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A comparison of the ValueMetrics Performance Measurement System (VPMS) and the Balanced Scorecard (BSC)

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This document presents a comparative analysis of the ValueMetrics Performance Measurement System¹. It is based on an analysis originally performed by Stan Dransfield. Two forms of evaluation are provided:

- consistency with the McKinsey 7S management model, which describes 7 factors to organise an enterprise in an holistic and effective way; and
- consistency with the Baldrige Criteria, which provide a frame of reference against which the overall performance and capability of an organisation can be assessed.

The Balanced Scorecard has evolved considerably since its introduction in 1992. This assessment is based on the enhanced version presented by Hannabarger, Buchman & Economy², which makes explicit reference to the Strategic, Tactical and Operational levels in an enterprise (albeit with the conventional meanings of Tactical and Operational interchanged).

A summary is as follows (details are provided on subsequent pages):

McKinsey 7S model	VPMS	BSC	Baldrige criteria	PMF	BSC
Super-ordinate goals	Y	?	Leadership	Y	?
Strategies	Y	?	Strategic Planning	Y	?
Skills (institutional)	Y	?	Customer Focus	Y	?
Systems	Y	?	Measurement, Analysis & Knowledge Management	Y	?
Structures	Y	Y	Workforce Focus	Y	?
Style	Y	?	Processes, Products & Services	Y	?
Staff	Y	?	Results	Y	?

Y = consistent with criterion

? = partly consistent

¹ This is based on the Performance Measurement Framework (PMF[®]) coupled with Stakeholder Value Management (SVM[®])

² Chuck Hannabarger, Rick Buchman & Peter Economy (2007), *Balanced Scorecard Strategy for Dummies*. John Wiley, Hoboken NJ.

Detailed comparison using McKinsey 7S

Criterion	General descriptors	VPMS response	Balanced Scorecard response
Super-ordinate goals	Creating future concepts	Provides structured opportunities for presenting concepts in relation to all stakeholder groups.	Provides structured opportunities for presenting concepts in relation to some stakeholder groups.
	Distilling essential values	Consistent with all recognised principles of quality management as a basis for identifying a consistent set of values.	Not consistent with all recognised principles of quality management (<i>e.g.</i> no statistical thinking).
	Identifying future direction	Directly addresses the requirements for clear mission, vision and values. Identifies all stakeholder groups – <ul style="list-style-type: none"> • Owners • Customers • People • Strategic Partners • Community – and their needs and performance expectations (outcomes).	Assumes existence of mission, vision and values. Identifies objectives in designated key areas: <ul style="list-style-type: none"> • Financial • Customers • Business processes • Knowledge, Education and Growth.
	Providing a basis for making meaning to our people	Provides and maintains an organisational context for performance measurement and planning, in terms of value ultimately provided to all stakeholders.	Provides and maintains a localised context for performance measurement and planning.
Strategies	Responding to changes in environment	Provides a structured basis for environmental assessment. Provides a structure for distinguishing strategic and tactical responses.	Assumes capability to carry out environmental analysis. Provides a structure for distinguishing strategic and tactical responses.
	Improving our competitive position	Basis for strategic measurement is competitive performance.	Strategic measurement is not necessarily based on competitive performance.
	Providing a route to sustainable success	Drives alignment from a strategic perspective. Provides a basis for comprehensive stakeholder strategy development.	Drives alignment through cascaded deployment. Basic implementation provides a limited stakeholder perspective to strategy development.
Skills (institutional)	What we are best at doing	Diagnoses current performance, including perceived current strengths.	There is no diagnostic phase, hence does not necessarily ask this question.
	Our dominating attributes that make us good	Diagnoses perceived strengths and questions validity of current measurements.	There is no diagnostic phase, hence does not necessarily ask this question.
	Our capabilities in relation to creating and delivering products and services efficiently	Provides a disciplined process for performance measurement, from selection of measure to reporting.	Addressed through focus on Internal Business Process. There is no explicit measurement process to facilitate operational definition and reporting.
Systems	Our 'procedures' for doing work	Provides a systems view of the organisation through the concept of strategic, tactical and operational measurements. Provides a focus on core processes as the means of managing improvement.	Recognises the need to develop scorecards at the strategic, tactical and operational levels. Identifies business processes but largely deploys planning hierarchically and functionally. Implicit use of systems to develop Strategy Maps.

Criterion	General descriptors	VPMS response	Balanced Scorecard response
	The way we do things	Provides the basis for a process view of organisation.	Primary approach takes a functional view of organisation (<i>i.e.</i> business process view is from a functional perspective).
Structures	How we formally segment work	Promotes a core process view of the organisation.	Promotes a localised business view of the organisation, with levels linked principally through hierarchical devolution.
	How we assign authorities and responsibilities	Provides a basis for identification of authorities and responsibilities consistent with a core process view.	Supports the 'organisational chart' view of authorities and responsibilities through its hierarchical deployment approach.
Style	Our organisational patterns of behaviour	Promotes an explicit data- and information-based approach based on sound measurement practices as the basis for control and improvement of organisational performance.	Promotes a limited data and information-based approach as the basis for improvement of localised performance.
	How we manage relationships	Promotes continuous improvement based on valid measurement of regular processes, products and services.	Promotes periodic improvement based on performance management cycles.
Staff	Our approach to managing people, including motivation and morale	Staff are a key stakeholder group; their needs and expectations are inclusive to strategy formulation and goals.	In the basic implementation, staff are not a stakeholder group. The BSC is used to manage their performance.

Detailed comparison using the Baldrige criteria

Criterion	General descriptors	VPMS response	Balanced Scorecard response
1. Leadership	1.1 Senior Leadership (a) Vision, Mission, Values (b) Communication and Organisational performance	The essence of VPMS is that it takes as its starting point the definition and measurement of Value (strategic success) at the stakeholder level. It considers the impact of all strategies on all stakeholders. Communicating strategic direction is built into the process.	An organisation-level BSC will set strategic direction but it will not necessarily be measured at the strategic level. It will probably be measured at the tactical level as an organisational output
	1.2 Governance & Societal Responsibilities (a) Organisational Governance (b) Legal and Ethical Behaviour (c) Societal Responsibilities and Support of Key Communities	Governance relates to responsibilities to the <i>Owners</i> , who constitute a specific stakeholder group. <i>Community</i> is a specific stakeholder. Stakeholder analysis is a specific and critical early step in the process of establishing the Performance Measurement Framework.	As BSC does not necessarily consider all stakeholders, there is no specific requirement to measure these areas.
2. Strategic Planning	2.1 Strategy Development Process (a) Strategy Development Process (b) Strategic Objectives	The Zones of Measurement structure fully supports the planning processes. The requirement for valid measurement at all levels provides functionality to the planning process. Strategic Objectives relate to desired outcomes for stakeholders and are measured implicitly at the Strategic level.	The essence of the BSC. Designed to deploy planning to each level of the organisation through individual involvement. Results assessed by performance versus targets at the Strategic level.
	2.2 Strategy Deployment (a) Action Plan Development and Deployment (b) Performance Projection	Development and Deployment built into process through Alignment (emphasis on Accountabilities). Performance Projection built in through emphasis on lead indicators.	The essence of the BSC. Designed to deploy planning to each level of the organisation through individual involvement. Results assessed by performance versus targets at the Tactical and Operational levels. Performance Projection built in through emphasis on lead indicators.
3. Customer Focus	3.1 Customer Engagement (a) Product Offerings and Customer Support (b) Building a Customer Culture	Intrinsic component of the approach. Provides a quantitative basis for discussing issues with customers. Outcome measures are defined to be competitive.	Intrinsic component of the approach. Provides a quantitative basis for discussing issues with customers.
	3.2 Voice of the Customer (a) Customer Listening (b) Determining Customer Satisfaction and Engagement (c) Analysis and Use of Customer Data	The competitive Stakeholder Value approach to stakeholder needs and expectations ensures that customer perceptions are identified within a competitive environment.	Provides a quantitative basis for discussing issues with customers. Provides customer satisfaction data but not necessarily competitive information.

Criterion	General descriptors	VPMS response	Balanced Scorecard response
4. Measurement, Analysis and Knowledge Management	4.1 Measurement, Analysis, and Improvement of Organisational Performance (a) Performance Measurement (b) Performance Analysis and Review (c) Performance Improvement	The discipline of measurement, data generation, collection, analysis, presentation and reporting is central to the Performance Measurement Framework. Measurement, identification of improvement priorities, making and communicating the improvements form the basic Stakeholder Value Management improvement cycle.	Lacks measurement-related rigour. There is no 'measurement process'. The rationale is based on deployed strategies/plans with their specific requirements for substantiating performance indicators.
	4.2 Management of Information, Knowledge, and Information Technology (a) Data, information and Knowledge Management (b) Management of information Resources and Technology	Provides a logical basis for identifying the data and information critical to the enterprise. Attention to the <i>Owner</i> stakeholder group leads to nurturing of knowledge, skills and other resources.	Specific focus on Knowledge, Education and Growth. Provides limited guide to the data and information critical to all aspects of how the enterprise operates, and should operate.
5. Workforce Focus	5.1 Workforce Engagement (a) Workforce enrichment (b) Workforce and Leader Development (c) Assessment of Workforce Engagement	Provides and maintains an organisational context for all aspects of people's working lives. Ongoing assessment of developmental needs is one aspect of the monitoring process for the <i>People</i> stakeholder group. <i>People Value</i> is linked to Workplace Engagement and other Loyalty metrics.	Gets people involved and committed to local improvement, and aligned with the organisation's strategic direction, through alignment of scorecards. Stakeholder assessment of Workforce and Leader Development not necessarily measured.
	5.2 Workforce Environment (a) Workforce Capability and Capacity (b) Workforce Climate	People's workplace environment and culture, including issues relating to health, safety and well-being are specific stakeholder needs. Provides a basis for measuring effectiveness at the level of organisation. Provides a direct basis for individual performance management through identification of individual Accountabilities and associated Management Point metrics.	Provides a basis for assessing individual performance <i>versus</i> set goals and for evaluating personal development needs. Health, safety and well-being are specific stakeholder needs that are not necessarily addressed.
6. Processes, Products and Services	6.1 Work Systems (a) Work Systems Design (b) Key Work Processes (c) Emergency Readiness	Stakeholder focus leads to measures being selected based on Work Systems and Key Work processes. Emergency Readiness is an aspect of Risk Management and so a satisfaction driver for <i>Owners</i> .	Provides a limited basis for measurement through its focus on Customers, Financial Performance and Knowledge, Education and Growth and associated processes.
	6.2 Work Processes (a) Work Process Design (b) Work Process Management (c) Work Process Improvement	Addressed systemically through Stakeholder Value Management processes.	Addressed internally by focus on Internal Business Process, and to a limited extent externally through its focus on Customers, Financial Performance and Knowledge, Education and Growth.

Criterion	General descriptors	VPMS response	Balanced Scorecard response
7. Results	7.1 Product Outcomes (a) Product Results	Critical to the approach to measurement, that starts with defining desired outcomes and measuring actual outcomes for all stakeholders.	Addressed through Strategic Goals
	7.2 Customer-Focused Outcomes (a) Customer-Focused Results	Critical to the approach to measurement, that starts with defining desired outcomes and measuring actual outcomes for all stakeholders.	Addressed through Strategic Goals
	7.3 Financial and Market Outcomes (a) Financial and Market Results	Critical to the approach to measurement, that starts with defining and measuring outcomes for all stakeholders.	Addressed through Strategic Goals
	7.4 Workforce-Focused Outcomes (a) Workforce Results	Critical to the approach to measurement, that starts with defining and measuring outcomes for all stakeholders.	Not guaranteed; may be addressed through Strategic Goals
	7.5 Process Effectiveness Outcomes (a) Process Effectiveness Results	Critical to the approach to measurement, that starts with defining and measuring outcomes for all stakeholders.	Not guaranteed; may be addressed through Strategic Goals
	7.6 Leadership Outcomes (a) Leadership and Societal Responsibility Results	Critical to the approach to measurement, that starts with defining and measuring outcomes for all stakeholders.	Not guaranteed; may be addressed through Strategic Goals

Final comment on Baldrige Criteria:

Categories 1 to 6 in Baldrige relate to the organisation's processes, systems and policies. Assessments against these categories are therefore mainly concerned with input, process and operational measures. Category 7 is about organisational outcomes that can be aligned to key stakeholder groups such as owners and customers. In other words, the 6 "enabling categories" in combination lead to organisational outcomes and that is why they are depicted and captured this way. Methodologies for measuring value delivered to key stakeholder groups are provided by PMF and SVM but not provided by other approaches.