

## Balanced Scorecard: A Survival Path for Public Sector

Challenges and Benefits of Implementing Clear Strategy Execution in the Public Sector



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## Introduction

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Private as well as public organizations can no longer remain passive to the ever-changing and dynamic environment that offers consumers/buyers an un-precedent power in demanding better service, lower price, and higher quality products/services.

Lack of comprehensive perception of the organization's capabilities results in ill-defined goals that lead to serious limitation in achieving organizational goals. Therefore, selecting an appropriate set of strategies founded on the thorough understanding of the organization's absorptive capacity and the high end communication technology is not a luxury any more. It is the survival necessity.

In general the public sector has been struggling with satisfying their stakeholders. Many indicators are measured in a silo format without any comprehensive view of the overall performance and proper strategy. For example, selecting a new strategy for U.S. Post Office in offering fast and reliable mail service such as Next Day Delivery service was introduced only when the private sector leveraged on these indicators and caused a reduction in the market share for US Post Office.

The public sector in California is now recognizing the vital role of the strategy to respond to the accountability and performance measurement required to satisfy their stakeholders. In this development path, Balanced Scorecard (BSC) – developed by Drs. Kaplan and Norton- has been considered as a proven managerial tool that would help to define and implement the appropriate strategy.

This white paper will review basics of the BSC and then discuss challenges and benefits of this managerial tool to the California public sector.

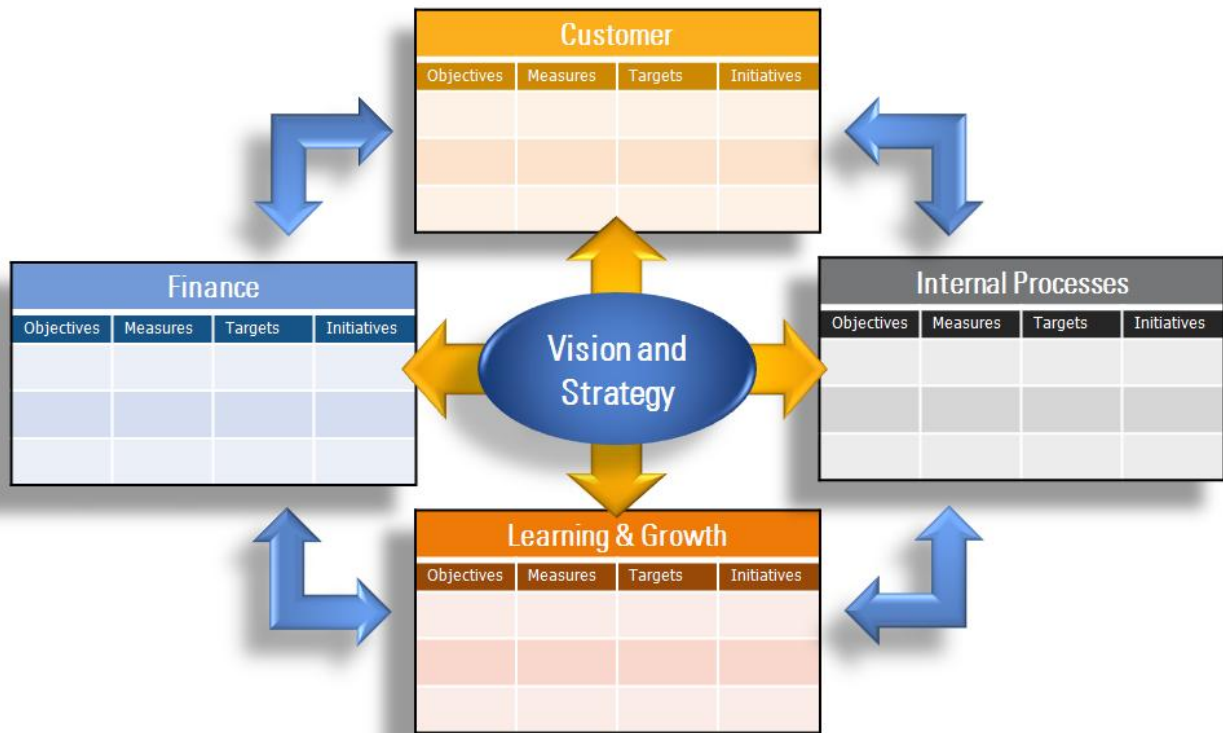
## Basics of the Balanced Scorecard for the Public Sector

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BSC is founded on the ground of open line of communication among management and stakeholders. In this regard, keeping strategy exclusive to the board makes it a failure from the performance evaluation point of view. Everybody should be aware of the strategy and adjust his/her performance/duties towards the set direction.

Instead of emphasizing only one dimension (i.e. finance), the BSC encompasses all activities surrounding an organization. As the figure below depicts the BSC is funded on selected perspectives representing the main and ultimate/major issues that an organization would interact with. These perspectives -for public sector- typically are: Customer, Finance, Internal processes, and Learning and Growth. The customer perspective is put at the top priority.

Figure 1 below shows the relationship among these perspectives.



*Figure 1: Typical Perspectives on a Balanced Scorecard for the Public Sector*

Balanced Scorecard has been developed for San Diego County for five major groups of: Health & Human Services, Land Use & Environment, Public Safety, Community Services, and Finance & General Government for an estimated 3 million residents. In the County of Orange (since 2006), under the Strategic Focus, three (out of 24) agencies/departments such as: Office of Treasurer-Tax Collector, Probation, and Orange County Parks have defined their perspectives. It is planned to implement computer software for an estimated 1200 reader users and 100 functional users enabling access to the performance indicators.

The Key Performance Indicators (KPI) are among main components of these perspectives. Since the ultimate aim of the BSC is to arrive at a set of measurable indicators that would represent the status of the organization vis-à-vis the target and goal, therefore, it is advised to have a limited number (about 12-20) key performance indicators. It should be noted that there are two types of indicators: lead and lag indicators. Lead indicators are those that give leading information to reach objectives while the Lag indicators are those that represent the end result.

The Key Performance Indicators (KPI) are driven from an elaborated graph called Strategy Map. Strategy map depicts the cause and effect relationship of many sub-indicators that contribute to the objectives and targets of each perspective. For example, indicator such as % increases in the number of customers (as KPI) could be resulting from sub-indicators such as higher customer satisfaction, improved design, etc. that are defined from the lower levels in the Strategic Map.

## Challenges to Implement the Balanced Scorecard

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- **Management Buy-in**

Designing and implementing the strategy require the constant support and backing from top management. Management support and their approach to create a cultural change is the required foundation to encourage employees and departments to engage in this process. For example, management endorsed incentive programs could be a reward for finding efficient methods in streamlining operations or improving customer satisfaction. These programs are popular and would bring a quick acceptance environment.
- **Participation, Engagement and Cultural Change**

A comprehensive strategic plan such as BSC needs participation and active engagement of the employees that carry out the momentum of cultural change. Incentive programs and employee rewards for those aligned with the organization performance should be planned and executed so that the cultural change becomes effective and be a part of the core competency of the organization. Additionally, it is estimated that at least 25%-30% of the public employees will be retiring within the next 4-5 years. The newly hired will bring with them a new wave of cultural shock for the existing employees. Therefore, incentive programs should encompass both existing and new employees while emphasizing on the result rather than effort.
- **Channels of Communication**

Despite the fact that the public sector in California is exposed to an open line of communication, special care should be devoted to overcoming misunderstanding/misinterpretations of vision, mission, value, strategy, etc. This is normally overcome through training sessions for management and stakeholders along with a specialized web site addressing the BSC progress.
- **Selecting computer software**

Collecting data and displaying performance indicators on real time basis require sophisticated computer software. Usage of spreadsheet is discouraged. Computer software should allow the users to export, cut and paste information, and grant access rights (for viewing and designing interfaces). Easy to use along with capabilities in displaying information according to the customer preference in a short time should be of great importance. Vendors' costs including maintenance and license fees should be compared along with their scalability. A typical scorecard interface is shown on Fig. 2 below.

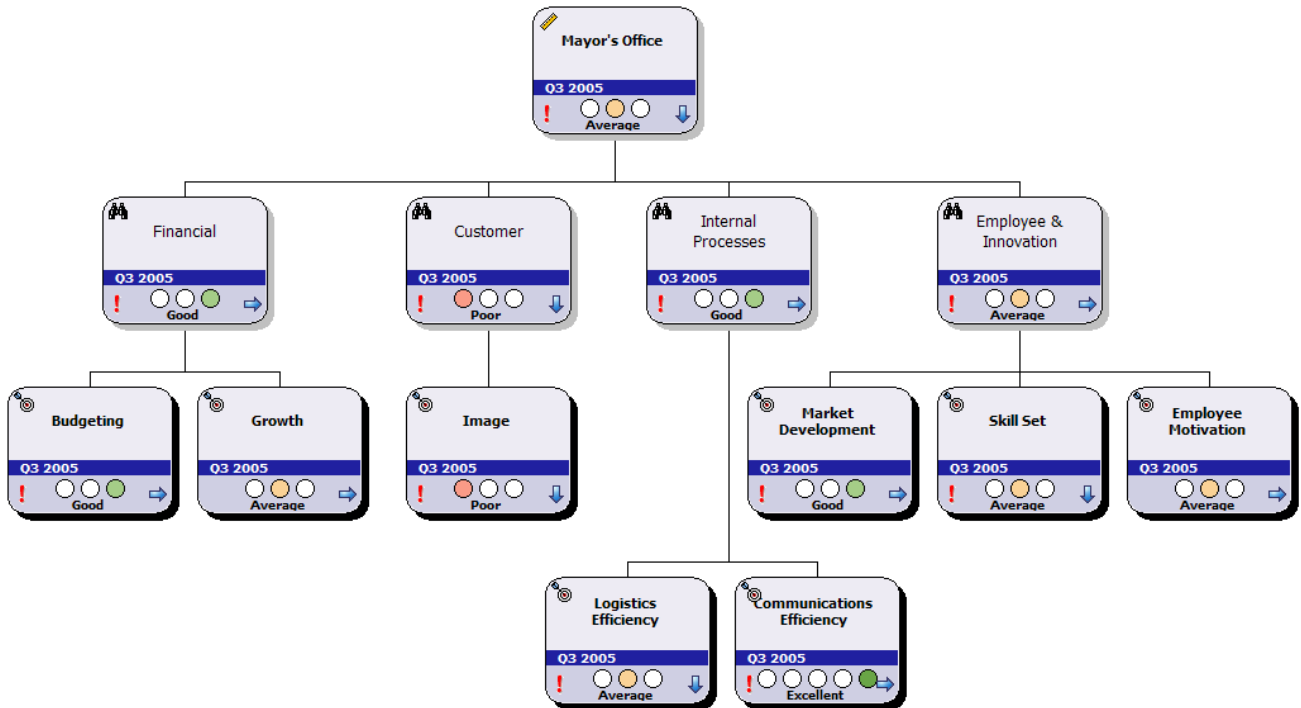


Figure 2: Balanced Scorecard view in supporting software

- **Allocation of Resources**

California is passing through a period of financial hardship. It is estimated 10% cut across the board is planned for next fiscal year. Thus it is anticipated to witness a slow down for new development project activities except for few agencies such as The Orange County Transit Authority (OCTA), Airports (San Diego, San Francisco, and Los Angeles), and Harbor (San Pedro).

- **Performance Indicators**

Selecting the appropriate key performance indicators is essential to display the organization's performance. However, this is sometimes traded for the second best indicators due to the lack of data. There have been cases that some performance indicators were ignored on the ground that the software was not able to capture the data or it did not allow for manual input by users. This matter could be overcome by proper planning to collect the appropriate data in the future to measure the best indicators. Additionally, software compatibility for importing and exporting data is very crucial.

- **Data integration**

Most often data is dispersed and available through different database computer systems. Newly established indicators require manual data collection before selecting a platform to reside.



- **Continuous strategic implementation**

Implementing strategy is not a stop-and-go process. It is a continuous process. Organizations and external forces such as: laws, customer expectations, and demand are constantly changing. Therefore, an office of the strategy should be established and be mandated to check on the reviewing and updating performance indicators and their measurability.



Figure 3: Balanced Scorecard Regional Display

## Conclusion

As a clear strategy execution tool for the public sector BSC brings great success if properly planned and executed. Management should always support BSC during planning and implementation phases. BSC is an on-going process and should not be considered as a Stop-and-Go process. Issues such as employees' participation and engagement along with cultural changes, communication channels, and selecting the best indicators for presenting the organizational performance should be properly executed.

Additionally, a key facet in enabling a smooth implementation/change process is selection of the right software that is easy to use, Web-enabled, seamless data integration, easy importing/exporting data, and report with low cost and maintenance fee are among main parameters for the software selection. In this regard, QPR as one of the world leaders of the performance management, distinctly, by far stands out among its competitors.

## About the Author

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Dr. Behrouz Aslani Ph.D. is recognized for his extensive high-level collaborative leadership globally; and managed international projects and high level training including applied strategic management in the twelve countries Armenia, Denmark, Iran, Japan, Cameroon, Chad, Mexico, Russia, Senegal, Switzerland, Tanzania, and the U.S.A. He has been working with United Nations for Industrial Development Organization (UNIDO) and the United States Agency for International Development (USAID). His is Fluent in French and Persian, understands German, Turkish, and read Arabic. His Strategic Management Web-based computer simulation model is already in five languages Armenian, English, French, Russian, and Spanish. This software has been used very successfully to train managers in many countries including in Mexico.

Dr. Aslani holds a *Ph.D. in Industrial Engineering and Dual Masters: M.A. in Economics and M.S. in Industrial Engineering* all from STANFORD UNIVERSITY, Stanford, California. Additionally he has *Civil Engineering Diploma* from ECOLE POLYTECHNIQUE FEDERALE DE LAUSANNE, Lausanne, Switzerland.

The American Institute of Higher Education Resources (AIHER) is located in Orange County and very active in the Business Management Consulting including: Strategic Management and Balanced Scorecard, Improved Organizational Effectiveness, Improve Quality, Productivity, and Cost Effectiveness, Streamline Organizational Process, Improve Accountability, Enhanced Communication, and Management Training.

URL: <http://www.aiher.com>

## QPR Software Plc

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Since 1991, QPR Software Plc has specialized in providing solutions that help people and organizations take control of their business processes and achieve their goals, which is founded on our belief that the most successful businesses and communities will be those that best utilize the competencies of their people. Our solutions therefore, focus on best leveraging human competencies in order to help our customers achieve the success they seek.

With over 15 years of experience in Process, Risk and Performance Management, QPR is the worldwide solution of choice for leading private and public sector organizations. QPR and Our extensive partner network, which covers over 50 countries, services over 1,500 organizations worldwide with solutions that have been localized in 25 languages.





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