

A Balanced Scorecard for Government



- **What is the Government Balanced Scorecard?**
- **What's in it for Cities and Counties?**
- **What does a Real BSC Look Like?**
- **What are the Limitations of the BSC?**
- **What is the Future of the BSC?**

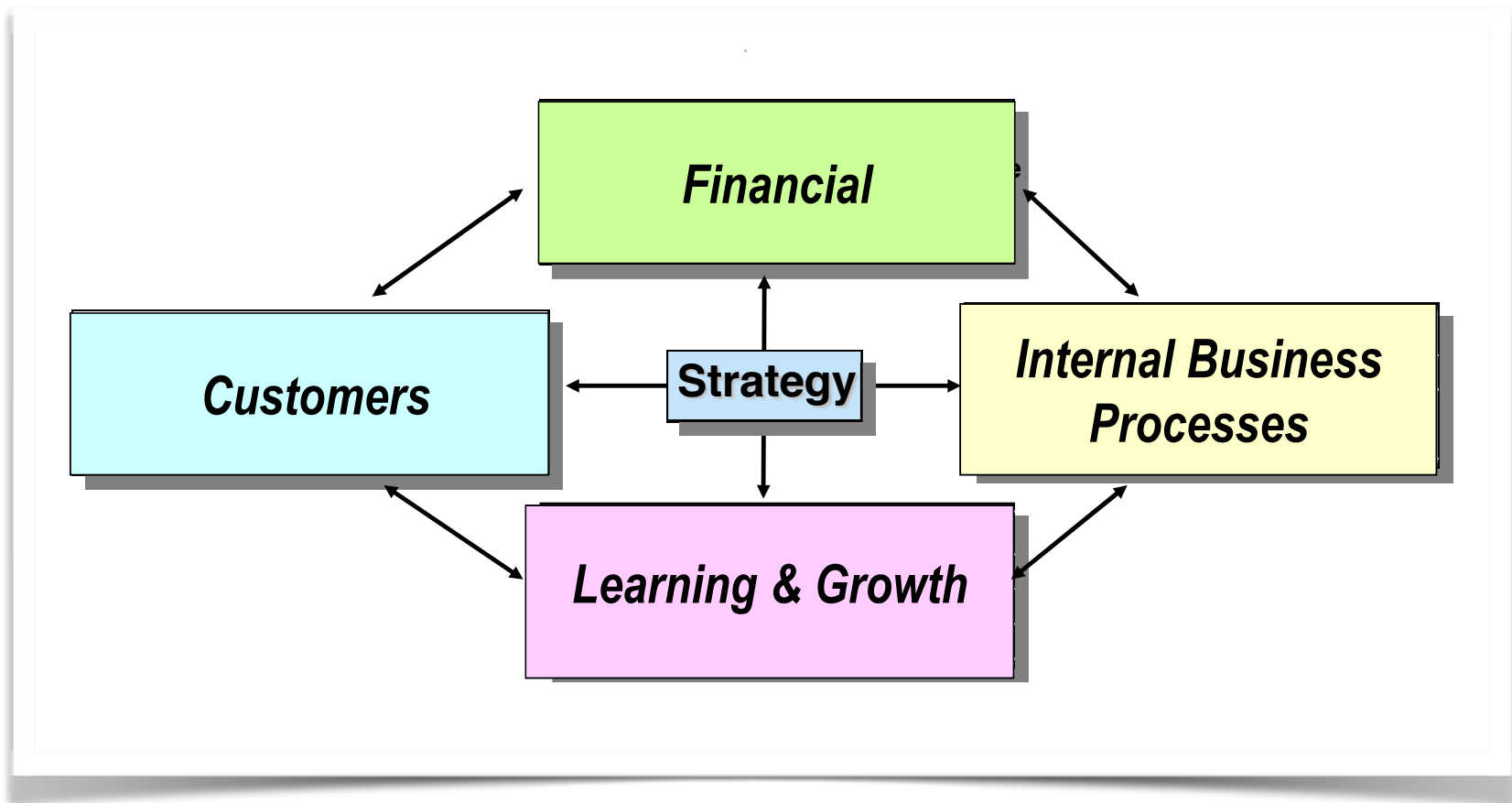
What is the Balanced Scorecard

- **The balanced scorecard is a *management system* (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action.**
- **It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.**
- **When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.**

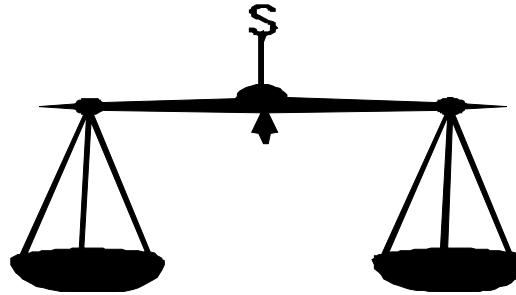
Balanced Scorecard Concepts

- **Multiple Perspectives**
- **Balance**
- **Feedback of measurements**
- **“Cascading” Scorecards**
- **Cause-Effect Framework**
- **Strategic Mapping**

Balanced Scorecard Perspectives

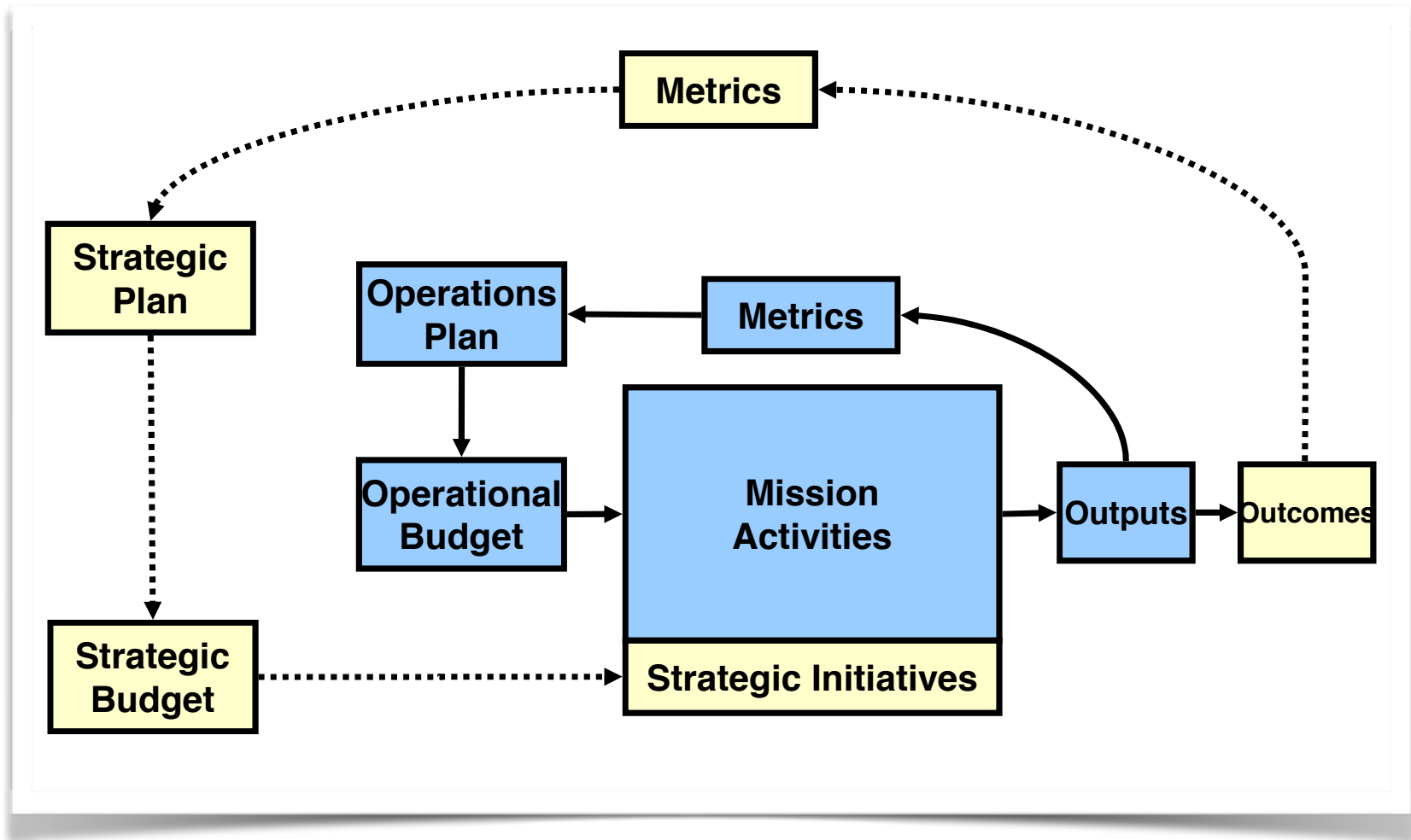


Balances in the BSC



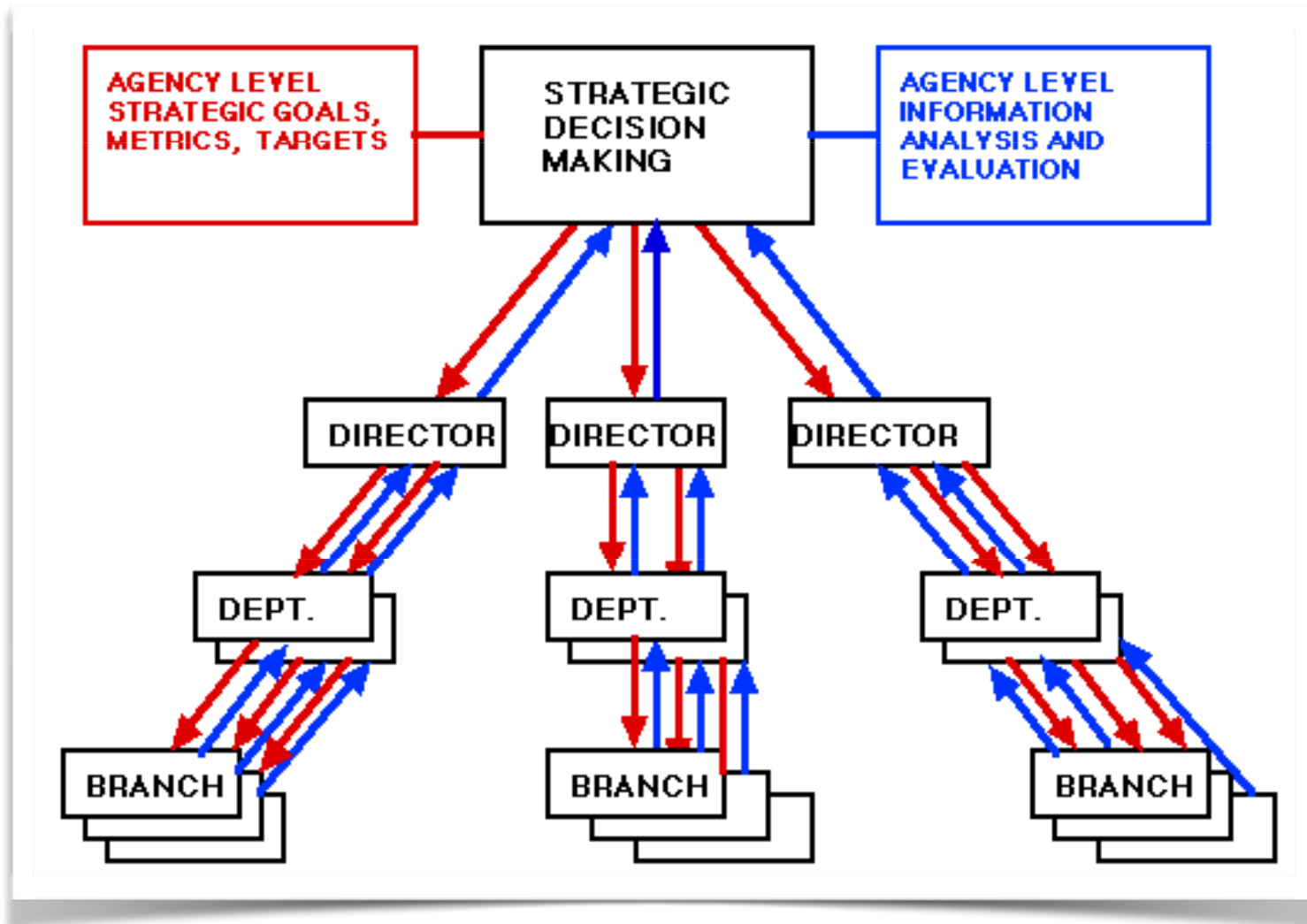
Lagging Indicators	Leading Indicators
Diagnostic Measurements	Strategic Measurements
Cost & Risk	Benefit & Value
Low risk / low benefit	High risk / high benefit

Operational and Strategic Feedback

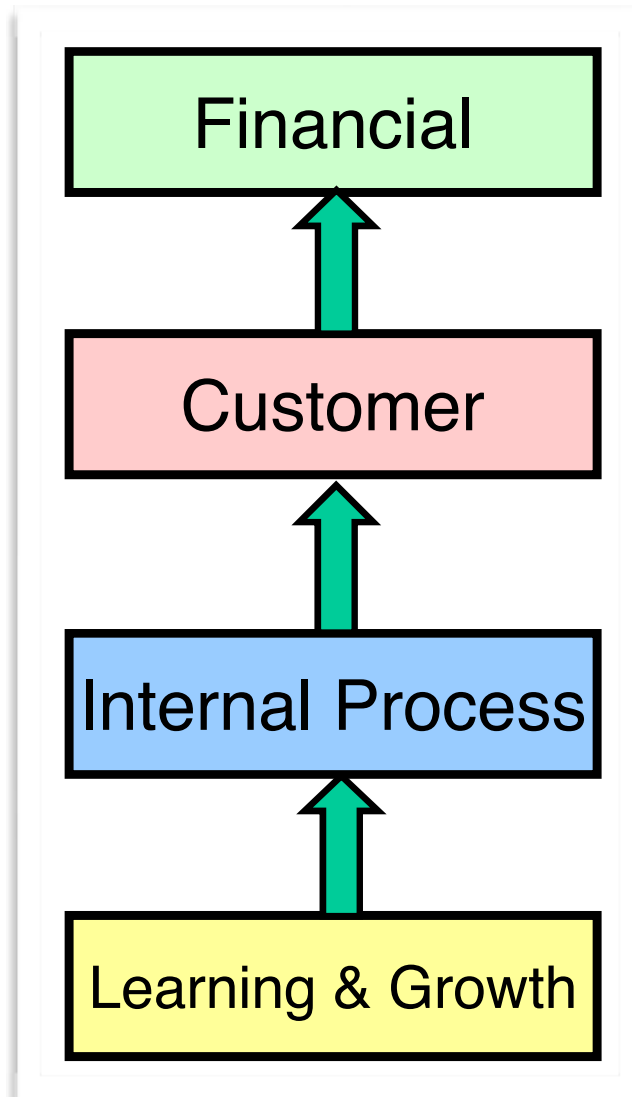


“Cascading” Scorecards

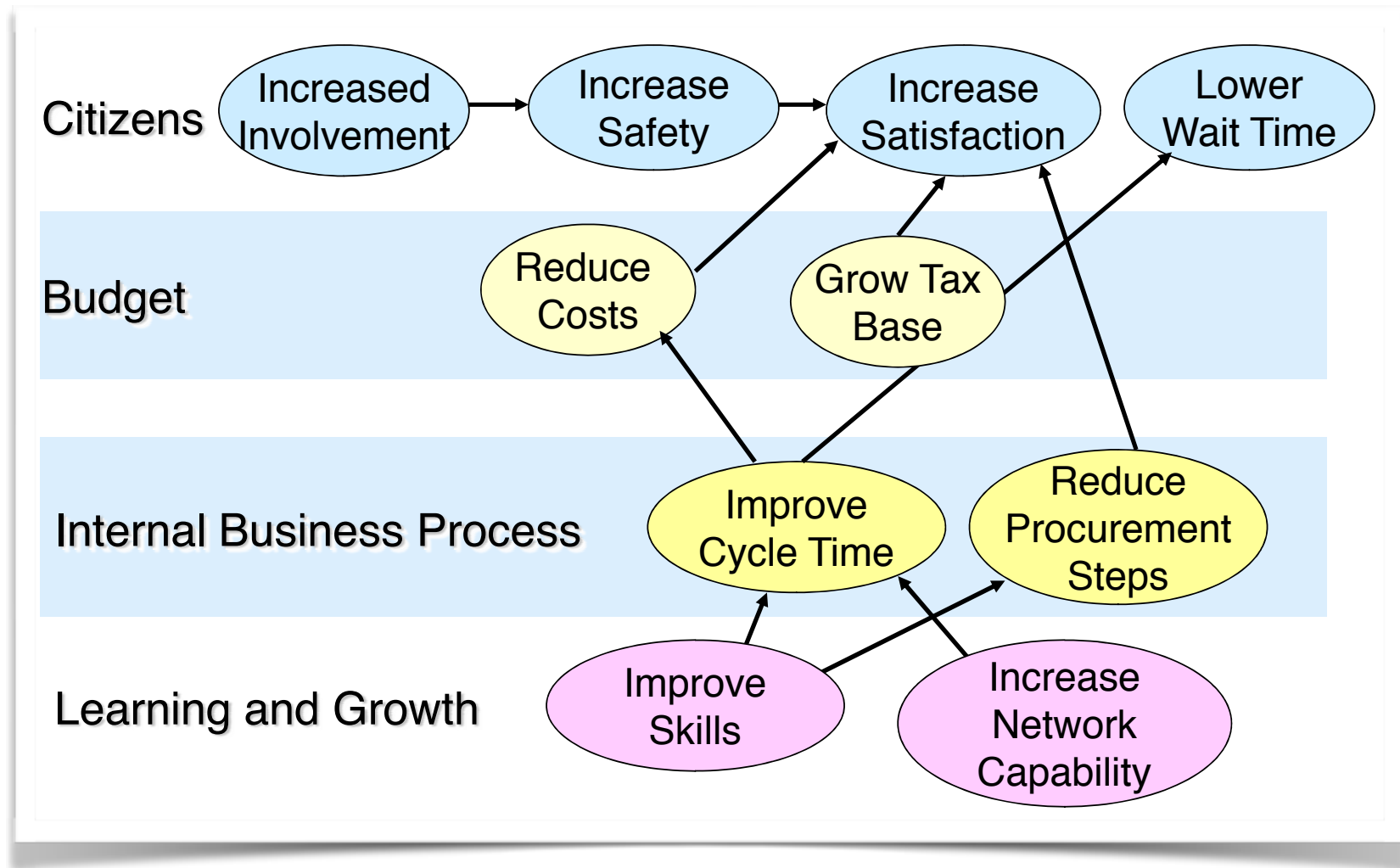
EVALUATION DATA FLOWS



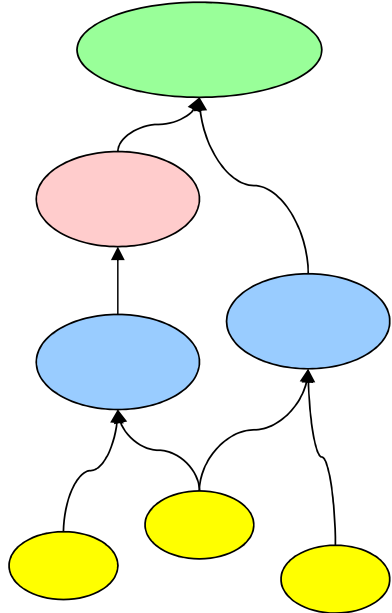
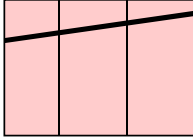
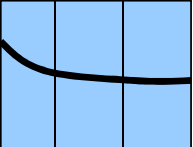
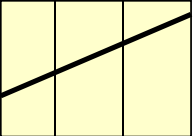
Cause-Effect Hypothesis



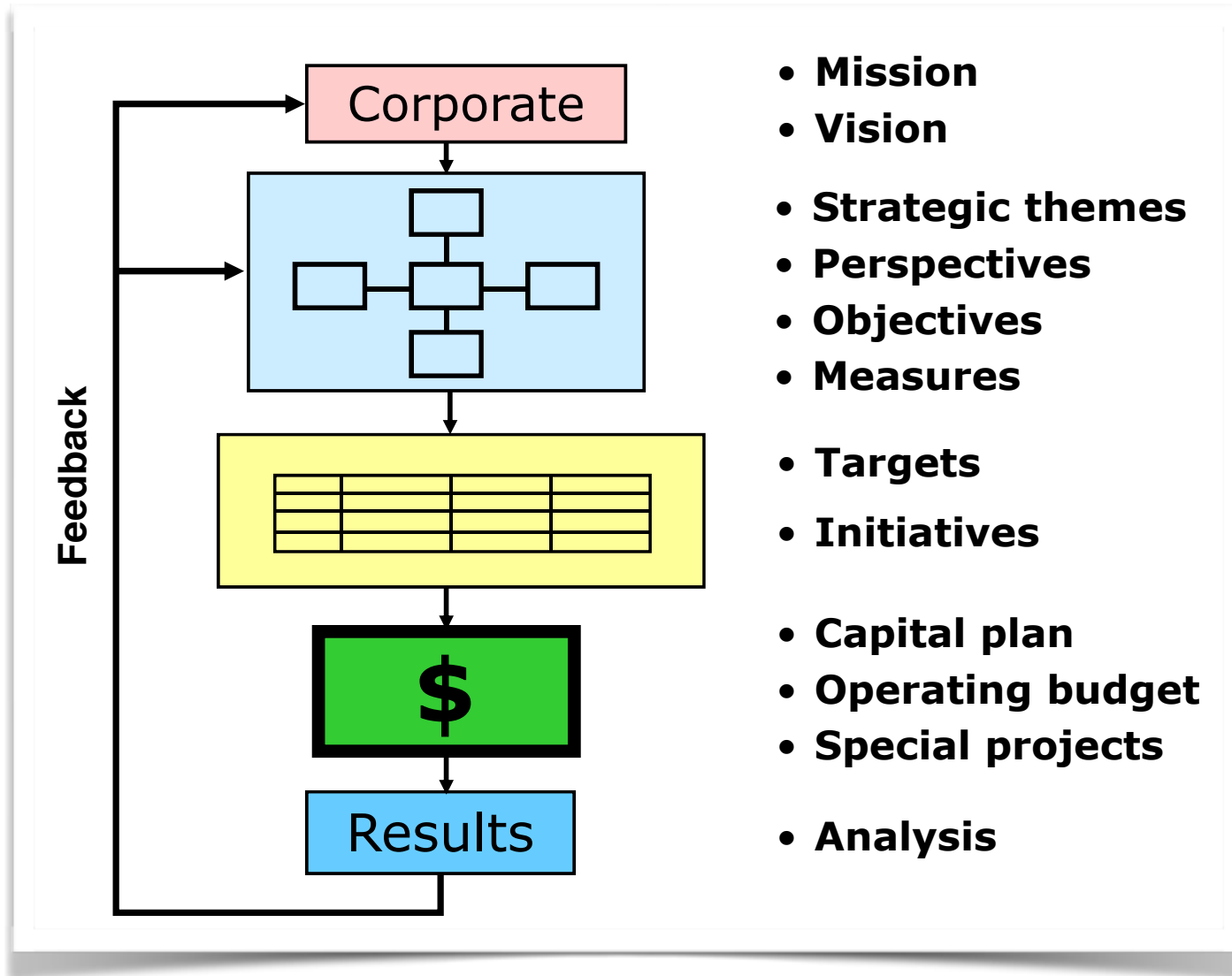
Strategy Map



From Strategy to Budget

Strategy Map	Metrics	Targets	Strategic Initiatives
	<p>→</p> <p>Customer approval rating</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>		

Tying the BSC to Resource Decisions



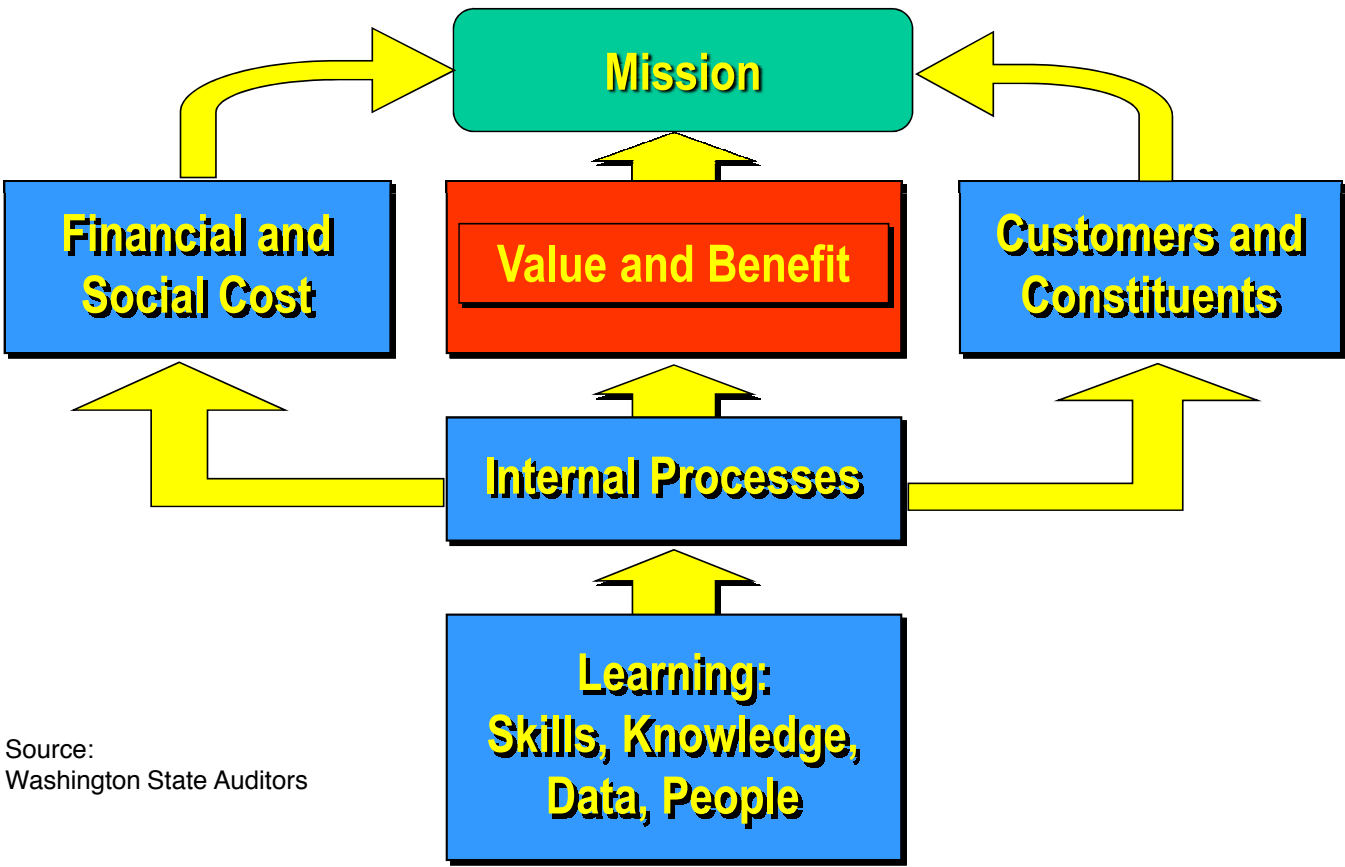
Popular Management

- **Strategic Management Systems**
 - **Balanced Scorecard**
- **Quality Certification Programs**
 - ISO 9001, Baldrige, EFQM, CMM
- **Quality Improvement Programs**
 - Six Sigma, TQL, TQM, BPR, BPI
- **Financial Management Programs**
 - ABC, ABB, ABM, EVM, ZBB

Comparing Private and Public Sector Organizations

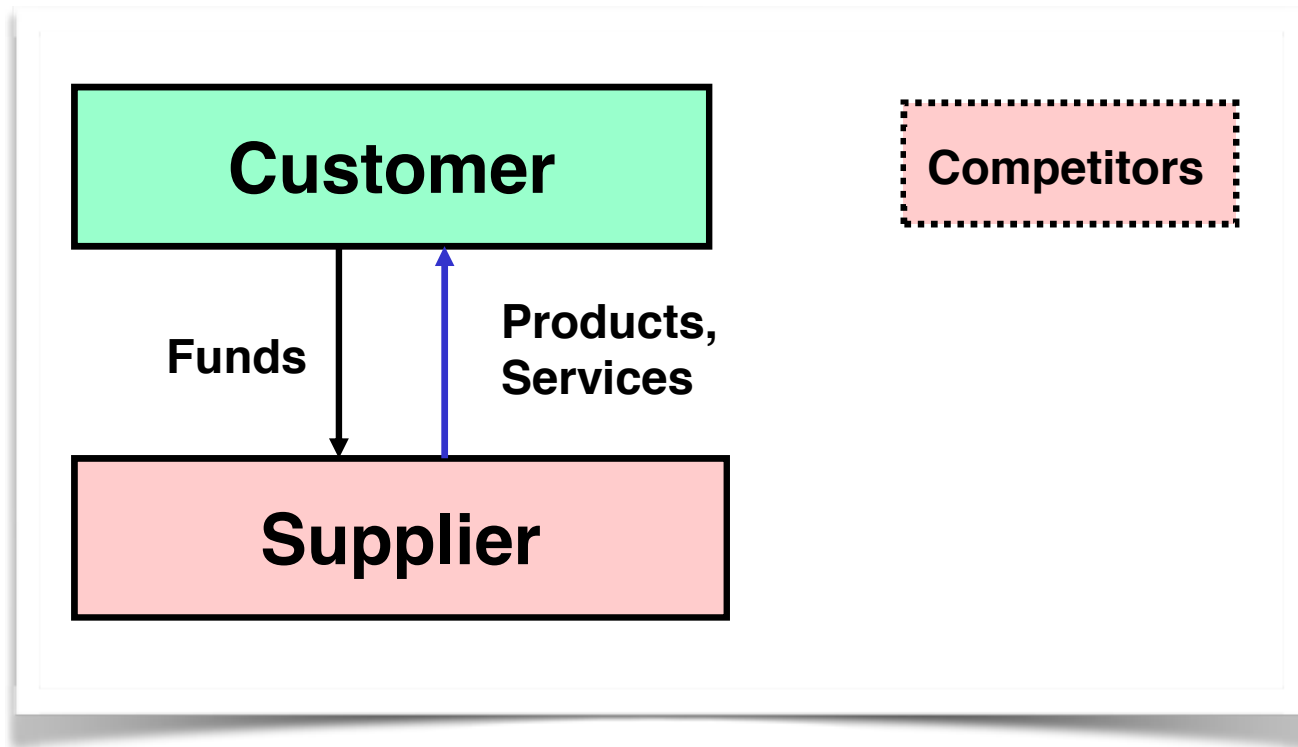
Feature	Private Sector	Public Sector
General Strategic Goal	Competitiveness	Mission value, effectiveness
Financial Goals	Profit; growth; market share	Productivity; efficiency; value
Stakeholders	Stockholders; buyers; managers	Taxpayers; recipients; legislators
Desired Outcome	Customer satisfaction	Customer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

Public Sector Balanced Scorecard

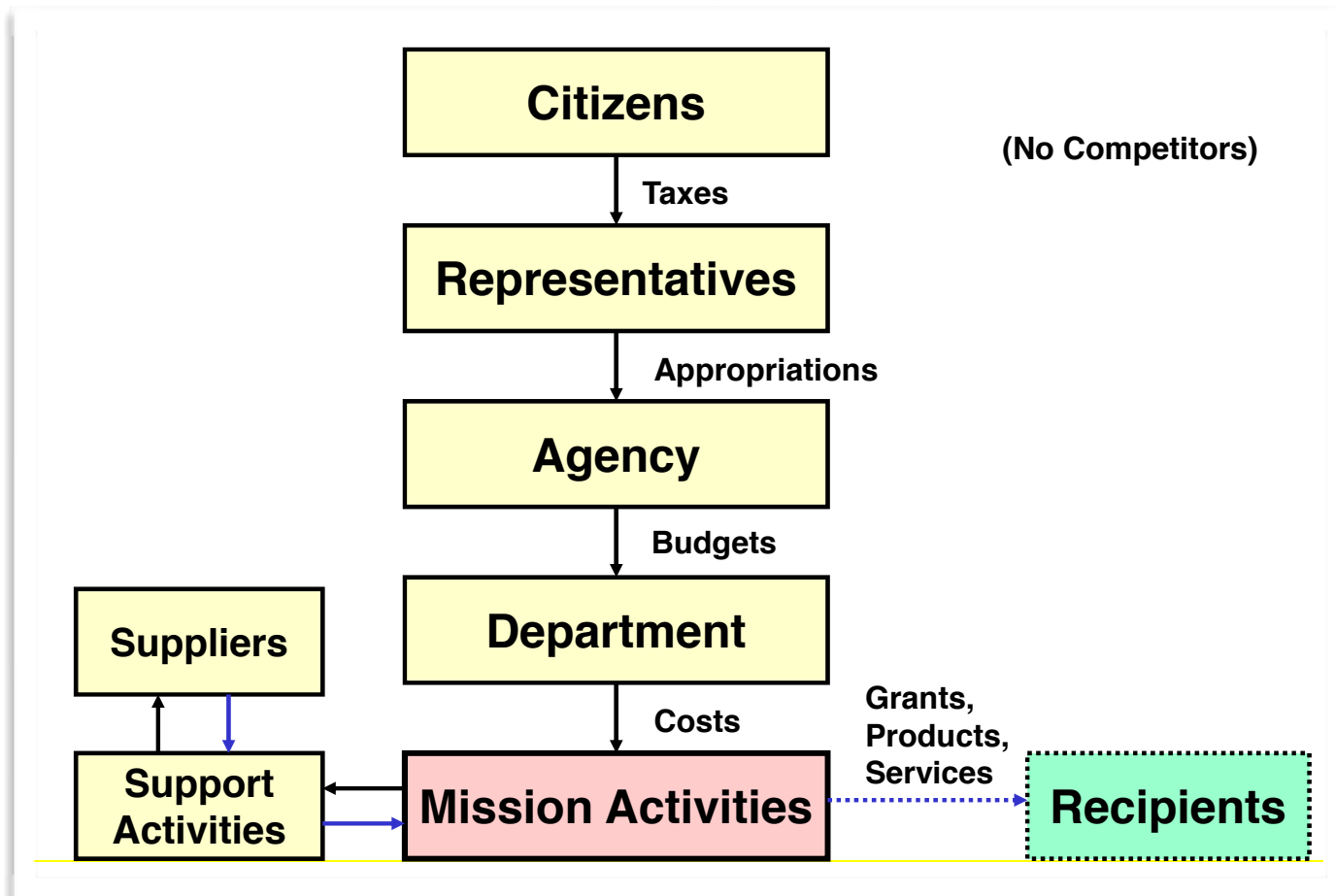


Source:
Washington State Auditors

Commercial Customer Relationships



Government Customer Relationships



What are the BSC's Benefits for Local Governments?

- **BSC Places the Whole Organization in a Learning Process**
- **Enables More Rational Budget Decisions**
- **Facilitates Performance Improvements**
- **Improves Communication to Stakeholders**
- **Provides Data for Benchmarking**

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:**
 - **Selection of initiatives and resource allocation**
 - **Cause-effect hypotheses**
 - **Measurement process**

BSC Benefits: 2. Planning

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

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**

BSC Benefits: 4. Stakeholders

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

BSC Benefits: 5. Benchmarking

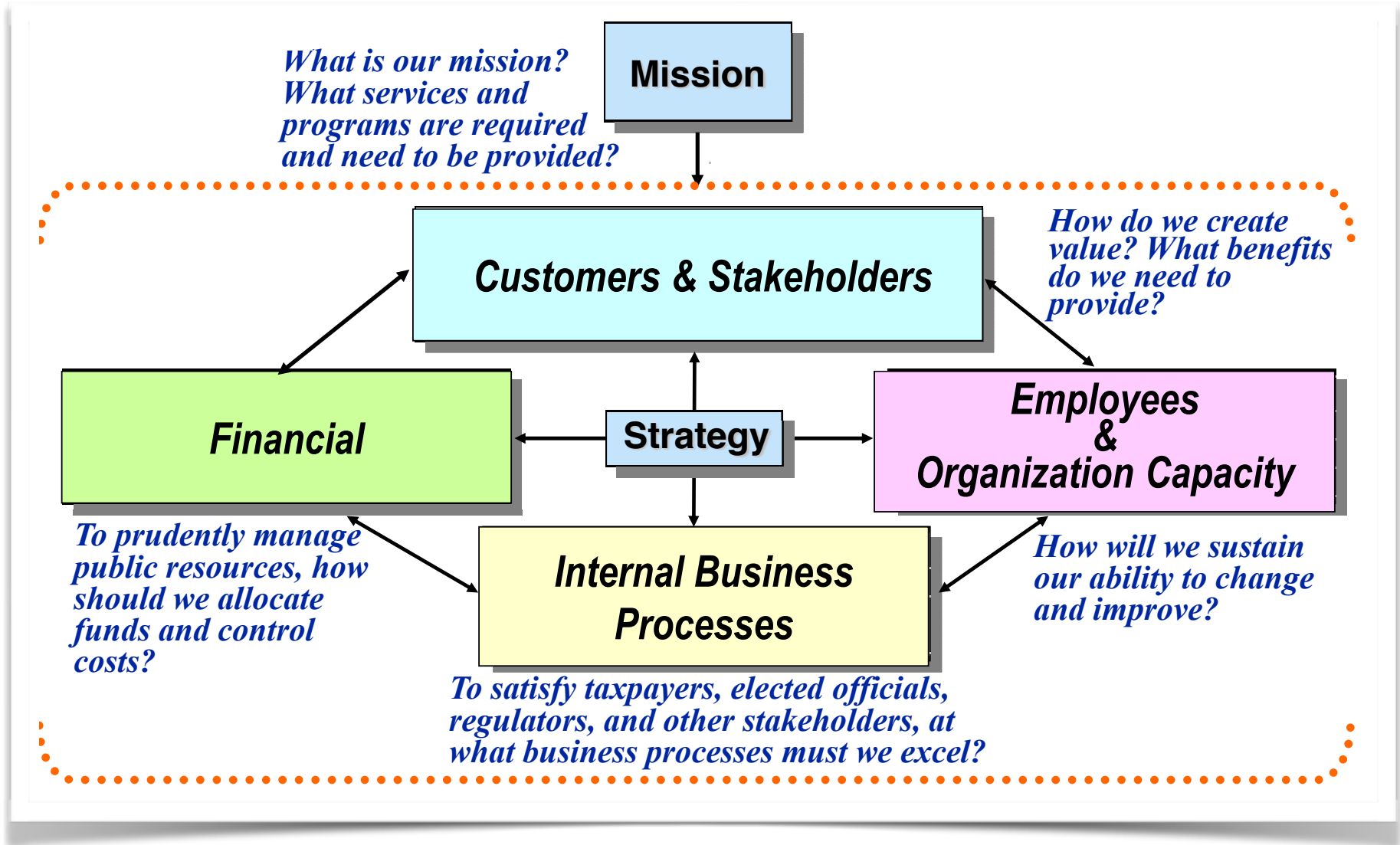


Performance measurement data collected for the BSC can also be used as a basis of comparison with data from other organizations.

***“Nine Steps to Success”* Framework being Implemented in a County:**

- 1. Conduct an organizational assessment**
- 2. Define strategic themes or focus areas**
- 3. Develop objectives**
- 4. Draw strategy maps**
- 5. Define performance measures**
- 6. Develop initiatives**
- 7. Visualize & communicate performance**
- 8. Cascade to business units**
- 9. Evaluate performance and adjust**

Key Questions



BSC Implementation: First Steps

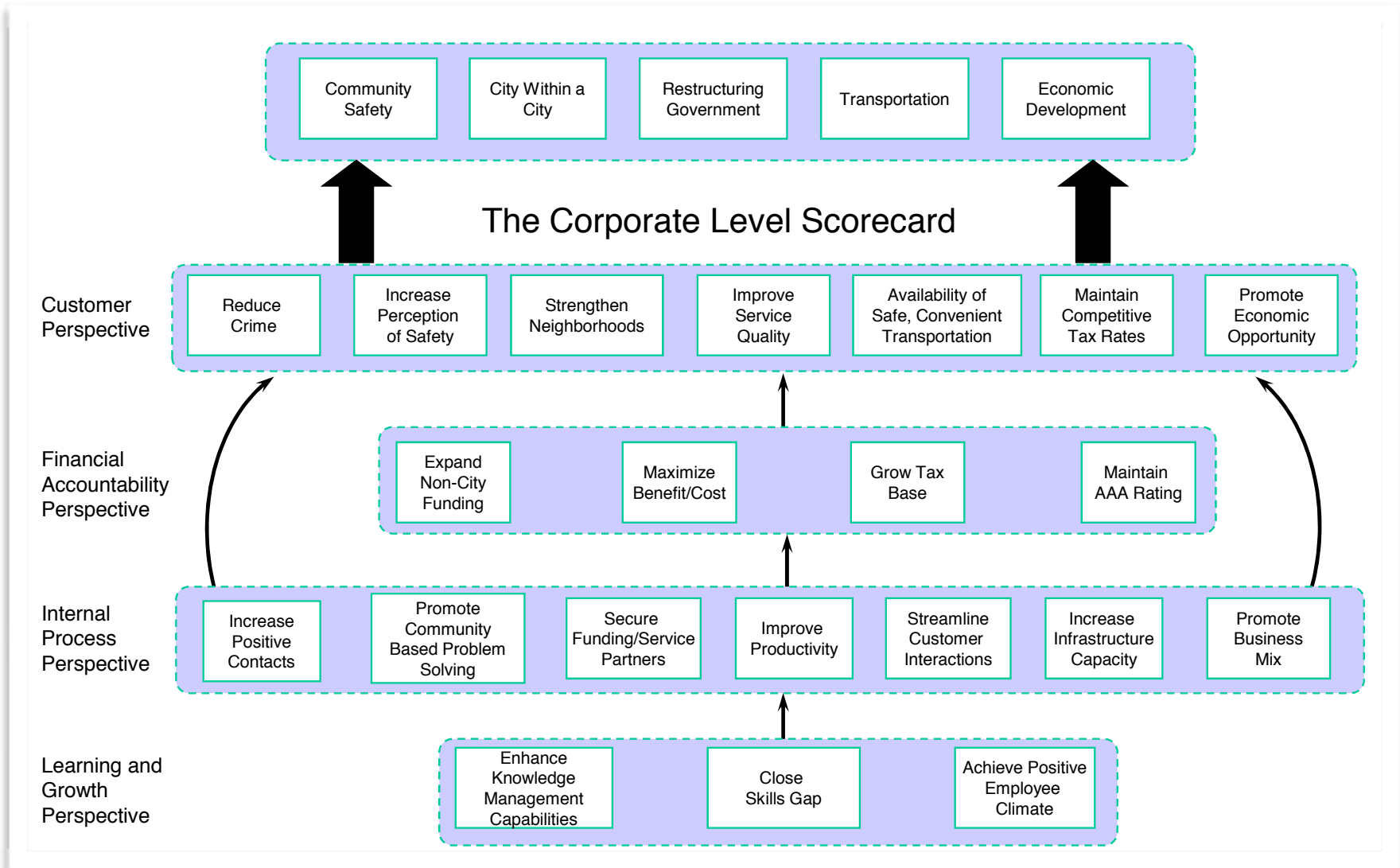
Mission and Vision

“Public Service is Our Business”

Five Strategic Themes

- Community Safety
- Transportation
- City Within a City
- Restructuring Government
- Economic Development

Focus Areas



Dept. of Transportation: Balanced Scorecard

<i>Perspective</i>	<i>Objective</i>	<i>Lead Measure</i>	<i>Lag Measure</i>
Customer	C-1 Maintain the transportation system	C-1 Repair Response : repair response action	C-1 High Quality Streets : condition of lane miles \geq 90 rating
	C-2 Operate the transportation system	C-1 Travel Speed : average travel speed by facility and selected location	C-2 Safety : city-wide accident rate; no. of high accident locations
	C-3 Develop the transportation system	C-2 On-Time Buses : public transit on-time	C-3 Basic Mobility : availability of transit
	C-4 Determine the optimal system design	C-3 Programs Introduced : newly introduced programs, pilots, or program specifications	C-4 Plan Progress : % complete on 2015 Transportation Plan
	C-5 Improve service quality	C-5 Responsiveness : % of citizen complaints and requests resolved at the CDOT level	C-5 Commute Time : average commute time on selected roads
	C-6 Strengthen neighborhoods	C-6 Issue Response : defined situations where CDOT identifies, responds to neighborhood traffic & mobility issues	C-6 Neighborhood-Oriented Programs : programs implemented as a result of Community-based problem solving
Financial	F-1 Expand non-City funding		F-1 Funding Leverage : dollar value from non-City sources
	F-2 Maximize benefit / cost	F-2 Costs : costs compared to other municipalities and private sector competition	F-1 New Funding Sources : dollar value from sources not previously available
Internal Process	I-1 Gain infrastructure capacity	I-1 Capital Investment : \$ allocated to capital projects in targeted areas	I-1 Capacity Ratios : incremental capacity built vs. required by 2015 Plan
	I-2 Secure funding/ service partners	I-2 Leverage funding/service partners : new funding/ resource partners identified	I-2 No. of Partners : number of partners
	I-3 Improve productivity	I-3 Cost per Unit : cost per unit	I-3 Street Maintenance Cost : cost/ lane mi.
	I-4 Increase positive contacts with Community	I-3 Competitive Sourcing : % of Budget bid I-4 Problem Identification : source & action I-4 Customer Communications : no.,type,freq.	I-3 Transit Passenger Cost :cost/ pass'ger I-4 Customer Surveys : survey results concerning service quality
Learning	L-1 Enhance automated information systems	L-1 IT Infrastructure : complete relational database across CDOT	L-1 Information Access : strategic Information available vs. user requirements
	L-2 Enhance "field" technology		L-2 Information Tools : strategic tools available vs. user requirements
	L-3 Close the skills gap	L-3 Skills Identified : key skills identified in strategic functions	L-3 Skills Transfer : skill evidence in job
	L-4 Empower employees	L-4 Employee Climate Survey : results of employee survey	L-4 Employee Goal Alignment : training / career development aligned w/ Mission

Common BSC Implementation Challenges

- **Mission, vision and strategies poorly defined or understood and not actionable**
- **Strategies and goals not linked to performance drivers, outcome measures, individual goals, and incentives**
- **Budget and planning processes that are not linked**
- **Treating performance measures as an “end”, rather than a “means”**
- **Performance targets set too high or too low**
- **Feedback that is tactical, rather than strategic**
- **Lack of meaningful employee involvement**

Limitations of Government BSC

- **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 initiatives
- **Govt. BSC Implementations are scarce**
 - Few mature implementations
 - Limited data published
 - Lack of standardized metrics

Future of the Balanced Scorecard

- **Increased Specialization**
 - **Sector-based scorecards**
 - E. g. Health Care BSC
 - **Department-level scorecards**
 - E. g. Human Resources BSC
- **Increased Sophistication of Tools**
 - **Linkage to Decision Support Systems**
 - **Performance Simulation Systems**

Conclusions

- **BSC provides a framework needed for strategic alignment and org. learning.**
- **Names may change, but some BSC 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.**