



# Using the Balanced Scorecard for Employee Evaluations

One of the great advantages of the Balanced Scorecard management system is its tremendous versatility. It is easily adapted to any aspect of business management, and employee evaluation is no exception. By analyzing the employee's relationship with the company from each of the four key perspectives, you can see where the employee is fully contributing to your success and where he or she could improve.

The balanced scorecard allows supervisors and managers to objectively analyze the employee's performance and contribution to the company. It prevents the problems associated with subjective evaluation by providing concrete metrics that can be applied equally to every employee.

This protects the company in two ways. First, it ensures that supervisors do not, deliberately or unconsciously, give more favorable evaluations to employees they enjoy working with. Second, it provides the company with demonstrable data that can be used to defend against discrimination or unfair labor practice lawsuits.

The balanced scorecard also provides managers with a more rounded view of each employee's role in the company. For example, how does one effectively evaluate a salesperson who is popular with his clients but consistently far over budget in expenses? Likewise, how does one determine the business value of a department leader who is outstandingly efficient but whose taskmaster mentality leads to high employee turnover?

The balanced scorecard allows you to select criteria in each of the four key perspectives – Financial, Customer, Internal Process, and Learning and Growth – to develop a realistic view of employee contribution. You will consider your employee requirements from each of the four business perspectives:

Fundamentally, your purpose is to determine whether the employee is doing everything possible to help the company succeed. Each of the perspectives evaluates how well the employee is doing in achieving that purpose in specific areas. Here are some commonly used examples of evaluation criteria and suggested measurements for each.

### Financial:

- **Good steward of financial resources:** Percentage of projects completed within budget or number of months department operated within budget
- **Appropriate compensation for responsibility level:** Variance from company's historical salary for comparable position or variance from industry standard for comparable position

### Customer:

- **Successful relationships with internal customers (coworkers, subordinates, superiors):** Number of complaints received or number of positive responses on employee satisfaction surveys
- **Successful relationships with external customers (clients, vendors, business associates):** Number of positive responses in satisfaction surveys for those customers employee interacts with



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### Internal Processes:

- **Completes tasks effectively:** Percentage of projects completed by deadline or number of days operating without failure or injury
- **Uses resources efficiently:** Waste-to-production ratio in department or by assigned project

### Learning and Growth:

- **Makes continual effort to improve skills and knowledge:** Number of training opportunities participated in
- **Actively looks for ways to promote company growth:** Number of suggestions given to supervisor

Once you've obtained the data for each of these four areas, you can objectively analyze the employee's strengths and weaknesses. Each employee will have areas of excellence and areas where they could improve. For example, the taskmaster will have high scores in Internal Process criteria, but low scores in Customer criteria. You can then recommend actions that this employee should take as an objective activity rather than a personal criticism. This increases the chance that the suggestion will be acted upon. It is the difference between telling the employee, "Your subordinates think you're too hard on them," and "Your Customer perspective isn't performing as well as it should."

Weighting is especially helpful for employee evaluation because it allows you to customize the same scorecard to various positions within your company. For example, positive relationships with external customers should carry extra weight in your sales team's evaluations, but completing tasks on time and without injury would be more heavily weighted in your logistics team. By applying weights accordingly, you can build your scorecard to encourage expertise in the areas essential to each employee's work requirements.

One of the most important principles of balanced scorecard use is open communication both up the company hierarchy and down. You should also use the four perspectives to give your employee the opportunity to evaluate his relationship with the company. The employee's perception plays a significant role in the level of effort he or she will readily commit to. You can increase the possibility that the employee will take decisive action to improve his scores if you take time to ensure the employee's concerns are acknowledged and where possible, addressed. Employee perceptions can typically be obtained using a simple survey as part of the evaluation process.

### Financial:

- **Compensation:** Does the employee feel his or her compensation is appropriate for the amount of work required?
- **Access to financial resources:** Does the employee feel his or her budget is realistic?

### Customer:

- **Relationship with internal customers:** Does the employee feel he or she has a good relationship with coworkers, subordinates and supervisors?



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- **Relationship with external customers:** Does the employee feel he or she has a good relationship with external customers?

### Internal Processes:

- **Workload:** Does the employee feel the number of tasks assigned is reasonable for his normal work schedule? (i.e. 40 hours)
- **Process participation:** Does the employee feel he has enough control over the processes involved in the tasks required for his job?
- **Resource availability:** Does the employee feel the company is providing the resources needed to effectively do the work required?

### Learning and Growth:

- **Personal Growth Opportunities:** Does the employee feel he has opportunities to increase his skills and advance in the company?
- **Company Growth Involvement:** Does the employee feel he directly contributes to the company's success and that his or her suggestions are taken seriously?

By applying the balanced scorecard to employee evaluations, you can objectively analyze whether each employee is making consistent progress toward becoming an essential part of your company. You will have the data you need to improve your employees' performance and ultimately, ensure your success.