

Measuring Progress on Your Shared Vision

With the systems thinking cap perched on our collective head, we ponder two "big picture" questions:

- What does our organization's shared vision have to do with the work we must accomplish today?
- While we wrestle with today's problems, how do we know if we're making any progress toward our vision?

One answer for both questions is measurement, as in a system or family of measures linked to your vision and strategic plan and driven by customer requirements. Some companies create this measurement system using a Balanced Scorecard approach.

Balanced Scorecard "Buckets"

Robert Kaplan and David Norton introduced the Balanced Scorecard in a 1992 article in Harvard Business Review. The idea is to organize all key performance measurements into primary "buckets," such as the financial bucket, the customer bucket, the internal operating bucket, and the innovation and learning bucket. These four perspectives were identified by Kaplan and Norton in their article. Your organization may choose different ones.

Diane Schmalensee of Schmalensee Partners has been helping companies develop measurement systems since 1990. Her firm specializes in customer-driven and measurement-based service excellence. Schmalensee was a Baldrige Senior Examiner for six years and is a judge for the Massachusetts State Quality Award. I asked her how the companies she has worked with choose their "buckets".

"A company's measures should be determined by the company's strategies," Schmalensee says. "Whatever a company decides it needs to do to be successful should be reflected in its Balanced Scorecard."

For high-tech businesses, which were the audience for the Kaplan-Norton article, innovation is critical to success, so innovation became one of their four buckets. Schmalensee's work with service companies has produced a different set of buckets: customer, operational, employee, and results. "Employees are particularly important to service companies, so they have their own bucket. I call the fourth bucket 'results' rather than 'financial' because it includes nonfinancial results such as market share, new product development, and share of business from new products."

Implementing Balanced Scorecard

Schmalensee sees four stages in the development and implementation of a Balanced Scorecard approach:

Stage 1: Enlightenment

Senior Executives come to believe that the path to real profitability isn't a one-dimensional, slash-and-burn approach. They recognize that they need to understand

customer requirements and meet them. They realize that they need to understand employee requirements to reduce turnover and improve service. They know they need to understand operational processes and costs to discover how to become more efficient. Senior leadership craves measurements that will tell them how the company is doing in each of these areas. Better yet, they want a measurement system that shows the connection between these vital areas. The need for a Balanced Scorecard exists.

Stage 2: Identification

The company identifies existing measures and makes a few obvious additions. It begins to issue reports to employees and to reward them for meeting performance goals.

Stage 3: Refinement

The reaction to the measurements, reports, and rewards suggests that people respond to what is measured. This leads to greater refinement of the measures. For example since daily performance measures receive more attention than annual customer surveys, leadership may decide it should have more frequent customer measures and establish interim performance indicators tied to the less frequent surveys.

Stage 4: Integrated analysis

The company's measurement system is linked to the organization's vision with goals for key indicators. Results are recorded and communicated regularly. Employees understand through the measurement system what the company is trying to achieve. The final stage is to understand cause-and-effect using integrated databases, modeling, statistical work, and other methods of predicting which areas provide the best leverage for achieving the company's vision.

How long does all this take? Assuming that Stage 1 is complete and leadership wants a holistic view of the company, Stage 2 can take from three to six months depending on what measurements the company has in place. Developing the right measures and the ability to report them can take another year. "At this stage, you have to do a lot of work on the infrastructure of the organization," Schmalensee observes. "When I work on this I get to know the information services, survey, and customer service people well."

It takes another year or so to have enough data to begin doing statistical analysis and modeling, for a total of 2.5 to 3 years from leadership enlightenment to Balanced Scorecard bliss.

Communicating a Shared Vision

The bliss comes from consistent, focused communication that occurs in companies using a Balanced Scorecard. "Everybody in the company knows where the company is going and understands its strategies, values, and mission," says Schmalensee. "It all becomes clear if they've done a good job on their Balanced Scorecard. Better yet, people's behavior changes rapidly because they can see the payoff of what they are doing."

The purpose of the Balanced Scorecard is not to control performance, but to translate the company's shared vision into daily opportunities for improvement by all employees. Used properly, it becomes one of the best communication tools a company can have.

To learn about obstacles to an Effective Balanced Scorecard, [click](#).