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The Balanced Scorecard

Deciding on appropriate measures is half of the equation for effective IT organizations. The other half of the equation is ensuring that those measures are accurately communicated to the business. Two methods for communicating these metrics are scorecards and dashboards.

Financial measures may be the language of stockholders, but managers understand that such measures can be misleading if used as the sole means of making management decisions. One methodology used to solve this problem, created by Robert Kaplan and David Norton and first described in the *Harvard Business Review* in 1992, is the **balanced scorecard**, which focuses attention on the organization's value drivers (which include, but are not limited to, financial performance).[13] Companies use this scorecard to assess the full impact of their corporate strategies on their customers and work force as well as their financial performance.

The balanced scorecard methodology allows managers to look at the business from four perspectives: customer, internal business, innovation/learning, and financial. For each perspective, the goals and measures are designed to answer these basic questions:

- How do customers see us? (customer perspective)

- At what must we excel? (internal business perspective)

- Can we continue to improve and create value? (innovation and learning perspective)

- How do we look to shareholders? (financial perspective)

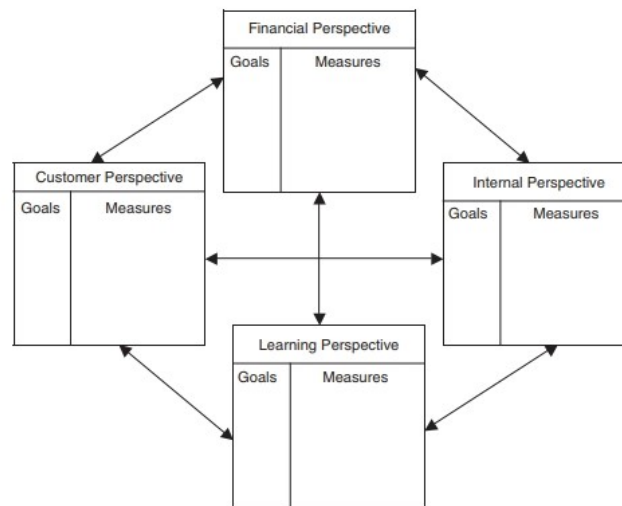Figure 8.8 graphically shows the relationship of these perspectives.

FIGURE 8.8 The balanced scorecard perspectives.
Source: Based on R. Kaplan and D. Norton, "The Balanced Scorecard—Measures That Drive Performance," *Harvard Business Review* (January–February 1992), 72.

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[13] For more detail, see R. Kaplan and D. Norton, "The Balanced Scorecard—Measures That Drive Performance," *Harvard Business Review* 70, no. 1, (January–February 1992), 71–79.

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