

Balanced scorecards: proposed framework for application at the local system level insights from international experiences

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Abstract

Purpose – The study aims to provide a clear framework of steps on how to implement the balanced scorecard model at the level of measuring and managing local performance, with a mix between what theoretical approaches show in this matter and examples of applied experiences in different contexts.

Design/methodology/approach – The study relies on the case study approach, which was used to present pioneer experiences in the field of application of the model on local government's level, namely, in the USA, England and South Africa. This paper was done by reviewing the original balanced scorecard literature and writings regarding the public and local government sector. This literature formed the basis for analyzing the various sections of study.

Findings – Balanced scorecard is one of the important models for developing and measuring local performance. International experiences under study confirmed that application of the model requires the following: The availability of bureaucratic will at the local level to apply the model, necessity of capacity building of local government units to apply it, introduction of institutional and strategic changes to the local units to be able to build their own performance cards, as well as strengthening local information systems, and not standardizing the performance cards at the different local administrative units.

Originality/value – This study will be useful for scholars, policymakers and local executive leaders on ways to apply the balanced scorecards at the local government units.

Keywords Balanced scorecards (BSCs), Performance, Local government, Local councils, Strategy map

Paper type Research paper

1. Introduction

The local units in many countries have suffered from central control, and inability of building their capabilities in line with the application of modern approaches concerned with the process of reform. Hence, with the transformation of many international experiences to decentralization thought and local governance, it became the responsibility of the central governments to develop local performance systems, in proportion to these reforming approaches.

The beginnings of performance reform on local units return to 1906, where the reform at the municipal government level was the driver behind the movement to report performance to the citizenry, and there has been a great interest in performance measurement reports of municipalities since 1920. A publication entitled *Measuring Municipal Government* appeared in 1927 through the International City and county Management Association (ICMA) in USA



(Hildebrand, 2007, pp. 13–14); however, the first scientific writing on measuring local performance can be traced back to 1938, when ICMA published a volume entitled *Measuring Municipal Activities: A Survey of suggested Criteria and Reporting Forms for Appraising Administration* (Kopczynski and Lombardo, 1999, pp. 124–125).

The 1950s, 1960s and 1970s witnessed the domination of inputs and measurement models that are based on financial analysis tools, such as cost-benefit analysis and budgeting systems. Then, during the end of the 1980s, new approaches began to appear and came to be used at public organizations (Lusthaus and Adrien, 1998, p. 3). The traditional methods that were dependent on financial variables began to face many criticisms, and new approaches began to emerge, a combination of financial and nonfinancial indicators, which provided a balanced view to measure performance. On the top of these approaches that appeared in the early 1990s was the balanced scorecard (BSC) model developed by Robert Kaplan and David Norton (Kaplan and Norton, 1992, pp. 71–79).

The BSC model has four perspectives: the financial, the customer, the internal processes and the learning and growth perspective. The approach is based on dependent performance indicators and leading performance indicators; it links the sub-strategic goals with each other, and the key performance indicators with each other, in what is known as the cause and effect relationships included in the strategy map (Kaplan and Norton, 1992, pp. 71–79).

The main question is what are the phases through which this model can be applied to work at the level of local government units? By focusing on analyzing three study cases in the USA, England and South Africa, this paper discusses applying the model at the local level.

2. Concepts definition

The BSCs is a multi-dimensional framework, which presents a probable sequence of phases for its implementation. Indeed, the structure of the BSC may also help to explain its successful functioning (Mbala, 2016, p. 26).

The model could be defined into three dimensions, as Kaplan and Norton (1992, 1996) described, and as Mashoko (2011) argued, which is discussed in the following sections.

2.1 As a performance measurement tool

BSC as a performance measurement tool was introduced in the early 1990s by Robert S. Kaplan and David P. Norton of the Harvard Business School, as a new approach to performance measurement. It allows managers to look at their performance through four important perspectives, including financial, customer, internal business processes and innovation and learning. Through these four perspectives, BSC minimizes information overload by limiting the number of measures used, and by mixing financial and nonfinancial measures in the four previous perspectives. BSC helps managers understand, at least implicitly, many interrelationships, and thereby helping them to overcome traditional notions about functional barriers and ultimately leading to improved decision-making and problem-solving. Therefore, BSC can keep organizations looking and moving forward (Kaplan and Norton, 1992, pp. 71–73, 79; Abdul Majid and Som, 2008, pp. 82–85).

2.2 As a strategic performance management system

Kaplan and Norton described the BSCs as a strategic management model which is capable of translating vision and strategy to all parts of the organization, where the managers using the model do not have to rely on short-term financial measures as the sole indicators of the organization's performance, the BSC allows them to introduce four new management processes that, separately and in combination, contribute to linking long-term strategic objectives with short-term actions (Kaplan and Norton, 1996, p. 75).

Importance and benefits of BSC as a strategic management system comes from its ability to overcome the common barriers of strategy execution, including: the participatory translation of vision, mission and strategy into clear objectives, measures and initiatives via the strategy map that involves the cause and effect relationships among four types of measures presented in customer, financial, learning and growth and finally, internal processes measures. Additionally, cascading the scorecard into different levels for managers and employees to achieve what is known as the alignment to the organization strategy and using the BSC enable the organization to overcome problem of resources allocation, because this model links financial budgets with its strategic goals (Mashoko, 2011, pp. 7–8; Kaplan and Norton, 1996, p. 78).

2.3 As a communication tool

The BSC model is first built on a participatory methodology in developing an organizational scorecard and strategy map; then, it cascades to different organizational levels and manages its implementation. All of these processes depend on high degree of participation and sharing knowledge and experiences between top management and different levels of organization, such as managers and employees (Mashoko, 2011, p. 8).

3. Context and the BSCs developments

BSCs were presented as a management system that enables organizations to translate and achieve their vision and strategy, and provide a comprehensive and integrated system of performance measurement, in order to continuously improve the organizational performance and the results to be achieved (Akbarzadeh, 2012, p. 86).

Because of the limited ability of traditional approaches – which rely on financial indicators – to provide managers in organizations with comprehensive information that enables them to make long-term strategic decisions, Kaplan stressed at the beginning of 1983 the need to find new performance measures to keep pace with developments in the business; he explained that there are missing dimensions in the process of measuring organizations performance, namely nonfinancial measures and indicators (Ittner and Larcker, 1998, pp. 214–217; Isoraitè, 2008, p. 18).

In 1987, a book titled “*The Relevance Lost: The Rise and Fall of Management Accounting*” was published, criticizing accounting systems that are based on providing historical information that does not enable senior management to make future decisions or build expectations necessary for the continued competitiveness of the organization’s performance (Johnson and Kaplan, 1987, pp. 5–13).

Then, the experimental start of using BSCs began through a research project that included 12 large companies. This project was supervised by Kaplan and Norton in 1990, and the main goal was to present a new method or model for performance management that combines financial and nonfinancial measures, with an emphasis on the importance of accounting and financial measures in decision-making in the short term, and their importance for investing in assets that are easily valued; but what about investing in the intangible assets of the organization, such as innovations in products and operations, developing employee skills and customer satisfaction? (Kootanaee *et al.*, 2013, p. 49).

As a result, Kaplan and Norton published their article in which they introduced the concept of “BSCs” in 1992, explaining that the issue does not lie in choosing a set of indicators and measures and sacrificing the rest of them, or the comparison between financial and nonfinancial measures. Making decisions and providing a clear comprehensive performance cannot take place from only one perspective, but the balance must be achieved. They linked the model to the plane’s cockpit, which gives the captain the details of the entire plane’s performance, and that BSCs enable managers to manage and evaluate performance through

four approaches or important themes, which can be clarified by answering four main questions, as follows:

- (1) How do customers see us? Customer perspective.
- (2) What must we excel at? Internal processes perspective.
- (3) Can we continue to improve and create value? Innovation and learning perspective.
- (4) How do we look to stakeholders? Financial perspective (Kaplan and Norton, 1992, pp. 71–72).

Kaplan and Norton did not stop at merely introducing the concept, but the BSCs went through four main developments, beginning in 1992, which formed the first generation, in which the concept was explained, and its four main perspectives were presented as a performance driver; but the scorecard when first introduced was generic, and it did not focus strongly on causal relationships among the four perspectives (Kaplan and Norton, 1992, pp. 71–79; Lawire and Cobbold, 2002, pp. 3–6).

Kaplan and Norton quickly realized the difficulties that faced this model. BSC was sparse and focused on the high-level structure; therefore, they developed the model, put forward the concept of strategic objectives, how to find cause-effect relationships between strategic objectives in the four perspectives and defined sub-measures for each one. This phase began in 1993 with the publication of an article titled *Putting the Balanced Scorecard to Work* (Kaplan and Norton, 1993, pp. 2–16; Rabe, 2019, p. 14; Narayanamma *et al.*, 2016, pp. 79–80).

Some problems emerged, especially at the level of choosing measures and setting objectives, in addition to the issue of the cascading the BSCs to the lower levels of the organization. So there was a third generation, that witnessed the confirmation of the strategic role of the model and how to translate the organization's strategy through BSCs; the simplified version of the strategy map was then presented. The most important feature of development was what was known as a statement of the organization's future destination according to specific agreed upon dates (Kaplan and Norton, 1996, pp. 75–85; Kaplan and Norton, 2000, pp. 167–176; Kaplan and Norton, 2001b, pp. 147–160).

The fourth development emphasize on the necessity of the ability of the model to achieve rapid response to uncertainty and risk variables, and the ability to learn when implementing the strategy, rather than control and management only, in addition to an importance of the environmental and social impact on the organization performance (Kádárová *et al.*, 2014, p. 175).

Hence, the first generation mainly targets control of the organization by defining a set of measures for the four perspectives. It is useful for operational performance, but it lacks the strategic role, while the second generation focuses on performance drivers and KPIs, which make the difference in performance. The third generation is more focused on the strategic dimension of the organization's performance, and importance of a strategy map that links the performance threads, according to the destination statement of the organization, while the fourth generation, focuses on learning while implementing the strategy more than just controlling and managing, and responding to changing circumstances and risk factors.

Figure 1 shows the BSC model as developed by Kaplan and Norton (2007, p. 4).

4. Adapting the model for local government units

Kaplan emphasized that the difference in the context in which the model arose is not an obstacle to the direction of public organizations to use it, as the application of the model to public organizations may achieve benefits that may outweigh its application in the private sector (Kaplan, 1999, pp. 3–5).

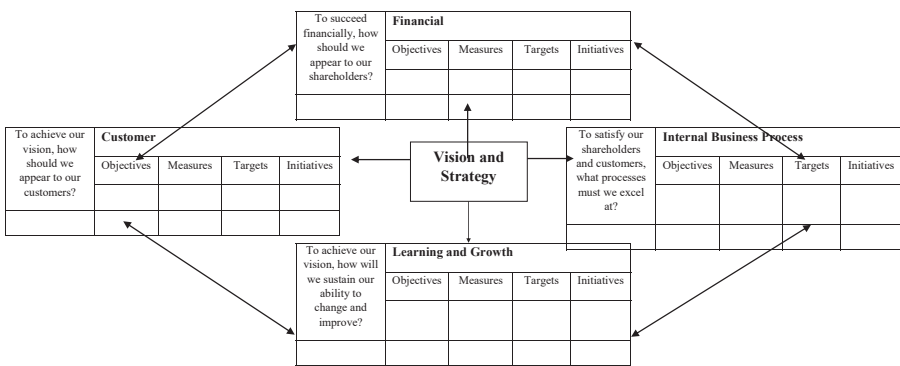


Figure 1.
The BSCs model: four perspectives

Source(s): Kaplan and Norton (2007, p. 4)

However, the governmental organizations quickly faced difficulties in the implementation process, which prompted many of them to avoid relying on the model at the beginning, as there were problems in understanding the components of the model itself, which was reflected in the difficulty of these organizations in defining their strategy precisely. As there were problems in the way of dealing with the four perspectives, especially the financial and the customers perspectives, the success of public organizations financially is completely different from the success of private sector, in addition to other problems that have been linked to trust, absence about the quality and accuracy of information required, the lack of clarity of real incentives about the returns from the use of these models for employees and the time and effort that this model requires for implementation, in addition to the absence of systems and databases used as the basis for providing the cards with the necessary information (Kaplan, 1999, p. 3; Niven, 2002, pp. 293, 297–299; Perera *et al.*, 2007, pp. 58–59; Holzer *et al.*, 2009, pp. 31–40).

In this context, the City of “Charlotte”, North Carolina, set an example of the first use of the BSCs at the level of public organizations, and Paul Niven considered it the best example of the success of the BSC for the public and non-profit organizations, where the city used this model in 1996, and its approach to this model was driven by the importance of the concept of measuring performance and creating a distinct value for the citizen. It achieved great benefits as a system, not only to measure performance but also as a strategic management system and an effective communication tool (Niven, 2003, p. 271).

The development introduced by the city on the BSC, the strategy it used which is driven by customer orientation and the creation of an interconnected set of strategic priorities that achieved a distinct value for citizens are used as a reference for many cases at the level of public organizations as a whole (see Figure 2) (Kaplan, 1999, p. 4; Iqbal, 2007, pp. 42, 45).

As a result of the pioneering experience of the City of Charlotte, Kaplan developed BSCs to be suitable for governmental public organizations, and identified three high-level objectives that the public organizations must take into account when designing a BSC, including (Kaplan and Norton, 2001a, pp. 136–137):

- (1) *Cost incurred*: This objective emphasizes the importance of operational efficiency, by measuring the cost incurred to provide public services. This cost must include two types of costs: the direct costs borne by the governmental organization and the social cost that imposes on the citizen and other organizations through its operations. Here, the local council concerned with providing public services should minimize both types of costs.

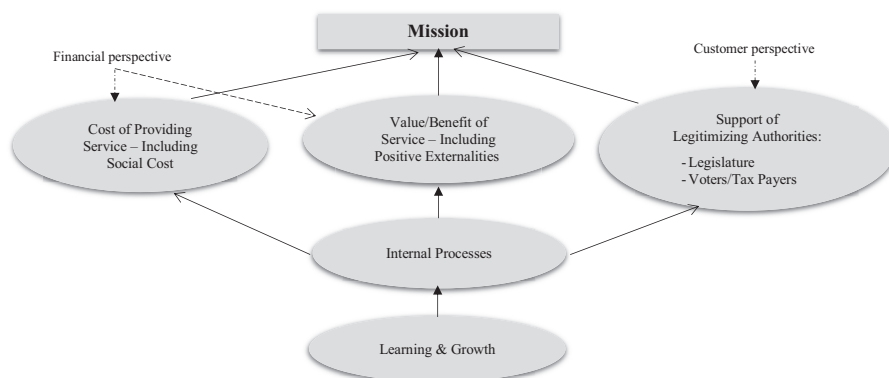


Figure 2.
The BSC for public-sector organizations

Source(s): Kaplan (1999, p. 4)

- (2) *Value Created*: What are the benefits that the organization achieves for the local community, it must prove to the local citizens that there are tangible outputs that are achieved and would benefit them. The BSC provides the public organization with mechanisms that enable it to measure the benefits achieved with regard to the outputs, such as the outputs associated with the quality of the education process, improving the environment and public health. Also, there must be a balance between the benefit achieved and the corresponding cost.
- (3) *Legitimizing Support*: It is important for public organizations to maintain all the supportive bodies, whether the legislative body that plays an important role in approving the funding programs for these organizations to continue their activities, or citizens, who represent an important source both at the level of giving legitimacy to the work of these organizations, through the ballot boxes, or at the level of being a source of funding, as a recipient of the service, or a taxpayer.

Hence, the governmental organization, according to this model, has to determine how to achieve the expected value, at minimal cost, while maintaining support from its funding authority. The study in the next section will analyze some of the pioneer international experiences in the application of this model at the level of local government organizations, in an attempt to provide a guiding framework by analyzing what these experiences have gone through.

5. Experience of using the BSCs at the local government organizations

This section discusses how to implement the BSCs by analyzing the stages that some of the pioneer international experiences have gone through in the USA, England and South Africa. The criterion in selecting cases was the significant success of those organizations in adopting the model and the presence of a clear framework for the stages of implementation.

5.1 Study cases analysis

This section aims to highlight experiences of local government organizations in the use of BSCs, where the focus was on three study cases, including the City of Charlotte, USA, Hertfordshire County, England, and Ehlanzeni District Municipality, South Africa. The three cases represented pioneering experiences in the use of BSCs at the level of local councils in their countries.

The City of Charlotte is the best and first model for applying the BSCs in the public sector at the level of local government in the world, where it used this model in 1996. The situation in the USA at that time was witnessing many changes at the local government level to reform performance management systems for government institutions, especially with the emergence of the new public management and the approach of reinventing the government. Thus, the city tended to adopt the model in recognition of its leadership, at the time, of its importance, and that of performance measurement as a vital issue. They maximized the benefit of the model, not only as a system for measuring performance but also as a strategic management system, as well as an organization-wide communication tool (Niven, 2003, p. 271; Kaplan, 1999, p. 3; *A balanced scorecard hall of fame*, 2005, p. 1; Hoque and Adams, 2008, pp. 2, 3, 4, 22; Osborne, 1993, pp. 349–356).

The Hertfordshire County Council's use of BSCs began in 2003, when the model was first introduced to the county council using the "Excel platform" (Woods and Grubnic, 2008, p. 353). Although the beginning of the implementation of the model at the county council level as a whole was in 2003, the county had previous experience of this model through applying it to Hertfordshire Fire and Rescue Service in 1998, which is part of Hertfordshire County Council (Business intelligence, 2004, p. 21).

There have been attempts to reform the English local government system since 1983. These include: the establishment of the Audit Commission, as an independent body, which undertook the collection and publication of performance indicators on which the comprehensive performance assessment system was built in England; then the continued attempts to reform the local performance system through the issuance of the Local Government Law in 1999; then the presentation of the white paper on local government in 2001 during the Blair's government, to provide a framework of what was called "A Comprehensive Performance Assessment system" for local government, which was adopted in 2002, to measure the performance according to performance indicators, based on the "best value" system. This context of reforms is what constituted a major factor, not only of the Hertfordshire County but also of all local government authorities in England, to adopt modern and advanced performance measurement systems that meet the requirements of the new central system for comprehensive performance assessment (Haubrich and Nclean, 2006, p. 274; Boyne, 2002, p. 22; Game, 2006, pp. 4–6; Holdt-Olesen, 2007, pp. 11–13).

In South Africa, the Ehlanzeni District Municipality Council started using the model in 2007. There was an emphasis on similarity between the methodology of the model's work and the legislative reforms that took place at the state level. This aimed at reforming the local government performance system, starting with the state constitution in 1996, which gave to municipalities the right to structure and manage their administration, budgeting and planning processes in such a way that priority is given to the basic needs of the community, within strengthening the capabilities of local councils (Magagula *et al.*, 2019, pp. 1–2; Ndevu and Muller, 2018, p. 1).

The main objective of the reforms was to improve the efficiency and quality of public service delivery. In 1998, a policy document known as the white paper for local government was issued, and articulated the framework to enhance the capabilities of the local governments in South Africa. The document then acquired the mandatory form with the promulgation of the Municipal Structures Act in the same year. Then the Act was amended in 2000 to determine the nature of the performance management system at the local government level, according to key performance indicators linked to the so-called integrated development plans. This was then followed by the issuance of a set of regulations that included in details the requirements of the processes management system at the municipal level in 2001, as well as the issuance of a set of other acts, such as Municipal Finance Management Act in 2003, the Intergovernmental Relations Framework Act in 2005. The choice of many municipalities for this model was driven by the ability of BSCs to limit the subjectivity of the participants in the

development and formulation of the organization's strategy, to enhance the ability of officials within the organization to assess the strategic impact of all implemented programs without bias and in accordance with clear indicators and measures (Magagula *et al.*, 2019, pp. 3–4; Mbala, 2016, p. 54; Ronchetti, 2006, p. 28).

5.2 Implementation stages of the BSCs

This section explains the stages which the case studies went through to apply the BSC. The experiences of the study cases, which were analyzed, showed that there are three basic stages of applying the model.

5.2.1 The project planning phase. The experiences of the three case studies revealed that one of the most important success factors for implementing this model is preparing a good plan for the project before announcing the actual implementation. This stage includes seven basic steps, which are:

- (1) *Creating a formal supportive framework:* Providing support by executives and elected members of the local council from the beginning is the key to the success of the new model. Not having strong support of executive management, from the first moment, will increase the forces of resistance to the new model, and the luster of the model will fade with time. Without this support, employees will translate this trend as an indication of the irrelevance and unimportance of the model, and it does not seem to be worth the time and resources dedicated to it (Charan and Bossidy, 2004, p. 195; Simon and Davila, 1998, p. 70). This can be illustrated on a case-by-case basis, as follows:
 - *City of Charlotte:* The champion of the BSC at that time was “Pam Syfert”. She was Deputy City Manager in 1994, before becoming City Manager, and she then took over the process of convincing the council members of the model and the great benefits expected from its application through many meetings. There were also the Mayor of the city and the elected council members who encouraged the search for best practices for the process of measuring and managing performance, and they were convinced of the importance of BSCs in helping them focus on strategic aspects, and decisions making based on accurate information (Niven, 2003, p. 284).
 - *Hertfordshire County:* The BSC champion for using the model was the chief executive of the county council. The BSC became widely discussing in central government level, and the chief executive presented strong incentives of the importance of the model due to his international fame, and the elected members found the model a good opportunity to comply with the comprehensive performance assessment system that was adopted at that time (Woods and Grubnic, 2008, p. 353).
 - *Ehlanzeni Municipality:* The support process for the model was available at the highest level, whether from the Municipality Mayor or the elected members. The process of support and conviction with this model was driven by the strong logic and justification represented in carrying out a strong research process on the methodology and benefits of the model, why it was chosen instead of other models for implementation at the municipal level and the success achieved by the model at the international level; so, there was a semi agreement to implement and use the model (Mashoko, 2011, pp. 35–36).
- (2) *Marketing the BSCs and conducting training sessions:* The involvement of employees and the community is the second step. One of the theoretical foundations upon which the model is based is the participatory approach. The three cases have met on the

need to conduct a good promotion of the model to clarify and simplify its concepts and themes, and this can be clarified at the level of each case separately, as follows:

- *City of Charlotte*: They prepared brochures to introduce and raise awareness of the new system, and discussing the model in their newsletter. Also, they developed a glossary of all the terms they use in describing performance measurement, distributed it to employees and contracted with a specialized external consulting firm, to provide training sessions over a period of weeks, in addition to preparing a BSC Handbook. The city adopted a train-the-trainer model, so they selected a group of employees, who received Intensive training in order to become trainers and consultants, for the city later, in everything related to the model (Niven, 2003, pp. 275, 284).
 - *Hertfordshire County*: The county made a promotional campaign for the model at the community level as a whole, as well as at the employee level. The focus of the campaign was to confirm that the model represents one of the requirements for compatibility with the comprehensive performance assessment system approved at the county level, as well as the benefits of the model at the level of institutional and individual performance of employees, which are clearly listed in those campaigns, as well as improving the mechanism for citizens by monitoring the performance of all executive departments, by announcing the targeted results and linking them with clear indicators and measures (Sanderson, 2002, pp. 297–313).
 - *Ehlanzeni Municipality*: A large mobilization and awareness-raising process was implemented at the level of employees and citizens. Several workshops were implemented to explain the objectives of the performance management plan as a whole, and to introduce the concept of the BSC. These were conducted under the sponsorship of the council's leadership, and the research process carried out by the council contributed to the literature review, as previously discussed, on the model and its relevance at the international level in facilitating the process of persuasion and promoting it significantly to employees and the local community. Workshops have been implemented to train on the concepts of the model and the processes it includes (Mashoko, 2011, pp. 33–34).
- (3) *Developing action plan with specific responsibilities and timelines*: This stage includes an obligation from all departments within the organization to make any required changes, starting from the leadership of the organization to all departments and organizational levels, which may include the following: management changes or the programs provided; providing the necessary resources, effort and time needed; coordination between all departments; then defining the team responsible for leading the implementation process and supervising the implementation of the model. This can be clarified at the level of each case separately, as follows:
- *City of Charlotte*: The city built an action plan based on five core elements: mobilizing and supporting the process of change through executive leadership, translating the city's strategy into operational terms that can be implemented throughout the model, creating alignment within the city's strategy by cascading the BSC to different organizational levels, creating a strong incentive plan to make the strategy a daily work for every employee and tightening control to make the strategy an ongoing process. Initially, there were two staff members responsible for facilitating the BSC implementation, and then the model was administered by the Budget and Evaluation Office (A balanced scorecard hall of fame, 2005, pp. 2–8).

- *Hertfordshire County*: Strategic management board (SMB) was formed by the county's chief executive, through which an action plan had been set, the responsibilities and lines of authority were assigned, and any overlap between the roles of elected councilors and the executives were resolved. Hence, the SMB became in charge of the action plan and the model implementation, while receiving regular performance status reports according to the core objectives stated by the council (Woods and Grubnic, 2008, p. 355).
 - *Ehlanzeni Municipality*: The so-called performance management system policy framework was developed in 2007 as part of the planning process to provide the necessary funding for the model application. The plan also included applying any necessary changes at the management level or the implementing programs, and coordinating with all departments in every stage of the model implementation. Further, a team work was formed, known as "performance management system task team", who was responsible for developing the plan, discussing it with the municipal council for future improvements whenever needed (Mashoko, 2011, pp. 33, 54).
- (4) *Building the vision, mission and strategy*: The starting point in building BSCs for public organizations is to identify the organization's vision, mission and strategy (Kaplan, 1999, p. 4). Therefore, vision and mission had been the first item in the BSCs model (Lubis et al., 2016, p. 7578). This step in each of the case study is provided as follows:
- *City of Charlotte*: When "Pam Syfert" became in charge of the city management, a long discussion was held over the importance of identifying the main objective of the city as an organization in the local community, while strongly emphasizing on how impractical it is for the city council to provide all the services to all people inside the local community. Hence, an agreement was reached stating that main services have to be selected, reflecting the real merit for having this council in the local community, known as "focus areas", namely: community safety, communities within a city, transportation, economic development and restructuring government. Accordingly, the city's vision was briefly formulated as "Community of Choice for living, working, and Leisure", and the five focus areas became the main determinants for the city success and the basis for building the BSC (Kaplan, 1999, p. 3).
 - *Hertfordshire County*: The county applied the same methodology of "Charlotte", in which the county's vision stated that "To make Hertfordshire an even better place to live and work", followed by identifying the mission that took the form of the county's strategic challenges, including: helping people's safety, tackling the causes and impact of congestion, maximizing the opportunities for all children and youth and maximizing efficiency savings. These challenges represented the framework for formulating the organizational objectives at the departmental level in the county and including it in its BSCs (Woods and Grubnic, 2008, pp. 354–355).
 - *Ehlanzeni Municipality*: This step was not included in the planning phase, yet was put as the first step in the implementation plan; as the municipal's plan at this preparatory phase was more concerned with mobilization and getting people's support, setting an action plan, conducting meetings with stakeholders and creating a team responsible for the model and scorecards development (Mashoko, 2011, p. 54).

- (5) *Modifying and adapting the model*: One of the main steps in building the BSCs is to find an answer for crucial questions: to what extent the model in its current state coincides with the nature of the organization? What are the necessary modifications to be made to the model to be suitable for work? The answer can be illustrated as follows:
 - *City of Charlotte*: The city made an adjustment to the order and name of the scorecard perspectives developed by Kaplan and Norton, under which customer perspective was given a priority over the financial perspective to avoid sending a wrong mission by putting the financial at the top of the card (Kaplan, 1999, p. 3). This is so because the main mission of every local government authority cannot be making profits despite the importance of the financial results, but should be satisfying the needs of its citizens (Kelly, 2005, pp. 76–84). This was followed by changing the name of the fourth card's perspectives, where the customer's perspective became "serve the customer", to emphasize on the concept of citizen service; the internal processes became "run the business"; the financial perspective became "manage resources" and finally, learning and growth perspective became "develop employees" (Rivenbark and Peterson, 2008, p. 33).
 - *Hertfordshire County*: Following the City of Charlotte's example, the county renamed the customers' perspective into services delivery, and the financial perspective into resources, while keeping the two other perspectives unchanged. The county then relocated the services delivery to be at the top of the card in line with the council's vision and aspiration to provide the best services ever so that the county becomes a better place to live and work (Audit Committee, 2006, p. 4).
 - *Ehlanzeni Municipality*: Ehlanzeni applied the same BSC of Kaplan model for the public organizations, benefiting from the successful story of the City of Charlotte, while applying some modifications. Figure 3 presents the modifications introduced by this municipality to its BSC (Mashoko, 2011, p. 31).
- (6) *Resource allocation, type of the data and the appropriate Software*: Before launching the BSC project, the organization has to identify the required resources, physical, human and technology for this new project. This step in each of the three case studies is discussed as follows:
 - *City of Charlotte*: The city provided the needed financial resources to train its employees on how to use this model, and even how to build these scorecards from the very beginning during these training sessions. Initially, the city used Microsoft Word and Excel programs, where the city officials presented the alternative training programs so that the city can choose from them. However, the majority of these programs use the quantitative method in presenting the data that does not match the nature of work in governmental agencies that depend on operations instead of statistics.
 - *Hertfordshire County*: The county formed a team from the county's council to be responsible for gathering the required information and ensuring an effective coordination across all departments, which is the SMB. The first model was implemented using Excel platform.
 - *Ehlanzeni Municipality*: There was a strong emphasis on financial and human resources' allocation, ensuring a suitable time frame for developing the model, and the department managers' commitment to put this into effect, while identifying the required data for compilation to save time gathering unnecessary data.

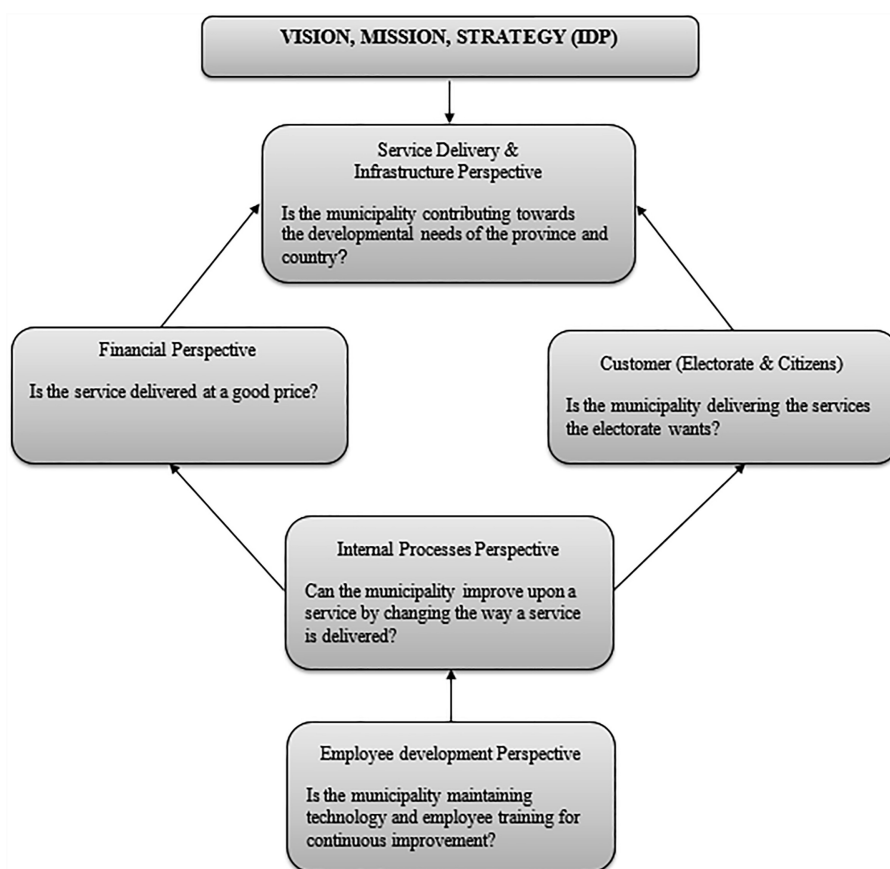


Figure 3.
Ehlanzeni district
scorecard

Source(s): Mashoko (2011), p. 31

The justification for using modest software in the three cases when presenting and analyzing the data was that the novelty of the model and the unique features of each case required developing customized software, which was unavailable at that time and costly as well. Later, customized software was purchased, like what Hertfordshire County did when using the Strategic Enterprise Management Software, known as “SEM” (Woods and Grubnic, 2008, p. 353; Read and Daum, 1999, p. 23).

- (7) *The final review of the action plan:* Ehlanzeni municipality council has achieved an important step which is considered also as a unique one. Before starting the actual implementation, it included an item in the execution plan to invite the different stakeholders of the local community of the county to a meeting with the municipality council to present the model to them and take their comments on it, prior to the step of developing the cards. This was done in the context of the final review of the action plan. This procedure was not identified in the case studies of Charlotte and Hertfordshire, where it was not appearing that they invited the external stakeholders to take their opinions on the model and the overall performance system (Mashoko, 2011, p. 54).

5.2.2 Launching the project. Despite the fact that the planning phase is significantly important to apply the model and emphasize the expected benefits of its implementation, the execution phase is not by any means less important. Actually, the poor execution might ruin all the exerted efforts in the planning phase. Therefore, the execution is a critical aspect for the success of implementing the model. This phase includes:

- (1) *The pilot application of the model.* Charlotte City has applied a mix between the experimental approach for applying the model on some organizational units and the development of corporate scorecard. In the beginning, it developed corporate scorecard, after it had identified 21 objectives and included it in the card. After that, Focus Area Cabinets who are responsible for the five major focus areas previously mentioned developed scorecards for these areas; parallel to this, four key organizational units inside the city, out of 14, were chosen to build its own scorecards, on the contrary to Hertfordshire and Ehlanzeni. After the preliminary cards were built, an extended meeting was held to discuss the results and develop the scorecards; in a year and a half the BSCs was implemented across all the key organizational units in the city. Whereas, in Hertfordshire and Ehlanzeni, the corporate scorecards were developed and the attained results were discussed, and then the corporate scorecard was cascaded to different departmental levels (Niven, 2003, pp. 52, 275; [A balanced scorecard hall of fame, 2005](#), p. 11).
- (2) *Developing and confirming the vision, mission and strategy:* In this step there are two scenarios, either confirming the vision, mission and the strategy previously articulated, or developing any of them, or all of them based on the pilot application; or implementing the corporate scorecard in its preliminary design, where this approach could reveal a number of issues that are worth reconsidering. This is the benefit attained by the methodology adopted by the City of Charlotte, on the contrary to the other two case studies that depended mainly on learning by doing and applying improvements during the implementation process. Nevertheless, each of the two approaches has its pros and cons; however, the three cases studies have revealed that no changes were applied on any of the variables across the above-mentioned levels during the period between the experimental application or the preliminary execution and the reviewing of the results achieved for this level of implementation, which implies that sufficient time was provided and necessary discussions were held to reach the sound articulation for each of these variables in a way that fully reflects what each of the three local councils want to present to their local communities (Mashoko, 2011, pp. 38–39; Kaplan, 1999, pp. 3–5; Woods and Grubnic, 2008, pp. 54–57).
- (3) *Designing the strategy map and identifying the objectives, performance indicators and measures:* The three case studies have agreed on the importance of this step, and it usually comes next to the process of confirming the mission and the strategy. There was also a consensus on the methodology adopted to build the strategic map, where it followed the Kaplan methodology of designing maps from the top to the down. This included identifying cause-effect relationship between the major perspectives set on the scorecard and the desired results; then, it started to move downward to the bottom of the hierarchy reaching the level of the departments and the business units. The Hertfordshire County has used the concept of golden thread which reflects the path that connects the organization's strategy with the outputs related to the operational performance, right down to the level of individual work plans. [Figure 4](#) illustrates a model for the strategy map as designed by the City of Charlotte. As for developing the performance indicators and measures, Charlotte City was able to achieve important

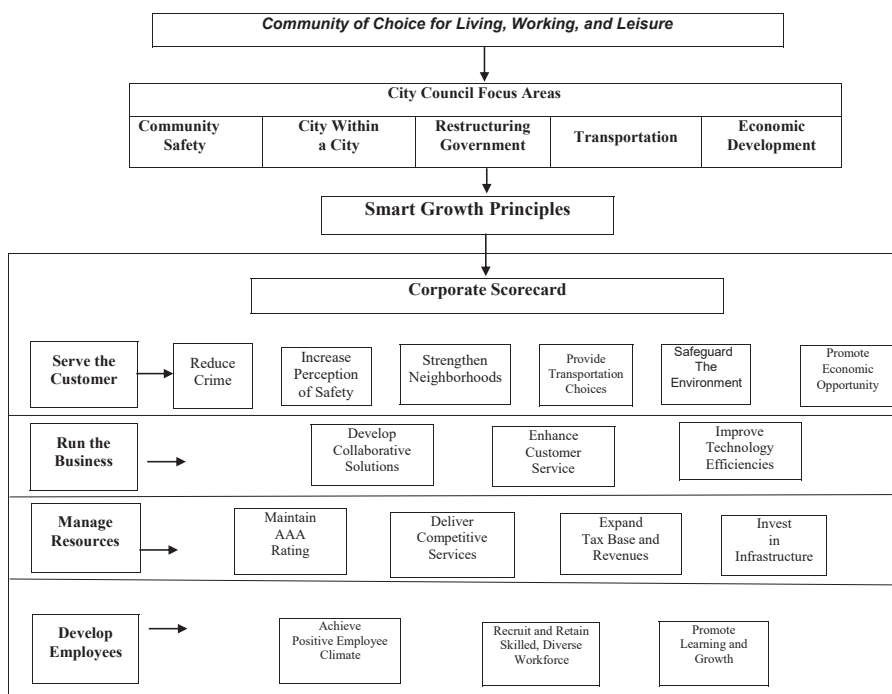


Figure 4.
The City of Charlotte's
strategy map

Source(s): Rivenbark and Peterson (2008, p. 33)

development regarding used measures, where the city had 900 measures distributed among the different fields; this number was later decreased to 375 measures by filtering them and creating intra-linkages among them across the four perspectives of the card. The measures used were classified into activity measures, input measures, output measures and outcome measures. Whereas in Hertfordshire County, the measures were set through the coordination and consultation between the employees and the elected councilors, and clear definitions were identified for the different strategic challenges. This was further reflected in the measures. Concerning Ehlanzeni Municipality, the organizational BSC was generic, and logical links among the measures in each perspective was not clarified. Additionally, the lead and lag indicators had no clear linkages and were dominated by indices from stakeholder's opinions, and limited quantitative measures were considered as a point of weakness in developing the measures (Kaplan, 1999, pp. 3–4; Niven, 2003, pp. 274, 282; Woods and Grubnic, 2008, pp. 355–357).

- (4) *Cascading the BSCs*: After the process of developing the strategy map, the three case studies started to build the scorecards on the departments level, and linked that to the organizational scorecard, so that the services scorecards of the different departments, as per the terminology used by Hertfordshire, is a reflection of the organizational BSC. This is considered a crucial step to realize what is called organizational alignment around the organization's strategy (Ayoub *et al.*, 2016, pp. 86–88). For the purpose of developing cards, Ehlanzeni Municipality has confirmed the necessity of following

the participatory approach among the interrelated departments. But it has witnessed difficulties in cascading cards on the lower level departments due to some shortcomings in the understanding of the employees on the strategy, or due to their inability to comprehend their role in a clear and accurate way (Mashoko, 2011, p. 42). This is the same issue that the Hertfordshire County faced, where the BSCs were not able to go down to the level of certain services in the county, and the organizational culture for some employees was considered to be the main reason for that. Here, each department or unit providing a certain service was responsible for developing its own scorecard, whereas Charlotte City succeeded in developing BSCs for all its organizational units over the period of a year and half since the beginning of implementing the model (A balanced scorecard hall of fame, 2005, p. 3; Woods and Grubnic, 2008, p. 355).

5.2.3 Review and results reports phase. This is the third stage of the process, where it could be classified into two levels based on the three case studies examined:

- (1) The review of BSCs results: This includes carrying out the necessary updates on the components of the corporate BSC, or on the level of each department's BSC, which in turn includes presenting the performance reports, and what might result from that of development to the objectives or the indicators or the measures of the used cards. According to the emergence of new urgent needs, this may include the level of minor or slight changes (Niven, 2003, pp. 279–280; Mashoko, 2011, p. 56).
- (2) Presenting the results reports and reviewing the strategy: This illustrates that the departments responsible for the supervision on implementing the model has presented the annual reviewing reports covering the results achieved. These reports were submitted from the chief executive of council to an internal audit committee, as applied in Hertfordshire County. Additionally, the performance of the council is subject to monthly follow up. While allowing the employees to send their proposals to develop the measures and indicators of the scorecards, the local council may develop schemes to identify the opportunity for making any developments on the level of the mission or the strategy, as revealed in the case of Ehlanzeni District Municipality.

This framework is characterized by an openness that gives an opportunity to each case to implement the model according to its own special considerations.

6. Conclusion

The main argument of this paper is to provide a proposed model of the steps that should be taken into account by the local councils through the process of the BSC implementation. The paper indicated that there are three basic issues that constitute the context of adopting this model, and there are three important issues that must be taken into consideration when applying it. The first three dimensions include: real awareness of the need for a system that provides a balanced view not only to measure performance but also to manage it, that combines the ability to provide an explanation of tangible financial aspects and intangible nonfinancial aspects; adoption of the model was preceded by the existence of will at the central level to make real reforms at the local performance level and emergence of a central performance management system that requires local government organizations to comply with this system, in addition to the political will represented in supporting elected councilors and the bureaucratic will represented in supporting the leadership and executive staff to achieve a real performance reform. The other three include: first, the necessity of depending on the scientific method to obtain high-level support from different stakeholders, whether internal or external, by conducting the champion responsible for introducing the model for

extensive research on the model's components and benefits in order to possess strong arguments and evidence to defend the use of the model, and one may seek the assistance of a team that conducts such a search process; second, contracting with a consulting firm that plays the role of facilitator for the model implementation, and giving the needed training sessions, in addition to providing the solutions that may appear through different processes, especially some stages that require technical expertise, such as building indicators, identifying appropriate measures and developing the strategy map; finally, capacity building of the local councils involve the employees in BSCs articulation of their departments, and merging individual development plans within the organization's development plans and creating a clear incentives system to make employees realize the returns accrued to them from the success of this model and performance development. All of these are crucial factors to build a steady BSC system. The future agenda of this study include further research about the available opportunities for the Egyptian local administration system to use this model, and analysis of the current local performance system to overcome the shortages and enhance the performance of local administration units.

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