The Balanced Scorecard was developed by Kaplan and Norton as an attempt to counter a rather narrow-minded approach to performance management that relied too heavily on financial measures. The Balanced Scorecard approach relies on the organisation defining key dimensions of performance for which discreet yet linked measures can be reported. The following categories, or perspectives, are measured:

- Customers
- Internal Process
- Learning and growth
- Financial
The balanced scorecard depicted above is a carefully selected set of quantifiable measures obtained from an organisation’s strategy. The measures selected represent a communication tool to employees and external stakeholders the outcomes and performance drivers by which the organisation will achieve its mission and strategic objectives.

A framework is developed within each of the four perspectives that helps describe the key elements of strategy; the framework is made up of:

- Objectives
- Measures
- Targets
- Initiatives

**Customer Perspective**

Two key questions need to be asked here:

Who are our target customers?
What is our value proposition in serving them?

Example measures could include

- Specifications (customer driven): Product quality (restaurant) & service quality
- Service: Responsiveness & customer satisfaction surveys
- Market share: Product/service mix & Innovations and competency

**Internal Process Perspective**

What are the key processes which we must excel at in order to continue to add value for customers? Service development and delivery, partnering with the community, and reporting are examples that could be used.
Learning and Growth Perspective

There will normally be a gap between current organisational infrastructure of employee skills, information systems, and organisational culture and the level necessary to achieve the results that are desired.

The measures that are used and designed in this perspective will help close the gap. Employee skills, employee satisfaction, education training, internal rewards and recognition are examples of such measures.

Financial Perspective

The measures in this perspective tell us whether our strategy execution and implementation, detailed through measures in the other perspectives, leads to improved bottom-line results. Typical examples include: revenue, efficiency and budget variances.

Benchmarking

Benchmarking is the practice of measuring an organisations products or services against "best practice"; the primary objective is to improve processes or activities. Through benchmarking, organisations learn about their own practices and procedures, and the best practices of others. Benchmarking enables them to identify where they fall short of current best practice and determine action programmes to help then match and surpass it.

Benchmarking originated in the USA in the 1970s, pioneered by Rank Xerox and was ‘exported’ to Europe and the UK in the 1980s. A number of public sector and not for profit organisations have successfully embraced and adapted the technique, and it is a popular and effective management process.

Any activity that can be measured can also be benchmarked. However this is neither feasible nor practical. The starting point for any benchmarking exercise is to determine the key performance areas; those are the areas that are critical to the organisation, operationally and strategically. They should focus on those areas that (a) tie up most of the resources; (b) significantly improve the relationship with their client groups; (c) impact on the viability of the
organisation. For example an organisation that relies on grant aid as its main source of income might benchmark fund raising activities.

Once the key performance areas have been decided upon an organisation must then set the key standards and variables to measure, these are commonly known as "key performance indicators" (KPIs). Having defined the benchmarks the hunt is on for information to establish the benchmark performance. We then identify the most relevant competitors and "best-in-class" organisations. These must then be measured regularly and objectively and appropriately analysed.

Organisations then need to specify programmes and actions to close the gap. Having measured one's actual performance and compared it with some form of target, benchmarking moves from simple measurement through to performance improvements. Many organisations forget this stage and therefore miss the real benefit of benchmarking. It is essential that programmes and actions are implemented and that ongoing performance is monitored.

Successful and effective benchmarking requires commitment and support from the board and senior management. Managers need to be as specific as possible when identifying areas to benchmark. For example, a theatre company that wishes to benchmark customer service needs to decide what specific aspect of customer service needs to be examined. Customer service encompasses a diverse range of activities, such as dealing with enquiries, handling disappointed customers, issuing refunds and taking payments. Each of these activities is different, each with its own thought processes, techniques and controls.

The next step is to assemble a suitable team which understand and can deal with the affected areas. For example, a theatre company that wanted to improve its booking system would probably have a team consisting of front of house staff, marketing and IT.

The next steps are to determine the issues to be benchmarked and then select which organisations to study. For example the theatre company that wishes to improve its booking system may look to a travel agency or hotel as a suitable partner.

Once the best practices have been identified, the benchmarking team collects the data, analyses it, and then plots their performance against best practice to help identify improvement opportunities.

Finally the team decides what is needed to adapt the best practices to suit their own particular circumstances, this will a re-evaluation and re-design of existing procedures and
approaches. A cost-benefit exercise will usually be carried out and an implementation timetable with priorities is established.

Benchmarking can be a powerful and effective management tool, the key to its success is support and understanding from all, focus, openness and a willingness to share, appropriate suitable partners. By studying other organisations’ one can set targets; identify the most effective approach to development and apply it to improve both skills and performance.