

IMPROVING GOVERNMENT PERFORMANCE

Improving Government Performance: Use of Balanced Scorecard

Nine step model for e-Government Projects

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Abstract

Improving Government Performance

Use of Balanced Scorecard Nine step model for e-Government Projects

Since its introduction in 1990, the Balanced Scorecard has been widely appreciated and used by corporations around the world. Recent estimates suggest at least 50 percent of Fortune 1000 companies use a Balanced Scorecard system. These corporate and business organizations have used the system to generate improved financial results, align employees with strategy, base resource allocation decisions on company goals, and improve collaboration. Government agencies have been slower to accept the Balanced Scorecard system of performance measurement. This is mainly because of the disinclination to experiment with newer tools, and the belief that measurement efforts may be incomprehensible.

These indolent justifications have generally been used by traditional bureaucracy and political leadership to avoid these kinds of more strategic implementations. Since the widespread implementations of e-Government projects it is being considered that balance score cards cannot only help improve services for the citizens but also help improve internal effectiveness and efficacy of such projects. The challenges faced by many Government and specifically e-Government projects, as clearly articulated, are remarkably similar to those of private-sector firms. Modern corporations facing increased competition, increasing costs, and diverse constituents have embraced the Balanced Scorecard as a beacon to guide them through these dark woods of change all around us. There is no reason to believe Government, facing virtually identical challenges, will not derive the same, if not greater, benefits. The lines separating public and private organizations are equally blurry. In an era when investor demands of greater disclosure and increased governance are pounding boardrooms across the nation, public-sector agencies face equally vexing challenges. Demands of accountability and

transparency in public-sector performance are ringing ever louder. Consistent information and reporting framework for performance is widely viewed as restraining their ability to draw the drape on performance and results. Forward-thinking public-sectors agencies, representing all levels, are beginning to see the benefits offered by a Balanced Scorecard system in this arena.

“Balanced scorecard” means different things to different people. Balanced scorecards have evolved over the past many years 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 organizational 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 organizational 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?”

Then one has to bring forward the operational questions (e.g., “Are we doing things right?”). Performance measure scorecards are of little value, as most organizations just take easy to capture measures and populate a dashboard for executives and managers. Not much strategic 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.

In this paper a usage of nine-step model developed by Howard Rohm Vice-President, of the Balanced Scorecard Institute is shown to achieve the targets for e-Government projects and a measurement system is developed using this model.

Introduction

The era of 90's has seen many changes in how business processes are managed both in corporate and public sector in the growing global environment. In order to stay competitive and maintain customer/citizen and stakeholder support, organizations implemented strategic initiatives to lead, measure, and maintain incomparable performance. Unfortunately, many organizations failed at achieving their strategic goals. Many of the methods used were not suited for the changing environment, and were based largely on only financial measures and lagging indicators.

The Balanced Scorecard was developed by Robert Kaplan, an accounting professor at Harvard University, and David Norton, a consultant from the Boston area in response to the growing need for organizations to accurately design and implement a successful strategic planning and measuring tool. They saw a need for organizations to have a balance of several performance indicators to better achieve strategic goals. Specifically, the historical accuracy and integrity of financial measures must be balanced with the drivers of future financial performance in an attempt to view a wider spectrum of performance and execute strategy.

Shortly after the Balanced Scorecard was introduced in the early 1990's, it was adopted and implemented by private-sector firms with great success. Public sector agencies were also able to benefit from the Balanced Scorecard methodology as a way to link specific operational tasks and objectives to the overall organizational long term strategic goals. The public sector found that even with unique characteristics not found in the private sector, they were able to easily adapt and implement the Balanced Scorecard as a performance management tool. Some of the characteristics unique to the public sector that impact the implementation of the scorecard are: (Procurement Executives' Association, 2005)

1. Budget Process: Agencies must budget up to two years in advance.
2. Data Collection: Data collection and reporting are delayed.

3. External Factors: Uncontrollable political factors affect the process.

4. Hiring and Training Constraints: Limited flexibility at the department level.

Despite these and other unique characteristics of the public sector, there have been noted successes of agencies implementing the Balanced Scorecard method as a strategic tool. In order to achieve success, agencies had to move from the old method of measuring performance, which was a concentration on goals and projects, but not strategy, to a new theme, which is based on strategy and objectives. The Balanced Scorecard is a tool to measure performance under this new method. The below table shows a comparison of the two methods used for measuring performance. (Rohm, 2005)

The Balanced Scorecard can also be implemented at the department level, in both large and small agencies. Introducing this tool in public procurement can help the procurement function align strategy with the overall organizational strategy. By also using the scorecard as a measuring tool, it allows purchasing to manage performance, improve in critical strategic areas and benchmark performance against historical data and with other procurement departments in similar agencies. The procurement function can strike the balance between minimizing costs and maximizing operational efficiency.

Elements of Balance Scorecards

“The balanced scorecard is a conceptual framework for translating an organization’s strategic objectives into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organizations progress toward achieving its vision; other indicators are maintained to measure the long term drivers of success.” (Procurement Executives’ Association, 2005, pg. ix) The four perspectives of the Balanced Scorecard focus on a particular business area and define and answer specific questions as to the level of current performance, yet all four perspectives are interrelated.

1. Financial Perspective: Emphasis is on cost and the ability to provide the best value to customers and stakeholders. Are costs minimized? Are the current financial policies the most efficient?
2. Customer Perspective: The focus is on the agency's overall responsibility to meet the customer's needs in the most efficient and effective manner. Who are the customers and stakeholders? What are their needs and are they being met?
3. Internal Business Processes: The focus is on performance expectations and ensuring the proper processes and resources are available and implemented to maximize performance. What can be done to add value to the service being provided? What processes add value?
4. Learning and Growth: The emphasis of this perspective is on the employee's ability and the organizational structure needed to achieve the agency's goals. Are the employees given the right tools to perform effectively? Is sufficient technology systems installed to achieve the goal?

An underlying concept of the Balanced Scorecard is that all four of the perspectives are balanced with each other. If the focus is too great on the financial perspective, service and customer satisfaction and employee morale may decrease. If the focus is too strong on the customer perspective, the financial perspective as well as the growth of the organization may be endangered. On the other hand, in order for an agency to achieve its strategic goals, it must invest in its employee's growth and examine internal business processes. By improving performance in the internal business processes and learning and growth perspectives, the organization will be able to meet customer and stakeholder needs and improve the financial standing of the agency. The scorecard provides the framework to monitor and evaluate performance from the viewpoint of the areas that are impacted and that can impact the performance success of the organization.

The relationship between the four perspectives of the Balanced Scorecard is shown below.

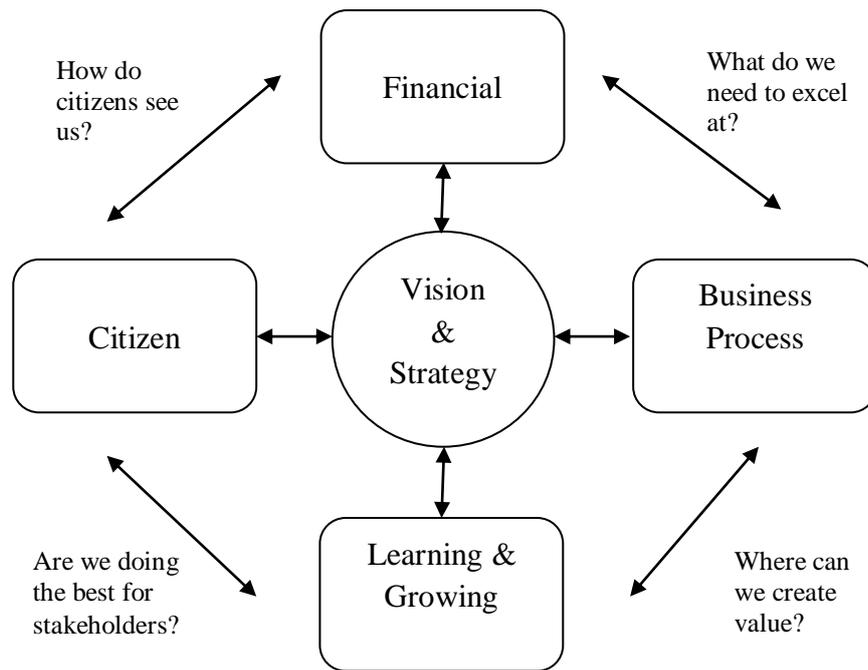


Figure 1: Balanced Scorecard Model

The relationship between all four perspectives and the vision and strategy of the department or agency is the key to effectively developing and implementing the scorecard. The focus of all tasks and efforts will always contribute to the accomplishment of the overall goals and objectives.

Before we develop a balanced scorecard for evaluating the Government performance it is perhaps most important to assess the readiness of Government to move towards achieving the targets. The method of assessment is where we are, where we are going. Mission of the Government may appear at the top of the balance scorecard as fifth perspective. Unlike corporate and Non-Government organizations Government perspective is not to create wealth. Financial measures still have a place in the Scorecard of Government organizations but they don't represent the final destination toward which Government is striving. Government perspective might be to improve the prospects of youth living in low-income communities, or reduce discrimination. Therefore, Government might consider placing a mission objective at the top of Balanced Scorecard to signify the socially important goals. It is depicted in the Figure-2

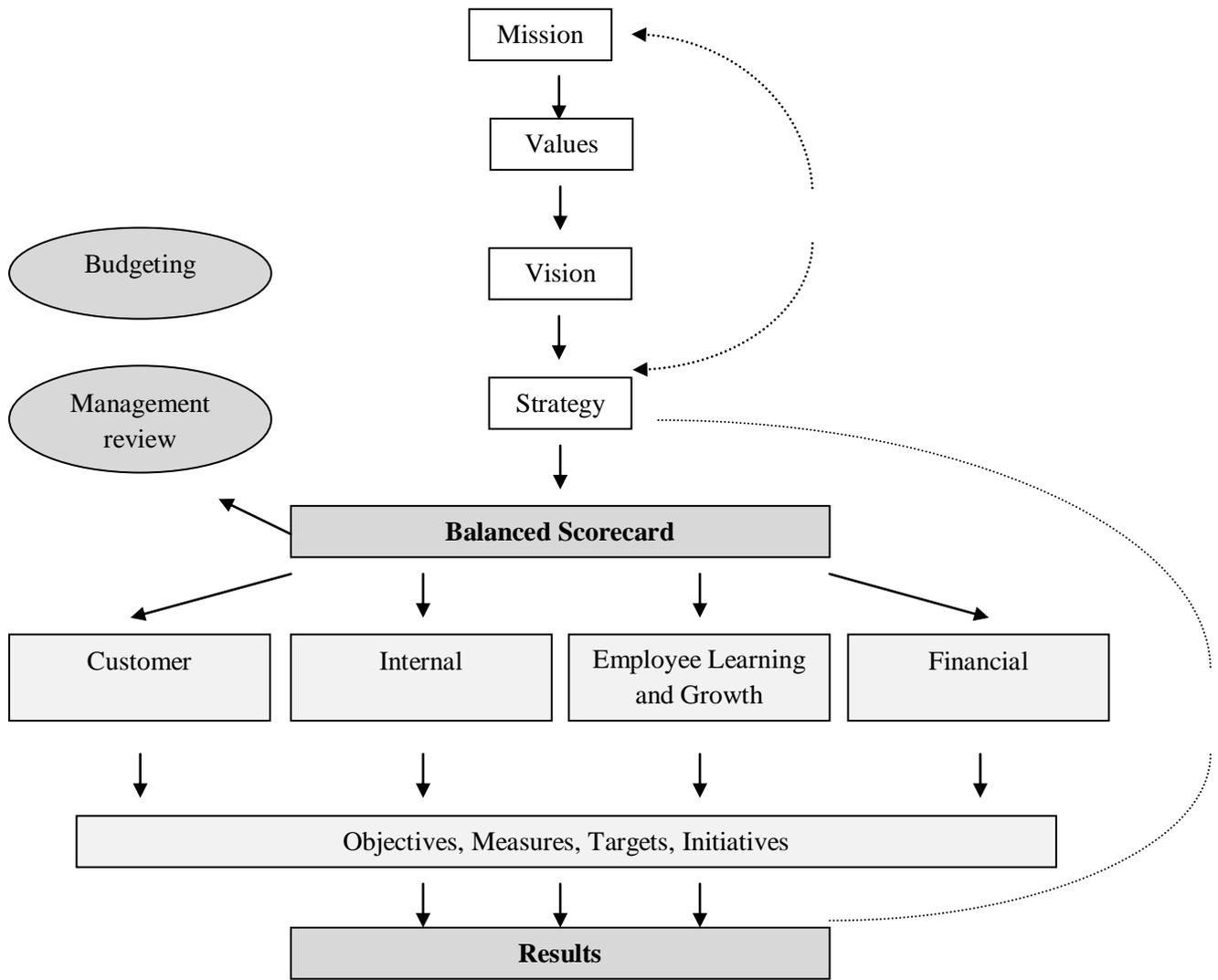


Figure 2: Balanced Scorecard the Government perspective

Balanced Scorecard Methodology Nine Steps to Success

Step 1: Organizational Assessment

Organizational assessment demands for innovation and transformation in public administration and service delivery, and capability to address them through use of innovative methodologies and radical change in business processes followed by the capacity building of both internal and external customers. This assessment can be performed through the following proposed cycle:



Figure 3: Assessment cycle

The proposed approach for performance measurement readiness assessment allows systematic adaptation to the local needs in developing countries and its application to different levels of government.

The component-based model provides significant flexibility in developing concrete assessment instruments from existing components and customizing these components with respect to concrete information requirements for strategic planning for performance measurement.

Step 2: Define Strategies

Strategy to achieve the goals of performance measurement that can lead to develop a Balanced Scorecard is as follows:

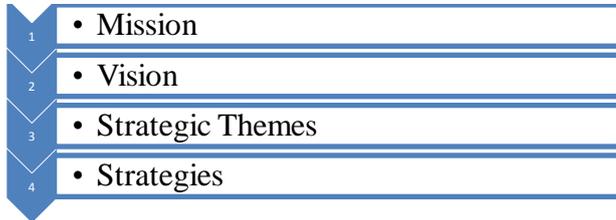


Figure 4: Define Strategy

Before Government can define its mechanism for implementing balanced scorecard it is necessary to convert its defined mission into vision. Then the visionary define a workable strategy. The visionary statements are then to be converted into workable strategic themes which lead towards achievable strategies.

Step 3: Strategic Objectives

Strategic objectives follow the standard balanced scorecard perspective to achieve targets of performance. They are then measured individually with different parameters in the domain of balanced scorecard, as shown below:

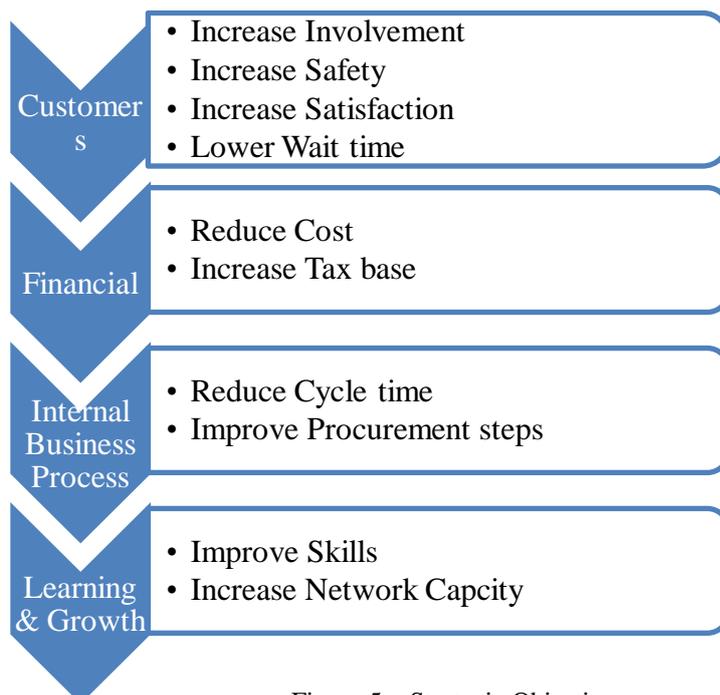


Figure 5: Strategic Objectives

Step 4: Strategic Map

Strategic map is all about mapping the strategic objectives in step three to map with one another so that the criteria for measurements can be developed. This mapping is done across the four basic perspectives of the balanced scorecard.

This is depicted hereunder:

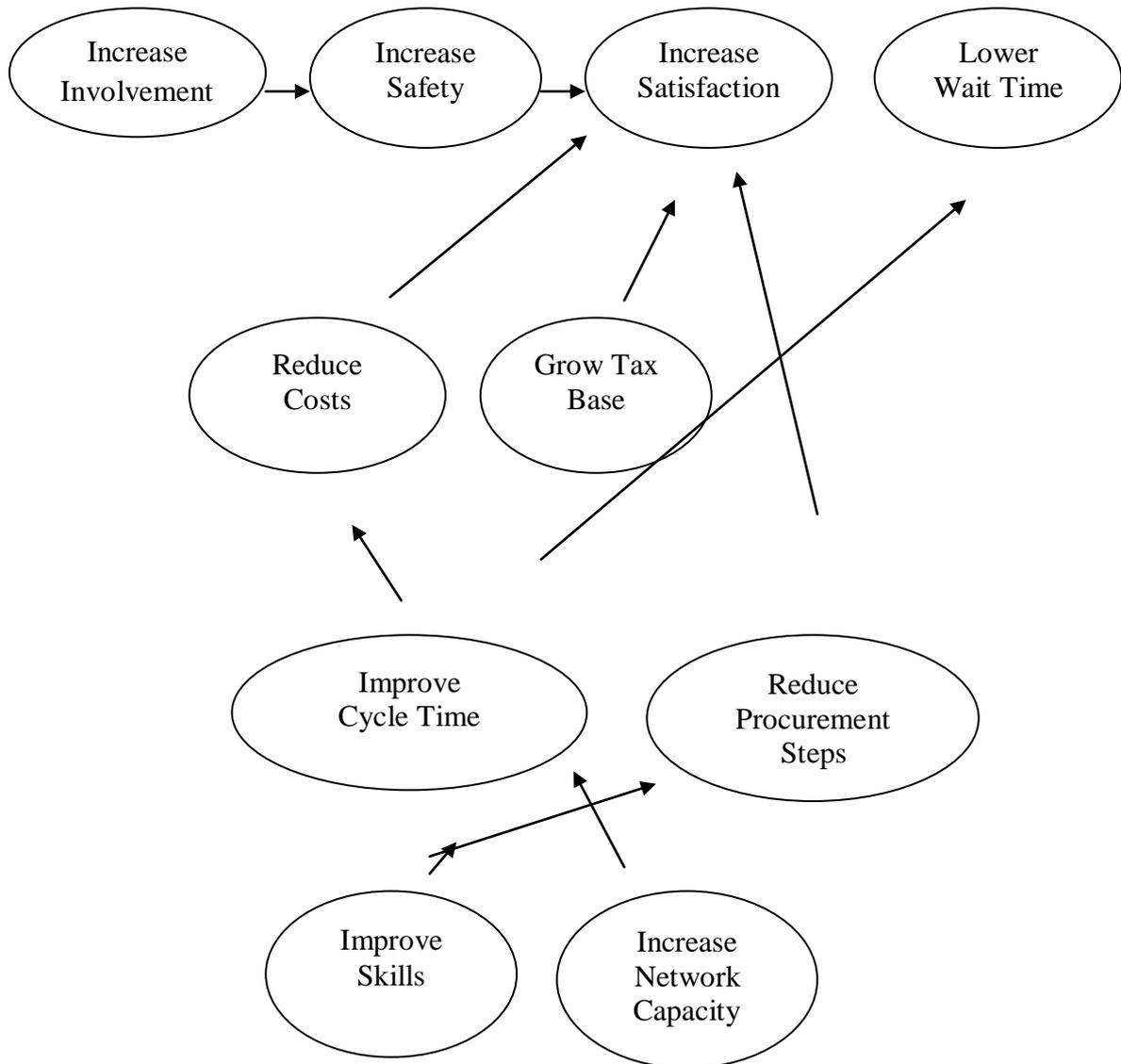


Figure 5: Strategic Mapping

Step 5: Performance Measure

Performance measurement is a tool to help control the outcomes of any organization. It enables organizational stakeholders to be the driver rather than a passenger on the organizational journey. The value of performance measurement is highlighted here:

- If it can't be measured, it can't be managed.
- What gets measured gets watched
- What gets watched gets done.

The concept of performance measurement is not new but it was not recognized as a formal management process until the late 1960's.

Principles of Performance Measurement:

1. All significant work activity must be measured
2. Desired performance outcomes must be established for all measured work.
3. A time phased performance baseline must be developed to evaluate total organizational performance.
4. Operating and financial performance reporting must be synchronized with the same reporting periods and reporting frequency
5. Performance reporting and variance analyses must be accomplished frequently.

Performance measurement should help us decide:

1. Are we doing things right? (Business Planning)
2. Are we doing the right things? (Strategic Planning)

Step 6: Initiatives

Government has to step up not only with regular legacy initiatives to put the efforts on the highway of success but they also need to think out of the box to make it a real success story.

Following are some of the initiatives that can be undertaken by Government departments to make it a success:

1. Outreach programs
2. Citizen surveys
3. Partnerships
4. Process improvements
5. Training courses
6. Knowledge building
7. Regular policy analysis
8. R & D efforts
9. Communication plan
10. Performance-based budget

Selection of these initiatives can be made based on following criteria:

1. Resources required
2. Impact potential ranking on strategy
3. Multiple objectives covered
4. Time required/needed

Step 7: Automation

The decision of automating Governmental processes should be based on a building block strategy starting from as low as developing simple functional databases. These database projects then can work as basis for project based information systems. The successes and failures of these PMIS help government functions to build knowledge base and knowledge management systems which ultimately turn into data warehouse.

Following can be the features of these blocks.

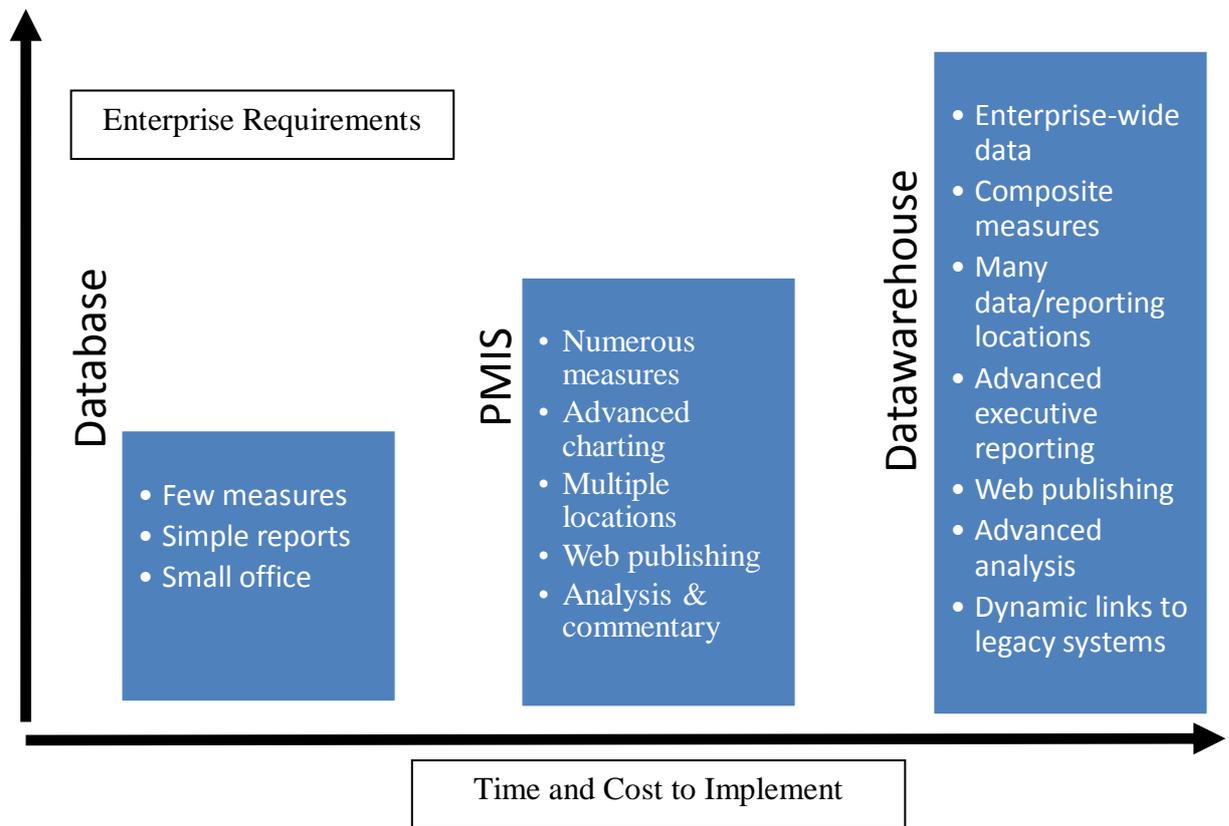


Figure 6: Automation

Step 8: Cascaded Scorecards Support Strategy

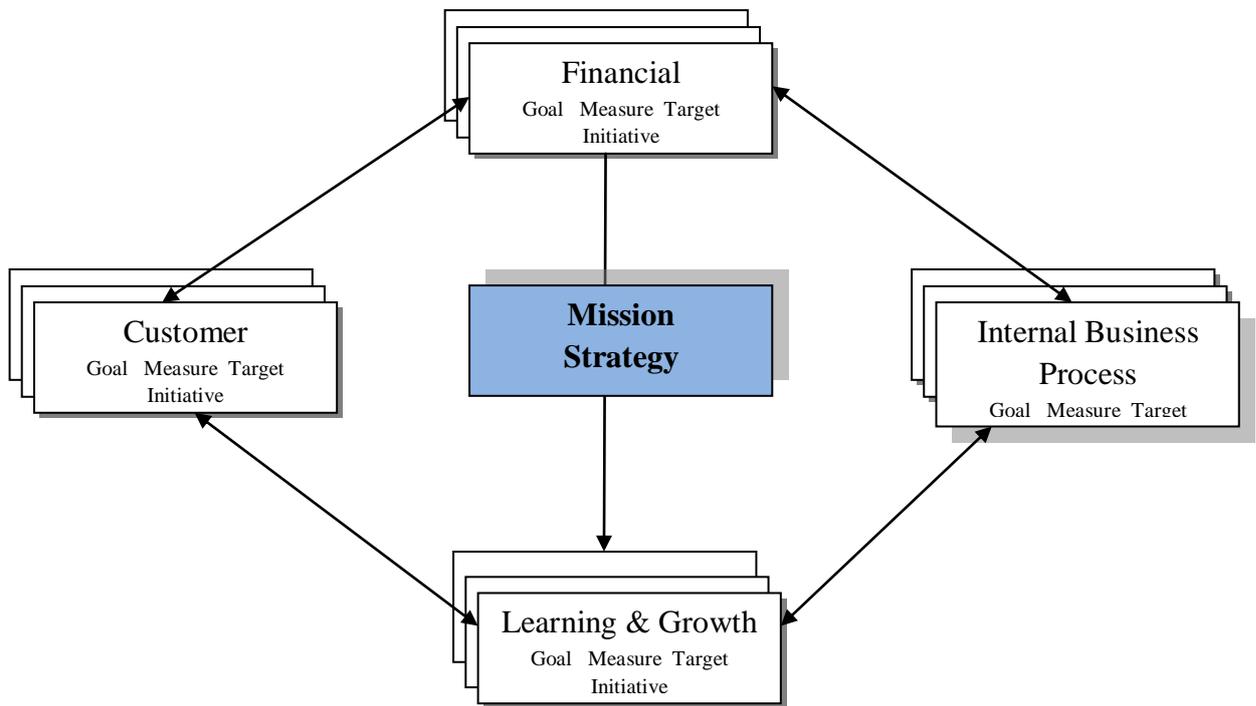


Figure 7:

Step 9: Evaluate and Change

The Government precincts specifically with reference to developing countries have been its inability to appraise the resources employed in both projects and operational activities the ninth step of balanced scorecard helps Governments to evaluate the performance of all the strategic or non-strategic implementations and also helps to find a course of direction for result oriented implementations. The following figure explains how it can be achieved by implementing a balanced scorecard.

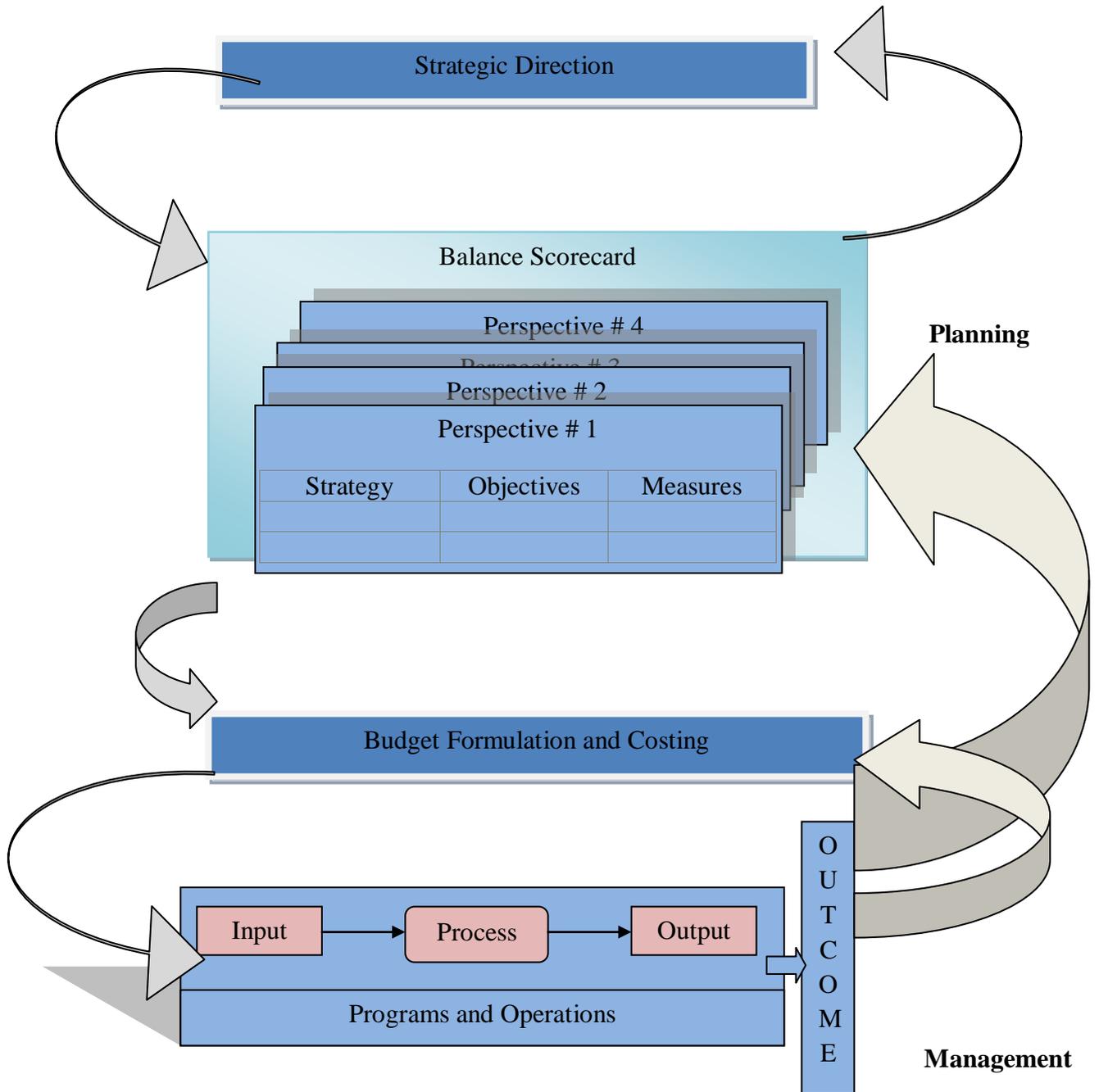


Figure 8: Evaluate and change

Conclusion

The Balanced scorecard for any Government function can act as the “Strategic Front-End” for managing results. But all these functions and perspectives revolve around the concept of Accountability. The balanced scorecard help any Government function to ensure the correct direction and avoids and circumstances that might de-rail from the strategic direction. This will act as strategic performance management system for the whole Government function. This BSC model will help attain aligning of Government vision with human and capital resources, and with day-to-day operations which cannot only be adapted to increase accountability but also act as a commitment to positive change for the citizens of the country.

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