so their organizations typically end up with an improperly constructed scorecard and eventually a failed overall implementation.

If a new name is called for, what might it be? Well, I think I'll leave that to the originators to devise if they wish. But if pressed, I would suggest **perhaps an acronym like FAMIG.** As in, "Since installing FAMIG at our company we've seen customer satisfaction, employee morale, and profits increase 50%." Here's the make up:

Focus	the entire company on clear long term and intermediate goals
Align	everyone (with strategy maps) to the strategy and achieving the goals
Measure	from strategy to operations to budgets to individual competencies
Integrate	the strategy fully with operations to make strategy part of everyday life
Govern	through regular strategy and operating reviews, then learn and adjust

Admittedly FAMIG is not a better name and I'm not seriously offering it as a replacement for the Balanced Scorecard. But I do worry that the benefits of the **Balanced Scorecard for employees, customers, and shareholders are not being enjoyed as they might simply because the process has outgrown its name.** My hope is that some day either the name will change or, through the passage of time and with thousands more implementations, its meaning will be fully understood for the benefit of all.

Please let me know your thoughts ... by [clicking here](#).

- Brian Kinahan

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