The design of an alternative Balanced Scorecard framework for public and voluntary organisations

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While public sector organisations have much in common with those in the private sector, there are differences in goals, culture, and values that need to be addressed in order to use the balanced scorecard successfully. The following are some recommendations for using the balanced scorecard in organisations in the public and voluntary sectors.

1. Don't start with the traditional private sector architecture of the BSC

Given that a key aspect of the balanced scorecard methodology is to adapt its basic structure to the needs of the organisation, it may not seem important to modify this in advance. However the scorecard's over-riding emphasis on financial results and the lack of any explicit references to the main desired outcomes and outputs of the organisation gives the impression that the consultant or facilitator does not understand the particular challenges and ethos of the public sector.
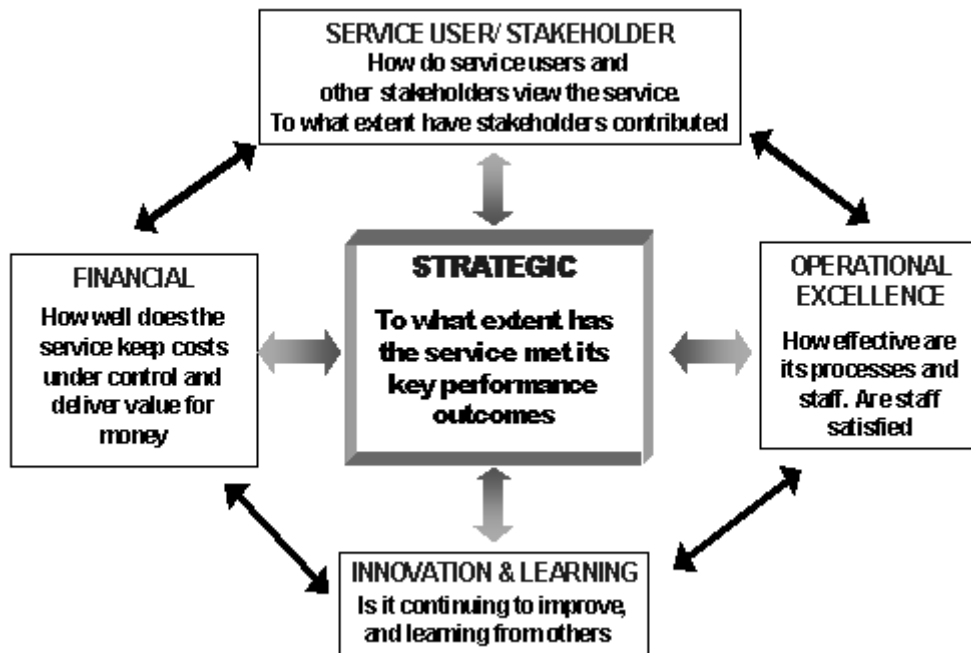

Figure 1. The Public Sector Scorecard

There are several alternative architectures available e.g. Kaplan and Norton, 2001, Niven, 2003. The one I recommend is the Public Sector Scorecard (Moullin, 2002) illustrated in Figure 1. This has at its centre an additional strategic perspective, which examines the organisation's progress against its main objectives and key performance targets. Other features include the explicit mention of service users and the recognition of the importance of stakeholder contribution (Neely et al, 2002) both of which are particularly important in public sector organisations.

2. The 'Golden Thread' of Performance Management needs to extend to service users

The concept of the 'golden thread' of performance management (e.g. Audit Commission, 2001) is useful in evaluating public sector organisations. The idea is that 'golden threads are present if objectives, targets and performance indicators are consistent throughout the different levels from Central

Government to single organisations' (Micheli et al, 2005). The importance of this concept is illustrated by a study on performance management in local government which found that 'the PM frameworks of well-performing authorities make clear links between the actions of individuals, teams, services and directorates, and the high-level objectives that are expressed in the corporate plan and community strategy' (Audit Commission & IDeA 2005). This helps ensure that activities on the ground focus on activities that contribute to high-level objectives and that people understand how what they do contributes to the wider picture.

However while a golden thread is an essential part of good performance management, it does not guarantee it. For example the UK Department of Health, the National Health Service, a Strategic Health Authority, and a hospital maternity unit might have an effective golden thread with all performance measures aligned. However if these measures ignore the wishes of women and / or their partners regarding the facilities provided, staff attitudes, or the choices available to them, then it is not an effective system. The golden thread concept therefore needs to be extended to ensure that measures are aligned not only between the different levels, but also with the requirements and expectations of service users.

3. Service user and stakeholder involvement is essential

The importance of stakeholders in strategy development, service improvement and performance measurement is widely acknowledged (e.g. Neely et al 2002, and Wisniewski and Stewart, 2004). While managers and professionals may be the experts in delivering services, it is the users who are the experts in experiencing them. Direct feedback from service users, carers and other key stakeholders is vital in developing strategy, performance measures and action plans which focus on their needs as well as the needs of the service. Service user workshops are recommended early on in a project to capture a wide range of views, while including some service users and other key stakeholders in the project steering group will help the group continue to focus on user requirements and expectations.

4. Use the scorecard across organisational boundaries

Users of public services typically use services from a number of organisations or departments within an organisation. They are often not very interested in how a particular organisation is doing, but they do care about the services available to them which may be from several organisations or departments. There are several excellent examples of partnerships working to address the common needs of users including integrated provision at local level (see Moullin, 2002, ch.7). Organisations using the scorecard too should recognise the need for working across boundaries. Using the scorecard for one organisation or department in isolation is unlikely to ensure that users' wider needs, or the organisation's strategic goals, are met.

Instead it is preferable to use the scorecard for services across organisational boundaries. In health and social care, for example, ideally the scorecard should be used across a care pathway encompassing all services a patient may encounter on their 'patient journey'. Another example is in preventing substance abuse, where it would be preferable to use the scorecard initially for a city-wide group looking at reducing dependence on drugs and cascade the scorecard down to individual agencies. In this way, the use of the scorecard can involve all organisations working (or at least talking!) together.

5. Integrate performance measurement and risk management

This final point on the need to integrate performance measurement and risk management probably applies to all organisations, private and public. Identifying and addressing key risks are essential for any high-performing organisation and therefore any evaluation of performance without considering risk is incomplete. Not only is risk management essential for effective performance measurement and strategy development, integrating risk management with the development of a scorecard and a strategy map

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'creates a strategic context for the calculation of risk, thereby better informing decisions on risk management investment' (Lawrie et al, 2003).

While organisations using the scorecard could address their overall approach to managing risk under the innovation and learning perspective, it is preferable to examine risks under each of the perspectives on the scorecard. With the public sector scorecard for example, this would involve evaluating the strategic risks to the organisation, risks to service users and stakeholders, operational risk, financial risks, and innovation and learning risks (Moullin, 2004). Included within the last category are the effectiveness of the organisation's risk management policies and its attitude to risk-taking.

Final comment

Taking heed of the above factors will enable public and voluntary sector organisations to develop strategies, processes and performance measures that will help deliver improved services to users and other stakeholders and to make a positive difference to people's lives.

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