

IS YOUR SCORECARD REALLY WORKING?

Neena Vivash breaks down the barriers to successful strategic performance management.

The beauty of a balanced scorecard is that it provides a logical framework to the complex conundrum of how companies ensure that everyone in their organisation understands their business strategy and objectives but equally importantly, recognises their relevance on a day-to-day basis.

In our experience, a balanced scorecard too often starts from a set of KPIs and is then used as a form of 'filing' tool to organise them into a structure that ostensibly ticks all the boxes. Too much emphasis is placed on the mechanics of the scorecard structure and not enough on communication and engagement with the people who need to make it happen.

Aligning strategy with actual performance is as much about changes in culture and behaviour as it is about anything else and experience has also shown us that there are other, more specific success factors.

Identifying the root cause

We see few companies who really understand the concept of leading and lagging indicators. A leading/lagging relationship might exist for example between the number of customer complaints received and the number of customers that subsequently close their accounts. Leading indicators are the 'root cause' of a problem but we rarely see organisations spending time on identifying the root cause and therefore, the 'root measurement' when developing KPIs.

One reason for this is that performance management systems are often developed by finance or head office teams with varying

levels of operational knowledge who may not be best equipped to identify the root cause and leading indicator.

Working together

Operational people understand the skills required, the processes involved and the equipment needed for a job much better than they understand a cost centre or expense and its relevance to completing the job. If operational people are provided with credible information showing how the costs of the work they deliver are derived they're far more likely to engage in a conversation on improving operational efficiency. Only when budgets are based on 'drivers' can we realistically engage operational managers in conversations about efficiency and operational change.



We've known companies to give operational budget holders direct access to their cost centre expenditure, but they take one look at the accounting ledger to find reversing journals, accruals and prepayments and start looking for some drying paint to watch.

Until finance and operations work together to understand truly how cost and revenue are driven through the business, straight forward performance metrics will often be meaningless.

Leaving the comfort zone

Scorecards provide a framework for balance starting with skills and competencies

at all levels of the organisation. Successful projects of any nature require senior managers to be aligned with the strategic vision and focused on the goals for success, but this often challenges comfort zones and traditional working methods. Changing lifetime habits and moving out of comfort zones can often be a major barrier to a successful outcome. There is little hope of successfully communicating and implementing a strategy and the actions and behaviours required by everyone in the organisation if senior managers don't have the skills or will to learn how to do things differently for the good of the organisation.

Welcoming challenge

Few things are less motivating at work than having KPIs thrust upon you and sadly we see this all too frequently. Senior management must be aligned with the strategy and objectives but successful communication and implementation of those objectives works most effectively within a culture of working together. Performance measurement isn't something that should be 'done' to people and the opportunity to challenge KPIs should be a critical part of the planning process. Validating measures and goals and how realistic they are as a way of addressing the company's strategic objectives, should be embraced as valuable feedback.

In setting measures and goals we have to ask if they are truly well defined, what behaviour is actually required and, most importantly, whether they are capable of stimulating the required behaviour across the entire organisation. This rarely forms part of the implementation process and is never asked when KPIs are being developed.

Undoubtedly, some form of 'emotional intelligence' has a significant role to play in deploying a successful balanced scorecard. It gives an organisation the best possible chance of embedding the concepts, communicating effectively and reaping the benefits of culture change by creating an organisation aligned and motivated towards meeting its strategic objectives. ■

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