Balanced Scorecard Usage Survey 2016

Summary of Findings

About 2GC and Intrafocus

2GC is a strategic management consultancy with particular experience in implementing the latest generation Balanced Scorecards. With a global client list, 2GC is focused on helping organisations across every sector, with issues related to **Performance Management**, **Performance Improvement**, **Employee Engagement** and **Strategic Implementation/Management**.

Based in the UK, with an office in Bahrain, the 2GC team applies its energies in four areas:

- Working closely with senior management teams to articulate strategic priorities and implement reporting tools to help them control the delivery of these strategies;

- Reviewing pre-existing performance management processes and systems to identify required improvements;

- Delivering training on the design and application of Strategic Implementation methods including the Balanced Scorecard at introductory and advanced levels;

- Conducting research into Strategic Management topics in order to continually improve the service offering. 2GC staff regularly publish and present papers based on this research activity.

2GC is known as a leading expert on the use of Balanced Scorecard methods for strategic execution purposes, and has a particularly strong reputation concerning the design and implementation of Balanced Scorecard 'cascades'.

Intrafocus is a corporate performance management software reseller and consultancy operating in Europe, the Middle East and Africa. The software provides a structured framework enabling strategic alignment through linked business objectives, key performance indicators and initiatives. The software can be easily integrated into any strategic planning process or added later as a management tool.

Why conduct a survey?

The Balanced Scorecard is one of the world's top-ten management frameworks and is the number one framework for Performance Management. This has been the case since its introduction in the early 1990s. Despite this popularity, little is known about which organisations use Balanced Scorecard, what they use it for and how useful it is in practice.

This survey is part of a multi-year 2GC and Intrafocus project to find answers to these questions in order to improve the use and understanding of the Balanced Scorecard and also help us do our work better.

Who participated?

Well informed managers in corporate or staff roles: a profile that helps us have confidence in the quality of responses provided.

- 19% said they were **extremely** knowledgeable concerning the Balanced Scorecard - 46 % said they were **very** knowledgeable - almost identical results to 2015.

- Over 75% worked in the **headquarters** of their organisation, and 12% were in a **divisional** role.

- This year's survey had a greater representation from the **Americas** and the **Middle East**.

How did the survey work?

The 2016 questionnaire was the same as in 2015. The survey was made available via a web-based tool. This year saw the highest number of respondents we've ever had (138 responses), they were self selecting and international: respondents came from 30 countries.

Who uses the Balanced Scorecard?

- **Executive or Senior Management teams were the highest users of the tool** (representing over two thirds of all Balanced Scorecards users). The next most popular users were at divisional and departmental level.

- 50% of respondents' organisations had less than 500 employees and 19% had over 5,000 employees.
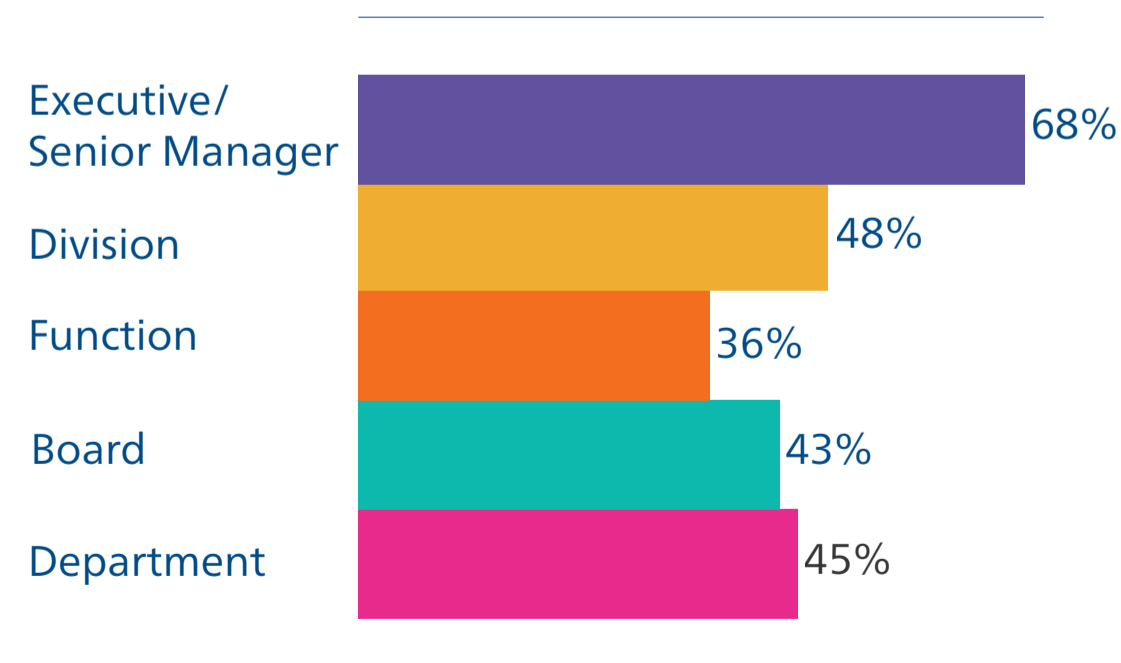
Is this what we would expect?

Yes. The original purpose of Balanced Scorecard was for it to inform the leadership team of an organisation, and it was designed to be particularly effective in this role. Allowing for changes in the sample set from year to year, the usage proportions by organisation size and geography are consistent with what we have seen in earlier years.
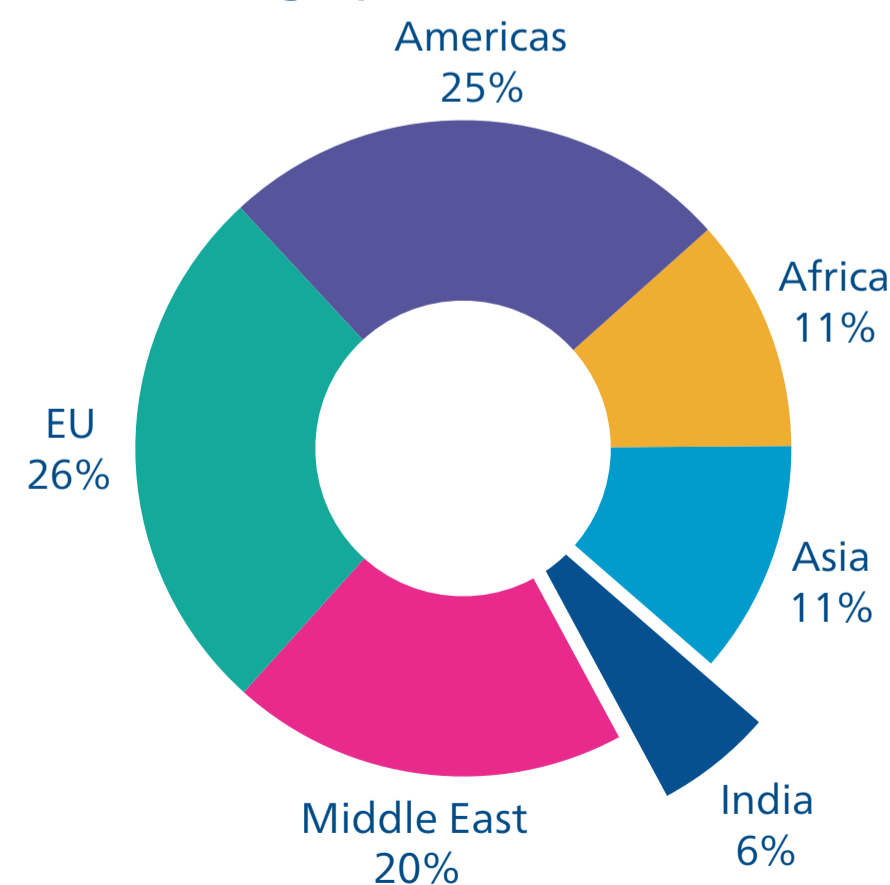
Is this different from the last survey?

Yes. More organisations are reporting **multiple uses** for their Balanced Scorecards, and more are using the tool at **divisional and departmental levels**.

This may reflect a change in respondent demographics - this year we saw fewer responses from mid-size (1,000-5,000 employees) organisations, which are perhaps more likely to have just one Balanced Scorecard.
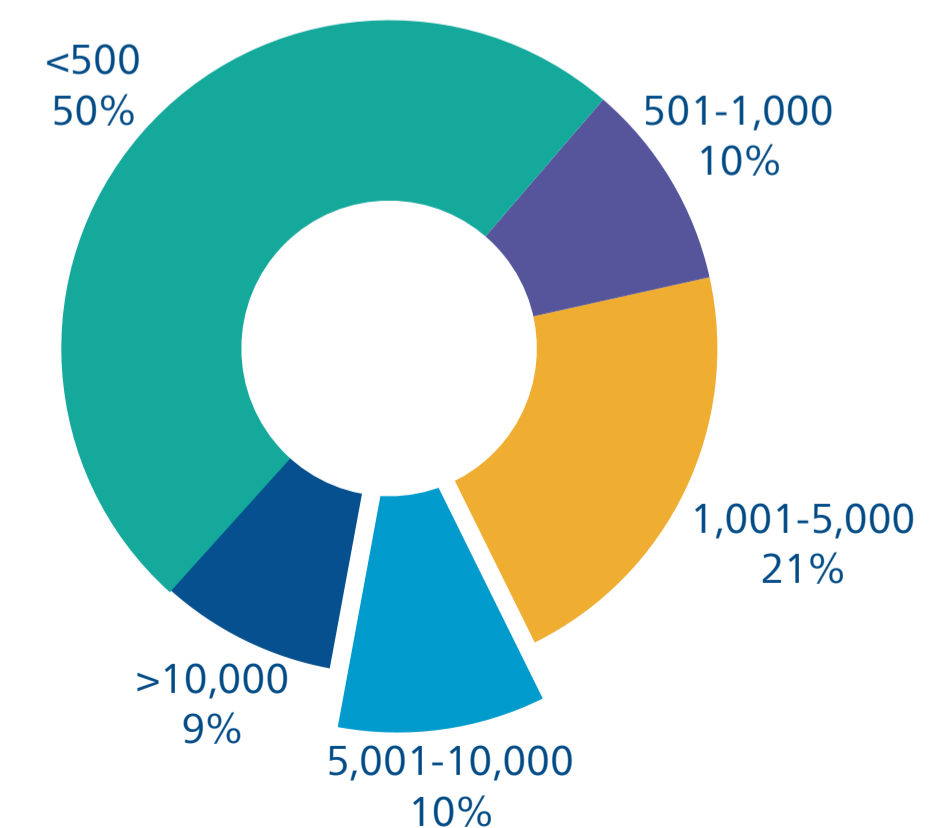
Reported role of users of the Balanced Scorecard

Executive/Senior Manager 68%
Division 48%
Function 36%
Board 43%
Department 45%

Geographic Distribution

Americas 25%
Africa 11%
Asia 11%
India 6%
Middle East 20%
EU 26%

Organisation size by employee numbers

<500 50%
501-1,000 10%
1,001-5,000 21%
5,001-10,000 10%
>10,000 9%

What are Balanced Scorecards being used for?

- **Balanced Scorecard's primary reported role is implementation of strategy**. A smaller proportion are used for operational management, and only about a quarter of respondents said their use was just for reporting.

- Balanced Scorecard affects performance primarily by **influencing the business actions and behaviours of managers and individuals**.

- Balanced Scorecards **influence appraisals, individual and team rewards** in about one third of organisations.

- Only one in ten of respondents thought that their Balanced Scorecard had no influence at all on their organisation.

- A much higher proportion than last year reported that there were **consequences for missing targets**, but the nature of the consequences was mixed. Some reported that people or teams that are not meeting their targets were more closely monitored, others noted that incentives were adjusted where targets were missed.

Are things different from the last survey?

Yes. More organisations are reporting use of Balanced Scorecard for operational management. Also more respondents said there were consequences for missing targets - a good sign that the Balanced Scorecards are operating effectively.
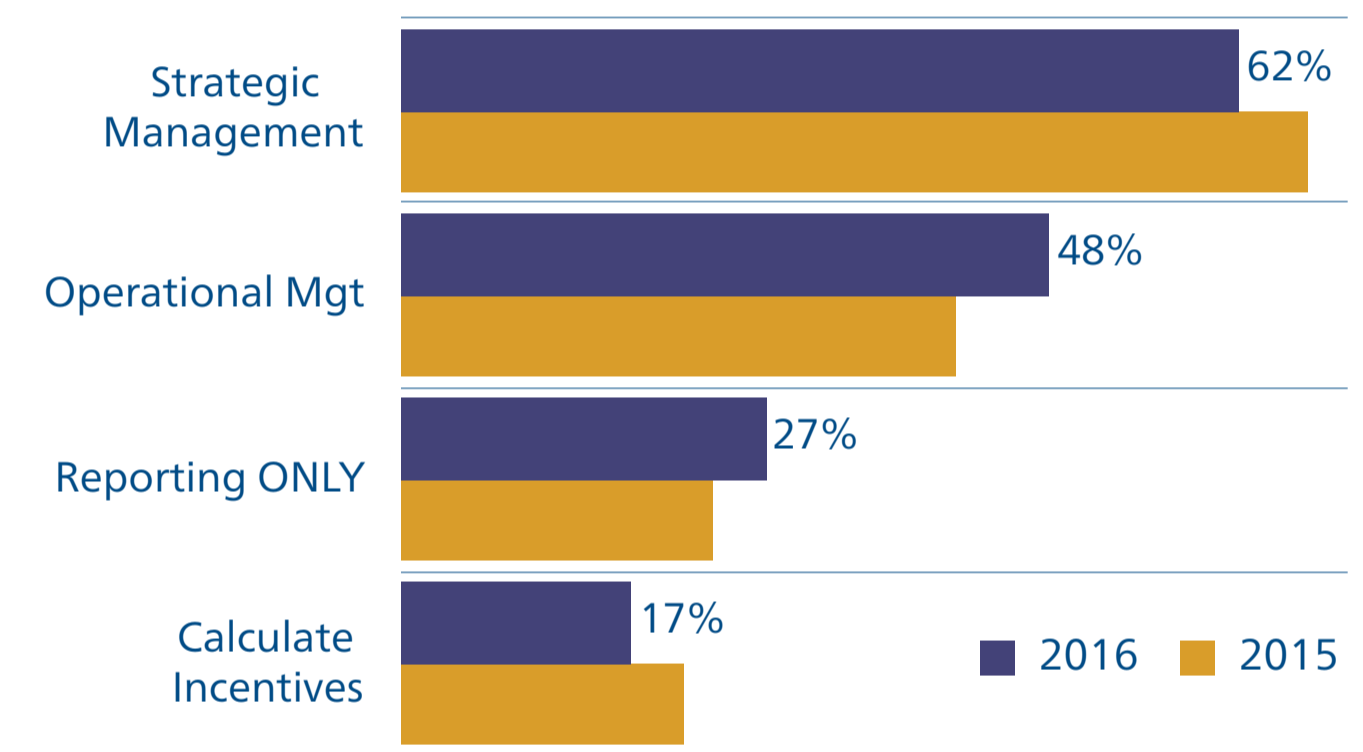
Is this what we would expect?

Yes. Strategic management remains the major use of Balanced Scorecard methodology, but this year more organisations are using their Balanced Scorecards for multiple roles, and for most this means also using it for operational purposes.
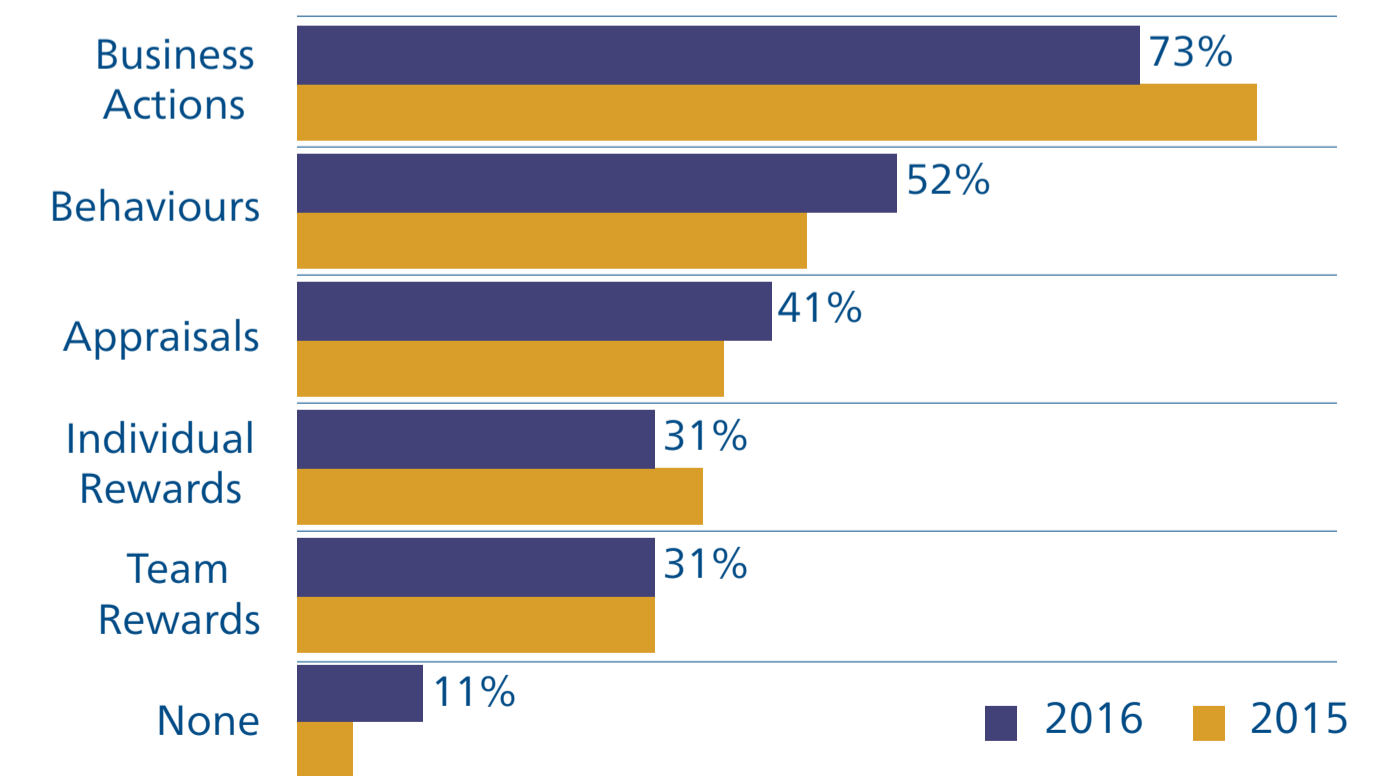
Balanced Scorecard - An Active Management tool...

Organisations use their Balanced Scorecards to influence Business Actions and Behaviours - showing that Balanced Scorecard is a tool used for managing, rather than for just monitoring or recording performance. This important characteristic pushes organisations towards using modern designs, such as **3rd Generation Balanced Scorecard**.

Uses of Balanced Scorecard

Category	2016
Strategic Management	62%
Operational Mgt	48%
Reporting ONLY	27%
Calculate Incentives	17%

Legend: ■ 2016 ■ 2015

What is influenced by Balanced Scorecard in your Organisation?

Category	2016
Business Actions	73%
Behaviours	52%
Appraisals	41%
Individual Rewards	31%
Team Rewards	31%
None	11%

Legend: ■ 2016 ■ 2015

How are Balanced Scorecards reported?

- As noted above, **Balanced Scorecards work by informing and improving decision-making**. Accordingly, to get the best results an organisation should want its Balanced Scorecards to be **reported and reviewed frequently**. We see it as encouraging therefore that over three-quarters of organisations report using their Balanced Scorecards at least once every three months.

- **7 out of 10 used 'traffic light' reporting.**

- A surprisingly high number (45%) do not use any software tools to create these Balanced Scorecard reports.

- One third used office software tools, such as MS Excel, and this is the most common method for creating these reports.

- About one in five organisations use specialist software to generate reports - and once again Quickscore remains the most popular choice, showing that it is an effective targeted solution for most Balanced Scorecard uses.

Are things different from the last survey?

Yes - There has been an encouraging decrease in the proportion of Balanced Scorecards that are reported only once a year, and a strong rise in the level of quarterly reporting.
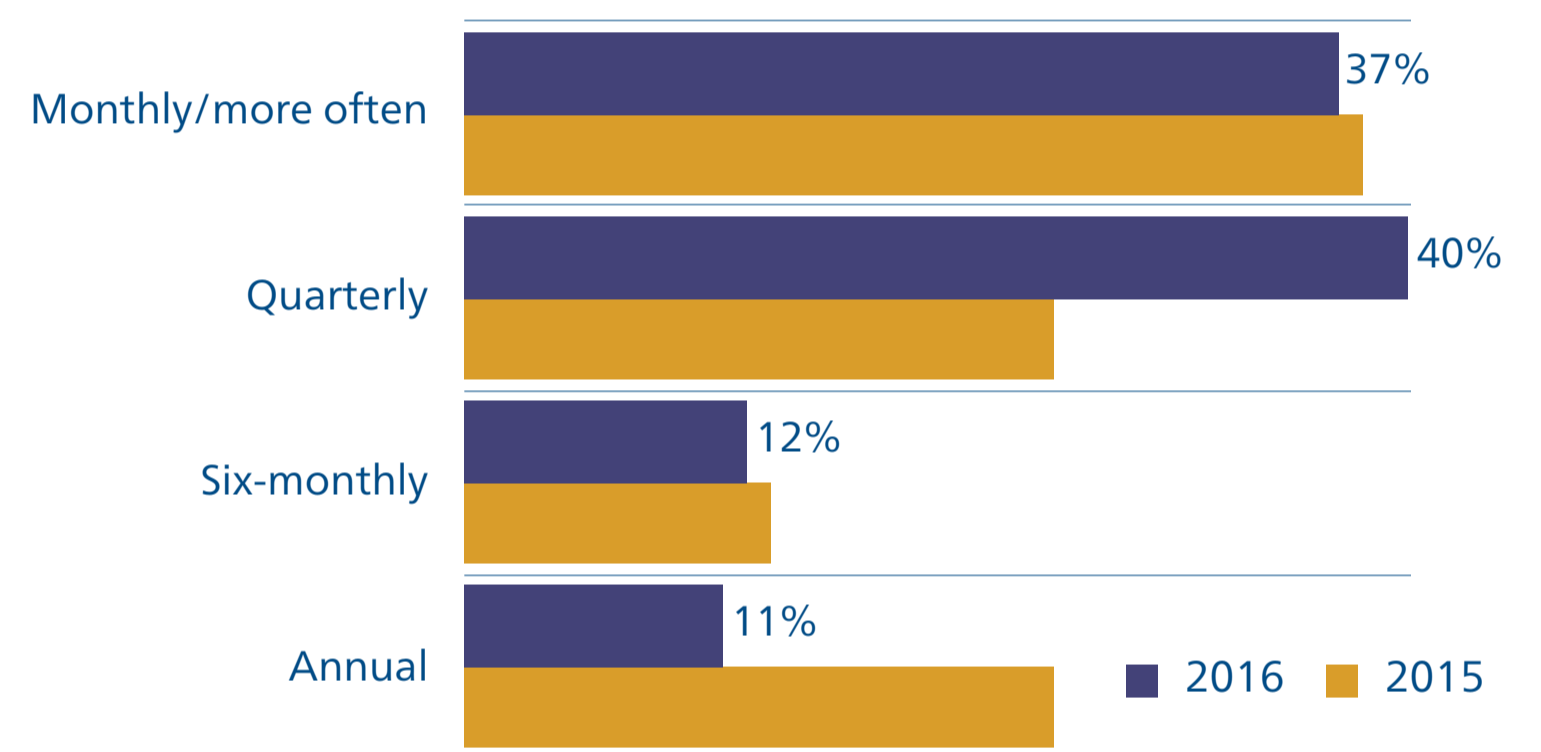
Is this what we would expect?

No - Reporting frequency has increased compared to previous surveys, but so has the number of organisations doing this work without any software tools: a surprising result.
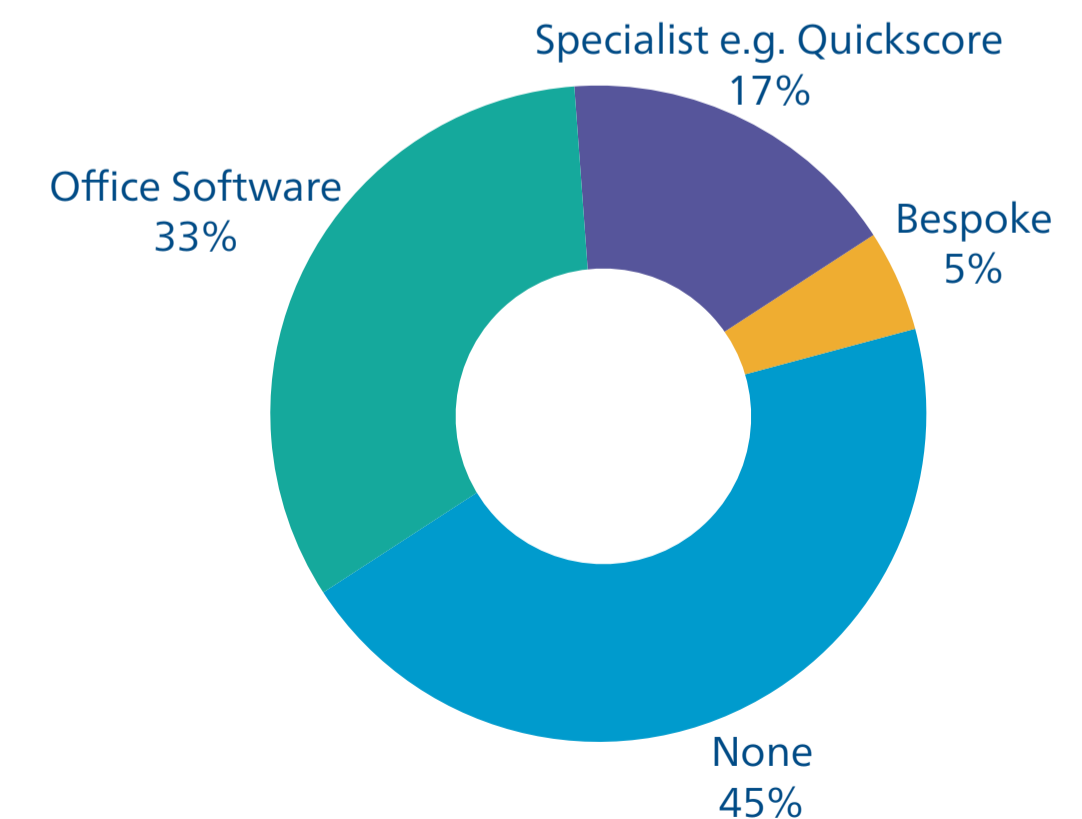
Software automation is a good way to ensure more frequent reporting and to trigger the decision making changes that lead to improved performance.

These findings imply that many organisations would gain economic benefit from introducing some kind of reporting automation.

Reporting Frequency

	2016	2015
Monthly/more often	37%	
Quarterly	40%	
Six-monthly	12%	
Annual	11%	

Reporting Software

- Specialist e.g. Quickscore 17%
- Bespoke 5%
- None 45%
- Office Software 33%

Which Balanced Scorecard design is in use?

This year 81% of respondents indicated their Balanced Scorecard featured elements specific to the more effective **2nd or 3rd Generation designs**, an increase over last year (61%). This is a good result, as it suggests a widespread move from 1st Generation designs to more effective, modern designs.
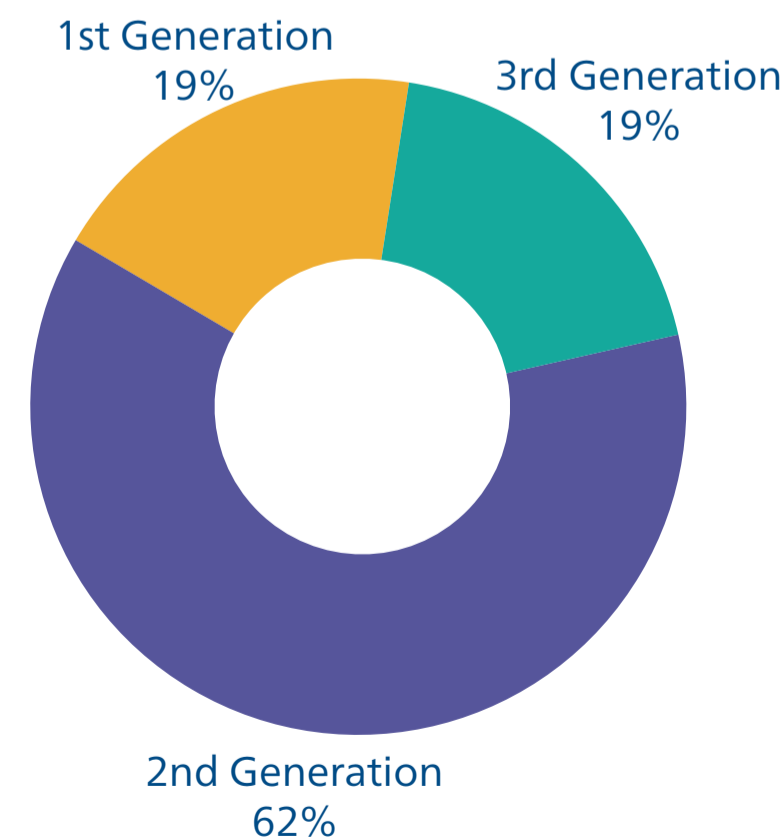
- Organisations reported using between 2 and 6 perspectives (average 4), with greater use of customised perspective names than before, but the 'standard' four perspective names still dominate.

- In line with previous year's findings, **the average Balanced Scorecards comprises 15 Objectives and 20 initiatives**.

- The average number of targeted measures per Balanced Scorecard objective has risen significantly this year (2.8 per objective in this survey, 1.6 per objective in 2015), but in our view remains at a practical level.
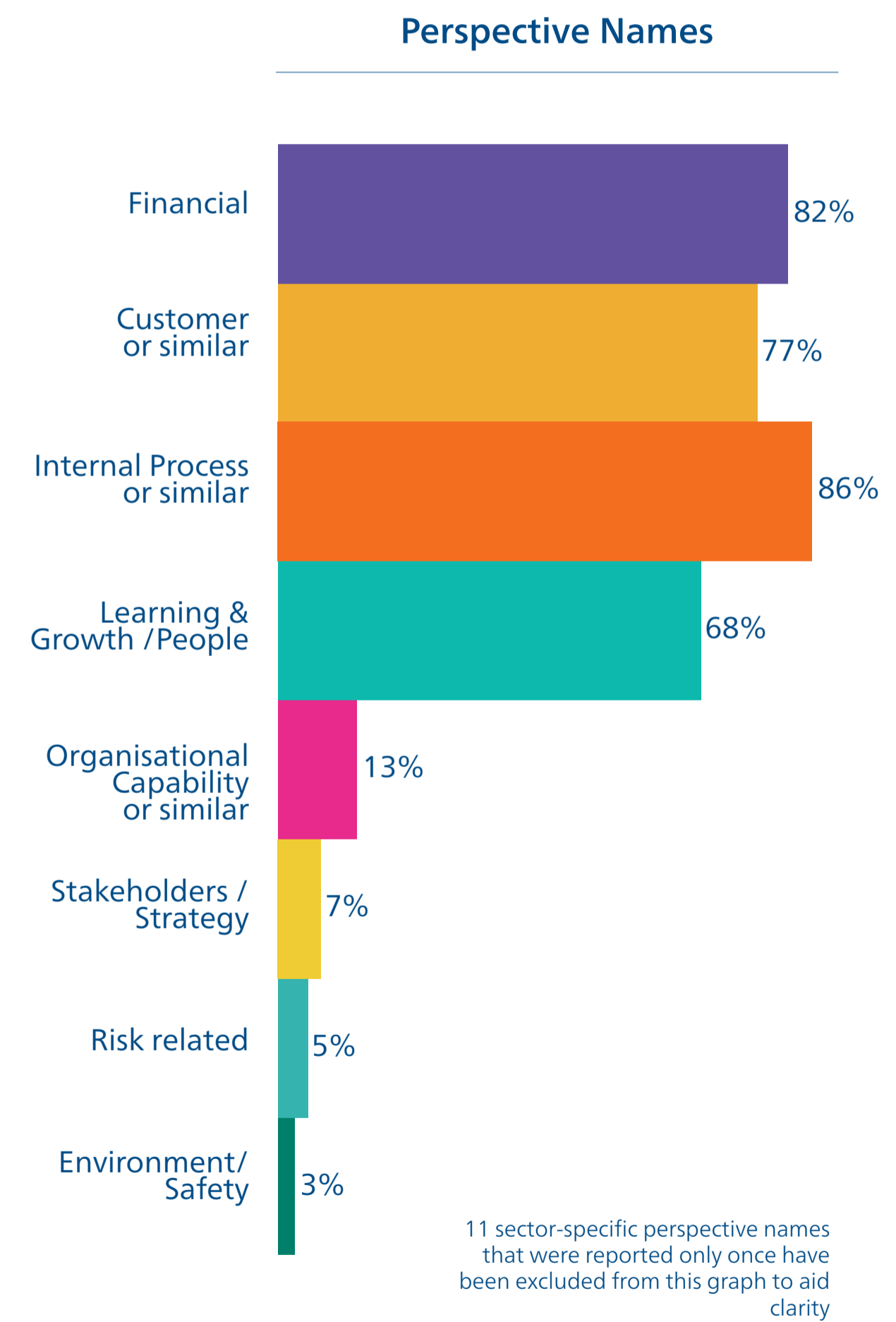
Is this what we would expect?

Yes. Use of sector-specific or "personalised" perspective names is sensible as it makes the tool more accessible to managers.

The shift towards 2nd and 3rd Generation Balanced Scorecards designs continues a trend seen previously, and reflects organisations' desire for tools that work.

Balanced Scorecards rely upon targeted measures to work, but too many measures can overload the capacity of an organisation to define and report them - **keeping the average number of targeted measures per objective below 3 makes practical sense**.

Types of Balanced Scorecard

1st Generation 19%
3rd Generation 19%
2nd Generation 62%

Perspective Names

Financial 82%
Customer or similar 77%
Internal Process or similar 86%
Learning & Growth /People 68%
Organisational Capability or similar 13%
Stakeholders / Strategy 7%
Risk related 5%
Environment/ Safety 3%

11 sector-specific perspective names that were reported only once have been excluded from this graph to aid clarity
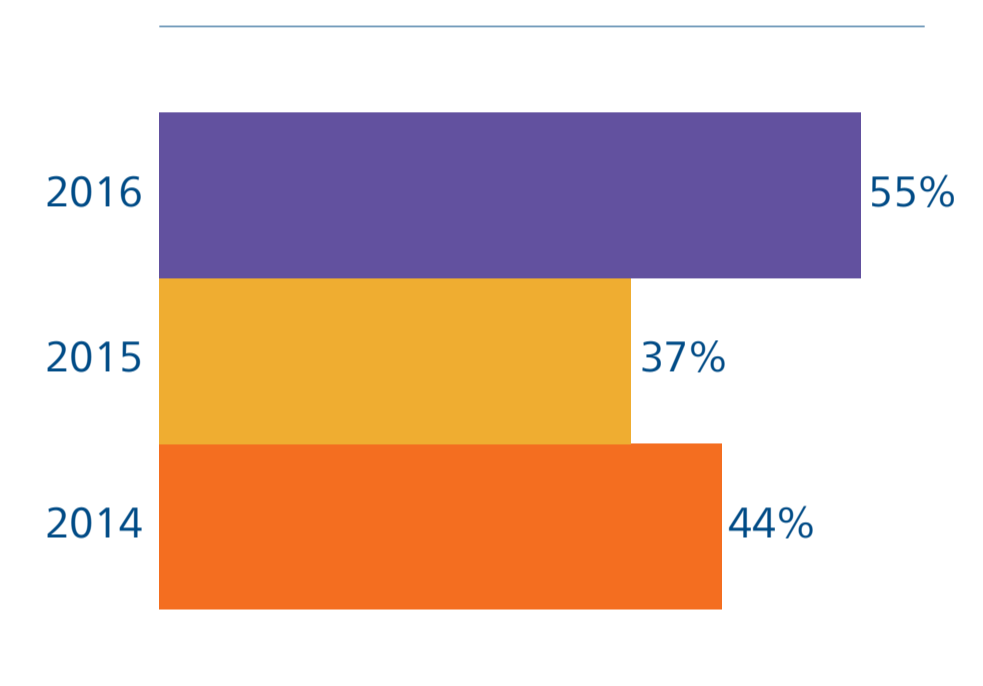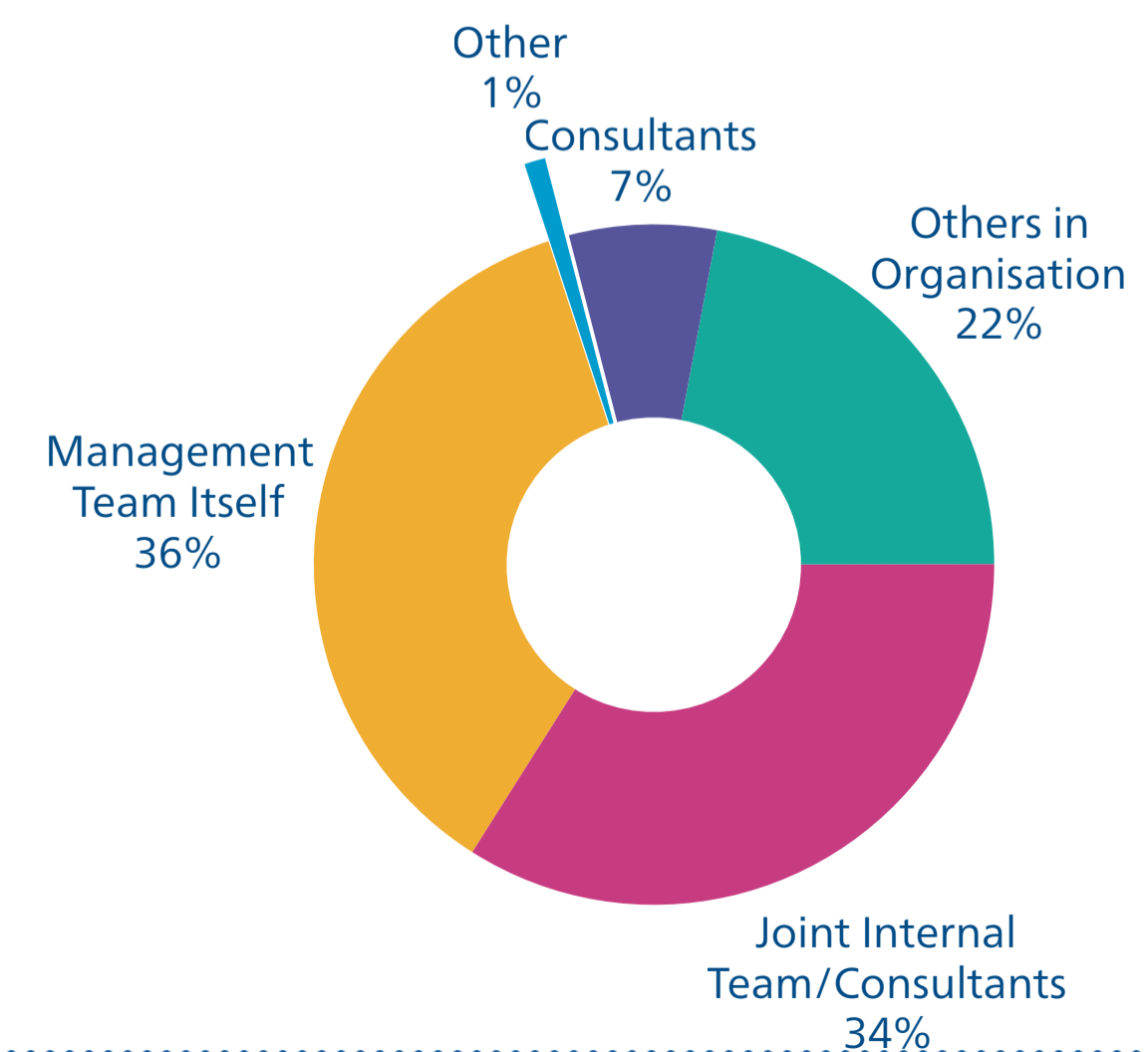
How many and how were they designed?

- Most organisations (55%) of respondents have multiple Balanced Scorecards and of these, a strong majority (72%) were created using an approach known as cascading.

- The large majority of balanced scorecards are now designed internally (a good thing). Whilst consultants help in the design of about a third of these - we are pleased to see that the proportion of those designed solely by consultants remains very low at 7%.

- **A majority of organisations reported having refreshed their Balanced Scorecard design during the previous 12 months.** 60% of the revisions were linked to updated Strategic Plans - a small drop on last year (67%).

- 71% of the revisions involved changes to objectives, measures and targets, which is our favoured approach.
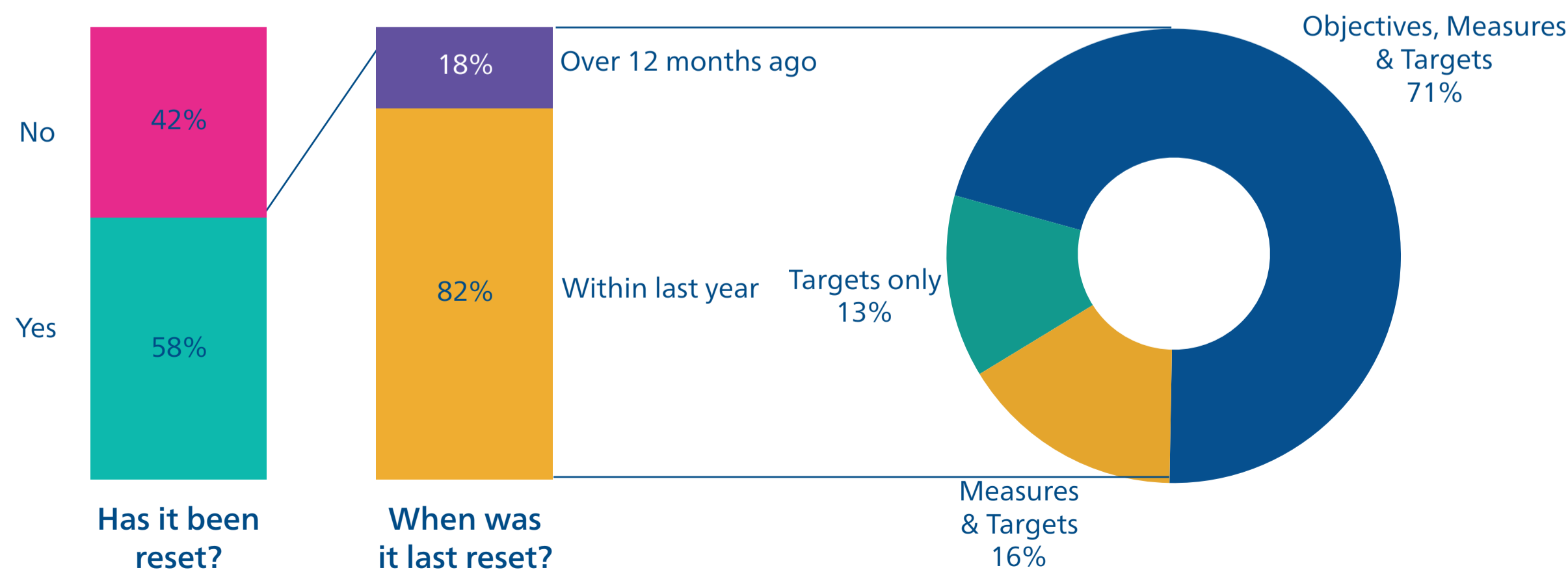
Proportion of responding organisations reporting having multiple Balanced Scorecards

2016 — 55%
2015 — 37%
2014 — 44%

Has it been reset?

No — 42%
Yes — 58%

When was it last reset?

Over 12 months ago — 18%
Within last year — 82%

Which elements where changed?

Objectives, Measures & Targets — 71%
Targets only — 13%
Measures & Targets — 16%

Who designed the Balanced Scorecard?

Other — 1%
Consultants — 7%
Others in Organisation — 22%
Management Team Itself — 36%
Joint Internal Team/Consultants — 34%

Realising the value of Balanced Scorecard

This year 76% of organisations reported that their Balanced Scorecard was extremely or very useful (67% last year).

Almost one third of units manage and maintain their Balanced Scorecard themselves. Delegating maintenance activities to a specific Performance Management Unit is the most common alternative choice, but a broad range of other departments are also given this role - including strategic planning and finance.

Most organisations formally link their Balanced Scorecards to several other processes. This year a slightly higher proportion report linking their Balanced Scorecards to **planning** activities. The number reporting links to **budgeting** (which is much harder to do) has fallen.
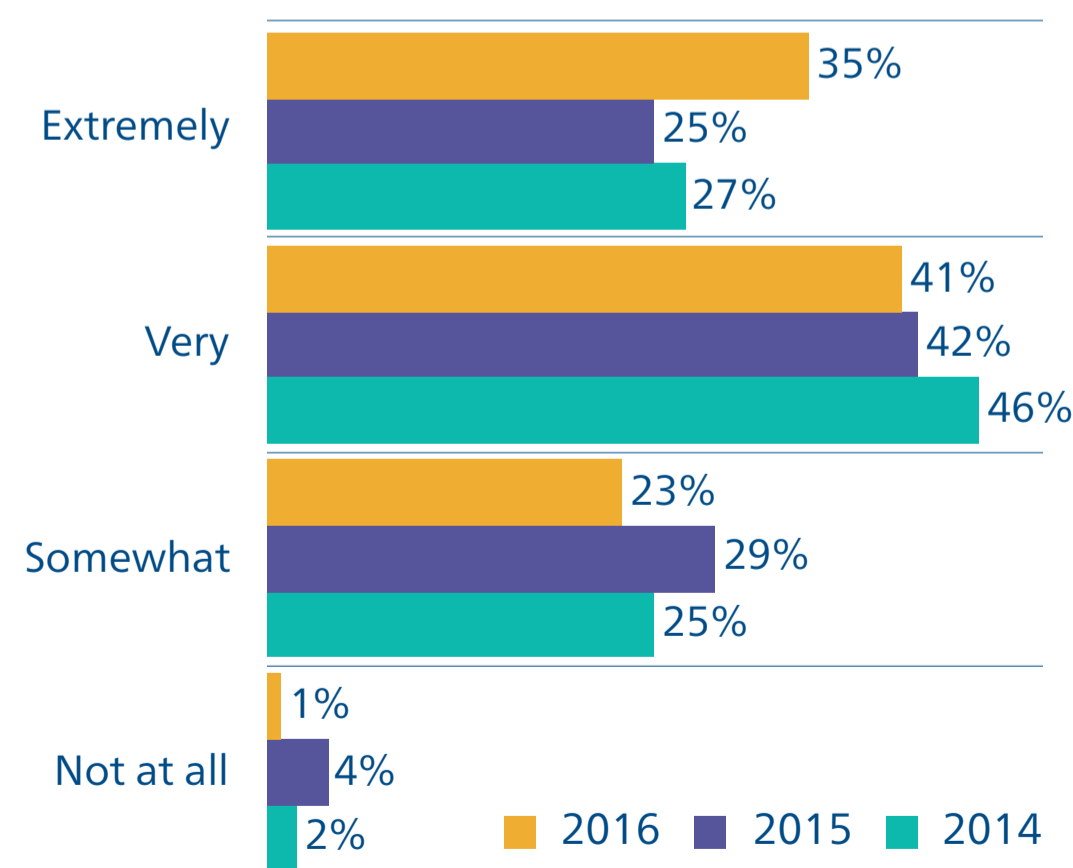
- Almost half link their Balanced Scorecards to Personal Goal setting and Quality Management.

- About one third link Balanced Scorecards to pay and rewards.
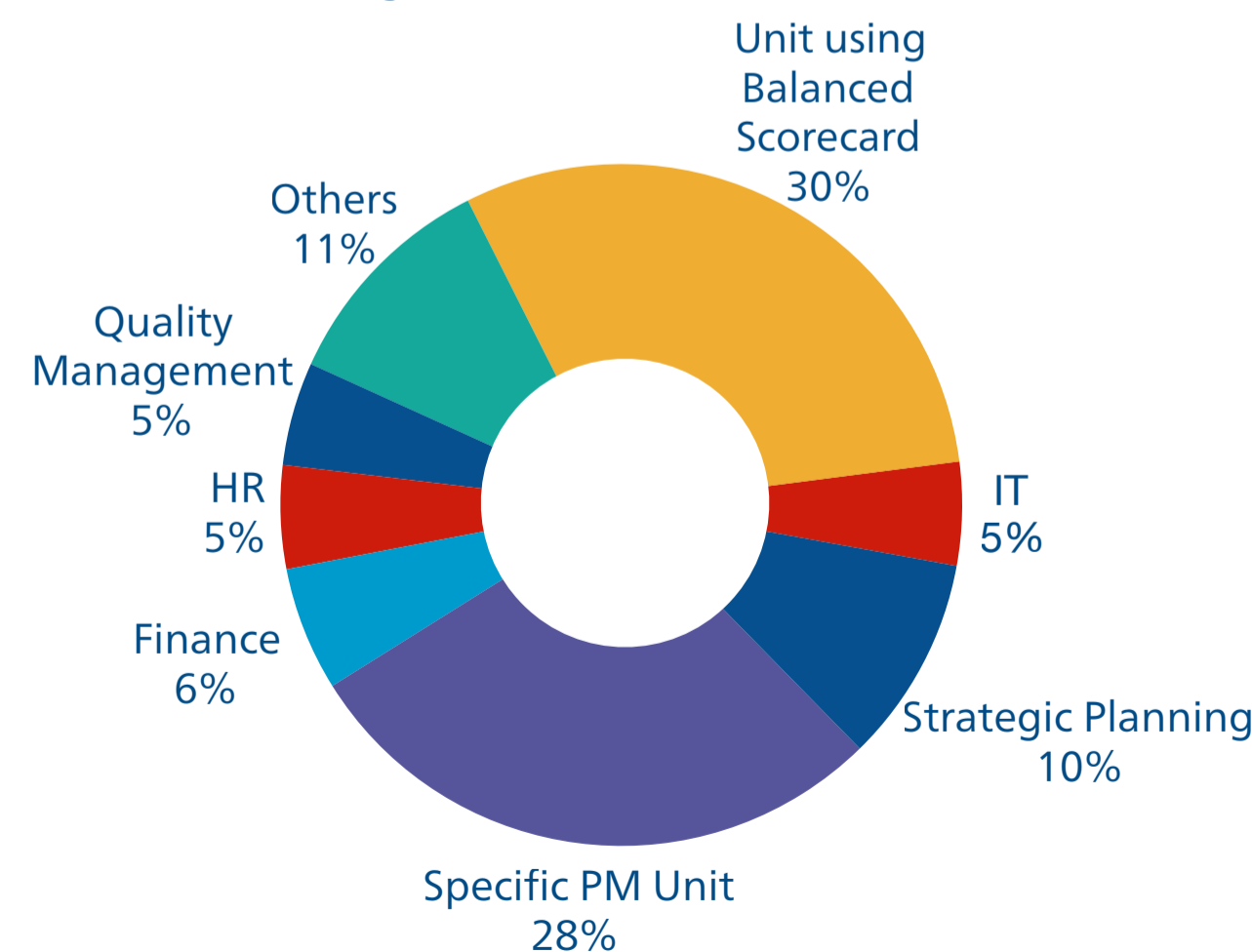
Is this what we would expect?

Yes, we know the tool can add value to organisations if well used, but continued use requires active maintenance. The department that maintains the tool is less important than the passion and abilities of the individuals who report and run the Balanced Scorecard.

Links to other processes are essential for Balanced Scorecard effectiveness. Usage normally determines which process links are required, e.g. Balanced Scorecards for individuals will link to pay and rewards more often than ones used for strategy.
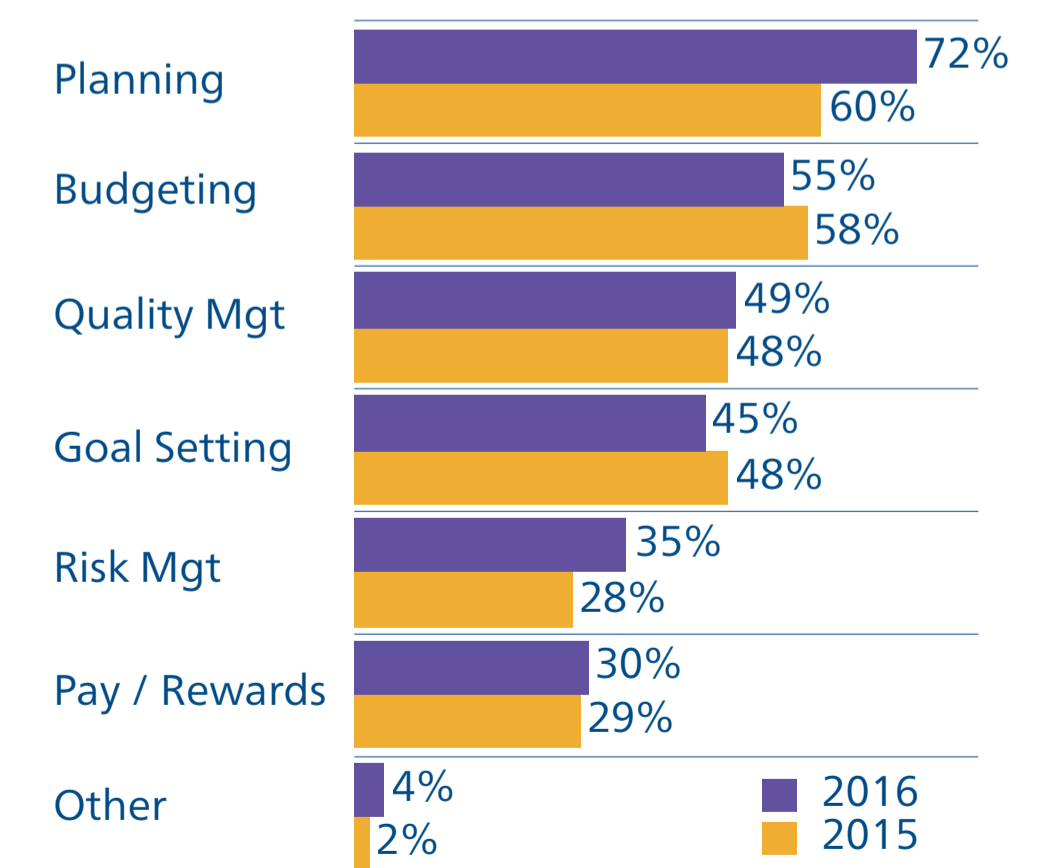
How valuable is your Balanced Scorecard?

Rating	2016	2015	2014
Extremely	35%	25%	27%
Very	41%	42%	46%
Somewhat	23%	29%	25%
Not at all	1%	4%	2%

Who manages the Balanced Scorecard?

- Unit using Balanced Scorecard 30%
- Others 11%
- Quality Management 5%
- HR 5%
- Finance 6%
- Specific PM Unit 28%
- Strategic Planning 10%
- IT 5%

Processes linked to the Balanced Scorecard

Process	2016	2015
Planning	72%	60%
Budgeting	55%	58%
Quality Mgt	49%	48%
Goal Setting	45%	48%
Risk Mgt	35%	28%
Pay / Rewards	30%	29%
Other	4%	2%

Conclusions and Observations

2GC began this survey series in 2009 with a simple ambition - to find out more about real-world usage of Balanced Scorecard. The survey delivers on this ambition - thanks to this report and the seven that precede it, we now know a lot more about how Balanced Scorecards are designed, used, and maintained within organisations, how useful they are, and how they drive improved performance.

What is more, we are now beginning to see trends across the series, and so are perhaps on the verge of being able to predict how Balanced Scorecard usage will evolve in the years ahead.

Much of what we see in this year's survey reinforces insights gained in earlier years: Balanced Scorecards are used mostly for supporting the implementation of strategy, are designed using 2nd or 3rd Generation design methods, comprise less than 20 objectives spread over four perspectives, each objective is associated with fewer than three targeted measures, and one initiative.

Most Balanced Scorecards are reported four or more times a year, and 'work' by influencing decision making by management teams. Most are linked to other internal processes, and about one third have some influence on incentive payments made.

What is changing in this year's survey relates to how Balanced Scorecard is used - more organisations are using Balanced Scorecard for more than one purpose, and perhaps because of this Balanced Scorecards are becoming more complex and are being reported more often. These changes have a bearing on the work required to define and report Balanced Scorecards: we already see an increase in the number of organisations using more advanced design methods, we would expect to see more reporting automation too in years to come.

Since 2014 this survey has been undertaken in partnership with Intrafocus, a relationship we value.

Find out more

Read some material

See 2GC's and Intrafocus's collection of FAQs, Papers, Presentations, Case Studies
• **2gc.eu/resources**
• **intrafocus.com/resources/**

Get some training

2GC runs one and two-day courses, tailored and practitioner courses on Balanced Scorecard design and implementation throughout the year
• **2gc.eu/training**

Ask us a question

We will send you an answer for free (if we know the answer!)
• Send an email to **info@2GC.eu**
• No coursework questions please...

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