

Learn the FM: What is Balanced Scorecard in Finance part 2?

THE 4 PERSPECTIVES OF THE BALANCED SCORECARD

1. THE FINANCIAL PERSPECTIVE

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will make sure to provide it. In fact, there is often more than sufficient handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financial issues leads to an unbalanced situation with regard to other perspectives. There is perhaps a need to include additional financial related data, such as risk assessment and cost-benefit data, in this category.

2. THE CUSTOMER PERSPECTIVE

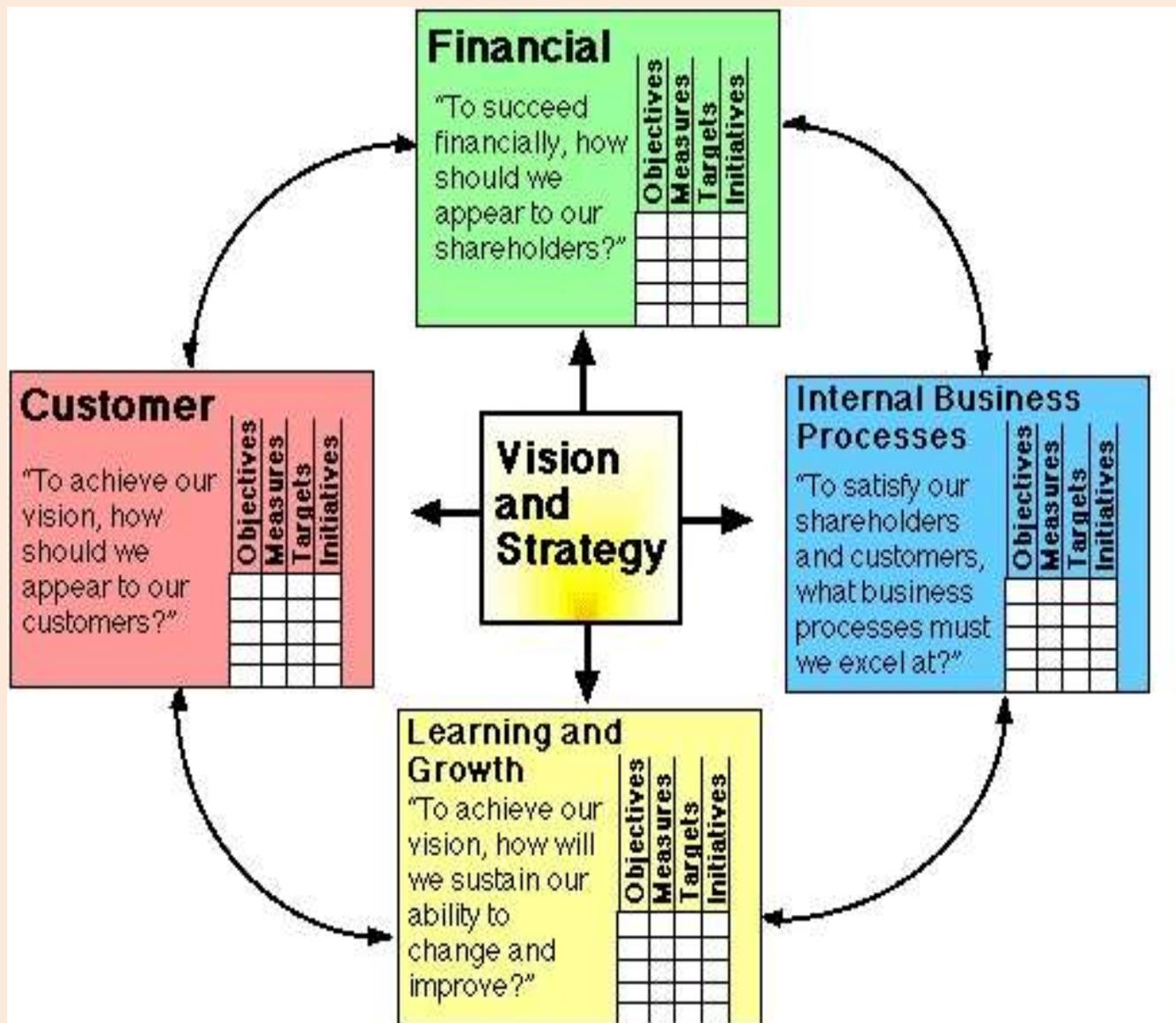
Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any company. These are called leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline. **Even though the current financial picture may seem (still) good. In developing metrics for satisfaction, customers should be analyzed.** In terms of kinds of customers, and of the kinds of processes for which we are providing a product or service to those customer groups.

3. THE BUSINESS PROCESS PERSPECTIVE

This perspective refers to internal business processes. Measurements based on this perspective will show the managers how well their business is running, and whether its products and services conform to customer requirements. These metrics have to be carefully designed by those that know these processes most intimately. In addition to

the **strategic management processes**, two kinds of business processes may be identified:

- **Mission-oriented processes.** Many unique problems are encountered in these processes.
- **Support processes.** The support processes are more repetitive in nature, and hence easier to measure and to benchmark. Generic measurement methods can be used.



4. LEARNING AND GROWTH PERSPECTIVE

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge worker organization, people are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to learn continuously. Government agencies often find themselves unable to hire new technical workers and at the same time is showing a decline in training of existing employees. Kaplan and Norton emphasize that 'learning' is something more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools such as an Intranet.

The integration of these four perspectives into a one graphical appealing picture, has made the Balanced Scorecard method very successful as a management methodology.

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