Organizations developing Balanced Scorecards often experience problems with selecting measures. The common lament? That measure development and selection is complicated and takes too long.

This reaction is understandable but, thankfully, avoidable. These problems usually stem from a perfectionist mindset about the role of performance measures. Many scorecard project teams believe that performance measures must be empirically perfect and statistically sound with no room for ambiguity. They also think measures must be comprehensive—that they need to track every process and every new product. While perfectly suitable for an organization’s financial measures, this quest for perfection tends to fail when applied to more subjective or nebulous areas such as customer feedback, human capital improvement, and internal processes—indeed, the majority of measures in a typical scorecard.

Here are five easy steps for developing your scorecard measures, honed from our work with many successful BSC implementations.

**Step 1. Develop the Proper Mindset**

Building a Balanced Scorecard demands that organizations possess a flexible and creative mindset when developing measures. They must recognize that:

- Measures drive the behavioral changes demanded by the strategy. They will cause your people to act differently, processes to improve, and new investments to be made.

- Measures enable executive-level discussion about progress and help answer the question “Are we on the right track?” Good measures enable you to ask better questions, rather than give you neat answers.

- Measures are tools you use to create a climate for action and to support robust strategic dialogue. Successful organizations understand this and have no fear about experimenting with their measures, imperfections and all.

**Step 2. Develop a Strategy Map**

Without a strategy map, you only have half a scorecard. The strategy map not only describes your strategy, but it also ensures that the key outcomes and drivers of value remain at the center of what gets managed. The strategy map is the “source code” for your measures and provides a context in which to organize them. A properly constructed map contains strategic objectives. Each objective describes a desired strategic outcome or the drivers of those outcomes. Each objective on your map is measured.

To create a good strategy map, your executive team must be very clear about the intent of each objective. Why is it part of the strategy? What change is required to drive success in it? Who is accountable for driving the change(s)? What will success look like?

Executives need to sit down together and work out these questions during a strategy map workshop. Skipping this step ensures your project team will flounder as it struggles to guess what the leadership team’s intentions are.

**Step 3. Define Your Strategic Objectives**

Once you understand exactly how each objective contributes to the strategy, describe its purpose in writing. This can typically be accomplished in three to five sentences, but a longer explanation is fine. (See *Figure 1*, next page.) Defining your strategic objectives gives you a record of what executives have committed the organization to achieving. Generic objective definitions are harmful because they inhibit your ability to adequately describe how you intend to operationalize your strategy.

While strategy can be expressed in broad terms, operationalizing strategy requires specifics. If, for example, you’re striving for “market leadership,” the scorecard compels you to define that term and decide how it will be delivered to the marketplace. Your definitions provide the necessary clarity and focus. Do not begin developing measures until each objective on your strategy map is clearly defined and validated by the executive team.

**Step 4. Brainstorm Potential Measures**

With each objective clearly understood, you have established the scope and boundaries of what needs to be measured. You have homed in on how each objective contributes to executing
strategy and what executives want to discuss. Now the project team is ready to brainstorm potential measures. There are generally between two and five possible measures for every objective on your strategy map. For each objective, the project team should review the following:

- What behavioral change does this objective demand? What improvements are required (e.g., faster, slower, more accurate; better market knowledge, greater customer involvement)?
- What will executives need to discuss regarding this objective?

With these thoughts in mind, there are many sources of measures. First, there are those for the measures you already collect. If you are getting outside help, ask your consultant. Chances are, she has good ideas and knows your issues. There is no lack of books and articles on performance measures. Don’t be shy about using them.

Assuming four BSC perspectives and approximately 15 to 25 objectives, expect the brainstorming to yield anywhere from 30 to 50 potential measures.

**Step 5. Filter and Select Measures**

This final step has two parts. First, the project team must streamline the large list of potential measures to ensure only the best ones remain. Second, the executive team must use this list to select the 15 or 25 measures that will make up their scorecard.

To streamline the large list, the project team filters every potential measure using the following criteria:

- Will the measure help decision makers understand strategic performance and communicate results to employees?
- Is the measure quantifiable and repeatable?
- Can the measure be updated frequently enough to be meaningful, such as on a monthly or quarterly basis?
- Can quantifiable improvement targets be established?
- Does the measure encourage and codify accountability?

You are now ready to have your executive team select the final roster of measures from the list of potentials. We suggest holding a half-day executive workshop for the selection process, in which executives collectively decide which measures to apply to each objective.

Selecting measures is not as difficult as you might think. With an open and flexible mindset, a willingness to experiment, and comfort with a certain degree of ambiguity, your scorecard will quickly become integral to your organization’s success.

**To Learn More**

Besides Kaplan and Norton’s major works — The Balanced Scorecard, The Strategy-Focused Organization, and Strategy Maps — there are numerous books that provide guidance on performance measures. We do not claim any of the following to be definitive and urge readers to consult online bookstores, fellow BSC practitioners, and other sources.


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