The 16-week solution

There are many ways a well meaning implementation of a balanced scorecard can go wrong, says David Parmenter. He explains how to implement a balanced scorecard in 16 weeks—not 16 months—and avoid any pitfalls along the way.

In their groundbreaking work *The Balanced Scorecard*, Kaplan and Norton indicate that 16 weeks is an adequate time frame to set up a balanced scorecard (BSC). Why, then, in many organisations, does 16 weeks so often become 16 months? And, if BSC processes have revolutionised organisations, why aren't all organisations with more than around 20 staff using them?

I suspect the problem lies at the top where the senior management team (SMT) lacks understanding of, and commitment to, the BSC and does not consider it a priority. Some of the blame, however, may also rest with HR departments who have not fully understood the positive impact such an approach can generate, and often allow other teams to drive this initiative—with mixed success. I believe a functioning balance scorecard could be the greatest legacy that an HR manager can give an organisation.

Set out below are 10 lessons based on my observations to help your organisation implement a BSC in 16 weeks.

Lesson 1: Begin with senior management team commitment and education

The SMT must be committed to the balanced scorecard to drive it down through the organisation. Properly implemented, the BSC will create a dynamic environment, but before it can do this, the SMT must be sold on the concept. The BSC should be treated as the top priority, which may mean the SMT allows some of those distracting fires to "burn themselves out". [What fires? Not sure what you mean.]

Commitment from the SMT will involve them putting aside time each week to perform certain exercises, including giving feedback on suggested measures, being available to the BSC team for interviews, perhaps visiting other BSC sites, and approving BSC investment proposals—all within a tight time frame so as to keep within that 16-week implementation period.

The HR manager needs to ensure that the SMT are sold the

The balanced scorecard

Financial
Utilisation of assets
Optimisation of working capital
Focus on top 10 percent customers, etc.

Customer
Seamless service
Increased customer satisfaction, etc.

Environment/community
Supporting local business
Green Globe 21
Community leadership

Internal process
Delivery in full on time
Effective relationship with key
  stakeholders
 Optimising technology

Employee satisfaction
Positive company culture
Retention of key staff
Increased recognition

Learning and growth
Empowerment
Increasing expertise
Adaptablility, etc

concept using whatever 'emotional drivers' will guarantee that their hearts and minds are behind the project. KPIs, as mentioned in my article in the June issue of *Employment Today*, are the only tool that can link day-to-day activity to strategy.

The HR manager should also ensure that any new CEO will get behind the BSC initiative as organisations frequently find that support can founder when a new person takes the helm.
Benefit of this action: The SMT will get a buzz from being involved in a dynamic project which will enhance understanding of their business and improve their organisation's business strategies.

Lesson 2: Focus on the critical success factors
The balanced scored approach enables organisations to implement a company vision and strategy, working from a range of perspectives. Too often, however, time is spent debating what perspectives should be included, what they should be named, and the design of the scorecard. The SMT loves this time of intellectualising, however it does not create value.

It is easy to get carried away with the debate, spending months ascertaining the perspectives while making little progress on defining the critical success factors (CSFs)—the facets that determine the organisational health and vitality and where the organisation needs to perform well. Key result indicators (KRIs), performance indicators (PIs) and key performance indicators (KPIs) are the actual performance measures which cascade naturally from these CSFs. It is crucial that the SMT focus on providing the project team with CSFs. If this is done well winning KPIs are much easier to find.

Using the suggested six perspective named in the box above will mean that you are using a 'better practice' perspective template for the first six to 12 months. After 12 months, the HR team, SMT, general management and staff will have gained experience, knowl-

edge and understanding and be in a better position to fine tune the perspectives names to better suit the organisation's needs.
Benefit of this action: Project time will be invested in more important areas.

Lesson 3: Follow the 10/80/10 rule
The 10/80/10 rule was set out in my earlier article but is worth repeating. Kaplan and Norton recommend no more than 20 KPIs. Hope and Fraser suggest less than 10 KPIs. I believe the 10/80/10 rule is a good guide—10 key result indicators, up to 80 performance indicators and 10 key performance indicators.

The project team and SMT need to focus and concentrate on identifying those 10 KRIs, 80 PIs and 10 KPIs that really matter. The team will need help differentiating [who provides this help?] between key result indicators, performance indicators and winning KPIs. These three measures were defined in the earlier article.
**Benefit of this action:** The KPI team will immediately focus on the end product, not trying to identify 80 KPIs in 200 performance measures.

Lesson 4: Select a small KPI team
KPIs can be designed successfully by a small team. Kaplan and Norton report seeing BSCs designed successfully by an individual when that person had an in-depth understanding of the business.

Notwithstanding this possibility, a team approach with between two to four staff is recommended, supported by an external facilitator (see diagram on page 25). The HR team, along with the facilitator, should research personnel records as talented staff—some of whom may have already had some KPI experience—can be found in unlikely places. You are looking for staff who have excellent presentation and communication skills, thorough knowledge of the

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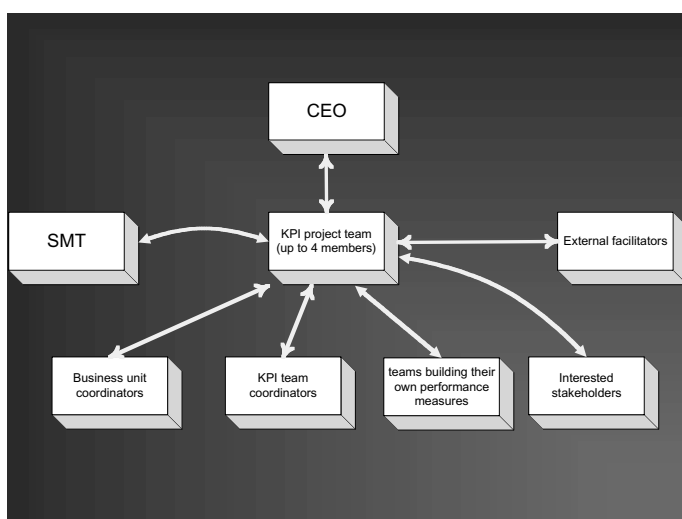
The balanced scorecard project team.

organisation and its market sector, a track record of innovation and completion, and the ability to be cheerful under pressure (a recruiting trick of Sir Edmund Hillary). My suggestion is to find a blend of the oracles [not sure what you mean] in the organisation and team them up with 'young guns'—young, fearless and precocious leaders of the future who are not afraid to go "where angels fear to tread".

A member of the HR team should be on this project. The project head needs to be a person who has excellent interpersonal and selling skills and is well-respected within the organisation. The project staff need to be committed full time. Management will not complain if the project is completed ahead of schedule.

The HR manager should ensure that the project reports directly to the CEO and that it includes an SMT member as this will lead to a string of cancelled meetings as the senior manager is caught in the fire fighting activities that is very much their reality. [This seems rather contradictory. Can you clarify please?]
Benefit of this action: The project will be given a good start and will be protected against procrastination.

Lesson 5: "Just do it!"
The exact structure of result indicators, performance indicators and KPIs is rarely right first time. Kaplan and Norton agree with Nike and say "Just do it!" The facilitator, SMT and KPI project team need to ensure that the project culture is a 'just do it' culture.

While the project team will need to do research and up-skill themselves, this needs to be balanced with the need to achieve the deadline. A carefully chosen facilitator is the key here. The facilitator should ensure that the team is familiar with the manual *Implement-*

ing KPIs (second edition),[author?] and with Kaplan and Norton's *Translating strategy into action: the balanced scorecard.*

A 'just do it' culture brings the belief that the project team can do it. To this end the project team need to be empowered to make many of the decisions. If necessary, the SMT can reverse any that don't work six to nine months down the track when they better understand the concepts and operations aspects.

Such a culture also means that the team will not have to rely on expensive international consulting firms to run the project—something that CEOs are, not surprisingly, often wary of. The last decade is littered with six or seven figure consulting assignments, which have not delivered on the value expectations.
Benefit of this action: Improves your chance of implementing the BSC within the 16-week period.

Lesson 6: Use existing systems for the first 12 months
It is important that existing in-house applications are used for the first 12 months. Much can be done with standard applications such as Excel, PowerPoint, SharePoint Team Services and Access. There is no need to purchase specialised software at this stage. This can be done more efficiently and effectively 12 months down the track.

Sophisticated intranet software, such as SharePoint Team Services which is provided free of charge with FrontPage, is likely to be available in-house. These applications will help the team set-up their intranet website so that anyone interested in the development of performance measures can obtain access. They can provide pre-formatted lists with expiration dates to keep announcements current and are a place to collaborate on the development of KPI documentation and reports in real-time.

The team will need to update the intranet site frequently themselves. It is too important to be left to a systems administrator who is not part of the project.
Benefit of this action: Focusing on an immediate solution using existing in-house software will avoid the project time scale being compromised by delays in systems development.

Lesson 7: Trap all performance measures in a database so they are available to all
During the 16 weeks a number of performance measures will be found which, while not in the top 10 KPIs, will still be highly relevant to business and service teams.

The project team needs to establish a database to record these measures and communicate them through a KPI intranet home page. It is possible to obtain databases of better practice performance measures and reporting formats which aid efficiency.

During the 16 weeks it is important that the lower order performance measures don't divert the KPI project team efforts, but at the same time they should be communicated to teams. Documentation of these measures is where such activity stops so that the KPI team progresses according to agreed time frames.

Benefit of this action: Creating a comprehensive and user friendly resource for all.

Lesson 8: Set your KPIs in ranges to avoid dysfunctional behaviour

Hope and Fraser in their ground-breaking work, *Beyond budgeting: breaking free from the annual performance trap*, pointed out that development of KPIs and associated balanced scorecards can soon incorporate the same baggage as the budget process. One study found managers were inclined to either try to beat the system or felt pressured to achieve targets at any cost (the same behaviour contributing to recent 'managed earnings' scandals).

To avoid such situations it is important to set KPIs in ranges [need to clarify—what ranges?] and allow these ranges to relate to actual circumstances. In other words you may have a cascading range as you are expecting better performance over time.

It is important to ensure KPIs focus on 24/7, daily or weekly activities. As previously noted, monthly, quarterly or annual measures are not KPIs.

Benefit of this action: Establishment of meaningful KPIs which avoid the possible development of dysfunctional behaviour issues.

Lesson 9: BSC designs are an art form not a science

Again, just do it. What is required is a reporting regime that thoroughly addresses those performance measures relevant to the CSFs and the six perspectives. The SMT need to leave the proposed formats unchanged for at least six months. All suggested modifications should be recorded and reviewed then.

The team should make good use of the better practice reporting templates sourced during their research before attempting to de-velop any of their own.

It is recommended that the SMT leave the design of the BSC template to the KPI team and trusts in their judgement. The SMT should tell the KPI project team that they will be happy to live with their sculpture knowing that they can always keep the plinth and recycle the bronze six to 12 months down the track. What you are looking for is a reporting framework that covers the measures in the six BSC perspectives. The key is to seek agreement that suggested modifications will be recorded and looked into at the end of the agreed review period. It will come as no surprise that many suggested modifications will not stand the test of time.

Benefit of this action: Swift adoption of better practice reporting templates.

Lesson 10: Maybe you need to rename

Performance indicators and winning KPIs should ideally be structured within a balanced scorecard. However, right across the world there have been many failed balanced scorecards principally due to the 'garbage in, garbage out' factor. If you use the right measures, and follow the lessons in this paper, the only thing left to do is to find a name for the scorecard—a word which may have negative connotations. What about 'navigator', 'compass' or other directional terms to help sell the concept and galvanise participation? Changing the name is particularly important where existing management have prior negative experiences with balanced scorecards. The HR team can make this part of the selling process to staff.

Benefit of this action: A project name that galvanises the organisation.

David Parmenter is the CEO of performance management company Waymark Solutions. His work on KPIs has received international recognition and his white paper on KPIs was the most downloaded paper in 2005 on www.bettermanagement.com. His book on implementing winning KPIs is due out later this year. David can be contacted on Parmenter@waymark.co.nz