

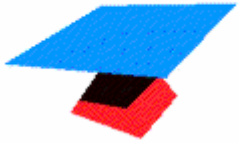
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A Balanced Scorecard For City & County Services



Paul Arveson
Balanced Scorecard Institute

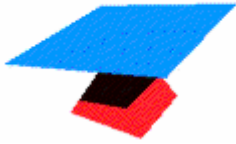
www.balancedscorecard.org/



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Agenda

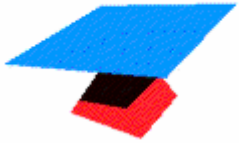
- **What is the Government Balanced Scorecard (BSC)?**
- **What's in it for cities and counties?**
- **What are the pros & cons of the BSC?**
- **What is the future of the BSC?**



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Why Strategy?

- **The government's missions are fixed – we cannot change them.**
- ***How we do the missions is not fixed: this is strategy.***
 - **Problem: what if there are multiple strategies being pursued at once?**
 - **How will we know if this is happening?**
- **A single framework for strategy is necessary to meet the challenges.**



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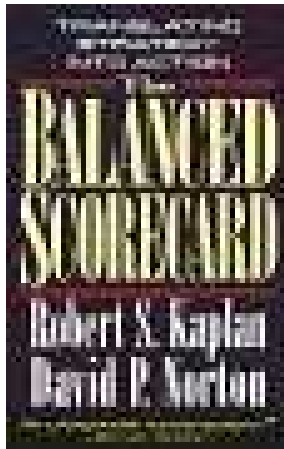
What is the Balanced Scorecard (BSC)?

- The balanced scorecard is a *strategic management system* (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action.
- When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.



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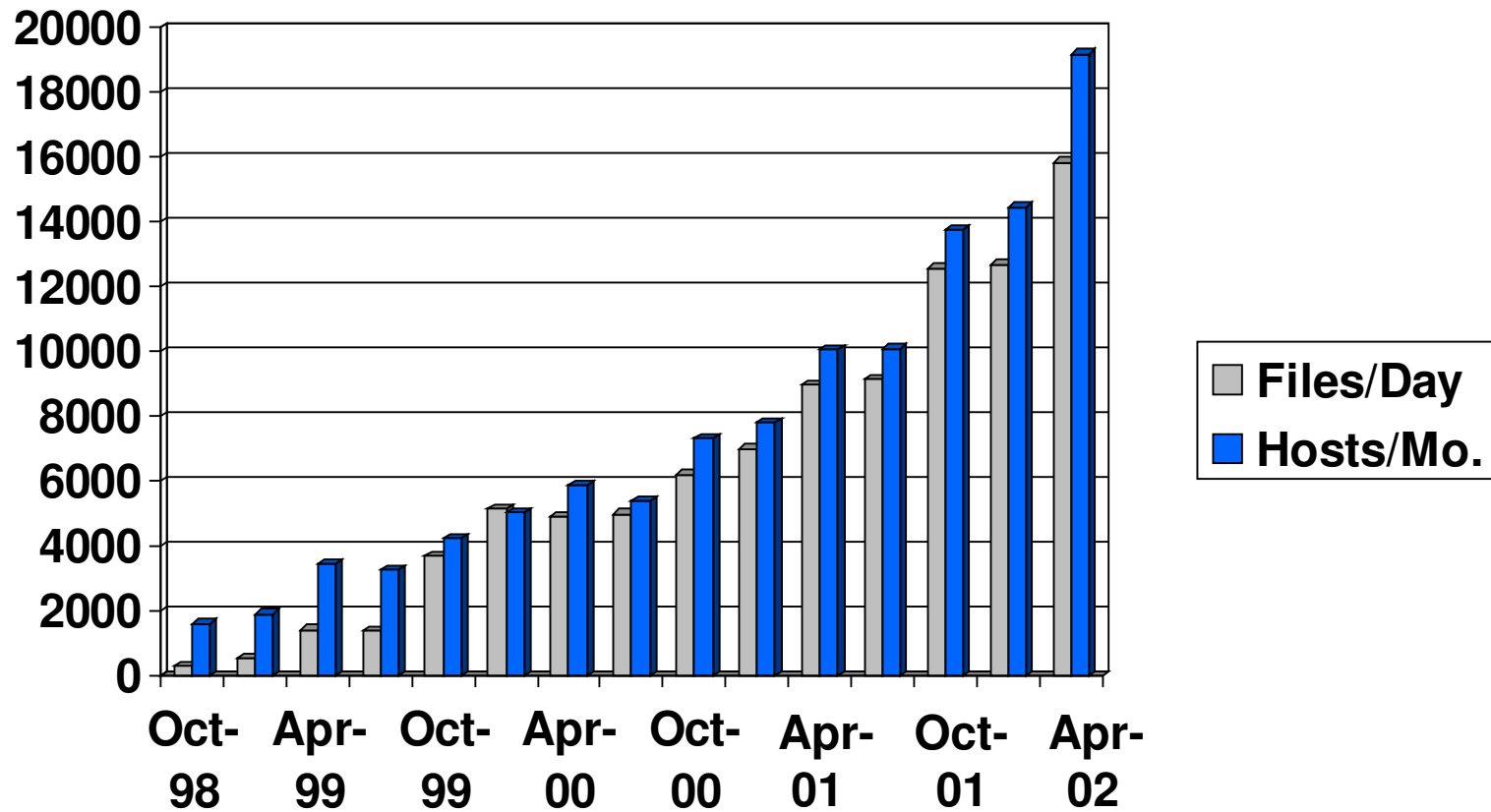
Origin of the Balanced Scorecard



- Developed by Kaplan & Norton at Harvard 1992-95
- Inherited ideas from Deming (TQM), etc.
- “The Balanced Scorecard” published 1996
- Soon became a management best seller



Traffic to BSC Institute Web Site





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Balanced Scorecard - Managing For Results Government Roster

Federal

Defense
Energy
Commerce
Transportation
Coast Guard
IRS
Veterans Affairs
...

States

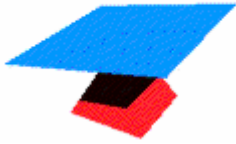
Virginia
Iowa
Maryland
Puerto Rico
Texas
Minnesota
Oregon
Florida
Washington
Utah
Maine
...

Cities

San Diego
Portland
Charlotte
Seattle
Austin
...

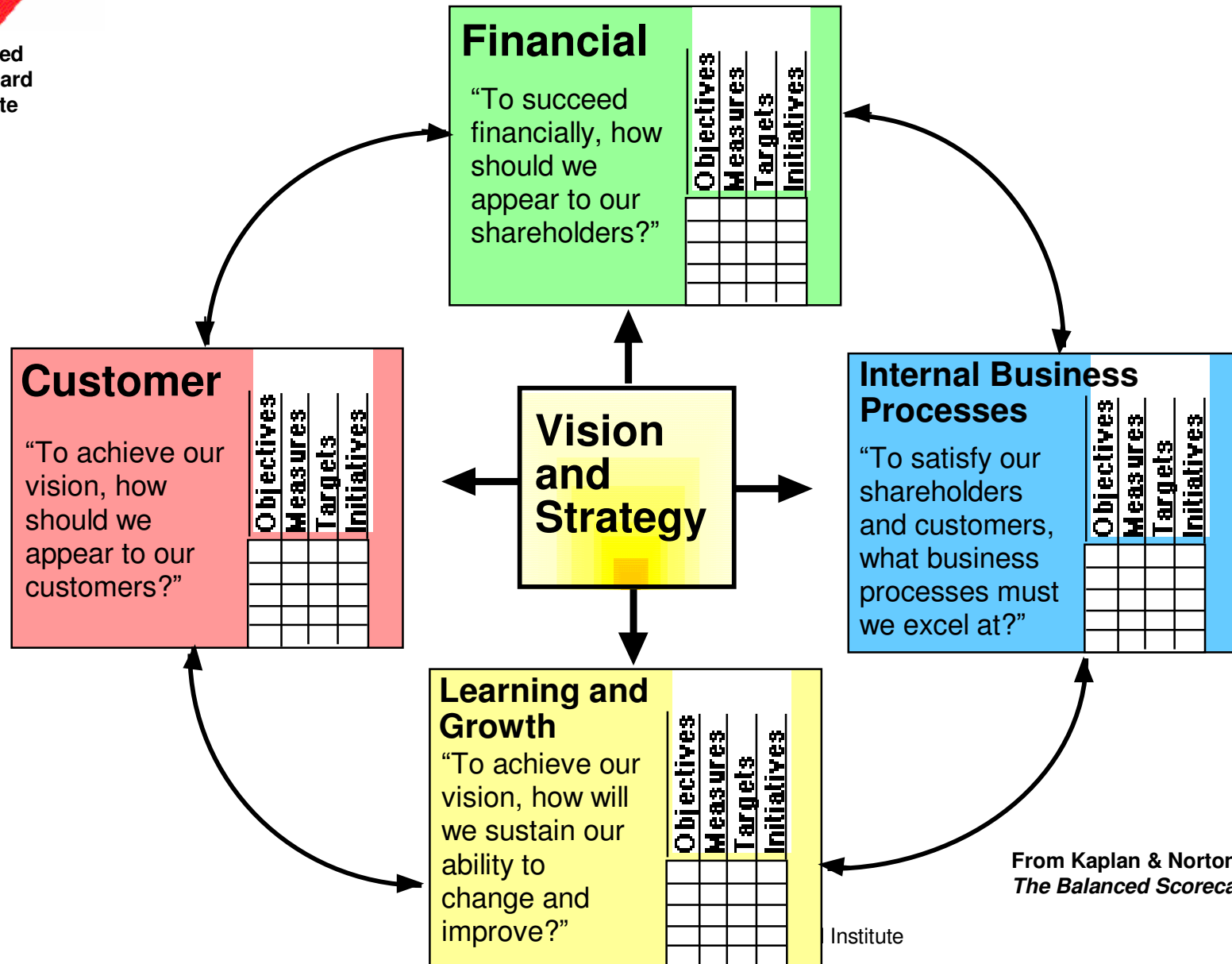
Counties

Monroe
Fairfax
Prince William
Mecklenburg
Santa Clara
...



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The Balanced Scorecard

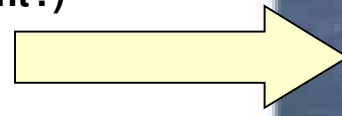




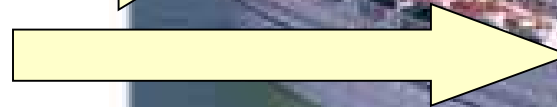
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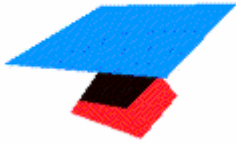
Both Strategic Performance and Operational Performance must be Monitored to Achieve Mission Objectives

Engineer sets
speed, monitors
operational performance
(Are we doing things
things right?)



Captain sets
course, monitors
strategic performance
(are we going the right
direction?)

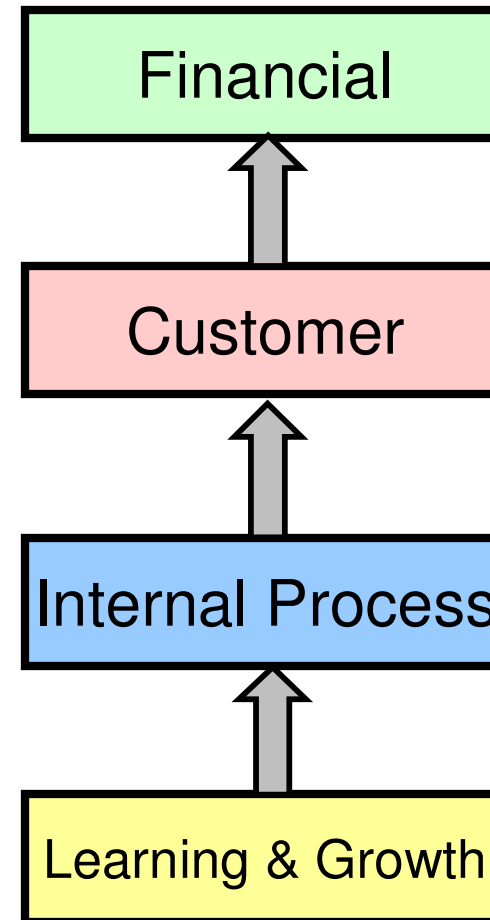


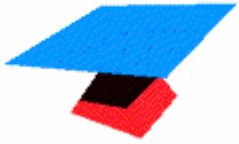


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Balanced Scorecard Cause-Effect Hypothesis

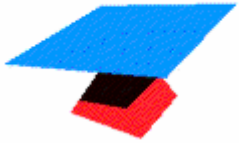
4. Increased customer satisfaction will lead to better financial results.
3. Improved work processes will lead to increased customer satisfaction.
2. Skilled, empowered employees will improve The ways they work.
1. Knowledge & skills of employees is foundation for all innovation and improvements.





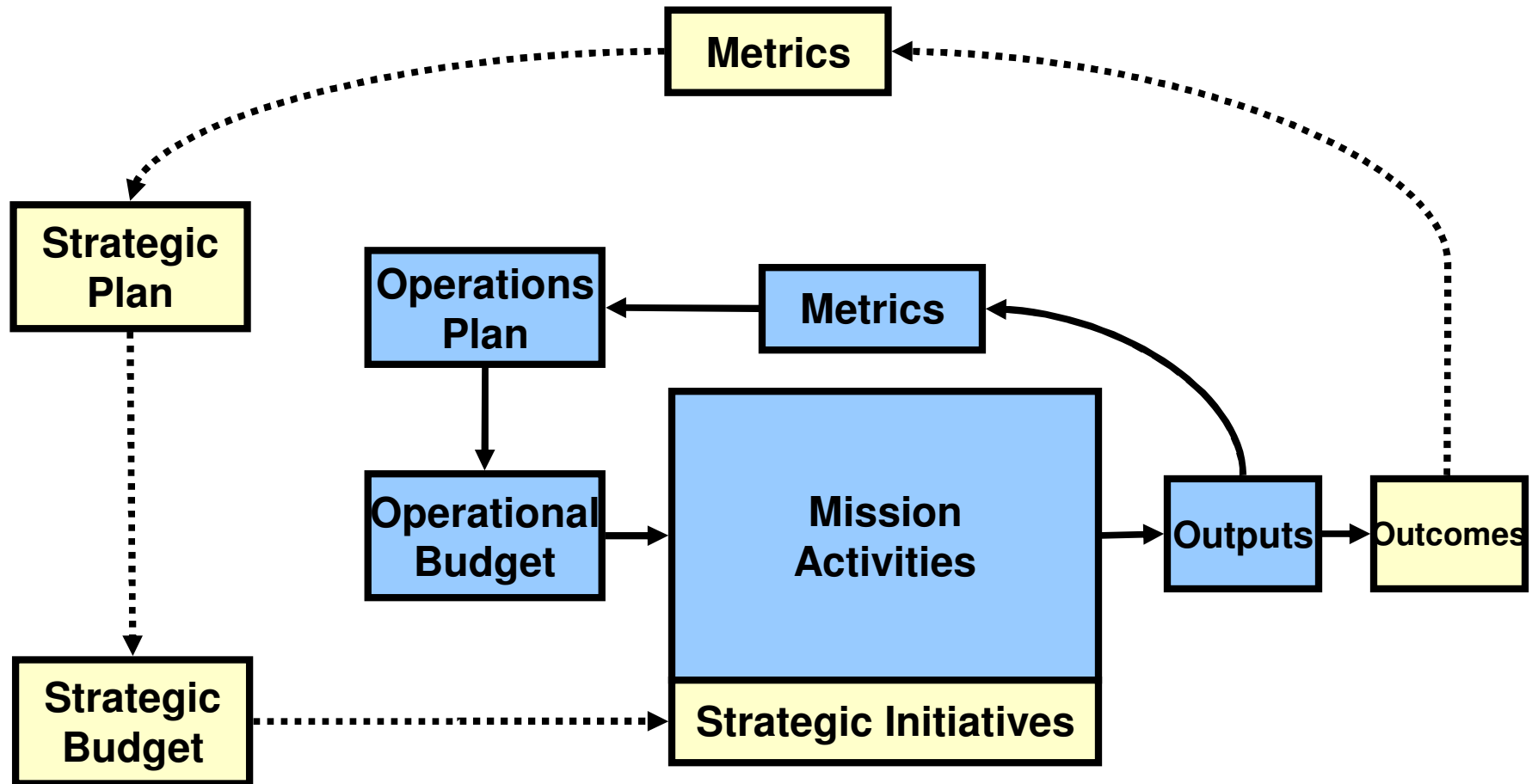
From Strategy to Budget

Strategy Map	Metrics	Targets	Strategic Initiatives
	<p>→</p> <p>Customer approval rating</p>	<p>→</p>	<p>→</p> <ul style="list-style-type: none"> ● ● <div style="border: 1px solid black; background-color: #ffffcc; padding: 5px; margin: 5px 0;"> <p>Each Strategic Initiative Plan contains:</p> <ul style="list-style-type: none"> • Sponsor • Schedule • Resources • Budget </div> <ul style="list-style-type: none"> ● ●
	<p>Cycle time reduction</p>		
	<p>% strategic skills available</p>		



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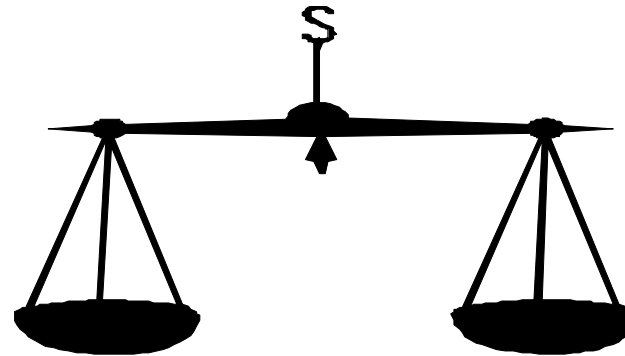
Operational and Strategic Feedback



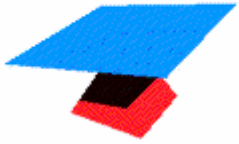


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Balance in the BSC

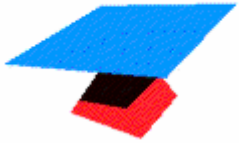


Lagging Indicators	Leading Indicators
Diagnostic Measurements	Strategic Measurements
Cost & Risk	Benefit & Value
Low risk / low benefit	High risk / high benefit



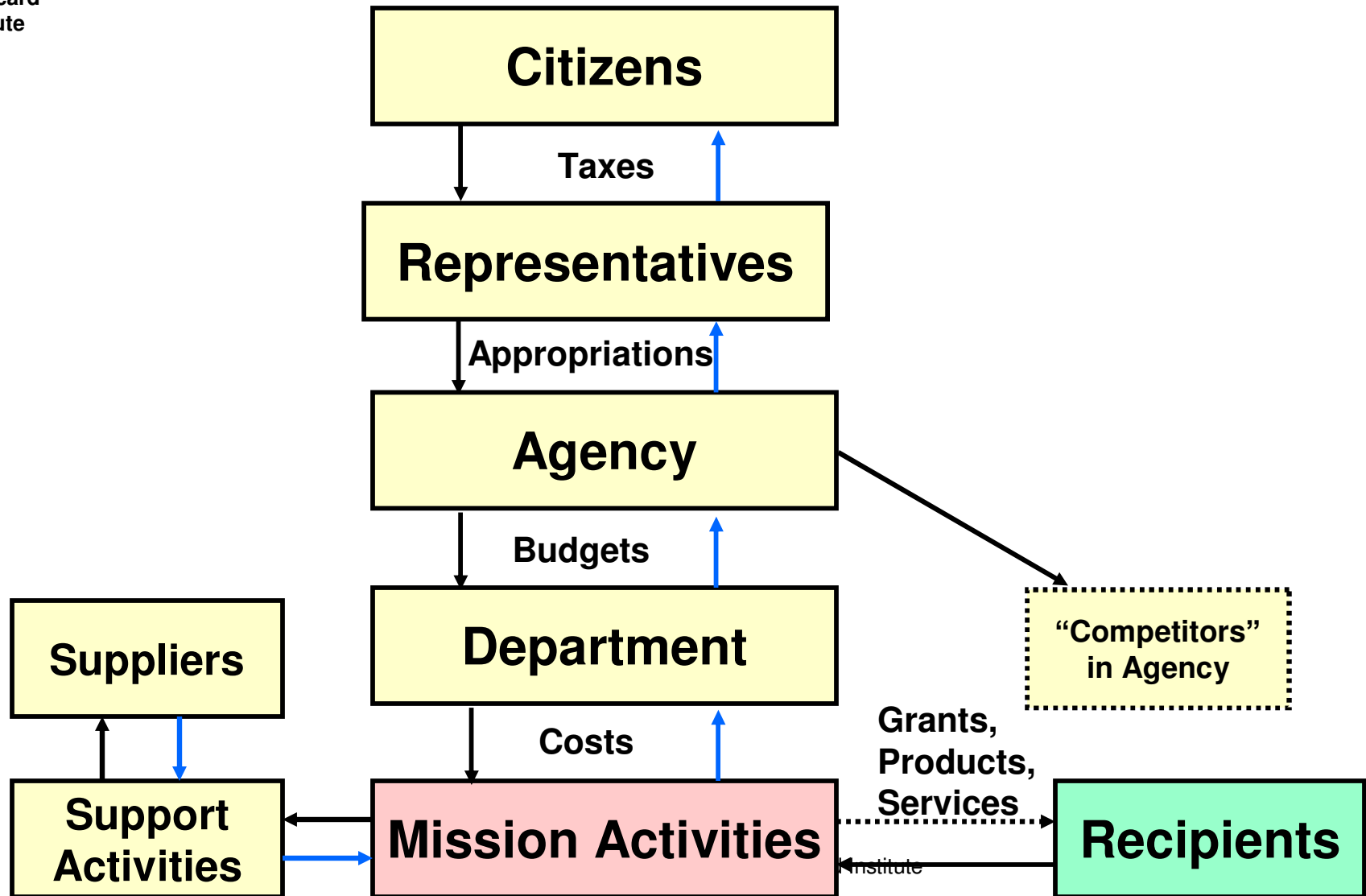
Comparing Private and Public Sector Organizations

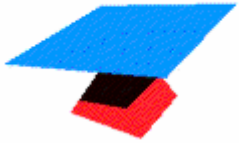
Feature	Private Sector	Public Sector
General Strategic Goals	Competitiveness; uniqueness	Mission success; best practices
Financial Goals	Profit; growth; market share	Productivity; efficiency; value
Stakeholders	Stockholders; buyers; managers	Taxpayers; recipients; legislators
Desired Outcome	Customer satisfaction	Customer * satisfaction



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Government Customer Relationships





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What are the Balanced Scorecard's Benefits for Local Governments?

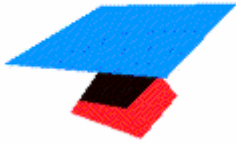


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BSC Benefits: 1. Learning

- **BSC Places the Whole Organization in a Learning Process**
 - Aligns everyone to strategy in a single framework
 - BSC improves itself over time:
 - Cause-effect hypotheses
 - Metrics selected
 - Measurement processes
 - Selection of initiatives and resource allocation



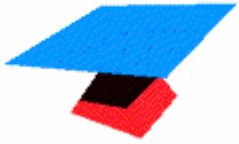


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BSC Benefits: 2. Planning

- **More rational budgeting in a world of rapid change**
 - Resource allocations based on performance
 - Systematic, fact-based management replaces intuition
- **Anticipate future outcomes**
 - Leading indicators
 - Cause-effect predictions
 - Simulations possible



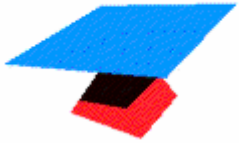


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BSC Benefits: 3. Facilitates Improvements

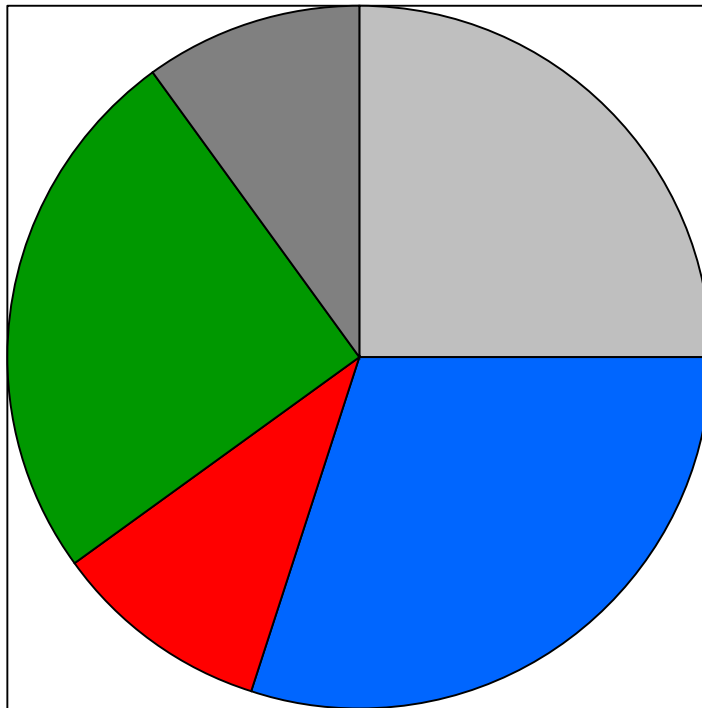
- **BSC Raises visibility of what's going on**
- **Identifies what most needs to be changed**
- **Helps to identify best practices**
- **BSC enables more opportunities for Innovation**





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Categories of Individual Work: Efficiency Challenges



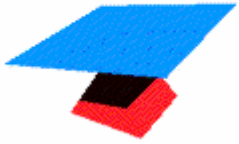
■ Not Working 25%

■ Rework 30%

■ Non-Value-Added Work 10%

■ Value-Added Work 25%

■ Unnecessary Work 10%

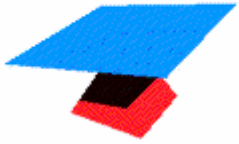


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BSC Benefits: 4. For Stakeholders

- **Raises visibility of government activities**
- **Facilitates feedback**
- **Supports accountability**

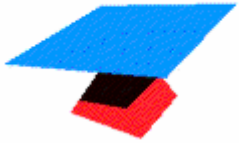




BSC Benefits: 5. Benchmarking



Performance measurement data collected for the BSC can also be used as a basis of comparison with data from other organizations.



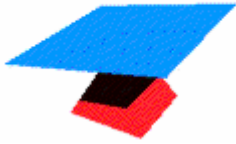
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Why use the Balanced Scorecard in Government?

“Why should you as a government leader try to achieve a balanced set of performance measures? ...

Because you need to know what your customer’s expectations are and what your employee needs to have to meet these expectations. Because you cannot achieve your stated objectives without taking those expectations into account. More importantly, because **it works**, as can be seen from the success of our partners.”

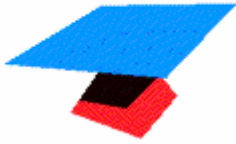
-- National Partnership for Reinventing Government, 1999



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Limitations of Government Balanced Scorecard

- **Requires High Level of Organizational Commitment**
 - Change management issues
 - “What’s in it for me?”
 - Takes sustained effort to implement fully
- **May create fear**
 - Raises visibility and accountability
 - May lead to loss of data
- **Measurements don’t solve anything**
 - Must be accompanied by strategy & initiatives
 - Adoption rate may be slow



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Future of the Balanced Scorecard

- **Increased Specialization**
 - **Sector-based scorecard templates**
 - E. g. Health Care BSC
 - **Department-level scorecard templates**
 - E. g. Human Resources BSC
- **Increased Sophistication of Tools**
 - **Linkage to Executive Information Systems**
 - **More rigorous economic analysis**
 - **Performance simulation**



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Conclusions

- **Balanced Scorecard (BSC) provides a framework needed for strategic alignment and organizational learning.**
- **Names may change, but some features will continue:**
 - Performance measurements
 - Results-based planning and management
 - Increased use of information technology
 - Increased sharing of data for benchmarking
- **BSC is not a “flavor of the month” but an evolving management concept.**



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Resources

- ***Balanced Scorecard Institute – www.balancedscorecard.org***
- ***Building & Implementing A Balanced Scorecard: Nine Steps to Success, Howard Rohm, Balanced Scorecard Institute***
- ***Performance Drivers, Niles-Goram Olve, Jan Roy and Magnus Wetter, Wiley, 1999***
- ***The Strategy-Focused Organization, Robert Kaplan & David Norton, Harvard Business School Press, 2001***
- ***The Balanced Scorecard, Robert Kaplan & David Norton, Harvard Business School Press, 1996***
- ***Winning Score, Mark Graham Brown, Quality Resources***
- ***How To Measure Performance: A Handbook of Techniques and Tools, Performance-Based Management Special Interest Group, U S Department of Energy***
- ***Benchmarking for Best Practices in the Public Sector, P. Keehley et al., Jossey-Bass, 1997.***
- ***Benchmarking Staff Performance, Jac Fitz-Enz, Jossey-Bass, 1993***
- ***Measuring, Managing, and Maximizing Performance, Will Kaydos, Productivity Press***
- ***Operational Performance Measurement: Increasing Total Productivity, Will Kaydos, Saint Lucie Press***