Balanced Scorecard Implementation in the Public Sector: Lessons Learnt in a Large Local Government Authority

Abstract

Over the last decade the balanced scorecard (BSC) has emerged as a popular strategic performance measurement system as it assists organisations in effectively implementing strategy and in measuring organisational performance. In fact, the BSC has become more extensively used in both the private and public sectors. This topic has attracted much attention in the public sector as evidenced by studies in the healthcare industry, universities, and local government institutions or ‘municipalities’. This paper identifies some of the main challenges and lessons learnt by a large Local Government Authority (LGA) within Australia in relation to the design and implementation of a comprehensive BSC designed for a large LGA. This study is based on a review of annual reports and semi-structured interviews with the senior managers of various programs and divisions within the LGA. Future research opportunities are also identified in this area.

Key words: Balanced scorecard, strategic performance measurement system, public sector

Introduction

In the last two decades there has been a paradigm shift in the public sector toward more accountability and the adoption of “new public management” which is more closely aligned with private enterprise management systems (Chang 2007). This has precipitated the adoption of more sophisticated performance management systems such as the balanced scorecard (BSC) which has been widely adopted by both profit making and non-profit organisations around the world (Lawson et al. 2006, Yang et al. 2005, Davis and Albright 2004). The BSC has long been recognised as a performance measurement framework and a strategy
implementation methodology (Tennant and Tanoren 2005, Reisinger et al. 2003/4) as evidenced by the fact that over 50% of the Fortune 500 companies are using this approach as a performance measurement and strategic management tool (Gumbus 2005). However, there is fairly broad consensus that there are significant challenges in transposing the BSC principles to public sector organisations, and that particular circumstances unique to the public sector give rise to the need for adjustments in both BSC design and implementation (Kaplan 2001; Niven, 2002; Wisniewski and Stewart, 2004; Adcroft and Willis, 2005; Greatbanks and Tapp 2007). Therefore, this paper deals with BSC implementation in a large LGA within Australia. The paper starts with a rationale for performance measurement in public organisations.

**Literature review**

**Why measure performance in the Public Sector?**

Public sector reform has been prevalent in countries like Australia, Britain and New Zealand since the 1980s and consequently many organisations are going through the process of change management (Boyne 2003; Mascarenhas 1993; Pollitt 2000; O’Faircheallaigh 1999). As the public sector comes under greater pressure from both internal and external sources to demonstrate improvements in its performance (McAdam et al. 2005), various local/municipal governments and other government departments are taking an interest in performance measurement and reporting for improving performance and increasing accountability (Barry 2000; Berman and Wang 2000).

The public sector management literature suggests that key stakeholders and the general public are taking considerable interest in the latest LGA programs and determining whether there is evidence that they are efficient in achieving the desired outcomes. Many governments...
including local governments are reviewing the way they plan, prepare budgets, implement and manage programs and deliver services to meet the government’s and citizens’ demands for improved performance and accountability (Auditor General of British Columbia 1995). The emphasis on accountability, however, should not be seen as merely reporting on compliance with procedures but rather as a useful and essential management process for understanding the performance of programs/services, reaching agreement on performance expectations, improving performance and demonstrating to the citizens that the expectations of performance are successfully met (Mayne 1997:161).

As part of overall management strategy, the managers of public organisations need to measure performance to evaluate whether the agency is performing as expected, to ensure that the employees are doing the right things, to motivate line staff/middle managers and the stakeholders to do the things necessary to improve performance, to determine the budgeting priorities such as on which programs the agency should be spending the public’s money, to convince legislators/stakeholders that the agency is doing a good job, to learn whether the activities are working, and determine exactly who should do what to improve performance (Behn 2003). There is growing recognition that using performance measures to gauge success is vital to any organisation whether in the private or public or non-profit sectors (Niven 2005). Measuring performance, however, has been a challenge for both managers and researchers (Maltz et al. 2003) as the process of ‘designing and implementing an effective performance management system’ involves ‘addressing a number of methodological issues’ and managing the change process (Poister 2003: xvii). In spite of having workable performance management systems in place in public organisations, ‘many of those systems fall apart’ before they are complete and also there are others who ‘end up installing a system that is not helpful or is simply not used effectively’ (Poister 2003: xvii).
Balanced scorecard development in the Public Sector

The balanced scorecard (BSC) was originally developed for the private sector as a means of clarifying and updating strategy, communicating strategy in the company, aligning unit and individual goals to strategy, linking objectives to long term targets and budgets, and conducting performance reviews to improve strategy (Kaplan and Norton 2001a); and it is now also being used as ‘…a powerful tool for rapid and effective strategy implementation’ (Kaplan and Norton 2005). However, in the last decade, the balanced scorecard’s multi-dimensional focus has also been viewed as a way of addressing the need for a strategic performance measurement system within public sector organisations (Umashev and Willett 2008).

Performance measurement in the public sector has traditionally focused on financial measures such as revenues and cash flows. However, the accounting or financial indicators which are readily available in most public sector organisations reflect what has happened in the organisation but do not indicate the underlying drivers of either satisfactory or unsatisfactory performance (Niven 2005; Davig et al. 2004). Unlike the private sector, where financial measures are used such as return on assets (profitability), return on shareholder’s equity, and growth, in the public sector, it is more relevant to focus on efficiency of launching the programs and making best use of resources. However, the task of determining the measures, targets and collecting the relevant information for non-financial measures is not easy.

Balanced scorecard research in the public sector has been conducted within the context of the healthcare industry (Coop 2006, Yang et al. 2005, Gumbus et al. 2003), public service
organisations (including local government institutions and ‘municipalities’) (Umashev and Willett 2008; Farneti and Guthrie 2008; Askim 2004; Chan 2004; Lang 2004; Kloot and Martin 2000), and not-for profit SMEs (Manville 2007). Gumbus et al. (2003) reported a successful story of BSC application in a hospital. Likewise, the study of Askim (2004) reported how local government institutions can become active learners by adopting a performance management reform system like the BSC. This study also reported that the learning behaviour of different departments of the organisation were similar despite having varying management control practices. On the other hand, Kloot and Martin (2000) found that public sector organisations using the balanced scorecard focus on financial and community performance rather than organisational change.

For each dimension of the BSC, organisations need to specify the critical success factors or the factors that are critical to strong performance in each element, the means (measures) by which performance will be measured, the levels of achievement (targets) to be reached in the planning period, and any special actions (initiatives) that need to be taken to help achieve the target (Viljoen and Dann 2003). According to Kaplan (2001) the Balanced Scorecard has enabled public sector organizations to:

a. bridge the gap between vague mission and strategy statements and day-to-day operational actions.

b. develop a process to achieve strategic focus, avoiding the pathology of attempting to be everything to everyone.

c. shift their focus from programs and initiatives to the outcomes the programs and initiatives are supposed to accomplish.

d. avoid the illusion that they have a strategy because they are managing a diverse and noncumulative set of programs and initiatives, and
e. align initiatives, departments, and individuals to work in ways that reinforce each other so that dramatic performance improvements can be achieved.

However, this must be tempered by recent criticisms of the balanced scorecard concerning a lack of so called cause-and-effect relationships, lack of clarity, and failure to consider some types of stakeholders (Johanson et al. 2006; Norreklit 2000, 2003). Other researchers/scholars have also raised questions regarding the BSC’s effectiveness (Othman et al. 2006) and the adequacy of BSC in varying circumstances and differing firm types (Maltz et al. 2003).

**Research Framework and Method**

As evidenced in the literature, the BSC having been widely adopted in the private sector is now gaining increasing acceptance within the public sector as a strategic performance management system. However, for government organisations that seek to create superior value through the BSC, there are significant challenges in the implementation of the BSC. The main issues include motivation for performance management, leadership, communication mechanisms, goal-setting processes, measurement, data collection techniques, employee reward systems and relating outputs to outcomes (Niven 2002). In addition to these challenges, there are also major barriers in applying the scorecard to the public sector which stem from the difficulty that many public sector organisations have in articulating their mission and associated strategies. According to Kaplan and Norton (2001b) many of the strategies articulated consist of lists of programs and initiatives rather than outcomes that the organisation is attempting to achieve. Moreover, it is important to recognise that public sector organisations require different strategies than their counterparts in the private sector as their main purpose is to satisfy the needs of their community constituents (as stakeholders) rather than focus on financial outcomes (Umashev and Willett
Within this context, Kaplan and Norton (2001b) advocate a modified BSC framework where the public organisation’s mission is featured at the highest level of the scorecard underpinned by three high-level perspectives – costs of providing services (including social costs), value/benefit of the service (including positive externalities), and support of legitimising authorities (including the legislature and voters/taxpayers).

To achieve best practice in the use of the BSC, Kaplan and Norton (2001a) emphasise the importance of both good design and effective implementation. In relation to good design, Niven (2002) outlines the essential steps in both the planning and development phases which include developing objectives for the BSC, determining the appropriate organisational unit, gaining executive sponsorship or leadership, building the BSC team, formulating the project plan, developing a communication plan, gathering and distributing background material, developing or confirming mission, values and strategy, conducting executive interviews, developing objectives and measures in each of the BSC perspectives, gathering employee feedback, developing cause-and-effect linkages, establishing targets for measures, and developing an ongoing BSC implementation plan. In relation to effective implementation, Niven (2002) suggests that cascading of strategy, linking the BSC to compensation, and maintaining the BSC through constant review and automated systems are critical elements.

To investigate the efficacy of the implementation of a BSC system in a large public organisation, this study focuses on a local government institution. In order to capture the elements of BSC design and implementation, a semi-structured interview schedule was devised. By using this approach the study aims to address the following questions:

1. What are the major components of the performance monitoring and management system?
2. How does the system work?

3. Why does the system work?

4. What problems does the system have?

5. What are the main challenges in the implementation of the BSC?

6. How does the employee reward system work?

7. Is this experience transferable to other program/division/government institutions?

The interview questions were administered to the senior managers of the programs and divisions within the LGA. The main objective of the interview was to capture information that answered the seven aims of the study outlined above. To achieve this objective the interview contained a number of standardised and open ended questions. This indirect but non threatening approach was designed to allow for greater depth of responses and to elicit or ‘tease out’ the real opinions of the managers, who may have otherwise have not been comfortable in providing answers concerning some of the more sensitive issues. Consequently the respondents were guided by but not necessarily limited to the structure of the questions themselves.

The schedule of interview questions commenced with some background questions concerning the role and scope of the manager’s division or program and the period of time for which it had been monitoring performance. This was followed by some questions on how and what types of processes were used by the manager in putting the system into place; how, by whom and for whom the performance indicators (PIs) were developed; and how and where the data are collected and outcomes are communicated. These questions were devised to elicit responses on aim 2 above –how does the system work? Next, an open ended question was asked to determine the major components of the performance monitoring system (aim 1
above). This was followed by questions on how and why the system works at the strategic, tactical and operational levels and examples of how this is accomplished (aims 2 and 3). Respondents were then asked questions on whether the system had any problems and the challenges posed in implementing it in terms of planning, deployment, review, motivation, leadership, resources, communication, measurement and data collection techniques, and the role of knowledge management (aim 4). Specific questions were then posed on how many metrics were used (and whether these were manageable). This was followed by questions on perceived challenges in the implementation of the BSC (aim 5); then a question on the nature of employee reward system (if any) (aim 6). Next were questions designed to elicit responses on whether their experience was transferable to other programs, divisions or government departments (aim 7). Finally a series of questions were posed to probe critical issues such as staff involvement, the importance of performance monitoring, resource allocations, positive and negative impacts, decision processes, organisational culture, accountability, transparency, governance, organisational change, consensus on performance indicators, the relationship between outputs and outcomes, and changes in organisational behaviour.

**LGA: A brief background and history of its BSC development**

The LGA is a large LGA within Australia. It delivers a range of services such as water and sewerage, public transport, urban management and community administration to a culturally diverse population (LGA Annual Report 2006/07). There are a number of commercialised business units and several main programs covering areas such as governance, economic development, customer focus, community service, public health and safety, long term planning, transportation, accessibility, natural environmental sustainability, waterways, sewerage, organisational capability, and information and communications technology.
The LGA vision for the future was positioned as the key aspiration for the organisation. In order to deliver on this, the LGA used a strategic management framework known as the Balanced Scorecard. The scorecard was developed to help articulate what outcomes must be achieved for the community, and, just as importantly, what strategy must be put in place to ensure that these outcomes occur. The Scorecard was also used to measure effectiveness in achieving these strategies, across the four key perspectives – financial, customer, process and innovation, and people and learning. Accordingly measures were developed for each of these perspectives as follows (LGA Annual Reports 2000/2001, 2001/2002):

**Financial Measures** – Key Financial Outcomes/Future Financial Capability/Well-Managed Assets

**Customer Measures** – A Satisfied Community/Effective Program Outcomes/Customer Service

**Process & Innovation Measures** – Continuous Process Improvement/Innovation/Strategic Alignment

**People & Learning Measures** – Capable Employees/Satisfied Employees/Well planned Workforce

In conducting this study, annual reports and unpublished materials from the LGA were reviewed and interviews were organised with the Strategic Policy and Planning Manager, and the Senior Executives in charge of each of the LGA programs and LGA divisions. As outlined above, during the interviews, questions were asked in the following areas: history and development of BSC application for performance monitoring, key milestones of this process, development of performance indicators, data collection and communication, problems related to the system, required improvements, extent of employee/staff involvement
in the process, level of importance to the LGA of having a system, impacts of the system, and so forth.

The LGA commenced BSC planning and implementation in the mid 1990’s, and based its’ scorecard structure on key outcomes for the community (see appendix for objectives of the BSC within the LGA). The process started by developing key performance indicators (KPI’s) in the four BSC perspectives. In developing the performance indicators, the executive management team, managers from divisions, branches and programs were involved. A data warehouse was used for data collection and communication at different levels, and the system was devised to work at strategic, tactical and operational levels.

Communicating the BSC concept to the operational staff was not an easy task, and consequently significant changes were needed in the system over a period of time. For example, in the early 2000s, strategy-mapping activities were performed (see Exhibit I) and later the lines of strategy were developed (see Exhibit II), based on Kaplan and Norton’s (2001a, 2004a, 2004b) concepts of strategy mapping. To facilitate this process, the LGA built software to support the scorecard system and linked it to other information systems. In spite of significant improvements made in its implementation over a period of time, there has been a need to continually fine-tune the system. The programs and their associated outputs were based on proposals that were required to go through a rigorous process of internal competitive bidding. To ensure that each program was linked with appropriate outcomes, a mechanism was put in place to determine which proportion of the outcome was produced by that particular program, and this became the basis for the budget allocation for the programs.
Scorecard thinking in the organisation moved forward rapidly, after which the corporate scorecard was reshaped and cascaded down to all divisions within the organisation. Information from the scorecard system was used to facilitate quarterly strategic discussion at executive and divisional team level, and later the office responsible for coordinating scorecards consolidated their research behind the LGA’s vision and desired outcomes. This included an organisation-wide push to clarify the future operating environment, challenges, barriers and critical success factors for the organisation.

The strategy maps (see Exhibit I) which support these are run by cross-program teams, whose membership derives from across all silos of the organisation. This new form of scorecard enables the LGA to move its strategic focus from vertical silos to horizontal teams. The scorecard specifies clear outcomes (as distinct from outputs – see Exhibit II) for the community plus strategies for achieving them and how those strategies are performing. Nevertheless, the complex structure of the LGA necessitated a long drawn out process where the development of the BSC involved passing through many prototypes and iterations. Ultimately, this led to some departure from the original BSC philosophy to a new system of strategic performance management which still embeds many of the program and divisional scorecards directly or indirectly.

In general, the LGA’s scorecard approach was designed to:

- deal with a number of diverse and potentially conflicting outcomes that a community must address for political and legislative reasons;
- open debate on the future operating environment and require explicit calls on trade-offs (rather than ‘go out and be excellent at everything’);
- change the rules of the operating environment;
provide decision makers with no alternative but a focus on outcomes for the community rather than the soft option of outputs;

- link outputs to outcomes in a meaningful way;
- create joint accountabilities across departments and divisions; and
- address the growing sustainability agenda which is a demand generated by both the community and elected representatives of government.

In determining whether this approach has been successful, a summary of the main findings relating to each of the interview questions is presented in the following section.

**Findings**

In relation to the first question concerning the major components of performance monitoring system, most managers of programs and divisions stated that they were using a Planning and Performance System (PPS) incorporating a program or division report card which focuses on dollars against budget and Key Performance Indicators (KPI’s). Many managers also commented on the importance of a team approach through the “Executive Management Team (EMT) Report (monthly) focus on financial performance which is prepared by division”.

However while most programs and divisions commented on the BSC being “embedded in the system”, it was also apparent that some programs had substantially modified the BSC approach and were starting to use other systems. This may be an indication that the BSC was not readily applicable to all of the LGA diverse programs and divisions.

As to how the system works at the strategic, tactical and operational levels (question two), most managers stated that cascading was a very important issue. For example one manager stated that “at the strategic level, themes and direction for the community is important; and
vision for the community’s future makes things clear. Cascading of LGA vision is essential at division and program level.” Another manager commented on the “role of operational KPI’s for program outcomes, and the importance at the strategic level of connected and engaged communities”. In fact many managers referred to the LGA’s emphasis on positive outcomes (and the need to develop meaningful measures for these) and its goal of ‘strengthening communities’. This demonstrates that servicing the needs of key external stakeholders was a major consideration in implementation of the BSC. Moreover the needs of internal stakeholders were also taken into account as evidenced by program managers’ comments such as “Program KPI’s are devised at tactical level through an individual’s performance plan, and service level agreements with providers (divisions)”. Some managers also spoke about the importance of alignment of various projects and goals with strategy, as well as alignment of strategy with outcomes.

In relation to whether the BSC system does actually work and why (question three), managers had varying opinions as evidenced by the following responses:

- “Getting better-Conceptionally it is sound -If it does not work well at the program level, it is because of poor conceptionalisation / understanding of outcomes and organisational structure”
- “It does work - it is not yet clear to the staff & line managers the issue of connections - direct cascade or hierarchy of performance measures across the planning hierarchy”
- “Working OK in parts but there are issues. People get punished if numbers are bad. There is a cultural dislike in people side. There are also issues relating to measurements aspects, huge trouble with data. Resource (limited) is another problem”
- “The system works at corporate and strategic level because it is enforced i.e. for compliance but it could be better”
- “It does not work – therefore it is being reviewed. Getting the measure and baseline problem of linkage between outputs – outcome definitions”
- “Works from a strategic point of view – sometimes communication to operational areas is poor (know what they do relates to strategy)”
- “It serves a purpose – not sure how effective it is. It could improve a long way”
- “Yes, because the people who can manage the components being reported are involved in the reporting and feedback process. Open and direct communication loop.”

Although this variance of opinion was not unexpected due to the diversity between the various LGA divisions and between programs, some common themes did emerge. These were issues concerning the lack of clarity particularly in relation to cascading the BSC links, the use of the BSC as a punitive device, organisational culture, measurement and data collection issues, limited resources, linkages between outputs and outcomes, and communication issues.

In response to whether the system had any specific problems (question four), the managers expanded on some of their reasons as to why the system does not work (as outlined above), viz:

- “There should be some logic of what people think and do, but the link between the outcome indicators and service delivery indicators is not clear.”
- “Developing KPI’s is not an easy job eg 20 seconds 80% of the time for call centre response”
- “Skewed towards Financial (operates well). This is less effective strategically. Not a great use operationally”
There is a problem of relationship between output measures and outcome measures, and a great deal of difficulty in measuring this"

"Can be time consuming – competing priorities for managers"

"Could be improved in terms of ease of use, presentation of reports by software etc"

"Links outcomes back to the program on a linear basis, not on the basis of multiple outcomes"

"It is time consuming e.g. an activity in at least 1–2 weeks of each month. Efficiency could be improved"

In a related question on how many metrics were actually used for each level of the program there were varied responses both in terms of the numbers of measures used and whether this was considered reasonable. For example managers’ responses included ‘20 metrics are being used for each measure but this is okay’; ‘we generally focus on 6-8 metrics which is okay’; ‘more than needed but can be handled’; ‘performance level metrics are too high’; ‘heaps-difficult to handle them’.

Thus, the main problems identified by the managers include links between measures, handling the number of metrics used to measure performance, the difficulty of measuring outcomes, time consumed, difficulties relating to ease of use and presentation, and lack of effectiveness and efficiency.

In relation to perceived challenges in the implementation of the BSC (question five), the following responses were prominent:

a. planning – ‘hard part – service delivery and providing value for money’; ‘there is a big deal of complexity & vagueness in the people side negotiating with other stakeholders,"
councillors, policy areas, providers, executives’; ‘externally via outside the system – challenge making the system work’; ‘expertise to develop or maintain PIs’; ‘lack of consistency in overall framework from project to project’

b. deployment and assessment and review stages – ‘Annually monitoring round the year - it is not an issue’; ‘If there are external changes KPI’s need to be revised. If something goes wrong with the system should be able to flag where they went wrong but the current system does not do this’; ‘No assessment and review – put KPI’s in place and found problem in 2005’; ‘It is not integrated to the way we do business. Does not add value to what the program does. It is a compliance system’; ‘Monthly process is required. The challenge is to make it more efficient.’

c. motivation for performance management – ‘Motivation is an issue as there are consequences if we do not meet the KPI targets’; ‘Some are motivated not all of them’; ‘There is no choice as the BSC is the required system, but better outcomes are achieved through spending enough time in specific program’

d. leadership and resources – ‘Scarcity of resources in relation to Intellectual Challenge’; ‘Very supportive’; ‘With the reforms in KPI’s, things will get much better’; ‘Impact on limited resources’.

e. communication mechanisms – ‘KPI’s Developed by the program and discussed with strategic planning level’; ‘Too many indicators’; ‘Corporate system – email reminders’; ‘hard copy – does impact resources required. – Format inconsistency across projects makes comparison difficult’

f. measurement and data collection techniques – ‘Relies on manual collection of data- confidentiality issue’; ‘measurement and data collection is the biggest challenge’; ‘System limitations’; ‘Validity issues – susceptibility to manipulation issues, accuracy issues’; ‘Program has some freedom for data collection. The main limitations are
workload and resources’; ‘Old data, very difficult to measure and collect. Far too many metrics cause this difficulty of measuring them. Data collection should be automated’
g.the role of knowledge management –‘No good knowledge management system to handle complex issues’; ‘Relying on corporate system – multiple systems are available at the LGA – developments assisting regulation (DART)’; ‘Okay as it stands, but it needs to improve’.

Thus, in relation to challenges in BSC implementation there appears to be a need for clearer planning guidelines, more frequent assessment and review, a better system for motivating staff, more resources, more consistency and accuracy in measurement and data collection techniques, more manageable levels of metrics and a more sophisticated knowledge management system.

Managers’ responses to how the employee reward system works (question six) were remarkably consistent in showing that mainly in-kind rather than monetary rewards were the norm, as reflected below:

‘Localised based on their standards and behaviours that managers encourage. Employee of the week, prizes in kind, coffee and vouchers, movie passes’; ‘No bonuses, extremely difficult to reward based on performance, regulatory restrictions’; ‘Performance planning system – employee feedback (Band Improvements). No other additional reward – no bonus’; ‘Difficult in public sector to introduce reward system’; ‘Lord Mayors Awards’; ‘For contracts based on performance, non tangible such as training, flexible working arrangements’; ‘Individual rewards, Not financial, Excellence of Performance Awards for Customer Services, Innovation, Social Responsibility (going the extra mile), Zero Harm /WH&S, Learning and Development’
This in-kind employee reward system would appear to be the only option in the LGA, as many managers commented on the restrictions placed on monetary rewards within this public sector system.

In relation to question seven - Is this experience transferable to other program/division/government institutions? - managers’ views were consistent in showing a high degree of involvement of other internal (other programs and divisions) and external players (e.g. communities/government departments) when their particular programs formulated KPI’s for the BSC as reflected in the following comments:

- ‘Yes, it impacts – try to influence associated entities – through financial partnerships – economic forecasting, evidence based’; ‘Trying to develop metrics and convince other related agencies. Run random workshops on aspects of ‘cognitive edge’ which has a set of methodology for stakeholders’; ‘All work involves internal and external stakeholders – through negotiation’; ‘It is not just about formulating but about finding out what their responsibilities are. KPI’s do not have much impact’; ‘Internal OK – workshops. Service Level Agreements (SLAs) and other ongoing communications are made with community/politicians/state govt.’; ‘Some KPI’s are under the control of the LGA and for some others rely on others such as govt. and providers’; ‘PIs for external stakeholders are developed for each project. Often not numerical, its more interpretive (qualitative)’.

In response to an additional question concerning to what extent their staff were involved in the process of monitoring performance, and what level of staff were involved (managers and non-managers), the following responses were given:

- ‘Yes, program manager is closely involved with partners. There are some formal funding agreements’; ‘Mostly senior level staff – generally at the line manager level, leadership
team, branch management team’; ‘High level of involvement. Evaluation process in policy works, all of those in the program and stakeholders etc’; ‘All project managers/Officers are involved’; ‘Small core of technical staff with managers’; ‘Sub-Program Managers delegate to specialists’; ‘Very interactive and to a great extent’; ‘Project Directors: overall strategy & outcomes – high level, Project Managers: - monitor the PI’s directly, Discipline Leaders: Measure & monitor PI’s for their area of responsibility’.

Thus, in most cases all levels of management (and in some cases external stakeholders) were involved in monitoring performance. However, there were some programs which relied on a smaller more specialised team. As noted earlier this may reflect the diverse nature of the programs within the LGA. In a related question on the importance of performance monitoring managers were unanimous in stating that this was critical to the success of the program.

Conclusions, Limitations and Further Research

Balanced Scorecard implementation in the public sector clearly has its own unique challenges which stem from the nature of its accountability to citizens within communities rather than to shareholders. Niven (2002) suggests that these challenges include issues relating to difficulties in measuring outcomes rather than outputs, the tendency to use poor results as punitive measures, the failure to determine the true mission of any organisational unit, sensitivity surrounding the release of BSC results to the public, changes in elected government officials, a culture of not trusting business solutions, lack of a profit motivation to change, technological constraints, lack of staff skills, lack of experience in developing innovative measures, and failure to link the scorecard to compensation. The interviews with
managers of programs and divisions show that the LGA faces each one of these challenges. However, as reported earlier, there is also evidence that the LGA has learned from its experience with BSC implementation. For example, the managers emphasised that there is now a more concerted effort to deliver more favourable outcomes through needs surveys and dialogue with key internal and external stakeholders. In addition, the creation of executive management teams and efforts to involve more levels in devising performance indicators combined with better linkages between programs and divisions has led to some improvements in cascading of strategy and communication within the LGA. More importantly, there has been a growing understanding over time that the implementation of a BSC based on a “one size fits all” approach is not appropriate (Johanson et al. 2006) for many programs and divisions within a diverse and complex local government authority.

The findings of this study are based on secondary source information and interviews with the senior managers of the programs and divisions of the LGA. This means that the views expressed may be based on a top down approach which thus represents a limitation of this study, as one of the major criticisms of the balanced scorecard is that as a strategic control model it can be a highly mechanical and hierarchical top down method (Norreklit, 2000). In order to develop a broader understanding of the performance management system, it will be necessary to extend this study further at the intermediate and lower levels of the relevant programs and divisions. This will involve interviewing more operational level program managers to investigate how other types of indicators capture the different BSC perspectives and how they are linked with the outcome measures.
References
LGA (2000/01), Annual Report.
LGA (2001/02), Annual Report.
LGA (2005/06), Annual Report.


Appendix: Objectives of the BSC within the LGA

In general, within the LGA the scorecard approach:

- deals with a number of diverse and potentially conflicting outcomes that a local government agency must address for political and legislative reasons;
- opens debate on the future operating environment and requires explicit calls on trade-offs (rather than ‘go out and be excellent at everything’);
- changes the rules of the operating environment;
- provides decision makers with no alternative but a focus on outcomes for the community rather than the soft option of outputs;
- links outputs to outcomes in a meaningful way;
- creates joint accountabilities across departments and divisions; and
- addresses the growing sustainability agenda which is a demand generated by both the community and elected representatives of government.

Exhibit I – Example of strategy mapping

<table>
<thead>
<tr>
<th>BSC Perspectives</th>
<th>Strategies</th>
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<tbody>
<tr>
<td>Financial</td>
<td>O</td>
</tr>
<tr>
<td>Customer &amp; Community</td>
<td>O</td>
</tr>
<tr>
<td>Process &amp; Innovation</td>
<td>O</td>
</tr>
<tr>
<td>People and learning</td>
<td>O</td>
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</tbody>
</table>

This is a process of tracking the problem in a matrix of BSC components and strategies adopted in each BSC perspective.

Exhibit II – Example of line of strategy

<table>
<thead>
<tr>
<th>Outputs</th>
<th>O1</th>
<th>O2</th>
<th>O3</th>
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<tbody>
<tr>
<td></td>
<td>O4</td>
<td>O5</td>
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Outcome (e.g. safe community)

For each output, the measures are developed, and by considering the vital few outputs that have a big influence in the outcome, a much-simplified relationship between outputs and outcome is identified.