

Improving Government Performance

Using the Balanced Scorecard to Plan and Manage Strategically

By Howard Rohm

Co-Founder & President

Are programs, services, and staff aligned around a shared vision of the future? Do government leaders have a clear strategy for delivering cost-effective services for citizens and other stakeholders, and is that strategy communicated with clarity, both internally and externally? Do you have a disciplined way of choosing priorities among competing programs and services, under tighter and more stringent budgets? How are you keeping score and communicating progress toward the vision?

If you need to make hard choices among competing programs and services for tight budget dollars, if you are looking to increase program and service effectiveness and improve operational efficiency and performance, and if you need to become a more strategy focused organization then a balanced scorecard may be the best planning and management framework for your organization.

This article describes how to build a strategy-based balanced scorecard system, and shares some lessons learned from developing strategy-based scorecard systems in dozens of government and nonprofit organizations in 22 countries and from training over 5000 people from 150 organizations.

"Balanced scorecard" means different things to different people. Balanced scorecards have evolved over the past decade from dashboard systems that simply measure financial and non-financial performance, to holistic, strategic planning and management systems that help organization's plan strategically and manage and track strategy execution. Strategy-based balanced scorecards align the work people do with organization mission, vision and strategy,



and communicate strategic intent internally to employees and externally to stakeholders. In strategy-based scorecards, performance measures are one of several key components of the management system, and performance measures are used to better inform decision making at all organization levels. But "What measures should we use?" is not the first question.....the first question is the vision question: "What are we trying to accomplish?", and the second question is the strategy question: "Are we doing the right things?"... operational questions (e.g., "Are we doing things right?") come third.

Performance measure scorecards provide little value, as most organizations just take the easy way out by tracking their current (mostly operational) performance measures and populate a dashboard for executives and managers. Not much strategic thinking or monitoring there.

There is a lot of value in building a strategic scorecard system that engages employees in strategic thinking and managing and measuring strategy execution. Strategy-based scorecard systems are widely used worldwide to communicate an organization's shared vision to everyone, improve alignment, focus on what matters the most, drive budget formulation, and improve program and service tracking. These scorecard systems are used at country, state, agency, ministry, and municipal government levels.

A strategic scorecard system is built around organization strategic objectives critical for creating value for citizens and other stakeholders, around programs and services that make the objectives actionable, and around the value creation chain (called a strategy map) that defines what must be done to be successful. Good scorecards focus on outcome and output performance measures that provide real business intelligence and contribute to the achievement of operational excellence, employee excellence, and government organization success. Starting with a strategic view of how the organization creates value for citizens and stakeholders, the scorecard system links strategy to what must be done operationally to be successful.

The logic of building a scorecard system and using the system as the organization strategic planning framework is shown in the figure below. Starting with an understanding of citizen and stakeholder needs, the strategic components of the scorecard system are developed and validated. The components include mission, vision, core values, strategic perspectives (i.e., performance dimensions), strategic themes and results, strategic objectives, an organization-wide strategy map, performance measures and targets, and strategic initiatives. Programs and services are then linked to strategy and a strategic budget is formulated. Operational and program plans, usually annually, follow. Organization alignment comes from linking the components in an orderly fashion and communicating the organization's story of how value is created for stakeholders.



How does one go about developing such a scorecard system? We developed the Balanced Scorecard *Nine-Step to Success*™ framework shown in the figure below, to build and implement strategy-based scorecard systems. Separate versions of the framework are available for business and industry, non-profit, and public sector organizations for government organizations.

The first phase of building a scorecard system includes six steps. Starting with step one, Organization Assessment, organization pains, enablers and values are developed, change management and scorecard development plans are prepared, and mission and vision are validated. In step two, Strategy, the customer and stakeholder value propositions are defined and used to create the organization's strategy (strategic themes and results). Strategic Objectives (the DNA building blocks of strategies) are developed in step three, and, in step four, Strategy Maps are created that show the causal relationships among the objectives leading to customer value. Step five, Performance Measures and Targets, produces critical strategic measures and targets that provide information to track strategy execution. The building process ends with step six, identification of new Strategic Initiatives, or projects, that form the basis for successful strategy execution and close any performance gaps identified in the Strategic Objectives and Strategy Mapping steps.



The second phase of scorecard system development starts with step seven, Automation. In step seven, performance data is turned into vital information and business intelligence to better inform decision making and to communicate strategic progress throughout the organization. In step eight, Cascading, the organization-wide scorecard is migrated to business units (e.g., departments or divisions) and support units (e.g., IT or HR), to translate corporate vision and strategy into operational terms. Scorecards can then be cascaded to teams and individuals to align day-to-day work with strategy and vision. Step nine, Evaluation, completes the cycle with a review and assessment of the strategic scorecard system, to understand strategy results against expectations and make any necessary changes in the organization's strategy. Just like the organization, the scorecard system is dynamic, not static, and changes in strategy and measures are common as performance data is transformed into information, and then turned into useable business intelligence.

In a strategy-based scorecard system, strategy is analyzed through four performance dimensions, called perspectives: financial/stewardship, customer/stakeholder, business process, and organization capacity. Strategy is the common thread through the management system and forms the basis for communicating the organization's approach for improving mission effectiveness for customers and stakeholders. The finished strategy-based balanced scorecard system translates customer needs, mission, and values into organization goals, strategy, objectives, performance measures, and new initiatives. The figure below shows a completed scorecard for a municipal government.

Vision:	Be a world-class model for a successful urban community			
Mission:	Provide effective and fiscally responsible services in a manner that promotes high standards for community life			
Strategic Themes:	Government Reform	Nurturing Children and Families	Public Safety	Economic Abundance
Strategic Results:	Maintain an ethical and transparent government that engages its constituents and provides effective and efficient services.	Create a safe, thriving and engaged community so families can flourish through achievement of social, mental, physical and cultural well-being.	Create and maintain a safe, secure community-oriented city that is clean and vibrant.	Offer abundant opportunity for financial stability and advancement for all socio-economic levels.
Strategic Objectives and Strategy Map		Measures	Targets	Initiatives
<p>Constituent / Stakeholder</p>		<ul style="list-style-type: none"> Livability satisfaction score Program satisfaction score Per capita service utilization Business permits and licenses Per capita income Tourism revenue 	<ul style="list-style-type: none"> >90% this year >85% this year >65% this year -19.5% each quarter +13% this year +16% this year 	<ul style="list-style-type: none"> Green Space program New business startup program Community engage committee Partnering program
<p>Financial Stewardship</p>		<ul style="list-style-type: none"> Controllable expenses Asset value Strategic projects completed on time and budget 	<ul style="list-style-type: none"> -15% this year +18% this year 95% this year 	<ul style="list-style-type: none"> Simplify tax payments Asset resale program Energy savings program
<p>Internal Process</p>		<ul style="list-style-type: none"> Index of program results Shared systems Response time changes Audit score of communication effectiveness 	<ul style="list-style-type: none"> 85% this year 35% this period; 50% this year -15% this period >90% this period 	<ul style="list-style-type: none"> Partner recruitment program City marketing program Satisfaction surveys
<p>Organizational Capacity</p>		<ul style="list-style-type: none"> Recruitment effectiveness Retention effectiveness Training effectiveness Change in employee use of appropriate technology 	<ul style="list-style-type: none"> >80% this period >92% this year >93% this period +145% 	<ul style="list-style-type: none"> Customer service training Individual development plans Program evaluation process
<p>• Integrity-Based Leadership • Ethics • Accountability • Commitment to Excellence • Citizen-Centered • Mutual Respect</p>				

Deciding to develop and use a balanced scorecard strategic management system is the start of a new journey for an organization. The operative word here is “journey”, as building a scorecard system is not a project or an activity with a finite lifetime. Committing to a scorecard system is committing to continuous improvement and represents a significant culture change for most organizations. A scorecard journey is a quest for high-performance, a focus on results, an increase in group and individual accountability, and an embracing of organizational change. A scorecard system impacts everyone in an organization, not just executives and managers. Building and deploying a strategy-based scorecard system is more about changing hearts and minds than it is about measurement and data collection and software.

Building a scorecard system, the right way is a process of discovery, and involves critical thinking about an organization's shared vision, competencies, customers and their needs, competitors, employees, strategy, and expectations. It takes 2 - 3 months to build a scorecard system, depending on the size of the organization. Employees at all levels of the organization are engaged as part of the cross-functional team process used to build the system. Is it worth it? Research suggests that it is indeed worth managing to performance and becoming more strategy focused on performance and results. The organizations using balanced scorecard systems comprise a “*Who's Who*” of international business, commerce, government, and non-profit organizations.

What are you using to measure, monitor, and communicate your organization's vision and goals, and make your business strategies actionable throughout your government organization?

Is it working?

About the author

Howard Rohm is an author, international speaker, trainer, facilitator, and performance improvement consultant. He is the Founder and President of Strategy Management Group (SMG) whose companies include the Balanced Scorecard Institute. Howard has worked with over 100 private and public organizations and developed balanced scorecard and performance management systems to improve organization performance. His balanced scorecard framework, *Nine Steps to Success™*, is used by businesses, nonprofits, and governments in over 40 countries. Howard has taught and lectured at five universities, and at the Federal Executive Institute. He can be reached at SMG's website www.strategymanage.com.

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.

©2014 Balanced Scorecard Institute, a Strategy Management Group company. All rights reserved. Do not copy without permission.