



Balanced Scorecard (BSC)

Balanced Scorecard, the abbreviation **BSC** is used. It is a system of management and measurement of the performance of the organization, which is based on defining a balanced system of interrelated indicators of business performance. Hence the "balanced". Balanced Scorecard was developed by American consultants Robert S. Kaplan and David P. Norton in the nineties of the 20th century.

Balanced Scorecard method was originally focused on strategic management of the organization, but gradually it was developed to the level of operation management and it represents a comprehensive system of planning and management. The method helps to determine the balance of strategic objectives and convert them into specific sub-objectives, including indicators and metrics. While implementing them, it helps measure the organizational performance.

BSC works with four perspectives of organizational evaluation:

- › Financial perspective
- › Customer perspective
- › Process perspective
- › Learning and growth

In each area there are set objectives and metrics of their achievement and the measurement and evaluation are then implemented. The BSC is therefore closely related to MBO.

Kaplan with Norton say about BSC:

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

The Balanced Scorecard method is universally usable in all sectors - industry, trade, primary sector, service sector but also in the public sector.

Related terms and methods:

- › Metrics - KPI
- › Management by Objectives
- › Objectives

Related management fields:

- › Organizational Management
- › Strategic Management