

Balanced
scorecard and
dashboard
tools link
progress and
performance,
to provide
opportunities for
strategic
improvements.



from
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Cindy Kalow, Founder,
Rhumblin Partners Inc.,
Minneapolis, Minn., USA

the

by William Hoffman

view 0,000 feet

photography by Jonathan Chapman

Cindy Kalow came to Concord, Mass., USA-based Egrock Partners LLC on a mission. The technology consulting firm's 175 employees were brilliant but delivered projects through heroism, rather than consistent methodologies. "They were unconsciously competent," says Kalow, who joined the company as chief delivery officer in 1999. "They were smart, so they were successful. I was hired to bring some consciousness to their competence and enable the company to expand to other geographies." In a word, she needed to make the project-oriented company's successes repeatable.

executive summary

- Organizational performance metrics can be presented graphically for easy monitoring and analysis by decision-makers using a Web-based portal called a dashboard.
- Performance is compared to strategic goals set by management and fed back into the organization in a cycle of continuous improvement.
- Balanced scorecards identify and quantify key organizational performance metrics.
- Establishing a balanced scorecard depend on managers' ability to agree on key metrics and goals, and on the organization's level of technical and management sophistication.

She coordinated the new arrangement with her counterpart in the sales department via conference calls and Microsoft Excel spreadsheets.

→ To focus and communicate Eggrock's sales-delivery coordination effort for busy administrators, project managers and the sales force, Kalow employed a simple, software-based graphical Excel overlay, commonly called a dashboard. Each project's on-time, on-budget status and other key metrics of progress were represented by colored icons on a computer screen: Red required senior management intervention, yellow called upon a project's manager to make a course correction, and green indicated smooth sailing.

After six months, Boston-based Breakaway Solutions Inc. bought Eggrock Partners. Kalow says Eggrock's delivery prowess, of which the dashboard was part, "was a key reason the company wanted to acquire us."

When Breakaway succumbed to the dot-com bust, Kalow formed her own consulting firm, Rhumbline Partners Inc., Minneapolis, Minn., USA, but she says her experience with

Kalow started by interviewing Eggrock's corporate executives and project managers. An early conclusion: Delivery personnel must be more involved in the sales cycle. Kalow sketched the progress of opportunities through the sales process and decided to bring in delivery people as soon as a customer solution had been framed.

Eggrock and similar companies taught her important lessons about dashboard and balanced scorecard project management tools.

"The success of any dashboard [depends on] looking at the right things," Kalow says. "Managers tend to gravitate to sales and profit measures, though these are superficial." Feeding back into the organization continuous real-time data about the underlying factors that influence those measures, such as comparisons of estimated and optimal team sizes, hours employed toward specific goals and progress toward on-time, on-budget delivery schedules, will establish and reinforce the discipline necessary to meet core financial goals, she says.

Organizations also tend to track too many factors, Kalow says. Instead, managers must determine both what the customer wants out of the project and what metrics will materially advance the project toward success. At Eggrock, the need to link delivery to the sales process led Kalow to measure on-time delivery, staffing levels and periodic surveys of customer expectations and satisfaction, among

a business dashboard is an easy-to-read user interface that organizes and presents portfolio data in the same way that an automobile's dashboard displays performance information.

other factors, which she fed back to delivery and program managers and executive administrators.

→ The senior executive team must reach consensus and commitment about a project's goals and the overall strategy to reach them. "Organizations that get the results they want are ultimately clear on what their purpose is, what their destination is, have developed a strategy to get there and have a strategy to get them executed," Kalow says. "The scorecards and the dashboard are not going to be a success if we don't have agreement among the executives about what the project or the business is supposed to accomplish."

The Finish Line

→ The balanced scorecard was built around the axiom, "What gets measured, gets done." The tool establishes a limited set of key measures—typically fact-based, numerical, financial, customer service and satisfaction, internal process and employee learning and growth metrics—channeled through a continuous feedback process toward strategic goals.



It has had no impact on the organizational relationship but has provided management a better vehicle to monitor the project portfolio.

Sandeep Mathur, PMP,
Manager, Project Governance for
the Australian Tourist Commission (ATC),
Sydney, Australia

the 7-Step Scorecard

Bob Whip, chief executive officer of Horizon Fitness Inc., De Forest, Wis., USA, started his wholesale fitness business in 2000 with a small staff aiming for a high growth curve. He adopted a balanced scorecard in 2002 as a way of communicating the company's strategy throughout the organization.

one. Whip started with Web research. He attended a seminar held by the Balanced Scorecard Collaborative Inc., Kaplan and Norton's Lincoln, Mass., USA-based professional services firm dedicated to proselytizing the concept. "I wanted to make sure that this was something that would stick—not a fad," Whip says.

two. Whip drew in his senior management to view Web videos and other Internet-based information. He brought in consultant Paul Niven, author of *Balanced Scorecard Step-by-Step: Maximizing Performance and Maintaining Results* [John Wiley & Sons, 2002], who took the executives through some exercises and helped them formulate Horizon Fitness' strategy map.

three. The senior management team formed discussion groups to consider the corporation's goals and the financial and non-financial metrics that would be key to reaching those goals. Whip says the financial metrics were the easy part: Executives wanted to double 2004 fiscal year sales growth over the target achieved in 2001 fiscal year, along with some profit objectives.

four. Based on non-financial metrics, the company invested in the telecommunications equipment, trained personnel and monitored systems necessary to measure progress toward that goal. The key metrics—customer service and satisfaction, internal process improvements, and employee learning and growth—fed back into the financial performance measures.

five. Company managers whittled their performance measures to a key few and then linked them through the strategy map to corporate goals as a collaborative one. "The discussions were really good, and I think in just about every case we came to a consensus," Whip says.

six. Whip licensed Barberg's InsightVision dashboard software to allow everyone from the boardroom to the warehouse to monitor Horizon Fitness' progress toward its goals. "People tend to work a little harder because they can see and follow the results," he says. "They're not shut out."

seven. Managers meet monthly to review performance and conduct an annual strengths, weaknesses, opportunities and threats (SWOT) assessment as a review of the competitive landscape. Whip says the firm is at 105 percent of its first quarter 2004 sales target. "The thing I've learned," he says, "is that [setting up the balanced scorecard has] been a really good way to bring your core management into the process and give them ownership over the strategy."

Often designed to look like a simple Web page, dashboards graphically represent progress toward those balanced scorecard goals. For a firsthand description, see *The Balanced Scorecard: Translating Strategy into Action* [Harvard Business School Press, 1996] by originators Robert S. Kaplan, professor at Harvard Business School, and David Norton of the Balanced Scorecard Collaborative.

"One of the biggest misunderstandings about [the balanced scorecard] is that it's just about having financial and non-financial measurements," says Bill Barberg, president and founder of Insight Information Co., a Minneapolis, Minn., USA-based consulting and software firm that developed Microsoft's Balanced Scorecard Framework for its Office and SQL database products. Corporations also must formulate a strategy map for transforming balanced scorecard metrics into real change with measurable results, he says.

Setting up a balanced scorecard usually is a relatively quick process (see sidebar, The 7-Step Scorecard). Michael Carter, co-founder and chief marketing officer at CXO Systems Inc., Waltham, Mass., USA, says it took his company seven weeks to fashion a scorecard and dashboard for British American Tobacco (BAT) Plc's operations, which stretch from London to Malaysia.

"We worked with CXO to implement a dashboard application that shows metrics such as average lead time on orders, forecast accuracy and a collection of other metrics that show how manufacturing capability is meeting the demands of different sales operations around the globe," Kevin Poulter, a BAT application technology manager in London, told *eWeek* magazine in 2003. A rolled-up view of all BAT operations available to central management reduced the organization's considerable exposure to fluctuations of supply and demand, Carter says. "One wrong projection and it's an extra trip, and extra trips are millions of dollars."

Your Pocketbook

Expensive custom tools are not necessary to implement a balanced scorecard, as long as a basic IT infrastructure—computers, an intranet

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—CINDY KALOW

or other network technology, and trained personnel—exists. However, installation likely will be more costly relative to a smaller company's revenues and sophistication at the time the system is implemented. The four-partner, Itasca, Ill., USA-based certified public accounting firm Corbett Duncan & Hubly reported spending between \$150,000 and \$200,000 for balanced scorecard- and dashboard-related staff development, performance-based pay, hardware and software in the late 1990s, while the application CXO sold the multinational BAT starts at \$75,000.

Sandeep Mathur, PMP, manager—project governance for the Australian Tourist Commission (ATC) in Sydney, says his office uses a one-page Microsoft PowerPoint slide published over its intranet to provide budget and schedule performance, key milestones, risk management and project status across the organization. “Dashboards have enabled ATC to standardize project reporting,” Mathur says. “It has had no impact on the organizational relationship but

has provided management a better vehicle to monitor the project portfolio.”

A company's existing information systems can complicate the cost justification. XML-compliant database platforms can reduce the cost of integrating an organization's new and legacy applications, Carter says, though the number and age of such systems may require additional outlays for information conversion and consolidation. CXO's dashboard software is “application agnostic,” Carter says, so it can work for companies that employ SAP, Oracle, Microsoft and other systems simultaneously in a single organization.

It can be especially costly to aggregate and display continuously updated balanced scorecard data from multiple sources across the organization into a dashboard that decision makers will understand and use. “If you're a business manager or senior executive, the two most visible aspects of IT are, ‘Does my e-mail work, and is it secure?’ and ‘Can I do current reports on my own without asking for help or getting old data?’” Carter says. Implementation costs of translating and reducing complex data usually depend more on management's time to formulate the balanced scorecard and strategy map than on the price of software to process and display the data, Carter stresses.

Size Matters?

Balanced scorecards scale well to organizations of all sizes and are customizable to particular



in the bank



company: Banking 365, Dublin, Ireland-based direct bank

project: Improve customer satisfaction; achieve low-cost delivery through self-service channels and operational efficiency; improve sales

human resources: 50 employees at start in 1996

benefits: The scorecard could prove a business case for required investments. With clear measures for performance and achievements, the firm demonstrated the linkages between objectives and secured the necessary funding.

roi: By 2000, customer satisfaction reached the organization's 90 percent goal; 75 percent of calls processed through the automated service; sales book volume rose from 32 million Irish pounds in 1996 to 200 million at the end of 2000.

Source: Business Intelligence.

lines of business, says Paul Davis, president of the Scanlon Leadership Network in East Lansing, Mich., USA. It's critical to determine the fact-based metrics that senior executives and managers agree upon based on priorities of a company's strategic plan, according to The Balanced Scorecard Institute's article, "What is the Balanced Scorecard?" Processes then are designed to collect relevant information and convert it to numerical formats for display, analysis and archiving via a dashboard, so decision makers can track results and provide feedback.

→ Senior management commitment to the process, consensus on strategy and goals, and cohesiveness of employees and executives in their pursuit is more important than size. However, larger companies can run into trouble with turf-protecting, change-resistant executives. "The administrative [chief technology officer] type is probably our worst nightmare," Carter says. Smaller companies that work on tighter budgets and rely on more flexible, innovative management tend to have fewer of these problems, Carter says.



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Like any enterprisewide mandate, dashboard and balanced scorecard implementation has to have senior management sponsorship and participation, not just buy-in, Kalow says. Both approaches thrive on focus and simplification—though not oversimplification. Be wary of managers who concentrate on “red-light” problems to the exclusion of other measures. “Make sure everyone doesn't rally around the red [warning signs],” Kalow says, “because if you do, your greens will go yellow and your yellows will go red.” **PM**

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