

A Down to Earth Approach to Implementing the Balanced Business Scorecard

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The authors have synthesised best practice from leading edge change management methodologies and designed an 'organisational friendly process' for driving culture change that is simple to understand. This tailored approach flows from the top of the organisation and swiftly results in a process of breakthrough and relentless improvement, geared specifically to the customer and business results. Their approach moves swiftly with the top team creating a tangible vision, to defining the culture, values and behaviour, and key performance indicators that will drive and cause the desired business results. It is unveiled in a totally integrated Balanced Scorecard approach. More importantly it is simple to understand. Their processes work because they focus upon changing the fabric of the business to deliver results. This is reflected in creating customer-focused processes, through cultural and behavioural change. These changes deliver increased customer satisfaction and employee motivation, enhanced competitive advantage, financial success and increased shareholder value.

A REALITY CHECK - CUSTOMER FOCUSED STRATEGY

A significant threat to many organisations is the proposition that they will not be able to change fast enough to keep up with the

expectations of their customers. This is a wake up call to many businesses. If an organisation is failing to gain rapport and delight its customers then its customer base is at risk. 'Preferred customer status' is the very least any company should strive to achieve with its customers. Winning lifetime customer loyalty must be the goal of any business – what other desired future can there be?

The average service business can lose anything like 80% of its customers over a five year period – so it makes sense not just to develop a strategy to retain existing customers but also a strategy to win the loyalty of others who are currently not consuming the services you provide. By failing to forge a strong emotional bond with customers the longevity of the business will be questionable. This is even more critical in a competitive market where product differentiation is low and purchasing loyalty is founded on cost alone. However, if a business has focused strategies (designed to retain and acquire new customers) that are incorporated into operational plans and a scorecard approach, then the future is bright.

AT CLOSE OF BUSINESS EVERYDAY YOUR COMPETITIVE POSITION HAS EITHER INCREASED OR DECREASED

A management team has to decide whether they need to invest

more or less time in improving their competitive positioning. If organisations stand still they will achieve little. A structured approach to shape the future of the business is critical for success.

We aim to inculcate the belief that at close of business every day any business is either relatively better or worse than their competition. The problem is that most people have no idea whether they have improved or fallen behind, because they either don't have access to, or have failed to design and monitor, the metrics that drive business performance. What we have established is a strategy to focus attention upon what enables business results to be achieved. By clearly delineating the cause from the effects we firmly believe organisations can develop a new focus on what makes a difference, instead of that which consumes time and adds little in terms of value to business results, customer and employee satisfaction and shareholder value.

MODELS OF TRANSFORMATION

We believe firmly that any model for change is based upon the flow of activities over time. We believe that change takes as long as a company wants it to take. An enthusiastic 'top team' will achieve substantially more than the average business where the need to change is not realised or shared amongst senior members. By developing change acceleration strategies to drive cultural

transformation, it is possible to achieve desired outcomes in a more controlled manner and in a much shorter period of time. More importantly, because a 'system' drives the process, the change will be sustained and the process will create a climate of relentless improvement.

SUSTAINING CHANGE

Change is sustained only when people in the organisation take ownership. The direction and reasons for change need to be strongly bound within the culture – so that change becomes the culture and is considered healthy and natural. In too many instances, people respond badly to change – usually because it is imposed rather than discussed, shared, adapted and implemented by those most affected by it. The behavioural approach is the only one that works. For change to happen and to be integrated in the culture it requires those who are most affected by it to welcome it and commit to implementing it, in order to improve the internal processes that drive customer satisfaction and business results.

THE CULTURE THAT CAUSES BUSINESS IMPROVEMENT

Fundamentally, we believe it is central to any business to identify the events, the causes and the critical incidents that drive and enable business performance. Energy expended on those activities that ramp up customer and employee satisfaction resulting in increased efficiency and effectiveness are activities that need to be identified. These need to be quickly differentiated from those things that consume time and resource but contribute little of value. Differentiating these activities and focusing upon improving the efficiencies in key value adding areas are critical to driving improved business performance.

THE PHILOSOPHER'S STONE

The value added activities are a direct result of how the business culture has been shaped in the past and how it must transform in the future. This is not a matter of

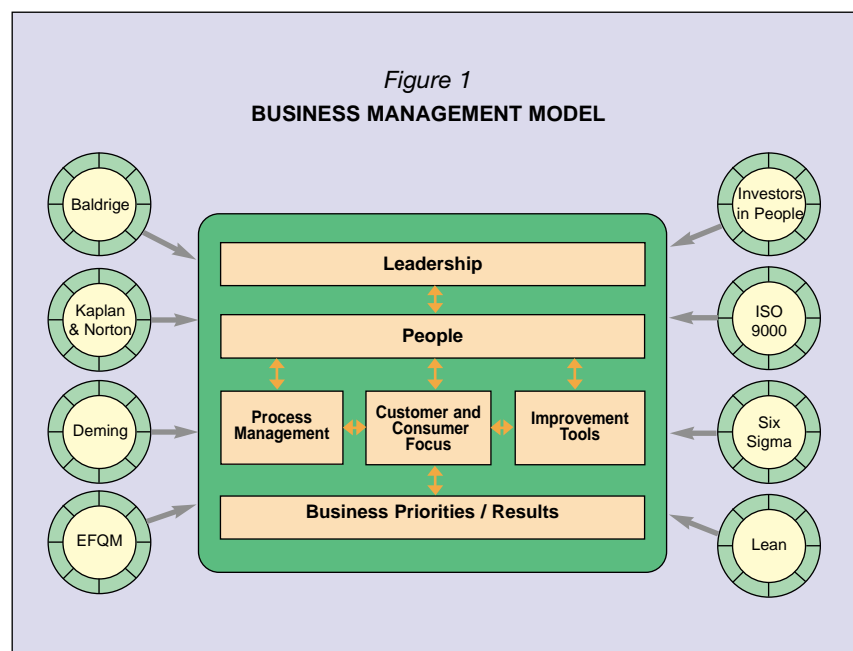
accident. Deliberate planned interventions have to be 'caused to happen' so this culture can really become the engine and the driver which yields results. The modern day equivalent of the 'philosopher's stone' is to assess what magical ingredients have to be brought together in the 'Scorecard' to result in the culture that breeds the desired business results.

ORGANISATIONAL CULTURES THAT DRIVE IMPROVEMENT

We have found that there are too many 'woolly' assumptions made as to the possible linkages that exists between what we call 'cultural enablers' and 'business results.' We understand there are a number of independent variables that confuse 'cause-effect' relationships. Our belief is that we can establish those activities and causes that will deliver enhanced business performance by adhering to a fairly simple methodology of identifying core value adding processes that flow across the organisation. We believe in simplicity. If a methodology is too complex to understand, those who operate the business and support customer processes delivering to expectations will not be able to align with the approach. Here we would use a series of cultural tools to distinguish work which is resource hungry from that which generates results.

RIGID ADHERENCE TO A BUREAUCRATIC PROCESS DOES NOT BUILD A FLEXIBLE BUSINESS

Various models have evolved over the years that suggest adherence to them will result in the desired outcomes. We applaud the work and the inherent philosophy within the European Excellence Model that is a derivative of Baldrige, Kaplan & Norton and the pioneering work of Deming. We believe that there are very useful tools and processes within Investors in People and the various ISO standards – but these have evolved into a complex, bureaucratic auditing process that is far too complex for the average organisation to understand and apply to their special circumstances. We have difficulty understanding how a complex scoring process inherent in many business models can actually be taken on board by senior management and successfully and seamlessly eased into the business. This makes even the most basic change intensely complex to implement. We also understand the complexity and diversity of business in all sectors and would further advocate that special situational factors further complicate the enabler-results relationship presented in current models.



THE PROCESS OF CHANGE IS COMPLEX - DISCOURAGING IMPLEMENTATION

What started out as a noble purpose (in the models stated) by focusing upon improving overall business performance for the vast majority of organisations, has resulted in rigid templates over which people can overlay and benchmark the 'right and only way to do things'. The intention behind these initiatives is extremely positive; it is just overly complex. The intention cannot be argued with - it is 100% positive in terms of enabling organisations to develop a competitive edge – we just think that the process is becoming far too complex so that many organisations have been put off from starting on the journey in the first place.

CHANGE THAT WORKS

Our experience tells us that the following issues are critical in driving change.

The changes implemented must lead to improved business results. If there is not a straightforward linkage and cause-effect relationship, the results will never be achieved and the change initiative will flounder.

There is too much confusion on the linkage between dependent and independent variables and the relationships between the components that create a business culture that will in turn yield the desired business performance.

There is insufficient clarity on how to initiate, create and review subsequent strategy for creating a powerful business culture.

There is a requirement to establish the links and the relationships between vision, values and culture, strategies, behaviour, structures, roles and processes and Key Performance Indicators (KPI).

Once the above have been clarified a simple, but holistic, 'MANAGEMENT PROCESS' is essential for locking together all the critical business processes which underpin the organisation and support a sustainable culture geared to creating a climate of continuous learning and improvement.

DE-MYSTIFYING THE BALANCED BUSINESS SCORECARD

Kaplan and Norton [1] in their ground breaking article in 1992 produced a Balanced Scorecard approach that was very attractive in some ways. In their articles published by the Harvard Business Review and subsequent book [2] they outlined a complex methodology that would enable organisations to differentiate 'enablers' from 'results'. By moving away from focusing entirely upon Financial Results (which are historical in nature and only reflect what has happened) to a more strategic view they are able to outline performance improvement along a number of dimensions. Kaplan and Norton identified four major components of the scorecard:

- Financial
- Customer
- Internal Processes
- Learning & Growth

From Kaplan & Norton's work, others have contributed their views on the core components of scorecards [3]. Some organisations have designed the scorecard around only three variables leaving learning and growth outside their model whilst others add components such as a strict HR dimension thereby totalling five components on which to measure performance. Some organisations use the scorecard strictly as a forward planning tool prescribing a strong strategic focus; others for monitoring operational results. Other organisations have decided the best way to introduce the tool is on a divisional or SBU (Strategic Business Unit) focus concentrating upon those areas and linkages which initiate and constantly interact with the customer, consumer or end user. Initially, the purist approach focused upon clarifying strategic direction and defining measures that fell outside the traditional financial analysis of the business. What is important here is the scorecard has to be 'fit for purpose'.

What is admirable about the research on the scorecard is that

people were finally recognising that the 'culture' was the driver and could have a direct impact upon results - and that by designing a culture that works and is self sustaining, it is possible to grow the business along all dimensions noted above. However, there was also a movement underway to create a scorecard approach which would have instant feedback to the management group about what was working and what was not – hence the desire to overly bureaucratise the scorecard and automate it so that it is possible to track inputs and outputs as if one were navigating a sophisticated 'flight deck' with results available at the touch of a button. Of course, it is possible to create this degree of control but only when the simple stuff happens first.

OTHER NON SCORECARD APPROACHES: CORPORATE CULTURE

Fundamentally, the scorecard per se is not the answer for every business. What is important for all businesses is distinguishing 'enablers' from 'results'. The answer in many cases is to deliberately grow and nurture a learning culture. This is perhaps the greatest way of ensuring competitive advantage for all businesses. Everyday we are either increasingly better or worse than others in the marketplace. A first step is defining the type of culture we need in order to learn and implement best practice. Focus must also be on anticipating and structuring to meet customer expectations. Ideally, we want managers and staff at all levels to adopt the mindset of 'what actions will I commit today that will lead to an increase in retention and the acquisition of new customers?' Our goals must be, firstly, to develop strategies to improve customer satisfaction and, secondly, for those who don't meet or contact external customers – provide seamless and error free service to those who do.

CULTURE DRIVES RESULTS

Companies which have mastered such a strategy include the US conglomerate General Electric [4].

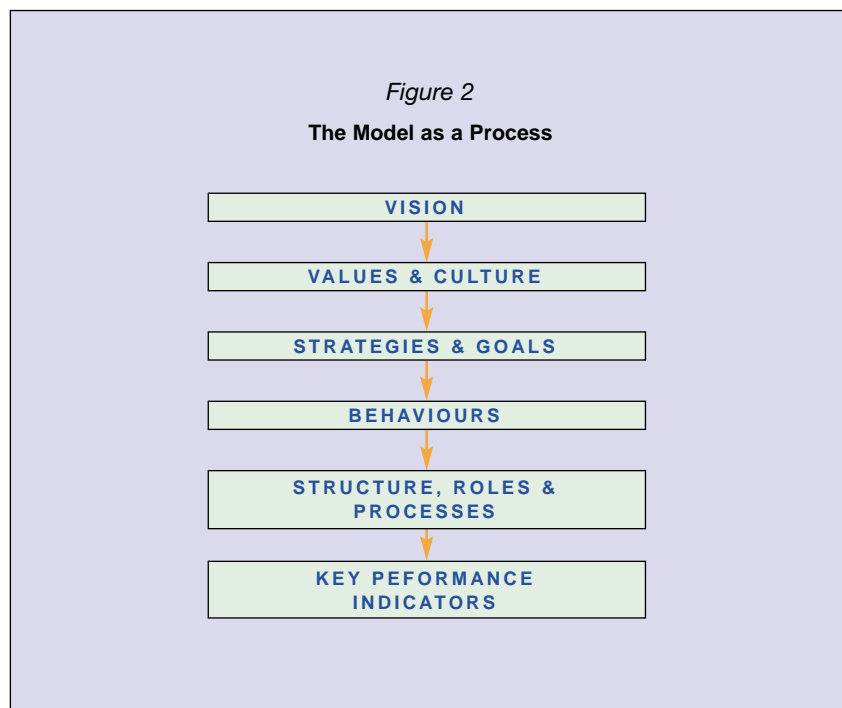
They have created such a powerful culture in all their businesses that 'year on year' record results are a natural outcome of living the seven Core GE values. The GE Work-Out process and Change Acceleration strategies result in a flow from work on the Vision and the Values to how people actually behave. They have linked cause-effect relationships and have created an incredible investment in their culture. Just read their Annual Report or access their website 'www.GE.com' to examine the profound effect they have created simply by generating the right culture. Customer loyalty is profound, as is their Return on Capital Employed (ROCE). Year on year for the past 16 years their profitability has retained double digit status. Now generating revenues of \$150 billion dollars with record profitability their approach to culture driving results is firmly established and used as a benchmark against excellence.

MODEL FOR CHANGE

To synthesise our thinking, we have articulated a simple model for change based upon the original work of Kaplan and Norton and best practice benchmarking, together with our experience of working with a large number of organisations such as GE. It is no surprise we are both committed to developing the corporate culture that will speedily deliver results. This also means developing an approach to learn from methodologies such as European Excellence and others and incorporate what works but at the same time disassociate from that within the same models that has little credibility to delivering to expectations. Each of the six stages under-noted has a number of discrete activities that deliver core elements which create the foundation for a high performance team driven culture. Tools have been specially developed to assist the movement from each phase in the model shown in Figure 2.

VISION

It is wise to start with the end in mind and for this reason we start



with Vision [5]. Many organisations can claim to have a strong Vision of what they wish to become – but we always want to test for understanding and during top team sessions we can soon understand that a 'shared vision' is not always apparent. At this stage we need to outline and clarify the direction in which the organisation is focused and ensure that the energies of the top people are shared and all pointing in the right direction. We utilise a number of strategic models and diagnostic tools for assessing the extent to which the future desired Vision is tangible and concrete and then assess where the business is currently positioned. Only by examining the future and current positions can we define strategies to close the gap.

VALUES & CULTURE

Although direction is incredibly important we also believe that we have to ensure that the values and culture are such that they facilitate and make the Vision a certainty. There has to be total alignment with the values which people exhibit.

'We value what we do and we do what we value' sums up the importance of articulating the values and ensuring that the culture is in place to enable the ease of delivery of the desired future state.

STRATEGIES & GOALS

Strategies follow naturally from values and culture – which tell us how we will achieve the Vision. Strategies and goals tell us about the methods we will employ as a business and across functional/process boundaries that will result in achieving the Vision. Strategies and goals are driven both top-down and flowing upwards through empowered individuals and teams and communication channels. Cross-functional working on processes is critical to ensure that Vision is apparent, real and tangible with the operational means whereby results will be monitored and achieved.

BEHAVIOUR

'To what leaders pay attention' is the driver that enables results to happen. For instance, if Directors talk of the importance of acquiring new business but demonstrate little adherence to this in their strategic focus – why should anyone take them seriously? However, when business leaders demonstrate their intentions with behaviour to support their assertions – people take note and emulate the example set. We have to differentiate those behaviours that leaders, teams and staff in general need to excel at and display,

from those behaviours that are counter to business objectives. 'Without leadership there is no change' is a powerful statement that reflects the importance of leading by example and without this component the formation of a culture to enable the achievement of objectives will never be optimised.

STRUCTURE, ROLES & PROCESSES

We have always believed that direction must be articulated before organisations structure their activity in terms of roles and responsibilities. Unfortunately, too many organisations take the structure as 'given' and develop strategies around how people are organised rather than the other way around! We believe that successful change only takes place when the direction and the method for achieving the vision have been clearly debated. Structure should follow on much later in the change process and be fundamentally shaped by 'where we are going' and not 'where we have come from'. This activity should always be geared to streamlining processes and providing seamless service to the customer and those who directly interact with the customer.

KEY PERFORMANCE INDICATORS (KPI'S)

Finally KPI's complete the model. Too many organisations focus upon KPI's first rather than getting the bigger picture. KPI's are not drivers, they are the measures by which we can assess whether strategies and behaviours are in alignment and working. Obviously the process progressing from Vision to KPI's is a systematic process with multiple learnings evolving. For this reason we use a variant of a Rapid Improvement Strategy for instigating change. This five stage change process focuses upon investing in prevention and front loading a change initiative ensuring that staff at all levels:

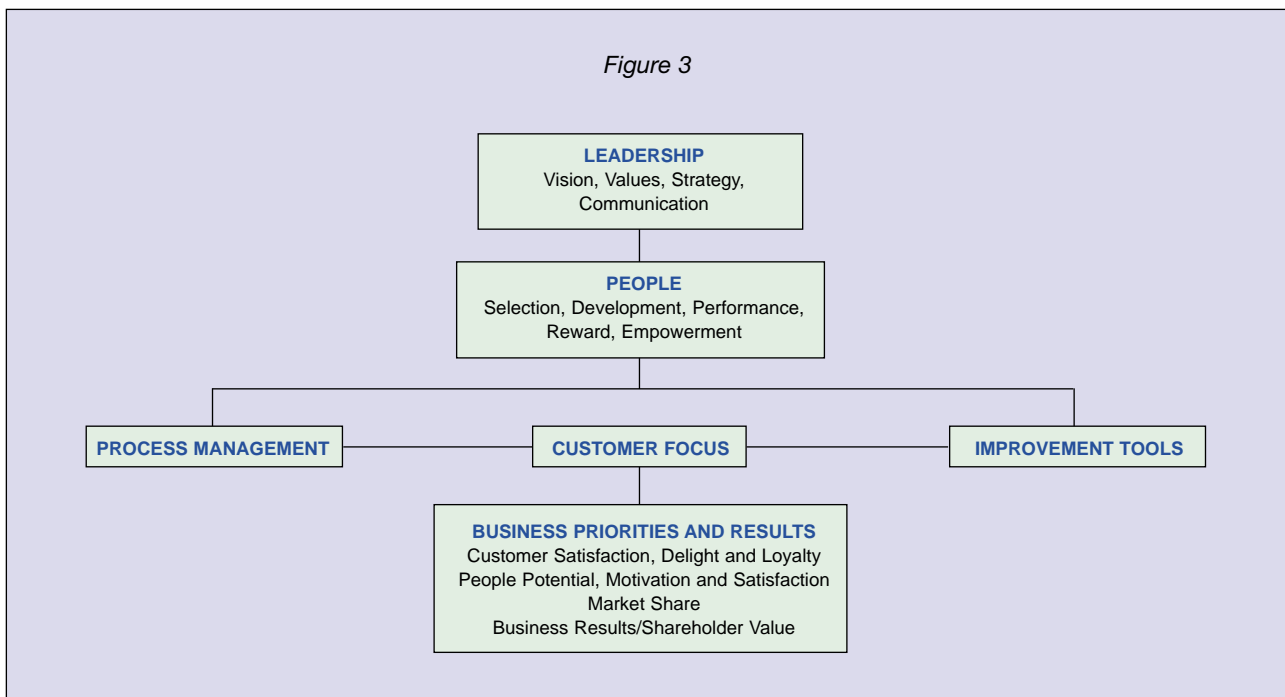
- Can understand the reasons why the organisation is articulating its Vision.
- Focus upon leverage points for getting the 'Vision to KPI' model to work.
- Are committed to the benefits of building the culture that enables results to take place.
- Take ownership of the measures by which progress can be assessed, measured and corrected when required.

It is very much like developing a sophisticated 'instrument panel'

monitoring those activities that enable results to be achieved with ease. It is no surprise that we focus upon creating a strong culture that encourages challenge and improvement. The culture reflected in the commitment to improve all internal processes results in behaviour that is geared solely to achieve and maximise customer delight – thereby guaranteeing a sound competitive future that will yield the results and will move the business inexorably forward towards its Vision.

Diagrammatically, this process can be illustrated in the boxed inset below. Many of the tools for leveraging change are derived from cultural interventions in which we have been engaged or from the European Excellence Model, other business improvement models and improvement tools such as Lean and Six Sigma.

To explore the model takes little time and for each of the components comprehensive diagnostic tools have been developed to speed up the process. The culture and the drivers which enable the results to be achieved are discussed and a strategy for implementation agreed. This model is based upon 'best practice' and allows an organisation to build a platform upon which those who



manage the business and their people can see how their combined energies and actions impact upon the performance of the business.

SUMMARY

Change can be confusing – especially when managers and those who run a business are confronted with differing models for change. Often the top team are ‘put off’ from committing to a particular methodology because they cannot see the wood for the trees. When existing models are explored the clarity between enablers and results is often unclear, the processes for diagnosing the required changes being time consuming, confusing and bureaucratic and the means to examine and improve existing processes are less than tangible or credible. The model we have developed from Vision to KPI’s is simple to understand. Each layer drives the layer below, Vision and Values have to align in order to develop coherent strategies and goals. Strategies are articulated and expressed in terms of the ‘behaviours’ which are encouraged and rewarded to ease the achievement of these goals and strategies. Structures and roles reflect ‘that which is important – and that which is not’ and this is reflected in KPI’s - each developed for the key internal processes which deliver customer satisfaction, employee learning, satisfaction & motivation and financial results.

The ‘bottom line’ is obvious. Developing a culture where learning and growth is central to delivering improved performance results in processes which delight the customer.

The model is very simple and has been inspired by those who have extensively researched and have driven the Balanced Scorecard approach. We like to think we have refined and evolved the ideas and methodologies from others and are constantly curious to test and improve the accuracy of change and speed of implementation using this bespoke process. We have rejected the ‘bureaucratic model’ that one way is best and thus present our model that we believe is fundamentally driven by

vision, values, culture and behaviour - and is fully integrated with the concepts of fast cycle-time, defect free, error prevention processes. Behavioural change facilitates structural change.

We are aware of numerous companies who are trying to integrate Balanced Scorecards with Business Improvement Models at the same time as pursuing disparate ‘Quality’ initiatives. Other companies are struggling with the concepts of ‘Hoshin Planning’ or Policy Deployment. In public sector organisations the challenge is implementing the intent of ‘Best Value’ to improve public services and make them focus more clearly on meeting customer needs and expectations. Knowledge Management and Electronic Commerce are currently hot topics. Our approach simply cuts through all the ‘noise’ and provides a ‘closed-loop’ methodology (no loose ends) combining all activities under one holistic umbrella for running a better business.

Finally, every organisation has a different history and culture and there are special situational factors which impact upon the effectiveness of the top team to implement a strategy for change. This simple model gives control back by investing and creating the special

circumstances that enable the results to take place. Change does not have to be complex. Formulating the conditions under which favourable change takes place requires simplicity in design and application – complexity confuses and divides – simplicity unites, binds, coheres and brings people together in a common cause – the survival of the business. Over-complicated methodologies just make change that much more difficult to drive, implement and sustain. We would like to think our approach encourages management teams to take the up challenge.

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