

Harmon on BPM Paul Harmon

## A Scorecard for Process Managers

Kaplan and Norton published their first article on the Balanced Scorecard approach in the *Harvard Business Review* in 1992. [1] The essence of the scorecard approach is twofold. First, it forces everyone in an organization to consider multiple criteria for judging the success of the organization. Second, it provides a conceptually easy way to understand aligning performance criteria from the organization down through divisions and departments to line supervisors. Each manager has a performance evaluation based on a scorecard designed for that manager, but all scorecards are aligned upward to the ultimate organization scorecard.

Figure 1 illustrates the four broad categories that Kaplan and Norton use to define their scorecard.

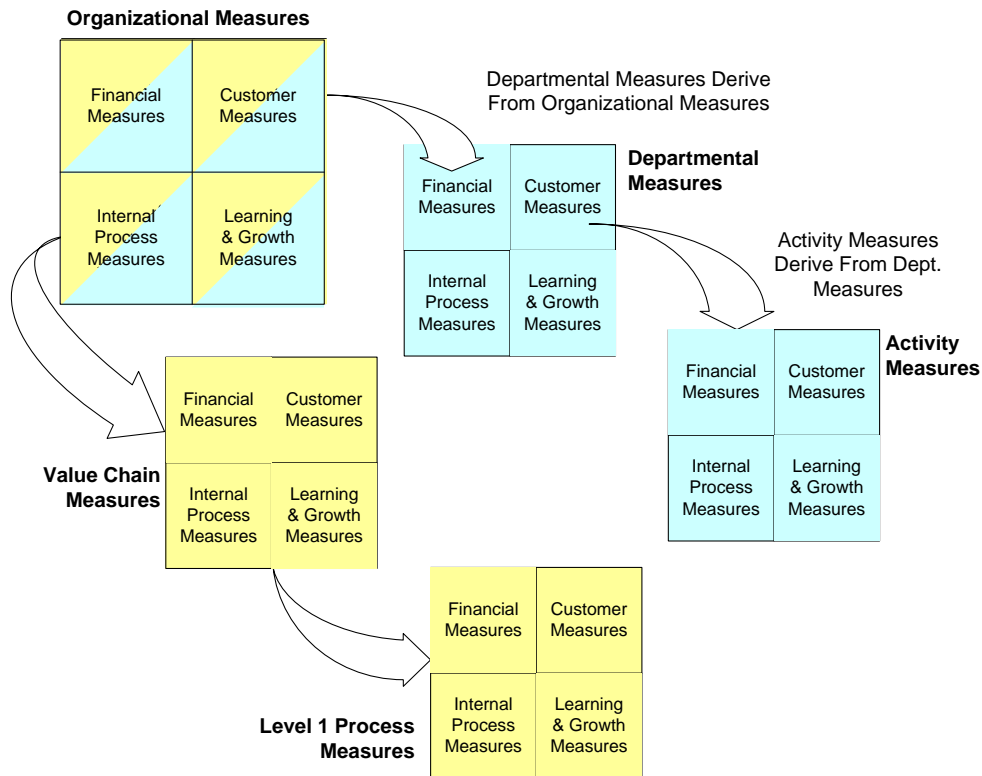
ECI's Balanced Business Scorecard			
Financial Perspective		Customer Perspective	
Goals	Measures	Goals	Measures
Survive	Cash flow	New products	Percent of sales from new products, Percent of sales from proprietary products
Succeed	Quarterly sales growth & operating income by division	Response supply	On-time delivery (defined by customer)
Prosper	Increased market share and ROE	Preferred supplier	Share of key accounts' purchases, Ranking by key accounts
		Customer partnership	Number of cooperative engineering efforts
Internal Business Perspective		Innovation & Learning Perspective	
Goals	Measures	Goals	Measures
Technology capability	Manufacturing geometry vs. competition	Technology leadership	Time to develop next generation
Manufacturing experience	Cycle time, Unit cost, Yield	Manufacturing learning	Process time to maturity
Design productivity	Silicon efficiency, Engineering efficiency	Product focus	Percent of products that equal 80% sales
New product introduction	Actual introduction schedule vs. plan	Time to market	New product interdiction vs. competition

Figure 1. ECI's Balanced Business Scorecard

(After a Figure in Kaplan and Norton’s article “The Balanced Scorecard – Measures that Drive Performance” in *HBR* in the Jan-Feb. 1992 issue.)

Nominally, the Balanced Scorecard approach was supposed to support business processes, but, in fact, most organizations have used it to support a more traditional department-based organizational design, and, frankly, the models that Kaplan and Norton use do not represent a very sophisticated understanding of business processes.

Most companies, today, use some kind of modified scorecard system, tailored to their specific organizational needs. Similarly, several process groups, as for example the Supply Chain Council (SCC) have developed their own scorecards, tailored to the needs of a process-based approach. In a similar way, BPTrends has worked with companies to adopt the scorecard approach for organizations that employ a matrix design and have both departmental and process managers. [2]

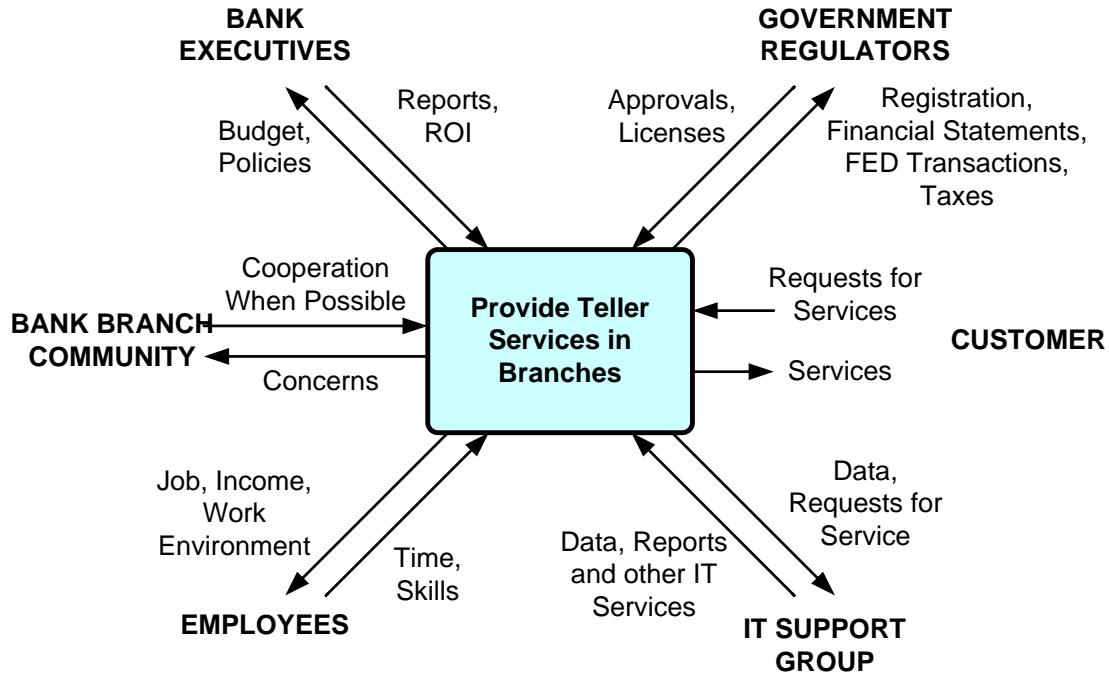


**Figure 2. Using Balanced Scorecards for Both Departments and Processes.**

Increasingly, however, BPTrends has found that trying to fit process concepts into the four categories of the traditional scorecard is an unnecessary frustration.

We have found that a better way of thinking about a scorecard is to tie it closely to the source of the measures. Using the BPTrends approach, derive our key process measures from an analysis of the stakeholders in a process. In essence, we

generate a diagram like the one shown in Figure 2, and ask what each stakeholder expects from the process. Obviously we pay considerable attention to what customers want, but we are also concerned with measures required by senior executives and other key stakeholders.



**Figure 3. The stakeholders of a bank process that provides teller services in branches.**

In essence, when we begin to study this diagram, we look at each stakeholder relationship and describe our goals for the relationship and the measures we will use to evaluate the success achieved by the process in satisfying that stakeholder.

In some cases it helps to evaluate the stakeholders of our stakeholders. Thus, for example, the Bank Executives are not only concerned with the success of the teller process, but they have to satisfy the board and shareholders. Thus, they are interested in things like the ROI generated by the process, and need on-going financial data that can be used to prepare the financial reports sent to shareholders.

In a similar way, employees are not only interested in the work environment and the pay derived from enabling the process, but they are also interested in things like health care, pensions and their career development.

In the past we have created a stakeholder diagram like the one shown in Figure 3, then developed a worksheet that lists each stakeholder and described what would satisfy or please the stakeholder, and then rearranged all of the resulting measures into the four categories provided by the classic scorecard pictured in Figure 1.

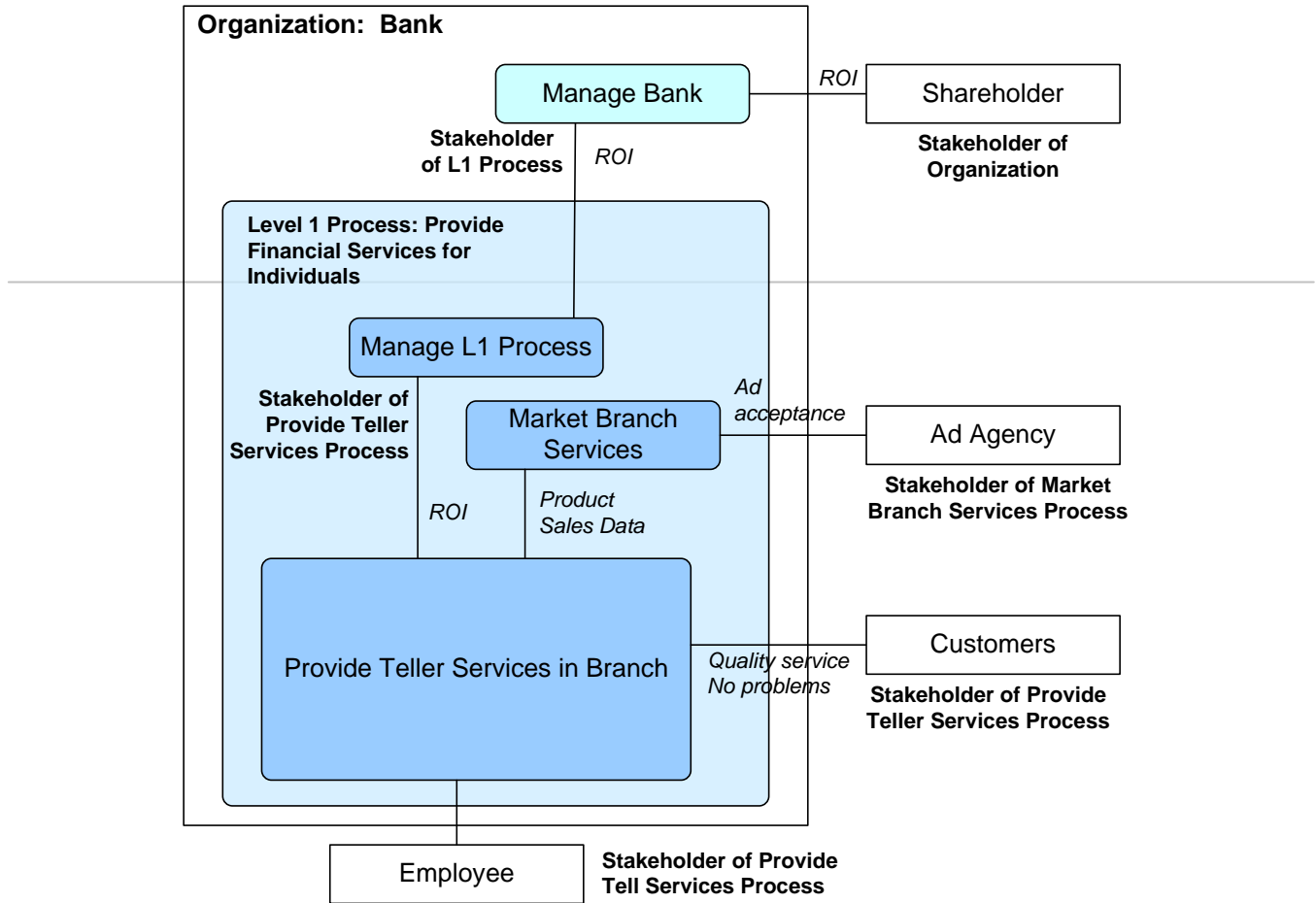
Increasingly, however, we find it is easier to simply use the stakeholder worksheet as the scorecard. Thus, for example, we might create a stakeholder scorecard, like

the one shown in Figure 3, to capture metrics initially developed by the stakeholder diagram. The goals, in this case, involve satisfying the stakeholder.

<b>Stakeholder Scorecard</b>	
<b><i>Stakeholder</i></b>	<b><i>Performance Measure</i></b>
Bank Executives	Mang. Reports Correct and on Time Branch Policy Compliance Cashflow at Branch ROI / Branch
Customers	Quality of Service Timeliness of Service
Government Regulators	Registration and licenses in order Financial statements on time FED Transactions in order Taxes Filed Correctly and on time
Employees	Pay competitive Work environment acceptable Benefits and pension acceptable Career growth acceptable
Bank Branch Community	Branch officers play positive role in community Branch officers responsive to community concerns
IT Support Group	IT captures branch customer and financial data and makes it available for everyone else in the bank

**Figure 4. A scorecard organized around process stakeholders.**

Obviously the scorecard in Figure 4 is only related to the specific business process. It becomes more interesting when we consider this process and its scorecard in the context of an entire organization. At the top of our hierarchy is a bank scorecard for the entire organization, which also has its stakeholders. Then there are the major processes within the bank, perhaps a value chain entitled Provide Financial Services for Individuals, and Provide Financial Services for Businesses. These value chains also have their stakeholders. In essence, we simply organize these into a hierarchy. Management can always add other goals, like a management directed initiative to develop a relationship with a stock broker so that branch customers can buy and sell stocks from their savings accounts. Similarly, support processes may drive initiatives, like a change in the employee healthcare system.



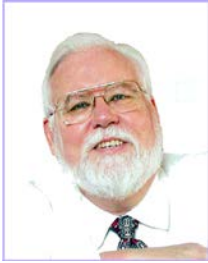
**Figure 5. Some relationships between processes and stakeholders.**

By examining each process carefully, in a hierarchical fashion, one can identify the goals and measures for each process. As a generalization, as one goes down into the hierarchy, external stakeholders, like customers and suppliers, get replaced by other business processes that the stakeholders initially interface with. All this can be incorporated into a stakeholder scorecard for each business process, and can, in turn, serve as a way of evaluating both the performance of the business process and the work of each of the process managers.

This approach can capture the same information captured in a more traditional balanced scorecard approach. The stakeholder scorecard approach, however, doesn't require that measures be rearranged or arbitrarily grouped, but allows them to be displayed in a way that improves tractability and clarifies the priorities of the process in question.

Notes

1. Kaplan, Robert S. and David P. Norton. "The Balanced Scorecard – Measures That Drive Performance." *Harvard Business Review* Jan/Feb 1992.
2. Harmon, Paul. "Using a Balanced Scorecard to Support a Business Process Architecture." [www.bptrends.com](http://www.bptrends.com)



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