

Balanced Scorecard Usage Survey 2009

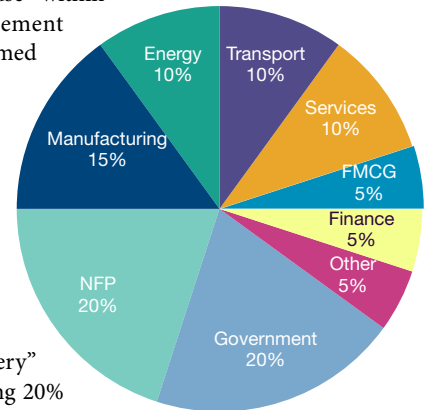
2GC Survey Report

About this survey

This survey by 2GC sought to examine in more detail how organisations are using the Balanced Scorecard. The survey was run during the last three months of 2008. Respondents used either an online form, or returned a printed questionnaire. The short questionnaire focused on understanding what sort of Balanced Scorecard was in use within organisations, and the impact it was having on management performance. The respondents, who were self-selected, were informed about the survey through a range of media mechanisms.

Who took part?

The survey was completed by a broad range of organisations: just over 40% were not for profit or governmental organisations, with the remainder being private sector organisations fairly evenly spread across six sectors. 38% of the responding organisations had more than 10,000 employees, 24% had between 1,000 and 10,000 employees, and 38% had less than 1,000 employees.



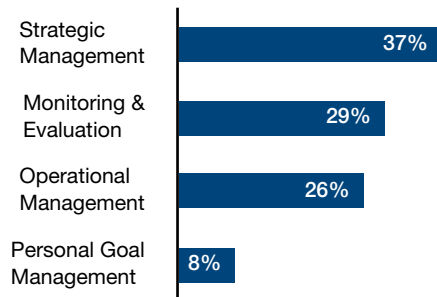
80% of the survey's Respondents declared they were "very" knowledgeable concerning the Balanced Scorecard. The remaining 20% said they were "extremely" knowledgeable. This profile is unsurprising given the self-selected nature of the survey group, but gives us confidence in the quality of the responses. The large majority of respondents worked in the headquarters of their organisation (64%) or a regional centre (24%). Only one quarter worked in a line-management role.

What sorts of Balanced Scorecard

Type of use

The most frequently reported use of the Balanced Scorecard was at the Executive Director Level (27%). Other uses reported were evenly distributed between Board Level (i.e for both executive and non-executive Directors), Divisional and Departmental. This is very much in line with 2GC's experience.

Over half of respondents reported that their organisation had more than one Balanced Scorecard running in the organisation. About 40% of these multiple Balanced Scorecards were created using a structured sequential approach known as "cascading", an approach that unlocks one of the most powerful aspects of the Balanced Scorecard: its ability to drive strategic alignment both horizontally and vertically within an organisation. We were concerned that the remainder used no high level process to co-ordinate the development of their multiple Balanced Scorecards - an oversight that potentially reduces the utility of the devices both individually and collectively. For more on Balanced Scorecard cascading, see the 2GC briefing on the topic at <http://www.2gc.co.uk/resources-faqs>.

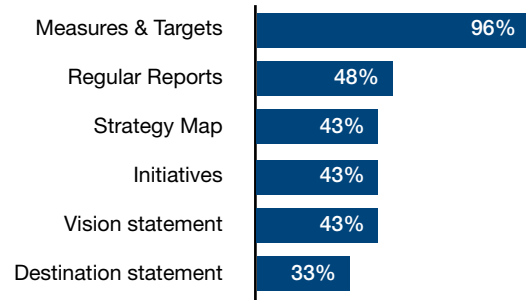


Over a third of the respondents said that their organisation used the Balanced Scorecard to manage the implementation of strategy. This strategic focus is consistent with the origins of Balanced Scorecard, and resonates with us at 2GC where our focus is on strategic performance management. The high percentage of Balanced Scorecards being used for monitoring and evaluation was a surprise - but reflects this use in public sector organisations, where performance reporting based on Balanced Scorecard principles is an important mechanism for demonstrating accountability for results.

We were also interested to see the relatively low shares reported for use of Balanced Scorecard for either operational management or individual performance management - two uses for which it is not particularly well suited. Although consistent with 2GC's experience, it is somewhat at odds with the amount of attention currently given to these two applications of Balanced Scorecard in academic literature, and by consultants and software vendors.

Elements of standard design used

We asked respondents to say what elements of Balanced Scorecard featured in their organisation's Balanced Scorecard(s). The results are, we think, illustrative of the evolution of Balanced Scorecard design methods since its introduction in the early 1990s. Most of the reported Balanced Scorecards were '1st Generation' designs (basically a set of measures and targets spread over four categories). But nearly half had features indicating more recent and more advanced designs, and up to 1/3 having elements of the most recent '3rd Generation' design. 2nd Generation designs have been the focus of books and articles on Balanced Scorecard for over a decade. Books and articles on 3rd Generation designs began to appear over five years ago. The low take-up of these more modern (and more effective) design concepts perhaps illustrates the need for more pro-active education and communication about best-practices.

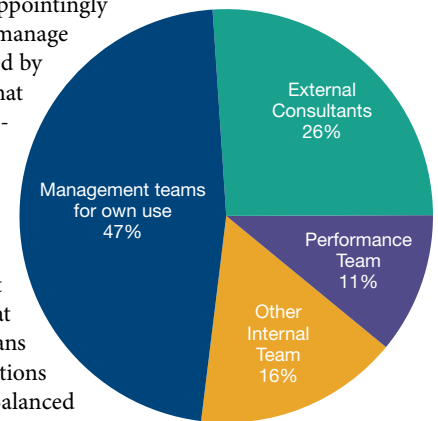


There is more information about the '3 Generations' of Balanced Scorecard designs available from the 2GC web site - visit the Balanced Scorecard information page at <http://www.2gc.co.uk/balancedscorecard>.

Design methods used

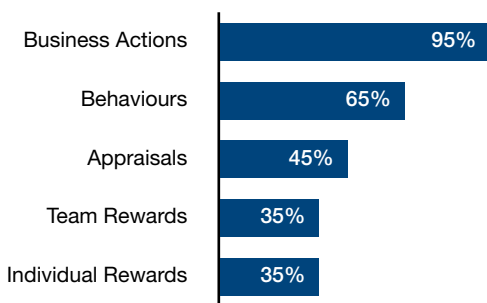
24% of respondents did not know how their organisation's Balanced Scorecard had been created. Where the design method was known, about half had used a method that actively involved management teams for whom the Balanced Scorecard was being designed – based on modern best-practice understanding, a disappointingly low proportion when one considers the role of Balanced Scorecard in helping teams to manage their own performance. Also one in four said that their Balanced Scorecard was designed by consultants. This is a "throw-back" to the 1990s when management teams felt that someone else could be trusted to provide a Balanced Scorecard that was fit for purpose - this is no longer deemed sensible in most organisations and certainly is not in line with modern Performance Management theory.

Two-thirds of respondents said that their organisation had refreshed their Balanced Scorecard design during the previous 12 months. A further one-sixth had revised their Balanced Scorecard within the previous two years. Such reviews are essential: a key tenet of Balanced Scorecard thinking is the need for it to be a dynamic and flexible tool that reflects the changing realities of an organisation – through its changing strategies and plans – and those of the departments/divisions within it. Furthermore, in 70% of the organisations making changes, the revisions were informed by updated Strategic Plans, and the Balanced Scorecard objectives, metrics and targets were revised at the same time.



Who designed your Balanced Scorecard?

Use and Impact of Balanced Scorecard



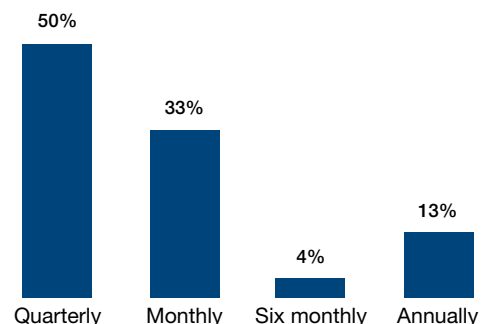
Excellent news... our respondents report that actions and behaviours are being influenced by the Balanced Scorecard(s) in their organisation. The relatively low impact of Balanced Scorecard on team and individual rewards is consistent with our findings earlier about the role of Balanced Scorecard within our survey organisations. Balanced Scorecard's primary role is as an aid to strategic management, informing decision making. Any role Balanced Scorecard has in team or individual appraisals or rewards is as a consequence of the primary role, rather than an end in itself.

If you are interested in finding out more about how to dovetail the strategic management and appraisal / reward roles of Balanced Scorecard, there are various case studies and discussion documents on

this topic to be found on the 2GC web site's performance management resource area - <http://www.2gc.co.uk/resources>.

Frequency

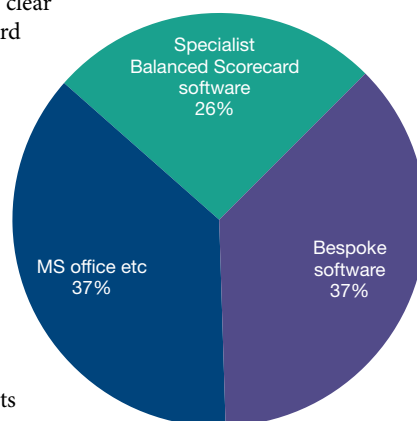
The reporting frequency reported was consistent with the nature of Balanced Scorecards in use (the majority being used for Strategic Management purposes). Half were being reported quarterly - the optimum frequency for strategic management purposes. The one-third reported as looking at results monthly may well be representative of Balanced Scorecards being used for operational management purposes. There are real grounds for concern about the utility of the Balanced Scorecards that are reported only six monthly or annually. Reporting across such long periods will make continuity of thinking hard, and may make timely interventions difficult.



Reporting mechanisms

A very high proportion - 90% of respondents - reported using a “Traffic Light” mechanism to highlight performance on the Balanced Scorecard - typically using red / amber / green status flags. Two-thirds said there were clear consequences for poor performance against Balanced Scorecard objectives and metrics.

We were surprised to find that over a third of organisations produced their Balanced Scorecard reports using bespoke Balanced Scorecard reporting software, rather than relying on standard office software (37%) or using a specialist Balanced Scorecard reporting system (26%). It is our experience that producing one’s own software tool is usually unnecessary and uneconomic. There are many Balanced Scorecard reporting systems available, either from specialist vendors or as extensions of the ERP packages, such as SAP and Oracle, which are available within many organisations. 2GC maintains an up-to-date database of about 100 Balanced Scorecard reporting software packages on its web site at <http://www.2gc.co.uk/swdb>.



Balanced Scorecard reporting software used

44% of Balanced Scorecard reporting systems were ‘web enabled’, and this feature was not seen just in the large organisations but also in some of the smaller ones below 1,000 employees.

Conclusions

Despite its demonstrable popularity as a performance management tool, it has historically been hard to obtain reliable information about how Balanced Scorecard is used, and by whom, and relatively little data on usage patterns is available. 2GC has undertaken this survey to help fill this gap and as part of its continuing active support of original research into performance management topics, in the hope of improving understanding of how this important management tool is used.

The most important finding of the survey was that nearly 60% of respondents felt that their Balanced Scorecard was “very” or “extremely” valuable. Only 6% said it was “not at all” useful, but perhaps unsurprisingly we found that in these cases the organisation’s Balanced Scorecard had also not been refreshed for a number of years. The implication being that for a Balanced Scorecard to be useful, it has to be both used and maintained.

The general comments made by respondents focused on the following:

- The importance of keeping the Balanced Scorecard up to date
- The need to link the Balanced Scorecard to changing strategy
- The value of embedding the Balanced Scorecard within the culture of the organisation

These observations about best-practices are also key tenets of the 3rd Generation Balanced Scorecard approach pioneered by 2GC, and also happen to be areas on which 2GC works extensively with its clients.

The results of this survey will contribute to 2GC’s continuing research activities - for more details of these, and to download Balanced Scorecard research outputs 2GC has generated in the past, visit the 2GC web site at <http://www.2gc.co.uk/resources>.

About 2GC

2GC is a research-led consultancy expert in addressing the strategic and performance management issues faced by organisations in today’s era of rapid change and intense competition. Founded in 1999, UK-based 2GC has worked with organisations in over 35 countries, helping senior management teams to implement their strategic goals. It has offices in the UK, Bahrain and Malaysia, and is able to work in English, French and Arabic. Central to much of 2GC’s work is the application of its 3rd Generation Balanced Scorecard, an approach to strategic implementation, strategy management and performance measurement.

2GC was delighted to celebrate its 10th anniversary in April 2009.

For more information on 2GC’s approach, please visit the 2GC web site at www.2gc.co.uk, telephone 2GC on +44 1628 421506 or email us via info@2gc.co.uk

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