Are We There Yet?:   Balanced Scorecard and Managing Change

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Abstract

Liverpool John Moores University Strategic Plan 2003-2008 references achievement of the European Foundation for Quality Management Excellence Model. This incorporates the need to manage by process and fact underpinned by a Development Programme focussed on a supporting process framework and ICT infrastructure. A key project is the development of an Executive Dashboard. This is a strategic management tool based on a Balanced Scorecard approach to change management and developed using Oracle technology, enabling the dynamic graphical representation of LJMU's performance, including drilldown and collaboration.The presentation covers background, progress to date, and lessons learned, and demonstrates the power of this approach to managing change.

Keywords

Change; strategy; performance

Background

Liverpool John Moores University (LJMU) has for some time been working to implement the basic principles of the European Foundation for Quality Management (EFQM) Excellence Model. This was initially with the pilot project "Improving Higher Education", a UK Higher Education Funding Council for England (HEFCE) Good Management Practice (GMP) supported project piloting the use of the model in Higher Education. Since then the University has made a full commitment to following the model: the LJMU 2003-2008 Strategic Plan, published in autumn 2003, states that *"Throughout the period 2003-2008 we will continue to assess and improve the University management system against the rigour of the European Foundation for Quality Management Excellence Model®; reinforcing our strategic objectives with an active pursuit of the fundamental concepts of excellence"*.
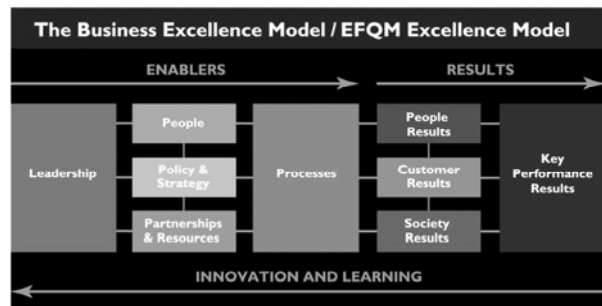
Figure 1 The EFQM Excellence Model [1]

An overview of the model is given on the EFQM website (http://www.efqm.org/model_awards/model/excellence_model.htm):

"The EFQM Excellence Model is a non-prescriptive framework based on nine criteria. Five of these are 'Enablers' and four are 'Results'. The 'Enabler' criteria cover what an organisation does. The 'Results' criteria cover what an organisation achieves. 'Results' are caused by 'Enablers' and feedback from 'Results' help to improve 'Enablers'.

The Model, which recognises there are many approaches to achieving sustainable excellence in all aspects of performance, is based on the premise that:

Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, that is delivered through People Partnerships and Resources, and Processes".

The LJMU 2003 EFQM Excellence Model Self-Assessment highlighted issues around strategy and performance measurement, and prompted action in recognition of the need for:

- New approach to Strategic Planning

- New approach to Strategic Implementation

- New Approach to measurement of progress and maintaining Strategic Focus

- Need to manage by Process and Fact

Two key principles of the model in particular, results orientation and management by processes and facts, have led LJMU to initiate the 'Executive Dashboard' project, with the overriding aim of developing a framework for monitoring performance against key strategic objectives and providing a graphical representation of this for University management. There is also a further HEFCE GMP project linked to this, "Improving Data and Processes in HE", a project designed to build on the traditional Balanced Scorecard approach and produce a dashboard more attuned to the meaurement of performance and delivery of strategy in Higher Education. The Executive Dashboard project is part of LJMU's major Systems and Processes Development Programme, a coordinated portfolio of projects supporting delivery of key aspects of the 2003-2008 Strategic Plan:

 "The implementation of this strategic plan and the faculty and support strategies is supported by a number of significant process and information system projects. These will be co-ordinated through a Development Programme Steering Group to ensure a joined-up focus on strategic objectives and the realisation of benefits. The projects will include the further development of the University-wide process management framework, and an E-Business suite approach to implementation of information systems, to provide the integration necessary for management by processes and fact. The overall focus is on ensuring that major projects are managed as part of a coordinated programme, rather than as free-standing actions".

LJMU also decided to adopt a Balanced Scorecard approach to underpin implementation of the Executive Dashboard, and selected the Oracle Balanced Scorecard (OBSC) software as the appropriate technology given LJMU's existing commitment to implementation of the Oracle E-business suite, with the Oracle Student System and CRM components already live.

Oracle Balanced Scorecard Implementation

Balanced Scorecard is a well-known business methodology devised in the early 1990's by Drs. Kaplan and Norton. The approach recognises that financial results are not the sole indicator of organisational performance, and thus is based around four perspectives: learning and growth; internal business processes; customer; and financial. For public sector or non-profit organisations a further stakeholder perspective is often added. The approach provides a management system that enables organisations to translate strategy into action.
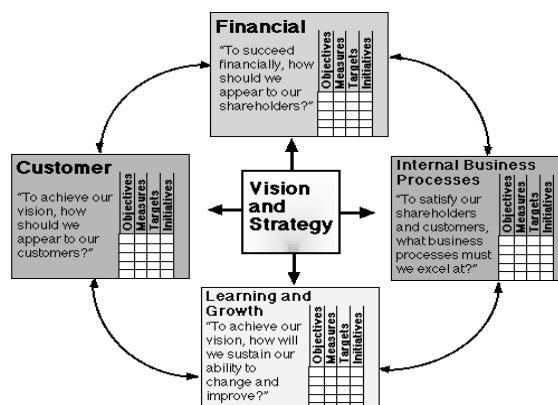

Figure 2 Balanced Scorecard ©Paul Arveson, 1998 [2]

Prior to the technical implementation of OBSC, LJMU engaged in strategy workshops with senior managers and developed a strategy map – a representation of LJMU's 2003-2008 Strategic Plan mapped against the four perspectives, and showing the cause-effect linkages between the different aspects. LJMU also carried out some initial work to identify performance measures and to set targets for these measures.
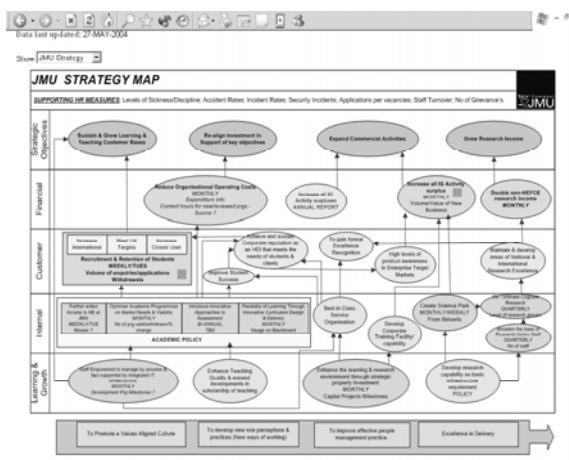

Figure 3: LJMU Strategy Map

In May 2004 LJMU engaged with Oracle consulting for the fast-track implementation of OBSC to support our Balanced Scorecard work. *"Oracle Balanced Scorecard enables linkage of strategy to management actions by placing your company's key performance indicators on manager's desktops. By illustrating the cause-and-effect relationships between KPIs, Balanced Scorecard gives managers a clear understanding of how their decisions impact both their direct area of responsibility, as well as the company's overall strategy".(Copyright © 1999-2005, Oracle Corporation).*

Implementation of a Balanced Scorecard as an approach to managing change and performance, as opposed to the implementation of a supporting technical system, typically involves the following six stages:
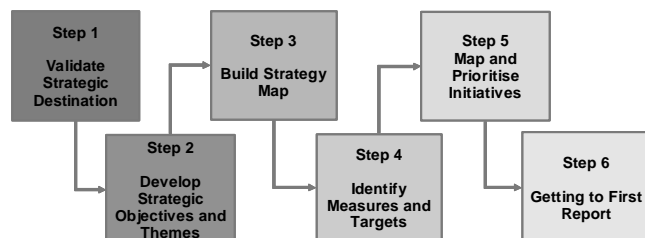
The implementation of an underlying technical system involves further stages:

- Technical software implementation

- Design of overall look and feel

- Identification of data sources

- Loading of data

- Automation of data loading

The OBSC implementation was a 30-day project delivered between May and July 2004. The scope of the project was to produce:

- a corporate level scorecard, articulating company strategy

- colour coded strategic objectives, showing whether targets are being met

- a variety of key performance indicator measures, allowing analysis of underlying data and identification of areas for improvement

- a basic data loading mechanism, allowing actual and target data to be loaded into the system

- a simulation tree view of performance indicators, allowing "what if" projections

- a roadmap for further development of the system, identifying additional scorecards with lower level strategic objectives, plus additional performance measures and data sources

The implementation was completed successfully within the scheduled timescales, and signed-off through User Acceptance Testing (UAT) with a key group of senior managers.

The initial project was, however, essentially a 'proof-of-concept' aimed at getting the Dashboard 'off-the-ground' and the actual data used was limited as it was difficult both to identify data sources and to clarify performance measures and targets. In addition, the whole approach to development of the Dashboard has been one of iterative prototyping, emphasising the need to get a scorecard out there in some form so that the inevitable refinement and realignment could take place.

Current and Future Developments

Whilst the initial implementation project presented LJMU with a working dashboard for senior management, as a dynamic management system clearly work will continue. The findings from the initial project indicated a number of key areas for further work:

- *Productionise the Data Feeds* – reduce manual intervention in data sourcing

- *Performance Data Mart* – effectively a performance measures data warehouse

- *Make use of a Portal* – this is desirable to provide personalised and comprehensive dashboards for senior management

- *Expand the Measures and the KPIs* - further review the appropriateness and practicality of performance measures, and introduce more robust targets and indicators

- *Expand the Scorecards* – initial scorecards have been developed at the Corporate level with drilldown to Faculty, based largely around the Strategic Plan; future scorecards could be developed for operational measurement or for particular groups of stakeholders

The Phase 2 project, which will run from January 2005 onwards, is looking initially at refining data sources and reviewing current performance measures and targets in relation to the four perspectives in the model. This will be followed by the development of scorecards for other target groups and the expansion of OBSC within Oracle Portal to present a fully personalised Executive Dashboard.

Work on Phase 2 to date has led to the publication of the first 'production' Scorecard, populated with real data from key business areas. The need to get the first Scorecard 'out there' to start the process of embedding as a Senior Management performance tool has led to the approach taken: initial areas have been selected partly on the basis of the quality and availability of performance data. The three key performance areas populated at this stage are: Finance, HR and student recruitment.

The following figures are screenshots of the Phase 1 Balanced Scorecard prototype, to give some idea of the look and feel of OBSC and the overall approach – it should be noted that these are prototype screens based on dummy data. These give a very limited illustration of the variety of views of perfomance data enabled by OBSC.
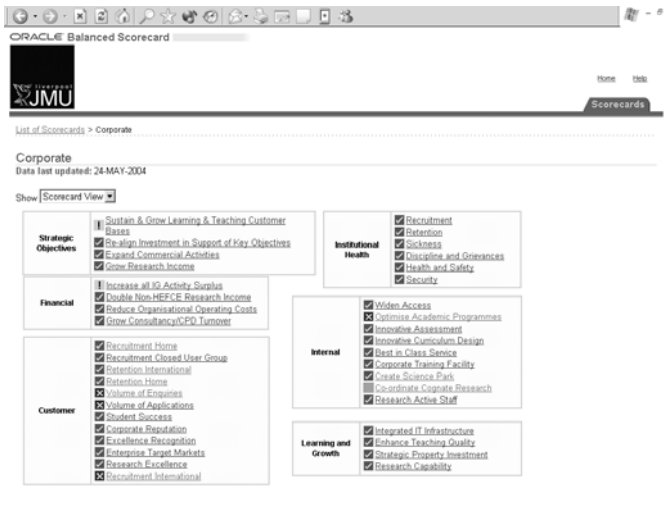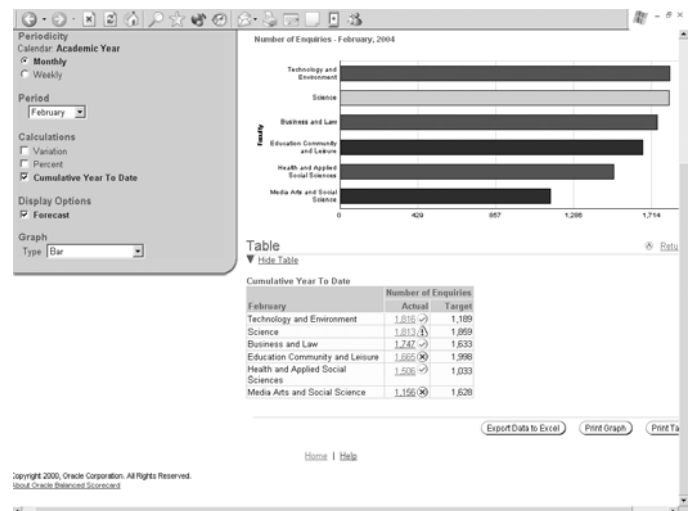

Figure 5 – Top level Scorecard view

Figure 6 – Progress performance

Figure 7 – Further performance view

Lessons Learned

The Balanced Scorecard approach and the associated Oracle technology provide a very powerful tool for managing change – and force you to ask hard questions with inevitable consequences:

- Where are we going? – if you don't have a clear idea of where you want your strategy to take you, it will be impossible to develop a Strategy Map, and Balanced Scorecard won't follow

- How will we know when we get there? – the approach forces you to have a clear description of what the world will look like after you've achieved the strategy. 'Increase student satisfaction' and other woolly objectives just won't do – you have to define what increased student satisfaction would look like in measurable terms

- How will we get there? – the cause and effect approach within OBSC means that change management intitiatives have to be linked to strategic objectives. The Strategy Map and Scorecards must demonstrate how learning and growth and internal business processes are translated into customer and financial success

- Are we there yet? – measures and targets are mandatory. OBSC enables the organisation to see how far it's travelled towards its objectives, and how far it has to go

- How can we tell where we are now? – a common outcome of OBSC projects is the realisation that we are not measuring the right things. This means that a) there may be key strategic objectives where we collect no data that will tell us how we're doing,
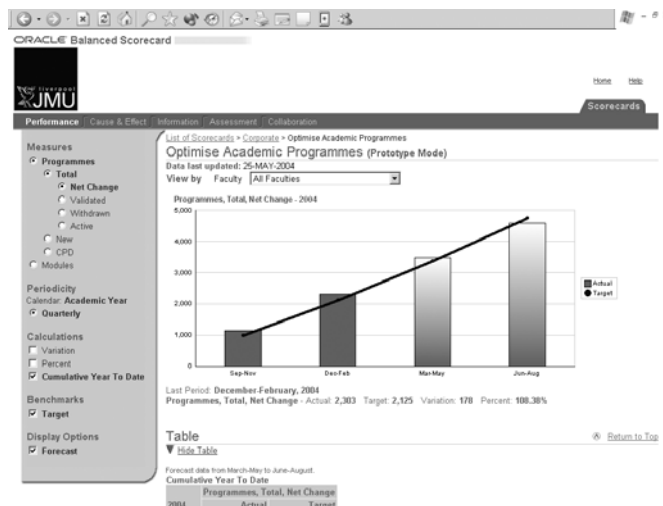
and/or b) there may be data we are collecting that doesn't tell us anything we want to know. This may mean we need to introduce new processes to collect and measure the right things, and perhaps get rid of some old ones

- The data must be accurate and meaningful. Nothing is as guaranteed to kill a Dashboard project stone dead before it's really started than going live with data that is immediately challenged and cannot be defended. This is why LJMU have gone live with a very limited dataset – better a small amount of robust data than the quantities of uncertainty that sadly are usually served up.

- Who gets the data? – Push or Pull? The 'owner' of a particular dataset, be it Human Resources, Finance or Marketing, may have the data but not be accustomed to providing it in the form required for OBSC. Similarly, individual functional departments may not see it as their job to provide data for this purpose (but see Conclusion below). It is critical that either a) individual departments do see it as their role to provide data for OBSC, in the required form and at the required times (Push) or b) there is a central resource tasked with getting the data (Pull). Whichever approach is taken, there will be a need for a central coordinating role.

- Change management – as suggested by the previous points, working with Balanced Scorecard means changes in the way we work (would there be any point in implementing it if it didn't?) – but this doesn't happen of its own accord and there is a major communication and marketing effort to go with any such initiative. In addition to the areas already mentioned, to be successful the Dashboard approach also means changes in the way that Senior Management operate – a continuous engagement with corporate performance against strategy, a willingness to use online tools, a willingness to accept that the data is correct and means what it says. This change is not a foregone conclusion.

- What about people? – OBSC can appear to be a very mechanistic approach to managing change, but the reality is that strategy is delivered by people, not by processes or technology. The Balanced Scorecard approach, however, also includes a very powerful approach to managing the people side of change, through techniques such as Human Capital Readiness review and the mapping of Strategic Job Families – but that's future work for LJMU, and the subject of a different presentation.

Conclusion

Whilst LJMU are only at the beginning of our work with the Balanced Scorecard approach and the development of our online Executive Dashboard, the rigor that the approach imposes on management is already beginning to pay off in terms of strategic focus and recognition of the need to develop robust performance measures and targets. The technical aspects of the development have also highlighted areas where we need to improve our systems integration, data collection and reporting in order to support the approach. As we progress with the project Executive Dashboard will develop as a key tool in enabling LJMU to become the strategy-focussed organisation it needs to be in order to meet its key objectives and fulfil its mission.

References

[1] The European Foundation for Quality Management, 'The Excellence Model', http://www.efqm.org/model_awards/model/excellence_model.htm

[2] Paul Arveson, 'What Is The Balanced Scorecard?', http://www.balancedscorecard.org/basics/bsc1.html

[3] The Balanced Scorecard Collaborative, http://www.bscol.com/