

Survey Report

Balanced Scorecard Usage Survey Report

Report describing the results of 2GC's
Sixth Survey in alliance with Intrafocus

December 2014

2GC Active Management

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1. Summary of Findings

This year a number of respondents referred to the need to take extra care with implementing a Balanced Scorecard in order to ensure it is able to influence management decision-making behind strategic and operational success. Some quotes from respondents illustrate this:

- "In its first year it has improved management alignment and focus on key issues. Has highlighted the importance of quantifying performance";
- "Balanced Scorecard drives performance to achieve a shared vision";
- "We have only been using it for a little over a year and have been finding our way somewhat. The value has been increasing as we capture more measures and help departments develop their lead measures. Many people don't know what they want until you show them something they don't want. They also don't see the value until it has captured some data over time. But once you have some champions on board it builds its own momentum".

The highlights of this year's findings are as follows:

- Respondents from Europe are up on previous years;
- Operational use of the Balanced Scorecard shows an increase, with nearly 60% of respondents mentioning this;
- Quality management links have grown again this year, as has mention of internal processes which is the most used as a perspective heading, reflecting a desire to use the tool to ensure greater organisational efficiency and effectiveness in this age of economic austerity;
- Actions and Behaviours are strongly influenced by the tool but 50% of respondents say that there are no consequences for missing targets - we believe a Balanced Scorecard needs 'teeth'! Two-thirds of respondents said that their Balanced Scorecards are linked to Planning and Budgeting processes;
- The tool is seen to be '**extremely**' or '**very**' useful by over three-quarters of users.

2. About this Survey

This is the sixth annual survey by 2GC which seeks to examine in detail how organisations are using the management tool called Balanced Scorecard. The survey questionnaire was completed by 109 respondents during September and October 2014; the questions focused on finding out more about what sort of Balanced Scorecard was in use within respondent organisations, and about the effect it was having on performance management and the effective execution of strategy. The respondents found out about the survey through a range of media mechanisms and completed it on-line. Respondents were self-selecting.

This year we were helped in this work by **Intrafocus**, a specialist software provider. Our combined extensive experience of designing, implementing and reviewing strategic and operational performance management systems all over the world has usefully informed our analysis of the survey data.

2.2 Who took part?

We had more responses from Europe this year than last (39% v 28%) with similar numbers from the Americas and the Middle East but much less from Asia than last year (4% v 17%).

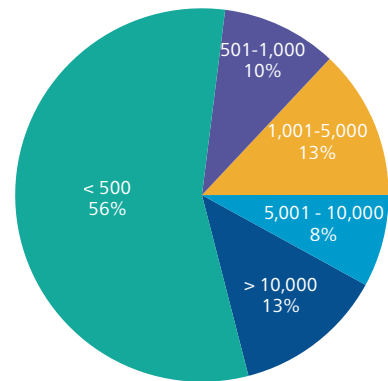
As has been the case in previous years, the survey was completed by a broad range of organisations. This year only 10% were not-for-profit or governmental compared to 20% in 2013, with the remainder from a broad spread of commercial sectors. As can be seen from the pie chart, smaller organisations below 500 employees dominated our sample this year, with over 50% of the total.

Three-quarters of respondents worked in the headquarters of their organisation with 13% (2013 - 12%) of respondents in a Geographic or Product/Service Division and 5% in a Function (2013 - 11%).

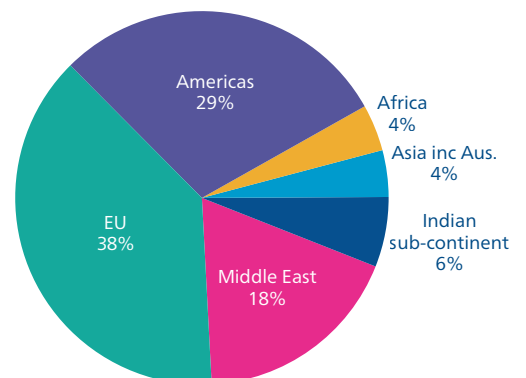
2.2 How well do they know the Balanced Scorecard?

The profile of those completing the survey questionnaire showed a lower level of knowledge of Balanced Scorecard than last year with only 21% saying they were 'extremely' knowledgeable (38% 2013) although 44% are 'very' knowledgeable (37% 2013).

Organisation Size by employee numbers



Participant Location



3. Results

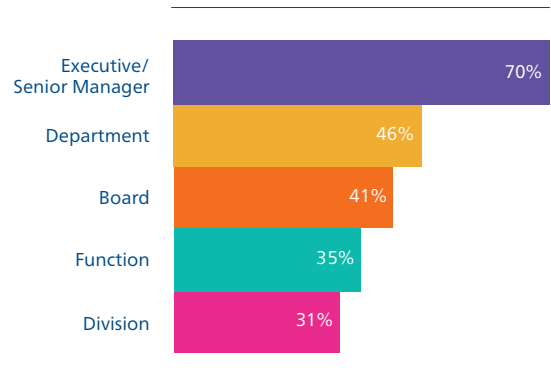
3.1 Usage - where, for what and who manages it

The most frequently reported users of the Balanced Scorecard were at the Executive Director/Senior Management level (71%), with Departmental (45%), Board (41%) and Functional (35%) levels being less frequent. Divisional use was limited to about one in four of the respondents. This was very similar to last year.

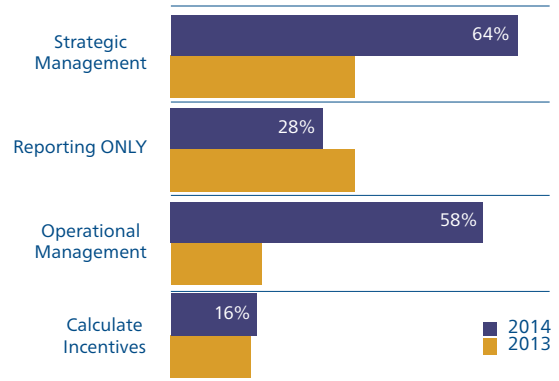
Almost two-thirds of respondents used the Balanced Scorecard to manage strategy implementation - up from 34% in 2013. This strategic focus is consistent with the development of Balanced Scorecard, and resonates with us at 2GC where our focus is on strategic performance management. However, operational use was high this year at nearly 60% so this implies that many people saw the tool as having dual use. The percentage of Balanced Scorecards ONLY used for Reporting was slightly down on last year: 28% versus 34% in 2013.

For the first time the most reported responsibility was with the Unit using the Balanced Scorecard (i.e. self-managed) with a Strategic Planning Unit and a specialist PM unit being equally popular choices. A lower proportion were managed by functions such as Finance (7%) IT (3%) HR (2%) but at 10% Quality management's involvement was higher this year, reflecting a higher proportion of operational Balanced Scorecards in the sample.

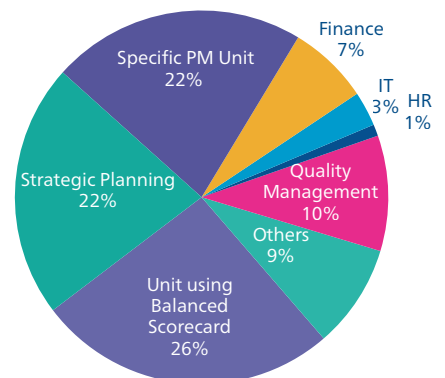
Reported role of users of the Balanced Scorecard



Uses of Balanced Scorecard



Who manages the Balanced Scorecard?



3.2 Types of Balanced Scorecard - design and perspectives

Use of standard design elements

We asked about what standard design elements featured in respondent's Balanced Scorecard(s).

Over 80% have both Metrics and Targets (85%) - these are essential elements of any working Balanced Scorecard and we are surprised that this figure is not even closer to 100%.

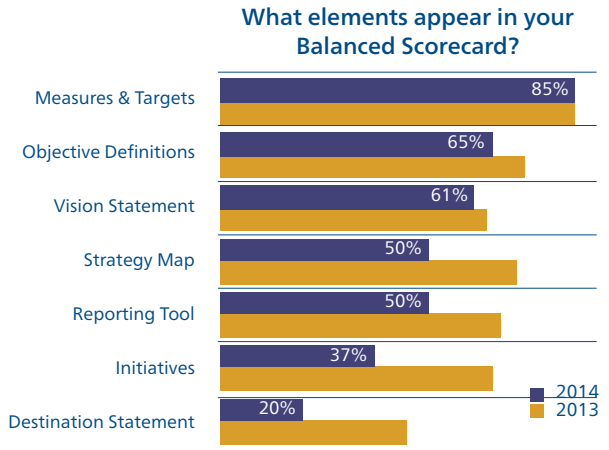
The proportion reporting use of a Destination Statement is down this year from 45% to 20% and of Strategy Maps is down to 50% from over 70% last year, illustrating the more operational focus of this year's Balanced Scorecards.

The elements each respondent uses in their Balanced Scorecard(s) allow us to assess the 'type' of design used. We estimate that at least half the Balanced Scorecards reported in this survey are **Second Generation** designs - as they have a Strategy Map. About one in five are **Third Generation** designs with a Destination Statement which shows a clear picture of what 'success' is being targeted.

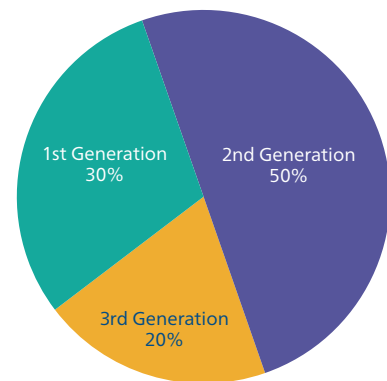
More information about the three Generations of Balanced Scorecard design and Destination Statements are available from the [2GC website](#).

Nearly half of respondents reported that their organisation operated more than one Balanced Scorecard - a 10% rise on last year; the average number in use being 12 (11 in 2013).

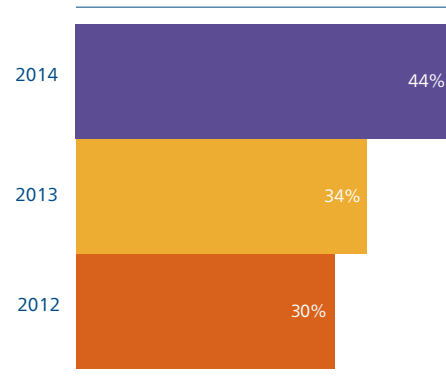
Multiple Balanced Scorecards are a good idea in larger organisations where one Balanced Scorecard would not capture the rich variety of its roles and responsibilities.



Types of Balanced Scorecard



Proportion of responding organisations reporting having multiple Balanced Scorecards



Perspectives or Headings used

We again asked respondents to list the perspective names used in their Balanced Scorecard. Two-thirds of respondents said that they had multiple perspectives and most of these gave details of the names used. Our respondents are happy to deviate from the 'standard' four headings popularised in early Balanced Scorecard literature (Finance, Customer, Process, Learning & Growth), but the pattern of deviation is to mix standard headings with unusual ones. The standard headings were on average the most commonly used: Financial (79%), Internal Process or similar (79%), Customer or similar (65%), and Learning/Development/Growth/People (51%). This was very much in line with last year's results.

3.3 Design Methods: Original and Refresh

The most commonly reported design approach was 'Jointly by Internal team / Consultants', followed by 'Management teams for their own use'. Best practice approaches involve the management team directly, a key characteristic of 3rd Generation Balanced Scorecard design methods, which are marked by the use of workshops to design the content.

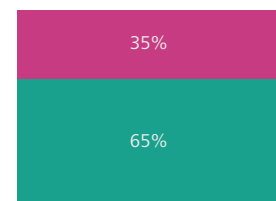
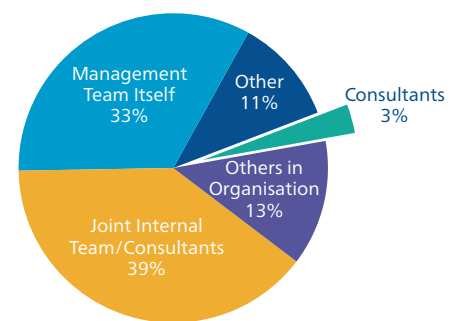
In line with previous years, two-thirds of respondents said that their organisation had reset their Balanced Scorecard design, and of these 84% had done this during the previous 12 months. **Our experience is that such reviews are a key element of Balanced Scorecard best-practice, and a feature of the most successful implementations.** Regular reviews make Balanced Scorecard a dynamic and flexible tool that reflects the changing strategic realities of the organisation.

The revisions were informed by updated Strategic Plans in about half of the organisations - down from 80% last year; 68% of these updates reflected moving priorities by changing the objectives as well as measures and targets.

Just over 60% (2013 - 75%) of organisations reporting multiple Balanced Scorecards said they used the structured sequential approach known as 'cascading' to coordinate these multiple designs.

Cascading is an approach that unlocks one of the most powerful aspects of the Balanced Scorecard: its ability to drive strategic alignment both horizontally and vertically within an organisation. For more on Balanced Scorecard cascading, see the [2GC briefing on the topic](#).

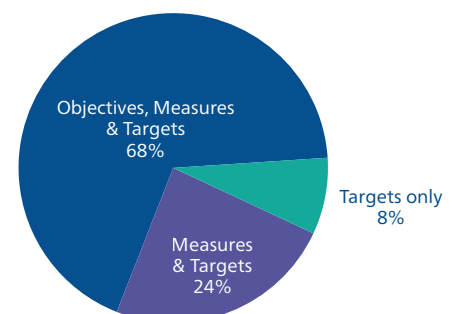
Who designed your Balanced Scorecard?



Has it been reset?

Yes No

What elements were changed?



3.4 Reviewing and Reporting: Software and Frequency

Reviewing performance

More respondents (88%) than last year (74% 2013) reported using 'Traffic Light' mechanisms in their Balanced Scorecard reports - typically using red / amber / green status flags. Those who did not use this system cited either a discursive review or use of simple reports but without measuring against targets.

Acting on performance information is key - why bother tracking performance if you don't do anything with it? This is especially true for strategy implementation activities - where the environment is dynamic and an organisation's abilities to execute uncertain.

Organisations that reported acting on the information obtained from Balanced Scorecard typically described the response as being pragmatic and sensible - e.g.:

- "We look at the causes, the achievability of the target and then address them"
- "We test our strategic hypothesis to learn the lesson from what we tried"
- "The analysis is performed and corrective actions are defined".

Curiously in our view, about a half of those responding said there were no consequences for poor performance. This is odd - we would expect all organisations to at the very least plan to take corrective actions when poor performance is identified - without this response the value of a Balanced Scorecard is greatly reduced.

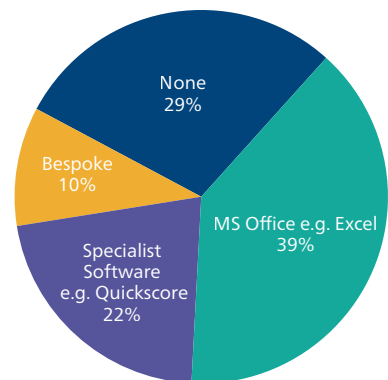
Software and Reporting mechanisms

Nearly 40% of respondents were using MS office tools, such as Excel spreadsheets, which is encouraging as we recommend that organisations start with making good use of their Balanced Scorecard before they embark on automation with complex software. This year slightly more respondents were using specialised Balanced Scorecard software than last year, such as Intrafocus's QUICKSCORE.

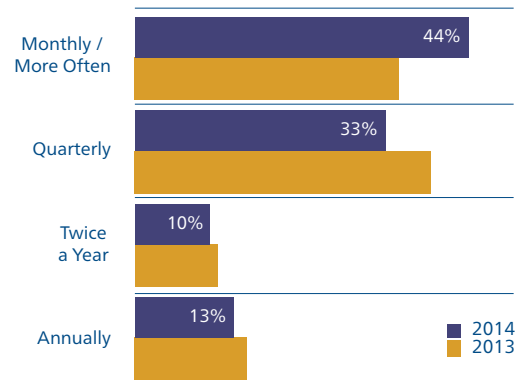
Frequency

Three out of four of the Balanced Scorecards covered by the survey are reported either quarterly or monthly with 26% only reported six monthly or annually. This shows a greater frequency compared to last year's survey results. The Annual review mostly applies to Balanced Scorecards used for individuals to support the level of rewards.

Reporting Tool used



Balanced Scorecard Reporting Frequency



3.5 Impact and Links to other processes

The primary influence of the Balanced Scorecard is on business actions and behaviours, in line with findings from last year.

Its influence on team or individual appraisals and rewards is a secondary role for our respondents with a lower overall impact in these areas this year.

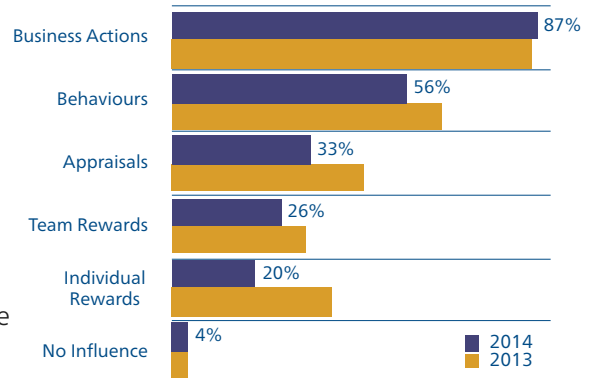
More information about how to combine the strategic management and appraisal / reward roles of Balanced Scorecard can be found in the [2GC website's resource area](#).

We also examined the links between the Balanced Scorecard and other processes, such as Planning, Budgeting, Quality and Risk Management. As we expected there are strong / frequent links between Balanced Scorecard and Planning and Budgeting. Of interest this year is a slight drop in the Planning links perhaps this is related to the lower number of purely strategic users compared to last year.

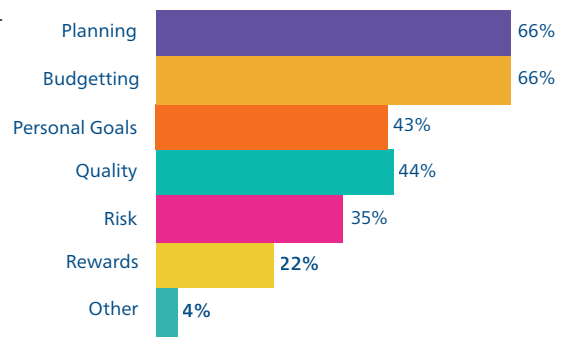
3.6 Overall Satisfaction

The most important finding of the survey was that three-quarters of respondents (67% - 2013) felt that their Balanced Scorecard was 'extremely' or 'very' useful. 25% of respondents said it was 'somewhat' useful - in many of these cases they were early on in their use of the tool and it had not been fully implemented yet. Three people said it was not at all useful.

What does your Balanced Scorecard Influence?



Links between Balanced Scorecard and other Processes



About 2GC

2GC is a research-led consultancy expert in addressing the strategic execution and performance management issues faced by organisations in today's era of rapid change and intense competition. Founded in 1999, UK-based 2GC has worked with organisations in 50 countries on five continents, helping senior management teams to implement their strategic goals. Central to much of 2GC's work is the application of its 3rd Generation Balanced Scorecard, an approach to strategic implementation, strategy management and performance measurement.

For more information on 2GC's approach:

- visit the [2GC website](#)
- telephone us on +44 1628 421506 or
- email us via info@2gc.eu.

About Intrafocus

Intrafocus is a corporate performance management software reseller and consultancy. Intrafocus supplies software into Europe, the Middle East and Africa. The software provides a structured framework enabling strategic alignment through linked business objectives, key performance indicators and initiatives. The software can be easily integrated into any strategic planning process or added later as a management tool. Please take a moment to visit the [Intrafocus website](#).



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