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Balanced scorecard

Balanced scorecard

What is it?

Balanced scorecards play a key role in performance management. They allow you to measure and monitor performance and assign key performance indicators (KPIs), giving you the ability to track and optimise performance based on those indicators.

When to use it

You should use the balanced scorecard to help clarify your team's vision and strategy for improvement and then turning them into clear objectives and measures.

You can use it to ensure you adopt a system-wide approach to avoiding/preventing bottlenecks.

How to use it

Producing a balanced scorecard is a significant piece of organisational development work but can be cascaded down to directorate and departmental levels. The balanced scorecard can therefore form a large part of performance monitoring activity for health and care managers.

The main stages in designing and implementing a balanced scorecard are:

1. Establishing a sound strategic foundation for the balanced scorecard
2. Producing a multi-dimensional strategic summary
3. Setting objectives for each balanced scorecard perspective
4. Linking objectives via cause and effect
5. Determining measures for each objective
6. Setting targets for each measure in the balanced scorecard
7. Identifying strategic initiatives to deliver targets
8. Full implementation of the balanced scorecard.

You should aim to develop specific performance measures relating to the four areas of finance, customers, internal business processes and learning and growth according to your own organisation's needs and circumstances. You should consider the following questions for each of the four areas:

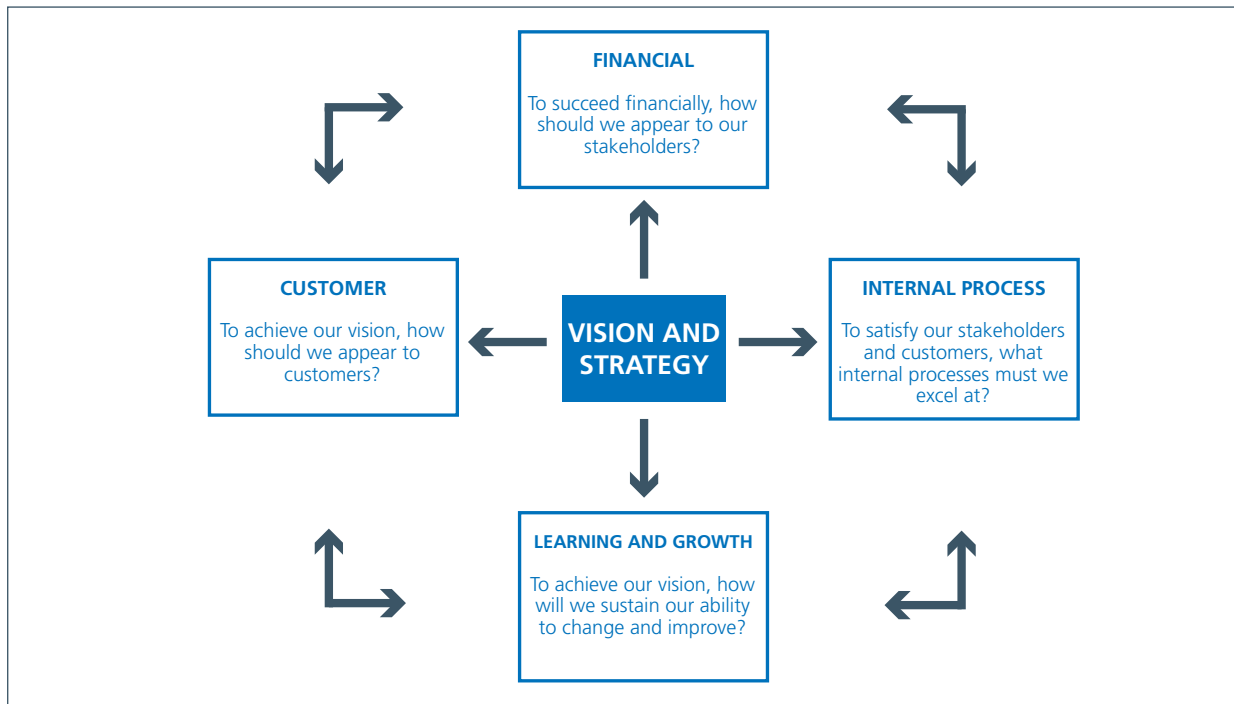
Finance: to succeed financially, how should we appear to our stakeholders? (In the public sector, the financial perspective tends to emphasise cost efficiency)

Customers: to achieve our vision, how should we appear to our customers/patients and the departments we work with?

Internal business processes: to satisfy our stakeholders, which internal processes must we excel at?

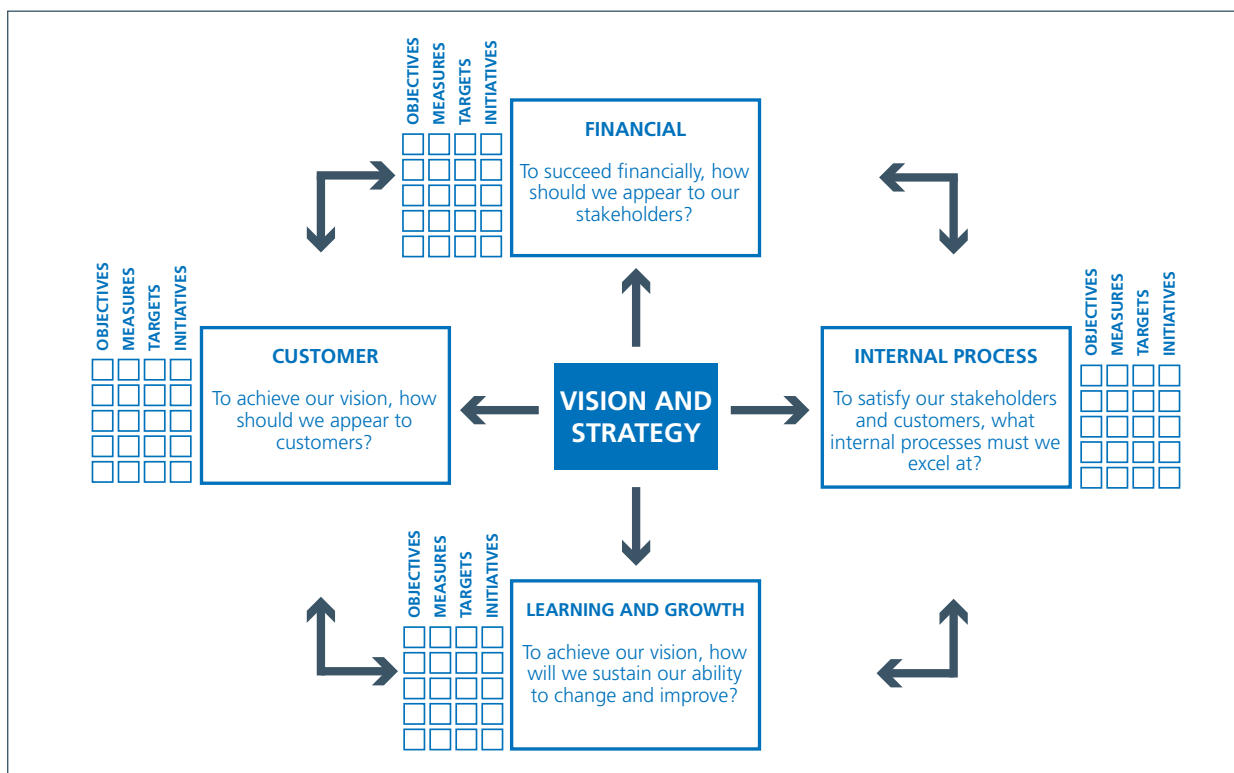
Learning and growth: to achieve our vision, how will we sustain our ability to change and improve?

Figure 1



Once you have considered all these questions, you can then analyse each area to identify the key processes and metrics. This is most effective when it involves a wide range of staff.

Figure 2



What next?

The balanced scorecard will be most effective if you have achieved buy-in for its use across your whole organisation. It may be worth carrying out a stakeholder analysis to identify the people you need to involve and/or influence.

Background

The balanced scorecard was developed in the early 1990s by Robert Kaplan and David Norton as an approach to strategic performance management and measurement. They observed that traditional performance measures based on financial accounts gave an incomplete picture of an organisation's performance. They created the balanced scorecard to provide a more rounded view.

Additional resources

Kaplan, RS (2000) *The Balanced Scorecard for Public Sector Organisations*, Harvard Business School Press

Freeman, T (2002) 'Using Performance Indicators to Improve Health Care Quality in the Public Sector: A Review of the Literature' in *Health Services Management Research*, 15(2), pp.126–137

Inamdar, N et al (2002) 'Applying the Balanced Scorecard in Healthcare Provider Organisations' in *Journal of Health Management*, 47(3), pp.179–195

Niven, PR (2003) *Balanced Scorecard Step-by-Step for Government and Not-For-Profit Agencies*, John Wiley and Sons Inc.

Oliveira, J (2001) 'The Balanced Scorecard: An Integrative Approach to Performance Evaluation' in *Healthcare Financial Management*, 55(5), pp.42–46