

Survey Report

Balanced Scorecard Usage Survey Report

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

January 2016

2GC Active Management

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1. Summary of Findings

This year we again had a really good response to the survey, and as per last year over two thirds of those responding reported that their Balanced Scorecard was **'extremely'** or **'very'** useful. However it was notable that many respondents identified the importance of the organisation supporting the Balanced Scorecard for it to be useful. For example, some noted the need for strong sponsorship from the organisation's leaders when implementing a Balanced Scorecard. Some quotes from respondents illustrate this:

"Balanced Scorecard needs a management desire to improve reporting"

"Implementation is change management and a tough nut to crack without sound executive commitment and drive".

Others mentioned the value of establishing the "culture" of performance management, for example:

"Our Balanced Scorecard is at an infant stage, so the spiritual cascading and reward are not properly addressed"

Our experience is that Balanced Scorecard works by changing the behaviour of managers within the organisation, and so to be implemented successfully a Balanced Scorecard project should be considered within the context of a more extensive change management programme - this is essential to get value out of this valuable strategic management tool.

Notable characteristics of this year's survey are:

- This year the proportion of respondents from the Americas were lower, but we had an equivalently greater response from respondents in Asia and the Far East;
- As we found in previous surveys, the most common usage for Balanced Scorecard is at the Executive level, and the most common role for Balanced Scorecard is to inform on strategy implementation activities;
- Most of the respondents reported that their Balanced Scorecards have measures and targets BUT in some cases not all the metrics are fully defined and not all the targets have been set - indicating that the design of the Balanced Scorecard is incomplete;
- As we found in previous surveys, the reported Balanced Scorecards 'work' by influencing the actions and behaviours of managers within the organisation. However around 50% of respondents say that there are no consequences for missing targets, which is curious. We firmly believe that a Balanced Scorecard will work far more effectively if managers are held accountable for the results it reports.
- A majority of respondents' reported links between their Balanced Scorecards and Planning and Budgeting processes, and around half with Quality and Risk management - this is very encouraging as it shows how well integrated the tool is with general management practices.

2. About this Survey

This is the seventh annual Balanced Scorecard Usage Survey that has been undertaken by 2GC. Our aim for the survey is simple - to examine in detail how organisations are using the management tool called Balanced Scorecard, and to gain insights into what the attributes of a successful Balanced Scorecard implementation are. This year the survey questionnaire was completed by 101 respondents during October and November 2015; 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.

As with the 2014 survey 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.

2.1 Who took part?

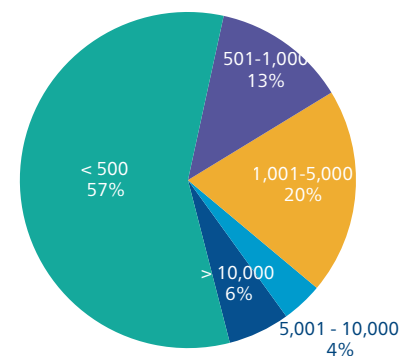
As has been the case in previous years, the survey was completed by a broad range of organisations. This year we had fewer not-for-profit and governmental respondents but more from manufacturing and various academic institutions, with the remainder from a broad spread of commercial sectors.

While a recent study¹ found that organisations with over 250 employees represent less than 1% of the total we have found, in this and previous years, that just under half of the responding organisations (43% of respondents this year) work for organisations with more than 500 employees: suggesting that Balanced Scorecards are much more common in larger organisations.

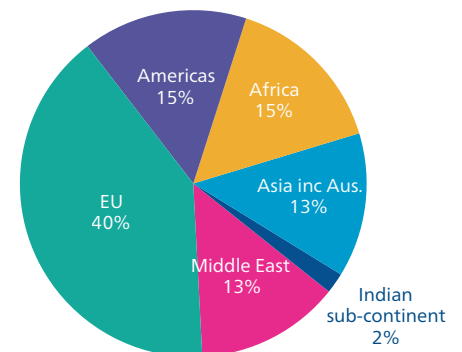
This year responses came from 34 countries. There were a similar number of responses from Europe but a drop in responses from the Americas (16% v 24% last year) and a marked increase from Africa (16% v 3%) and the Far East & Australasia (14% v 3%).

73% of respondents worked in the headquarters of their organisation with 8% (13% in 2014) of respondents in a Geographic or Product/Service Division and 7% in a Function (5% in 2014).

Organisation Size by employee numbers



Participant Location



¹ Office of National Statistics - UK Business: Activity, Size & Location 2011

2.2 How well do they know the Balanced Scorecard?

The profile of those completing the survey questionnaire showed an almost identical level of knowledge of Balanced Scorecard to last year - with 21% saying they were **extremely** knowledgeable (22% in 2014) and 46% **very** knowledgeable (46% in 2014). Those with a **slight** knowledge increased slightly to 31% (25%). 3% of the respondents reported **minimal** knowledge (4% in 2014) and no respondents selected that they had **no knowledge** of the Balanced Scorecard (2% in 2014).

3. Results

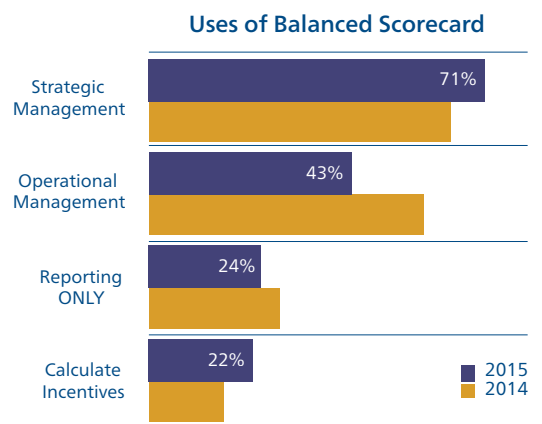
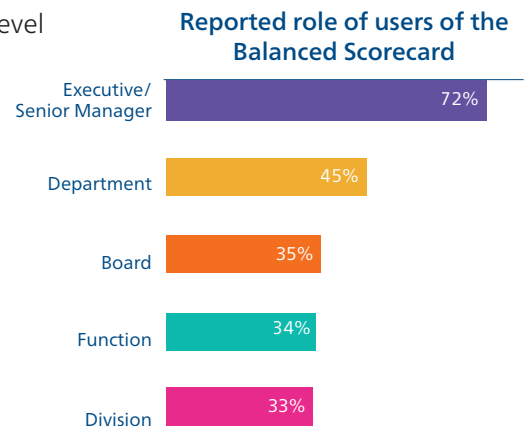
3.1 Usage - where, for what and who manages it

The most frequently reported users of the Balanced Scorecard were at the Executive Director/Senior Management level (72%), with Departmental (45%), Board (35%), Functional (34%) and Divisional (33%), levels being less frequent. This was different from the 2014 survey; reporting of Board level and Divisional use has declined. Use in other units was similar to last year.

71% of respondents report using the Balanced Scorecard to manage strategy management/implementation and reporting on progress of these activities - up from 64% in 2014. However, operational use was significantly down on last year at 43% (55% in 2014), perhaps a reflection of the change in types of respondents.

The percentage of Balanced Scorecards ONLY used for Reporting was again slightly down on last year: 24% vs 28% in 2014. There has been an increase in the reported number of Balanced Scorecards being used for individual incentives/payments up to 22% (15% in 2014) linked to more responses from private sector organisations.

For the second time the most reported unit responsible for operating and maintaining a Balanced Scorecard was with the Unit using it (i.e. self-managed) at 28%. The next most common responsible unit was reported to be a specialist performance management unit at 25%. Other responsible units included a



Strategic Planning Unit (16%), Finance (4%), HR (7%), Quality management Unit (10%) with an additional 10% of 'Other' which included roles such as CEO, COO and executive management.

3.2 Types of Balanced Scorecard - design and perspectives

Use of standard design elements

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

86% report they have both Metrics and Targets - these are essential elements of any working Balanced Scorecard and we are surprised that this figure is not even closer to 100%.

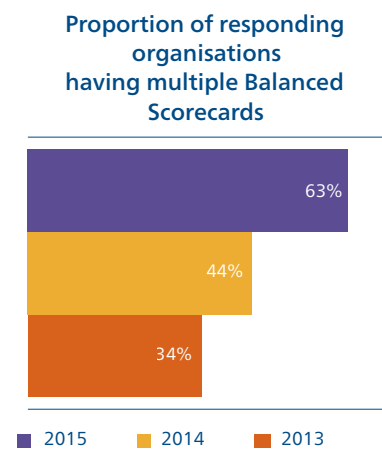
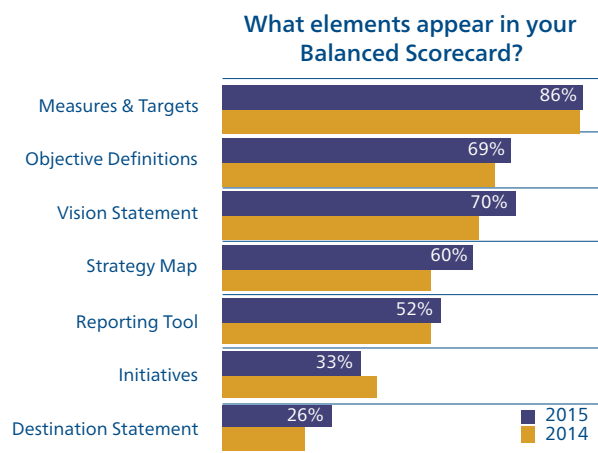
The proportion reporting use of a Destination Statement is up to 26% this year (20% in 2014). Reported use of Strategy Maps is up to 60% this year (50% in 2014).

The elements each respondent uses in their Balanced Scorecard(s) allow us to assess the 'type' of design used. Just over one third (36%) of the Balanced Scorecards reported in this survey are **Second Generation** designs (50% in 2014) - as they have a Strategy Map, and a quarter are **Third Generation** designs (20% in 2014) with a Destination Statement which shows a clear picture of what 'success' is being targeted. This is a very encouraging finding, as use of the newer (second and third) generations of Balanced Scorecard design deliver significant benefits to organisations over those built using the First Generation design concept (which is now over 30 years old).

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

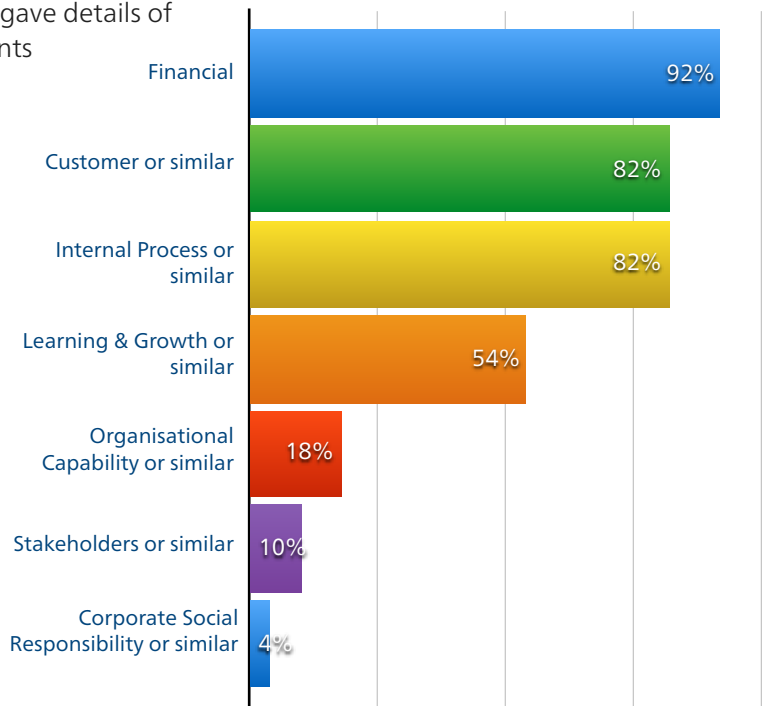
63% of respondents reported that their organisation operated more than one Balanced Scorecard, compared with nearly half in 2014: the average number in use, 9, is lower than last year (12 in 2014).

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.



Perspectives or Headings used

We asked respondents to list the perspective names used in their Balanced Scorecard. 72% of respondents said that they had multiple perspectives and most of these gave details of the names used. Our respondents report that organisations are happy to deviate from the 'standard' four headings popularised in early Balanced Scorecard literature (Finance, Customer, Process, Learning & Growth); the pattern is to mix some standard headings with others - with the "Learning and Growth" heading being the one most likely to be changed. Previous surveys found that nearly 80% of organisations use the top three perspective names. This year the number has fallen - only 52% of reported Balanced Scorecards featured the top 3 perspective names of Financial, Customer (or similar) and Internal Process (or similar). We think this change is for the better, as it perhaps indicates a greater willingness to customise Balanced Scorecard designs to better suit organisational needs.



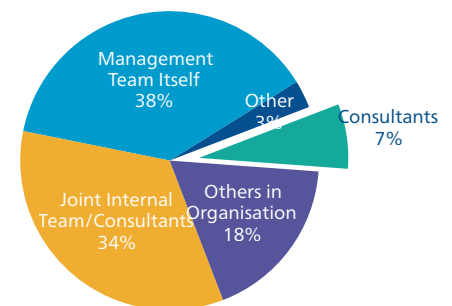
3.3 Design Methods: Original and Refresh

In a change from last year the most commonly reported design approach was by **'Management teams for their own use'** (38%), followed by **'Jointly by Internal team / Consultants'** (34%). This is encouraging, as best practice design approaches are ones that involve the management team directly which helps to drive engagement and accountability.

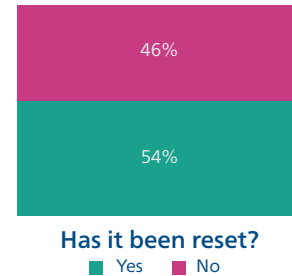
As one frustrated respondent commented, "Balanced Scorecard needs a management desire to improve reporting".

Balanced Scorecards designed **solely** by consultants has seen a slight increase over the 2014 results.

Who designed your Balanced Scorecard?

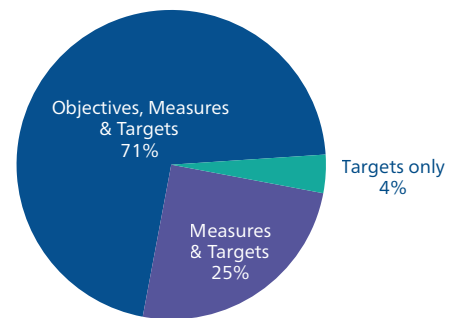


Showing a decrease over previous years, only 54% of respondents (64% in 2014) said that their organisation had reset their Balanced Scorecard design, and of these 82% had done this during the previous 12 months. Unfortunately this means that 46% of respondents could be trying to execute on out-of-date objectives and targets. **Our experience is that 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.



Over 90% of those who did revise their Balanced Scorecard did so in relation to an updated strategic plan. 71% of these updates reflected moving priorities by changing the objectives as well as measures and targets.

What elements were changed?



As last year, just over 60% of organisations reporting multiple Balanced Scorecards said they used the structured sequential approach known as **cascading** to coordinate these multiple designs.

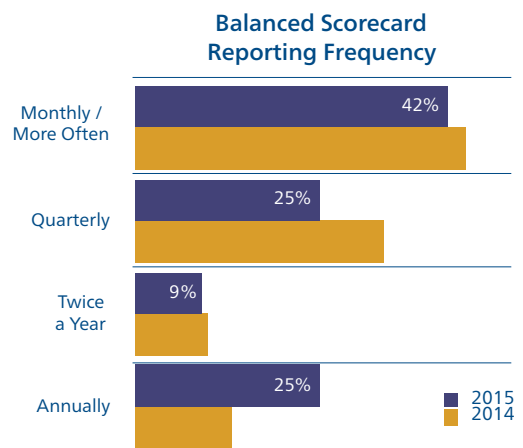
Cascading is an approach that unlocks one of the most powerful aspects of the Balanced Scorecard: its ability to drive strategic alignment both horizontally and vertically within an organisation. For more on Balanced Scorecard cascading, see the [2GC briefing on the topic](#).

3.4 Reviewing and Reporting: Frequency and Software

Fewer respondents (69% v 88% 2014) than last year reported using 'Traffic Light' mechanisms in their Balanced Scorecard reports - typically using red / amber / green status flags. Those who did not use this system reported using either a discursive review or use of simple reports but without measuring against targets.

Frequency

We see it as encouraging that 67% of organisations reported using their Balanced Scorecards either on a quarterly basis or more often. It is hard



to see how the 33% of respondents who report using their Balanced Scorecards less often will get full value from their investment. On the following page it can be seen that a Balanced Scorecard works in organisations by influencing business actions and behaviours - if it is not regularly reviewed it is hard to see how this influence can be realised.

Organisations that reported acting on the information obtained from Balanced Scorecard typically described the response as being pragmatic and sensible, although one or two suggested there would be negative implications for teams/individuals where objectives were not met.

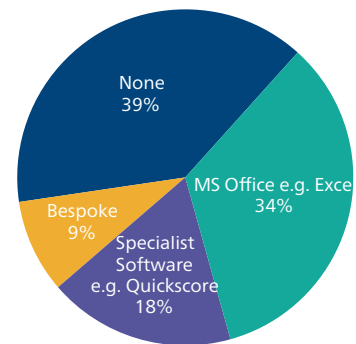
- *“We establish why and introduce corrective measures to reverse the trend”*
- *“Objective owner investigates the root cause and recommends a course of action”*
- *“Issue based discussions to assess the implications and agree how to address as an executive”*

Nearly half of the sample said there were NO consequences for missing targets. This is surprising in some ways, as the lack of consequences weaken the link between Balanced Scorecard information and management action. But perhaps this can also be seen as encouraging - as it shows that in about half of organisations that actively use Balanced Scorecard, usage is driven by self-motivated managers rather than organisational policy.

Software and Reporting mechanisms

A surprisingly high number of respondents do not use any software tools to report their Balanced Scorecard. 34% of respondents were using MS office tools, such as Excel spreadsheets. Quickscore was the most commonly used specialist software. These findings do reveal an opportunity - with a few adjustments most organisations would see better returns on their investment. Introducing software automation to ensure more frequent reporting and trigger the changes which result in consequences could make Balanced Scorecard performance more effective.

Reporting Tool used

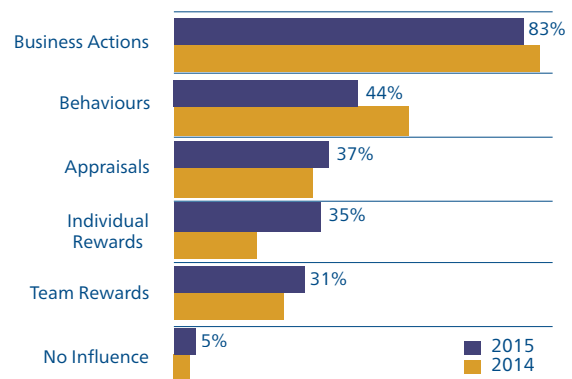


3.5 Impact and Links to other processes

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

What does your Balanced Scorecard Influence?

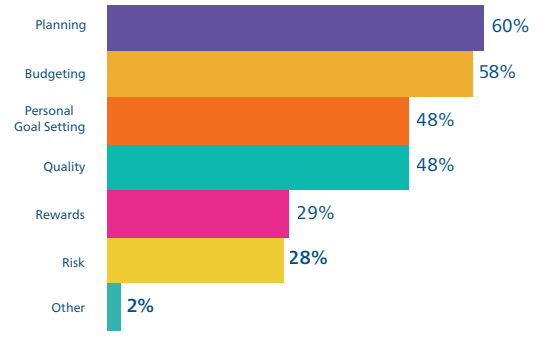


for our respondents with a higher overall impact in these areas this year.

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

We also examined the links between the Balanced Scorecard and other processes, such as Planning, Budgeting and Quality and Risk Management. As we expected there are strong / frequent links between Balanced Scorecard and Planning and Budgeting. Of interest this year are increases in links with personal goal setting and Quality.

Links between Balanced Scorecard and other Processes

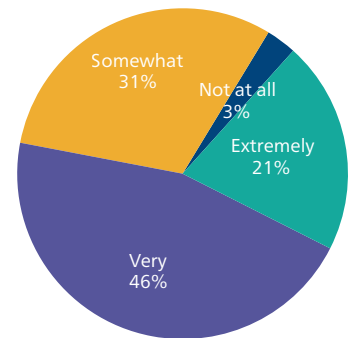


3.6 Overall Satisfaction

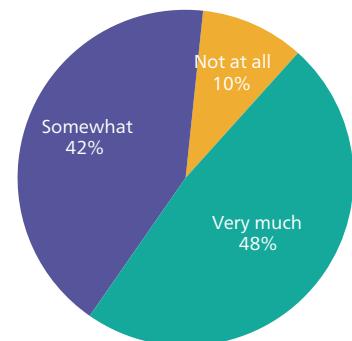
One of the most important findings of the survey was that 67% of respondents (73% - 2014) felt that their Balanced Scorecard was **extremely** or **very** useful. 31% of respondents said it was **somewhat** useful - in many of these cases the responding organisations were early on in their use of the tool and it had not been fully implemented yet. Three people said it was not at all useful: their related comments report a lack of regular reporting and management involvement in these organisations, and so the reported lack of utility is not in these cases surprising.

In 2015 48% of respondents think that using Balanced Scorecard in their organisation, has made it 'very much' easier to understand organisation objectives.

Satisfaction with Balanced Scorecard in 2015



Does Balanced Scorecard make organisations's goals clearer? 2015



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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