Overview of the Balanced Scorecard

The Balanced Scorecard (BSC) is a multidimensional framework for describing, implementing, and managing strategy at all levels of an organization by linking objectives, initiatives, and measures to an organization's strategy. The scorecard provides a comprehensive view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth and learning.

The BSC is not a static list of measures, but a framework for implementing complex programs of change and for managing strategy-focused organizations.

Since the concept was introduced by Drs. Robert Kaplan and David Norton in 1992, BSCs have been implemented at corporate, strategic business unit, shared service functions, and cascaded to team and individual levels at hundreds of organizations – in both the private and public sectors.

Balanced Scorecard Popular Misconceptions	
Misconception	Quick Response
The BSC is just a measurement system.	The BSC is a performance management process.
The BSC is a strategy *development* process.	The BSC is a strategy *implementation* tool.
The costs of measurement will be used against us.	What is the cost of not proving your value?
The results of measurement will be used against us.	The results can be used for us.
A good balanced scorecard has purely quantifiable objectives and measures.	A good balanced scorecard has both quantifiable and qualifiable objectives / measures.

Strategic Planning and the Balanced Scorecard

In Summer 2002, the Rockwall City Council and City Staff held a two-day strategic planning retreat. The strategic planning retreat resulted in agreement on a new draft of the City's mission statement, a restatement of the organization's core values, an enumeration of the vision of the City in 2022, and seven focus areas to guide the staff in implementation of the City's strategic agenda. A new framework for translating the City's strategy into measurable action, called the Balanced Scorecard, was also presented by the staff at the retreat. These elements were formally adopted by the City Council at the June 3, 2002 meeting.

A common thread throughout the retreat carried over from previous strategic planning efforts of the City,"Rockwall is a progressive City with a "hometown" atmosphere." The concept of Rockwall as a "hometown" city has been stated as an important element of the City's strategic planning for at least the last ten years and was recently further employed in the development of the City's new comprehensive land use plan which was appropriately named the "Hometown 2000" plan.

The City's mission statement outlines the purpose of the local government in Rockwall:

The purpose of the government of the City of Rockwall is to provide responsible leadership and the services and infrastructure necessary for a safe environment and a high quality of life for our citizens.

City of Rockwall
Vision Statements

The retreat included looking forward twenty years to identify then-desired characteristics of Rockwall. These vision statements help to identify issues on which the city organization should focus now. The vision statements drafted are:

In 2022, Rockwall is a community that:

- Has a transportation system, which offers safe, efficient movement while respecting and reinforcing community character;

- Provides ample leisure opportunities, including passive and active recreation activities, and facilities, including cultural and performing arts;

- Has a vibrant historic downtown which attracts citizens and visitors;

- Optimizes on its adjacency to Lake Ray Hubbard;

- Offers quality education to all;

- Has stable, well-planned and safe neighborhoods connected to each other and to the businesses that serve them; and

- Has a stable and diverse business climate contributing to a strong economic base.

To achieve tomorrow's vision the City must focus on that vision and on the City's mission today. Focus areas related to community safety, "Hometown 2000" development guidelines, infrastructure, transportation, higher education, economic development and staff effectiveness were identified. Focus areas drafted at the retreat were as follows:

7 Focus Areas

COMMUNITY SAFETY - Maintain and improve resource levels and community support programs to ensure public safety.

HOMETOWN 2000 - Implement the recommended strategies designed to ensure that the goals of the plan are achieved.

INFRASTRUCTURE - Provide quality services through maintenance and expansion of road, park, water, drainage, and waste water facilities.

TRANSPORTATION - Address the City's roads and intersection improvement needs and promote alternate methods of transportation and mobility, such as walking and biking trails.

CUSTOMER CENTERED GOVERNMENT - Develop an organization that is recognized by its customers for its customer-centered-culture (C3), while implementing the standards expected by the community and the City Council.

ECONOMIC DEVELOPMENT - Provide for development of environmentally responsible industry and business for diversification of the tax base and quality employment.

STAFF EFFECTIVENESS - Provide training and resources to strengthen employee teams, enhance organizational focus and achieve service goals.

The City Staff recommended use of the strategic management framework provided by the Balanced Scorecard, currently being used in many private and an increasing number of governmental organizations to implement our vision. The Balanced Scorecard process begins as a strategy implementation tool. The difficulties of communicating the strategic plan through the City organization are recognized. The Balanced Scorecard approach, we believe, offers a framework which will facilitate the employee involvement, understanding, and input necessary to ensure that the entire organization is knowledgeable of and working toward a unified mission. Departments and individual employees will have a far better opportunity to know and understand, and, therefore, contribute to the City's success. Individual employees will be better able to align their own career goals and objectives with the City's and have more opportunities to achieve personal success as they become more aware of and participate in determining the best ways to achieve the City's mission.

The Balanced Scorecard provides a framework for translating strategy into action and encourages alignment of organizational resources with strategy. Employed

properly, the Balanced Scorecard approach converts strategy into an integrated system defined across four business perspectives: the customer perspective, the financial perspective, the internal process perspective, and the learning and growth perspective. Developing the City's balanced scorecard process will be an inclusive process involving a Core Team of employees, the Leadership Team consisting of the City's department heads, and the City Council members (Governance Team).

Mapping of strategy, selection of measurements, and the setting of short-term (1-year) targets, and stretch (2-5 year) targets will be accomplished. Periodic review of progress is also an important part of the program.

While the Balanced Scorecard provides the framework for strategic action, it is up to the City to provide the focus, the commitment, and the hard work to ensure that the City's strategic plan is implemented. A common organizational alignment and dedicated employees make the difference. A number of employees have participated as members of the Core Team. Others have been asked to participate at the departmental level. Both groups will continue to participate as the process proceeds to implementation. Through involvement in the implementation planning and actual implementation, employees will be offered a better understanding of the City across the various departments.

CORE VALUES

ETHICAL	**CUSTOMER FOCUSED**
RESPONSIBLE	**INNOVATIVE**

The Four Perspectives of the Balanced Scorecard

Learning and Growth Perspective

The Learning and Growth perspective should be designed to support the objectives of all three other perspectives. This perspective identifies the City's needs to ensure that employee skills and technological capabilities allow for successful strategic action. Learning and Growth also indicates the types of training, skills, and technology that are needed to carry the organization forward.

Internal Process Perspective

The Internal Process perspective encourages the city to change and improve the way it delivers services, specifies certain strategy-related objectives, and encourages productive use of resources geared toward achievement of the City's mission and vision. This perspective deals with strategic objectives emphasizing not only "how to" but also "through what means" the City pursues the adopted focus areas.

Financial Resources Perspective

The financial perspective identifies and enables resources needed to achieve the City's Customer perspective. While the Financial perspective is always the "top line" perspective in the private sector, its location in balanced scorecards for governmental application reflects the reality of the environment in which it functions. For example, a "top line" Financial Perspective would indicate that certain activities or programs, which are not profitable, and not contributing to profit should be discontinued.

In the governmental application, the scorecard structure recognizes the fact that profitability of most governmental services is not the driving force behind the reason for providing services. In fact, profitability is not a part of the mission of the governmental unit. The Financial perspective, however, remains vitally important to the City in all of its activities. It should measure and identify deliverable services at a good price, support maintenance of sound financial position, identify funding mechanisms, and support accountable and responsible use of funds in citywide strategic scorecards. In more limited scope scorecards such as the communication scorecard (or departmental scorecards) the financial perspective may be more likely to identify objective-specific resource requirements and identify resources needed to support the internal process and customer objectives.

<u>Customer Perspective</u>

The Customer perspective as the "top line" perspective represents a structural departure from the Balanced Scorecard structure of the private sector. The Customer perspective in this "top line" position on the scorecard reflect the fact that the City is a service delivery organization and typically should contain objectives representing key strategy-related services delivered to citizens.