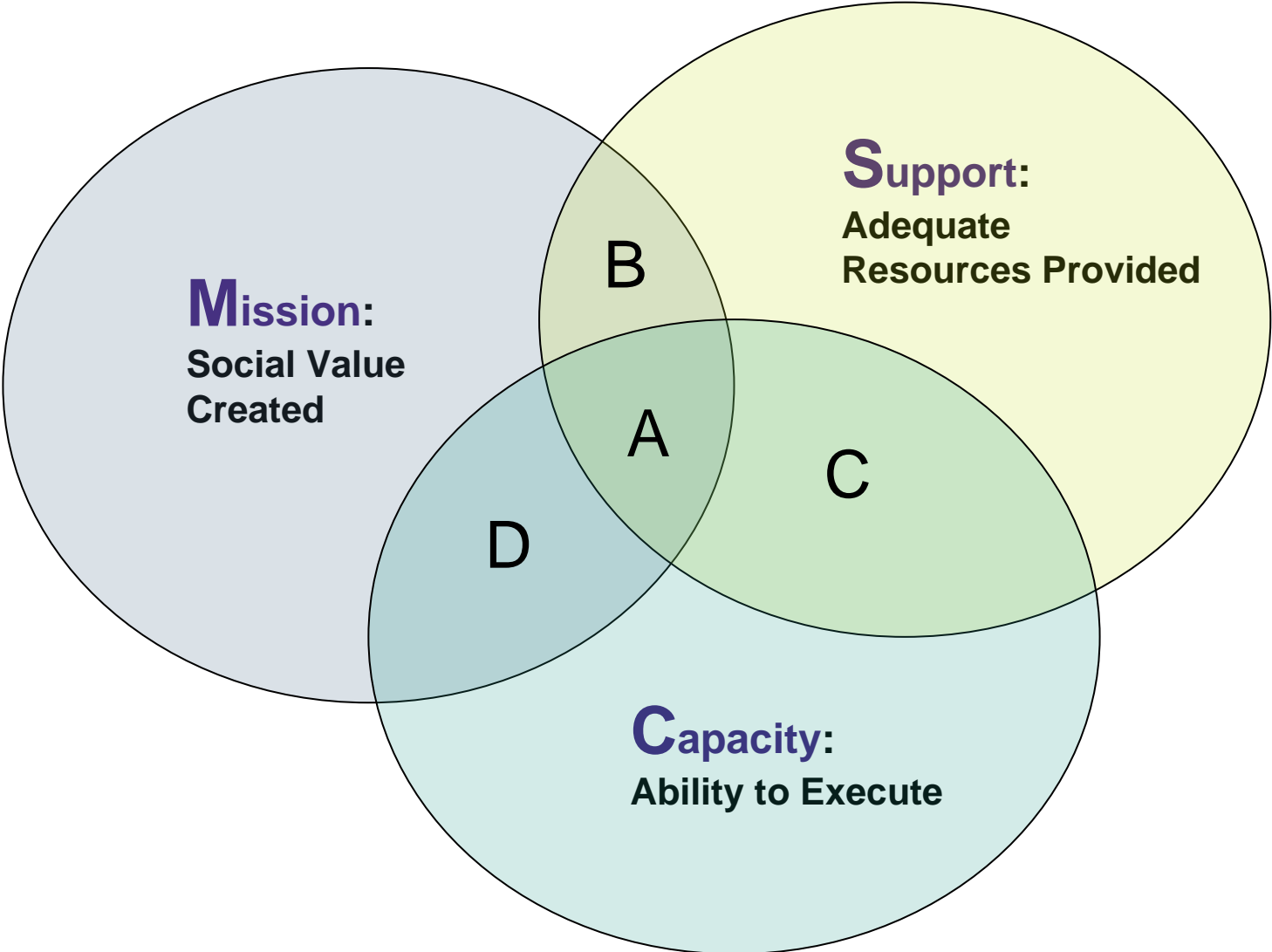


Using the Balanced Scorecard in the Public Sector

Dr. Robert S. Kaplan
Baker Foundation Professor
Harvard Business School

October 10-12, 2006 Washington, D.C.

Public Sector Agencies: The Mission-Support-Capacity Framework



The Mission-Support-Capacity Framework

Region A: Mission, Support and Capacity Aligned

- US Space Program: 1960s
- SARS Epidemic, Global Response

Region B: Mission and Support; Inadequate Capacity

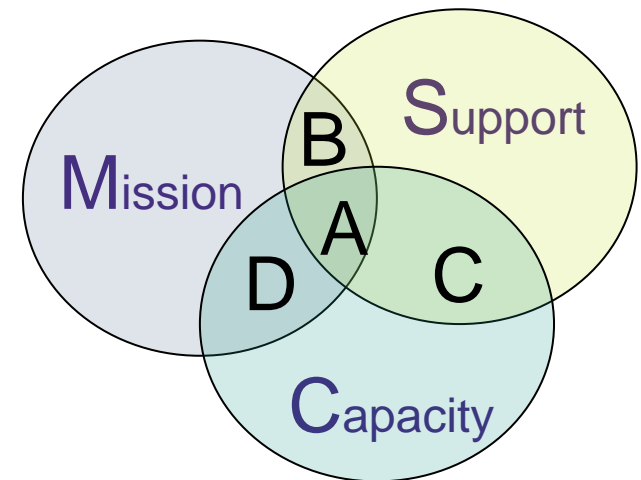
- War on Cancer
- Anti-Ballistic Missile Defense (Star Wars)
- Public Housing

Region C: Support and Capacity; Weak Link to Mission

- Public-financed Sports Stadiums
- Unneeded weapon systems and defense bases
- Bridge and highway-to-nowhere programs

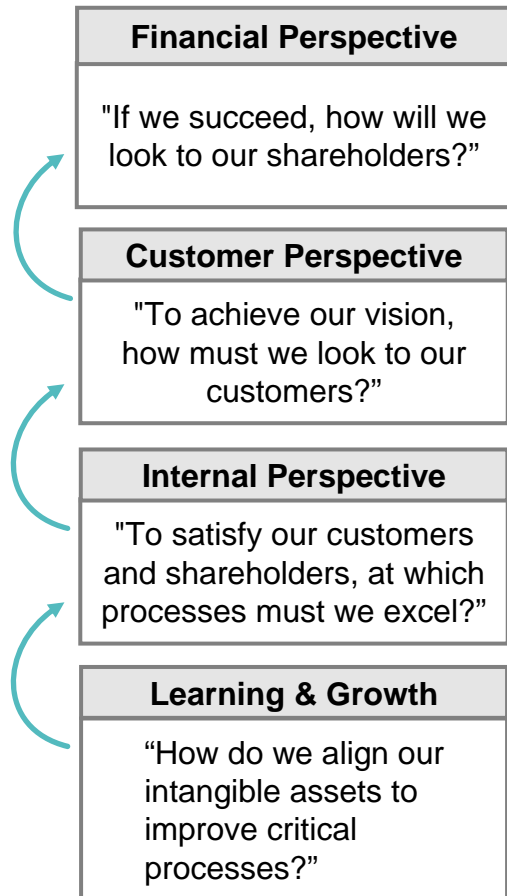
Region D: Mission and Capacity; Little Support

- Airport and Mobile Phone Capacity
- Funding for Tax Collection Authority

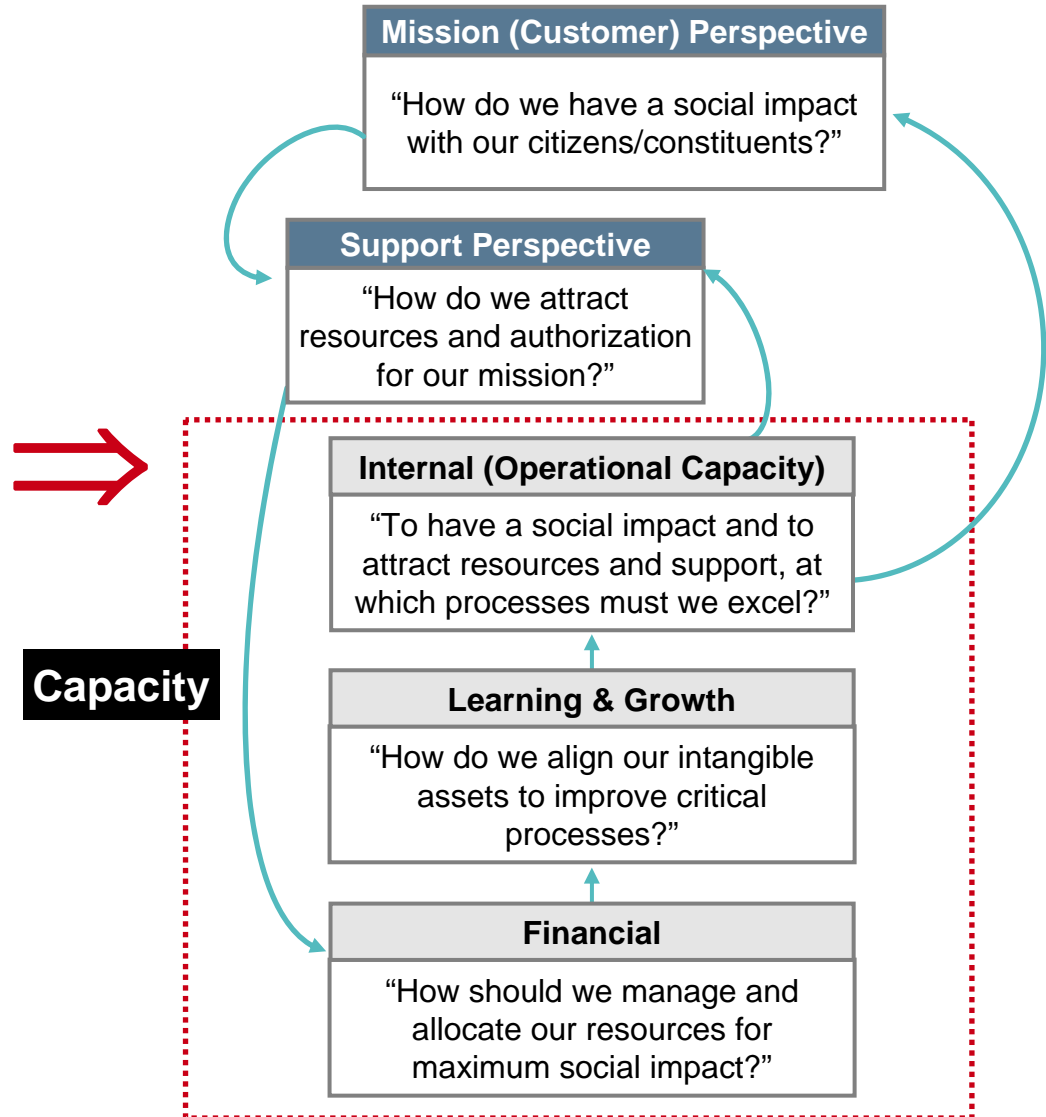


The Balanced Scorecard Model of Value Creation

Private Sector Organizations



Public Sector Organizations



Strategy-Focused Organization Best Practices Framework

II. TRANSLATE STRATEGY TO OPERATIONAL TERMS

I. MOBILIZE CHANGE THROUGH EXECUTIVE LEADERSHIP

III. ALIGN THE ORGANIZATION TO THE STRATEGY

V. GOVERN TO MAKE STRATEGY A CONTINUAL PROCESS

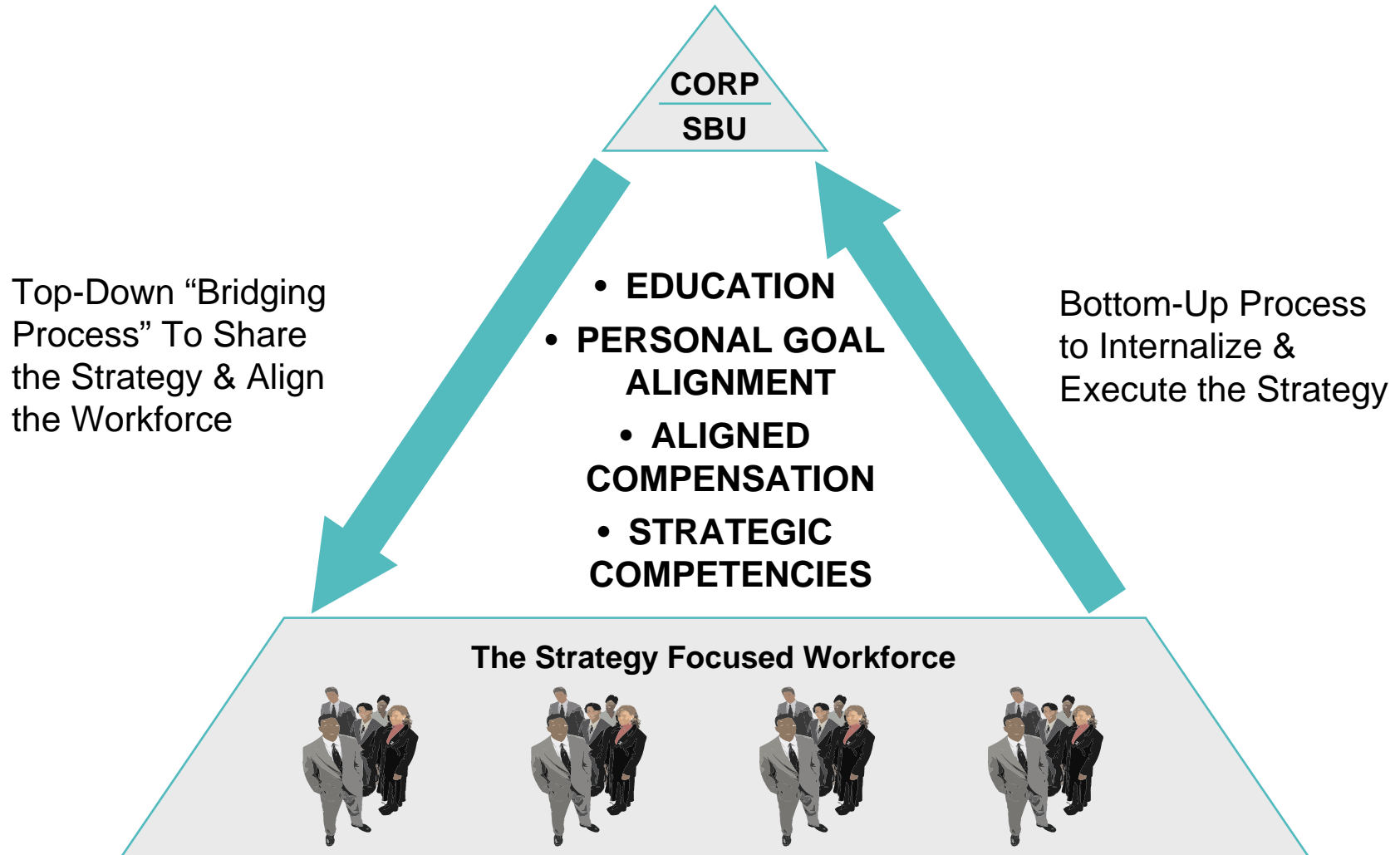


IV. MOTIVATE TO MAKE STRATEGY EVERYONE'S JOB

- 4.1 Strategic awareness created
- 4.2 Personal goals aligned
- 4.3 Personal incentives aligned
- 4.4 Competency development aligned

Motivate To Make Strategy Everyone's Everyday Job

Performance Management Processes Are Essential for Moving Strategy From the Top to the Bottom



As Part of the Communication Plan Development, EDA needs to consider what the appropriate media are for each audience.

Strategic Dialogue



Small group dialogue to negotiate strategic issue

Typical Audience:

- Corporate Board

Detailed Monthly Report



Regular reports on all BSC measures & progress against targets

Typical Audience:

- Corporate Leadership Team
- BU management, site & functions

Review Meetings



Periodic meetings involving Leadership Team to discuss recent performance and strategic issues

Typical Audience:

- Corporate Leadership Team
- Line/functional organization

Leadership Roadshow/ Town meeting



Leadership Team announcing initial launch of BSC to entire division and/or annual update

Typical Audience:

- Corporate staff
- Remote locations (Sites)

Video



Electronic communication of BSC and its role in the organization. Typically used to communicate consistent message throughout the organization

Typical Audience:

- Entire corporation
- Remote locations (Sites)

Periodic Update Brochure/ Newsletter



Periodic reports describing division's performance against BSC targets to reinforce organizational commitment to BSC

Typical Audience:

- Entire corporation

Dashboard



Bulletin board or other large display in central location against key measure

Typical Audience:

- Corporate leadership team
- Corporate staff
- BU Management



Organization: Royal Canadian Mounted Police

Practice: 4.1 Strategic Awareness Created

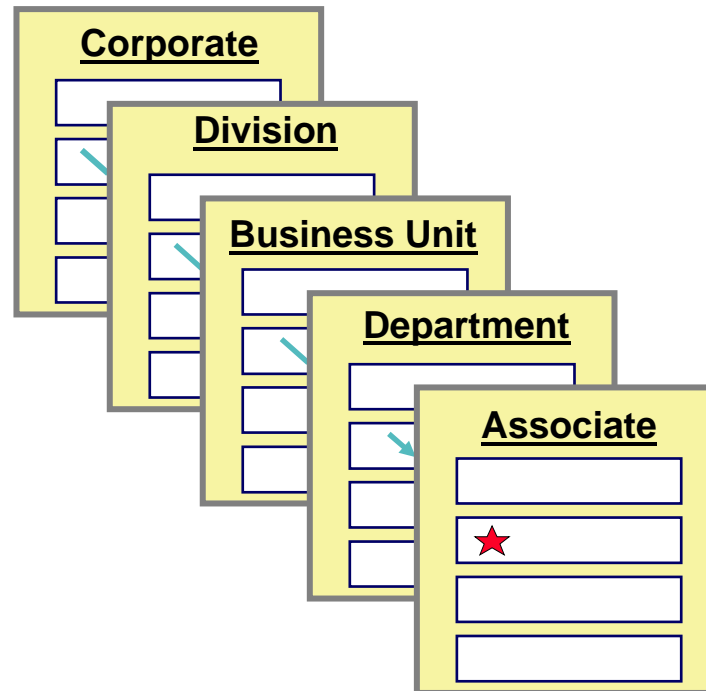
Using Strategy Maps to Create Awareness



Royal Canadian Mounted Police V Division – Iqaluit (Baffin Island)

Use extrinsic motivation to reinforces desired behavior and increase intensity of employee awareness.

- Align Personal Objectives: all employees learn how they fit into the overall game plan



- Align Incentive Compensation: link reward systems to achievement of individual and organizational objectives

Strategy-Focused Organization Best Practices Framework

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IV. MOTIVATE TO MAKE STRATEGY EVERYONE'S JOB

A. RESOURCE MANAGEMENT

5.1 Budget is driven by strategy

5.2 Planning for HR/IT linked to strategy

5.3 Portfolio of strategic initiatives aligned to themes

B. KEY PROCESS MANAGEMENT

5.4 Process improvement aligned to strategy

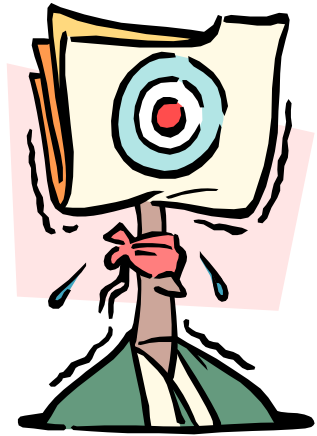
5.5 Best practice sharing in place

C. LEARNING & CONTROL

5.6 Strategic performance information guides decision making

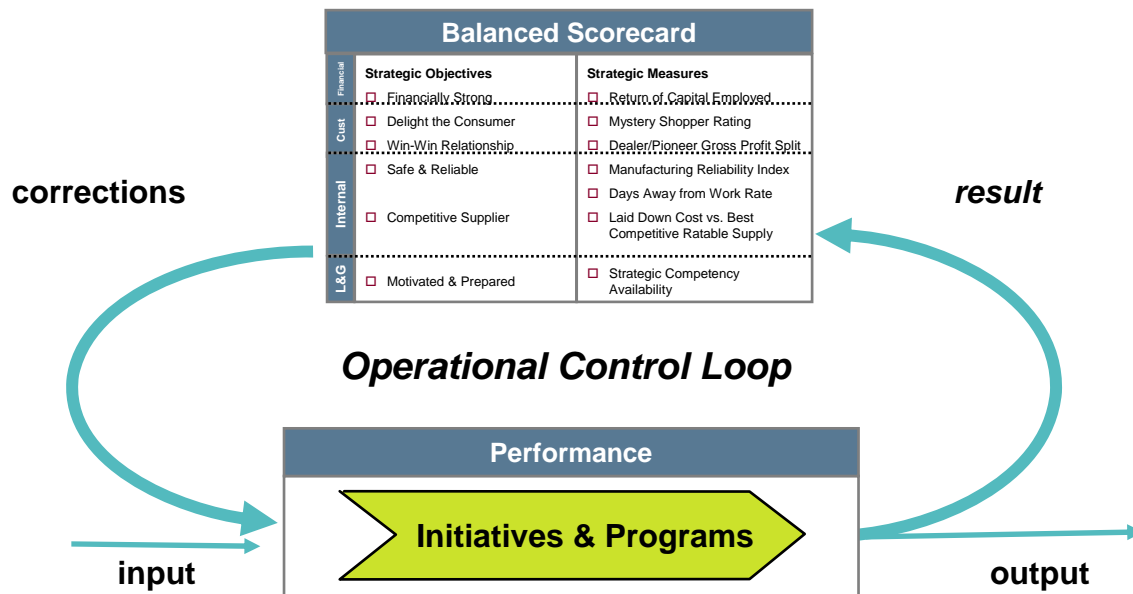
5.7 Strategy reviewed on regular basis

The new management meeting focuses on operational issues relating to the strategy.



“I’d rather be dead than
RED”

“Only thing worse than Bad News is Bad News **Late**”



Operational Questions

- Why did we miss the target?
- What correcting actions should we consider?
- Are initiatives on schedule?
- Do you need more resources?
- Would a multi-functional task force help?

The Six Questions that Leaders Should Learn to Ask at Management Meetings

▪ Did you execute the plan? Administrative

▪ What happened? Descriptive

▪ Why do you think that happened? Diagnostic

▪ What alternatives are there? Creative

▪ What do you think will happen? Predictive

▪ Which is the best choice? Evaluative

The New Management Meeting: Strategic Learning Replaces Control

The Shift In Focus (At City of Charlotte)

Control

Is the project...
on-time?
on-budget?



Learning

What is the impact of the project on our strategic priorities?

- neighborhoods
- jobs
- transportation
- safety

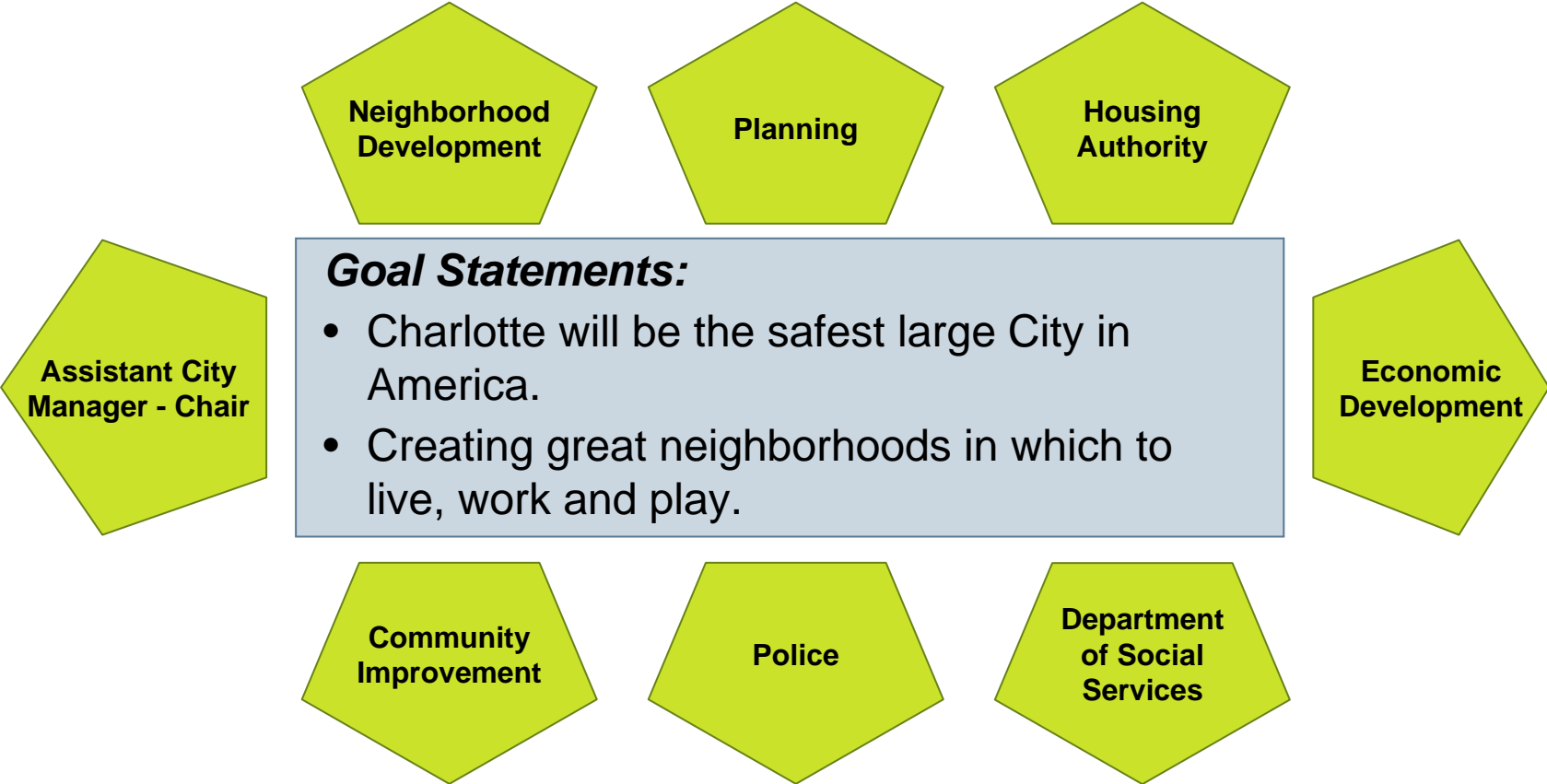
City of Charlotte: City Manager's Four Key Questions

- How are you doing running your business?
- How are you building the community and contributing to the city's strategic themes?
- How are you building your people?
- How are you contributing to looking to the future?

“The balanced scorecard has become the common theme that unites discussions across all these questions.”

Pamela Syfert,
Charlotte City Manager

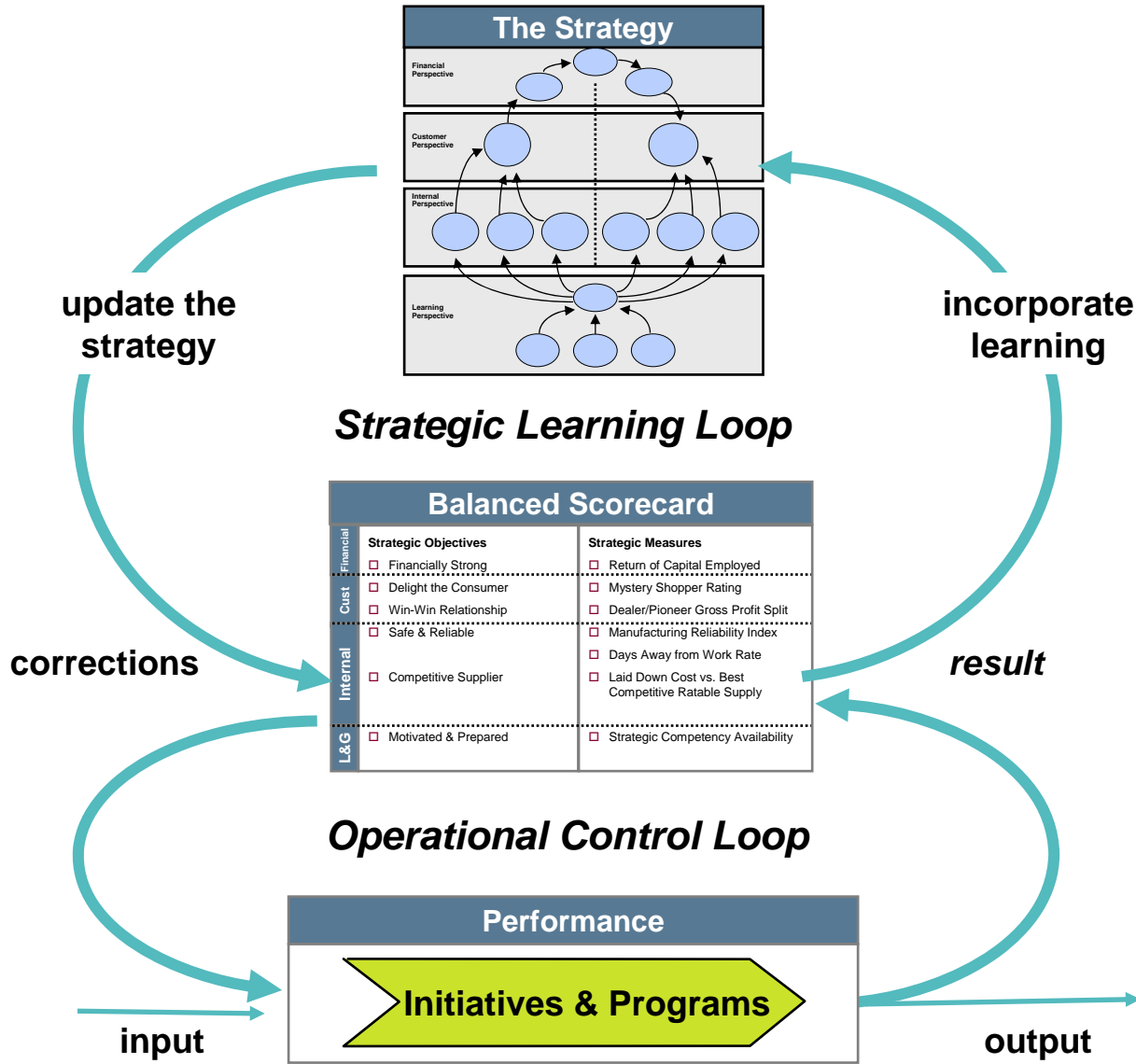
City of Charlotte: Neighborhood Cabinet



Members of Economic Development Cabinet



Periodically, Management Meetings Should Focus on Strategic (Double Loop) Learning



Strategic Feedback to Encourage Learning

- Are the data consistent with our strategic hypotheses?
- Has the environment changed in a fundamental way?
- Have new strategic options emerged?

Strategy-Focused Organization Best Practices Framework

II. TRANSLATE STRATEGY TO OPERATIONAL TERMS

I. MOBILIZE CHANGE THROUGH EXECUTIVE LEADERSHIP

1.1 Leaders drive strategy execution

1.2 Executives make case for change

1.3 Leaders reinforce strategic priorities

1.4 Well articulated strategy exists

1.5 Office of Strategy Management established

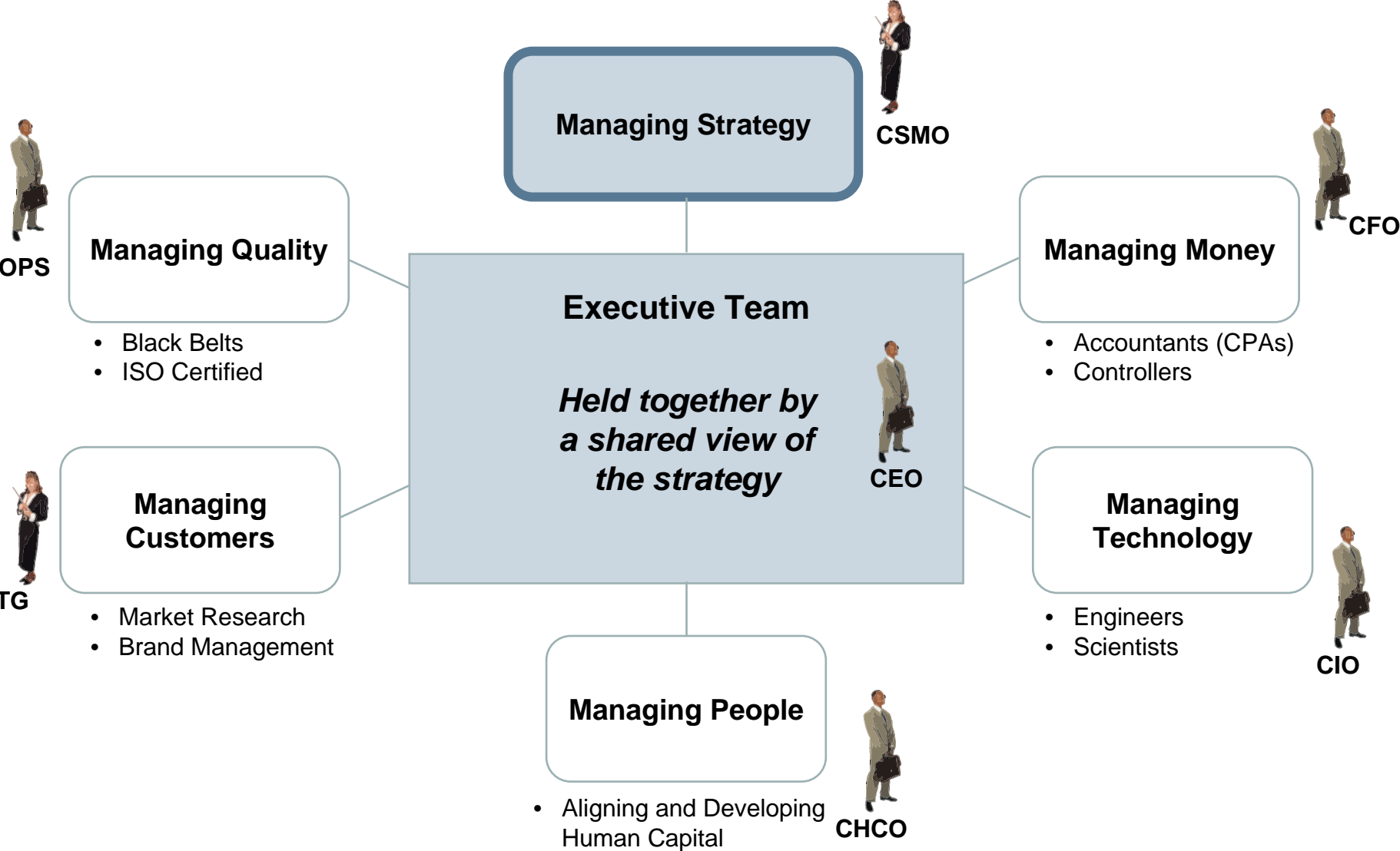
III. ALIGN THE ORGANIZATION TO THE STRATEGY

V. GOVERN TO MAKE STRATEGY A CONTINUAL PROCESS



IV. MOTIVATE TO MAKE STRATEGY EVERYONE'S JOB

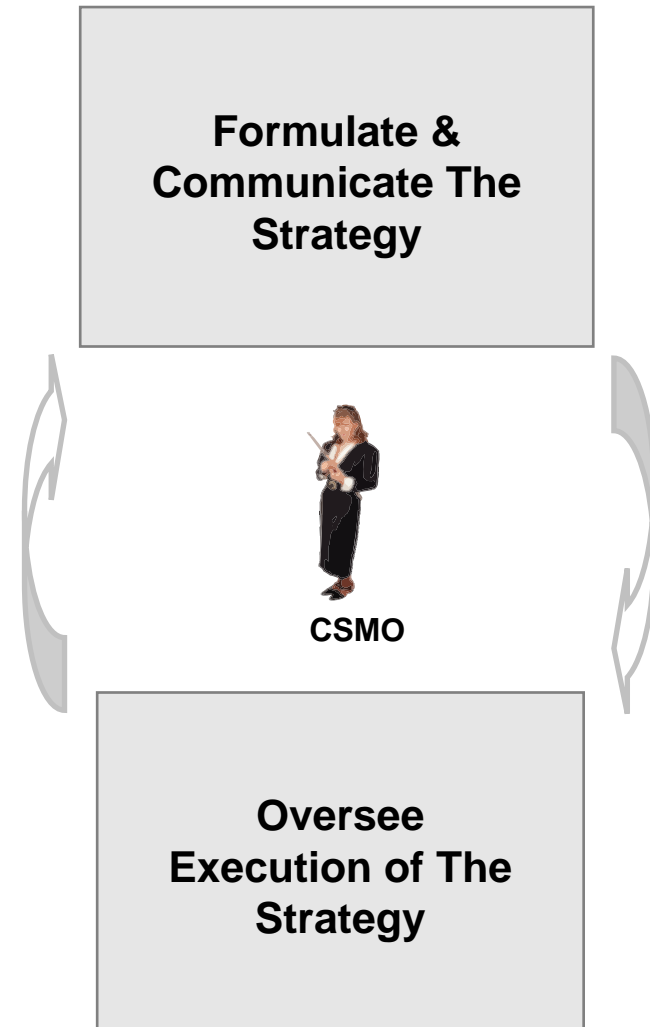
Strategy Management: An Emerging Professional Group



Rationale for the Chief Strategy Management Officer

Managing Strategy Is Different Than Managing Functions

- Traditional competencies are based on functional niches which create silos.
- Strategic management requires cross-functional processes.
- There is no logical home for cross-functional processes.
- This is the role of the OFFICE of STRATEGY MANAGEMENT.



The Office of Strategy Management Facilitates Nine Strategy Management Processes Throughout the Year

Strategy Management Processes	Annual Cycle			
	Q1	Q2	Q3	Q4
Enterprise Strategic Planning		<ul style="list-style-type: none"> Review and Update Strategy <ul style="list-style-type: none"> Clarify Vision Define Corporate Strategy Develop the Corporate Scorecard / Strategy Map 		
Organization Planning and Alignment			<ul style="list-style-type: none"> Align the Organization <ul style="list-style-type: none"> Corporate and business units aligned Business and support units aligned Board of Directors aligned Develop Business and Support Unit Scorecards 	
Financial & Resource Planning			<ul style="list-style-type: none"> Planning / Budgeting <ul style="list-style-type: none"> Budgets Plans Initiatives Finance IT HR 	
Employee Alignment				<ul style="list-style-type: none"> Employee Alignment <ul style="list-style-type: none"> Personal goals Employee incentives Personal development
Management Control & Learning	Reviewing Strategy			
	Managing Strategic Initiatives			
	Sharing Best Practices			
	Communicating Strategy			

Accountable Executives	Coordinated By
<input type="checkbox"/> CEO/Executive Team	OFFICE
<input type="checkbox"/> BSC Project Team	
<input type="checkbox"/> LOB Leaders	OFF
<input type="checkbox"/> Support Unit Leaders	
<input type="checkbox"/> BSC Project Team	STRATEGY
<input type="checkbox"/> Chief Financial Officer	
<input type="checkbox"/> Human Resources Officer	
<input type="checkbox"/> Chief Information Officer	
<input type="checkbox"/> Chief Operating Officer	MANAGEMENT
<input type="checkbox"/> Human Resources Officer	
<input type="checkbox"/> CEO/Executive Team	
<input type="checkbox"/> Program Office	
<input type="checkbox"/> Chief Knowledge Officer	
<input type="checkbox"/> Corporate Communications	

The Office of Strategy Management – Roles & Responsibilities

	STRATEGY MANAGEMENT PROCESS	OSM Role
Core Roles	1 Scorecard Management – <i>Design and report on the BSC measures</i>	■
	2 Organization Alignment – <i>Ensure all business and support units are aligned with the strategy</i>	
	3 Strategy Reviews – <i>Shape the agenda for management strategy review and learning meetings</i>	
Desirable Roles	4 Strategy Development – <i>Help the CEO and executive team formulate and adapt the strategy</i>	■
	5 Strategy Communication – <i>Communicate and educate employees about the strategy</i>	■
	6 Initiative and Process Management – <i>Identify and oversee management of strategic initiatives</i>	■
Integrative Roles	7 Planning/Budgeting – <i>Link financial, human resources, information technology, and marketing to strategy</i>	CFO, HRO, CIO, CMO
	8 Workforce Alignment – <i>Ensure all employee's goals, incentives and development plans link to strategy</i>	HRO
	9 Best Practice Sharing – <i>Facilitate a process to identify and share best practices</i>	CKO

KEY	
■	OSM must run the process
■	OSM should run the process
X	OSM integrates strategy to a process run by someone else (X)

Obstacles faced by Public Sector Organizations

- Poor Oversight
- Strategy
- Transparency
- Incentive Compensation
- Causal Linkages
- Integrated Themes

Robert S. Kaplan, "Overcoming the Barriers to Balanced Scorecard Use in Public Sector," *Balanced Scorecard Report*
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