Build better scorecards; Spend less time on them!
Brett Knowles

Scorecards add value when they are used…so we should focus on building useable scorecards.

Balanced scorecards only add value when they are widely used within your organization – translating strategy into action from the Executive Team to the newest employee. The most effective scorecards are those that are strongly owned by the organization – not those, for example, which are the most academically correct, accurate or have the most measures.

We have discovered that by quickly building a rapid pilot scorecard and releasing it to the organization, individuals in the organization improve the quality of the scorecard by replacing the initial ideas with better indicators that their deep process knowledge provides… further more this involvement builds their commitment to the scorecard. It transfers ownership of the scorecard from the Scorecard Team to the entire organization.

The less time you spend building a scorecard, the better they are!

Once you understand that the critical success factor for scorecards is the level of ownership, it is not surprising that we have discovered that the less time that external consultants and the internal Scorecard Team spend building the scorecard, the better the scorecard is. Our experience indicates that when we build pilot-scorecards in 5-Days, the scorecard survival rate more then doubles – and the organization gains the benefits of a deeply owned scorecard.

We recently conducted a survey of some of our Rapid-Scorecard clients and asked them why they thought they had these better results. Their top five reasons (in no particular order) were:

1.   **Involvement Builds Commitment**- Allowing people to replace portions of the scorecard with their better ideas not only improves the scorecard quality, but also builds deep ownership. It turns out that the measurement team is never big enough – a single team can never have complete knowledge of the organization and all its processes. Quickly releasing the scorecard to the entire organization gains access to that huge knowledge pool.

Allow the scorecard to evolve while in use by the organization.

2.   **Great Scorecards are Logical in Hind-sight** – On average the 'final' scorecards contained less then 55% of the original design. Our clients indicated that it would have been impossible for their organizations to build the final scorecard – they lacked the organizational alignment, knowledge and agreements when they began the process. One client likened it to trying to buy a car before they knew how to drive.

Fewer objectives (and measures) are better… faster…and cheaper.

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3.   **Keep It Simple** – Your car dashboard only monitors the key processes that you as the driver need to know about. If there are problems, an 'idiot light' comes on and your mechanic does a detailed diagnostic and informs you of the findings. Your organizations' scorecard should work the same way. There are far too many things going on in your organization to monitor them all; make sure the scorecard covers the area in the detail appropriate for the scorecards' users. Take a look at our clients that Drs Kaplan and Norton have profiled in their books; AT&T in <u>The Strategy Focused Organization</u> and MDS in <u>Strategy Maps</u> – their strategy maps and scorecards are the simplest in the books – simple enough that everyone in the organization could understand and apply them… helping to make strategy everyone's job.

Select indicators that cross functional boundaries…and that are not predictive.

4.   **Use Indicators not Measures** – Many organizations use employee absenteeism as a monthly *indicator* (proxy) for employee satisfaction. Once a year the organization takes an accurate *measure* of employee satisfaction through its employee survey, but this information is not available as needed by management to navigate the business on a monthly basis. Absenteeism is – and it is already being collected! By using indicators as apposed to measures, scorecards can be operational within a week as there is always some indicator available for each Objective somewhere in the organization. It can always be improved later. Furthermore, specific measures try to predict which parts of your organization require tracking – indicators cover a much broader, non-predictive scope. An increase in absenteeism does not tell management what is wrong – they will have to figure that out – it merely tells them that something is wrong.

Help management ask the right questions…but not be able to answer them.

5.   **Scorecards are a Social Tool – Not a Technical Solution** - More dials do not make us better drivers…the same is true of managing organizations. The scorecard's goal is to ensure that management is aligned and asking the right questions but not necessarily able to answer them. Management is at least as much a social event as it is a technical activity. Make sure your scorecard engages the hearts and minds of the organization as well as fairly representing the overall performance

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