

Beyond the Balanced Scorecard

OLDER AND WISER

First of all, we want to emphasize that this article is not about something new to replace the Balanced Scorecard. We'd certainly not be so arrogant as to suggest that we'd invented "the next big thing".

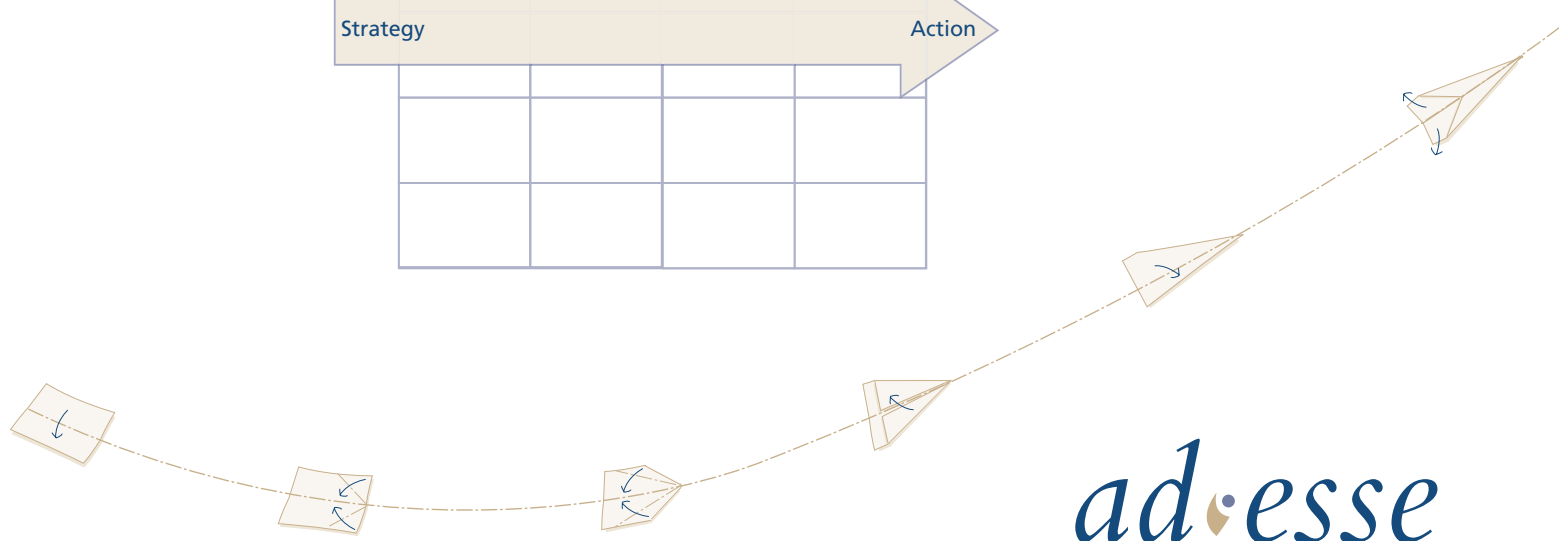
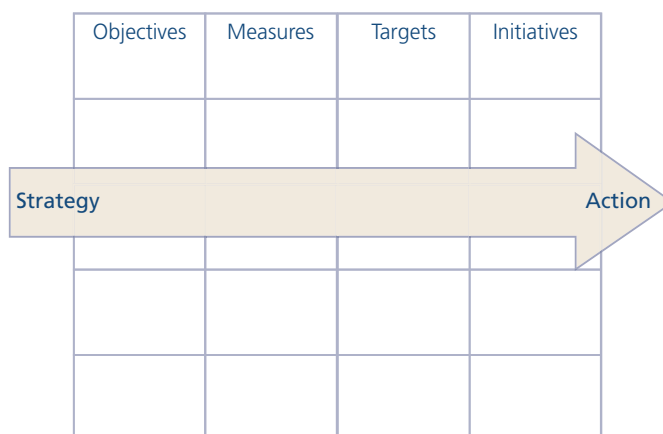
This article is about using the Balanced Scorecard intelligently to benefit your organisation. It reflects much of our learning from working with organisations since the early days of the Balanced Scorecard (1993, to be precise).

It also reflects our pragmatic view (of all improvement tools and techniques) that "one size does not fit all". Every organisation has different needs and starts from a different point.

We're older and wiser than when Kaplan and Norton first launched the Balanced Scorecard on the world and we want to share some of that learning here.

Let's start with a reminder of what the Balanced Scorecard is and isn't. It is:

- A strategic planning and performance management framework
- Developed from an understanding of an organisation's strategic objectives (typically, from a Strategy Map)
- A summary of objectives, measurements, targets and actions/initiatives required to achieve an organisation's mission and vision



It's not:

- A set of measurements that happen to fit into Kaplan and Norton's four perspectives
- A dashboard (which is about providing real-time data)
- Developed bottom-up

Kaplan and Norton suggested four "perspectives" for their Balanced Scorecard, each of which addresses a key question:

- How should we look to our Shareholders? (Finance perspective)
- How should we look to our customers? (Customer perspective)
- At what processes should we excel? (Process perspective)
- How should we develop our capability to improve? (Learning and Growth perspective)

"Balanced" in Balanced Scorecard means a mix of objectives and measurements that are:

- Internal and external
- Financial and non-financial
- Objective and subjective
- Leading and lagging

Sometimes it helps to think about the differences between the "above the line" perspectives (Finance and Customer) and those "below the line" (Process and Learning/Growth). Above the line focuses on Stakeholders outside the organisation, below the line looks internally; they have to be linked; which is what a Strategy Map does (more on this later).

PRACTICAL EXPERIENCE

In today's world, it's probably overly simplistic to say that "above the line" means only Shareholders and Customers. In the private sector, many organisations have outsourced both customer-facing and support processes to partner organisations. Should their delivery partners be above, or below, the line?

It's even more complex in the public sector. "Shareholder" may need to be interpreted as "who provides our funding and therefore expects us to perform?". The answer to that is often "Central Government" who set outcome-based targets (and the Treasury, in particular, who set efficiency targets).

"Customer" is also often not straightforward in the public sector. There are people who consume, or use services, and they often have no choice (e.g. customers of the Tax Office, Social Services, Police).

There are others (citizens, communities) who may, or may not, also be service users, but who have expectations because their taxes go to fund the organisation.

Perhaps the final difference from Kaplan and Norton's "above the line" stakeholders is that today there is a significant recognition of the environmental impact of organisations and of the corporate social responsibilities that they have. Here, stakeholders may be local citizens, communities or customers. They might also be lobby and pressure groups, or charities with whom the organisation interacts.

All this means we have to look "beyond the Balanced Scorecard" if we want the benefits of a balanced strategic planning and performance management system. In practice, it means organisations might develop Strategy Maps with Government funding as an enabler, rather than having "Shareholder" as an above the line perspective. They might need multiple "customer" groups (and, to be fair, Kaplan and Norton described examples of this).

In the public sector, they might need a perspective for "outcomes" (set by government), or one for "delivery partners" (e.g. other agencies).

DEVELOPING A MORE USEFUL BALANCED SCORECARD

Kaplan and Norton's approach of identifying some key questions to help focus on a balanced set of Strategic Objectives is helpful. To reflect today's world, we need to be able to ask:

1. What is our Mission (why do we exist and who do we serve)?
 - a. Answers should tell you who your prime "above the line" customers are
2. Who else has expectations of us?
 - a. This could be quite a long list!

In answering Q2, you may be able to see some obvious groupings. Employees will continue to be "captured" in a Learning and Growth perspective, as might those processes delivered by outsourcing partners (e.g. facility management and provision of ICT).

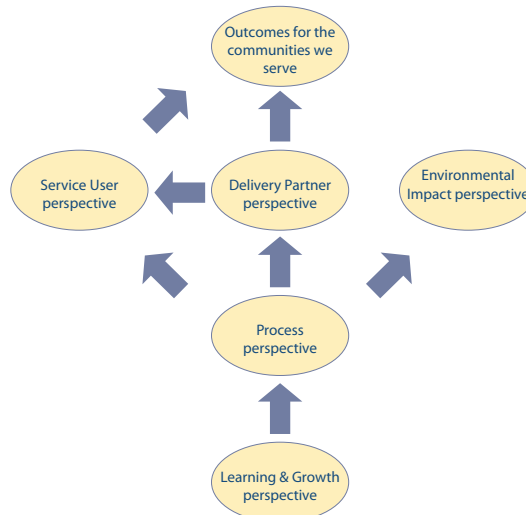
Partners who deliver services on your behalf might need a separate perspective and it's likely that one of the processes you'll need to excel at is "Managing Delivery Partners".

The whole area of impact on society, environment and CSR may need its own perspective.

3. Now ask, what are the Strategic Objectives in each perspective and how can they be linked in a Strategy Map?

This is probably going to be a more complex picture than if you'd only used Kaplan and Norton's four perspectives. But, it's likely to be a better description, in language that works for your organisation.

So, a public sector organisation might end up with a Strategy Map something like this, with six perspectives:



This Stakeholder-driven approach will often be more relevant and culturally acceptable in the public sector than adopting (or adapting) a private sector model.

IMPLEMENTATION

The rest is “just” about implementation! It’s not very different to what you’d do with a conventional scorecard. You probably need wider stakeholder engagement, but it pretty much boils down to defining the Objectives, Measurements, Targets and Actions/Initiatives and getting people to use this framework for performance management.

One of the key success factors is ensuring the development and deployment of the Balanced Scorecard is aligned with the organisation’s business planning cycle. That means in terms of timing and in the choice of content and terminology.

In many organisations, it’s worth avoiding the Balanced Scorecard jargon, but instead, using its principles to improve business planning. That way, you can avoid accusations of “another initiative”, or of jumping on the scorecard bandwagon.

Deployment of a Balanced Scorecards will always be a challenge. Many organisations are not good at setting clear objectives, worse still at identifying useful measurements and hopeless at producing effective plans to achieve the objectives. That’s just the “technical” aspects of a Balanced Scorecard. Factor in the cultural issues and you begin to see why adopting a scorecard that delivers real benefits is not a one-year fix.

Cultural issues, to consider, include:

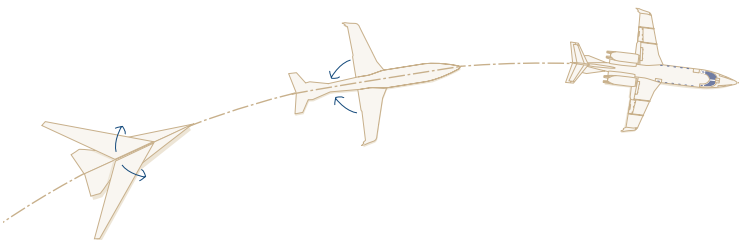
- lack of joined-up thinking about strategies and processes
- inability, or lack of willingness, to measure what's really important and performance manage people when things aren't on track
- reluctance to give up "what we've always measured"

...and, for the public sector specifically...

- some completely useless targets and measures specified by central government

It's not all doom and gloom though. The introduction of a stakeholder-driven Balanced Scorecard, with all the usual provisos about the need for good change management, will deliver benefits:

- a focus on what's really important to achieve your mission
- a framework for performance-managing progress towards it
- an opportunity to save time by stopping measuring those things that don't help
- staff who are more aligned and performance-driven



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