Are the Balanced Scorecard and the EFQM Excellence Model mutually exclusive or do they work together to bring added value to a company?

Introduction

Are the Balanced Scorecard and the EFQM Excellence Model mutually exclusive? Both approaches are often quoted as being two alternative ways of measuring performance, and organisations frequently ask whether use of one of these tools precludes the use of the other. If a choice has to be made between the two models, how can a company choose what is right for them? Are they mutually exclusive, or are they interchangeable or neither?

To be able to answer those questions with some insight and to distinguish the unique and complementary values of each model, we need a more in-depth account of how the models differ in approach, process and benefits. In doing so, we hope to provide organisations with a more comprehensive basis to make an informed decision to adopt either, both or neither of the two models. With this paper we intend not only to help the novice organisations appreciate better the benefits of each model, but also to allow those organisations currently using one of the tools to see where there may be added value in investing in the other.

The paper is organised as follows:

First we introduce the concepts and benefits sought in using each of the models. We then illustrate in further depth the characteristics of each of the models, pointing out their key points of difference. Once we’ve established and illustrated the distinct value of each of the Balanced Scorecard and Excellence Models, we suggest how the two can come together in a powerful combination. We feel this combination is of value because, on the one hand, both approaches share a common philosophy about management, and on the other, each addresses measuring and managing an organisation’s performance in different ways. Illustrations are provided to describe the models individually and together.
We would also like to note that the term ‘model’ is used in the broadest sense. Both the Balanced Scorecard and EFQM Business Excellence ‘models’ refer not only to frameworks with their own unique ways of categorising and organising information but also to a process and approach to performance management.

1 The birth of innovative performance management systems

On the surface the Balanced Scorecard and EFQM Excellence Models seem to be very similar: similar aspirations, similar concepts, similar labels and boxes. Indeed, one can probably agree that both approaches share a number of characteristics. They are both measurement based, they encourage a dialogue about performance improvement, they both strive to act as catalysts for change and action, and both are based on principles of on-going review, learning and feedback. Above all, long term success in implementing either model depends on management’s on-going commitment to improving an organisation’s performance. From a mechanistic point of view, one could also argue that the Models look rather alike. Both talk about cause and effect, enablers and results. Each follows a structured process often facilitated by third parties (be they assessors or consultants).

Whilst the two Models certainly espouse common beliefs about what constitutes good management and support broadly similar views on how to drive performance within an organisation, the Models come at it from different angles. Each approach has a distinct history, seeks to deliver different key benefits and supports a rather different dialogue about performance improvement with the stakeholders of an organisation.
2. Exploring the uniqueness of the Balanced Scorecard and EFQM Excellence Models

2.1 The Balanced Scorecard

In 1990 David Norton and Robert Kaplan undertook a study called “Measuring Performance in the Organisation of the Future” in response to calls that the financial measures used by organisations to track their performance were becoming largely obsolete, or certainly insufficient. Indeed, it was felt that traditional measurement no longer fulfilled the needs of organisations and their requirements to be pro-active and forward looking in managing their strategies. A new means to understand an organisation’s performance and its ability to deliver on its strategy and ultimately to create value for its shareholders was needed. The study team worked with a number of multinational companies to test and devise a system of measuring performance in a more meaningful and innovative way. The result was the introduction of the “Balanced Scorecard” philosophy and approach.

Figure 1
What is the Balanced Scorecard?

The Balanced Scorecard is a prescriptive framework. It is a system of linked objectives, measures, targets and initiatives that collectively describe the strategy of an organisation and how that strategy can be achieved. As well as a framework, it is a process that a company uses to foster consensus, alignment and commitment to the strategy by the management team and the people within the organisation at large. It is a tool designed to enable the implementation of an organisation’s strategy by translating it into concrete and operational terms which can be measured, communicated and drive decision making and action. (Figure 1)

The Balanced Scorecard explicitly identifies the critical few drivers of success, which cut across an organisation and together drives the creation of shareholder value. It reflects the interests of the whole organisation starting with the strategy by examining the financial and shareholder requirements, the customers’ needs, internal processes and enablers such as company culture, information and infrastructure. It forces a focused debate about the key drivers of success that will deliver the organisation’s strategy and vision using the four perspectives of the model which represent the different facets of the business linked together by cause and effect.

Furthermore, an organisation’s Balanced Scorecard identifies both financial and non-financial measures to assess strategic performance. It balances the short term with the longer-term strategic goals using both driver and outcome measurement. It enables a management team to manage performance pro-actively, the team learns continuously about its strategic performance and thus is in a position where it can adjust the strategy before end of year results are in. When used effectively, the Balanced Scorecard becomes the management team’s on-going strategic agenda that is reviewed and discussed on an on-going dynamic basis. [See Appendix 1 for a more elaborate description of the Balanced Scorecard framework]

The Balanced Scorecard has become a phenomenal popular success since the initial publication of a series of articles by Norton and Kaplan in 1992. Both grounded in practical reality and conceptually rigorous, the approach has struck a chord in management circles, and has become a Harvard Business Review all time best seller.
In learning from its application, the Balanced Scorecard methodology has evolved and grown from a strategic performance *measurement* system to a strategic performance *management* system with proven wide reaching and varied benefits to organisations that use it. What do organisations look to gain today when adopting the Balanced Scorecard approach? They want to:

- Translate their strategy into focused, operational, measurable terms
- Make strategic implementation happen
- Focus management time and effort on key issues and create a basis for more consistent decision making
- Provide a management team the means to coalesce around a common strategic agenda, gain focus, alignment and build consensus
- Enable a clear strategic link between business / operational units strategy and ‘corporate’ to create strategic continuity
- Define a platform to communicate strategic priorities across an organisation
- Provide a means for teams and individuals to know how they contribute to the success of the strategy, ultimately linking reward and compensation to performance
- Improve the bottom line by making better resource allocation and investment trade-offs
- Learn continuously from the company’s performance to assess and redirect strategic goals systematically

Any or all of these are reasons for developing and implementing a Balanced Scorecard programme within a company. As organisations get more sophisticated in using the Balanced Scorecard, the more pervasive and comprehensive the benefits.

2.2 The European Foundation for Quality Management Excellence Model

The EFQM Excellence Model has its roots in the philosophy of Total Quality Management (TQM). It was the potential that TQM showed as a means of gaining competitive advantage that inspired 14 leading European businesses in 1988 to form the European Foundation for Quality Management. Their objectives were ‘to stimulate, and where necessary, to assist management in adopting and applying the principles of Total Quality Management, and to improve the competitiveness of European industry.’
In 1991 they launched the European Quality Award as a way of identifying “role models” of Excellence and giving them recognition for demonstrating that Europe could be competitive. To support the Award process a set of criteria were developed against which applicants for the Award were to be assessed. These criteria were designed to track how far along the road to Excellence applicants for the Award had travelled, including a requirement for “Best in Class” benchmark comparisons, and provide a degree of confidence that their success would be sustainable.

This framework became what is commonly known today as the EFQM Excellence Model and the premise on which the Model is built is that Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, People, Partnerships and Resources, and Processes. (Figure 2)

Figure 2

*The EFQM Excellence Model is a registered trademark

Although introduced initially to support the European Quality Award process, it quickly became apparent that organisations were starting to use the Excellence Model as an internal diagnostic tool regardless of any plans for entering for the Award and thus was born the process that has become known as Self-Assessment. This process is now undertaken by literally tens of thousands of organisations in Europe.

The process of Self-Assessment is comprehensive, systematic and performed periodically, typically annually. Using Self-Assessment, an organisation can identify
its own strengths and areas for improvement and compare its overall performance to widely accepted European levels of what constitutes “good practice.” The benefits of this all-encompassing approach include the creation of enthusiasm within the organisation at all levels to improve performance, the provision of a mechanism to share good practice internally and externally as well as the provision of a framework against which to learn and continuously improve performance.

The EFQM Excellence Model is non-prescriptive in its nature with two exceptions. The first is in its sub criteria, 32 in total. Any organisation applying for the Award is expected to respond to each of these sub criteria. In the case of using the Model for Self-Assessment then an organisation can obviously choose to ignore certain sub criteria, however, given that the 32 sub criteria reflect accepted good management practice it is advisable to take all of them into account.

The second prescriptive element relates to the Fundamental Concepts of Excellence on which the Model is based. These eight concepts underpin the philosophy of the Model and any organisation adopting the Excellence Model must appreciate that it is also effectively signing onto these concepts.

The eight concepts are listed below:

- Results Orientation
- Customer Focus
- Leadership and Constancy of Purpose
- Management by Processes and Facts
- People Development and Involvement
- Continuous Learning, Innovation and Improvement
- Partnership Development
- Public Responsibility

What do organisations look for in adopting the EFQM Excellence Model?

Practical experience has shown that there are three phases to adoption of the Model. This is reflected in the figure below.
Initially, using the Self-Assessment process, it was to get that “moment in time” picture of where the organisation stood. It gave them the opportunity to periodically look at themselves in the mirror and to see if they liked what they saw. Phase 2 saw the start of the move from the use of the Excellence Model as a measurement tool to its use as a management model. Organisations began to realise that for the outcomes of the Self-Assessment process to have maximum value, it needed to be linked with their business planning process.

In recent years the transition has become complete with the more “mature” organisations recognising that the Excellence Model has other management applications and there are a growing number using the Model in a variety of diverse and innovative applications.
3 A comparison of the Balanced Scorecard and EFQM Excellence Models

3.1 Summary table: High level comparison of the two approaches

<table>
<thead>
<tr>
<th></th>
<th>Balanced Scorecard</th>
<th>Excellence Model &amp; Self-Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origins</td>
<td>Performance measurement, value creation</td>
<td>Total Quality Management</td>
</tr>
<tr>
<td>Aspiration and benefits sought</td>
<td>Performance improvement To translate a company’s strategy into focused, operational and measurable terms Enabling strategic performance</td>
<td>Performance improvement To identify the strengths and areas for improvement across an organisation’s processes to encourage best management practice Enabling best management practice</td>
</tr>
<tr>
<td>Deliverables</td>
<td>A set of logically linked strategic objectives with lead and lag indicators /targets across 4 perspectives Set of initiatives aligned to strategic objectives and measures</td>
<td>A benchmark and relative assessment of the quality of an organisation’s processes and results by assessing/scoring against the 9 Criteria of the Model Areas of relative process strengths and weaknesses</td>
</tr>
<tr>
<td>Development approach</td>
<td>Strategy driven, workshop based, iterative, hypothesis driven, management team involvement, macro view, future looking Set of objectives and measurement are unique to every organisation Step change in performance</td>
<td>Process driven, Self-Assessment fact gathering, data collection, scoring based, detail oriented, present focused Set of criteria and measurement areas are the same for all organisations Continuous improvement</td>
</tr>
<tr>
<td>Success factors</td>
<td>Management team level sponsorship and commitment On-going process embedded in governance processes</td>
<td>Management team level sponsorship and commitment On-going process embedded in day to day management</td>
</tr>
</tbody>
</table>
Thus far then, we are suggesting that whilst the two Models both tackle the broad subject of performance improvement particularly through the use of measurement, and both rely on similar principles of management, the Models are borne out of different origins, take different routes, and deliver different outcomes and benefits.

The fundamental difference is that the Balanced Scorecard is designed to communicate and assess strategic performance, whereas the Excellence Model and its various applications, including the Self-Assessment process, focus on encouraging the adoption of good practice across all management activities of the organisation. For example, as part of assessing good management practice, Self-Assessment, typically an annual process, seeks to establish how well an organisation defines and manages the process of strategic planning. It does this by determining whether the organisation has a formally established and appropriate process, which is reviewed regularly and is systematically deployed at different levels. The Balanced Scorecard on the other hand tests the validity of the strategy and monitors the organisation's performance against its delivery on a regular and frequent basis, e.g. monthly. The primary purpose of the Balanced Scorecard is not to assess the quality of the strategic planning process itself but to ensure that the strategy gets implemented and to enable an organisation to continuously learn from its performance and adapt its strategy accordingly.

Let's investigate further the specific characteristics of the Balanced Scorecard and the Excellence Models to try to understand how the two choose to address performance management.

3.2 A closer look at each of the models and how they work

Indeed if we examine how the two Models work in practice more closely, we discover two models with unique characteristics and style, each best suited to deliver the benefits it was designed for. The mechanics and logic behind each Model sets them apart.
<table>
<thead>
<tr>
<th>Balanced Scorecard Characteristics</th>
<th>Excellence Model &amp; Self-Assessment Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context dependent: tailored every time</td>
<td>Less context independent: best practice benchmark</td>
</tr>
<tr>
<td>• A company’s Balanced Scorecard is driven off its strategy and vision and represents the unique position and strategy of the company</td>
<td>• The Self-Assessment process assesses an organisation’s current processes against a set of pre-described criteria</td>
</tr>
<tr>
<td>• Every Balanced Scorecard is unique in its objectives and measurement for a company</td>
<td>• The industry/sector influences the interpretation</td>
</tr>
<tr>
<td>Prescriptive and focused</td>
<td>Descriptive and comprehensive</td>
</tr>
<tr>
<td>• It identifies a unique and focused set of priorities which the management team believes will deliver the strategy</td>
<td>• Comprehensive description and assessment of how processes across the organisation are managed and deployed</td>
</tr>
<tr>
<td>• Focusing on the key few drivers of success is essential</td>
<td>• There is no prioritisation of one activity over another inherent in the model</td>
</tr>
<tr>
<td>Hypothesis driven and subjective</td>
<td>Fact based and objective</td>
</tr>
<tr>
<td>• The Balanced Scorecard forces assumptions and value judgements to be made about how to reach the level of performance described in the vision and strategy</td>
<td>• The Model is populated by facts and data gathered within the organisation. It is thoroughly documented from objective sources of information.</td>
</tr>
<tr>
<td>• It represents the insights, educated opinions, expertise and knowledge of the management team with respect to the company’s drivers of success.</td>
<td>• Criteria and measurement used are the same for any organisation to enable benchmarking</td>
</tr>
<tr>
<td>Aspirational – To-be view of the company</td>
<td>Current – As-is view of the company</td>
</tr>
<tr>
<td>• The Balanced Scorecard is built around a vision for what an organisation wants to achieve 2-5 years in the future</td>
<td>• The Self-Assessment outcomes describe the current state of the organisation’s processes</td>
</tr>
<tr>
<td>• It starts from the vision and works its way back to the present to identify the gaps and the strategic roadmap</td>
<td>• It identifies relative strengths and areas for improvement today across the whole set of activities based on the objective criteria</td>
</tr>
<tr>
<td>• The Balanced Scorecard defines the required high level step change (typically financial) in to fulfill the strategy given where a company is today</td>
<td>• Self-Assessment outcomes do not pass judgment as to which activities need to be focused on based on a view of the future</td>
</tr>
<tr>
<td>• It does not analyse the quality of processes and activities today</td>
<td>• The EFQM Excellence Model encourages continuous improvement across the operations of a company as a matter of principle in line with the fundamental concepts of TQM</td>
</tr>
<tr>
<td>Explicit cause &amp; effect model</td>
<td>Implicit cause &amp; effect model</td>
</tr>
<tr>
<td>• The model is set up to drive cause and effect explicitly between objectives across the 4 perspectives and paints the organisation as a system of interlinked objectives</td>
<td>• The model includes both enablers and results which are effectively linked by cause and effect and supports the cause and effect logic</td>
</tr>
<tr>
<td>External variables unsystematically addressed</td>
<td>External variables systematically addressed</td>
</tr>
<tr>
<td>• External variables such as the environment, and impact on society are not systematically addressed in the Balanced Scorecard.</td>
<td>• Society is an explicit part of the Excellence Model and therefore any Self-Assessment is going to provide feedback on this dimension.</td>
</tr>
<tr>
<td>• External factors are included only if they are a key part of the strategy which needs to be tracked on a month to month basis</td>
<td>• The focus on Competitor &amp; Best in Class benchmarking is one of the reasons for using the Model</td>
</tr>
<tr>
<td>• They are typically taken into account in setting targets for the measurement (e.g. external benchmark, market research)</td>
<td>• A core purpose of the Model is to benchmark a company’s processes against an ideal external benchmark</td>
</tr>
</tbody>
</table>
All of these characteristics set the Models apart. The characteristics described in further detail below fundamentally explain why users of either Model follow a different thinking process and adopt a different perspective on performance measurement.

**Best practice vs. Unique Advantage**

As we have mentioned already, the Excellence Model and its associated Self-Assessment processes seeks to assess best practice at the process level. In order to offer fair comparison and a system of benchmarking to companies, it must be applied consistently in its structure, criteria, approach and content. It enables an organisation to situate itself in a sort of European league table. An organisation’s sector or specific competitive context is a consideration which bears no *significant* impact on the usefulness and application of the Model. On the other hand, the Balanced Scorecard’s context specific approach to performance management is entirely dependent and based on an organisation’s positioning, challenges, competitive context and of course its strategy. As such, the Balanced Scorecard model is a high level guiding framework that needs to be tailored every time to the organisation’s circumstances. The framework is there to lead a management team through a path of logical strategic thinking; it can be flexed and adapted to every situation.

**As-Is vs. To-Be**

A second critical distinction to make is the following one. The Self-Assessment process provides a critical and comprehensive account of the current processes within an organisation. The Excellence Model and Self-Assessment process very deliberately adopts the view of Today. Against a comprehensive and objective set of criteria, how do an organisation’s processes stack up to best practice? It gives a thorough assessment of a company’s current strengths and areas for improvement and as a result provides a steer as to where the organisation might choose to focus some of its effort in the future. The steer provided however is independent of strategic priority. Conversely, the Balanced Scorecard identifies performance objectives, which an organisation needs to achieve to reach its vision two or five years out. The Balanced Scorecard is future looking. It starts from the visionary end goal and works its way back. E.g. “What do we need to do well to achieve our 3 year financial objectives?”
Attached to those objectives is a set of actions and initiatives that the organisation needs to undertake today to attain the objective. In the Scorecard, those priorities for today are deduced from where we need to be tomorrow. It then takes further analysis however to determine how much effort it will take to get to tomorrow given our current strengths and weaknesses.

4 Why work with both Models together?

Given everything we have described so far, it may become less obvious as to why an organisation might still want to pursue using the two Models together. In our view, it is precisely within the differences of the two Models and their common performance improvement objectives that the benefit of bringing the two together lies. There is fertile ground for growth and learning in looking at the two models in combination.

In this last section, we attempt to illustrate how the Excellence Model can add a deeper dimension to the Balanced Scorecard, and how the Balanced Scorecard can provide focus and a clear plan of action to improve performance following a Self-Assessment initiative.

4.1 From the EFQM Excellence Model to Balanced Scorecard

As we said before, an organisation using the EFQM Excellence Model will have a good and broad understanding of its own strengths and weaknesses at the process level. As a result of the assessment, an organisation will have an indication as to where it may need to improve significantly, where it performs adequately and where it excels against the ideal benchmark. However, it may not have a strong sense of where to invest as a strategic priority, or where improvement will make the biggest impact in business performance and results. The Balanced Scorecard can be used at this point to provide the strategic focus needed to prioritise action and allocate resources.

If the areas of weakness picked up by the Self-Assessment process are not of strategic importance to the organisation then there is less reason for spending much time and money on improving them as a priority. Clearly, there still may be justification in
improving performance in non-strategic areas if performance is below acceptable quality standards. Similarly, the assessment may uncover a set of activities where the organisation excels but which are also non-strategic. There may be justification in that case to cut back on the level of investment committed to those activities. Clearly, it is the processes where an organisation may be weak and which support strategic priorities which should require the most attention, (See Figure 4). In this scenario, the Balanced Scorecard complements the Self-Assessment in providing a strategic prioritisation tool. Resources can be committed to the strategically important areas as necessary and not only or necessarily the low scoring areas on the Self-Assessment. By using both models an organisation can do the right things in the knowledge that they will be doing them well.

**Figure 4**

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Non Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve levels of quality</td>
<td>Improve to minimum acceptable quality levels</td>
</tr>
<tr>
<td>Maintain high quality levels</td>
<td>Potential to cut back current investment</td>
</tr>
</tbody>
</table>

### 4.2 From Balanced Scorecard to Self-Assessment

Once an organisation has identified its strategic drivers of performance and associated measurement, targets and initiatives using the Balanced Scorecard approach, there is clear value in being able to appreciate the level of quality of the processes that may support the strategic objectives and measurement identified in the Balanced Scorecard. Quality processes are clearly important to have to achieve strategic goals. In leveraging the knowledge amassed from conducting Self-Assessment, we can gain
a depth of understanding with respect to the challenges the company may face to deliver against its strategic objectives. For example, the Self-Assessment could highlight particular areas of process weakness today, which if not redressed will make it difficult for an organisation to reach its vision. This can be a valuable tool to inform the organisation on how to fill the performance gap between today and the 3-5 year horizon. It can provide a steer as to the level of process investment required and the time, which it could take for the Balanced Scorecard objectives and measures to be implemented and fully operational. The Self-Assessment could also act as a useful jumpstart to the Balanced Scorecard implementation process.

We believe that the two models can add a useful dimension to the other by leveraging the knowledge and insights that each of the Models brings to the organisation. Indeed, it is about enriching the management dialogue and process by providing additional sources of intelligence. In using the two, a management team can foster a deeper dialogue about performance supported by an end to end analysis of the organisation’s performance from strategy to operations and process quality. Both Models clearly have their place within the strategy and business planning spectrum.
Some organisations try to create other models either inspired by a bit of the EFQM Excellence Model and the Balanced Scorecard, or by overlaying the two models together to create a third way. Given the distinct purpose and benefits each Model is designed to engender, we believe that amalgamating the two Models tends to confuse the end goal and dilutes the total benefits which can be gained from using the two as they were designed. It runs the risk of creating an unnecessarily cumbersome process not quite fit for purpose. There may be benefit in drawing parallels and similarities between the two Models (as shown in the example below) to speak a common language and establish a commonly understood context. However, one needs to recognise where pulling the two Models together stops being insightful and where the differences are best addressed separately.
**Final thoughts**

Organisations must decide for themselves, which Models are best for them and how to use them. Our experience and research shows that there is no reason why the Balanced Scorecard cannot be used effectively alongside the EFQM Excellence Model and vice versa. What is important is that organisations know why they are using these models and manage their development and implementation well. Above all, in using any approach successfully, Balanced Scorecard and EFQM Excellence Models being no exception, there needs to be real and sustained management commitment. Without it, any model risks becoming at best the flavour of the day, and at worst an expensive, interesting but short lived and suboptimal exercise.
Appendix 1: A closer look at the Balanced Scorecard Model

A strategy simply describes how a management team thinks it will achieve its vision of success for some point in the future. A Balanced Scorecard bridges the gap between vision and strategy, and implementation.

The four perspectives of the Balanced Scorecard

The Balanced Scorecard is a logical strategic framework organised across four key perspectives, which enables an organisation to articulate its strategy in a set of focused, strategic objectives and measures. The Balanced Scorecard tells the story of the strategy in operational, actionable terms.

Shareholder / Financial Perspective

For most publicly quoted organisations, the shareholder perspective describes the financial objectives that need to be achieved to meet the expectations of the shareholder, be they in the form of market presence, economic returns, or asset utilisation. Crudely speaking, at the highest level, the shareholders’ main concerns will fall into two broad categories, one of revenue generation, the other of productivity and cost effectiveness, together yielding a level of returns demanded by the shareholder. [Shareholder proxy is often the parent company rather than the
capital markets at large.] This perspective of the Balanced Scorecard expresses the
requirements of the shareholder.

Customer / External Perspective
The customer perspective focuses on describing the key attributes of the
product/service offering which represent value for the customer from the customer’s
point of view. This perspective expresses the needs of the customers and identifies
those components of value within our service offering which both satisfy the
customer’s expectations and that the customer is willing to pay for at a price which
generate the economic returns the company requires. Other external stakeholders who
are often treated as customers can also find their place in this perspective such as city
investment advisors, industry regulators, or suppliers.

Internal Perspective
The Internal perspective describes the processes and activities that if executed at the
highest level of performance will drive success in meeting the Financial and Customer
objectives. In developing the Internal perspective, we focus on identifying those
elements of a company’s value chain that have the greatest or most significant impact
on satisfying the customer and producing the financial returns the company aims for.

Learning and Growth Perspective
Once we’ve understood and clearly expressed the critical drivers of value at the
Financial, Customer and Internal Process levels, what is left to do is to identify those
areas which require investment today to deliver the strategy as described by the
Balanced Scorecard objectives. These ‘Learning and Growth’ or ‘Innovation’ areas
are often referred to as enablers. They are traditionally supporting activities within a
business or activities typically not directly linked to the bottom line. They include
those activities often managed by the H.R, Finance and I.T departments. Typical
Learning and Growth objectives may focus on developing specific skills and
competencies, or on providing the right I.T tools, or on having targeted customer
information. Broadly speaking, Learning and Growth objectives fall into the
categories of competencies and skills, knowledge and information, and culture. This
perspective represents the foundations of the company, and its future capability.
What enablers are invested in today will determine how and where we are successful
tomorrow. Within the Balanced Scorecard framework, such investments can be directly linked to the business strategy and the bottom line.

This is how the Balanced Scorecard tells the story of the strategy through a set of strategic objectives linked together through logical cause & effect relationships across four perspectives bringing together all of the stakeholders who have a claim on the company – shareholders, customers and partners, employees.

**Balanced Scorecard Strategic Linkage Model**

The strategy in Balanced Scorecard form can be represented using a “Strategic Linkage Diagram”. This diagram describes the critical objectives of the strategy across the four Balanced Scorecard perspectives, inter-linked in a way that highlights the “causality” of the underlying strategic objectives. It is often used as a communications tools which clearly and succinctly describes all of the key components of the strategy.
The Balanced Scorecard process does not stop here. Once objectives have been defined, the process of identifying appropriate measurement against each of the strategic objectives starts. Balanced Scorecard measurement focuses both on identifying lead and lag indicators. Lead indicators act as early warning signals and assess whether the company is on the right track, whilst lag indicators track the company’s performance in achieving a particular result. It is the balance of lead and lag indicators within the Balanced Scorecard that makes it a proactive strategic performance tool. The measurements like the objectives they reflect are specific to a specific company’s Balanced Scorecard. A complete Balanced Scorecard includes detailed descriptions of the strategic objectives; one or two measures that can be used to track progress toward achieving each objective, associated targets for the measures, and details of projects or actions that are required before an objective can be effectively tracked. A good Balanced Scorecard programme would also outline a step by step implementation plan touching on all key aspects of Balanced Scorecard implementation: communications and roll out to other organisational areas, links to incentives and rewards, alignment with the budgeting and planning processes, setting of systematic review and feedback mechanisms.

**Example of a complete Balanced Scorecard template**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Example: Organic revenue growth</td>
<td>Example: Revenue from existing businesses</td>
<td>Example: £800m</td>
</tr>
<tr>
<td>Customer</td>
<td>Example: Consumers first choice brand</td>
<td>Example: Consumer satisfaction index</td>
<td>Example: 7/10</td>
</tr>
<tr>
<td>Internal</td>
<td>Example: Cross-sell our products</td>
<td>Example: % Revenue from new products</td>
<td>Example: 15%</td>
</tr>
<tr>
<td>Learning</td>
<td>Example: Communicate strategy</td>
<td>Example: % of people ‘touched’ by communication ‘Road show’</td>
<td>Example: 60%</td>
</tr>
</tbody>
</table>
APPENDIX 2: A closer look at the EFQM Excellence Model and its performance criteria

CRITERION 1 – LEADERSHIP
Definition

How leaders develop and facilitate the achievement of the mission and vision, develop values required for long term success and implement these via appropriate actions and behaviours, and are personally involved in ensuring that the organisation’s management system is developed and implemented.

Sub-criteria

Leadership covers the following four sub-criteria that should be addressed.

1a Leaders develop the mission, vision and values and are role models of a culture of Excellence
1b Leaders are personally involved in ensuring the organisation’s management system is developed, implemented and continuously improved
1c Leaders are involved with customers, partners and representatives of society
1d Leaders motivate, support and recognise the organisation’s people

CRITERION 2 – POLICY AND STRATEGY
Definition

How the organisation implements its mission and vision via a clear stakeholder focused strategy, supported by relevant policies, plans, objectives, targets and processes.

Sub-criteria

Policy and Strategy covers the following five sub-criteria that should be addressed.

2a Policy and Strategy are based on the present and future needs and expectations of stakeholders
2b Policy and Strategy are based on information from performance measurement, research, learning and creativity related activities
2c Policy and Strategy are developed, reviewed and updated
2d Policy and Strategy are deployed through a framework of key processes
2e Policy and Strategy are communicated and implemented
CRITERION 3 - PEOPLE
Definition

How the organisation manages, develops and releases the knowledge and full potential of its people at an individual, team-based and organisation-wide level, and plans these activities in order to support its policy and strategy and the effective operation of its processes.

Sub-criteria
People covers the following five sub-criteria that should be addressed.

3a People resources are planned, managed and improved
3b People’s knowledge and competencies are identified, developed and sustained
3c People are involved and empowered
3d People and the organisation have a dialogue
3e People are rewarded, recognised and cared for

CRITERION FOUR – PARTNERSHIPS AND RESOURCES
Definition

How the organisation plans and manages its external partnerships and internal resources in order to support its policy and strategy and the effective operation of its processes.

Sub-criteria
Partnerships and Resources covers the following five sub-criteria that should be addressed.

4a External partnerships are managed
4b Finances are managed
4c Buildings, equipment and materials are managed
4d Technology is managed
4e Information and knowledge are managed

CRITERION 5 – PROCESSES
Definition

How the organisation designs, manages and improves its processes in order to support its policy and strategy and fully satisfy, and generate increasing value for, its customers and other stakeholders.

Sub-criteria
Processes cover the following five sub-criteria that should be addressed.

5a Processes are systematically designed and managed
5b Processes are improved, as needed, using innovation in order to fully satisfy and generate increasing value for customers and other stakeholders
5c Products and Services are designed and developed based on customer needs and expectations
5d Products and Services are produced, delivered and serviced
5e Customer relationships are managed and enhanced
CRITERION SIX - CUSTOMER RESULTS

Definition
What the organisation is achieving in relation to its external customers.

Sub-criteria
Customer Results covers the following two sub-criteria that should be addressed.

6a Perception Measures
These measures are of the customers’ perceptions of the organisation (obtained, for example, from customer surveys, focus groups, vendor ratings, compliments and complaints).

6b Performance Indicators
These measures are the internal ones used by the organisation in order to monitor, understand, predict and improve the performance of the organisation and to predict perceptions of its external customers.

CRITERION SEVEN - PEOPLE RESULTS

Definition
What the organisation is achieving in relation to its people.

Sub-criteria
People Results covers the following two sub-criteria that should be addressed.

7a Perception Measures
These measures are of the people’s perception of the organisation (obtained, for example, from surveys, focus groups, interviews, structured appraisals).

7b Performance Indicators
These measures are the internal ones used by the organisation in order to monitor, understand, predict and improve the performance of the organisation’s people and to predict their perceptions.
CRITERION EIGHT – SOCIETY RESULTS

Definition

What the organisation is achieving in relation to local, national and international society as appropriate.

Sub-criteria

Society Results covers the following two sub-criteria that should be addressed.

8a Perception Measures

These measures are of the society’s perception of the organisation (obtained, for example, from surveys, reports, public meetings, public representatives, governmental authorities).

8b Performance Indicators

These measures are the internal ones used by the organisation in order to monitor, understand, predict and improve the performance of the organisation and to predict perceptions of society.

CRITERION 9 – KEY PERFORMANCE RESULTS

Definition

What the organisation is achieving in relation to its planned performance.

Sub-criteria

Key Performance Results covers the following two sub-criteria that should be addressed. Depending on the purpose and objectives of the organisation some of the measures contained in the guidance for Key Performance Outcomes may be applicable to Key Performance Indicators and vice versa.

9a Key Performance Outcomes

These measures are key results planned by the organisation and which, depending on the purpose and objectives of the organisation, may include both financial and non-financial outcomes.

9b Key Performance Indicators

These measures are the operational ones used in order to monitor, understand, predict and improve the organisation’s likely key performance outcomes.
APPENDIX 3: Contact details for further information

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APPENDIX 4: FURTHER LITERATURE ON THE SUBJECT


APPENDIX 5: FEEDBACK FOR THE AUTHORS

The authors would be pleased to receive feedback, in terms of strengths and areas for improvement, on the content of this paper from readers. Please send your comments to either: -

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