

Balanced Scorecard Usage Survey 2017

Summary of Findings



Why conduct a survey?

Since its introduction in the early 1990s the Balanced Scorecard has been one of the world's top-ten management frameworks and the number one framework for Performance Management.

Despite this popularity, in the 2000s 2GC became concerned that little was known about which organisations use Balanced Scorecard, what they use it for and how useful they find it in practice.

In 2008 2GC began a multi-year research project to find some answers to these questions.

Each year 2GC has publicly released a summary of its findings via survey reports like this one

The results of this continuing research activity have improved the use and understanding of the Balanced Scorecard and enabled us to focus our activities on what users and organisations really need.

Who participated?

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

- we received questionnaires from respondents in 42 countries, the most since we began the survey in 2008, regional distribution was similar to that in previous surveys
- 74% were from the private sector, 26% from public sector and NGOs
- 48% reported being in an executive management role
- 65% said they were extremely or very knowledgeable concerning the Balanced Scorecard.

How did the survey work?

The 2017 survey data capture method was similar to that used in earlier years: the survey was made available via a web-based tool, and respondents were self selecting.



Who uses the Balanced Scorecard?

Balanced Scorecards are reported as being used right across the organisation. Almost three quarters reported use at the Executive level, and over half in functional management. The low numbers for Board level (38%) were a surprise, as effective reporting on strategy implementation progress should be an important part of Board reporting.

This year's survey had a greater representation from India, and slightly lower representation from the Middle East and the EU.

61% (2016 - 50%) of respondents' organisations had less than 500 employees and 14% (19%) had over 5,000 employees.

Is this what we would expect?

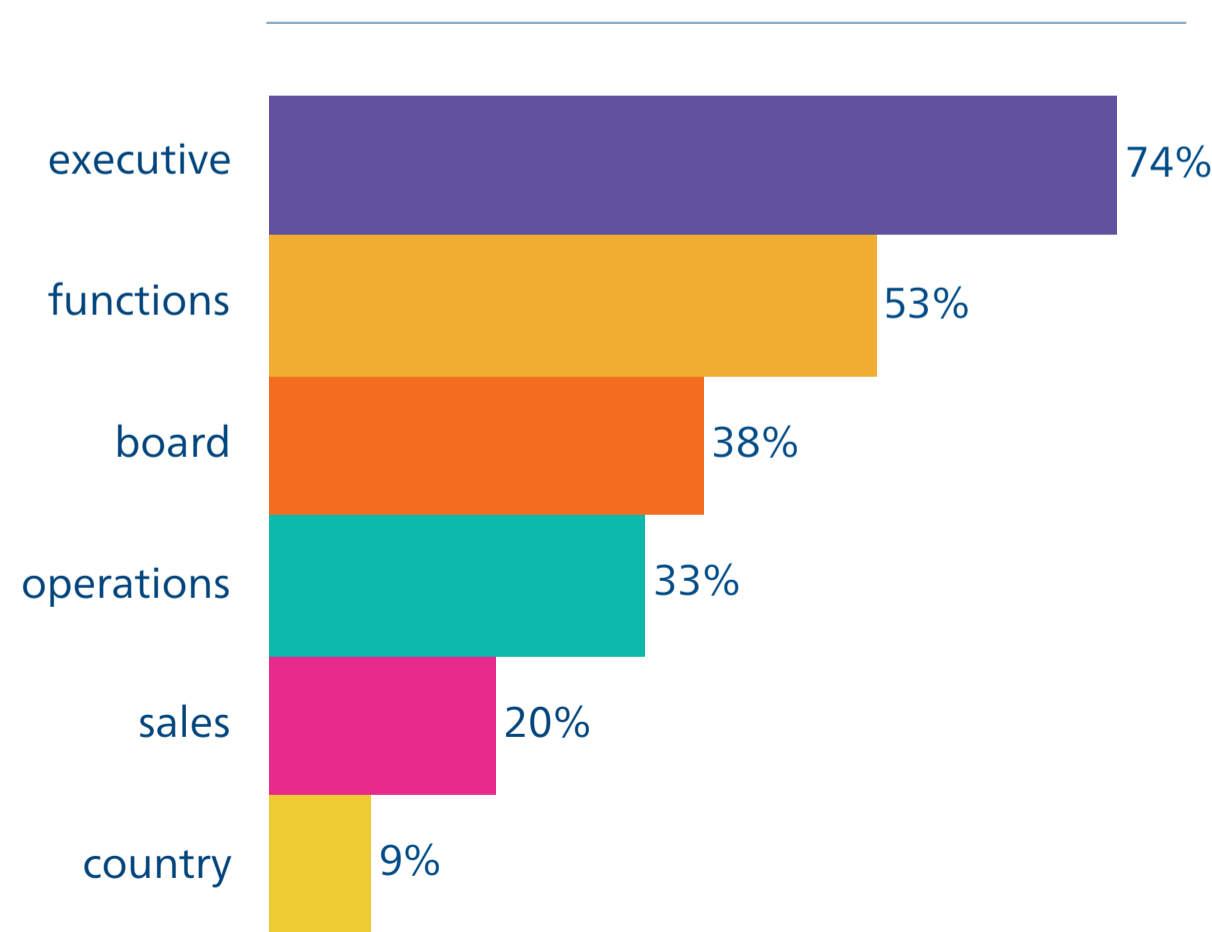
Yes. The original purpose of Balanced Scorecard was for it to inform the leadership team of an organisation, and it was designed to be particularly effective in this role.

Is this different from the last survey?

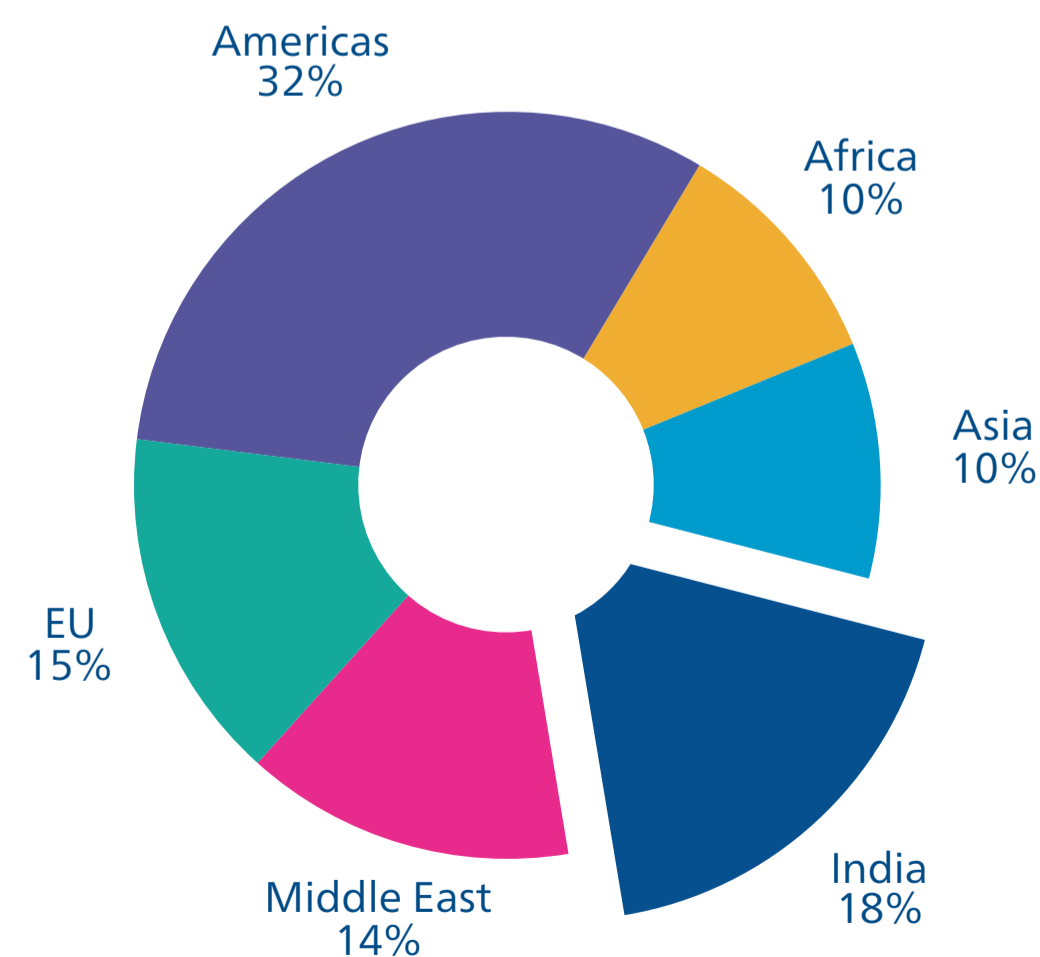
No. Balanced Scorecard has become established as the primary tool for reporting on strategy implementation / execution progress to Executive level managers, and this continues to be the case.

This year we saw an increase in smaller organisations (<500 employees).

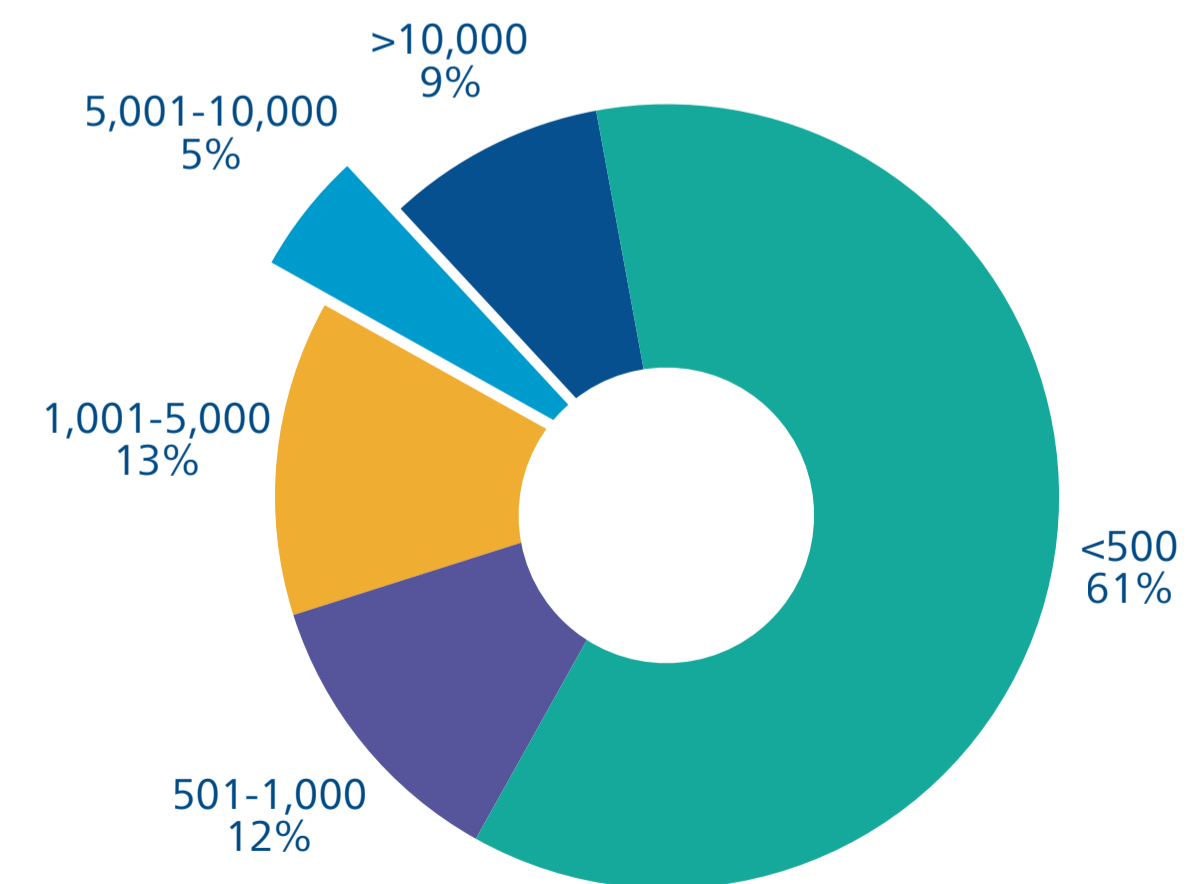
Where is Balanced Scorecard used?



Geographic Distribution



Organisation size (employees)



What are Balanced Scorecards being used for?

Balanced Scorecard's primary reported role continues to be supporting the implementation of strategy. This year however, we saw a big increase in reports of the tool being used just for reporting, and for calculating incentives.

Likewise, Balanced Scorecard continues to work primarily by influencing the business actions and behaviours of managers and individuals.

Balanced Scorecard plays a role in appraisals, individual and team rewards for well over one third of respondents.

Only 7% of respondents thought that their Balanced Scorecard had no influence at all on their organisation.

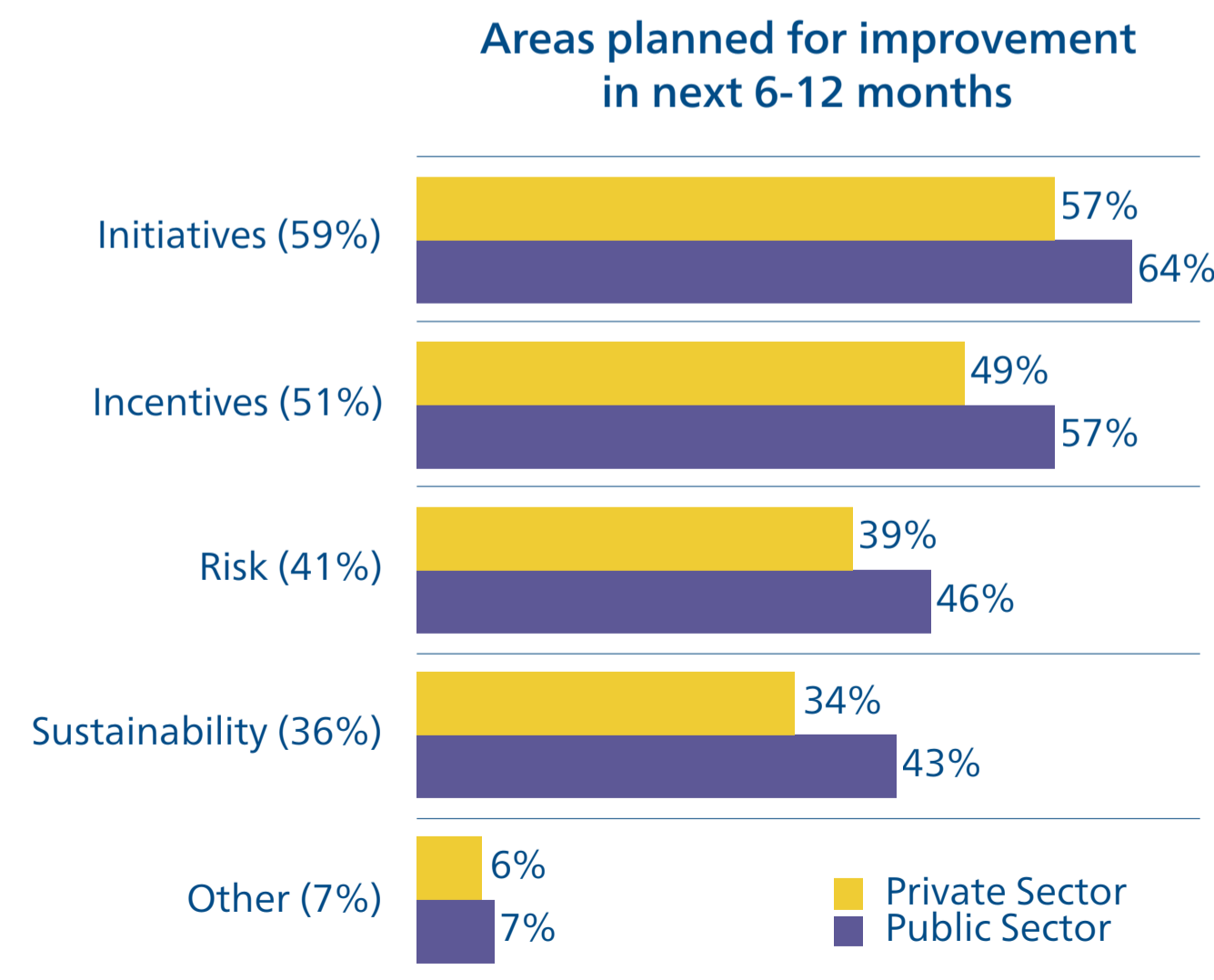
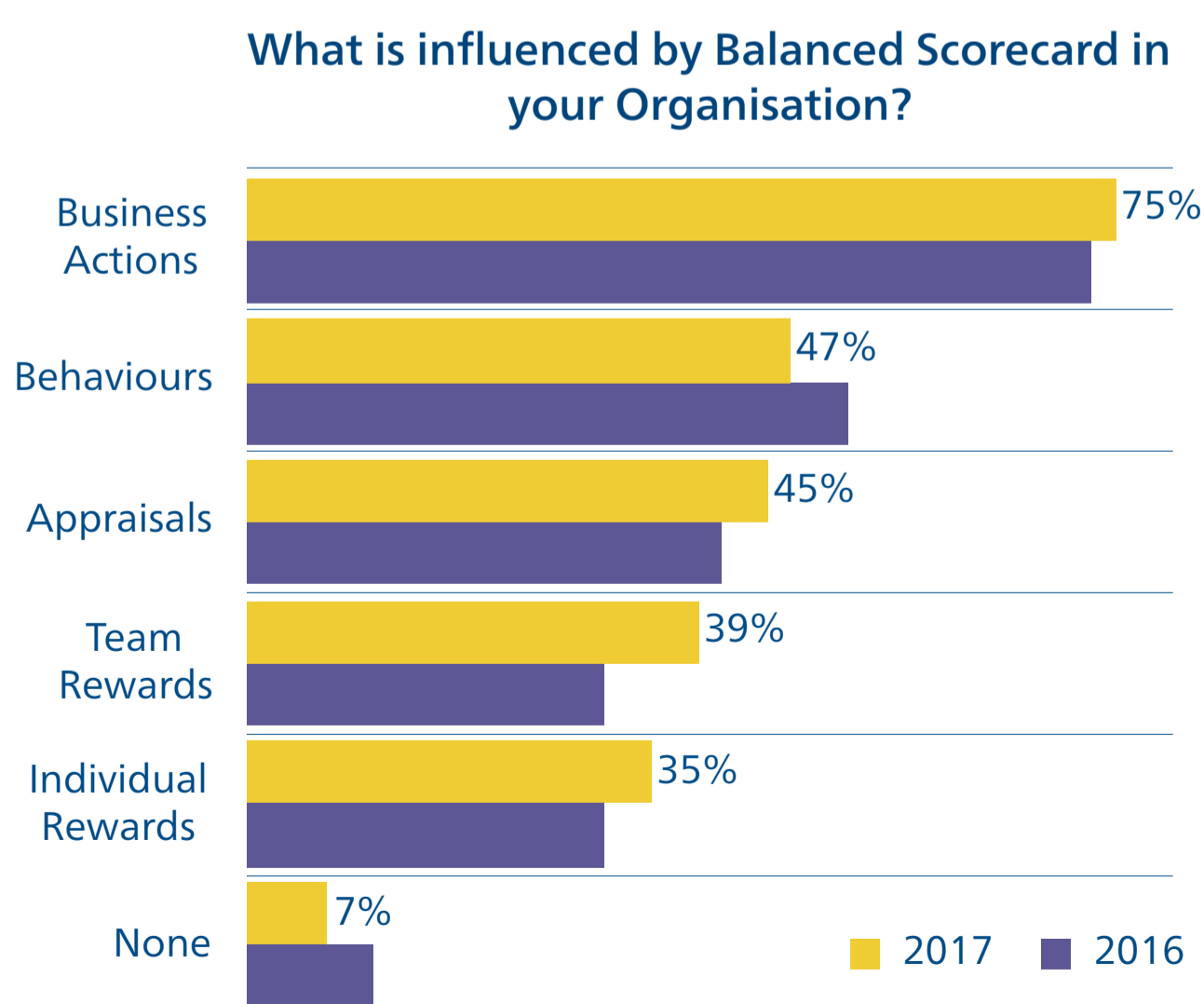
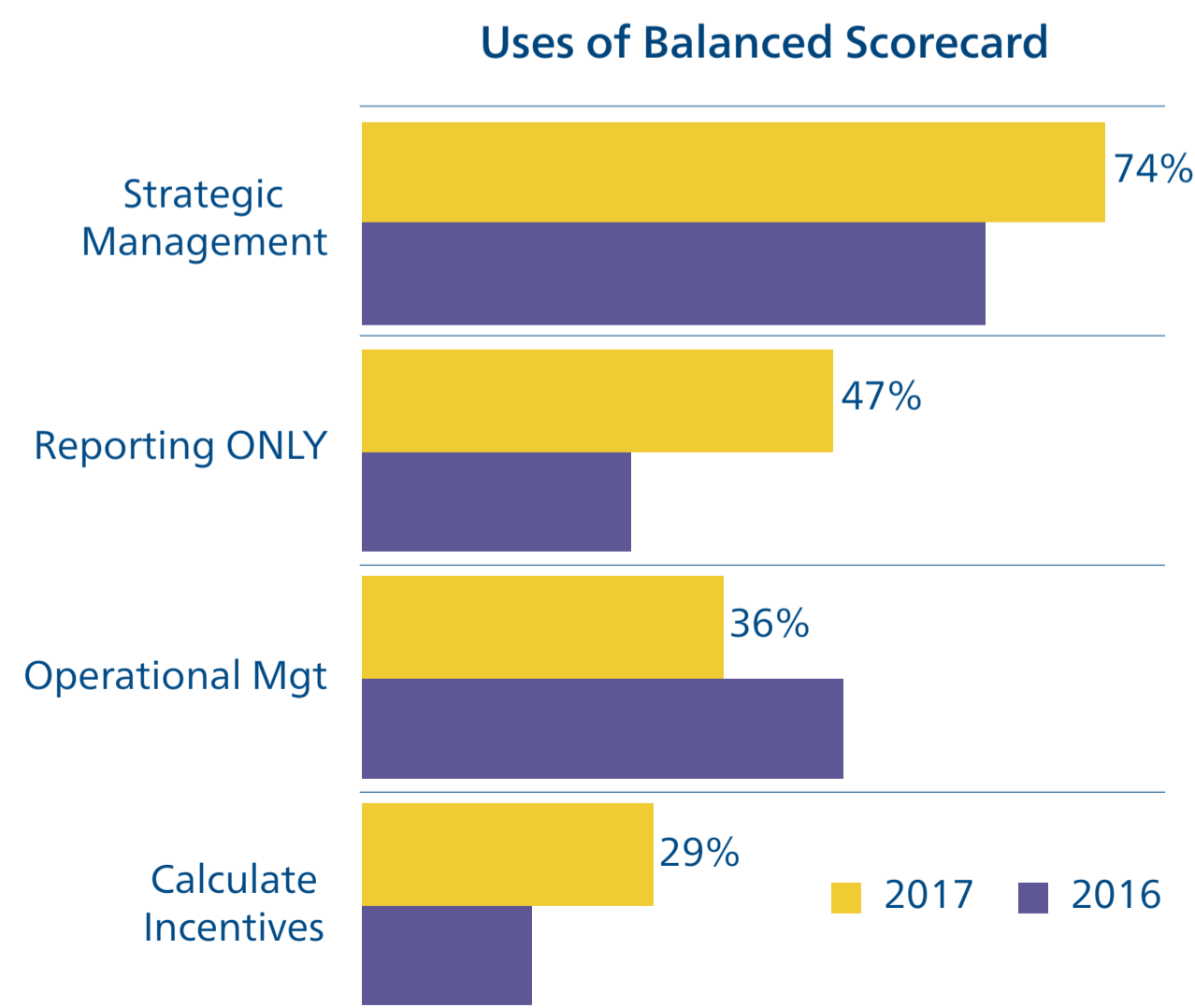
This year for the first time we asked about plans for future development of Balanced Scorecard: work on improving reporting of Initiatives was top, and inclusion of incentives second.

Is this what we would expect?

Yes. Strategic management as the major use is consistent with the trend we see for the Balanced Scorecard methodology to be a key element in organisations' strategy execution. Initiatives are a key part of strategy execution, and so interest in improving the reporting of these is not unexpected.

Is this different from the last survey?

Somewhat. Balanced Scorecard has become established as the primary tool for reporting on strategy implementation / execution progress to Executive level managers, and this continues to be the case. But the increased interest in Balanced Scorecard as a mechanism for incentive payments is a surprise.



How are Balanced Scorecards reported?

Balanced Scorecards work by informing and improving decision-making, so they must be reported and reviewed frequently. It is encouraging that over three-quarters of organisations report using their Balanced Scorecards at least once every three months.

We found an odd imbalance: 17% of organisations reviewed their Balanced Scorecard data more often than they generated it, while 23% generated reports more often than they reviewed them.

38% of organisations did not report the use of any software to help generate Balanced Scorecard reports, a proportion that is broadly the same across all regions. However where software use is reported, the kind of software used varies significantly by region.

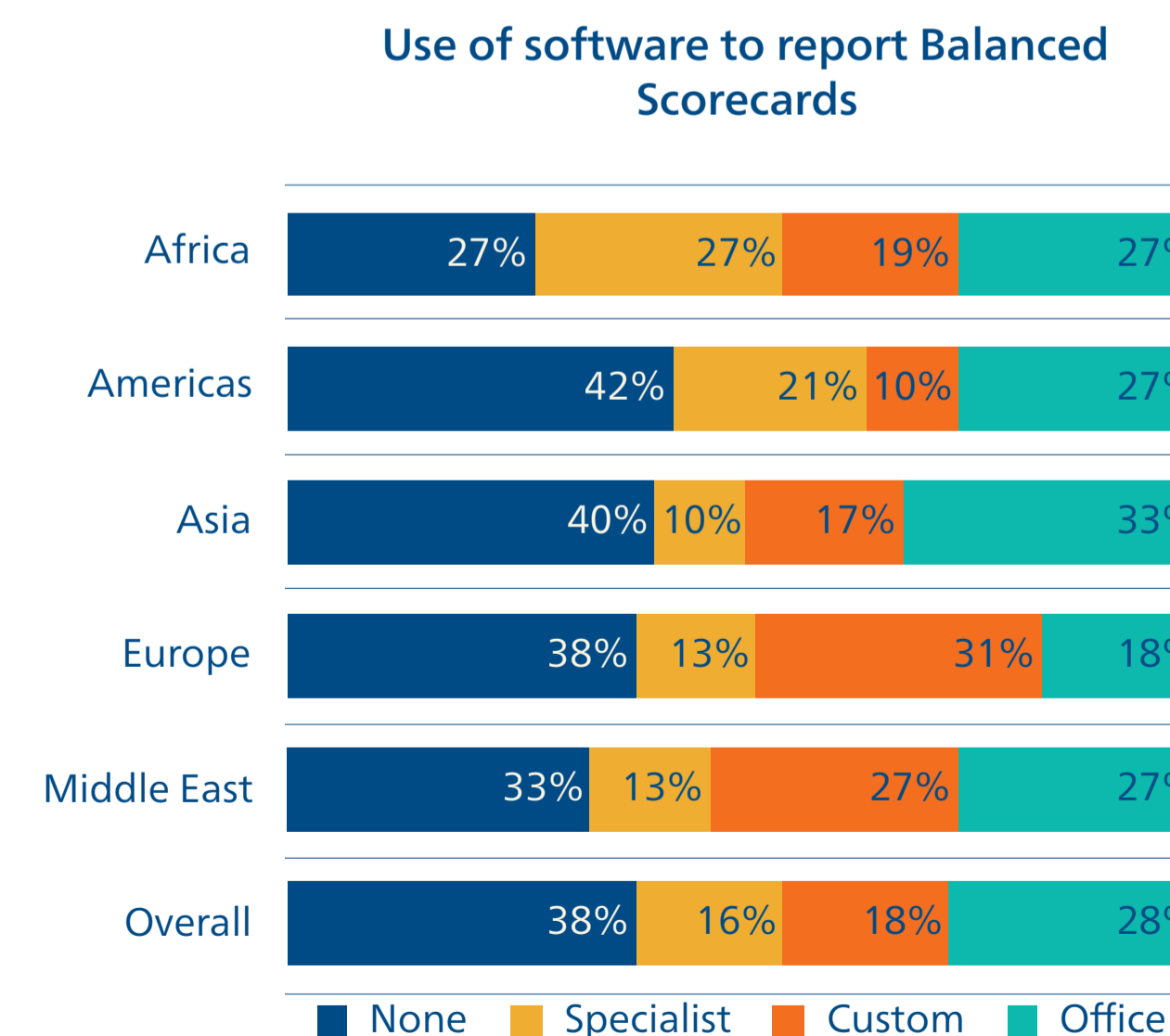
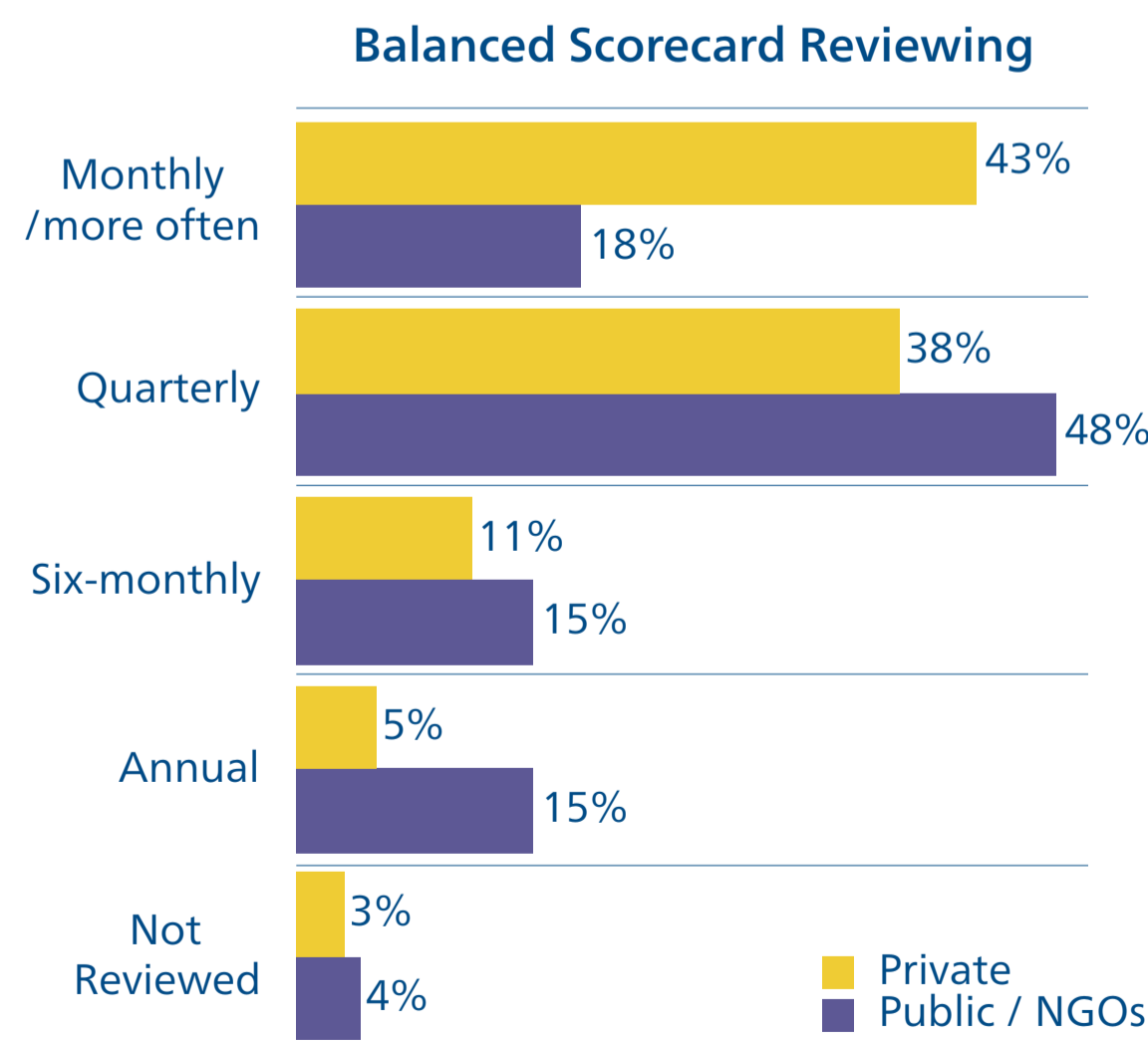
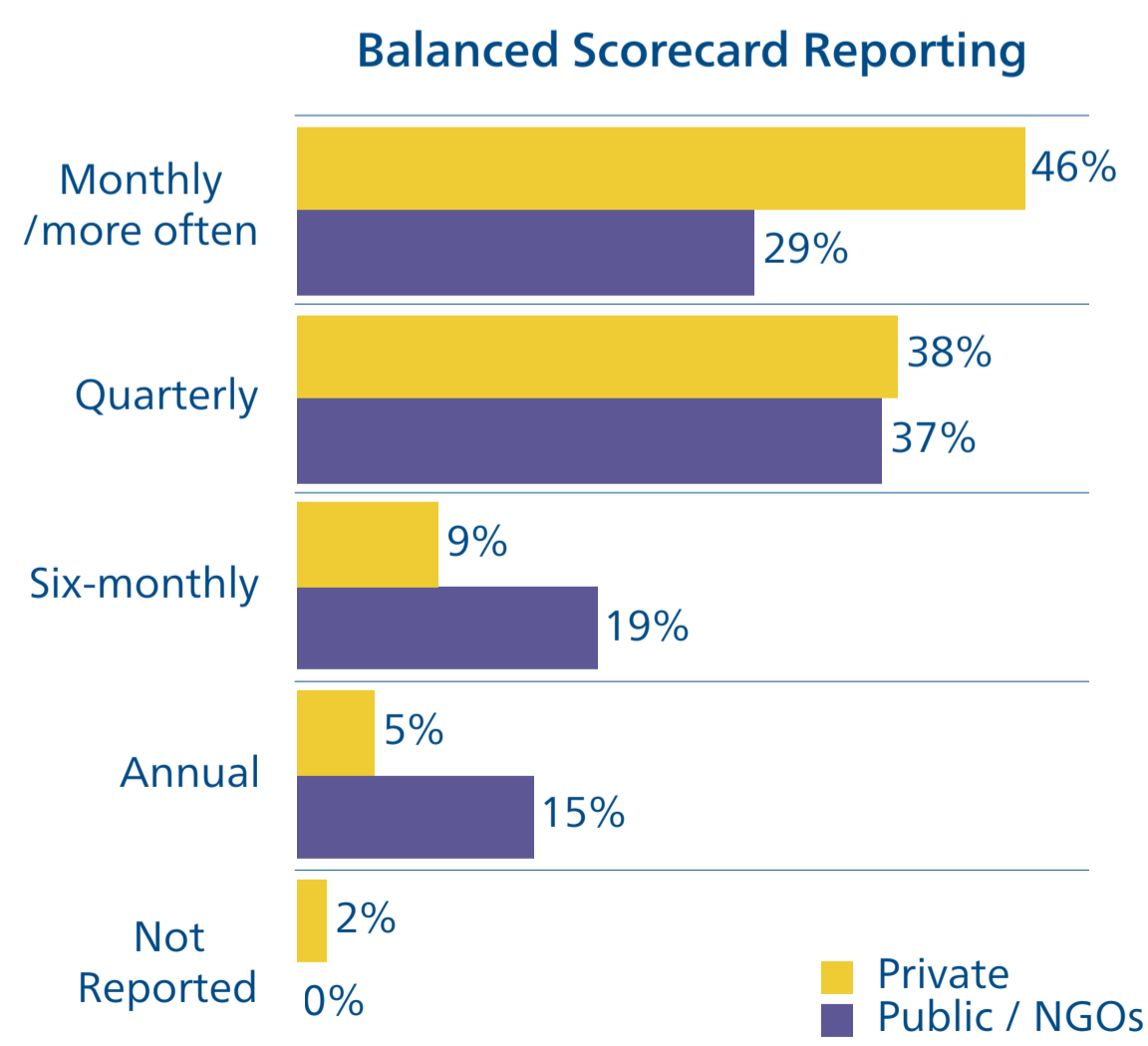
Are things different from the last survey?

No - The frequency of reporting and reviewing Balanced Scorecards are about the same as last year, with private sector organisations leading the way with frequent reporting and reviewing activity.

The disappointingly large number of organisations that still do not automate their Balanced Scorecard reporting had reduced a bit from 2016.

Is this what we would expect?

Yes - The dominant role for Balanced Scorecard is managing the implementation of strategic plans - something that needs regular review and intervention during the course of a year - annual reviews are simply not helpful for this application of the tool.



Which Balanced Scorecard design is in use?

This year a larger majority (63%) of organisations reported using Balanced Scorecards based on the more effective **3rd Generation designs**.

The Balanced Scorecard designs shared some common features:

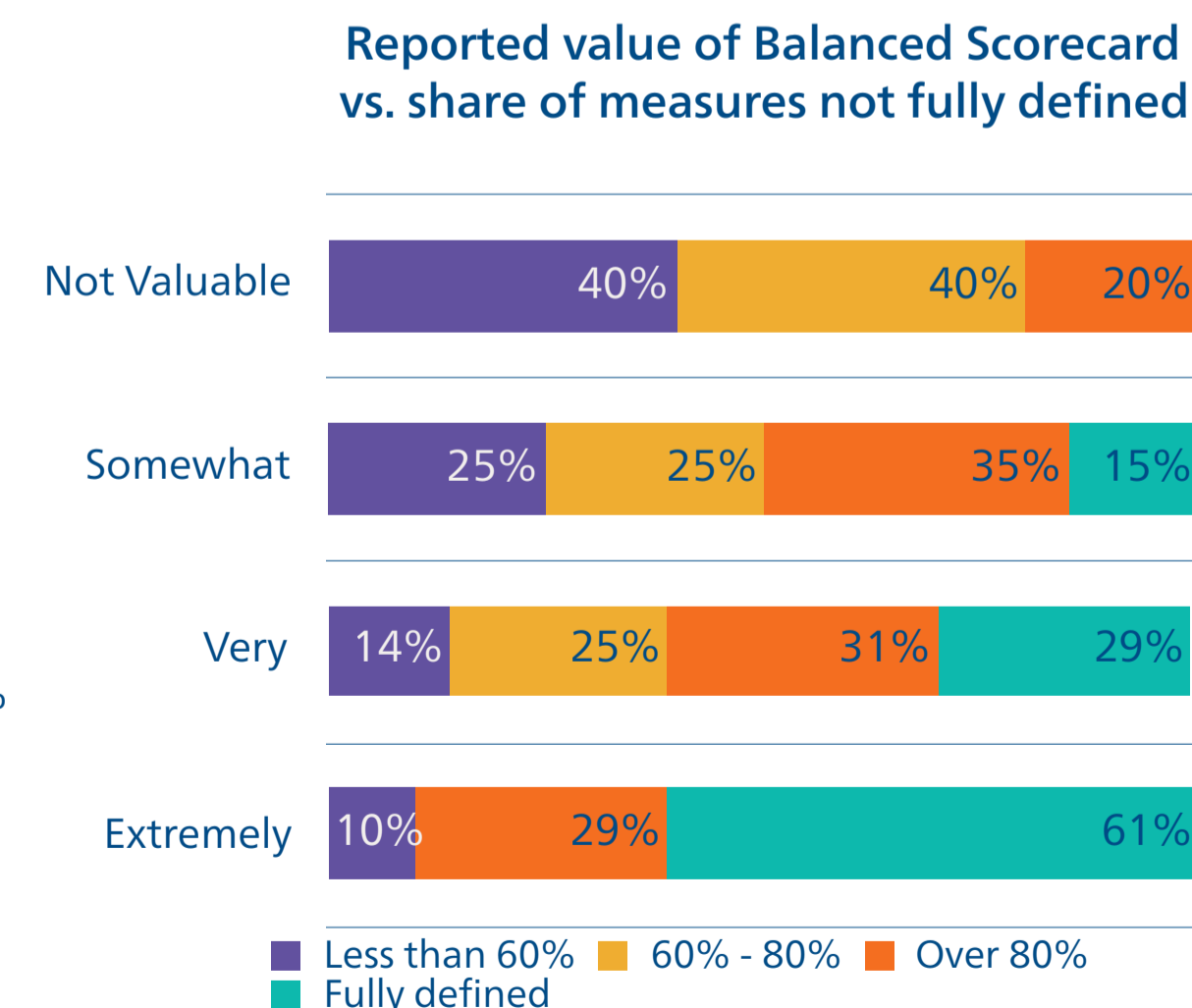
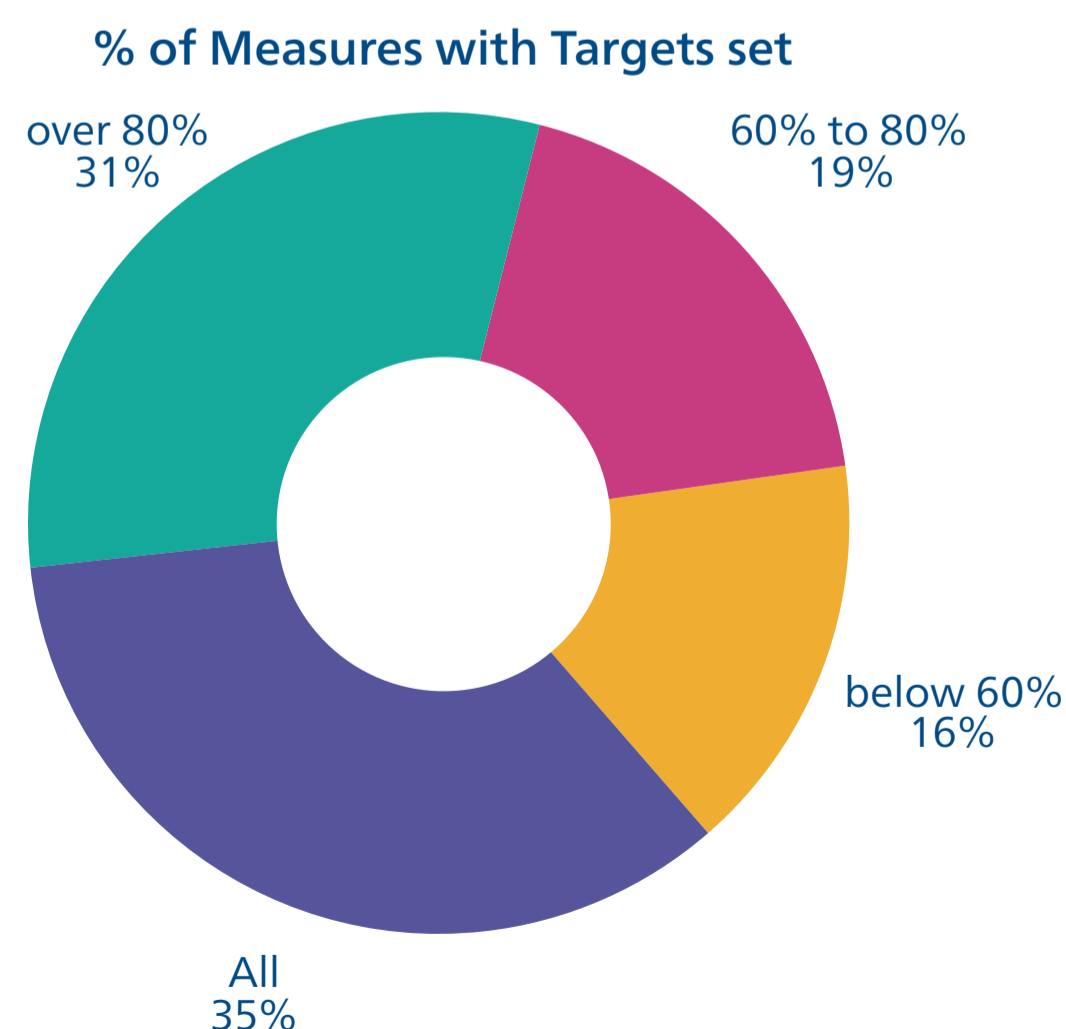
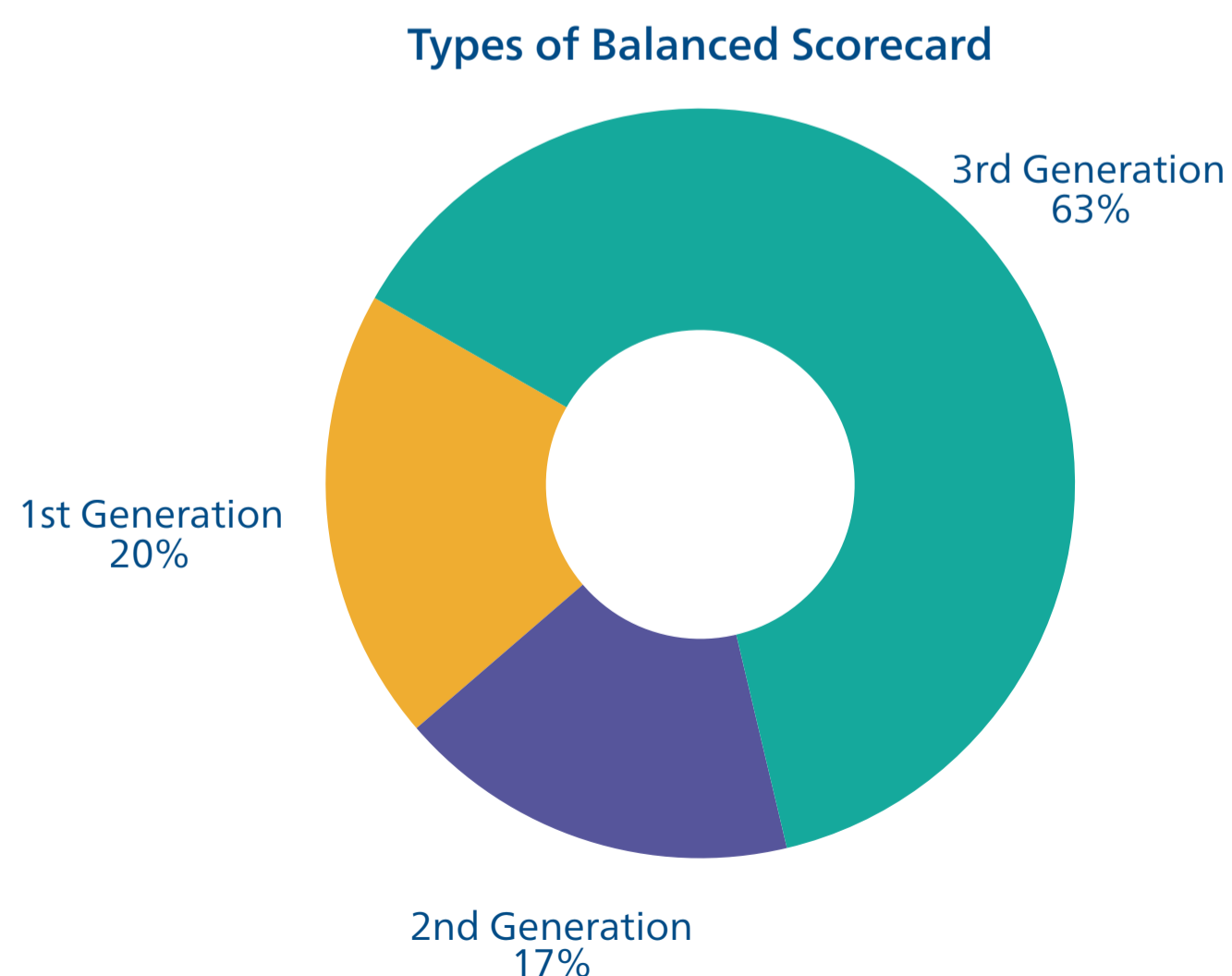
- they had between 2 and 6 perspectives (average 4), using a mix of sector-specific names and common names for these perspectives
- they contained on average 10 strategic objectives and 14 initiatives, and
- they had on average 21 measures (i.e. 2.1 per objective).

The proportion of measures with targets set remains low at 65% (67% in 2016). This is an area of concern since **measures without targets are not useful in performance management**. This observation is borne out in part by another finding - **an organisation's perception of the value of Balanced Scorecard is positively correlated with the proportion of measures in their Balanced Scorecard that have targets set**.

Is this what we would expect?

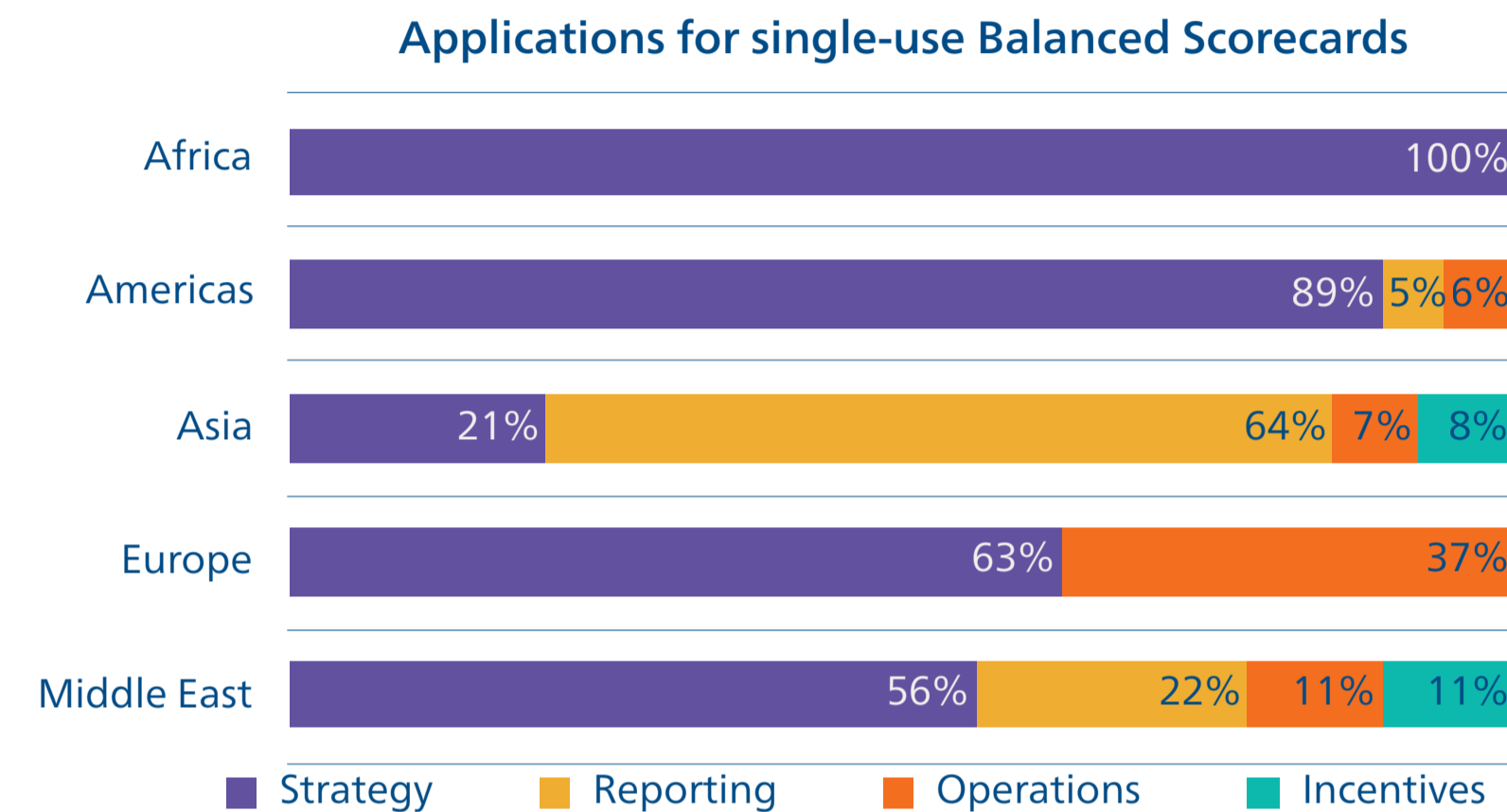
Yes. 3rd Generation Balanced Scorecard designs are easier to create, better support strategic alignment activity, and provide valuable gains over earlier generations when it comes to measure definition and target setting.

Target definition is hard - and one of the few areas of Balanced Scorecard design that really benefits from external facilitation. The concept of a target is easy enough to grasp, but the methods and discipline needed to ensure that all the targets needed are defined are not; but without targets performance measures are just numbers - targets give the measures the meaning needed to trigger decision making. Unsurprisingly, the correlation between perceived value and target setting is stronger among organisations who see Balanced Scorecard's influence occurring through changes in management behaviours.

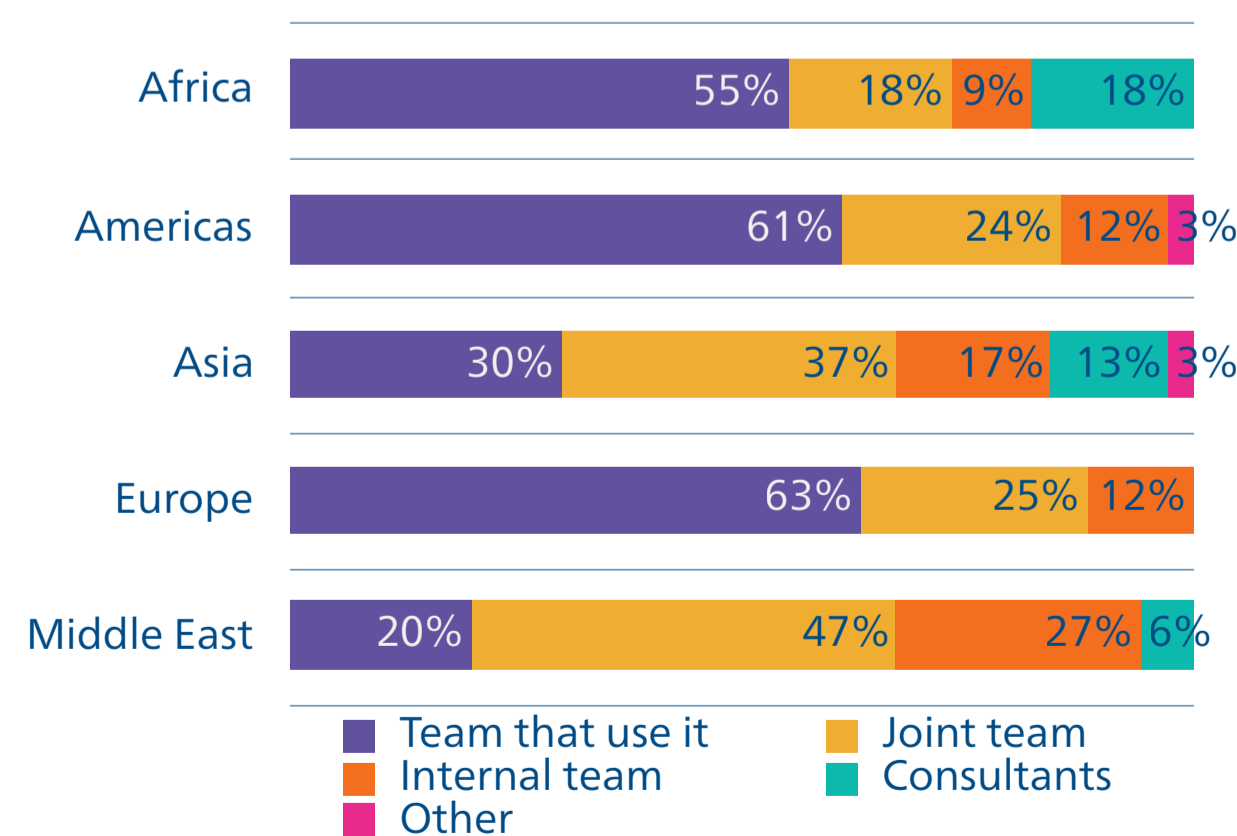


How many and how were they designed?

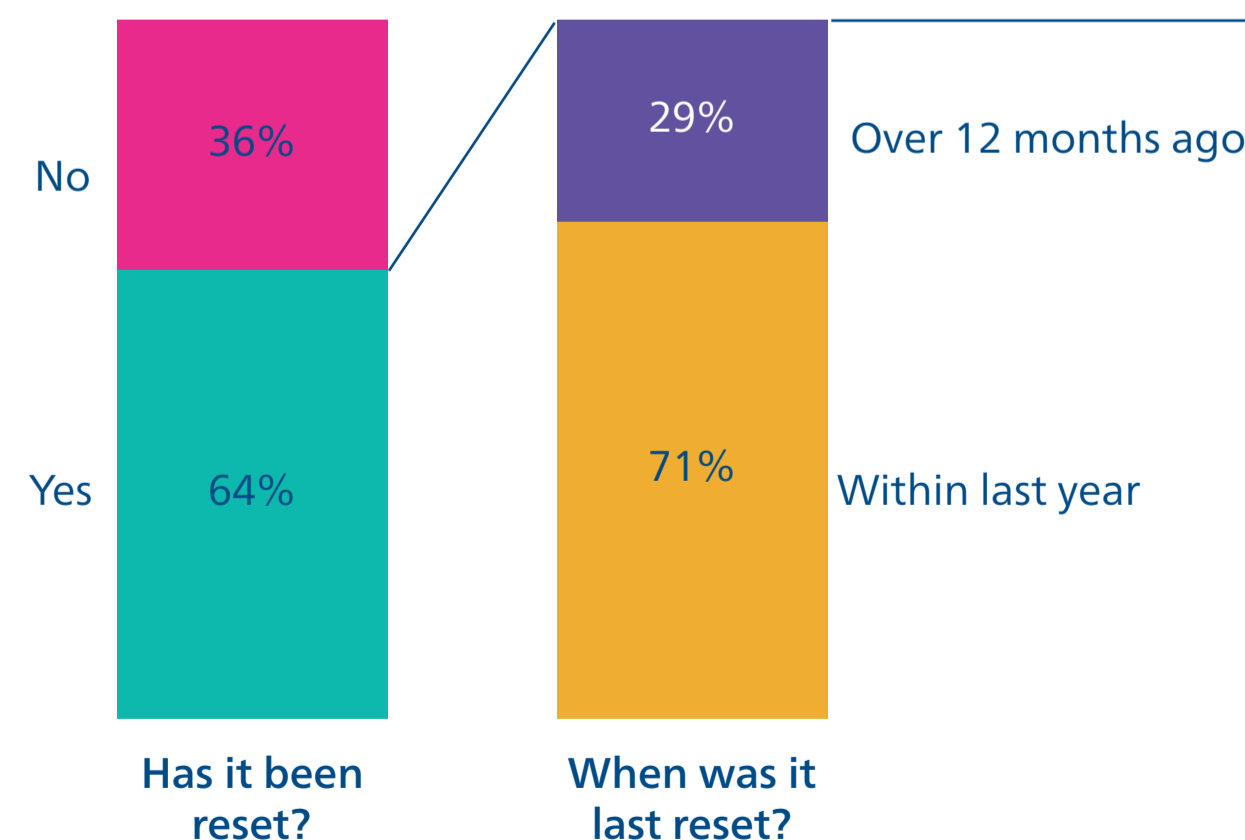
- Most organisations (57%) of respondents have multiple Balanced Scorecards and of these about half (49%) were created using a sequential approach known as cascading.
- The majority (62%) of balanced scorecards are designed internally (a good thing). Whilst consultants help in the design of over a third of these - we are pleased to see that the proportion of those designed solely by consultants remains very low at 7%.
- Over half of organisations have refreshed their Balanced Scorecard design: most during the previous 12 months. As last year, 60% of the revisions were linked to updated Strategic Plans; 74% of the revisions involved changes to objectives, measures and targets, which is our favoured approach.
- Half of the Balanced Scorecards reported on in the survey were used for just one purpose - the majority of these (overall 62%) were used for strategic management, except in Asia where reporting was the dominant use.



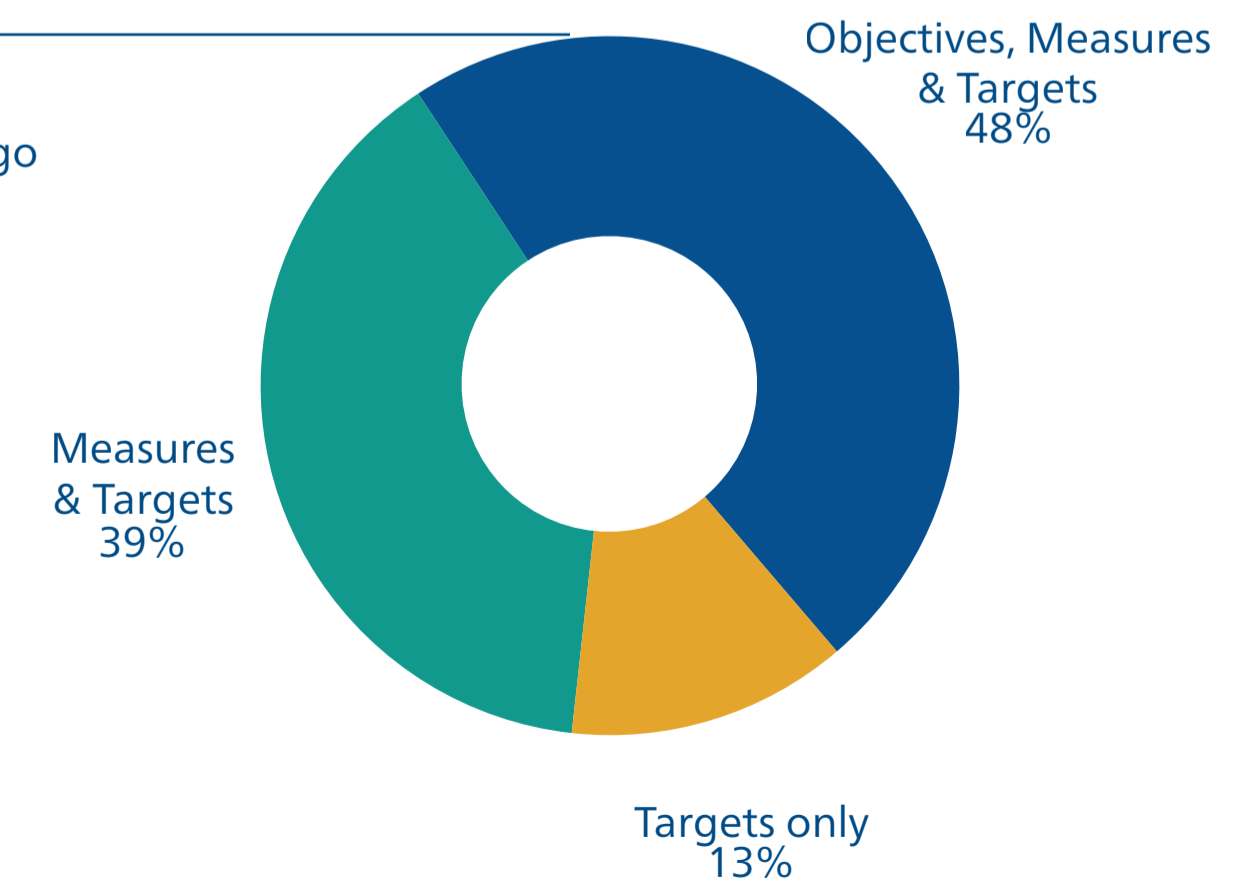
Who designed your Balanced Scorecard?



Has your Balanced Scorecard ever been reset?



Which elements were changed?



Realising the value of Balanced Scorecard

The number of respondents who said that their Balanced Scorecard was extremely or very useful was similar to last year at 77%. As we noted on page 6, satisfaction was positively correlated with the level of completion of the Balanced Scorecard: unsurprisingly a complete Balanced Scorecard (with a full set of measures and targets) was found to be more valuable to the organisation.

Over half of units manage and maintain their Balanced Scorecard themselves, a higher proportion than before and continuing a trend that started in 2016. Delegating this maintenance activity to a specific PM Unit is the most common alternative choice, but many other internal departments also have this role - including strategic planning and finance.

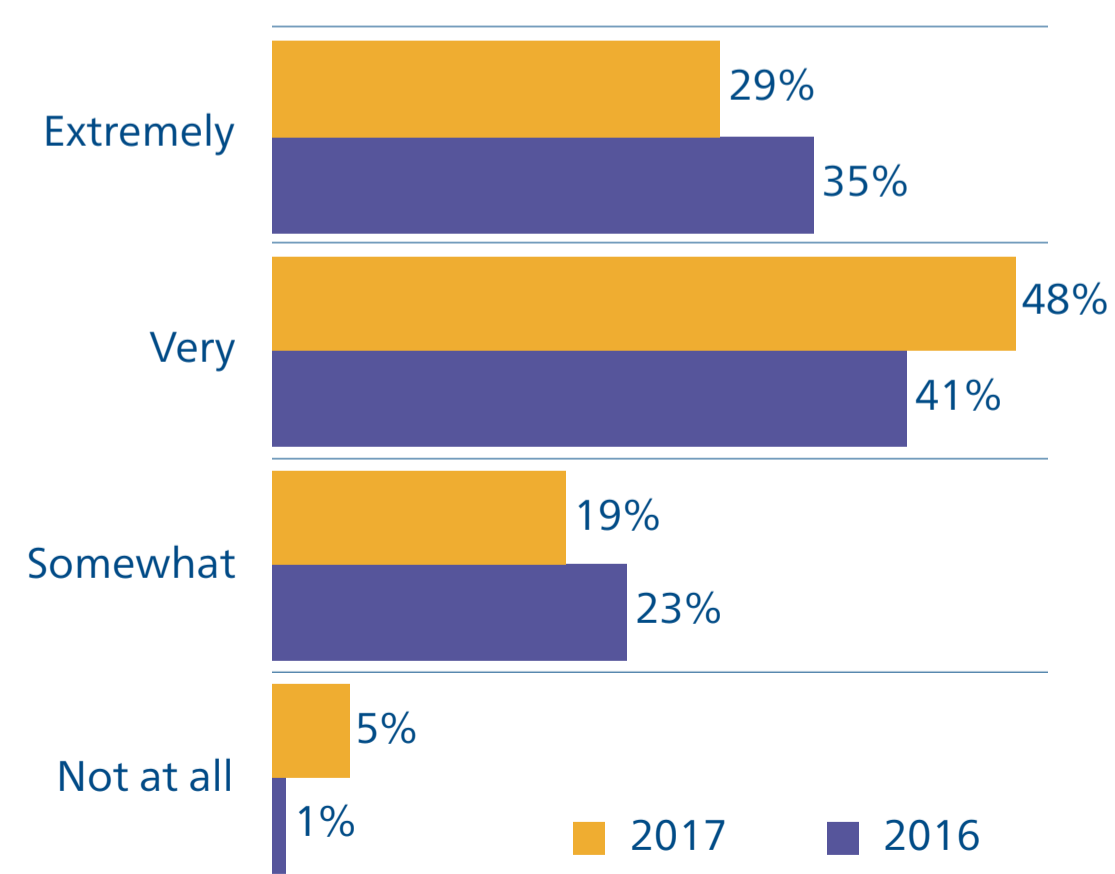
Fewer organisations linked their Balanced Scorecards to other processes this year, a negative change. However as before, more than half link their Balanced Scorecards to Planning, about half link to Budgeting and Quality Management, and a bit less than one third link Balanced Scorecards to pay and rewards.

Is this what we would expect?

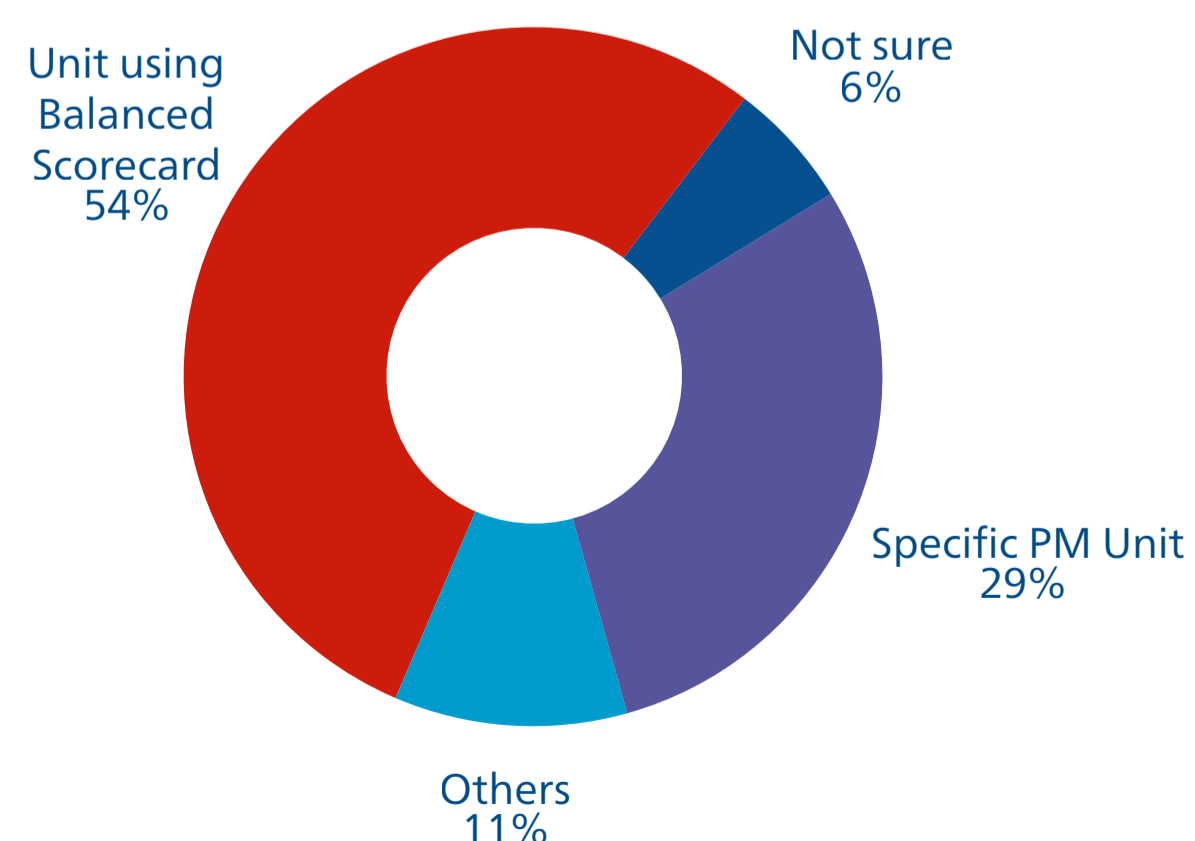
Yes, we know the tool can add value to organisations if well used. The department that manages the tool is less important than the passion and abilities of the individuals who report and run the Balanced Scorecard.

Links to planning are essential for effectiveness - local factors normally determines which other processes it is linked to, e.g. a Balanced scorecard for individuals will link to pay and rewards more than a strategic one.

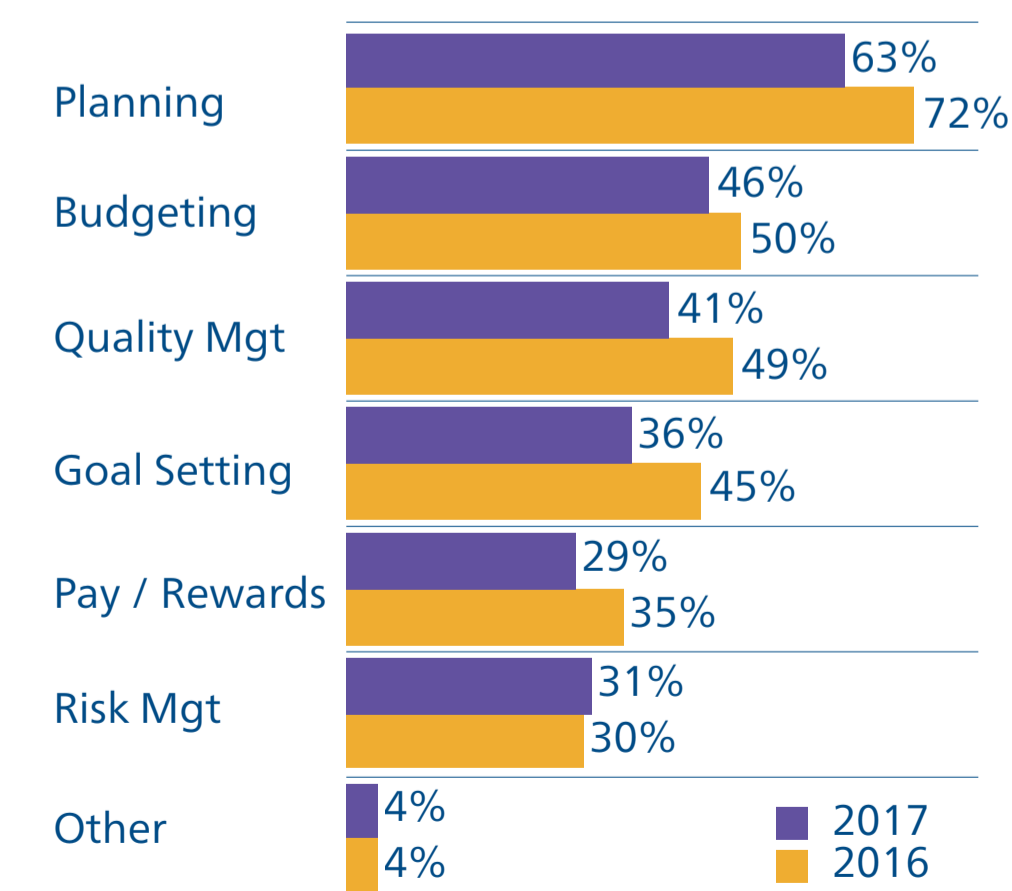
How valuable is your Balanced Scorecard?



Who manages the Balanced Scorecard?



Processes linked to the Balanced Scorecard



About 2GC

2GC is a specialist management consultancy with particular experience and expertise relating to strategy implementation and the design and deployment of modern Balanced Scorecards.

With a global client list, 2GC helps organisations across every sector with **Strategy Execution** and **Strategic Performance Management** issues.

Based in the UK the 2GC team works globally with the support of its international partner network to apply 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 Execution methods including the Balanced Scorecard at introductory and advanced levels;
- Conducting research into Strategic Management topics in order to continually improve the 2GC service offering. 2GC staff regularly publish and present papers based on this research activity.

2GC is recognised 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'.

2GC's track record includes delivery of all sizes of projects for clients in private, public, Governmental and NGO sectors.



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Conclusions and Observations

2GC's ninth Global Balanced Scorecard Usage Survey benefitted from a new survey platform which has allowed us to do more complex analysis than previously.

Accordingly, while there is a lot of consistency with reports from previous surveys, this year we have gained some fascinating new insights into Balanced Scorecard Usage: in particular we have been able to dig deeper into differences in usage between regions of the world and between sectors.

Continuing a trend we've seen in recent years, this year confirms that Third Generation Balanced Scorecard designs are now the most common: almost two-thirds of the Balanced Scorecards reported in the survey use this most modern form of the tool; a vindication of the hard work done across many years to introduce these ideas to the Balanced Scorecard community.

New this year, the survey found a correlation exists between Balanced Scorecard design completeness and satisfaction with the tool. It may be that a better Balanced Scorecard is simply a finished Balanced Scorecard!

Most Balanced Scorecards were reported and reviewed quarterly.

62% of organisations use some kind of software automation to help build their Balanced Scorecard reports. Specialist software (such as that provided by two of the sponsors of this survey, Corporater and ESM Group) is the most popular choice in Africa, Europe and the Middle East.

For the first time we asked respondents to give us some information on planned improvements in the coming year. There were some real regional differences: African organisations are focused on adding Incentives and Sustainability, those in the Americas on adding better Initiative Management and those in European organisations on adding both Risk and Initiative Management.

We are profoundly grateful to all those who participated in the survey this year, without their effort these insights would have remained hidden. We are also exceedingly grateful to **MXV Consulting**, **ESM Group** and **Corporater** for their invaluable support in this research activity.

Find out more

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See 2GC's collection of FAQs, Papers, Presentations, Case Studies

- 2gc.eu/resources

Get some training

2GC runs one and two-day courses, tailored and practitioner courses on Balanced Scorecard design and implementation throughout the year

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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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