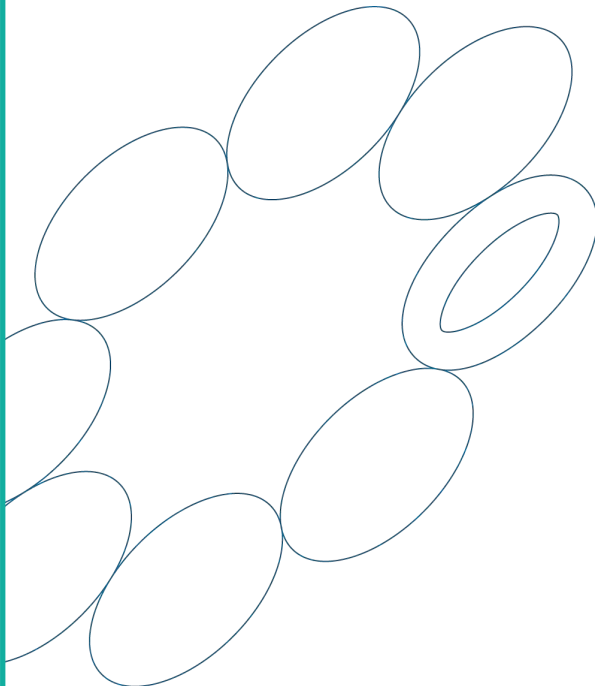# Balanced Scorecard and Results-Based Management

Convergent Performance Management Systems

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Abstract

This paper compares and contrasts two of the most widely adopted Performance Management (PM) frameworks – Balanced Scorecard and Results-Based Management. It reviews the two frameworks' independent origins and separate evolutionary paths, and examines the resulting differences in practical application. Two case studies are presented, one examining Results-Based Management implementation within a global UN agency, the other describing work to build a 3rd Generation Balanced Scorecard within a Middle Eastern government ministry. The authors propose that the two frameworks are converging in terms of the approaches used for framework design and implementation.

Introduction

The use of performance data to monitor, evaluate and improve the effectiveness of organisations has been a facet of human activity since the early days of civilisation. The concept of trading between communities, the use of currency, and the creation of monumental constructions such as the pyramids attest to an ability to envision, organise and manage complex activity dependent upon reliable data that pre-dates the modern world.

The ability to engage in complex activities requiring large-scale organisational management has been almost exclusively a public sector (or at least non-commercial) activity for most of history. However, the development of financial accounting and banking in Italy the 15th century and the subsequent emergence of the commercial joint-stock company in The Netherlands and later Britain in the 1600s triggered the rise of truly complex organisations in the private sector. A critical consequence of these developments was to allow for the separation of the 'management' and 'ownership' of assets and the consequent emergence of the modern private sector organisation. In such organisations, managers are held accountable for the delivery of a narrowly defined set of financial outcomes related primarily to the present value of the organisation's traded share capital (shareholder value) by a closely defined group of owners (i.e. the shareholders, and other providers of financial resources) with broadly homogenous expectations.

This private sector focus on financial return is reflected by the pre-eminence of financial data as a mechanism for performance monitoring, evaluation and control in the sector. In so far as the effectiveness of management's engagement in other aspects of organisational activity (e.g. in commercial strategy, compliance with legal statute, procurement and management of workers etc.) is evaluated externally, it is typically calibrated in terms of actual or anticipated impact on shareholder value. This translation of private sector performance into a set of performance measures that is common to all joint-stock organisations also enabled inter-organisational comparisons, even between dissimilar private-sector organisations. The rise of the 'corporate raider' is a powerful illustration of the transparency provided by the use of comparable performance measures – with the raider opportunistically replacing incumbent managers where it is apparent that they are making poor use (in terms of financial return) of the assets entrusted to their care.

However, this emphasis on financial measures of performance began to be seen as sub-optimal by the 1980s, and recent management reforms have focused on ways of expanding the range of non-financial measures used internally and externally to monitor and evaluate activity. These changes, increasingly supported by firm evidence of success, have served to improve the

'quality' of management, as measured (in part) by the ability of managers to successful achieve 'strategic' goals over time.

Conversely, in the public sector the separation of 'owners' and 'managers' is less clear: the clarity of the private sector's focus on simple financial returns is missing, with organisational activity being based instead on the achievement a complex web of social, political and ethical requirements set by a diverse group of stakeholders with heterogeneous motivations and influences. Indeed, in the UK at least, the lack of capital budgeting provisions in public sector accounting rules have traditionally made any determination of 'financial asset return' quite difficult. Consequently, monitoring and evaluation of activity in the public sector has had to focus more on the achievement of non-financial goals, and methods of evaluation have traditionally been more specifically tailored to the needs and interests of specific stakeholders.

But this complexity of purpose and the diverse methods of activity monitoring adopted in the public sector have lead to problems of transparency, which in turn have constrained the ability of stakeholders to monitor and evaluate the performance of public sector organisations. With a lack of effective oversight, it has been argued that public sector activities have greater scope to be 'inefficient' compared to equivalent activities in the private sector: leading to concerns both about 'value for money' and 'ability to control' public sector activities.

In an attempt to redress these issues of oversight, and the associated issues of efficiency and control, recent changes in public sector policy and management have promoted the use of private sector tools and frameworks to manage public sector activity – e.g. Balanced Scorecard mandated in the USA in the 1990s. But these have been found difficult to apply – partly because they have, in their private sector form, not been subject to the same pressure to address issues of monitoring and evaluation against the diverse needs of multiple stakeholders. This weakness has been reflected in the continued separate development of public sector management frameworks.

Public and private sector performance management practice is therefore converging – in the private sector through greater interest in the inclusion of non-financial measures of activity in monitoring and evaluation systems, and in the public sector by the introduction of performance monitoring and evaluation methods and structures that provide some of the transparency and comparability that has been so useful in the private sector.

In this paper we look at these trends through insights gained during two recent projects carried out by 2GC in the public sector. In one, 2GC worked to deploy a private sector performance management framework (the Balanced Scorecard) in a complex public sector environment focused on the monitoring and evaluation of development investment in an emerging economy. In the other, 2GC worked on the improvement of a public sector monitoring and evaluation methodology called Results-Based Management (RBM) that is popular among the agencies of the United Nations, through the introduction of lessons from the private sector.

Background

It can be strongly argued that the public sector led the way in terms of innovation in performance management methods up until the early 1970s. From the Doomsday book through to the civil administration of the Empires of the 19th and 20th Centuries, the economic demands of military campaigns and the associated need to raise income through taxation pushed public administration to find efficient ways to monitor activity within an economy. Many standard management tools, including process mapping, strategic planning, scenario planning and materials resource planning can trace their routes back to projects or methods developed in the public sector or the military. One such management tool is the

'Logical Framework', a performance management device widely used in the Non-Governmental Organisation (NGO) and Development Organisation (DO) sections of the public sector.

Logical Framework, an analytical device used to plan, monitor and evaluate projects, originated in work carried out for the US Department of Defense in the 1960s (Odame, 2001). Logical Framework (or LogFrame) was found to be helpful as a planning and evaluation tool in complex and unpredictable environments in which outcomes are not clearly measurable, and the required interventions are difficult to predict. Initially adopted by the United States Agency for International Development (USAID), during the 1970s it was widely applied by many DOs for planning, and to support the newly emerging discipline of 'monitoring and evaluation' (M&E).

	Result Sought	Performance Indicators	Means of verification	Assumptions/ Risks
Impact				
Outcome				
Outputs				
Activity				

Figure 1: Logical Framework (LogFrame) matrix

As represented in Figure 1, the vertical axis describes the causal relationships between the activities going into a programme (or other organisational effort) and the results produced as a consequence. (A 'result' is characterised as a "describable or measurable change in state that is derived from a cause and effect relationship"). The horizontal axis describes the results sought at each level of the hierarchy and how these will be measured. All sixteen boxes are completed with descriptive text. A completed LogFrame provides a one-page summary of the programme's 'strategic logic': the performance expected from the programme at multiple levels and the means of assessing this performance over time. Good LogFrames are completed by a combination of programme managers, M&E specialists and external stakeholders, for example intermediary partners and government representatives.

By the end of the 1980s, DOs were using LogFrame to plan activity centrally and to measure/assess delivery remotely. But new pressures were emerging that would trigger the development of a new framework derived from LogFrame called Results-Based Management (RBM).

Private sector interest in formalised performance management (PM) frameworks possibly dates from the pioneering work of F.W. Taylor in the early 20th Century, but it is only since the 1960s that private sector managers and researchers have observed the limitations of financial measures (e.g. Dearden 1969) and the value of non-financial measures (Report of the Committee on Non-Financial Measures of Effectiveness 1971) in support of improved decision-making. During the 1970s, the concept of planning, not measurement, rose in importance – good strategies and plans were seen as the route to organisational success. This decade saw the arrival of the global strategy consultancies – McKinsey, Bain and the Boston Consulting Group, for example – who sought to develop the best possible business strategies and plans for their clients. Over the next two decades, however, it became apparent that this determinist approach to organisational performance was flawed (e.g. Johnson and Kaplan

1987): good plans were not always delivered, or even deliverable. One study found that 90% of surveyed managers believed their organisation to have a good strategy, but only 35% thought they executed it well.

During the 1980s, the concept of 'emergent strategy' appeared to counter this 1970s determinism. Now, strategy involved being clear on long-term goals, but adapting shorter terms activities and outputs to changing circumstances (Mintzberg & Waters 1985). With this element of 'learning by doing' came the need for managers to develop a deeper understand of what was 'going on' in the business. Private sector organisations began to address an historic over-reliance on financial reports, seeking out non-financial measures of performance to better control strategy and its delivery.

During the late 1980s, Robert Kaplan and his associate, David Norton, were engaged in a co-operative research programme that brought them into contact with Analog Devices, a Silicon Valley manufacturer of integrated circuits. Analog Devices was using a simple but effective management reporting system that included both financial and non-financial measures called 'The Balanced Scorecard' (Stata 1989). The framework organised the firm's measures into four 'perspectives': 'Financial', 'Customer', 'Internal Process' and 'Learning & Growth'. Kaplan and Norton took this idea and reported it in a 1992 paper.

This early version of the Balanced Scorecard was attractive – a simple (if vaguely defined) means of addressing a problem many managers had noted for years – a dearth of useful non-financial measures of organisational performance. From 1992 firms began to adopt Balanced Scorecard in earnest (Rigby 2001, 2003), to be followed some years later by public sector organisations, initially within OECD counties.

Evolution of Balanced Scorecard

A recent survey determined that companies use an average of 13 management tools or frameworks at the corporate level. Many of these are tools intended to help measure or monitor the performance of an organisation, and within this list the most popular performance related framework was the Balanced Scorecard (57% reporting use of a Balanced Scorecard) (Rigby and Bilbodeau 2005). This is a remarkable achievement for a simple framework introduced only about ten years earlier. A key contributor to this long-term success has been the steady evolution of the Balanced Scorecard framework in the light mainly of practical experience (Guidoum 2000, Lawrie & Cobbold 2004), but also to some extent from theoretical development by academics and others (Kennerley & Neely 2000, Lipe & Salterio 2000, Shulver & Antarkar 2001).

Many early adopters of Balanced Scorecard had found it difficult to design. Part of the problem related to filtering: many more measures were available to managers than could be practically used. In the absence of a basic strategic context (as available within the Logical Framework, for example), managers found it hard to agree on an appropriate set of measures of organisational performance (Butler et al 1997, Ahn 2001, Irwin 2002). One resolution to this difficulty was to agree to delegate the selection process: either to outside agents (e.g. consultants) or to a specialist team within the organisation. While this at least relocated the selection problem out of the management team itself, it was soon found that Balanced Scorecards developed in this manner were perceived to be unhelpful by the managers charged with using them, contributing to a high rate of abandonment for these 'first generation' Balanced Scorecards (Lingle & Schieman 1996, Schneiderman 1999, Malina & Selto 2001).

Researchers and practitioners proposed several improvements to the design process for Balanced Scorecard to address these design problems. In 1993, Kaplan and Norton wrote a follow-up paper introducing the concept of 'strategic objectives' – short sentences describing

the 'goals' introduced in the 1992 paper. The authors proposed that there should be a direct mapping between each of the several strategic objectives attached to each of the four perspectives and one or more performance measures. This innovation provided a basic context for measure (indicator) selection and helped with measure filtering – the strategic objectives provided the logic for choosing one measure over another within each perspective.

A second innovation helpful to Balanced Scorecard measure selection came from research into causal relationships or 'linkages', between measures, across perspectives. Managers began to hypothesise the relationships between business objectives (not measures) and in the mid 1990s Balanced Scorecard documentation began appearing that recorded these objective-to-objective relationships. Alternatively called Strategy Maps or Strategic Linkage Models (SLM), these graphical illustrations of objective hierarchy typically sought, from the Kaplan and Norton perspective, to connect 'Learning & Growth' objectives with 'Internal Process' objectives, thence with 'Customer' objectives, and finally to 'Financial' objectives.

This type of Balanced Scorecard – consisting of a four-perspective SLM plus a set of measures – had been hinted at in papers emerging from 1995 onwards, but the first unambiguous description of this type of Balanced Scorecard appeared in a Swedish publication in 1997 (Olve & Wetter, 1999), and in a book by Kaplan & Norton in 1999 (Kaplan & Norton, 1999). Many observers consider this 'second generation' Balanced Scorecard to be current standard practice. A wide range of variations to this second generation Balanced Scorecard design have been proposed (e.g. Butler et al 1997, Brignall 2002) but without having much impact on general practice.

But while the use of strategy mapping and linkage models during the second half of the 1990s is seen to have made easier the task of measure selection, new problems appeared. Predictably, these problems related to choosing the strategic objectives themselves – Kaplan and Norton's concept of 'perspective goals' did not provide sufficient context for the selection of strategic objectives. Management teams found it difficult to agree the few (typically 12 to 20 on an SLM), most important things for them to focus on (Lawrie & Cobbold, 2004).

Practitioners sought solutions to this new problem of selecting meaningful strategic objectives for the organisation. Between 1996 and 1998, a multinational food-manufacturing firm working with one of the authors developed a third element of the Balanced Scorecard design – a document known initially as a 'Vision Statement', and later renamed as a 'Destination Statement'.

Initially, Destination Statements were produced after the SLM had been agreed and the measures selected, as a quality assurance test and to help with subsequent target setting. Managers were asked to describe and document what the organisation would 'look like' once their strategic objectives had been achieved. The articulation of a clear statement describing what an organisation's management hoped to achieve was not a new idea (Senge 1990, Kotter 1995); the improvement was simply to use this statement to support target setting.

Through subsequent projects of a similar nature, within several private and public sector organisation, the authors observed that this 'rolling forward' of the current strategy could be constructed in parallel with, or even as a precursor to, the selection of strategic objectives and measures. Since 2000, standard practice has emerged to develop the Destination Statement as the first step in the Balanced Scorecard design process: with a consensus on what needs to be achieved by some future date, management teams find it easier to reach agreement on the key actions and outcomes to be monitored, and so what measures (and targets) to include in the Balanced Scorecard.

A second development during the late 1990s concerned SLM design. As indicated earlier, the first versions of SLMs used Kaplan and Norton's 4-perspective hierarchy, flowing from

'Learning & Growth though 'Internal Process' and 'Customer' to 'Financial'. This caused problems for some users, in particular public sector organisations seeking non-financial outcomes.

A UK government agency, during a project to design an aligned set of Balanced Scorecards, developed a new, more intuitive form of SLM. Using a detailed Destination Statement as a reference point, agency managers identified the near term activities that would need to be completed if they were to remain on track to realise their Destination Statement commitments at a later date. For each of these activities, the managers also chose a measurable 'outcome' objective that would help them determine if the activity was 'working' as required. In some senses, this pairing of activity and outcome objectives echoes in a more practical form the calls made by Kaplan & Norton for 'leading' and 'lagging' measures (Kaplan & Norton 1993). To illustrate causality between these two sets of objectives, the agency's managers produced the first reported two-perspective SLM.

A third recent innovation concerns the design process, rather than the components making up the Balanced Scorecard itself. Early Balanced Scorecards were simply about measures, and a set of measures is easy enough to decide through a small project team. As Balanced Scorecards have become more 'strategic', reflecting the organisation's objectives and goals, so has the need for the entire management team, not a sub-set, to decide what goes into their Balanced Scorecard. These decision-makers are busy people however, and have limited time to devote to Balanced Scorecard design. To deal with this constraint, the authors developed and refined a workshop approach to facilitate the articulation of a consensus view on the managers' destination, objectives and measures. This innovation minimises the time investment required by managers to design Balanced Scorecards that they 'own' and are likely to use subsequently. In total, some four days are typically required of each manager, over two to three months, to design a 'third generation' Balanced Scorecard.

Emergence of Results Based Management

The 1990s brought new challenges to DOs, in particular the UN and its agencies. This decade saw Organisation of Economic Development and Cooperation (OECD) country governments successfully implementing major public sector management reforms, in response to changing social, political and economic pressures. Central to these reforms were efforts to improve transparency of performance within government, and to achieve 'more with less'.

> *"By the end of the decade, most of the United Nations system organisations were facing similar challenges and pressures from their contributors to reform their management systems and become more effective and results-oriented".*
> *(Ortiz et al., 2004)*

DOs focus on improving life in poor countries, using rich country expertise and finance. The UN's Millennium Development Goals are representative of the human challenges typically addressed by DOs (UN Secretariat 2003):

- eradicating hunger,
- universal education,
- gender equality,
- reducing child mortality,
- increasing maternal heath,
- combating disease,

- 𝒪 environmental sustainability, and
- 𝒪 'partnering for development'.

These goals were not new. DOs, primarily NGOs and the development ministries and agencies of donor nations, have been working on similar goals for decades (Wilensky 1969, Belshaw 1981). The challenge then, as now, was two-fold.

First, to design and plan interventions (or development programmes) that are likely to achieve the development outcomes sought. Second, to assess programmes to understand the extent to which they are successful in achieving these outcomes, and why.

Mangers of DOs knew that meeting the second part of the challenge would allow, in principle, for good programmes to be repeated elsewhere and for less successful programmes to be re-designed or ended. Like managers everywhere, DO managers have attempted to use feedback on past performance to improve future performance.

Although popular and widely used, LogFrame analysis was insufficiently broad to support both of these challenges without modification. Following on from some initial work carried out by the OECD, the United Nations selected a new framework called Results-Based Management (RBM) as its preferred management framework to underpin its response to the demand for reforms within the UN system. In 2000 the UN adopted a modified version of the OECD definition of RBM:

> *"RBM is a management approach focused on achieving results; a broad management strategy aimed at changing the way [agencies] operate, with improving performance (achieving results) as the central orientation".*

UN agencies were given significant latitude in applying the RBM framework – RBM was initially a set of management principles, to be applied within an agency as the local executive saw appropriate, not a specified methodology. Nonetheless, the adoption of RBM was coordinated between agencies, with the UN Joint Inspection Unit (JUI) playing an important role in "harmonising" RBM across diverse UN organisations. The agencies made significant efforts to share experiences and to standardise practices, terminology, tools and measures (Oritz 2004).

Several years into these efforts and RBM is still in the early stages of implementation. In a 2004 report into RBM adoption, the JUI noted that:

> *"some of these efforts have been more fruitful than others, with varying levels of progress achieved in establishing such systems among the organizations of the UN family",* and

> *"the changeover to a results-based culture has been lengthy and difficult, with organizations struggling to establish environments that promote high performance and accountability, empower mangers and staff alike and include them in the setting and accomplishment of programmatic goals".*

RBM is ambitious, in that it will place new demands on UN staff that will affect internal activity and the external perception of this activity. The changes required to implement RBM fully are extensive and fundamental.

In another 2004 report from the JUI, forty-three 'benchmarks' against which agencies can measure their RBM implementation progress are described. These are grouped by management process and are supported by more than 150 subsidiary recommendations. These benchmarks point to the extent of change anticipated within UN organisations, and it is worth noting that many of the subsidiary recommendations constitute significant change initiatives for any organisation. Given the political and bureaucratic nature of the UN, its

perhaps not surprising that implementation of RBM has been slow. Examples of the benchmarks and recommendations in the JUI report are:

Planning, programming, budgeting, monitoring and evaluation

- Benchmark 3: Long-term objectives have been clearly formulated for the organization
- Benchmark 9: A knowledge-management strategy is developed to support RBM

Delegation of authority

- Benchmark 2: Delegation of authority is clearly determined
- Benchmark 7: Managers demonstrate required competencies

Accountability

- Benchmark 3: Accountability is applicable at all levels, from the top down. The executive heads and the heads of major organizational units are therefore the first to be held accountable for the results they are expected to deliver
- Benchmark 8: A transparent, swift, independent and equitable system of administration of justice is in place

Performance Management

- Benchmark 1: The main prerequisite for an effective performance management system is a change in the culture of the organizations concerned
- Benchmark 3: Performance management systems are seen as managerial tools that help the organizations run, direct and control their resources on a day-to-day basis

Rewarding Performance

- Benchmark 2: The performance reward scheme emphasizes organizational results, not just individual performance

Contractual Arrangement

- Benchmark 3: Transparent, effective and fair recruitment/placement systems are in place to support results-oriented contractual policies

A specific requirement of RBM is for the system to more easily allow for 'value for money' to be demonstrated to sponsoring organisations, and as a result RBM includes a substantial data collection, collation and reporting element. A 2004 JUI reports states:

> "To be effective, a performance information system needs to be supported by a reliable telecommunications infrastructure and a commitment by managers and staff concerned to supply it constantly with the required data and information".

The emphasis of RBM here appears to be on 'feeding' a system that reports information to others.

Comparison of Balanced Scorecard and RBM

RBM (as practiced in the United Nations) and Balanced Scorecard are each intended to help the managers of an organisation become better informed about the delivery of key organisational goals, such that they may use this information to drive interventions within the organisation that will ultimately lead to 'improved organisational performance' (however this is defined).

There are several elements that RBM and Balanced Scorecard have in common, although receiving different emphases under the two frameworks:

- *O*   Performance measurement: activities to collect data/information describing aspects of organisational performance

- *O*   Performance reporting: activities to compile this data/information into a document (report), then distributing

- *O*   Operational management: activities to achieve short-term, relatively well-defined goals – working to "do things right"

- *O*   Strategic management: activities to achieve longer-term, less clearly-defined goals – working to "do the right things"

- *O*   Strategic control: activities to help the organisational centre to understand performance at the periphery – to enable intervention where required, and to inform strategy evolution

For Balanced Scorecard, which evolved as a tool for managers to articulate to themselves their goals, the focus is on enabling and supporting better strategic control of their organisations (Goold & Quinn 1990, Muralidharan 1997). As to a large extent external evaluation of corporate performance was traditionally well handled by financial reporting (as it aligned well with the interests of key stakeholders), less effort was put into developing Balanced Scorecard as a tool for informing the external monitoring and evaluation of performance. Likewise, developments over time in the design and usage patterns for Balanced Scorecard emphasised improving speed of design and responsiveness to changes in the strategic environment, and the extent to which Balanced Scorecard information is useful to anticipate the need for future interventions.

By way of contrast, RBM has a very heavy emphasis on the role of internal and external monitoring and evaluation of performance (retrospectively) and in this respect the selection of measures – at least at the level of the organisation most visible to donors – is dominated by the need to demonstrate achievement of the specific interests of the donor community. While the design process also emphasises the need for consensus building, this consensus is between the organisation and its sponsors, rather than within the organisation's own management team. This can be a time consuming process, and results in the selection of measures of performance that may not be useful at the operational level.

Case Material

Given the independent origins and separate evolutionary paths of the two frameworks, and the differing characteristics of Balanced Scorecard and Results-Based Management user organisations, it is unsurprising that there are few reports of development organisations applying a Balanced Scorecard framework. The two cases presented next describe the authors' work to apply Balanced Scorecard and 'private sector' performance management principles in the development context. The first case examines the apparent benefits and notable risks associated with using Balanced Scorecard in a traditional government ministry. The second case looks at a Results-Based Management training programme within a large UN agency and the views of 'front-line' agency managers and technical staff on performance management generally.

Case Study One: Development Programme

The organisation is an influential government ministry in a Middle Eastern country, more specifically the programme management team of a $100m per year development programme run from within the ministry. The programme, the result of a merger between two complementary programmes, sought to build societal capacity by encouraging economic activity in the poorer parts of the country. Five sub-programmes sought to, for example, pay

for irrigation dams and roads to tourist sites, train and enable entrepreneurs, build jam factories for village clusters, etc. Funded by the international community, donors received some reports on outcomes, usually favourable outcomes, but had little real understanding of overall programme performance – the result of an unclear programme strategy, little documentation, and a marginalised M&E team. The ministry's Secretary General recognised the problem and commissioned a project to strengthen M&E capabilities using Balanced Scorecard.

The project was communicated to programme management as centring on M&E, helping the function to select measures of programme performance, but nonetheless requiring significant input from the managers themselves. Three workshops were scheduled; all to be attended by the twelve programme and project managers, including the programme director plus the Secretary General.

Preceded by interviews with key stakeholder groups, the first workshop allowed programme management to produce a draft Destination Statement for the programme – a detailed description of the programme and its impact on the country, in four years time. Post-workshop, managers reviewed and gave feedback on the draft. In a second workshop three weeks later, managers finalised the programme's destination before turning to short and medium term implications. Programme managers eventually reached consensus on the programme 'strategy': the handful of outcomes sought, outputs required, and projects to be planned and implemented in support. This consensus was documented through an activity-outcome SLM.

Managers then accepted to act as "owner-coordinators" for one or more of the strategic objectives agreed. Post-workshop, all programme managers worked to define their objectives and propose measures for each. In a third workshop, these objective definitions and measures were discussed, revised and agreed. Later in this third workshop, the programme management team together created integrated plans for each of the activity-type strategic objectives. At a final validation meeting with the responsible minister, the programme team presented their new programme strategy, plans, measures and reporting process, and committed to using the Balanced Scorecard to guide programme activities and report programme performance in future.

Programme managers stated that they had found the intensive design process to be highly useful. Applying the 'third generation' Balanced Scorecard methodology allowed managers to jointly make decisions as to the contents of the Balanced Scorecard, and so program strategy and responsibilities and accountabilities for programme results. The future users of the Balanced Scorecard debated, chose and defined their own objectives, measures, milestones.

The design process also helped to 'level' the hierarchy within the ministry. Junior managers were able to contribute to the dialogue in a manner not previously experienced, allowing their superior knowledge of specific aspects of the programme to inform the debate and so influence decisions about the future programme. Some managers observed that they had made 'better' decisions about programme strategy as a result.

Managers also welcomed the focused approach. Previously, project documentation (where existing) tended towards lengthy presentations, disguising key messages and commitments. Using the Balanced Scorecard methodology, the programme strategy was summarised in twenty three pages: a Destination Statement, an SLM, plus a one-page definition for each SLM objective – purpose, activities required, accountabilities and responsibilities, risks and measures. Managers claimed a clearer and more shared understanding of the programme and their respective roles in delivering results.

The emphasis on clarity of purpose and transparency of performance appealed to young, junior programme managers. Highly talented and motivated, these people strongly supported efforts to improve programme performance, to deliver better results. This same transparency was problematic for others. For example, a strategic objective that involves making criteria-based funding decisions, and measuring this, is unlikely to be supported by the senior manager opaquely disbursing millions of dollars. In public, the manager may agree to this strategic objective; in practice, his personal interests and the interests of the programme are likely to be misaligned. With sufficient authority, under insufficient oversight, senior managers can disrupt and derail the adoption of a PM framework, as eventually occurred in this case.

Case Study Two: UN Agency Results Based Management Training

Within one of the largest UN agencies, RBM implementation has meant new or revised procedures, events and documentation to:

- Apply the Logical Framework internally (i.e. not just for programmes) to define what results every part of the organisation will deliver in support of corporate and UN goals

- Further apply the Logical Framework principles within each agency sub-unit (e.g. HQ function, regional office) to identify and plan tasks/activities at the team level

- Link team tasks/activities to individual employee objectives for the period, in support of a revised, results-oriented employee appraisal system

- Standardise the measures used within and between agencies, and teach all staff to use these measures

- Establish and maintain technology-based systems to manage the large volume of result measures and information produced under RBM

- Develop measurable project and programme plans (at national and regional levels, using the Logical Framework), aligned with measurable country office plans, aligned with measurable regional office plans, aligned with measurable functional plans, aligned with a measurable corporate plan

- Develop aligned, bottom-up, 'results-based' budgets for this integrated set of programme, country, region, function and corporate plans

- Report on performance (towards sought results) at these various levels on a regular basis

- Review and act on performance reports, as part of a structured management process

While some of these activities are encouraged but not yet mandated, the ambition is clear – with implications for the administrative burden facing staff under RBM. The above list of RBM activities excludes the core business of the agency: delivering programmes and responding to crises, for example.

During 2004, after some years of investigation and reflection, the RBM directorate of this UN agency began a campaign to communicate the principles of RBM into the wider organisation. The agency first developed and delivered one-day RBM briefing sessions for senior managers. Incorporating feedback from these sessions, and with the authors' support, the agency developed a set of one-, three-, five- and seven-days training programmes, tailored to different groups within the agency – general staff, programme managers, M&E staff and RBM 'focal points'.

As a first project activity, future trainees were telephone interviewed to understand their requirements of the courses. Two issues emerged: how to adhere to RBM processes and procedures, and how RBM would help them to deliver better results in the field. The first interest area proved difficult to address. Early in the design activities, it became apparent that

training material production would be hindered by the lack of agency agreement on RBM, its purpose, processes, templates and definitions. These materials were thus developed using an iterative process, involving multiple agency stakeholders, to draft, review and revise the core materials and the RBM messages therein. The final set of pilot materials therefore represented a reasonably consensus view of what would be RBM in the agency.

The materials themselves covered four themes. The first examined 'universal' PM principles and sought to build understanding of why these could and should apply within the UN. Later training covered the documentation and mechanics of RBM (or cynically, 'how to comply with corporate RBM requirements'). A third theme was the use of PM system information (as distinct from planning and reporting). A final theme concerned their role as an RBM 'focal point' (or champion, educator, catalyst) back in the field.

Some HQ RBM managers resisted inclusion of the first and third themes, arguing that the training was intended to help local managers understand and meet new RBM planning and reporting requirements, and to convey these requirements to other staff. They argued that further themes would dilute this core message. Through several interesting (and often surreal) discussions with decision-makers and influencers in HQ, it was agreed that the training also needed to 'sell' the principles of PM and RBM, and show trainees how to use the system for local benefit, answering the question "how will RBM help me (to help the agency's beneficiaries)?"

A five-day version of the course was piloted in West Africa where the materials worked well. The course used a blend of theory, examples, syndicate working sessions and group problem solving. Examples were presented from outside of the UN, as well as from the agency itself to build understanding of 'universal' PM principles and how these could apply internally. Early working sessions involved small teams in activities to agree and document the strategic logic and measures for a non-agency project – building a new family home – using 'third generation' SLM techniques. This served to build the trainees' understanding of cause and effect principles, and the meaning of the word 'result'. Building on this, later working sessions introduced new RBM documentation (planning and reporting templates, guidance notes, etc) and required the trainees to practice completing these templates for the agency-specific cases provided.

Next, the course covered how teams elsewhere use performance measurement and management information in support of better results – performance review meeting scheduling and sequencing, annual calendars, review meeting design and delivery, potential areas of resistance and possible responses, for example. Applying this learning, the trainees identified what they themselves could do to strengthen the 'performance' element of RBM in their countries (as distinct from the compliance element of RBM). Much of this involved planning to get the right people into the right few meetings to build good plans and to discuss good information on plan delivery, in the expectation that this would lead to better decisions and, ultimately, better results for beneficiaries. Trainees shared ideas on how to increase engagement from diverse colleagues around a shared set of goals for the country office 'leadership team', as distinct from project and program goals.

On the final day of training, four groups of trainees each designed and delivered a 30-minute presentation on RBM, intended for their colleagues back in their post/home countries; they did this with clarity and conviction. Subsequent to the pilot training, and via the West Africa 'RBM network' established through the course, trainees have reported enthusiastically from the field on RBM communications and staff receptivity.

The UN attracts some of the most talented people in the developing countries in which it operates. More impressive than their capabilities, in the authors' opinion, was their

commitment to the agency's goals, in excess of that observed in the private sector or national public sector. Compatible with Maslov's hierarchy of needs, UN staff members' need to 'make a difference', in support of 'self-actualisation', appears to be a powerful force for improved UN results. Further, the practical and pragmatic management style (or 'results-orientation') of front line staff, in notable contrast to the technocratic and bureaucratic management style of HQ, is highly encouraging. If improving results is the primary purpose of RBM then RBM, as applied in practice, will support these front line qualities. If RBM is mandated to be different from this, it seems likely that UN staff will enthusiastically apply the elements of RBM that actually help them deliver results, and will comply with the rest of RBM as they are able.

Discussion

The authors note that the two frameworks are converging, both in content and application. Both RBM and Balanced Scorecard seek to align the organisation behind a clear set of strategic goals; both use cause and effect mapping as an aid to strategy articulation and activity planning; both rely on non-financial performance measurement and reporting. This convergence has made it practical for Balanced Scorecard methodologies to be applied within DOs, typically users of RBM-oriented frameworks. Two cases have been presented on this topic, one examining the design of 'third generation' Balanced Scorecard components within a development ministry, the other looking at RBM communications and training within a UN agency. In both cases, performance management principles associated with modern Balance Scorecard were seen to have utility by DO managers.

Although the frameworks appear to be converging, different aspect of performance management receive different emphases within organisations practicing RBM or Balanced Scorecard, largely attributable to the motivations of the stakeholder groups important to these organisations.

In the private sector, performance is reported externally using pre-existing financial management systems. Control of organisational sub-units by the centre is also mostly exercised through existing financial systems. The most powerful stakeholder group, shareholders, ultimately seeks financial performance and so needs to see financial information primarily. Subsidiary, non-financial measures of performance may be interesting or even helpful, but the organisation's top-level goal has a financial measure attached. All major parties want the firm to succeed financially – the interests of shareholders, managers and employees are usually well aligned. Managers and employees generally see performance management systems as helpful in supporting the achievement of these widely shared financial goals.

In the development context, top-level goals are not financial in nature and so can be more difficult to agree and define. Managers in DOs try to understand the 'strategic' outcomes (and associated non-financial measures and targets) sought by their most powerful stakeholder, donors. Then they try to deliver these outcomes, presumably to increase the likelihood of future funding.

Within the UN, this is new. Previously managers were measured against budgetary requirements, not hard-to-demonstrate outcomes and impacts directly attributable to the agency's activities. Although these activities were well understood through M&E, outcomes were less well reported. Under RBM, senior managers must report on what donors are newly interested in seeing – measurable results – to feel confident of the agency's future. Senior managers intend to use comparable, aggregated performance information to exercise 'control' over a far-flung agency, in support of measurable results and further funding.

At the employee level, private sector workers know full well that their livelihoods are ultimately dependent on the firm's ability to generate hard financial results (regardless of whether a performance management framework is used). In UN agencies, employees have traditionally operated in a 'performance neutral' environment, explained by the "unique" and "universal" (e.g. political) nature of the UN. Under RBM, career prospects will be informed by measured performance at the individual and agency levels. For some UN managers, effective RBM-based performance reporting is likely to be seen as a risk to their livelihoods. In these cases, managers' interests are not aligned with those of donors.

Further misalignment can occur at the front lines of agency operations. For these UN managers and employees, the high-level outcome information required by donors (and agreed by the agency executive) is often not useful. Their informational needs generally concern performance toward the completion of planned activities and the delivery of outputs. These people focus on the delivery of well-planned programmes, practicing 'operational management'. Applying limited resource to the collection of information needed by headquarters and donors, but not used locally, will be seen as a task to 'comply' with, bringing risks to the quality of the information entered at the front lines.

Overall, potential misalignment between RBM stakeholders towards performance management is more pronounced than in organisations using Balanced Scorecard, either public or private sector. The purpose and implications of RBM are likely to be seen quite differently by the key stakeholders, bringing potential problems with the planned 'deepening' of RBM within UN agencies over the years ahead.

Conclusions

The two frameworks examined in this paper, Balanced Scorecard and Results-Based Management, are converging. Both are now concerned with understanding the relationships between organisational activities and sought outcomes. Both use non-financial measures of performance. Both seek to inform and improve management decision-making in support of results. Modern Balanced Scorecard is now also used as a strategic planning framework, beyond its original focus on performance measurement and management, while RBM is concerned with organisation-wide performance management, beyond an historical focus on programme planning and reporting.

From the PM practitioner's perspective, convergence is a welcome development, hinting at the existence of 'universal' performance management principles. If true, effective application of these principles would constitute 'best practice' in such areas as strategic goal articulation, stakeholder consensus building, goal ownership, strategic mapping, non-financial performance assessment and the use of performance information as an aid to decision-making.

The two presented cases demonstrate the applicability within development organisations of principles and methodologies associated with modern Balanced Scorecard, and the potential value of doing so. Using a 'third-generation' Balanced Scorecard design methodology, a traditional programme management team efficiently agreed, documented and validated program strategy and associated measures of performance. Within a UN agency, front-line managers focused on how to use RBM information to improve in their own operations, using RBM as the reason for teams to meet, discuss and make decisions about the local strategy and its delivery in support of results.

It is early in the RBM implementation process within UN agencies. As currently envisioned, RBM will be a broad management framework, impacting all management processes and placing new demands on staff. As seen in many organisations using various different PM

frameworks, staff engagement is a prerequisite to effective adoption and continued usage. RBM will need to be relevant and helpful to staff on the front lines if it is to enable better results. More and better reporting into HQ and thence to donors will not. Staff engagement with performance management generally, and RBM specifically, can be increased through the application of simple tools developed and refined under other frameworks. Within UN agencies, this is likely to focus on aligning the informational needs of donors and staff, and promoting team responsibility for achieving agreed results.

About 2GC

2GC is a research led consultancy expert in addressing the strategic control and performance management issues faced by organisations in today's era of rapid change and intense competition. Central to much of 2GC's work is the application of the widely acknowledged 3rd Generation Balanced Scorecard approach to strategic implementation, strategy management and performance measurement.

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