

Improve Your Performance “News”

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Introduction

My parents still read the newspaper every day. They seem suspicious of the fact that I haven't continued this daily ritual and wonder aloud about the unfortunate decline in newspaper sales in the headlines these days. While they don't say so, they seem to think that because I don't read the newspaper, I must be shamefully unaware of critical current events. I have explained to them that, in addition to the avalanche of information coming from various levels of television news, NPR, etc., I am constantly updated on current events from various online sources. My side of the debate usually ends at the same place that always ends this 21st century generational debate: the news that they are reading with their coffee in the morning happened yesterday!

A newspaper is the prototypical 20th century communications tool and demonstrates two of the many fundamental differences between the old versus new styles of information flow: first, the filtering process and second, the lag of information. For newspapers, filtering is the job of writers and editors – i.e. an authority. Those authorities place stories that they think are most important on the front page and bury stories that they feel are less important on page 15 in section B, under a department store advertisement. If you have a particular interest in, say, women's college basketball, you have no choice but to sort through the men's college basketball section, the professional basketball section, preseason baseball box scores and other content you don't care about before getting to your section, if it appears at all.



The filter for online news sources is mostly reader-based. News or information might be gathered or organized by news authorities, but that is simply a vehicle for users to navigate quickly to the information that they want. Tools like Google News automatically filter stories that are read the most to the top and will place competing versions of the story next to each other under the same heading, so the reader can quickly see various perspectives on the story. Search engines make even the most obscure topics only a few clicks away.

The time lag between when the news occurs and when it is available to readers is the other major difference. On the internet, the story appears almost immediately after the event happens. Almost as importantly, the original news story is only the first step in the process, as readers write their own comments, blogs, twitters, etc. about the news. Ultimately, this process is evolving from one where an authority dictates and a reader receives long after the fact, to one of continual community dialog.

Web 2.0

Using technology in this continual dialog fashion is often referred to as Web 2.0, which Wikipedia defines as a “perceived second generation of web development and design, that aims to facilitate communication, secure information sharing, interoperability, and collaboration... which

has led to the development and evolution of web-based communities, hosted services, and applications; such as social-networking sites, video-sharing sites, wikis, blogs, and folksonomies." Wikipedia is, in and of itself, the prototypical Web 2.0 tool: an update of the 20th century encyclopedia. In this analogy, web 1.0 moved information from the written encyclopedia to the internet. This made the information more easily available, but was just as static, potentially outdated and authority filtered. Wikipedia takes the Web 1.0 model and evolves it one step further, with content being created and updated by the community of users. The good news here is that no trend is too new to appear in Wikipedia. The bad news is that the entry might have been written by a corporate marketer trying to sell a product or someone that simply doesn't have the facts straight. This idea makes my parents nervous – how can I trust that this is accurate if Joe Nobody wrote it? An editor might say the same thing about my Web 2.0 definition quote above. While this is one of the legitimate problems with Web 2.0 and a topic of much debate, those that have grown accustomed to using this technology have already come to the realization that the information written by genuine authorities can be just as subjective and that incorporating a natural skepticism, or to put it less cynically, critical thinking skills, into your regular reading habits is never a bad thing. And even critics of the Web 2.0 movement tend to begrudgingly admit that the network effect created by a well-designed community-contribution framework tends to result in a more comprehensive product that no single authority could possibly create because of limited point of view and personal biases.

Balanced Scorecard Automation

So what does all of this have to do with balanced scorecard automation? The answer is that business intelligence and performance management software tools, the vehicles through which balanced scorecards are implemented in many organizations, are nothing if not "news" sharing vehicles. The news in this case just happens to answer key questions about your organization, such as those regarding how



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the organization is performing against strategic priorities and/or what evidence could leaders and managers use to make better decisions.

In the 20th century, business data was gathered, reported and analyzed by teams of analysts and financial "bean counters": i.e. authorities. Most of us remember, or have heard stories about, how everyone in an organization received a 150-page report from the finance department every Monday morning. Of course, no one had time to read that, and so a second summary report was produced, which was then subsequently ignored. The data was ignored not only because it was overwhelming, but because it was old: the financial analysts were often the last ones to know about certain problems. Until a problem started influencing financial results, it didn't show up in their reports.

This problem was compounded by the fact that before the balanced scorecard, most organizations relied solely on lagging financial data to report on their progress towards strategic goals. The balanced scorecard added strategic non-financial performance measures to traditional financial measures to give managers and executives a more "balanced" view of organizational performance. Managers needed to know not just how the organization did last quarter financially, but also how they might do in the future based on predictive leading indicators. In other words, I don't want to simply tell my boss a story about how we underperformed financially. I want to be able to make an

argument that next quarter we will improve, and base that argument on evidence based on leading indicators. For example, if our costs last quarter were too high, I might argue that next quarter those costs will be lower because our cycle time metrics today are improving thanks to our Lean Six Sigma initiatives.

Adding leading indicators to the mix was only the first step in the balanced scorecard revolution. The true power of the balanced scorecard today comes from communicating strategic intent, connecting the dots between strategy and the work people do on a day-to-day basis, and using this improved communication and alignment as a comprehensive vehicle for strategic planning, strategy execution, and overall organizational management. This, more holistic, approach means that a balanced scorecard isn't just a dashboard displaying all of the organization's operational measurements but is also a fully integrated strategic planning and management system.

The best automation tools simply make the communication, connection and understanding enabled by a good balanced scorecard system a practical reality. And as in the news world, the best way to improve understanding is not through more static reporting from authorities to staff, but through interactive dialog.

This community dialog is enabled by automation tools that provide an intuitive interface that sorts data so that users see a customized view of what he or she needs to see and communicates performance for employees and leadership alike. If I am an executive for an organization, it is a waste of my time to login to my system and be overwhelmed with operation data. I expect to see summary data that reflects the results of our organizational performance relative to our strategy. If I need more detail, I should be able to immediately drill down into that data. Similarly, if I am a training officer, it is not much help to only see the executive's summary report. I need a practical system to track the success of my training efforts. I also need to see in an easy, graphical way how my work connects to that overall corporate strategy by navigating my way up our organization's strategy map.



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Of course, life is always more complicated than any set of metrics, no matter how well designed. For that reason, the tool needs to be more than just a vehicle for static reporting. The tool needs to enable Web 2.0-type communication around the organization's strategy and the related objectives, metrics, and initiatives. Imagine a dialog alongside a procurement cost metric that has recently trended "red", meaning the organization is now underperforming. As the owner of the metric, I comment about my understanding of the procurement aspect of the trend and how we recently had a process breakdown that might have contributed to the rising number. Someone from finance notes that an unexpected rise in fuel costs might have contributed to higher underlying prices for several of our metrics. A process improvement expert following the dialog suggests a new Lean Six Sigma project to fix the broken process. The operations leadership team, which had been contemplating layoffs due to rising costs, reads and discusses the ramifications of these posts on their difficult decision. And the strategic planning team plans a meeting to discuss whether or not cost cutting is the ideal business strategy if external economic conditions continue to disrupt their plans.

The example above is an exaggeration of the meaning that can be derived from one metric, of course, but it illustrates the larger point. Decision making is strongest not when it is made based on static information given to you by an ultimate

authority, but rather when it is based on the improved understanding you can build on the constantly evolving dialog between various, imperfect points of view. It also displays how the right Web 2.0-inspired performance management or business intelligence tool can enable that understanding.

So the answer must be to totally remove authority from your balanced scorecard automation picture, right? Well, not so fast. It is not a coincidence that some Web 2.0 endeavors are wildly successful, and many others fall by the wayside. In the Web 2.0 world, there is one area in which the effective insertion of authority is essential, and that is in the design of the basic framework and the navigation system (i.e. the "rules"). Organizations that have haphazardly implemented a web portal or other internal Intranet type knowledge-sharing tool (such as Microsoft SharePoint®) know what I mean. These portal tools, designed to allow people, teams and expertise to connect and collaborate, have great potential for enabling the kind of communications I am encouraging.

Unfortunately, what often happens is that there is no management of the way the product is implemented or used. If my idea of file sharing, organization and navigation is different than a colleague, communication can quickly break down. Say my area of the site has a file naming and cataloging system that rivals the Library of Congress, while my colleague has a single folder with 2,322 files of varying topics and types in it. A third employee searching for information on our pages will find it quite confusing and difficult, because there is no common framework.

Multiply that by 300 employees and you quickly reach the point in which a mention of our web portal elicits groans from employees.

Successful Web 2.0 endeavors have logical and consistent rules. The photos on my Facebook page are in the same place that everyone's photos are. The images that I choose to post might be distinctively different than those someone else chooses to post, but no one will ever be confused by the location of my postings, or my use of the framework. Every page in Facebook is both exactly the same (the basic

underlying structure) and totally unique (the content posted).

So what does intuitive navigation look like in the balanced scorecard world? The purpose of the balanced scorecard is to focus attention on what matters most: the key strategic outcomes that we as an organization are trying to achieve. Not only that, but there must be a logic to the underlying framework that connects all of the things we do on a day-to-day basis with those outcomes. We recommend using a strategically top-down approach to organizing not only the thought process used to develop your scorecard, but the way you display your data. A common mistake that we see many organizations make is the creation of a strategic plan that revolves around initiatives and is then managed like a to-do list. There is a big difference between completing a task and achieving a strategic objective. You can successfully place advertising billboards up on time and under budget, but those metrics are only valuable in a project management sense. They are almost meaningless in a strategic sense, because what you really want to know is the effectiveness of your overall strategy, of which one tactic was to put up billboards. Maybe the overall strategic objective was to improve communications of a key public service message or to improve brand image. The key focus of your strategic planning, and thus the heart of the navigation system, should be around these higher-level strategic objectives.

Like the Facebook example above, the consistency of the underlying structure is also essential to good balanced scorecard automation. The key here is consistent use and visualization of the balanced scorecard framework terminology. I have seen organizations as different as an entertainment company, a non-profit, a government agency and a fortune 500 corporation all use the same framework effectively. The use of the framework in each case was exactly the same, i.e. the objectives for all are high level outcomes and the measurements are all countable indicators of strategic success. The content, i.e. what the organization defined and articulated as its strategic plan, was different.

One test of this consistency is the way employees use the terminology. If in describing our “really important stuff”, different people in the organization are using the phrases strategic objective, strategic result, strategic goal, performance target, wildly important goal and/or strategic imperative to mean roughly the same thing, confusion will abound. Similarly, if I use the phrase strategic objective to describe the item Cure World Hunger (strategically higher than even the vision level) and another person uses the same phrase to describe his objective of produce 100 sandwiches per day (more of a performance target), a different type of communication breakdown will occur. Only through training and appropriate implementation guidance from an authority, usually spearheaded by the scorecard champion or strategy management office, can these differences be ironed out.

Designing the scorecard with the right focus on strategy and then getting everyone using terminology in the same manner are only the first steps. Some organizations work very hard to create a strategically focused management system, only to have that focus be fractured when the software implementation begins. How does that happen? Sometimes strategic planning teams determine that no one metric tells a complete story of performance, and so they create an index of several measures. The software vendors love to show off the fact that they can slice and dice the data in as many different ways as possible and will often quickly toggle from the strategic view of the data to various organizational views of the data. So at the click of a button, employees can be viewing data that shows raw counts sorted by organizational unit. So instead of looking at a ratio of scrap per \$ of revenue, for example, the organization is now looking at total scrap. If production volume doubles, raw scrap numbers will inevitably go up, but that doesn't necessarily mean that performance has gotten worse, and so the organization might be making incorrect assumptions.

Conclusion

So the effectiveness of your scorecard automation tool and, by extension, your balanced scorecard itself, is ultimately dependent on the same issues with which the newspaper world struggles. In a world where people increasingly expect their information to be delivered as an intuitively navigated dialog built around a consistently designed and implemented framework, a static report simply isn't meaningful or current enough to maintain anyone's attention.

Employees love Twitter, can't seem to close Facebook even during work hours, and get immediate “breaking news” email alerts. So on a given Monday morning at 10:00 am they are aware of the fact that five minutes ago a vague acquaintance from high school just ate corn flakes for breakfast and the stock market crashed, but they have absolutely no idea how their own organization is performing towards its strategic goals. The reason is that either because of a badly designed scorecard or poor software implementation, that employee is still opening up their dashboard software each morning, coffee in hand, only to find a static, lagging, authority-written news report of what happened yesterday.

About the author

David Wilsey is a strategic planning and performance measurement specialist and thought leader and co-author of *The Institute Way* and the *Association for Strategic Planning SMP/SPP/SPA Certification Exam Study Guide*. He has over 20 years of experience in a wide range of fields including consulting, training, engineering, website design, marketing, manufacturing, design, programming, research, education, and multimedia production. He currently serves as Chief Operating Officer for the Balanced Scorecard Institute.

About the Balanced Scorecard Institute (BSI)

BSI provides consulting, training, and professional certification services to organizations worldwide related to strategic planning, balanced scorecard, KPI/performance measurement, and strategic project management.

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