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HOW TO MAKE THE BALANCED SCORECARD REALLY BALANCED

Roger Kaufman, Ronald Forbes, and Jeffrey Parks

Roger Kaufman, CPT, Ph.D., *is professor emeritus and former director, Office for Needs Assessment and Planning at Florida State University, where he received a professorial excellence award. He has served as research professor of engineering management at the Old Dominion University, Norfolk, Virginia. Kaufman received a medal from the U.S. Coast Guard/Homeland Security for Meritorious Public Service. He has consulted with many public and private sector organizations in the United States, Australia, New Zealand, Canada, Europe, and Latin America. He is past president of the International Society for Performance and Improvement and has been awarded that organization's highest honors: Member-for-Life and Thomas Gilbert Outstanding Achievement Award. He is a certified performance technologist. He has published 36 books and more than 235 articles on strategic planning, performance improvement, quality management, continuous improvement, needs assessment, management, and evaluation. Kaufman is also a frequent contributor to the **Sourcebooks.***

Ronald Forbes, Ph.D., *has led projects ranging from scientific and educational research to systems and system consulting in Australia, the United States, and Latin America. He has degrees in geology and geophysics from London, Paris, and UCLA; and is an Associate Fellow of the Australian Human Resources Institute and Associate Fellow of the Australian Institute of Management. As managing director of the Leaderskill Group, he has dedicated the company to the development of people and of society-friendly organizations through strategic thinking, communication skills training and feedback, and win-win conflict resolution. Programs have been presented throughout Australasia and Asia as far as Beijing, while Leaderskill's 360 Facilitated® process on the Internet reaches the United Kingdom, Canada, the United States, Saudi Arabia, and South Africa.*

Jeffrey Parks *specializes in building high-performance organizations and high-performance teams. He has cofacilitated the build of Balanced Scorecards (BSC) for Mecklenburg County, NC (county seat of Charlotte, the first public sector adopter of the BSC), the U.S. Marine Corps Systems Command, JIATF-East (a joint armed services and federal agency taskforce), and LifeNet. Parks previously served as the director of training and performance improvement for the U.S. Coast Guard. He is a certified performance technologist and is certified in strategic change management.*
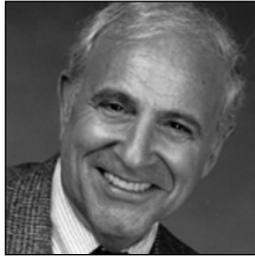
Contact Information:
1123 Lasswade Drive
Tallahassee, FL 32312-2843
850-386-6621
rkaufman@nettally.com
www.megaplanning.com

Leaderskill Group Pty Ltd
Sydney, Australia.
+61-2-9533-7077
ronfo@leaderskill.com.au
www.leaderskill.com.au
www.360facilitated.com

Performance Breakthroughs, Inc.
Woodbridge, VA
703-897-0724
jeff@performancebreakthroughs.com
www.performancebreakthroughs.com

The Balanced Scorecard provided the opportunity for a focus on results beyond the quarterly profit-and-loss sheet. However, the BSC doesn't capture all the organizational success variables. What is suggested really balances the BSC and assures that all critical variables are considered. We further suggest that, by aligning these variables, we also add ethical and practical value to internal and external clients, and so create the Aligned Scorecard (ASC). This guide helps you to create an Aligned Scorecard.

What the BSC Contributed

The conventional Balanced Scorecard (BSC) showed how planning, strategy, and the related tactics[1] and measures of results could be more effective when based on perceptions of organizational success. However, this in itself is not enough to ensure that an organization survives and thrives.

With the aim of balancing its four perspectives, the conventional BSC[2] introduced four *processes* (translating the vision, communicating and linking, business planning, feedback and learning). However, the balancing of the internal variables does not convey the requirement to

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1. We use *strategy* for external clients' and societal results, and *tactics* for ways and means to achieve strategies.

2. For a description of the original Balanced Scorecard (BSC), see Kaplan and Norton (1992).

align everything that any organization uses, does, produces, and delivers, with adding value to external clients including society.

No scorecard can be complete unless it takes account of the value that an organization adds to (or subtracts from) external stakeholders including society.[3] This presentation builds on the basic BSC framework and defines the various elements of a useful and more complete scorecard, and how the parts must be related. We urge that organizations add to the BSC a primary, practical, and ethical[4] consideration focused on success while, at the same time, adding measurable value to society (including our shared physical and social environment).

Why society? The past few years have exposed numerous corporate scandals, most motivated by greed. While some of the guilty organizations may have had a Balanced Scorecard on paper, they surely did not have it in practice or in their culture. Take a look at the following vision and values (Figure 1).

Figure 1. One Company's Vision and Values.

Vision
To become the world's leading company, creating innovative and efficient solutions for growing economies and a better environment worldwide.

Values
Respect, integrity, communication, excellence

The fact that these were Enron's demonstrates that published vision and value statements may be more public relations rather than guiding principles that drive organizational behaviors and results.

These BSC short-term operational contributions must be aligned with what the organization delivers to external clients and society. With this suggested Aligned Score Card (ASC) tool, concerned leaders may keep the culture from deflecting to the more conventional "financial-only" mind-set.

What's Involved in an Aligned Scorecard?

Although not yet conventional, essential considerations for an ASC are:

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3. In a previous article (Kaufman & Forbes, 2002), a societal/mega focus was added to the conventional Balanced Scorecard.

4. While some people might be uncomfortable with "ethical," we contend that if you are not adding measurable value to society you may be subtracting it. Without the societal focus—including our shared world well-being and environment—what one uses, does, produces, and delivers is open to question.

- *Outcomes* are the heart of a practical scorecard; they must have a primary focus on adding measurable value to the society within which we operate. We must "keep score" on that societal value added by the organization through its resources, activities, building block results, and contributions to external clients and society.

- *Making money and doing societal good* must not be mutually exclusive. Rather, making money on a continuing basis is possible only by adding value to external clients and our shared society.

- *The feedback process* within the organization—including continuous improvement—must cascade from societal value added to organizational contributions and then to operational results and processes and then provide a flow of data for continuous improvement for all organizational elements (c.f. Forbes, 2000).

- *Organizational culture* must be aligned with internal and external value added.

There are increasing indications that a focus on and commitment to Mega are not only ethical but good for business.

Following the same logic, it should be clear that public sector organizations can justify their existence only by proving that they produce results at the Mega—societal value-added results (Kaufman, 1992, 1998; Forbes, 1998). The principles of the Aligned Score Card are equally useful for public and governmental agencies and nongovernmental organizations, for whom the bottom line is usually seen as funding levels. We urge extending this "public bottom-line" focus to one that views societal value added as the key to continued funding.

It follows then that the bottom line for society and the environment is a unified and holistic measure—bigger than just short-term profits or funding level and customer satisfaction.

To realize the importance and practicality of a societal/Mega focus and commitment, you only have to look at the litany of failed organizations, such as Enron, Global Crossing, Bridgestone-Firestone, WorldCom, Andersen, HIH, along with a host of unnatural disasters including Three Mile Island, Chernobyl, and the Exxon Valdez (to mention just some of the larger ones) to see the implications of not focusing and acting on societal value-added as the primary bottom line for any organization. If an organization is not adding value to society, it may be subtracting value.[5]

Starting with the Future to Be Achieved

The alternative we suggest[6] is that all planning must start from "the world we want to help create for tomorrow's child." Such an ideal vision

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5. To stop planning and concern at a "business case (or plan)" limits the organization to see *itself* as the primary client and beneficiary of what is used, done, produced, and delivered without linking and aligning to adding value to external clients and society—a short-sighted and self-limiting orientation, which is impractical in the medium as well as the long-term.

6. Advocated by Kaufman (1972, 1992, 1998, 2000).

(Kaufman 1998, 2000) provides a societal-Mega referent. Any organization may choose within it the part (or parts) that it commits to create and continually move closer toward.[7]

The *organizational elements model* (*OEM*) is a planning framework that builds plans, linking and aligning everything an organization uses (Inputs), does (Processes), produces (products, or results at the Micro level), and delivers (outputs, or results at the Macro level) to ensure they have value for external clients and society (outcomes, at the Mega level) (Kaufman, 1998, 2000; Kaufman, Oakley-Browne, Watkins, & Leigh, 2003).

The Organizational Elements

Mega is defined as the basic level of planning in which we define what every viable organization must start and target in terms of societal survival and quality of life. Included here is data relative to our shared society, including our clients' well-being (above and beyond the goods and services we supply to them). Only when this *outcome* (results and consequences at the Mega level) is agreed do we move down to the *Macro* level, at which the organization plans to be successful in producing its *output*. Outputs are the contributions our organization makes to Mega results and commits to move ever closer toward. Then on to the *Micro* level, at which successful departments or groups within the organization integrate to contribute the *products* required for Macro success (outputs), and Mega success (outcomes). Table 1 shows this chain of results.

Table 1. Organizational Elements Model (OEM).

Organizational Elements Level/Results		Chain of Results	What Should Be	What Is	Types of Assessment Needs
Mega	Outcomes	Societal Consequences and Contributions			External Needs Assessment
Macro	Outputs	Organizational System Contributions	Ends		Internal Needs Assessment
Micro	Products	Operational Accomplishments and Contributions			Internal Needs Assessment
Processes		Activities, Culture	Means		Quasi-Needs Assessment
Inputs		Resources			

Source: Based on Kaufman, 1998, 2000, and Kaufman, Oakley-Browne, Watkins, & Leigh, 2003, showing the difference-yet-relationship between ends and means and assessing the gaps in results to be closed.

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7. Forbes has also earlier proposed that we should measure the total impact of how organizations add to or subtract from the well-being of society and the environment (Forbes 1998).

Aligned with these are the levels of *Process*, the ways and means by which everything gets done, and *Inputs,* the people, resources and materials required to operate. The five elements Mega, Macro, Micro, Process and Inputs make up the Organizational Elements Model, Table 1.

We now show how this can help us derive an aligned scorecard that allows us to be practical and fully ethical at the same time.

Implementing an ASC

There are several examples for using a Mega focus for planning and change, such as suggested by the ASC. Cases in point include Defense Facilities in Australia, Refinor in Argentina, Florida Division of Blind Services, High Performance Workplace program in Ohio, and Conciencia in Latin America.

Table 2 assesses the extent to which any scorecard covers the full OEM.

Table 2. ASC Audit Checklist Based on the OEM.

The scorecard includes measured external client and societal impact contributions (Mega)	Yes _____ No _____
The scorecard includes measured organizational contributions (measurable results, Macro) that are aligned with Mega-level results and contributions	Yes _____ No _____
The scorecard includes measured internal impact contributions (Micro)	Yes _____ No _____
The scorecard includes measured efficiency of building block results and contributions (Process)	Yes _____ No _____
The scorecard includes structured feedback to align objectives and measures, cultural climate, and relationship with external associates (Process)	Yes _____ No _____
The scorecard includes physical, human, and capital resources (Inputs)	Yes _____ No _____
The scorecard provides all necessary data for Evaluation and Continuous Improvement (all levels)	Yes _____ No _____
Total:	

Scoring: Seven checks for "yes" indicates that the scorecard is an ASC and covers the full OEM.

Six for "yes" indicates you are close to having an ASC.

Five or less for "yes" indicates that the scorecard is a conventional BSC or a part of one and likely omits formal alignment among internal elements and external provable value.

Conclusion

The process of implementing an ASC involves a number of stages and concepts:

1. Develop an *Ideal Vision* of the future—the kind of world we want to together create for tomorrow's child. Most organizations start from Kaufman's minimum Ideal Vision (Kaufman, 1998, 2000) and add to it or modify it on the basis of "hard data."

2. Select the part of the Ideal Vision that the organization will contribute, and how that will be measured—the *Organization's Mission.* This is the beginning focus for *Mega Planning* (and useful strategic planning and strategic thinking).

3. Assess needs and select the objectives that will make the organization successful in achieving this—the *Macro Plan.* This identifies the functions to be accomplished to achieve the mission.

4. Set the *Building Block Objectives,* performance indicators, and targets that must be met within the organization to be successful.

5. Define the Processes (tactics) required to deliver the results specified in the strategy—a *Process Plan.*

6. Assess the human, capital, and physical *Resources* required to enable the strategy and related tactics.

These steps are best taken in conjunction with clients and partners.

In conclusion, we urge you to implement this approach, whether in creating a new scorecard or revisiting one already in operation. We promise you that the ASC offers new vistas, opens new levels of motivation and creativity in your people, and ultimately leads to enduring success for your organization and the world we share.

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