

Performance Management Collaborative

Learning Project Report #3

The Balanced Scorecard and the Strategy-Focused Organization:

From Measurement to Management

Charleston, South Carolina

May 3, 2001

Materials for the Meeting

The Performance Management Collaborative contracted with Patricia R. Bush of the Balanced Scorecard Collaborative, Inc. in Lincoln, MA, to present to the concepts and practice of the balanced scorecard approach to managing performance of complex organizations. Ms. Bush distributed Balanced Scorecard booklets which included the slides in her presentation. She also distributed a sample application of the balanced scorecard model using the *Illinois Plan for Public Health Systems Change* to provide a *Turning Point* context. Joan Brewster, PMC member, provided a brief overview of how the state of Washington has used the balanced scorecard approach and distributed two matrices as examples of the Washington Department of Health's application of this model.

The Balanced Scorecard and the Strategy-Focused Organization

Patricia Bush presented the balanced scorecard model to the PMC as an approach that bridges the gap between strategy and action in an organization or an enterprise. First published in 1992, the balanced scorecard was primarily a system for measuring and reporting performance. It has evolved over the past decade from a measurement technique into a management system and now is considered a framework for organizational change. The organizational change framework achieves the ultimate goal - - a strategy-focused organization that can respond effectively in a dynamic environment.

In the balanced scorecard model, strategy reflects the organization's approach to creating value and is central to the organization's agenda. Strategies are translated into operational terms through four perspectives:

- financial,
- customer,
- internal process, and
- learning and growth.

Key questions related to these perspectives lead to the development of objectives and measures for each strategy. From the financial perspective, what financial objectives must be accomplished to satisfy our shareholders/key stakeholders? From a customer perspective, what customer needs must be served to achieve our financial objectives?

For internal process, to satisfy our customers and shareholders, in which internal business processes must we excel? Finally, for learning and growth, to achieve our goals, how must our organization learn and innovate?

Several topic areas for objectives are suggested for each perspective question. For example, for the internal process perspective, cycle time, quality and productivity are suggested as dimensions of internal processes. For learning and growth perspective, market innovation, continuous learning and intellectual assets are suggested dimensions. Measures in priority areas can be lead measures (usually performance in the near or intermediate time frame) and/or lag measures (generally outcomes in the longer term).

The principles of a strategy-focused organization are key overall concepts in the balanced scorecard framework. They are:

- Mobilize change through executive leadership (governance, strategic management)
- Translate the strategy to operational terms (through use of the balanced scorecard's four perspectives, development of objectives, measures, initiatives)
- Align the organization to the strategy (create business and support unit synergies)
- Make strategy a continual process (link budgets and strategy, strategic learning)
- Make strategy everyone's job (strategic awareness, personal scorecard)

The strategy-focused organization is balanced by the application of the four perspectives in the planning, measurement, management and implementation of strategies.

Joan Brewster described how Washington's strategies for health improvement fit within the balanced scorecard's four perspectives.

Observations and Lessons Learned

- Originally conceptualized as a business model, the balanced scorecard clearly has public sector applications but lack of a common language was somewhat of a barrier to easy understanding of this model.
- The principles of a strategy-focused organization appear to be directly relevant to the Collaborative's interest in converting measures into action through a quality improvement process.
- The four perspectives appear to be directly convertible from a business to a public sector model, as illustrated by Joan's presentation.

Parking Lot Ideas

- What is useful from this model to take and apply at the PMC's synthesis retreat in early 2002?

- Is it worthwhile to consider a follow up session with Patricia Bush for the full Collaborative or for a smaller team session? Patricia has graciously offered more of her time (free of extra charges).