Scorecard 2: benefits and criticisms

MODULE 5 | PART B.3.2 | STUDENT COMPANION

Benefits and criticisms

Benefits

- Summarises complex information
- Focuses attention on key variables
- Supports management by exception
- Balances short-term and sustainable performance
- Limits the number of measures

Criticisms

- Hard to balance measures in different units
- Cause and effect may not hold
- Objectives vague, measures subjective
- Predictive models partial; ability to act constrained
- Risk of control without learning

Testing a cause-and-effect assumption

Assumed link	Why it might fail
More training -> better processes	Newly skilled staff leave for competitors
Higher satisfaction -> higher profit	Satisfaction bought with discounts that erode margins
More advertising -> more sales	Market saturated; competitors respond

Rules to remember

Item	Rule
Balance	You cannot maximise all four perspectives at once - seek the best combination
Predictive model	The assumptions behind the strategy - test and revise them
Otley and Berry	Vague, changing goals; subjective measures; partial models held differently by different people; limited ability to act
Extra perspectives	Donors (not-for-profit), social outcomes (public sector), quality (health), environment
Use	As a learning tool, not just a feedback control

Question 1

A charity uses a four-perspective scorecard copied from a retailer. Identify two weaknesses of this approach and suggest how the scorecard should be adapted.

Worked answers

MODULE 5 | PART B.3.2 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Worked answer

Weakness	Adaptation
Financial perspective treated as the goal	Make finance a constraint; lead with mission outcomes
Customer perspective ignores donors and beneficiaries separately	Add donor and beneficiary perspectives
Retail cause-and-effect assumptions	Map the charity's own predictive model (how activities create outcomes)

Add a volunteer or learning measure (volunteer retention, training) and test the assumed links each year.