The Really Useful Balanced Scorecard

A Guide from Frontline

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1 Introduction

The Balanced Scorecard has achieved something of a 'cult' status among management tools and methodologies.

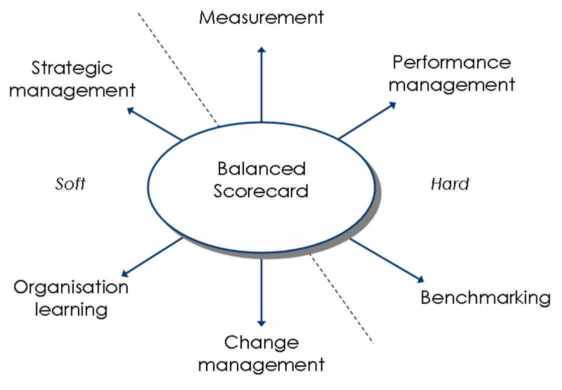
Robert Kaplan and David Norton outlined the framework for what is called a 'Balanced Scorecard' in the early 1990s, but the threads of this approach go back to earlier performance management methodologies, including 'management by objectives' (MBO).

The real benefit of the Balanced Scorecard approach has been to provide a rigorous framework for measuring a *balanced* set of objectives, not just financial ones. It also varies from MBO due to its closer integration with total quality management initiatives.

Kaplan and Norton originally defined the Balanced Scorecard in 1996 as "an agreed set of measures that provides managers with a comprehensive, balanced and timely view of an organisation's performance". By 2008, this definition had evolved into "a framework for implementing strategy that translates an organisation's strategy into a set of objectives and measures and aligns the organisation to them through its planning and control processes".

Evolving therefore from its initial application to fill non-financial performance gaps, the Scorecard has been repositioned as a strategic and change management tool. In many respects, the Balanced Scorecard can suit all purposes, both 'hard' and 'soft' as illustrated in Figure 1 below.

Figure 1: Applications of Balanced Scorecard



Source: Frontline

Frontline's approach to performance management recognises that it is not just a 'closed system loop' of cause and effect control, but – importantly – is as much about the people who operate within the system and deliver the results. A Balanced Scorecard can therefore contribute to a broader culture change initiative.

Whatever importance is placed on the Balanced Scorecard, it is still just a management tool, and is a means to an end, not an end in itself.

Hence, effective implementation is important to ensure that the Scorecard serves the purpose for which it was designed, and becomes a sustainable management process within the organisation, delivering useful results.

This guide by Frontline is designed for leaders who will use the Scorecard both to achieve their organisation objectives, and align their people and activities behind the objectives. We begin by explaining the Balanced Scorecard, then outlining the implementation process, with the aim to produce a Really Useful Balanced Scorecard, not merely one that sits on the shelf.

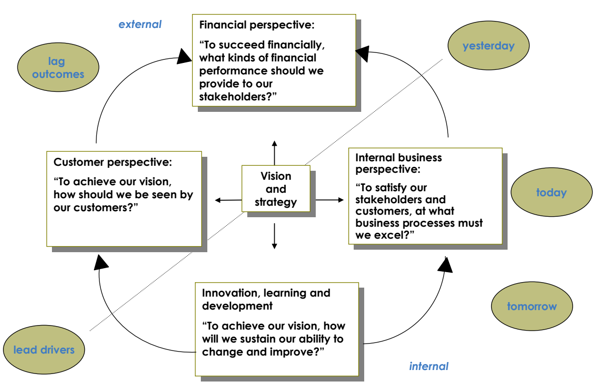
2 Balanced Scorecard Overview

It is often thought that the Balanced Scorecard is something entirely new. In fact, most of the key components of the Scorecard process should already be in place in all organisations:

- *vision and strategy* – what we aspire to, and our strategy for getting there
- *strategic objectives* – what we will do in key result areas to achieve the strategy
- *measures* – how we'll measure success in achieving our objectives, eg how far we'll go, how fast we'll run, and how high we'll aim

What the Balanced Scorecard does is work with these building blocks to ensure that the organisation's objectives and measures are balanced across four perspectives: financial; customer; internal process; and innovation, learning and development. This is illustrated in Figure 2 below.

Figure 2: Balanced Scorecard with four perspectives



Source: Adapted from Kaplan and Norton (1996)

There are a number of key points to take from this figure.

First is the type and number of **perspectives**. While Kaplan and Norton prescribe these four, others can of course be used, either to rename and refocus these perspectives, or add additional ones. However, the rationale behind these four is both logical and has stood the test of time:

- *financial* – this is an externally focused outcome perspective, measuring the results of objectives that showed what the organisation achieved yesterday. 'Financial' means pretty much that – measures of financial performance. This is what organisations often refer to as the 'bottom line', but too much focus on financial results led to the development of the Scorecard in the first place
- *customer* – the maxim in the private sector is that 'customer is king'; in the public sector the word is sometimes anathema, at best often misunderstood. Think here of developing services that meet the needs of customers, whether public or private sector; also think of customers as 'stakeholders', namely anybody who has a stake in the success of the organisation
- *internal processes* – objectives here focus on the key processes for success, namely what is 'mission critical' for the organisation. The emphasis can often be on redesign processes, achieving joined-up working, and redesign initiatives. Objectives around continuous performance improvement often fit under this heading. Whereas the customer perspective is external, these internal business processes will be just that, mainly internally focused
- *innovation, learning and development* – objectives under this broad heading are very much lead drivers, and action here will take some time to show up in the results tomorrow. This perspective is about infrastructure, whether your IT, people or capital. These objectives will emphasise sustainability to learn and improve at both organisational and individual levels

A good case study of how these perspectives work is the experience of Railtrack. In its initial years the company focused on share price (floating at £4, peaking at £18), so investors and those who sold early benefited. Customers subsequently benefited less, some dying as a result of disinvestment in long term rail maintenance.

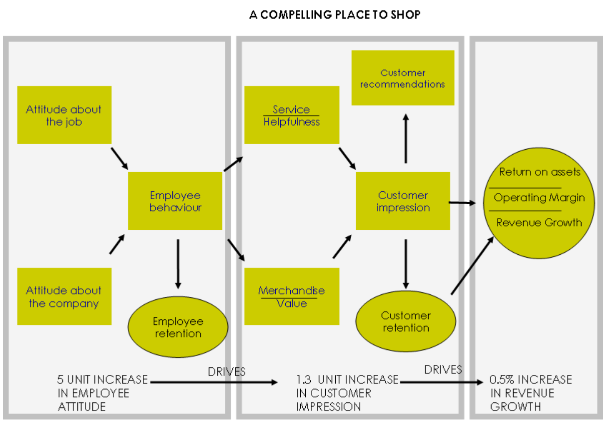
Hence, while there was a 'green' light for the financial performance in its early years, the 'red' light at that time for infrastructure investment caught up with the company, leading to administration and incorporation as a public benefit company. The same could be said for the more recent experience of RBS and HBOS.

Second, therefore, is **linkage**. The Balanced Scorecard is about causal relationships, not just a random set of objectives and measures. If we do something, this will produce an effect – 'cause and effect'. Hence, investment in training of our staff – as demonstrated by Sears Roebuck – will pay dividends (literally) in future when the financial results improve – see the case study below. The reverse is equally true, as demonstrated by Railtrack and the banks.

Case Study 1 – Sears Roebuck

Providing solid evidence of the causal link between investment and results is extremely difficult to produce. However, Sears Roebuck, a long-established US company, managed to demonstrate this link, which provided justification for investment in its people so that profits could be increased. This is illustrated in the figure below.

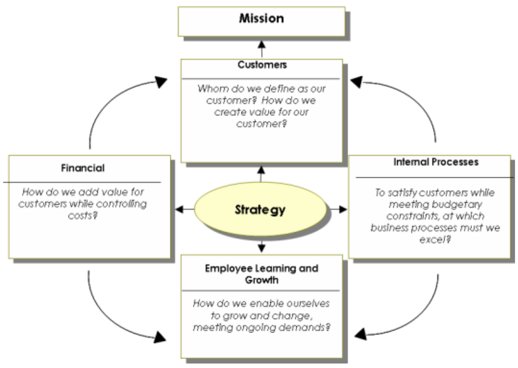
Sears Employee-Customer-Profit Chain



Source: Rucci, Kirn & Quinn (1998)

Third, the point must be made here about a Balanced Scorecard for a **public sector** organisation. Its raison d'etre is not financial as for a business in the private sector, but rather to add 'public value' by fulfilling its mission. Organisations in the public and non-profit sectors can therefore reposition their perspectives – eg making the customer perspective the focus of principal lag outcomes. This reflects the ethos and values of public sector organisations, so a reoriented Scorecard can be as illustrated in Figure 3 below.

Figure 3: Public sector Balanced Scorecard



Source: Adapted from Niven (2003)

Fourth is the relationship between **measures** – what are called 'lead drivers' and 'lag outcomes'. The lead driver indicators predict outcomes and future performance – what we'll get tomorrow – and are causally linked through the Scorecard to the lag indicators. The lag outcome indicators show the results of past effort – what we did yesterday – and measure final results; these measures are reported externally, while lead driver measures in many areas are reported more internally. The relationship between these indicators is important, in that they can provide a hard, financial justification for some of the more intangible investment areas, such as training, learning, IT and innovation.

Fifth is the implicit recognition of the '**soft**' elements of the Balanced Scorecard. It is fine and well to have a vision, strategy, objectives and measures, but if the people in the organisation are not lined up behind achieving the performance targets, then the desired level of success will not come.

An example here is British Airways – when it was privatised, BA launched an extensive culture change programme, which had a direct impact on its profitability. However, the impact dissipated by the 1990s, and BA had to restart the programme. Management a decade ago then devalued this process, and the rest is history. The Balanced Scorecard can therefore be used as a change management and organisation learning tool to ensure alignment of people behind the strategy.

The benefits of a Balanced Scorecard can therefore be summarised as:

- it tells the story of the organisation's strategy in a way that gets buy-in from the people who will be responsible for implementing the strategy
- it identifies and makes explicit the sequence of hypotheses about the cause and effect relationships between outcomes measures and the performance drivers behind these outcomes
- it ensures that both financial and non-financial measures are identified and balanced
- it identifies the critical few drivers of the strategic objectives, and brings clarity to the trade-offs among organisation priorities
- it develops ownership and understanding by senior executives as a team about the organisation's business model
- it can be an effective communication, informing and learning system, not just a controlling one

There is no shortage of references for the Balanced Scorecard, and a search on Google shows 2.56m hits. Some particularly useful references should be highlighted:

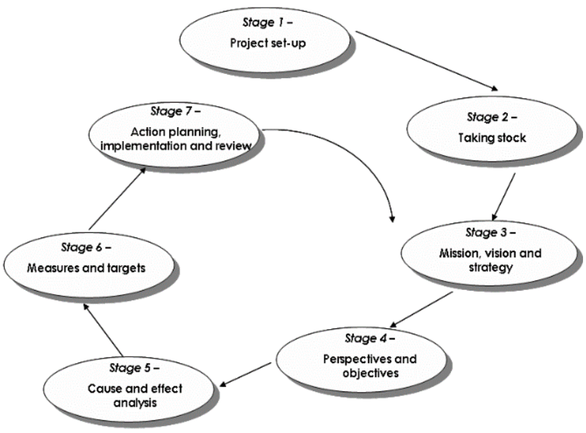
- **Book**: P Niven, "Balanced Scorecard Step-by-Step for Government and Nonprofit Agencies", John Wiley, New Jersey, 2003
- **Article**: A J Rucci, S P Kirn, R T Quinn, "The Employee-Customer-Profit Chain at Sears", *Harvard Business Review*, January–February, 1998
- **Websites**: Balanced Scorecard Institute www.balancedscorecard.org or the Balanced Scorecard Collaborative www.bscol.com

While this methodology was popularised by Kaplan and Norton, it must be stressed that there is 'no one way' to implement a Scorecard. What follows, therefore, is an approach that can be tailored to individual organisation requirements.

3 Implementing a Balanced Scorecard

Outlined in Figure 4 below is a staged process for implementing a Balanced Scorecard.

Figure 4: Stages to produce a Balanced Scorecard



Source: Frontline

These stages are discussed in turn below.

Stage 1 – Project set-up

It is from project set-up to which problems down the line can often be traced. These problems often show themselves through lack of organisation and/or top management ownership, meaning that the Balanced Scorecard starts off as a 'project' with an endpoint, rather than a process that becomes embedded in the organisation. At its worst, the Scorecard is sometimes seen as the 'baby' of an enthusiastic sponsor, who may not even be at the top of the organisation. How to overcome these problems?

First, make sure the implementation team has the right expertise, ownership and commitment, and is led by a champion who has top-level sponsorship. This is the most important point of the whole initiative – if the people at the top don't own the Scorecard, the implementation is doomed from the outset. Get the chief executive to sign on the dotted line.

Next, the process should be inclusive of key stakeholders, namely the people whose performance will be measured. If the troops are not sold on the benefits, then a million and one ways will be found to undermine the Scorecard.

In this respect, the implementation process could be set up as an organisation development initiative, since behavioural change will often be necessary to achieve the stretch targets set by the organisation.

Finally, a range of interventions should be considered to take forward implementation. These could include: work/task groups; workshops; open space events; coaching/mentoring; facilitation; and the best use of information, communications and technology (ICT).

It can often be beneficial to engage the support of outside consultants like Frontline to guide the implementation team through the process, bringing experience from elsewhere, and a degree of independent judgement and critical detachment. However, ownership must remain internal, not vested in external consultants!

Stage 2 – Taking stock

This is also a stage that can alleviate problems later on if it is addressed in depth at the outset. It is too often assumed that management has the full information about the current position of the organisation, when in fact this information may be dated, lacking in clarity in parts, or in some cases at worst wrong.

It is essential, therefore, to take stock of the starting point for launching into the Balanced Scorecard, using the following tools, among others (the relevant figures for these tools are shown in Appendix 1):

- *SWOT analysis* – This most familiar of management tools stands for 'strengths, weaknesses, opportunities and threats', and is one of the most used, and abused, analysis and planning tools; the mistake is to come up, for example, with a long list of undifferentiated strengths (often lacking evidence), whereas an organisation will be fortunate to have only 2-4 areas where it is really strong vis-à-vis the competition

- *Stakeholder mapping* – Peter Drucker posed the seminal questions: "Who is your customer? What do they value?" This tool allows analysis of the organisation's stakeholders, vitally important due to the need to frame customer objectives within the Balanced Scorecard; not all stakeholders are created equal, so it is important to take a Pareto analysis approach to the wide range of stakeholders, eg 20% of stakeholders will have 80% of the impact on the organisation; this analysis allows stakeholder needs, wants and expectations to be gauged and monitored for impact
- *Portfolio analysis* – The management tool chosen here is the 'product-market' matrix, and it provides an insight to the development of the organisation's product portfolio, in terms of product development and market expansion particularly; this analysis is founded upon the premise that the organisation has a clear view of 'who buys what', namely that it knows which customer accounts for what % of current income. The danger is too many eggs in one basket, leaving the organisation exposed to a change in policy initiatives or customer purchasing
- *Information audit* – This audit provides the basis for understanding what data and information is available currently, as the starting point for management decision making, and determining the extent of data that will be required for measuring objectives and setting targets; data gathering and analysis costs money, so before embarking on a what may become a bureaucratic exercise, this type of stock-taking can ensure that the starting off point is clear
- *Culture analysis* – Since the Balanced Scorecard is as much about the 'soft' behavioural elements of an organisation as it is the 'hard' elements of performance management, the application of a management tool such as the Culture Web can allow management to gauge the attitude of staff, and assess the paradigm they wish to move to; after all, many measures will be directly impacted by staff, either through their direct performance, or their indirect impact, to support or undermine success

These are only some of the tools that management can use to take stock of the current position. While it is beneficial to carry out this analysis, especially on an on-going basis, a cautionary note should be sounded about 'paralysis by analysis'.

Stage 3 – Mission, vision and strategy

This stage involves revisiting the organisation's mission, vision and strategy. As emphasised earlier, these should be some of the building blocks already in place before embarking on developing a Balanced Scorecard. In some cases, however, organisations find that it is necessary to develop these in the first place, or change substantially what is there.

As with implementing a Scorecard itself, there is 'no one way' to define or present a *mission* and *vision*. Some organisations combine these elements; others call them different things. Frontline's approach is not to be pedantic, but rather to understand the meaning behind the terms:

- *mission* – clarifies what the organisation's purpose is, what it <u>exists</u> to do; presents why it should be doing what it does, and focuses on its customers, products/services, markets, technology, strengths, growth, values, competitive advantages, image, etc
- *vision* – clarifies what the organisation is seeking to achieve in the future, the destination, what it <u>aspires</u> to; what the organisation should look like, and how it should behave, as it fulfils its mission

These building blocks are at the core of the Balanced Scorecard, as illustrated earlier in Figures 2 and 3.

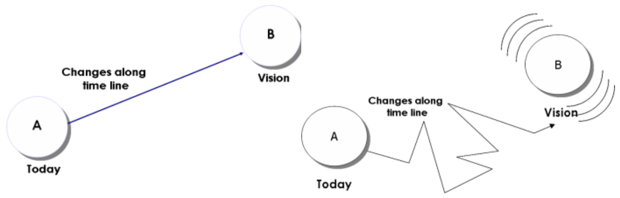
However, in some organisations they will be articulated rather than codified. There is nothing inherently wrong in this 'virtual' approach, as long as people in the organisation know where it is going, and the key external stakeholders are equally familiar – the mission statement needs to be reconciled with their demands on the organisation.

Equally, one of the criterion of success for the mission and vision is the extent to which they motivate, stimulate and inspire staff.

The benefit, then, in writing down the mission and vision is that when the *strategy* is developed, it becomes more apparent how the organisation is going to deliver its vision if there is 100% clarity about where it is going.

The rationale for this is presented in Figure 5 below, recognising that the strategy process never proceeds on a straight line, and, indeed, the end point itself may change.

Figure 5: Strategy Framework



Source: © Frontline

Strategy is the process of how the organisation gets from Point A to Point B – it's as simple as that. It is central to a Balanced Scorecard – the Scorecard objectives obviously cannot be determined without the strategy, since they will have to show what changes are needed along the timeline from A to B. We're not talking volumes of documentation, but rather a clear description that begins with "Our strategy is…"

Having introduced this strategy framework, it is now time in the implementation process to bring in the added value dimension of the Balanced Scorecard itself.

Stage 4 – Perspectives and objectives

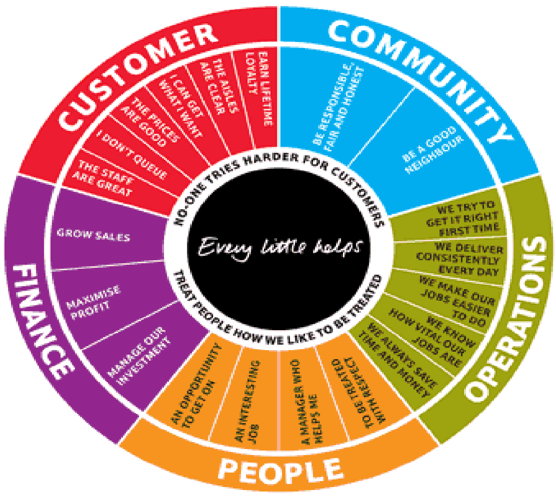
There are four perspectives in the 'official' Balanced Scorecard framework by Kaplan and Norton: financial; customer; internal process; and innovation, learning and development. As illustrated in Figures 2 and 3 earlier, these have not been chosen at random, nor placed in the Scorecard framework in random. They are causally linked and internally consistent; but that does not mean that other perspectives cannot be chosen, nor different titles used.

Organisations have produced Scorecards with perspectives for people, quality and partnership, among other key result areas. The choice is down to what the organisation considers important for measuring success, while the 'standard' Kaplan and Norton perspectives have stood the test of time, many other formats have emerged – see case study below.

Case Study 2 – Tesco TESCO

Tesco's 'Steering Wheel' now shows five perspectives, and is not in the conventional form of the Kaplan and Norton format. However, it shows what can be designed to suit a specific organisation requirement – and it works, as demonstrated by the company's significant growth over the past decade. The objectives are also simple, and are designed to be easily understood by shop floor staff – this cascading and ownership underpins successful implementation and sustainability.

Tesco Steering Wheel



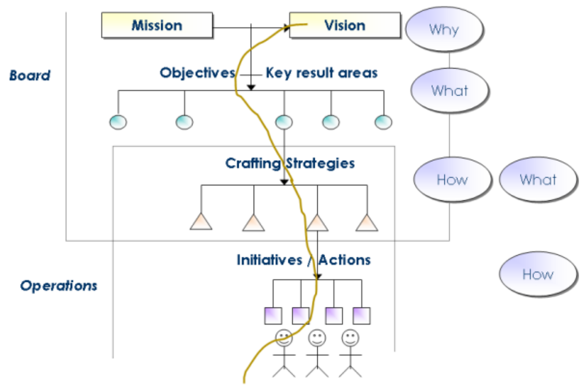
Source: Tesco (2008)

However, irrespective of the perspectives used, what is unique to each organisation is the set of objectives and strategies chosen to populate the Scorecard.

In contrast to companies where there will be considerable latitude about how to become profitable or meet the needs of customers, public sector organisations will find that many of their objectives will be 'mandated' by government, though the 'what and how' of delivering – or 'crafting' – strategies can be very organisation-specific.

This causal relationship of the strategy components is illustrated in Figure 6 below.

Figure 6: Cascading strategy – causal relationship



Source: © Frontline

The 'what and how' of populating the Balanced Scorecard result from a robust set of objectives, strategies and actions:

- *objectives* – provide the direction of travel for key result areas, in order to achieve the mission; they are about the end, about 'what' needs to be done
- *strategies* – are 'crafted', representing innovative and creative approaches about 'how' the objectives will be achieved; they are the means to the end
- *actions* – are the next level down still, are more operational, and will become linked to individual performance objectives in many cases

Organisations will have different names for these components – for instance, 'aims' and 'goals' are often used. The name is not important, but rather the emphasis should be on the process of cascading and linkage. An objective without strategies will not be achieved, nor will strategies be implemented unless they are supported by actions and owned by people.

But how many objectives? Best practice says 20-25 across the perspectives. This is because management can only manage success in so many key result areas (KRAs) without diluting its ability to lead effectively.

Also, objectives and their measures need defined, and this complicated process further reduces the number of objectives that should be included in a Scorecard. However, the sum total of measures could number in the 100s, taking into account the cascade effect. In his book "Leadership", the former mayor of New York City, Rudy Giuliani, refers to one of his departments having 592 measures – but for that a robust computer programme would be required to control the data flow and produce effective information and intelligence for management decision making.

A Balanced Scorecard cannot be created and implemented without these components. This causal relationship then becomes apparent in the next stage of development.

Stage 5 – Cause and effect analysis

This is where the Balanced Scorecard comes into its own. However, there are broadly two ways to devise a Scorecard – what we call the 'blank sheet' and 'added value' approaches:

- *blank sheet* – this involves starting afresh in determining objectives in order to develop a Scorecard. The plus is that history does not encumber new ideas and creativity; the minus is that the designers can end up with two parallel sets of objectives
- *added value* – this builds on the organisation's existing strategy and objectives. The plus is that learning is not lost, and the Scorecard can more easily be linked to what is familiar. The minus is that innovation and creativity behind new ideas could be stifled

We favour the 'added value' approach. Frontline's experience shows us that starting with a blank sheet reduces the chances of acceptance within the organisation and sustainability of implementation. Therefore, work with the objectives that are currently in place and add value to them – through balancing objectives via the Scorecard framework and then gap filling.

Also, a list of objectives that measure success is not a Balanced Scorecard, but rather just that, a list. The beauty of the Scorecard is that it is based on causal analysis – inter-relationships among:

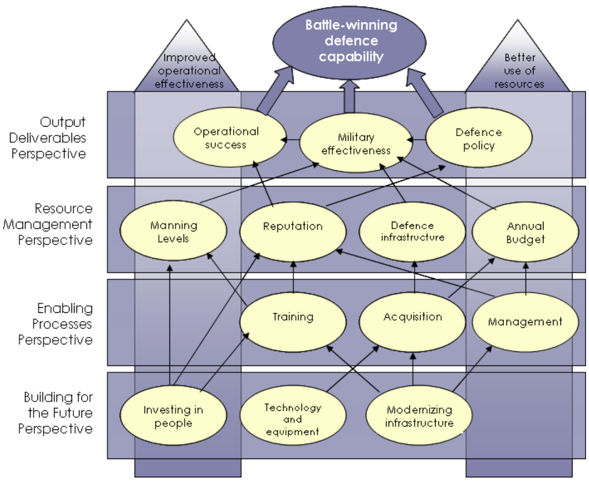
- *perspectives* – showing the hierarchical relationship among the four perspectives of the Scorecard
- *objectives* – showing the cause and effect relationship among the objectives that populate the perspectives

This causal relationship is often presented in the form of a 'strategy map' – a good example is illustrated in the case study below.

Case Study 3 – Ministry of Defence

The MoD strategy map, which in turn drives its Balanced Scorecard, shows in a simple and straight forward way the causal links through the four chosen perspectives in order to achieve its mission. It is all too easy to over complicate a strategy map, and there are of course many other components that can be added in. However, the departmental management team has used this tool to focus on its key result areas, and continues to provide the framework for prioritisation in the Defence Plan.

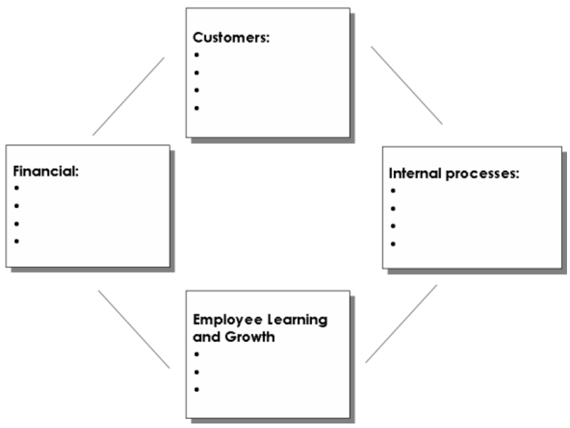
The MoD strategy map



Source: Ministry of Defence (2008)

To get to this causal relationship, the objectives for the organisation now need to be grouped under the four Balanced Scorecard perspectives; the strategy map will have assisted in this stage of Scorecard development. The process of completing the Scorecard can be carried out using a template as presented in Figure 7 below, with the relevant objectives allocated to each box as appropriate.

Figure 7: Completing the Scorecard



What this exercise now shows is often less of a balance, but rather an 'Unbalanced Scorecard'! There do not need to be an equal number of objectives for each perspective. The rigour of the process is instead to understand why the Scorecard is unbalanced, and to identify where the gaps are in objectives for each perspective.

A further case study about the British Museum's Scorecard, showing the benefits of the Balanced Scorecard's causal relationship, is shown below.

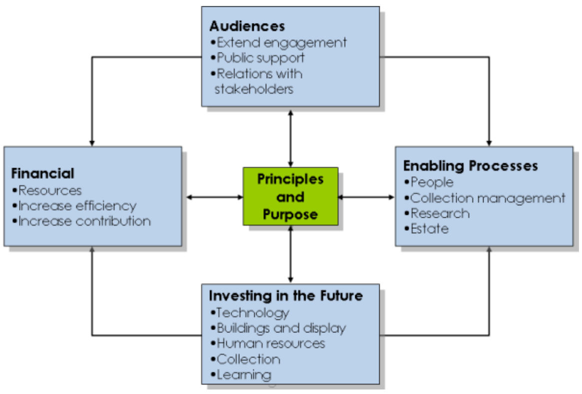
A key point of debate at this stage is also to which perspective are objectives assigned. The answer is that this depends on what is meant to be measured, relating to the relevant perspective, eg whether financial or customer output.

However, objectives at this point will not be SMART, (specific, measurable, achievable. resourced, timed) as the measures and targets for each objective are now assigned in the next stage of the Scorecard process.

Case Study 4 – British Museum

The British Museum had been asked by its sponsoring government department to prepare a Balanced Scorecard. In contrast to other museums that chose to produce Scorecards that lacked any demonstration of cause and effect, the British Museum's Scorecard built on its principles and purpose, and its existing strategy, to produce an effective format that clearly showed the linkages between lead drivers and lag outcomes. It continues to be used for corporate reporting.

British Museum Balanced Scorecard



Source: British Museum (2007)

Stage 6 – Measures and targets

If the last stage was the 'new bit' relative to the Balanced Scorecard, this stage is both returning to what you should be doing anyway as best management practice, but also facing up to one of the most difficult tasks facing managers – measuring success, and making objectives truly SMART. The Scorecard adds real value here, because it focuses the mind on what you are trying to measure, re financial, customer, process or growth success.

First, let's look at what we mean by a measure and target:

- *measure* – this will show the progress to achieving the objective, and is presented as data for comparative use, mainly in a quantified form, on aspects of organisational input, activity, output or outcome that will demonstrate how well the objective is being achieved, and how well the organisation is performing relative to the strategic objective
- *target* – the actual percentage, number and or time figure that enables the measure to become comparative, eg how far, how high, how fast

These are often called 'metrics' and it's probably best to illustrate what they look like. Take the aim to reduce waiting time to access health care, which pretty much affects everyone:

- *objective* – reduce the waiting time for hospital treatment
- *measure* – 18-week maximum wait from point of referral to treatment for admitted patients
- *target* – 90% of patients admitted within 18 weeks

There are many ways to express metrics such as this one, which makes an objective 'SMART'. Without the clarity and focus on measures and targets, objectives will remain largely aspirational, without the transparent allocation of resources and management commitment to deliver what is set out to be achieved.

Examples of measures, therefore, for each Balanced Scorecard perspective include:

- *financial* – cost per unit, market share, efficiency savings, financial results, income and expenditure, profitability, use of capital
- *customer* – satisfaction, mix, complaints, repeat purchase, segmentation
- *internal process* – throughput, time, steps, duplication/redundancy, location
- *innovation, learning and investment* – training, quality, IT, skill base, new products, infrastructure

Remember what these measures are seeking to show, from lag outcomes to lead drivers. Changing what you want to measure could also change the Scorecard perspective within which it fits. But also remember what Sir Josiah Stamp said:

> *"The government are very keen on amassing statistics. They collect them, add them, raise them on the Nth power, take the cube root and prepare wonderful diagrams. But you must never forget that every one of these figures comes in the first instance from the village watchman, who just puts down what he… pleases."*

On the surface, measures therefore appear simple. But when it comes to defining the measure with enough clarity to enable comparative use with confidence, we find that people, at the worst, can write PhDs in this area.

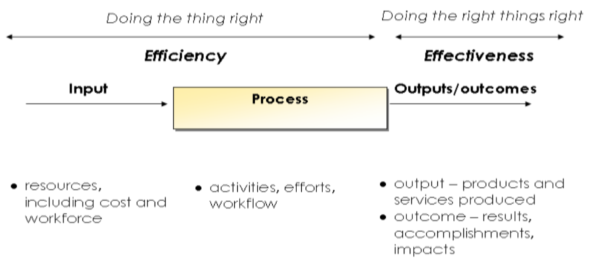
Many of the key performance indicators (KPIs) used by the government to measure local authority service delivery take up to a page and a half to outline – called 'constructs'. This is necessary to ensure their value in comparability, but if you have dozens or even hundreds to monitor, then the process becomes an end in itself, rather than the means to the end.

This is one of the reasons why the Scorecard will have only 20-25 objectives. There may, of course, be more than one measure for each objective, but follow the KISS principle: 'keep it simple (stupid)'. At least at the outset until you get things bedded in. A few other points on performance measures:

- build on **existing measures** and the availability of information; but don't make a measure important simply because the information is available!
- prioritise what is measured using **Pareto analysis** – 20% of the measures will have an 80% impact on organisation performance
- for each measure, there will be a number of **actions** necessary to ensure implementation and success
- ensure the measures are **owned** by staff accountable for their implementation
- scrutinise the measures to ensure **internal consistency**, both with objectives, and other measures

Finally, have clarity on what stage of the process you are measuring. Performance measures should help you decide if you are or are not only 'doing the right things', but also 'doing the right things right', as illustrated in Figure 8 below.

Figure 8: In what area are you measuring success?



*Source: Adapted from Donabedian *1978)*

You'll know a good measure when you see the results, but that may be too late. Hence, a number of 'tests' are helpful:

- *truth* – is the measure definitely measuring what it's meant to measure?
- *consistency* – is the measure consistent whenever and whoever measures?
- *gaming* – will the measure encourage any undesirable behaviours?
- *cost* – is it going to be worth the cost of collecting and analysing the data?
- *access* – can the data be readily communicated and easily understood?
- *clarity* – is any ambiguity possible in interpretation of the results?
- *timeliness* – can the data be analysed soon enough to take action?
- *so what* – can, and will, the data be acted upon?

A word about using IT systems and software packages to facilitate measurement and reporting. You can end with IT, but don't start there. There are many packages available on the marketplace, but make sure that you have a design in place and manual system first, then computerise. Remember, 'garbage in, garbage out'. Many successful Scorecards use Excel and PowerPoint rather than off-the-shelf software.

Stage 7 – Action planning, implementation and review

The key to success of a Balanced Scorecard is sustainability. There are very few Scorecards that have stood the test of time. Many begin as a top management initiative, and then management changes. Other initiatives are delegated down the organisation, in which case they lack top level ownership from the start. Still other Scorecards are set up to run in parallel with the normal reporting processes in the organisation, so lack acceptance and never become embedded.

Other common pitfalls include: IT-driven project; lack of expertise among designers; Scorecards not connected with vision and strategy; lack of alignment with divisional agendas.

Key factors for success to overcome these obstacles include:

- executive ownership from the outset
- alignment of previous strategy work and the Balanced Scorecard
- wide involvement in development of the Scorecard
- scorecard cascaded down the organisation
- robust baseline of data to underpin measures and targets
- clear ownership of objectives and accountability for achieving targets
- reporting incorporated into corporate management process
- alignment of Scorecard reporting and individual objectives and appraisal

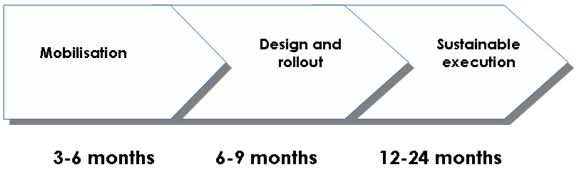
This has been a long journey to get to this point. We conclude the guide with some practicalities to consider in making this journey.

4 Practicalities of Getting Started

Books are available that will give guidance on preparing a Balanced Scorecard in a week. This is eminently achievable. Other tomes would lead you to believe that the journey never ends.

As ever, the truth lies somewhere in between, and the time plan in Figure 9 below shows the phases for getting a Balanced Scorecard off the ground, and the indicative timescales for each phase.

Figure 9: Implementation Phases



Source: Frontline

If software is chosen as part of the development and implementation process, then there are a few key factors for success:

- design the Scorecard first, then consider how software enables more effective reporting
- investigate your current reporting software, or use tools such as Excel and PowerPoint
- take a long term perspective of the software application, other than just a bolt-on
- design reports to be agenda items for management meetings

Recognising that accountability is uncomfortable in the first place, there are a number of other implementation challenges that will need to be faced:

- managing expectations: of those involved not to rush things, and of those on the receiving end that the scorecard will have an impact
- developing a balanced measurement culture: so that people are comfortable with performance monitoring, but that it isn't the 'tail that wags the dog'
- minimising bureaucracy: putting in place effective monitoring and reporting, but not letting it become the end in itself
- getting to a 'win' quickly: setting and achieving some milestones along so that success can be celebrated the way recognising achievement: finding a way to reward success within a public sector environment particularly

Finally, this is unfortunately not a journey with an end point in mind. It goes on as long as the mission of the organisation must be fulfilled. That is because the Balanced Scorecard is a management tool for a process, not a panacea that can be applied to problem solve.

5 How Frontline can Support Your Balanced Scorecard Process

We have produced this guide so that organisations can carry out as much of the development and implementation of a Balanced Scorecard in-house. However, we have found that it is often beneficial for managers to be able to call on external support from time to time.

Frontline can help your Scorecard work in a number of ways:

- **design** – hands-on support as required to provide capacity and capability, and contribute experience from elsewhere
- **learning workshops** – to ensure that everyone starts from the same point, and to build up in-house knowledge
- **expertise** – our know-how in performance management and measurement will complement yours
- **facilitation** – to ensure that objectives are met and a framework is put in place, and management can actively participate in the process
- **challenge** – bringing independent views to conventional wisdom and practices, focusing on sustainability of change
- **independence** – we are not tied to any software provider or service group

We also contribute wider public sector and business expertise through the services we offer, summarised in Figure 10 below.

Figure 10: Frontline's Services

Frontline helps you to ...	
• **Decide where best to spend your money** – so that you are focusing on the most appropriate services	• **Policy**
• **Improve the efficiency and effectiveness of your services** – so that you get the best return for your investments	• **Improvement**
• **Improve the performance of your people** – so that they are more efficient and effective	• **People**
• **Evaluate whether you are getting value for money** – so that you can identify whether you are getting the best return for your investments and pinpoint improvements	• **Evaluation**
... so that you can **improve quality whilst reducing costs**	

If you would like to discuss informally how Frontline might support your Balanced Scorecard process, please contact John Deffenbaugh, whose background is shown in Appendix 2.

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We look forward to hearing from you.

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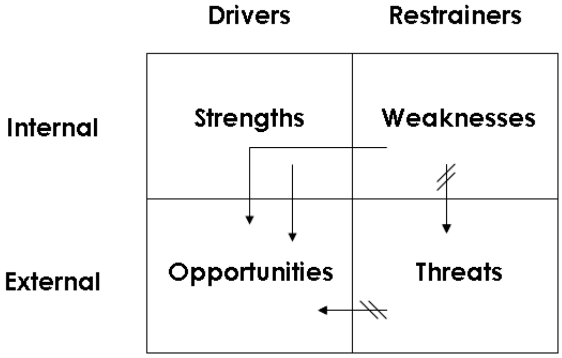
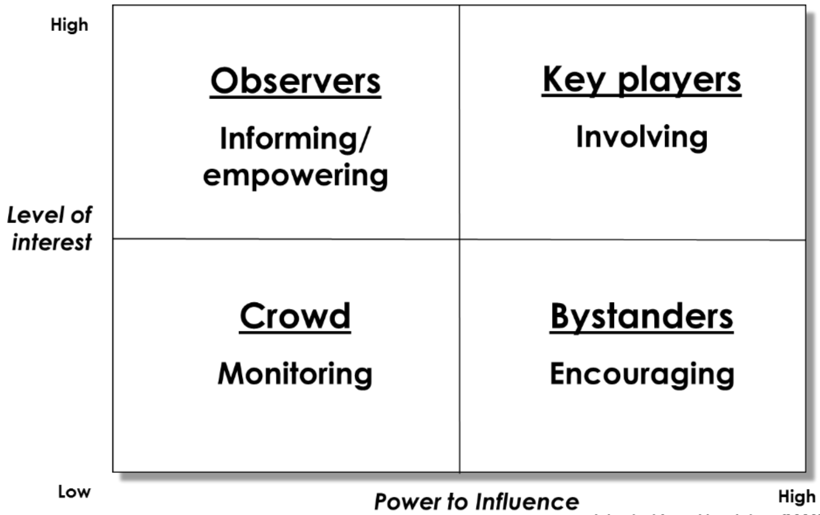
Appendix 1 – Analysis Tools

SWOT Analysis



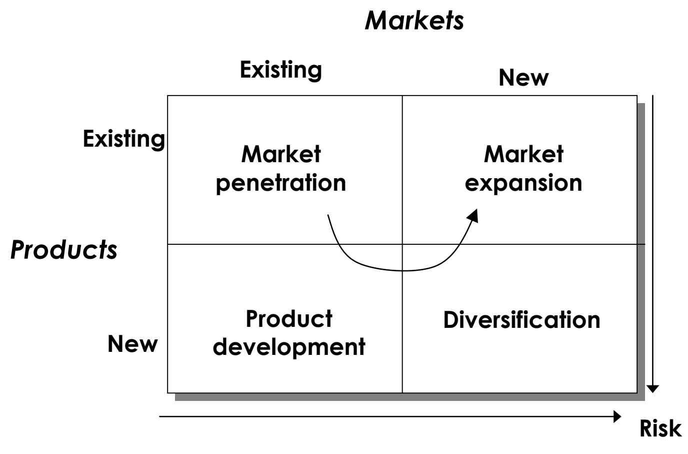
Albert Humphrey

Stakeholder Mapping



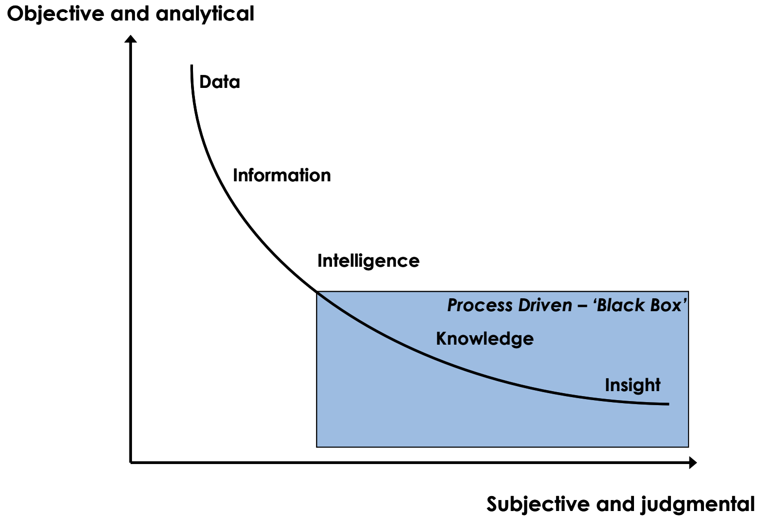
Adapted from Mendelow (1991)

Portfolio Analysis



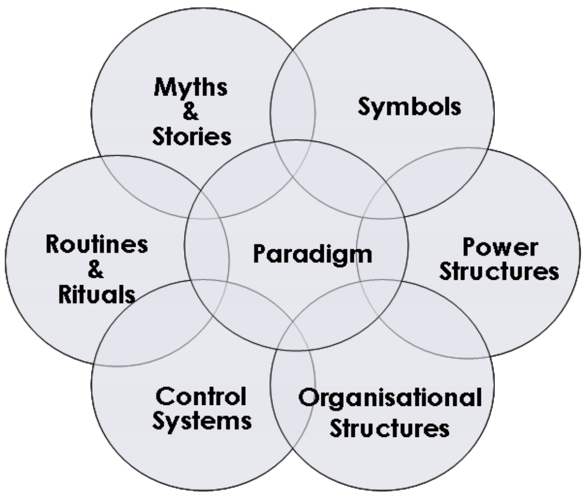
Igor Ansoff (1957)

From Data to Knowledge – A Continuous Process



© Frontline

The Cultural Web



Johnson & Scholes (2005)

Appendix 2 – Author's Profile

John Deffenbaugh
Director, Frontline

John has over 30 years' experience in business, consultancy and the public sector, having both worked in and consulted with the NHS, private sector and businesses. He combines this hands-on experience with insight of the changing environment within which public policy and business strategies are created and implemented.

John co-founded Frontline in 1991, and is responsible for the company's London-based consultancy business. His expertise lies in strategy creation and implementation, corporate governance effectiveness, top leadership development and performance management using the Balanced Scorecard. John is also a non-executive director of the State Hospitals Board for Scotland.

John has applied the balanced scorecard across public bodies and businesses, and contributes a broad range of insight to its application. He takes an approach of building capacity and capability within organisations in order to underpin sustainable change. John's challenging approach ensures that issues are surfaced and addressed, from individual, team and organisational perspectives.

John's consultancy projects span the continuum from R&D through manufacturing to delivery. His work on the Balanced Scorecard and performance management is often linked with wider work on strategy creation, leadership development and culture change. He has worked with the British Museum, Southwark Council and Walker Technical Services to develop scorecards, and brings this insight into his governance work in terms of the information available for board decision making. John has run training courses for many years for executives and operational managers tasked with designing and implementing a balanced scorecard. He has also published a 'how to' guide to Implementing a Balanced Scorecard.

John's wider consultancy projects include implementation of the vision of *Safe Driving for Life* for the Driving Standards Agency, appraising inward investment business plans for Invest Northern Ireland, leadership development for the NHS Leadership Academy, commercialising a retractable intra-medullary nail for Aubec R&D, health VFM 'think pieces' for the NAO, life sciences strategy development for Scottish Enterprise, board development for NHS boards, facilitation of health and wellbeing strategies for local authorities, and design and delivery of Masterclass programme for the NHS Top Leaders.

In his spare time John runs marathons, advises his daughter's boutique and his son's building preservation trust, and holds a red card as sawyer and crew boss for the US Forest Service. His degrees are in political science, history and business and he is a fellow of the Institute of Business Consultancy.

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