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WHITEPAPER

BALANCED SCORECARD FOR SMALL & MEDIUM SIZED ORGANIZATIONS

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Highlights

- Although the Balanced Scorecard was originally embraced by large, for-profit organizations the model applies to organizations of any sector or size.
- A growing number of small and medium sized businesses are using the Balanced Scorecard and generating results.

Since the publication of my first book “Balanced Scorecard Step by Step: Maximizing Performance and Maintaining Results” I've been fortunate enough to receive calls and e-mails from readers around the globe. The correspondence span many topics, but I've received several that go something like this. “Dear Paul, I have read your book and think the Balanced Scorecard is a great methodology. I run a small organization and am wondering if the Scorecard is applicable to us?”

My answer to these queries is a resounding yes! One of the greatest attributes of the Balanced Scorecard is its applicability to a wide variety of organization types and sizes. The Scorecard has been used successfully in Fortune 1000 companies in financial services, manufacturing, and energy just to name a few. Additionally, public sector agencies and nonprofit organizations are increasingly looking to the Balanced Scorecard to help drive accountability, focus, and alignment. Of course it's natural for small and medium sized business leaders to wonder about the applicability of the Balanced Scorecard to their situations. Since the methodology was developed in the early 1990s it has been used successfully by many thousands of large organizations around the world. Naturally, these complex implementations, such as Mobil Oil, Wells Fargo, and Wendy's, receive the lion's share of any press directed towards the Balanced Scorecard.

If you're running a small manufacturing organization of 100 people it's difficult to put yourself in the shoes of a Mobil Oil. But rather than focus on what separates you, let's focus instead on those things shared by all organizations, regardless of size or geographic presence. Companies around the globe are basically playing the same game - attempting to execute a strategy in order to differentiate themselves from their competitors. Whether you have one, one thousand, or one million employees the roots of success remain the same. So my questions to you are these: do you have a mission or vision? Do you have a strategy? Do you seek to execute that strategy? Do you need to measure your performance in areas other than financial outcomes? Would you like to allocate your limited

resources (both human and financial) in a way that links to your overall goals? Would it be beneficial if all your employees were aligned towards the same overall goals? If you answered yes to any or all of these questions then I believe the Balanced Scorecard could be right for you.

It's difficult to estimate how many small and medium sized enterprises are using the Balanced Scorecard, but anecdotal evidence suggests the number is increasing rapidly. In “The Strategy Focused Organization,”ⁱ Scorecard architects Kaplan and Norton chronicle the story of Southern Gardens Citrus, a small Florida juice processor. Since using the Scorecard this firm of 175 people has seen unit costs drop 28%, on-time delivery rise to 99%, and absenteeism lower to 2.4 %. Another Scorecard success story comes to us from a small nonprofit opera company in Boston, Massachusetts the Boston Lyric Opera. In an effort to boost community support this innovative organization staged two very successful performances of “Carmen” on the Boston Common.

The results wildly exceeded their expectations. The idea for the free performances arose out of a discussion on developing initiatives for their Balanced Scorecard. These are but two of undoubtedly countless success stories. Never forget that the Balanced Scorecard was originally conceived as a tool to help organizations execute their strategies. And of course, there are no size limits on the organizations to which it should apply. Every enterprise should have a strategy, and should work diligently to execute that strategy. The Balanced Scorecard can prove to be a key tool in your competitive arsenal.

ⁱ Robert S. Kaplan and David P. Norton, *The Strategy Focused Organization*, (Boston, MA., Harvard Business School Press, 2000).

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