AGREEING HIGH LEVEL STRATEGIC OUTCOME TARGETS AND KEY PERFORMANCE INDICATORS

The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.

Michelangelo, Italian sculptor, painter, architect and poet (1475–1564)

INTRODUCTION

Let’s be very clear before we start this chapter that this is not a book about performance measurement. We focus on driving performance improvements using tools like the Balanced Scorecard and Lean, which are both not measurement systems. That said it is our observation that many managers – and unfortunately significant numbers of management consultants – wrongly believe that this is precisely what a Balanced Scorecard is. To an extent this is understandable, as the earliest generation of the Balanced Scorecard, as described by Harvard Business School Professor Dr Robert Kaplan and consultant Dr David Norton, the originators of the “classic” scorecard system, was essentially a “balanced measurement system,” that was architected to overcome the problem of organizations being singularly reliant on financial metrics as a performance steer (see Chapter 2).

Furthermore, the term Balanced Scorecard itself strongly suggests a “measurement,” focus. As Peter Ryan, Planning and Performance Manager at Christchurch City Council said in the previous chapter: “The problem is that the term Balanced Scorecard conjures up an image of compliance and of a report card. It doesn’t do justice to the
agreeing high level strategic outcome targets and kpis

aim of the methodology,” which he says is primarily about large-
scale strategic change.

Although we strongly endorse the point that the Balanced Scorecard
is not a measurement system metrics, it is of course, an essential part of
the framework, as we will explain in this chapter. But within a scorecard
context we will pay less attention to the process of measure selection,
building and management and the required data collection component
than can be acquired elsewhere. Those readers that require a fuller
explication of how to build and deploy measures, or Key Performance
Indicators (KPIs) within a public sector setting are directed to Bernard
Marr’s book: “Managing and Delivering Performance: How Govern-
ment, Public Sector and Not-for-profit Organizations can Measure and
Manage What Really Matters.”

an increased measurement focus

As the leaders of public sector organizations come under severe pressure
to cut costs and drive significant efficiency gains, it can be expected
that many will become even more measurement-focused and rush to
identify and implement a suite of “cost-cutting,” metrics.

Although understandable, this will likely lead the organization
into a performance sub-optimizing cul-de-sac. The actions put in
place to deliver to the metrics might cut costs, but at what cost to
service delivery and to the long-term stakeholder relationships (espe-
cially with the consumers of public sector services who will not
countenance any degradation of services). To understand the broader
“costs,” efficiency saving metrics must be understood within a wider
strategic performance management framework, such as the Balanced
Scorecard.

creating the strategy map first

It is crucial to point out that KPIs must only be chosen after the
Strategy Map (see Chapter 4) has been created. KPIs must fully sup-
port and be aligned to the critical few objectives/enablers that the
senior team has identified as the drivers of strategic success. As Ryan
(who while with Brisbane City Council, Australia led the scorecard
implementation that resulted in the organization becoming the first
public sector body in the southern hemisphere to be inaugurated into The Palladium Group’s Balanced Scorecard Hall of Fame – which