THE BALANCED SCORECARD & THE
STRATEGY-FOCUSED GOVERNMENT ORGANIZATION
3 INTRODUCTION: THE IDEA IN BRIEF

5 CASE STUDY: UNITED STATES ARMY

9 CASE STUDY: MINISTRY OF WORKS, KINGDOM OF BAHRAIN
INTRODUCTION: THE IDEA IN BRIEF

Do more with less and be more accountable to stakeholders: It's the basic mandate of government organizations the world over, from military and law enforcement organizations to public education systems. Growing fiscal pressures, citizens’ disenchantment with public institutions, even competitive pressures (the threat of outsourcing) have increased the urgency for government organizations to get their houses in order and seek more customer-focused, performance-based, results-oriented ways of working. In some cases, this mandate is literal — the result of legislation or initiatives.

Depicting strategy and goals. Identifying cause-and-effect relationships. Fostering alignment. Because it has such capabilities, the Balanced Scorecard has been increasingly embraced by government organizations looking to resolve their unique challenges. The organizations featured in this whitepaper have achieved new efficiencies and a newfound effectiveness — and they've regained the public's confidence. One has achieved such breakthrough success with the BSC that they were inducted into the BSC Hall of Fame as exemplars of the Strategy Focused Organization.
ADAPTING THE BALANCED SCORECARD TO THE UNIQUE STRUCTURES, AIMS, AND NEEDS OF GOVERNMENT ORGANIZATIONS

Financial performance is not the operative means of measuring success when it comes to public-sector organizations. What counts is how efficiently and effectively they meet their constituents’ needs. Before tackling the BSC, public-sector groups must clearly articulate their mission and strategy and carefully define their customer (or customers) — an often challenging and counterintuitive task.

OVERCOMING GOVERNMENT ORGANIZATIONS’ CHALLENGES AND LIMITATIONS

Implementing change in government organizations — often large, top-heavy groups that must serve equally large (and diverse) constituencies — involves unique challenges. Cash-strapped and often understaffed, these organizations have had fewer resources than companies in the private sector with which to achieve transformation.

Because they have multiple mandates, these organizations must frequently forgo conventional scorecard design while carefully pursuing their topmost goals. In addition, bureaucracy and hierarchy thwart alignment. One widely used solution: creating BSCs for a “virtual organization,” in which interdepartmental teams manage by mandate rather than by function. Possessing a limited or even nonexistent ability to offer financial incentives, these organizations have had to devise creative solutions to gain buy-in and make strategy everyone’s job.

THE BENEFITS

Some organizations have shifted from an incoherent, bottom-up approach to a systemwide, integrated approach to strategy management. Once awash in metrics, many organizations have now streamlined their measures and now can see cause-and-effect relationships for the first time. They’re able to allocate scarce resources more wisely and more objectively, thereby further promoting teamwork. Many use the BSC to make their funding case to budgetary authorities. In addition, the streamlined approach to management and planning has helped government executives, many of whom rose through the ranks without formal managerial training.

Finally, the BSC has institutionalized the performance-management process. Administrations come and go; economies fluctuate. But having put the BSC in place, these organizations have established a performance-oriented culture by using a consistent, enduring approach.1
CASE STUDY: UNITED STATES ARMY

Transforming an organization of 1.2 million personnel scattered around the globe is no minor feat. In what was perhaps the world’s largest BSC implementation, with the help of ESM the U.S. Army did just that — accomplishing its aggressive rollout through automation and education.

FROM TACTICAL TO STRATEGIC READINESS

The global war on terrorism confirmed what U.S. military leaders already knew: The U.S. Army needed to become leaner, nimbler, and technically advanced to achieve its mission of serving the American people, protecting national interests, and fulfilling military responsibilities.

The Army had long used a battle-readiness reporting system, but that system contained few leading indicators and some outdated information. Moreover, battle readiness alone was no longer enough. The Army had to improve its strategic readiness — its ability to implement its strategy quickly and effectively. A not too uncommon challenge for organizations required to do more with less. Since 1989, Army forces had been reduced 33%, while the number of worldwide deployments jumped from 10 to 37.

THE STRATEGIC READINESS SYSTEM

Under the guidance of ESM Software, in late 2001, the Army launched an enterprise-wide Balanced Scorecard effort dubbed the Strategic Readiness System (SRS). A team including the project champion and members from the Council of Colonels and General Officers Steering Committee modified the generic public-sector strategy map to reflect the Army’s strong mission orientation.
"READINESS" AND "TRANSFORMATION" ARE REPRESENTED AS INTERLOCKING THEMES, REFLECTING THE NEED TO BALANCE THE CURRENT TRANSFORMATION WITH FUTURE READINESS.
KEY SCORECARD RESULTS

• Top leaders achieve consensus on the Army's strategy and receive information critical to strategic readiness.

• Decision making accelerates as officers from across Army organizations begin reviewing strategic readiness systematically and gain access to strategy maps and data through the Web.

• New commanders easily grasp and implement their units' respective strategies.

• The BSC is integrated into budgetary operations, enabling units to make a clear case for needed resources.

In just six months, the Army cascaded the scorecard to 36 “Level 1” entities (major commands, secretariats, and staff areas) and 275 “Level 2” (subordinate) commands, including the United States Army Medical Materiel Agency (USAMMA). This blistering pace enabled the scorecard team to capture momentum throughout the enterprise resulting in more than 300 scorecards. To this day, the Army implementation remains one of the top five largest ESM Software implementations.

In the final SRS-implementation phase, the Army aligned SRS with other Army management systems. For example, the General Officer Steering Committee began meeting monthly to review performance against the Level 0 scorecard.
TECHNOLOGY AND EDUCATION

The Army also created the SRS Operations Center — an internal consulting function — to provide guidance, drive training, ensure quality control, and offer technical support. Level 1 and Level 2 organizations used the Center’s support tools, such as multimedia resources and online templates, to build their scorecards. The key purpose behind automation? To make scorecards and accompanying reports available on the Web, so forces in the field don’t have to load software onto computers to access the system.

With a growing database of scorecard records, automation of SRS enables Army senior leaders to grasp the status of equipment availability, staffing, and other key metrics from one source. And the technology allows organization-wide access to all BSCs. The system also stores classified and unclassified information on separate servers, depending on data sensitivity.

In addition to automation, continuous education has helped drive scorecard implementation. About 2,100 individuals have received scorecard classroom training, which is expanding to the Web. Monthly teleconferences enable project leaders to explore questions about SRS reporting format, software upgrades, user roles, and other topics. The Army is also developing a curriculum of self-paced training modules focused on the five Strategy-Focused Organization (SFO) principles and other aspects of the Balanced Scorecard methodology. And it publishes a bimonthly newsletter containing articles ranging from the practical (“What is a scorecard owner?”) to the engaging and informative (“SRS Meets the British Army”).
RESULTS AND INSIGHTS

The Army cites promising payoffs from its scorecard effort. With easy access to scorecard data, officers from different divisions can align quickly around emerging multidivisional issues. And as Gen. John M. Keane explained to the U.S. House of Representatives’ Armed Services Committee: “The [SRS]… markedly improves how we measure readiness by gathering timely information with precision and expands the scope of the data considered… We are further developing this system to leverage leading indicators and predict trends — avoiding issues that affect readiness before they become problems.”

The Army’s scorecard experience revealed that a command-and-control culture doesn’t automatically equal instant acceptance of a new project. People might obey an order to adopt the scorecard, but they won’t extract strategic value from it unless they see — and believe in — the benefits. Gaining consensus entails changing people’s attitudes and behaviors — a major challenge, given the Army’s tour-of-duty and job-rotation system. But as Army units continued populating their scorecards, senior leaders focused less on data and more on cause-and-effect relationships within and across scorecards. The Army began holding annual strategy review meetings to assess strategic performance and update scorecard components. Army leaders wisely view SRS as a journey, not a destination.²
CASE STUDY: MINISTRY OF WORKS, KINGDOM OF BAHRAIN

For Bahrain’s national infrastructure agency, agility has been the key to surmounting challenges ranging from rapid population growth and soaring costs to staff turnover. To achieve “an agile strategy capability,” the organization has refined its BSC program, integrating strategy management with its project management and budgeting processes.

Only 290 square miles in area, the Kingdom of Bahrain, an Arabian Gulf archipelago, has big plans for transforming itself. Its “Economic Vision 2030,” unveiled by the country’s Economic Development Board in November 2007, calls for Bahrain to advance from “regional pioneer to global contender” — from “an economy built on oil wealth to a productive, globally competitive economy, shaped by the government and driven by a pioneering private sector.”

Vision 2030 has huge implications for Bahrain’s 16 government ministries: all are expected to align their own strategies to its goals. The Ministry of Works (MOW), the national infrastructure agency, and ESM Software client of over 10 years, has taken the first steps toward fulfilling that expectation. With a workforce of 1,600, MOW is responsible for the construction and maintenance of public buildings; for the design, construction, and maintenance of the kingdom’s roads and sanitary network; and for sanitary engineering projects such as waste collection and treatment and surface-water drainage.

In recent years, MOW faced a raft of strategic challenges: rapid population growth that dramatically increased the demand for public infrastructure; rising construction and maintenance costs; competition from the private sector for materials, skills, and contractor capacity; difficulty attracting and retaining high-quality staff; and scarcity of land. To meet these challenges — indeed, to convert them into opportunities — MOW decided to capitalize on the competitiveness of the private sector. Through public-private partnerships, it is contracting out selected infrastructure services, playing the role of key planner and enabler rather than provider — a shift that the national vision is encouraging throughout the government.
SUPPORTING THE VISION

In 2008, MOW revised its existing enterprise-level strategy map and scorecard to tightly link these documents to Vision 2030 and reflect its guiding principles. The vision’s principles include “sustainability” (ability of the private sector to independently drive economic growth in Bahrain), “competitiveness” (high and continuously improving productivity through a sufficiently skilled workforce), and “fairness” (the creation of a broad base of prosperity throughout society by promoting transparency in transactions and stamping out corruption).

MOW'S STRATEGY MAP DEPICTS FOUR STRATEGIC THEMES:

1. **Public-Private Partnership**: Harnessing private sector forces through strategic relationships that could vary from an outsourcing contract to a 25-year-long partnership. The Muharraq Treatment Plant is one such partnership; a private entity is providing investment, design, construction, and operations services over a 27-year contract.

2. **Key Planning Player**: Collaborating with other government agencies to support the vision’s goals; for instance, MOW is a key planning player on the national committee for the National Master Plan and leads the committee responsible for coordinating physical planning among all of Bahrain’s utilities.

3. **Quality Services**: Delivering more and better services, including roads and networks (e.g., causeways, bridges); sanitary projects; and such public projects as schools, hospitals, and airports. MOW concentrates on executing the key value-added processes (design, supervision, management) and privatizing the noncore processes when cost effective.

4. **Leading Professional Organization**: Attracting and retaining highly competent, top-quality professionals by embracing the principles of fairness, competitiveness, and sustainability. Previously, academic qualifications outweighed abilities and attitude in the ministry’s hiring decisions.

Each strategic theme has a team dedicated to executing the initiatives that support the theme’s strategic objectives. Theme owners, along with strategic objective owners, describe their progress toward objectives at quarterly review meetings.
“AN AGILE STRATEGY CAPABILITY”

MOW first adopted the BSC system in 2004, with build out in ESM software shortly thereafter. This was a time when government agencies were instructed to adopt organizational structures, operating systems, and strategies to support Bahrain’s move toward a parliamentary, more democratic government — a move initiated in 2001 with the emirate’s national reforms.

The ministry developed an enterprise-level strategy map and scorecard, but the map confused objectives with initiatives. With no Office of Strategy Management (OSM) in place, there was no entity to clarify and advance the new system. As a result, managers lost sight of the overarching strategy that their initiatives were meant to support. And like many government bureaucracies, MOW suffered from slow decision making and resistance to change, which further hampered progress.

In 2006, MOW overhauled its BSC program to follow the Strategy-Focused Organization principles laid out by Kaplan and Norton. It undertook a new round of education to boost awareness of the BSC framework and to clarify the difference between objectives and initiatives. The following year, it established an OSM (represented by the Strategic Planning Section). In 2008 the map and BSC were overhauled within ESM to reflect Bahrain’s Vision 2030.

As Raja Yousif Al Zayani, chief of strategic planning, explains, “We see [our strategies] as hypotheses to be tested and refined and strategy as a continual process of evolution. We aim for an agile strategy capability.”

EXECUTION PREMIUM

(All results from 2007–2008 unless indicated otherwise)

• Total project value increased sevenfold from 2002 to 2007.

• The surge in Bahrain’s population doubled the number of constituents MOW served from 600,000 to 1.2 million.

• Constituent satisfaction improved, as measured by third-party surveys of MOW’s reputation and reflected in increased stakeholder support.

• The percentage of projects completed within budget rose from 23% to 86%; of those completed on time, from 15% to 28.5%.

• The percentage of employees who can explain the ministry’s strategy map jumped from 75% to 100%.

• The number of employees completing courses and certification in strategically important areas of development (e.g., project management, value engineering, leadership, and strategy management) grew from 68 to 152.
INTEGRATING STRATEGY MANAGEMENT, PROJECT MANAGEMENT, AND BUDGETING

In 2008, MOW established a Project Management Office (PMO) and Project Management System (PMS) reflecting best practices laid out by the Project Management Institute. MOW's OSM and PMO work together to ensure the successful execution of strategic initiatives.

To make sure that strategic initiatives are properly funded, managers from MOW's financial resources directorate and PMO participate in annual strategy reviews conducted by top management and MOW's 15 SBUs (e.g., the roads unit, sanitary unit, HR unit). From those meetings, budgets are developed and then consolidated. When MOW submits the consolidated budget to the Bahrain Ministry of Finance, it includes its portfolio of strategic initiatives and an explanation of the ways each initiative supports national strategic objectives.

FUTURE FOCUS

• Continuing to demonstrate MOW's success with the BSC to other government organizations to encourage them to adopt a similar approach to strategy management.

• Enhancing awareness and understanding of the BSC and of MOW's strategy throughout the ministry's workforce.

• Customizing MOW's software platform to strengthen integration of the BSC with MOW's project management system.

• Improving the alignment of competency development and personal incentives with strategic objectives.
MOW's improvements to its strategy management system have delivered impressive results, including major increases in capacity and productivity. For example, in 2007 it delivered projects worth Bahraini dinars (BHD) 250 million ($660 million), up from BHD 35 million ($92.5 million)* in 2002 — a sevenfold increase, with no increase in staff. Additional results include greater constituent and employee satisfaction, an increase in the number of projects completed within budget and on time, and enhanced awareness of the ministry’s strategy among workers.

MOW now has the flexibility to adjust its goals to changing external realities without veering from its strategy. For example, it modified the objective “Full utilization of financial resources” to “Optimized management of financial resources,” emphasizing public-private partnerships and revenue generation as a means of avoiding budget shortfalls. It also took an ambitious step forward: integrating enterprise risk management with the strategy management process. As Minister His Excellency Fahmi Bin Ali Al-Jowder observes, MOW is now regarded as a cutting-edge agency not only in Bahrain but also in the entire Gulf region.3

*For 2007, MOW uses an average currency exchange rate of BHD 1 = $2.64
SOURCES:


3. The ESM Balanced Scorecard Hall of Fame Report 2010
We care about making
strategy work for you.

Since ESM’s initial launch in 2001, we have dedicated ourselves to providing organizations with the software and services to better understand and manage business strategy. Whether you are creating your first five year strategic plan, or are a Balanced Scorecard expert, our tools and services will help you outline and realize your vision.

Contact us:

(781) 541- 4458

www.esmgrp.com

55 Old Bedford Rd, #107
Lincoln, MA 01773