

Measuring Performance: Seven Good Reasons to Use a Scorecard

A paper in the Performance Perspectives Series by Dr. Bob Frost

Performance measures are essential, and using a scorecard to define and organize them can bring powerful advantages.

Perhaps you have good performance metrics—strong measures that seem to provide the right information—and you are questioning the added value of creating a performance scorecard. Would a scorecard offer you any real advantages and, if so, what are they?

PO Boxes. I like to relate one portion of the answer to a problem faced by the post office. You know how their system works for PO boxes—rows and columns of boxes, each with its own number, let you find your box and check for mail in a jiffy. True, they could put all the mail in one large barrel and let each customer rummage through it, but the structured system works better. Performance scorecards are similar—they provide a structure that allows leaders to quickly tell how the enterprise is performing and what needs their attention. But there are other compelling reasons for using scorecards; we'll get to them soon.

First, What is a Performance Scorecard? At first glance, a scorecard is simply an organized set of performance measures, grouped according to various aspects of performance. In structuring such a set of measures, however, every enterprise encounters one particularly challenging question—what aspects of performance really belong on the scorecard? This leads to some serious soul searching and, for those who resolve the question well, the scorecard becomes much more than a structure for organizing measures—it becomes the means for making success tangible and concrete.

"In the end, your scorecard makes the meaning of success tangible for your enterprise."

My own experience with performance measures suggests that they must account for two kinds of success in all enterprises—operational success on today's work and strategic success in preparing for tomorrow.

In looking at scorecards, you'll find considerable variation in their appearance, content and complexity. Most feature a top-level "dashboard" that gives a broad picture of enterprise performance along with drill-downs for examining details. Many are color coded so reviewers can scan performance quickly. You will find that certain models, such as the Balanced Scorecard, have become very popular, but no single version of the model has yet been universally accepted. The diversity and unique requirements of different enterprises suggest that no one-size-fits-all approach will ever do the job.

Scorecard Benefits & Advantages. We mentioned how an organized performance scorecard can make it easier to find and check your measures. But what about the other advantages? All told, there are at least seven advantages for an enterprise to consider:

1) Scorecards drive better performance.

The evidence is clear that solid feedback enhances performance—at all levels and across all organizational units. When people

people and groups throughout an enterprise know how they are doing and what needs improving, they do better.

2) Scorecards implement strategy.

Scorecards translate your strategy into concrete terms and help you track its implementation. Though scorecards also reflect operational issues, they are developed in a way that specifically directs attention to your strategy and future direction.

3) Scorecards help ensure that you have the right measures.

A group of measures implemented without a well-thought-out performance model in mind or, worse yet, imposed from the outside, seldom bring new focus or drive desired actions. Effective performance scorecards are, by nature, consciously and purposefully constructed. In building one, you develop a logical structure that helps everyone know what should be measured, what belongs on the scorecard and what does not belong.

4) Scorecards encourage balanced performance.

Executing today's work is absolutely crucial, but so is implementing the strategic initiatives that prepare the enterprise for tomorrow. The proper scorecard design keeps the right balance of operational and strategic factors on your radar screen.

5) Scorecards point out what's missing.

Because your scorecard is designed to offer a comprehensive view of how the enterprise is doing and where it's going, the scorecard will help you see if any key factors are missing—the gaps stand out. Those who use unstructured measures without an underlying performance model have no way of knowing what may be missing.

6) Scorecards encourage good management.

As noted earlier, scorecards make it possible to readily monitor all the measures in a complex organization. As a result, reviews are more regular and more thorough. When performance issues stand out on a top-level

scorecard, it's possible to "drill down" to layers of data that give further details. The bottom line is that scorecards encourage thorough monitoring and timely corrective actions.

7) Scorecards communicate—they tell the story.

Many individuals and groups take a keen interest in the performance of an enterprise. Strong scorecards help you tell the full story of performance—how the complex variables are being balanced and optimized as a group. This allows you to present a compelling picture of performance that is undistorted by focus on an individual issue.

What Scorecard Design is Right for Your Organization?

There's only one answer—an original design that reflects the unique purpose, direction, operations, and strategic priorities of your organization. A scorecard that properly operationalizes these factors will help everyone know in concrete, measurable terms exactly how the organization intends to succeed. If you're still rummaging through a barrel of unrelated measures to understand performance, consider the seven advantages of implementing a performance scorecard.



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