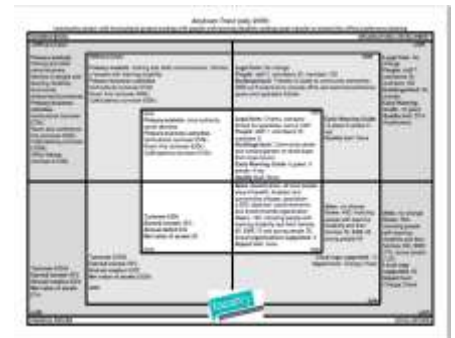


The Balanced Scorecard

a strategic business planning tool



The Balanced Scorecard is a simple business tool, designed to capture on one page various aspects of the organisation – business model, organisational development, financial return and social return – setting out in each case where the organisation is now and where it wants to be soon (e.g. 2 years time) and later (e.g. 5 years time).¹ In this way it facilitates strategic planning by considering the current state of play, the long term vision and the steps required to get there.

The four quadrants help to build a picture of the organisation as a whole.

- Business Model - list the primary business activities, services and products, and identify the main customers
- Organisational Development - describe the organisation including staffing, volunteers, board, partners, resources etc.
- Financial Return - provide key financial figures, including capital investments, turnover, any surplus and cash flow analysis.
- Social Return - identify the social returns arising from the work, e.g. increased employment, better health for attendees, improved environmental quality, increased social capital etc.

It is important to check continually for consistency of approach between the different quadrants. For example, if turnover is going to double, what will be the impact on staffing and systems? We call this the 'kaleidoscope' approach because it means moving round between the quadrants.

The Balanced Scorecard aims to predict a journey that the organisation is going on. Some of the markers in this journey are numeric (eg turnover increases from 50k to 75k to 100k). Others are narrative (eg short lease is converted to long lease with aspiration for freehold transfer). Along the way, copies of the Balanced Scorecard can be permanently saved as snapshot reminders of plans and progress for the organisation.

¹ Organisations making longer-term investment propositions may need to vary these timescales to fit their business model.

General Hints and Tips for completing the Balanced Scorecard

- It is good to complete the Balanced Scorecard as a group exercise with the Board, the senior staff or a mix. It usually takes a few goes to get something everyone is happy with. The process of discussing what should go into the boxes is itself a good organisational development process. If possible it is best to have the process facilitated by an external advisor leaving all staff/Board members free to participate.
- It is usual to start with the NOW boxes and complete them all to get a full snapshot of the organisation as it stands today. Some organisations then prefer to consider LATER as they feel clear about the long term vision, and then look at what the medium-term intermediary steps are. As a rule SOON should be fairly concrete, but LATER may only contain one or two vague aspirations in each quadrant.
- Remember the aim is to have a document that is as honest and realistic as possible – not something that glosses over difficulties. The organisation should consider that disguising problems or ‘overselling’ their organisation will harm not help the prospect of achieving funding support.
- At the diagnostic stage there will be ‘white space’ questions that cannot be answered. Make sure you are clear why this is and what needs to happen in order to supply answers.
- Remember: the point of the exercise is to develop a simple, single sheet which outlines your strategic plan! Resist the temptation to cram text in. Keep to headlines and quantify wherever possible.

What information should be entered into the Balanced Scorecard?

OVERALL

Remember the Balanced Scorecard is about the organisation as a whole rather than a specific project or enterprise.

BUSINESS MODEL

Standard requirements (now/soon/later)

- Description of primary market(s) – who are the *customers*
 - List of primary business activities – what are the services and products that attract earned, contract, grant income, showing turnover for each

Additional optional indicators

- Eg market share (locally)

Hints and Tips

- Cluster activities into groups – eg ‘basic skills training’ or ‘support to smaller groups’
- Identify who you are ‘selling’ these products to – the user? the local authority? trust funds?
- Which markets are likely to grow or shrink?
- What new products or services are planned?
- What is the competition? Against whom might the organisation benchmark?

ORGANISATIONAL DEVELOPMENT

Standard requirements (now/soon/later)

- Description of organisational form/when established
- People – number and skill assessment of Directors/Trustees, number of staff/volunteers
- Key partnerships
- Buildings/land (ownership or management)
- Early Warning Guide indicators (green, amber, red)
- Organisational quality tool achieved (Pquasso, Visible, DTA HealthCheck, ISO etc)

Additional optional indicators

- Eg number of local members, accreditation, acquisitions/mergers, trading subsidiaries.

Hints and Tips

This quadrant is most in need of the kaleidoscope approach to check internal consistency

- is the form of the organisation appropriate for the business activities?
- if the business model is going to change, do the people have appropriate skills?
- if growth is projected in the business/financial quadrants how will the organisation need to develop to maintain capacity?
- are the quality systems in place to measure the proposed social returns?
- are the premises suitable for the proposed activities?

SOCIAL RETURN

Standard requirements (now/soon/later)

- Description of social aim (primary beneficiaries/area of benefit/population/summary of overall social objective)
- Number of local people using facilities over a year (of which, those from the organisation's target minority groups)
- Number of local organisations supported over a year
- Social impact tool in use or proposed.

Additional optional indicators

- Only select those capable of measurement through social impact tool

Hints and Tips

- This is often where community organisations can struggle – you need to define what actually is the benefit that will result from activities
- Who are the beneficiaries? How many are there? How do they benefit? Try to think about outcomes and impact, rather than outputs.
- What other benefits accrue to the community, the state etc? Think social, economic, environmental, cultural benefits.
- What might be measured, and how?

FINANCIAL RETURN

Standard requirements (now/soon/later)

- Turnover
- Percentage of earned or contract income (compared to grant income)
- Annual surplus/deficit
- Reserves (restricted and unrestricted)
- Value of assets (restricted and unrestricted)

Additional optional indicators

- Eg diversification of income streams, financial return on assets

Hints and Tips

- Should be mostly quantified (rather than eg 'increased turnover'). Encourage participants to predict changes in these figures, even if they are rough estimates. Beware of simplistic growth models.
- Consider the quality and diversity of income streams - length of contract, security of funding source, gross margin, etc.

Anytown Trust (July 2009)

Community anchor with horticultural project working with people with learning disability seeking asset transfer to extend into office/conference/catering

BUSINESS MODEL		ORGANISATIONAL DEVELOPMENT	
LATER (up to 5 years)	SOON (up to 2 years)	SOON	LATER
Primary markets: training and skills commissioners, families of people with learning disability, local social enterprises/businesses Primary business activities Horticultural (turnover £70k). Room and conference hire (turnover £50k). Café/catering (turnover £100k). Office lettings (turnover £120k)	Primary markets: training and skills commissioners, families of people with learning disability Primary business activities Horticultural (turnover £70k). Room hire (turnover £40k). Café/catering (turnover £60k).	Legal form: No change People: staff 3, volunteers 35, members 100 Buildings/land: Transfer of asset to community ownership: 5000 sq ft extension to provide office and learning/conference space and upgraded kitchen	Legal form: No change People: staff 7, volunteers 50, members 100 Buildings/land: No change Early Warning Guide: 18 green Quality tool: DTA Healthcheck
	Primary markets: local authority social services Primary business activities Horticultural (turnover £55k). Room hire (turnover £20k). Café/catering (turnover £10k).	Legal form: Charity, company limited by guarantee, set up 1997 People: staff 1, volunteers 25, members 0 Buildings/land: Community centre and nursery/garden on short lease from local council Early Warning Guide: 8 green, 6 amber, 4 red Quality tool: None	Early Warning Guide: 12 green 6 amber 0 red Quality tool: None
	Turnover £95k Earned income 35% Annual deficit £3k Net value of assets £0	Aims: Beneficiaries: all local people; area of benefit: Anytown and surrounding villages; population 3,500, objective: social economic and environmental regeneration. Users: 180, including people with learning disability and their families 40, BME 15 and young people 30. Local organisations supported: 8 Impact tool: none.	Aims: no change Users: 400, including people with learning disability and their families 50, BME 45, young people 60 Aims: no change Users: 500, including people with learning disability and their families (60), BME (75), young people (125) Local orgs supported: 20 Impact tool: Change Check
Turnover £550k Earned income 65% Annual surplus £35k Net value of assets £1m	Turnover £200k Earned income 50% Annual surplus £20K Net value of assets £500k	Local orgs supported: 12 Impact tool: Change Check	Local orgs supported: 12 Impact tool: Change Check
LATER	SOON	SOON	LATER
FINANCIAL RETURN			SOCIAL RETURN

