

Running head: Using the Balanced Scorecard to Determine



Figure 1. Balanced Scorecard picture obtained from the NTP Meridian Ltd, website at http://www.ntpmeridian.co.uk/Strategy/The_Key_is_Difference.htm

**Using the Balanced Scorecard to Determine
Corporate Information Needs**

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Introduction



Figure 2. Balanced Scorecard picture obtained from the PerformanceMeasurement.net website at <http://www.performance-measurement.net/news-detail.asp?nID=188>

This paper covers topics about using the Balanced Scorecard (BSC) to determine corporate information needs. Organizations have long been able to determine the financial and accounting measures but these methods do not give the full picture. The BSC was developed to help organizations measure performance and strategies that are not measured in the traditional way financial assets are measured. First, there will be a discussion about the general background or history of how BSC was created and first used. Then major issues surrounding BSC will be identified and analyzed. Using the BSC to complete the picture of an organization gives a better over all picture of the state of the organization. According to the National Human Services IT Resource Center on the U.S. Department of Health & Human Services website, the following are seven characteristics for a BSC method (at

<http://www.acf.hhs.gov/nhsitrc/downloads/guides/strat/balscoremethoddesc.htm>, 2001):

- Translates organization goals into performance measures
- Includes both strategic and operational measures
- Serves as a portfolio of interrelated measures
- Offers a comprehensive view of the entire IT function
- Assesses multiple projects

- Facilitates the alignment and integration of projects to common objectives
- For a given project, facilitates measures from more than one perspective

Finally, there will be personal conclusions and recommendations for anyone who may be considering using BSC to determine various corporate information needs.

General Background

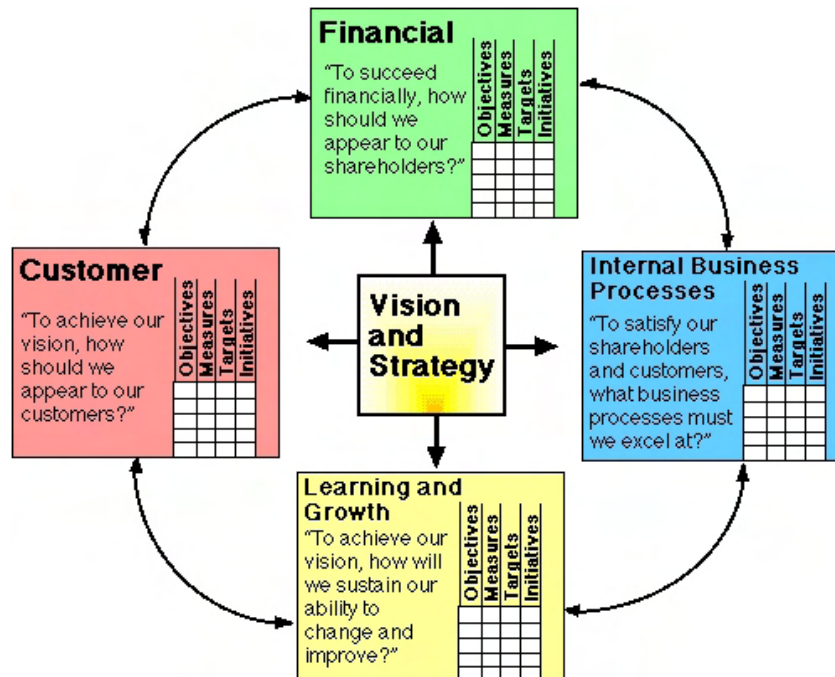


Figure 3. Balanced Scorecard picture obtained from the Investing in Children website at

<http://www.investinginchildren.on.ca/Communications/emailer/Issue%206.html>

In order to understand why an organization would want to use a Balanced Scorecard (BSC) solution, the following general background information is given to help clarify what the BSC is and the purpose for its development.

Balanced Scorecard (BSC)

BSC was developed by two men, Robert Kaplan, a professor at Harvard University, and David Norton in 1990. Kaplan and Norton's ideas were taken from a research study of a dozen organizations where they explored new methods to measure performance. BSC enables

organizations to measure performance and operational measures not just the financial measures. In the past organizations were only measured by the financial measurements and this did not give the full picture of the organization. Kaplan and Norton define BSC as “a set of measures that gives top managers a fast but comprehensive view of the organization” (Harvard Business Review, 1992). Organizations use the BSC to include information about the financial measures while adding the information about the operational measures to give a more balanced look at the state of the organization. The BSC measurements give management a clearer picture that is then easily shared throughout the entire organization. This makes it easier for organizations to plan for short and long term goals. Kaplan and Norton say that the BSC looks at four essential areas and provides answers to the following questions (Harvard Business Review, 1992):

- How do customers see us? (customer perspective)
- What must we excel at? (internal perspective)
- Can we continue to improve and create value? (innovation and learning perspective)
- How do we look to shareholders? (financial perspective)

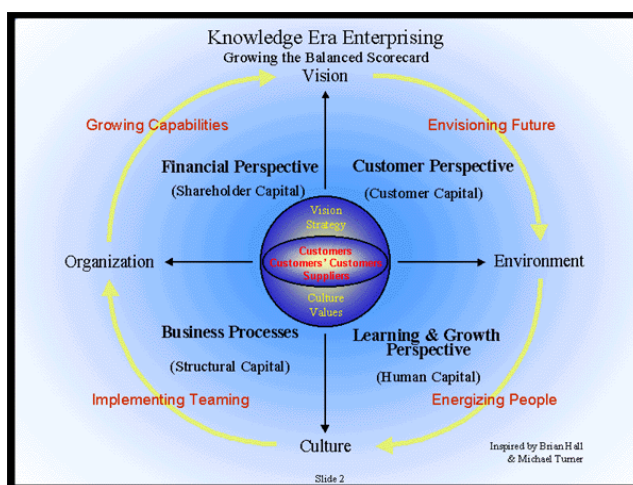


Figure 4. Balanced Scorecard picture obtained from the Mastersforumn.com at

http://www.mastersforum.com/archives/kaplan/Kaplan_Precis.htm

Information from these four areas gives managers a more balanced look at the information they need to view the performance of the organization. The BSC allows the organization to look forward with the vision and strategy created through the defining of measurements.

Major Balanced Scorecard Issues

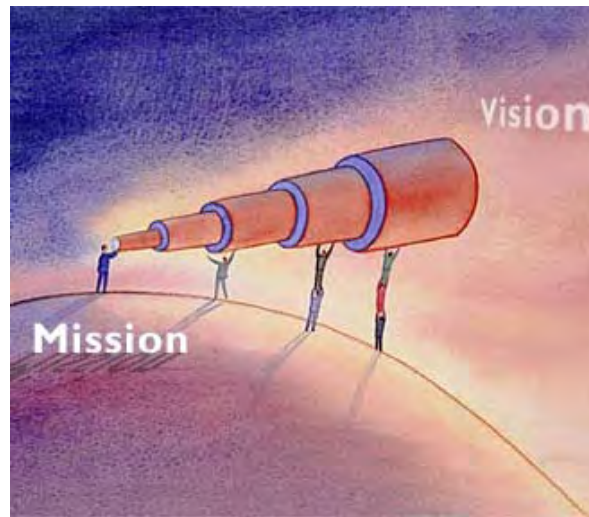


Figure 5. Balanced Scorecard picture obtained from the Cal Poly Pomona Facilities Planning & Management website at http://www.csupomona.edu/~fpm/BalScore/Implementation_Process.htm

1. Reasons to have a BSC solution
2. Organization strategies for BSC
3. Advantages and disadvantages of BSC systems
4. Balanced Scorecard Software
5. Implementation of BSC
6. The future of BSC

Analysis of Major Balanced Scorecard Issues

Reasons to Have a Balanced Scorecard Solution (BSC)

In the past, only the financial measures were used to determine the performance of an organization. With the BSC, organizations are able to determine not only the financial but the non-financial measures. The BMA Group Pty Ltd. states that in addition a strategic management system helps to accomplish critical management processes like (at

http://www.bma.com.au/4/bsc_background.asp, 2004):

- Clarify and gain consensus about vision and strategy
- Communicate strategic objectives, performance measures and drivers at all levels
- Link strategic objectives to targets and annual budgets
- Identify and launch strategic initiatives
- Enhance periodic systematic strategic reviews
- Obtain feedback to learn about and improve strategy

Accomplishing these critical management processes using BSC helps the organization to define the strategies for the short and long term.

Organization Strategies for Using a Balanced Scorecard



Figure 6. Balanced Scorecard strategy picture obtained from the successfulmanagers.com website at http://www.successfulmanagers.com/48issue/theme1_48issue.asp?name=

Organizations create strategy maps to develop the areas they want to measure. The BSC helps them determine the overall architecture or framework that describes the strategy the organization will use. Kaplan and Norton state that a strategy map specifies the critical elements and their linkages for an organization's strategy, which help with the following (Accounting Horizons, 2001):

- Objectives for growth and productivity to enhance shareholder value.
- Market and account share, acquisition, and retention of targeted customers where profitable growth will occur.
- Value propositions that would lead customers to do more higher-margin business with the organization.
- Innovation and excellence in products, services, and processes that deliver the value proposition to targeted customer segments, promote operational

improvements, and meet community expectations and regulatory requirements.

- Investments required in people and systems to generate and sustain growth.

When organizations use a strategy map and BSC, they can create a universal message throughout the organization at all levels. This whole strategy revolves around the top executives determining the destination, then mapping out the direction to take, and then communicating that to the whole organization.

Advantages and Disadvantages of Using a Balanced Scorecard

Of course, there are advantages and disadvantages in using a BSC system. The whole reason to obtain a BSC system is so an organization can measure more than just the financial performance. The Benchmarking Plus website has the following advantages and disadvantages for using BSC to measure performance (at <http://www.benchmarkingplus.com.au/perfmeas.htm>, nd.):

Advantages

- Taking these four different perspectives as a whole ensures that senior management is taking a balanced view about the performance of the organization.
- The short, medium and long-term views are managed in an ongoing, cohesive manner.
- Top-level strategy and middle management level actions are clearly connected and appropriately focused.

- The organization's performance reporting system (and the organization itself) is much more likely to be focusing on the things necessary to stay competitive in the long term and realize value for its stakeholders.

Disadvantages

- The "Balanced Scorecard" approach is not a quick fix; it takes considerable thought to develop an appropriate scorecard.
- While communication can commence within a short time, the complete implementation should be staged.

Balanced Scorecard Software

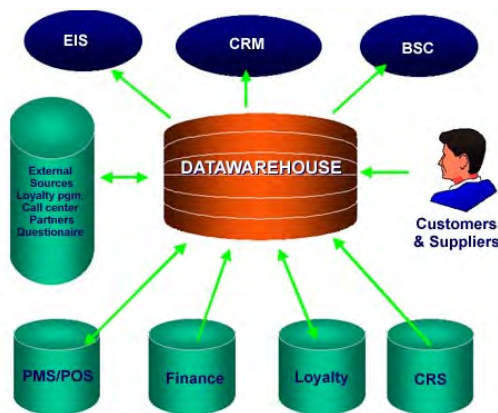


Figure 7. Balanced Scorecard Software implementation picture obtained from the Global Reservations Marketing website at <http://www.grm.co.za/about.html>

Many organizations have bought or created software to help create their BSC and to keep it up to date after it is implemented. For the BSC implementation to be successful, it should be implemented down to each individual in the organization. In [Table 1](#) at the end of the paper there are over 30 different software vendors that sell software that help organizations implement a BSC solution. Choosing the wrong software solution can undermine your whole BSC project, so it is important to research the different vendors to make sure you pick the correct solution.

Bernard Marr and Andy Neely, the authors of the Gartner report 'Weighing the Options -

Balanced Scorecard Software', have written a report called “Automating Your Scorecard: The Balanced Scorecard Software Report” that scrutinizes the current Balanced Scorecard application market. This report is produced every year, and was last updated at the end of 2003.

Implementation of a Balanced Scorecard System

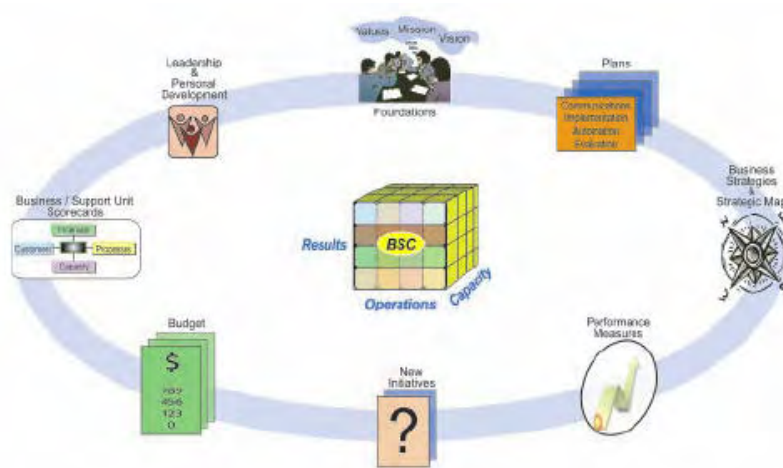


Figure 8. Balanced Scorecard Performance Management System from Perform, Volume 2, Issue 2, nd.

For an organization to implement a BSC solution, they need to have a plan.

Organizations need to work from the top down when implementing a BSC solution. If the management is not behind the implementing of the BSC solution, it will not succeed. On the Masters Forum, Robert Kaplan states that the following are the ingredients to a successful implementation of a BSC (at http://www.mastersforum.com/archives/kaplan/Kaplan_Precis.htm, 1999):

1. Leadership from the top. Senior management must create the climate for change. They rationalize and align the organization.
2. Making strategy everyone’s job. Communication must be comprehensive. Goals, and the incentives established to achieve them, are in alignment.

3. Unlocking and focusing hidden assets. Work processes are reengineered to make the most of people's energies, talents, and training.
4. Making strategy a continuous process. Strategic feedback should be non-threatening and encourage learning.

All this requires that the thinking of the organization be changed and measured at every level to implement a successful BSC.

The Future of Balanced Scorecard



Figure 9. Picture obtained from Coote Harvard website at

<http://www.cooteharvard.co.uk/Balanced%20Objectives.htm>

The future of BSC is moving toward more organizations implementing BSC solutions. In addition, the tools that organizations need to create the BSC solutions are becoming easier to use. Organizations create and maintain BSC solutions that will carry them into the future in a more productive way. The Coote Harvard website states that the Balanced Scorecard fundamentally complements financial measurement of past performance with measures of drivers of future performance, and thus enables effective decisions by the management of the organization (at <http://www.cooteharvard.co.uk/Balanced%20Objectives.htm>, 2004).

Personal Conclusions

Balanced Scorecard (BSC)

I think BSC is a great way for organization to assess the total picture of how they are performing. An organization needs to be able to know if the non-financial measures are worth

the time and money spent on funding them. The organizations then have a way to communicate their strategies to all the employees and have a way to motivate them by giving them measurable goals to obtain. The Coote Harvard website states that measurement motivates when it is used to communicate, not to control. The Balanced Scorecard emphasizes that (at

<http://www.cooteharvard.co.uk/Balanced%20Objectives.htm>, 2004):

- Financial and non-financial measures must be part of information system for all employees at all levels
- Front line employees must understand the financial impact of their decisions and actions
- Senior Managers must understand the long term drivers of financial success

I think what I like most about how implementing a BSC works is that the process involves everyone in the organization in order for it to be successful. It is a top down approach but the managers have to get buy in from the employees by getting the strategy and goals across to them. I think organizations can succeed in having a successful BSC if the proper planning, implementation, and follow through happen during the initial stages of setting it up.

Recommendations

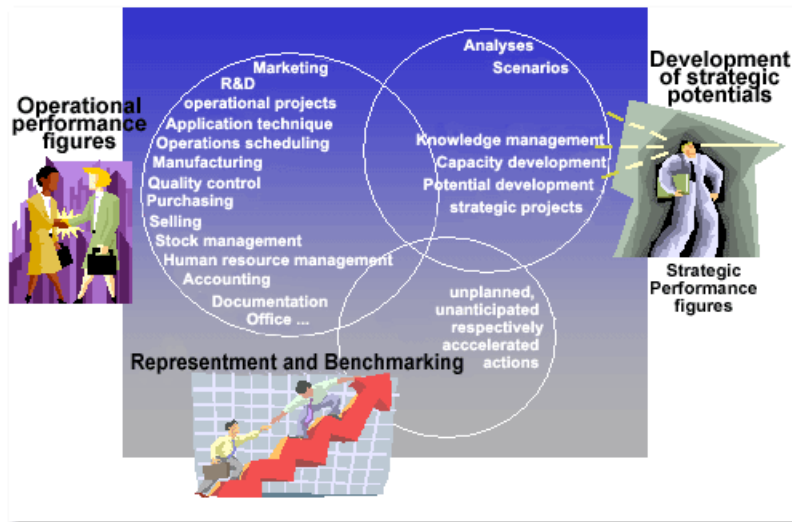


Figure 10. Balanced Scorecard - Strategies picture obtained from the International Management and Innovation Group website at http://www.imig-gmbh.de/englisch/produkte/untentwicklung/balanced_scorecard.html

1. Management needs to define an overall strategy and goals and then share them with the organization.
2. Measurements need to be defined for the short and long-term goals.
3. Management needs to communicate the BSC to all employees so that everyone is onboard and taking part in the process.
4. Select BSC software that best meets the needs of your organization.
5. Keep motivated to complete the BSC process as it takes time to achieve the desired results set forth in your strategic plan.

Appendix A

Websites, Directories, Newsgroups, Books, and Mailing Lists

<p><u>Balanced Scorecard Institute</u> an independent educational institute that provides training and guidance to assist government agencies and organizations in applying best practices in balanced scorecard (BSC) and performance measurement for strategic management and transformation.</p>	Articles, examples, books, Forums
<p><u>BNET</u> The business thought leadership directory</p>	Browser directory
<p><u>Business Intelligence & Data Warehouse Resource Center</u> Data Warehouse, Business Intelligence, CRM, OLAP, Data Mining, BPM & Balanced Scorecard technologies</p>	Case Studies • Definitions • Books • Reviews • Articles • Products • Web Sites • Consulting Companies • News • Other Info
<p><u>Jim Kaplan's Audit Net</u> Balanced Scorecard for Internal Auditors</p>	Listserv, tools, and resources
<p><u>Service BC Corporate IT & Management Library</u> Hot topics and hot sites.</p>	Browser directory
<p><u>start4all.com and The CoWorking Institute</u> multiple resource site</p>	Browser directory
<p><u>TMCnet.com</u> IT research library.</p>	Browser directory
<p><u>US Department of Health & Human Services</u> a Balanced Scorecard of Business Measures</p>	Overview, Definitions, Glossary
<p>The Balanced Scorecard: Translating Strategy into Action Robert S. Kaplan & David P. Norton – co-authors</p>	Book
<p>The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment Robert S. Kaplan & David P. Norton – co-authors</p>	Book
<p>Strategy Maps: Converting Intangible Assets into Tangible Outcomes Robert S. Kaplan & David P. Norton – co-authors</p>	Book
<p>Balanced Scorecard: Step-by-Step Paul R. Niven</p>	Book

*Tables***Table 1. Software vendors with solutions to support a BSC implementation:**

Company name	Product Name	Internet Address
Active Strategy	Active Strategy Enterprise	www.activestrategy.com
Cognos	Metrics Manager	www.cognos.com
Comshare	Comshare MPC	www.comshare.com
Corporater	Corporater Balanced Scorecard	www.corporater.com
CorVu	CorStrategy/CorManage	www.corvu.com
Crystal Decision	Balanced Scorecard Analytic App.	www.crystaldecisions.com
Dialog Software	Dialog Strategy	www.dialogstrategy.com
EFM Software BV	Bizzscore	www.efmsoftware.com
Ergometrics	Ergometrics	www.ergometrics.com
Hyperion	Hyperion Performance Scorecard	www.hyperion.com
IC Community	Dolphin Navigator System	www.iccommunity.com
IFS	IFS Scorecard	www.ifsworld.com
Insightformation	Balanced Scorecard Framework	www.insightformation.com
Nexance	NeXancePM	www.nexance.com
Open Ratings	SPIfact Balanced Scorecard	www.openratings.com
Oracle	Oracle Balanced Scorecard	www.oracle.com
Panorama Business Views	PB Views	www.pbviews.com
Peoplesoft	Enterprise Scorecard	www.peoplesoft.com
Pilot Software	Pilot Balanced Scorecard	www.pilotsoftware.com
Procos AG	Strat&Go Balanced Scorecard	www.procos.com
ProDacapo	Prodacapo Balanced Scorecard	www.prodacapo.com

Company name	Product Name	Internet Address
QPR Software	QPR ScoreCard	www.qprsoftware.com
SAP	SEM Balanced Scorecard	www.sap.com
SAS Institute	Strategic Performance Management	www.sas.com
Show Business Software	Action Driven BSC	www.showbusiness.com
Stratsys AB	Runyourcompany	www.runyourcompany.com
The Vision Web	Scorecard.nl	www.scorecard.nl
Vision Grupo Consultores	Strategos	www.visiongc.net

This table was obtained from Cranfield University Online at <http://www.som.cranfield.ac.uk/som/research/centres/cbp/products/bscorecard.asp> (nd).

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<http://www.acf.hhs.gov/nhsitrc/downloads/guides/strat/balscoremethoddesc.htm>