

# Balanced Scorecard Usage Survey 2011

Summary of findings

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# Why do a survey?

The Balanced Scorecard is one of the world's top-ten management frameworks and is the number one framework for Performance Management. It has been so since its introduction in the early 1990's. Despite this popularity, little is known about which organisations use Balanced Scorecard, what they use it for, and how useful it is in practice.

This survey is part of a multi-year 2GC project to find answers to these questions in order to improve the use and understanding of the Balanced Scorecard and also help us do our work better.

## Who participated?

Well informed managers, in corporate or staff roles: a profile that helps us have confidence in the quality of responses provided.

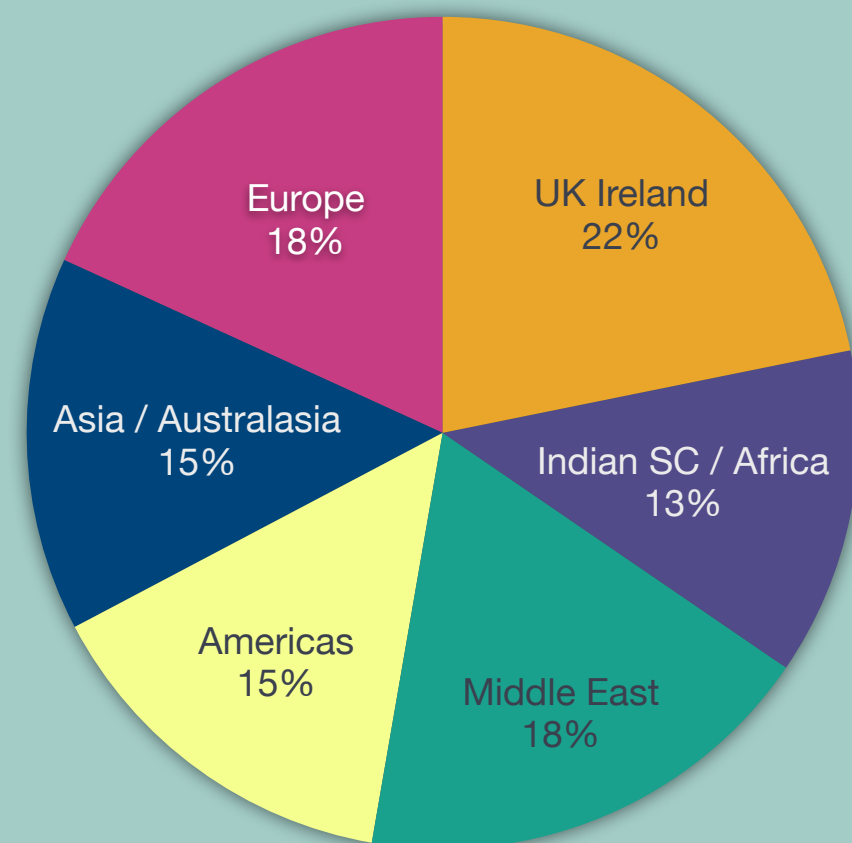
- Over 50% declared they were “very” knowledgeable concerning the Balanced Scorecard - 30% said they were “extremely” knowledgeable.
- Over two-thirds worked in the headquarters of their organisation.
- Only 14% were in a functional role.

## How did the survey work?

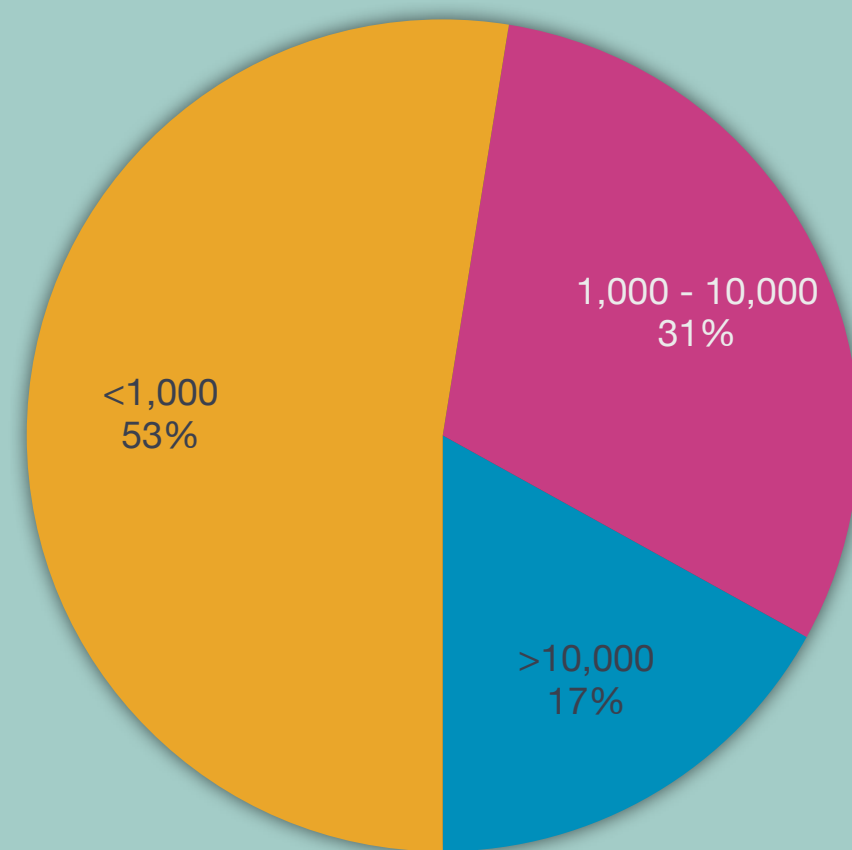
Our 2010 questionnaire was updated slightly with the addition of questions about linking BSC to other processes and who manages the BSC in the organisation. It was made available via a web-based tool and as a printable document that could be completed and mailed or FAXed back to 2GC. Each version had identical structure and questions. Respondents from 60 organisations participated. The respondents were self-selecting.



## Participating Organisations



Geographic Distribution

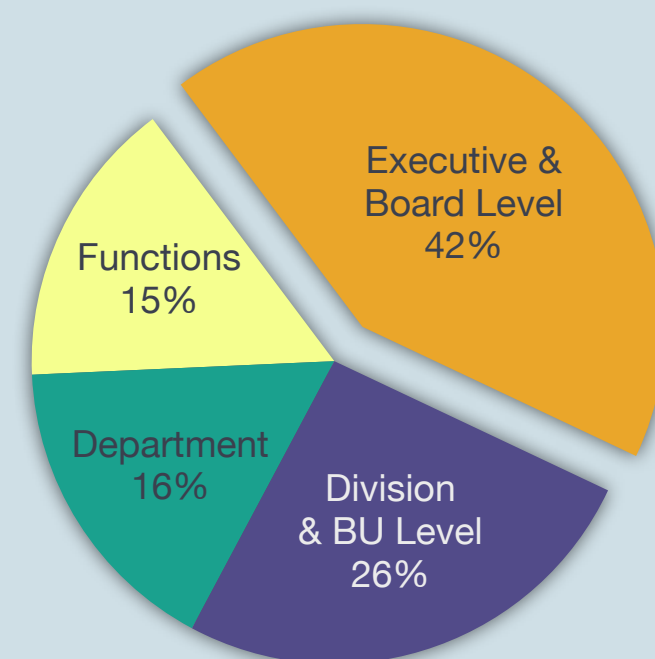


Organisation Size

# Who uses Balanced Scorecard?

- ▶ Organisations spread across a broad range of sectors participated: not-for-profit and governmental sectors provided 23% of the responses.
- ▶ Three-quarters had less than 10,000 employees.
- ▶ Two thirds report that their Balanced Scorecards are for Executive or Senior Management teams.
- ▶ 40% reported that their organisation has multiple Balanced Scorecards.

## Reported role of users of the Balanced Scorecard?



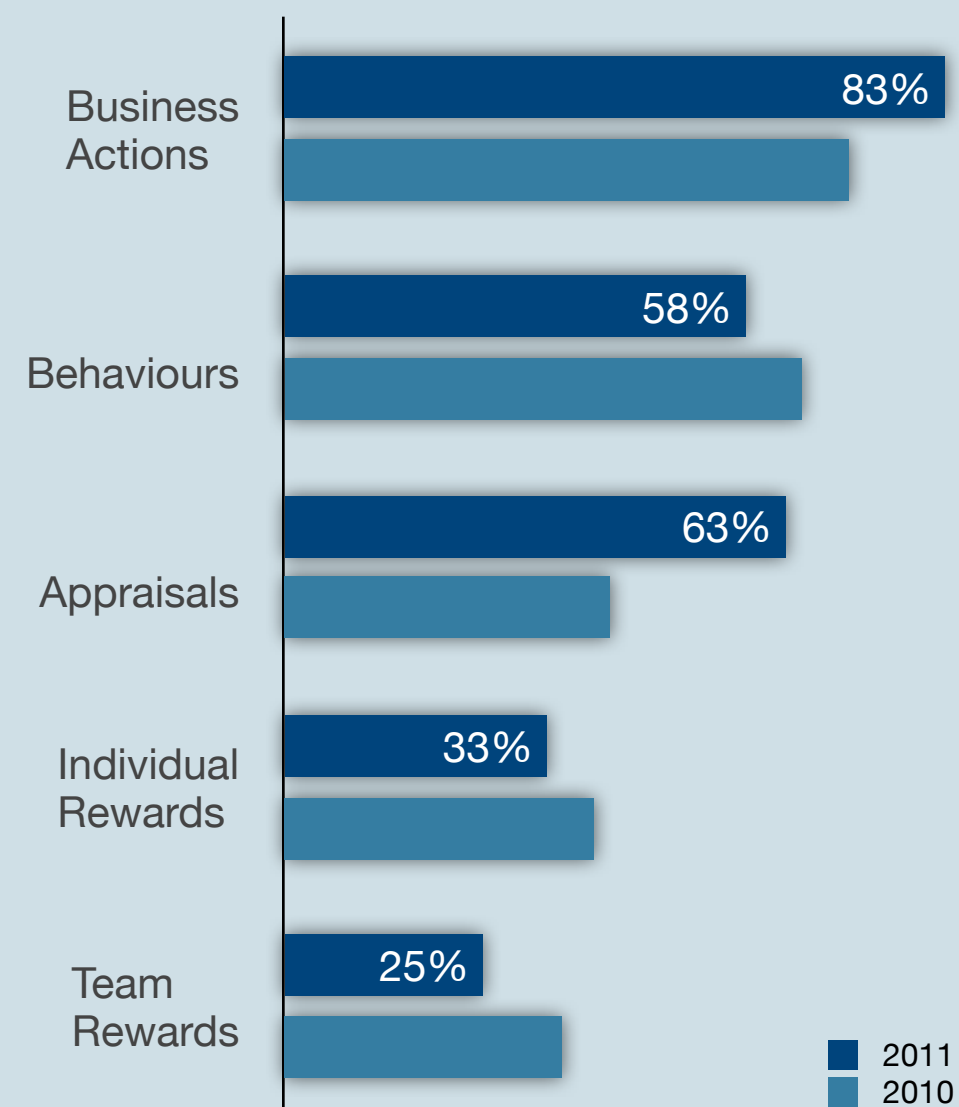
## Is this what was expected?

Yes. The mix of organisations reporting, their average size, and the emphasis on Balanced Scorecard as a tool for senior managers are all consistent with 2GC's expectations, based on our 11 years of experience working with organisations around the world on Balanced Scorecard design, and is very similar to the profile we saw reported in 2010.

## Have things changed since the last survey?

The 2010 survey had more organisations with over 10,000 people in percentage terms, but the balance of sectors, and profile of roles is about the same. It also had more organisations reporting the presence of more than one Balanced Scorecard.

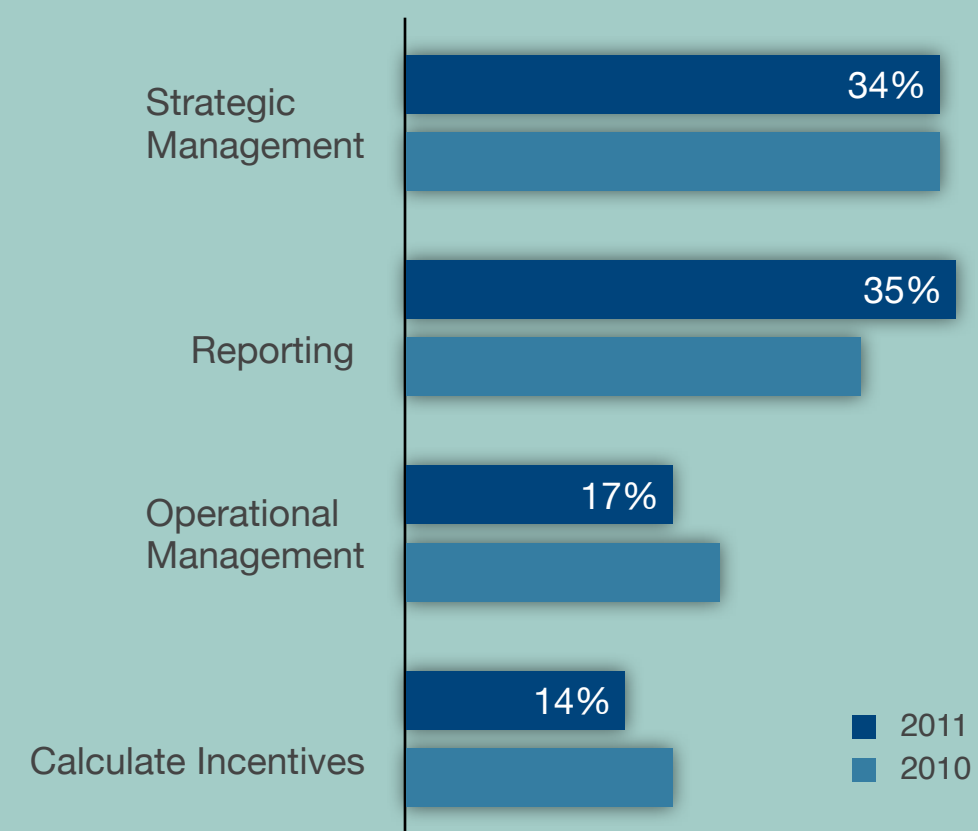
## What is influenced by Balanced Scorecard in your Organisation?



### Balanced Scorecard - An “Active” Management tool...

Over **80%** of respondents use their Balanced Scorecard to influence Business Actions - a highly encouraging figure that shows the dynamic nature of the tool.

## Uses of Balanced Scorecard



### Is this what was expected?

Yes. The focus on strategic management is consistent with the development of Balanced Scorecard. Balanced Scorecard as a non-financial reporting device, and as a support operational management are two popular complementary uses. Only three respondents said that Balanced Scorecard had no influence on their organisation's actions and behaviours - a Balanced Scorecard that does not influence actions or behaviour is of little value.

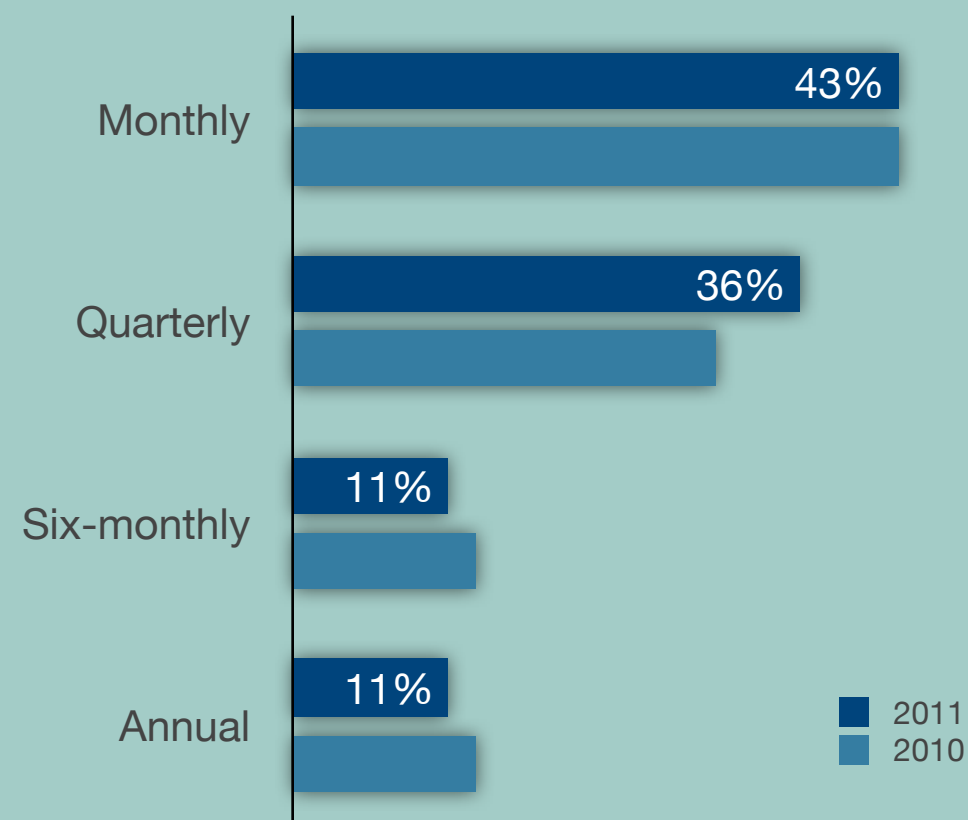
### Have things changed since the last survey?

Not very much, except for the fall in Balanced Scorecards use for **Calculating Incentives** which is due to fewer Financial Services firms completing the survey (3% this year, 14% last year).

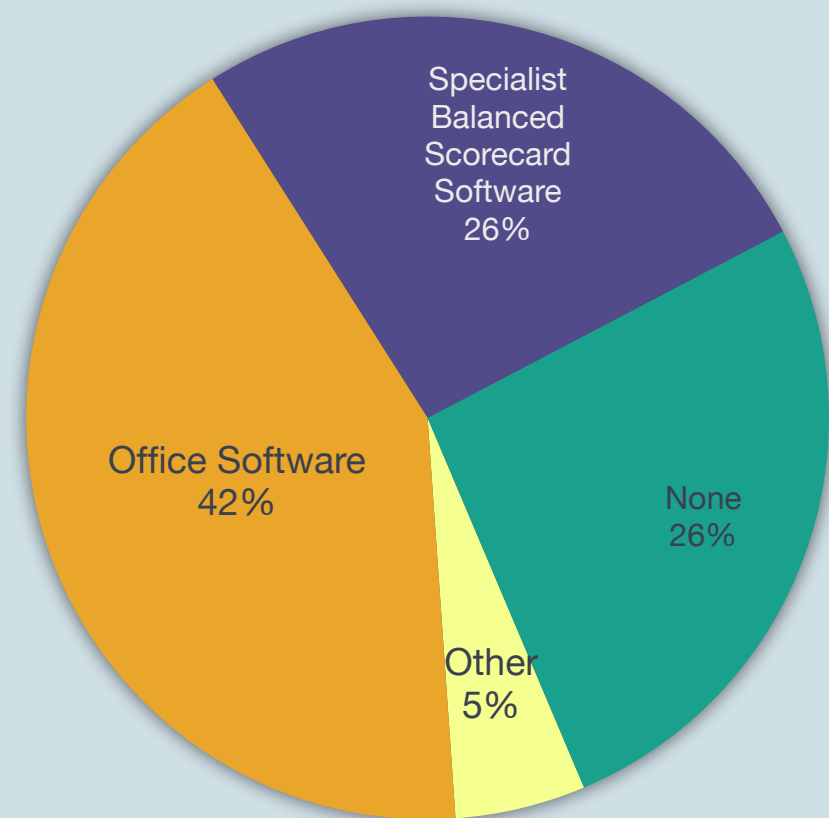
# What are Balanced Scorecards being used for?

- ▶ Balanced Scorecard's primary roles are as an aid to strategic management, informing decision making and the reporting of results.
- ▶ Balanced Scorecard drives organisational performance by influencing the actions and behaviours of managers and individuals and the way they are appraised.
- ▶ Balanced Scorecard plays a key role for a third of respondents in team or individual rewards.

## Reporting Frequency



## Reporting Software



# How is Balanced Scorecard used?

- ▶ 80% of the Balanced Scorecards covered by the survey are reported either quarterly or monthly.
- ▶ The Balanced Scorecards that are reported six monthly or annually are not really effective for management purposes.
- ▶ MS office tools such as Excel remain the most used software.
- ▶ Only one in four of Balanced Scorecard reporting systems were 'web enabled', with this feature being seen in the smaller as well as the large organisations.
- ▶ Just under 50% (2010 66%) reported that there were clear consequences for poor performance against Balanced Scorecard metrics and targets.

62% of respondents use a "Traffic Light" system to highlight performance in their Balanced Scorecard reports



### Is this what was expected?

Yes. The Balanced Scorecards in this survey are being regularly reported, and are also described as being effective at changing actions and behaviours (see previous page).

### Have things changed since the last survey?

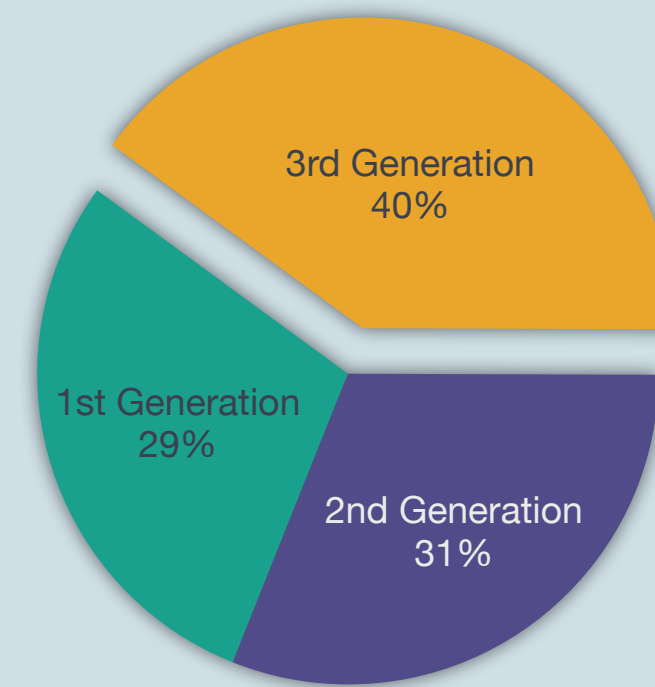
Use of specialist software to generate Balanced Scorecard reports has increased since last year. There was a decrease in respondents reporting consequences for missing targets which may mean a weakening of the tool's impact but is also sometimes a cultural issue.



# Which Balanced Scorecard design is in use?

- ▶ The survey asked about the design elements that featured in respondents' Balanced Scorecard. 71% (2010 over 90%) included elements specific to 2nd or 3rd Generation designs.
- ▶ Organisations reported using between 2 and 5 perspectives (average 4). Many used unique names for some perspectives, and common names for others. The size of each word in the table far right is proportional to the frequency of its reported use: the 'standard' perspective names dominate, even though few Balanced Scorecards actually use all four of the standard perspective names.
- ▶ The reported Balanced Scorecards had on average 11 Objectives and 23 Metrics

## Types of Balanced Scorecard used

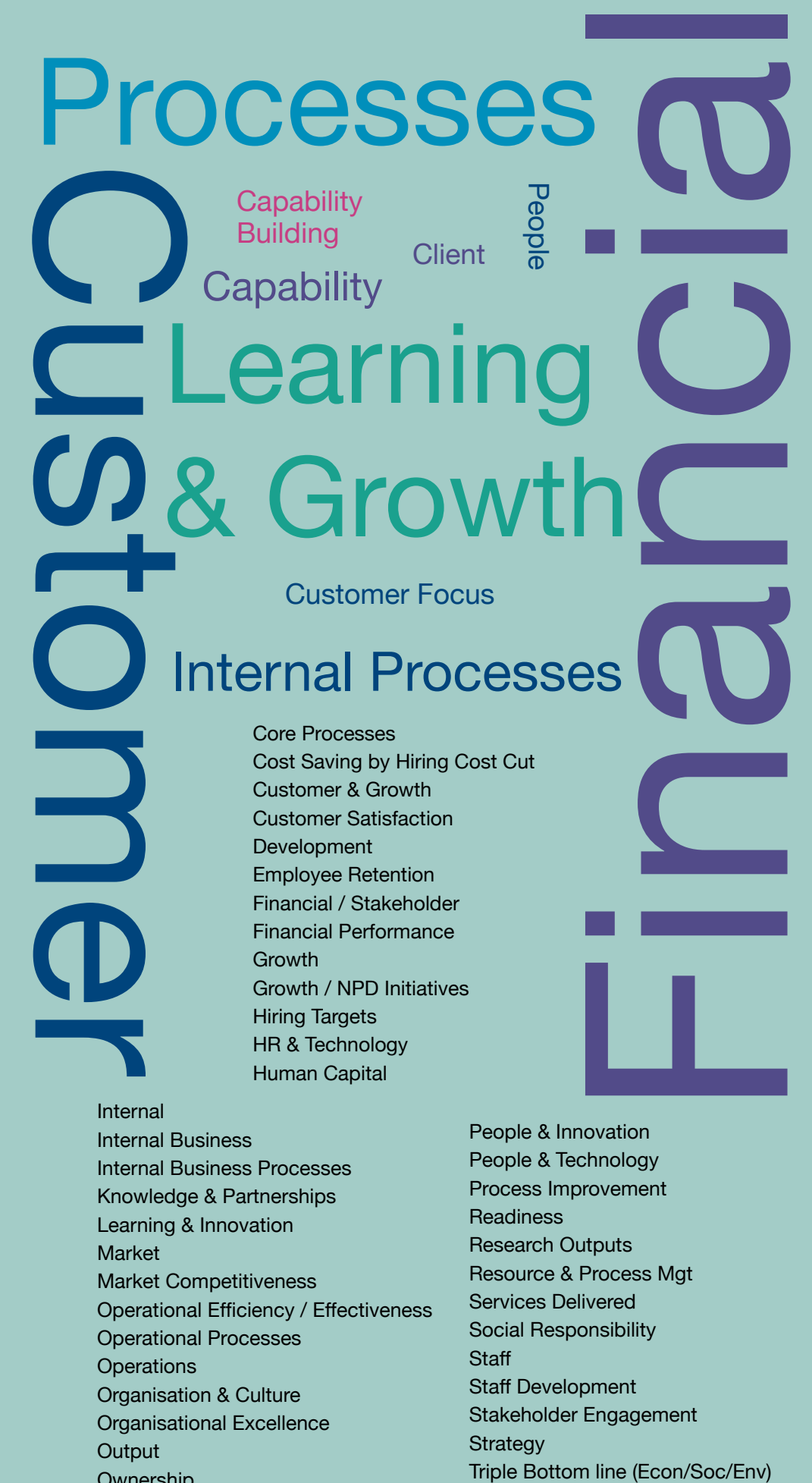


## Is this what was expected?

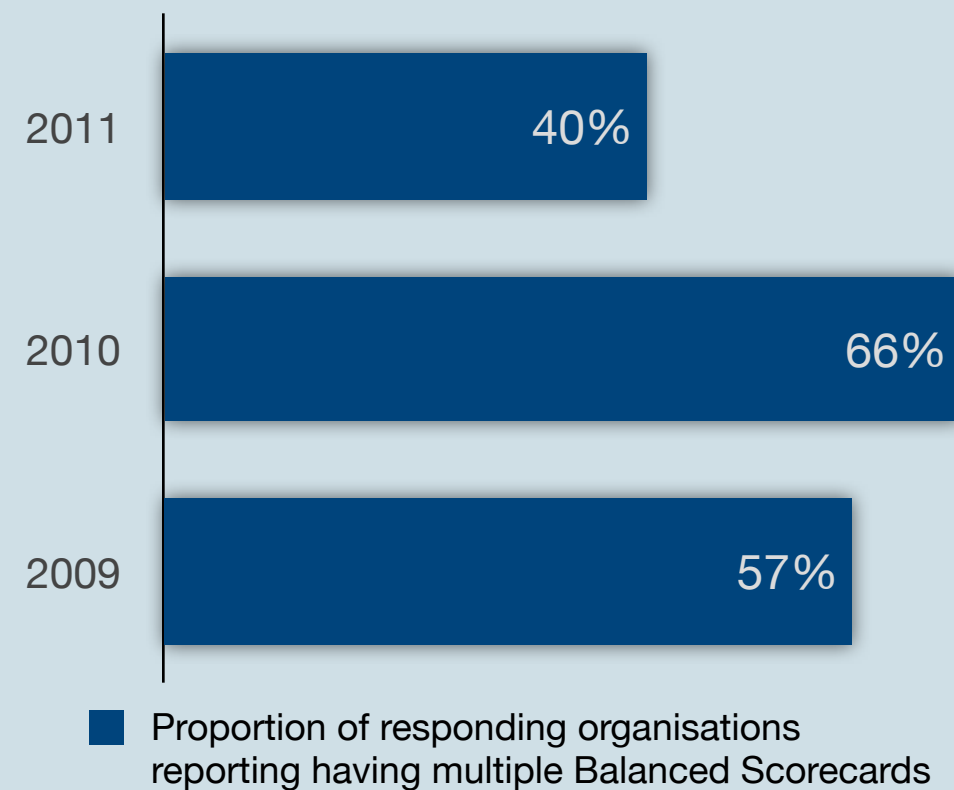
The results reflect how Balanced Scorecard design methods have evolved since the early 1990s. For over a decade, books and articles have been encouraging use of the more advanced and more effective 2nd and 3rd Generation Balanced Scorecard designs methods. It is encouraging to see that these modern design concepts are widely used.

Since the mid-1990s commentators have proposed changes to the number of and names used for the Balanced Scorecard perspectives. The survey shows that the original four headings remain dominant - though the names used are more varied now with people "personalising" the standard headings.

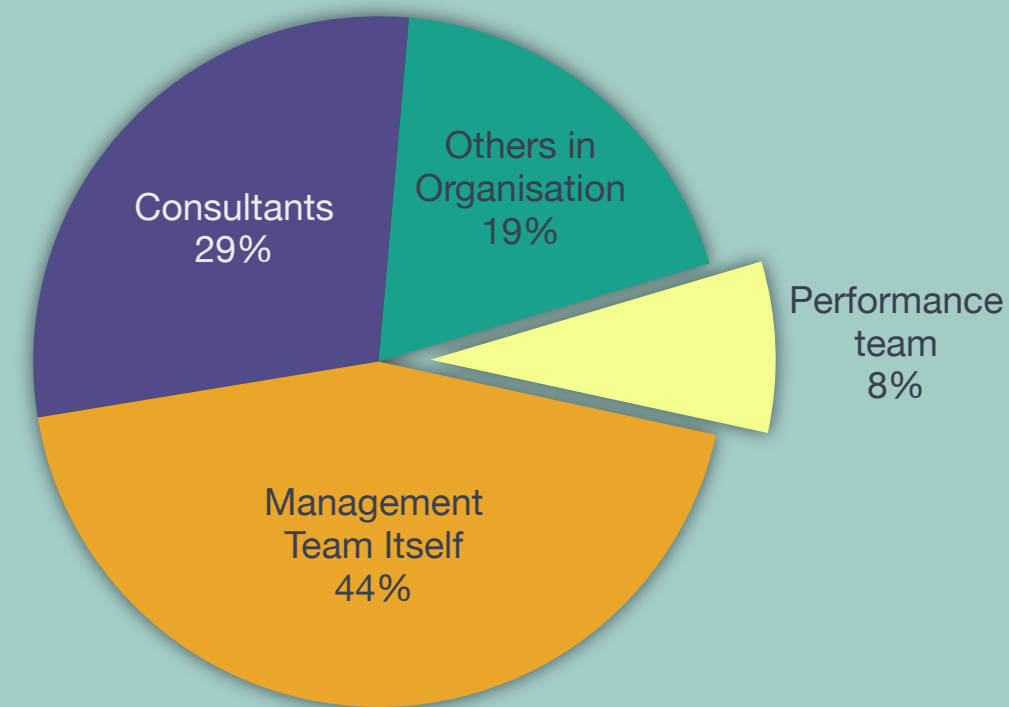
## Perspective Names



### Multiple Balanced Scorecard designed by “cascading” ...



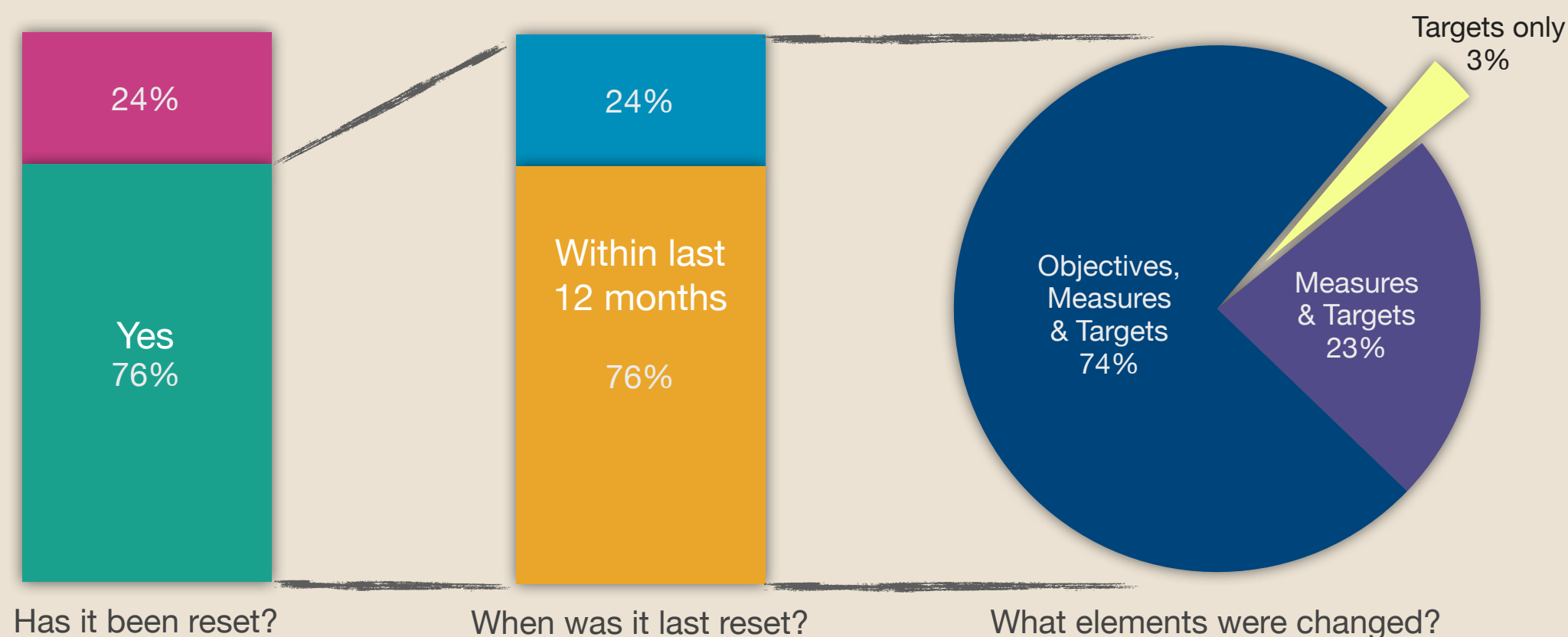
### Who designed the Balanced Scorecard?



# How was the Balanced Scorecard designed?

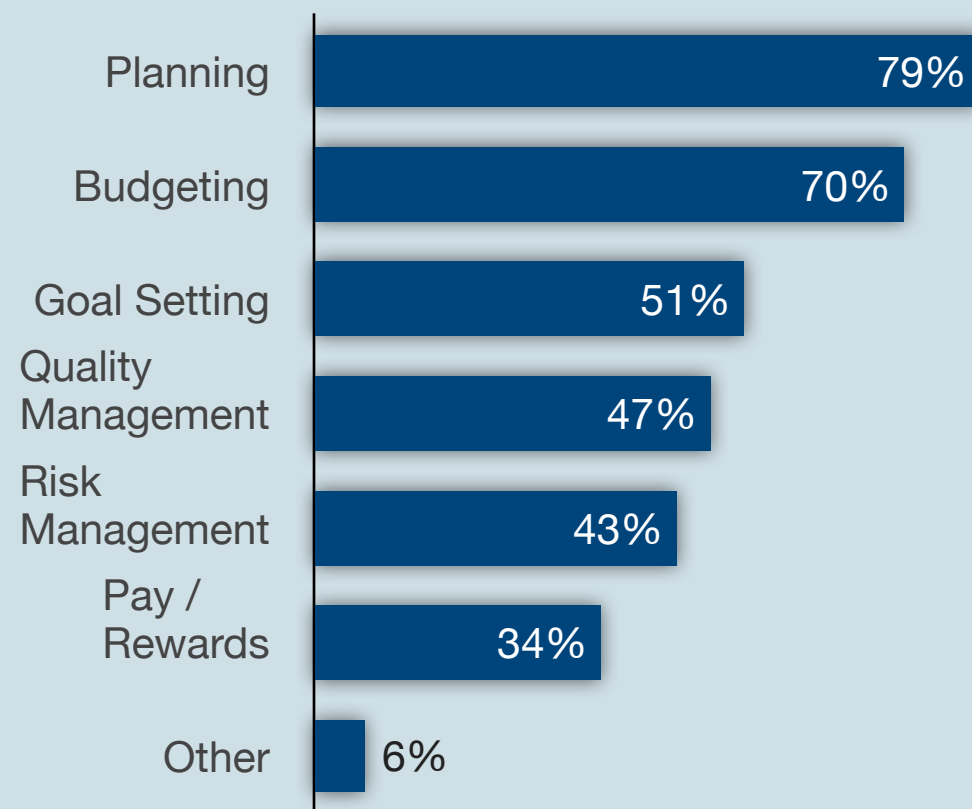
- ▶ In organisations with multiple Balanced Scorecards, about 60% (up from only 40% in our first survey) were created using a structured sequential approach known as “cascading”.
- ▶ Sensibly in our view, the main design approach is for the users to design it themselves - 44%. However, the proportion of those designed by specialist consultants is higher than last year - 29% versus 14% in 2009.
- ▶ Two-thirds of organisations have refreshed their Balanced Scorecard design: most during the previous 12 months. Over 80% of the revisions were linked to updated Strategic Plans. Over 50% the revisions involved changes to objectives, measures and targets.

### Balanced Scorecard Resets



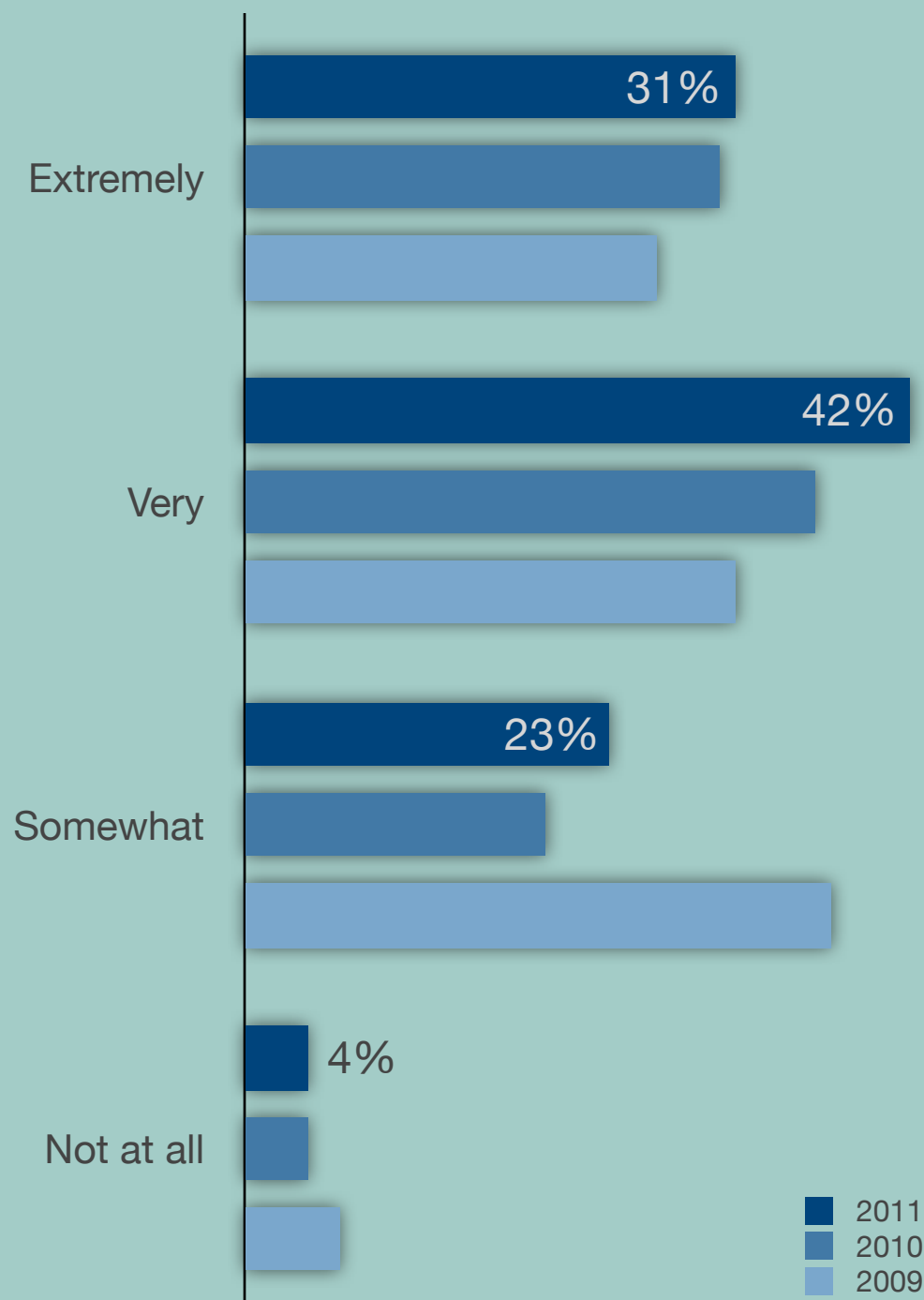


Who manages the Balanced Scorecard?



Processes linked to Balanced Scorecard

### How valuable is your Balanced Scorecard?



# Realising the value of Balanced Scorecard

- ▶ The value rating has consistently increased in the three years of our survey - with nearly 75% now being Extremely or Very valuable.
- ▶ Management of Balanced Scorecards is fairly evenly spread around departments with Strategic Planning, Performance Management units and the unit using the BSC, having the largest share.
- ▶ A high proportion of organisations link their Balanced Scorecards to Planning and Budgeting. Around half also link them to Personal Goal setting, Quality and Risk Management.

### Is this what was expected?

Regarding who in the organisation manages the Balanced Scorecard, possibly not. But it is interesting to see reported that few of the Balanced Scorecards are managed in Finance compared to other departments.

The linking of Balanced Scorecards to Budgeting in 70% of cases is higher than expected but the linkage to other processes is in line with what we see in our work with clients.



# Conclusions / Observations

As last year, the survey shows that Balanced Scorecard is a useful management tool. A typical Balanced Scorecard in our survey has 11 objectives and 23 measures, is based on relatively modern design principles, is one of several Balanced Scorecards within the organisation, is mostly likely being used by a senior management team as an aid to strategic management, and is directly influencing their actions and behaviours. Well designed Balanced Scorecards “work”.

The survey identified important secondary uses of Balanced Scorecard - supporting operational management, and the delivery of individual appraisals or rewards. This finding reconciles well with another 2GC design principle - that there are different ‘types’ of Balanced Scorecard application, each needing its own specific design approach.

We see that organisations are linking their Balanced Scorecard to planning, budgeting, quality and risk management - the challenge is to do this seamlessly and without adding unnecessary complexity.

Overall, the survey shows that Balanced Scorecard remains an important and effective management tool, but one whose value relies on getting the design and implementation right.







## Find out more

**Read some stuff** - See 2GC's collection of FAQs, Papers, Presentations, Case Studies

- ▶ <http://www.2gc.co.uk/resources>

**Get some training** - 2GC runs one-day and two-day training courses on Balanced Scorecard design and implementation throughout the year

- ▶ <http://www.2gc.co.uk/training>

**Ask us a Question** - We will send you an answer for free (if we can know the answer!).

- ▶ Send an email to [Ask2GC@2GC.co.uk](mailto:Ask2GC@2GC.co.uk)
- ▶ No coursework questions please...





# Help us with the 2012 Survey...

Please let us know if you would like to participate in or help with carrying out the 2012 Survey. Send us an email to at [2012survey@2gc.co.uk](mailto:2012survey@2gc.co.uk)

The questionnaire will be available from February 2012.

