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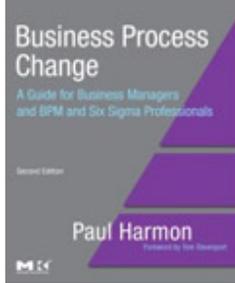


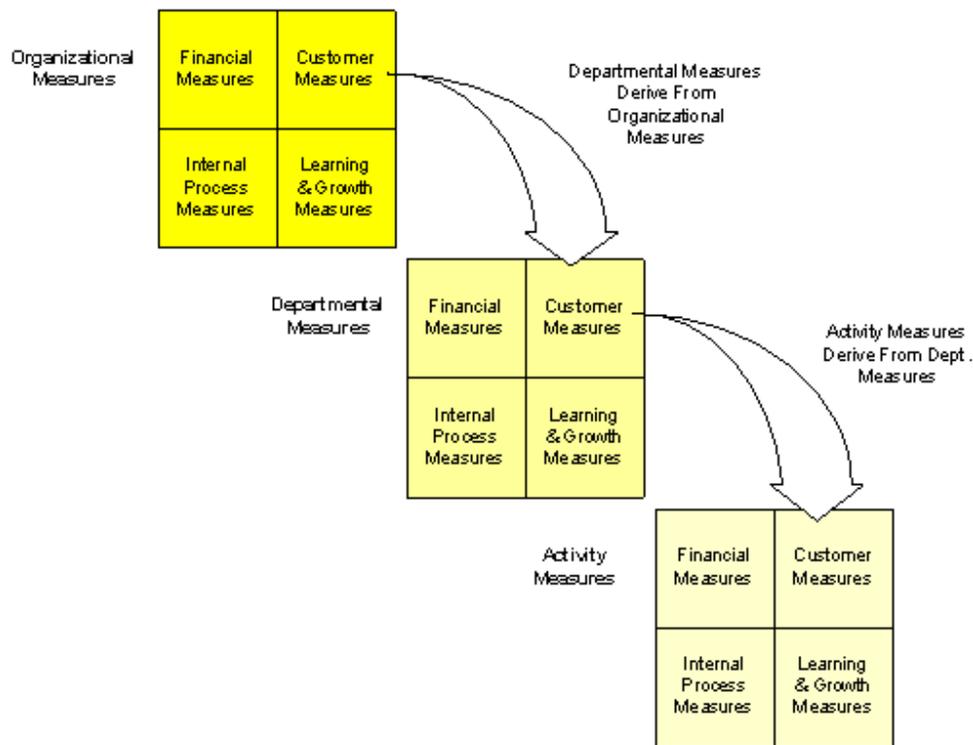
## Using Balanced Scorecard to Support a Business Process Architecture

Any organization that is serious about doing process work and that advances beyond CMM level 2 will necessarily spend quite a bit of time thinking about how to align process measures with strategic goals and organizational performance measures. In a similar way, any organization working to implement a process governance system will need to consider how to organize performance evaluations for process managers or sponsors. There are, of course, many different ways to approach either of these problems, and any of several approaches would serve. Many organizations, however, already have Balanced Scorecard initiatives and, for those organizations, combining process performance alignment with their balanced scorecard program would seem an obvious solution.

Some who have tired combining process performance alignment with the Kaplan and Norton approach to Strategy Mapping have been disappointed. In our opinion, Strategy Mapping doesn't fit comfortably with a process-centric approach to measurement. Strategy Mapping proposes a hierarchy that includes processes, but processes are not central to the approach and the approach lacks a clear way of aligning specific processes to specific strategic goals. In our experience, the distinction that Kaplan and Norton make between Customer measures and Internal or Process measures is a major source of confusion.

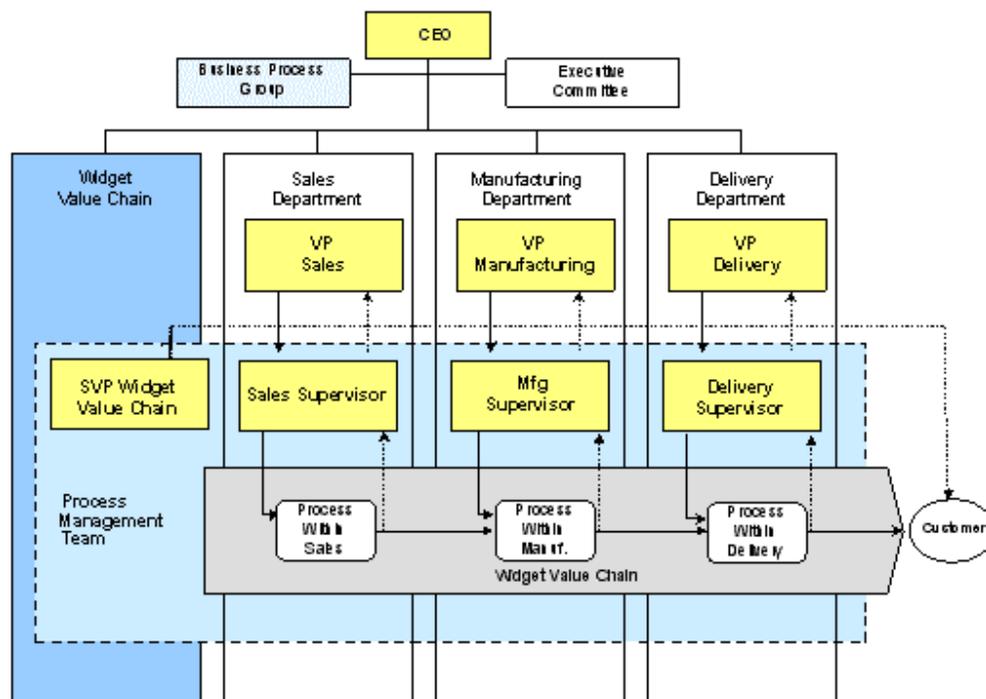
Further, our experience suggests that using the basic Balanced Scorecard concepts to build an independent process performance measurement system is easier. Consider the basic Balanced Scorecard. It suggests that companies should consider additional measures beyond financial measures. Most companies that have Balanced Scorecard initiatives have created a Strategy level Scorecard with Financial, Customer, Process and Learning and Growth Goals/Measures. In a similar way, most companies have created a hierarchy of scorecards, including Division or Department scorecards and scorecards for specific functional units and managers. Logically, one should be able to track the goals and measures from the Organization's Scorecard to the Functional Unit's Scorecard and on down to the specific activity. At each level, the same scorecard that describes the goals and measures for the unit can also serve to describe how the manager responsible for that unit is to be evaluated. Most organizations that have adopted the Balanced Scorecard approach have put this overall alignment structure in place. (See Figure 1.)





**Figure 1. The beginnings of an aligned Balanced Scorecard system.**

Few companies abandon their functional structure when they decide to put a greater emphasis on process. As organizations become more serious about process, they usually begin to shift to a matrix organization structure. They still have the functional silos and the functional managers. They add managers, however, who are responsible for business processes that cut across functional boundaries. In Figure 2, we show such an organization. The Sales Supervisor in Figure 2 is responsible for a sales activity that is part of the Widget Value Chain. Thus, the Sales Supervisor wears two hats. He or she is responsible to the VP of Sales for meeting sales goals and is also responsible to the SVP of the Widget Value Chain for meeting Widget Value Chain goals.

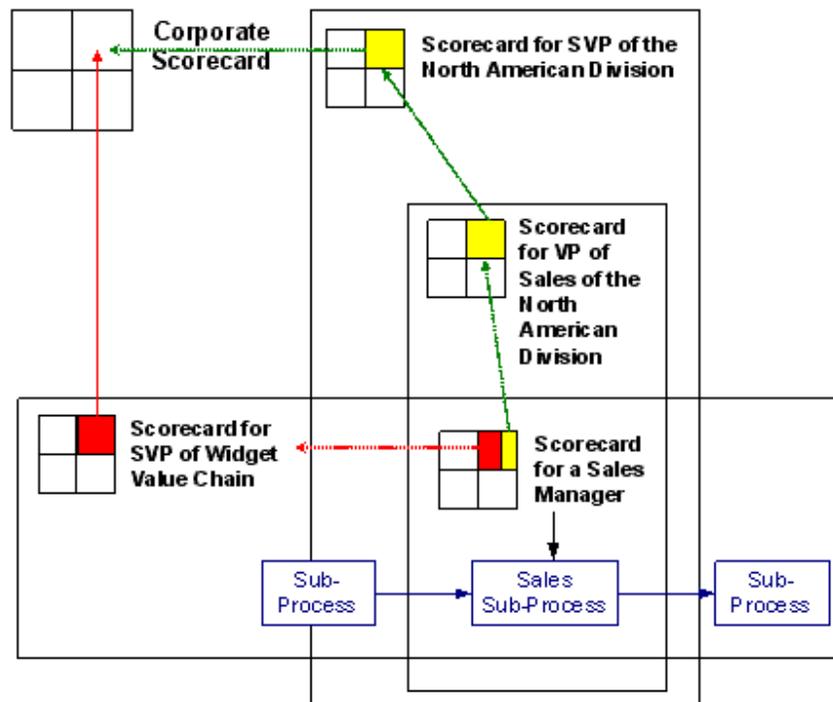


**Figure 2. An organization with both functional and process managers.**

Any company that is serious about process work will realize that they need a performance measurement and governance system that evaluates the Sales

Supervisor in two ways. In effect, a company can create two, independent Scorecard hierarchies. One subdivides Corporate Goals and Measures and assigns them to functional units and functional managers. The other subdivides Corporate Goals and Measures and assigns them to Value Chains and Processes and the managers responsible. (See Figure 3.) In many cases, as you might expect, some goals and measures in the cells of the Corporate card are more heavily represented in the functional hierarchy, while the measures in other cells tend to align primarily through the process hierarchy.

Obviously, this means that the managers at the bottom of the hierarchy end up with two (or more) sets of Customer and Process goals and measures, but it reflects the reality of what the organization is trying to achieve. It also establishes a clear way of evaluating the performance of the process managers, independent of the functional managers. Similarly, it makes for a more complex Corporate Scorecard, or at least for some awfully serious discussions at the corporate level about who is really responsible for what and how different senior managers will be evaluated. But, again, any organization must face these issues if it is really trying to become more process centric and hopes to align and manage value chains and processes that cross functional boundaries.



**Figure 3. A Balanced Scorecard system that is aligned for both process and functional goals and measures.**

We have seen large organizations struggle with measuring process performance and evaluating the performance of process managers. On the other hand, organizations that already have Balanced Scorecard systems are well prepared to solve these problems by simply extending their Balanced Scorecard systems to support a matrix model that subdivides corporate goals into two or more streams and evaluates each independently. We recommend that organizations that already have a Balanced Scorecard system use it when they develop a Business Process Architecture. With a little luck and some flexibility on the part of the Balanced Scorecard folks, it can simplify and speed the transition from a functional to a more process-centric organization.

Till next time,

Paul Harmon

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