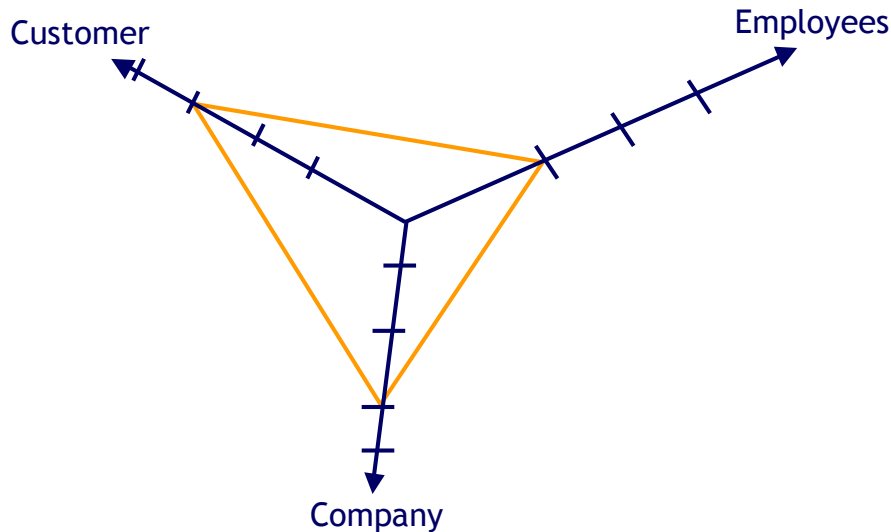


The balanced scorecard

Good for customers; good for employees; good for equity.



At the heart of our consulting ethos is the principle of the balanced scorecard and we think of the lack of this balance is also the heart of many problems observable in companies.

This principle states that for any piece of work or process to be considered high-quality, it must generate value in three directions, it must be good for customers, good for employees and also good for profits, the means to repay the past and fund future investment. (Many people will also talk about the community and other stakeholders such as suppliers. These are realistic and important parts of the extended balanced scorecard. However, examination also shows that it is not possible to meet these three criteria without taking account of a broader framework and hence these three factors include the bigger picture.)

Work that is only good for one or two of these does not really pass the quality test. Many companies emphasise the importance of satisfying or even delighting customers. That is important, unless you do this why should they be loyal and unless they are loyal how will the company survive? But it is not enough. Other people emphasise the importance of making the workplace rich and fulfilling, creating a human culture where people feel glad to work. This also is important, for just as a person with an impoverished inner life has little to offer the world, so is a company with an impoverished culture operating at a disadvantage in the marketplace. And others go on about the importance of creating profits. It is a commonplace in discussing the purpose of business with its leaders to find that many of them believe that the primary purpose is creating shareholder value (or some such phrase). A company that is not generating surplus funds out of its operations is a company that is dying. As another article emphasises, healthy profits are an essential fat.

It takes little analysis to see the potential for these three to appear to be at odds with each other. The policies of many companies certainly go in this direction. And whatever may be the words in the internal marketing slogans, the reality is that it is often employees who suffer in the first instance. In this case the knock-on effect is that customers also suffer and the knock-on effect of this is that profits suffer. But it is a basic law of economic life: whichever one is depressed first, all three eventually become depressed.