

**Balanced Scorecard Interest Group
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From Private to Public Scorecards: Getting the Right Fit

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Overview: Mobil Oil Corporation developed a scorecard in the early 1990s for its US operations when it faced a performance crisis. It drove it down into its operating units within 6 months, influencing the focus of its 10,000 US employees and returning to a top competitive position within two years. In contrast, a small non-profit entity, SOC Enterprises that helps employee mentally disabled adults, launched its scorecard effort out of concern for its future environment. The scorecard was largely an effort to frame a context for its board of directors, not drive operations. Each organization approached the use of the scorecard differently, but both found it useful as a way of focusing conversations and defining strategies.

Presentation:

Mobil Oil. Mobil Oil's U.S. refining and marketing operations developed its scorecard in the mid-1990s in response to poor competitive results. Management pressure to improve performance was intense and everyone knew the organization had to change. As it had a strong planning culture, Mobil was able to develop a division-level scorecard and cascade it down to its operating units in one year. This was possible because the work of the various operating groups was well defined and measured. It took an additional 12 months to cascade similar scorecards down to support functions because those were more varied and had fewer measures in place. In the process, Mobil also moved to a shared services model with Service Level Agreements.

The Scorecard also was integrated into the way Mobil ran its business. It served as the aligning mechanism for its planning goals – which were defined in some 20 core objectives -- as well as the basis for division-level performance reviews. Results permeated the organization: they were posted on the walls in the cafeteria and circulated in its newsletters. The staff was open to their adoption; they were looking for something to give Mobil a competitive edge.

The scorecards also were used as a basis for measuring performance for compensation purposes. Scorecard objectives were given weights and results were assessed against plan targets. The weighted average scorecard number was used to calculate the distribution of incentive compensation (bonus) awards, and pay-at-risk compensation. Ten percent of employees' pay was placed at risk in relation to the achievement of these goals.

One of the keys was that the Scorecard helped define clearly for employees what Mobil's strategies were in the marketplace. A survey before the scorecard showed that 20 percent of employees understood the corporation's strategy; 80 percent understood it after the Scorecard was put in place. Also, Mobil moved from 6th place among major oil companies in financial performance to first place for four consecutive years.

SOC Enterprises. SOC Enterprises trains and employs more than 200 mentally handicapped individuals. It provides office support services in federal agencies and operates a sheltered workshop. It has 70 non-handicapped employees in Arlington, VA, with \$10 million in revenues.

SOC faced no near-term crisis, but had long-term concerns about its future. For example, many federal copy center, mail delivery, and filing jobs were disappearing because of the expansion of technology. The application of the Scorecard helped better define SOC's customer base, but the lack of data stymied its rapid introduction. The organization defined 17 strategic objectives, but data were available for only 10.

The scorecard is not cascaded down to individuals, nor is it tied to pay. It is used to assess organizational performance and give a context for the board of directors. It also uses it as the organizing framework for reporting to its stakeholders in its annual report.

At the conclusion of the presentation attendees were invited to compare and contrast their personal experiences with those of the case studies in respect to the motivation for adoption of a Scorecard, the process used to implement the scorecard, and how the scorecard results were used. The last four slides in the PowerPoint presentation that display a side by side comparison of the Mobil and SOC experiences were used to jump start the participants' discussion.

The participants identified the following insights:

Insights of Participants:

- The lack of a large formal structure in the non-profit world provided less of a framework for the development of a scorecard.
- The corporation's existing tools to design goals enabled BSC approach to be installed more easily.
- The public sector scorecard focused operations while the non-profit application focused largely on staff functions.
- Two different motivations caused the installation of a scorecard. The motivations for the private sector was survival and the motivation for the non-profit was improved service to "customers"
- Communication was critical in both instances although the form was different.
- A Scorecard can be useful if you can identify the right measures to move the organization toward the desired goal or vision. Developing the right measures is difficult—but it is a key to success

- Building a communications strategy for the change effort up front is essential. Understanding the different audiences for information and the behaviors desired of the various players is important before developing measurement systems because one size doesn't fit all and if you don't take these elements into consideration up front, it's harder to retrofit them after the system is developed.
- Many government agencies that launch a Scorecard effort start (and often end) with a scorecard of their support/administrative functions. Mobil started with its core operating functions instead. The reason for may be that in most government agencies, the sponsor is the assistant secretary for management, who has an interest in management improvement but no strong influence over the operating divisions so he/she "models" the Scorecard in the support functions. Only in cases where the Scorecard is embraced by the top leader (for example Charles Rossetti when he headed the IRS) is the effort focused on the operational functions of the agency.
- The non-profit and most government agencies are similar in that the Scorecard is used as an organizational assessment tool instead of a driver of individual employee performance. On the other hand the Mobil Scorecard was tied to pay.
- Tying individual's performance to a scorecard element doesn't work unless the elements are further defined into discrete projects or initiatives that actually map to and influence the Scorecard numbers. Only when that link is made does it transform from an academic exercise to a point where an employee is "empowered" to be successful. In the federal government, this is generally leveraged through the budget process.
- Even when a Scorecard is not cascaded to the individual level, it serves as a good communication tool for aligning employees around common strategies and outputs.

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The Balanced Scorecard Interest Group is hosted by the American Society for Public Administration and the National Academy for Public Administration. It is sponsored by the IBM Center for the Business of Government. Sessions are facilitated by Gerald (Jake) Barkdoll, DPA (jakebarkdoll@msn.com). The group convenes monthly to exchange experiences and discuss the application of Balanced Scorecard concepts to federal organizations.