



HOW TO CREATE TOTAL PERFORMANCE SCORECARD

ABSTRACT

This paper focuses on developing the concept of personal scorecard as an integral part of organizational scorecard, and show that it is an edge over the concepts of traditional improvement, change management, and strategy development when it comes to evaluate performance of human resources in an organization. The labour theory of value suggests that value of any commodity is equivalent to the labour involved in the production of the commodity. Thus, traditionally price determination of a commodity depended on the use of labour in a particular production process. However, with the industrial revolution, and increasing significance of capital and technology in the production process, this theory seems to be forgotten. Consequently, hardly any effort is made to recognize the contribution of these human resources in a production process. Innovations and long-term growth in all organizations are inevitably due to the skills of the human resources. Moreover, it is widely recognized that skillful human resources are extremely scarce, and they require additional care when it comes to maintaining their high levels of productivity. This calls for personalized reward mechanism based on the performance of the individual employees within an organization. Following human psychology, this kind of a mechanism will give immense satisfaction to the employees and encourages them to perform better in future.

In practice, however, though human resources form an integral part of any organization, traditional business management concepts rarely take into account the specific personal ambitions of employees. Normally all such concepts are superficial and they suggest only cosmetic changes. Hence there is a need for a new concept where personal and organizational performances as well as learning mutually reinforce each other on sustainable basis.

The present work introduces a new concept of business management through holistic approach as developed by Dr. Herbert Rampersad. Known as the Total Performance Scorecard (TPS), it stresses the significance of and the need to develop an organizational structure and philosophy that combine the goal and aspirations of the individuals with those of the organization. It is a melting process, which results in a corporate culture that is both individually and organizationally driven. The starting point in this holistic concept is the 'individual'. The concept works on philosophy that if employees within the organization are not able to achieve their own objectives, they cannot work efficiently for the organization. Thus the process of improvement should start from the bottom line within an organization.

In this sense, the concept of TPS is superior to the concept of Balanced Scorecard (BSC). The concept of BSC is based on strategy formulation and implementation in the top-down manner. However, the top level management may not always be in a position to understand the performance drivers of the bottom level employees. In this context, if the top level designs the organizational strategy without considering the personal ambition of the employees, the strategy fails in attaining desired goals.

The alternative can be found in designing a performance scorecard for every individual employee or a limited group of employees in an organization and incorporating it in the strategy design and target setting exercise of the organization as a whole. This implies recognition of a linkage between individual performance and organizational performance. This is bound to have a two-way impact: one; the top level management understands the employee

behavior and their performance drivers better and two; bottom level employees understand how their own actions get translated into the growth and development of the organization in the long-term.

However, laying more emphasis on personal scorecard in organization scorecard does not mean neglecting the other perspectives of the organizational performance. In fact, personal scorecard is developed as an integrated part of the organizational performance evaluation system that encompasses all the four perspectives included in the balanced scorecard mechanism, namely, financial, customer interface, internal business processes and knowledge and learning. It is recognized that the individual performance of an employee contributes to any one or more of these perspectives for which the organizational strategy operates and performance can be evaluated.

In the globalized world of twenty first century, where business processes are reviewed continuously based on performance measures and feedback. Human resource teams are built with a stress on continuous evaluation, understanding of the past mistakes, willingness to learn and rapid implementation of new techniques for improvement. Efficient leaders in such teams lead from the front, and are always willing to share their expertise so that team members can improve. Undoubtedly, in such organizations, which focus on knowledge skills, the concept of personal scorecard as an integrated part of total performance scorecard has gained considerable importance, especially because it ensures integrated and healthy growth of both the individuals and the organization.

Keywords: Total Performance Scorecard, Performance Evaluation, Balanced Scorecard, Personal Scorecard

I. INTRODUCTION:

The modern history of post-industrial management could be said to begin with the work of W. Edward Deming in the 1950s. Deming urged managers to recognize the value of their employees as untapped source of knowledge and ideas for improving quality in the organization. He emphasized that all business processes should be part of a measurement system with feedback loops. However till the 1990s, blue-collar workers and office-oriented production were not yet significant economic drivers. Instead, industrial mass production still acted as a major economic driver in an organization. Intangibles in the form of knowledge base and innovative ideas at the employee level remained untapped to a large extent.

A strong need to develop a holistic approach to identify the integration between individual aspirations and organizational objective has been felt during the last few decades. One solution is designing a total performance scorecard for an organization. Such a scorecard incorporates two aspects – personal scorecard, which measures individual aspirations and organizational scorecard, which measures organizational performance against a predefined set of objectives.

This paper attempts to study the efficacy of such an approach. The paper is divided into six sections. Section II tries to distinguish between balanced scorecard and total performance scorecard, and also brings out the superiority of the latter. Section III elaborates the significance of total performance scorecard in comparison with traditional performance measurement systems. Section IV focuses on the need to construct an individual balanced scorecard, while section V focuses on construction of the organizational balanced scorecard. Section VI concludes.

II. AN EDGE OVER BALANCED SCORECARD:

The concept of balanced scorecard (BSC) was evolved by Robert Kaplan and David Norton in 1992. They presented BSC as a framework for integrating measures derived from the strategy adopted by an organization. The real power of the BSC is visible when it is transformed from measurement system to management system. Identification of strategic themes and objectives and determination of measures to attain short-term and long term objectives is at the center in construction of a scorecard according to them.

Once the organizational scorecard is prepared, it is to be used, as an effective method of alignment and departmental process. Individual scorecard should be aligned to organizational scorecard. This will translate individual strategy to daily management of the organization.

Dr. Herbert K. Rampersad presented a new holistic concept of improvement and change in strategic management called Total Performance Scorecard (TPS) in 2001. He has tried to expand the power of balanced scorecard further. TPS encompasses a philosophy and set of rules that form the basis both for continuous process improvement and the personal improvement of individual employees.

Kaplan & Norton's BSC starts with formulating strategy and goal determination at top level and further it is to be communicated to all segments of the organization vertically. Strategy implementation process also starts from top to bottom, while TPS is an inspiring and integrated management concept that regards personal ambition as the starting point. Dr. Rampersad believes that organizational improvement and change can be achieved if people change and improve inwardly and such personal involvement stimulates individual and team learning, creativity and self-guidance. If personal ambition is the starting point, people will cooperate with more commitment, loyalty and devotion, which in turn inspire motivation, enjoyment, passion, inspiration and enthusiasm.

Thus the concept of TPS focuses on areas where respected management gurus Robert Kaplan and David Norton left off. This concept is useful for all those who want to improve, develop and want to change themselves successfully, in their work within the organization. Since individuals combine to make up an organization, individual improvement is bound to result in the improvement of organizational performance.

III TRADITIONAL PERFORMANCE MEASUREMENT SYSTEMS & TPS:

The TPS is defined as a systematic process of continuous, gradual and routine improvement in learning and development that is focused on sustainable growth of personal and organizational performance. This holistic concept is based on three elements:

- 1) Improving
- 2) Learning
- 3) Change

They are closely interrelated and must be kept in balance for sustainable growth of the individual and the organization in the short-term and long-term.

TPS differs in essential ways from traditional improvement, change management and strategy development concepts (Chang and Morgan, 2000; Harrington, 1995; Kaplan and Norton, 1996, 2000; and Oakland, 1995). These concepts have talked about change but failed to explain how such change can be brought in organization. TPS concept explains that real change and organizational improvement are achieved only if people change and improve from within. Such personal involvement is an integral part of total performance scorecard. This concept aims at bringing maximum commitment and devotion of all involved in the work process on assumption that if the personal ambition of an employee is engaged, then employee will think about the shared ambition of the organization in accordance with personal ambition.

This concept works only when it is based on strategy development process. In which the personal and organizational mission and vision, critical success factors, objectives, performance measures, learning processes and planning complement one another. They contribute together towards the realization of continuous improvement within the entire organization and development of human potential.

Like balanced scorecard developed by Norton and Kaplan, the TPS is based on six principles:

- 1) Consistency between personal and organizational objectives
- 2) Ethical and fact-based behaviour
- 3) Focus on durable improvement, development and learning
- 4) Process orientation
- 5) Passion and enjoyment
- 6) Focus on customer satisfaction

III. SIGNIFICANCE OF THE PERSONAL BALANCED SCORECARD:

In the Total Performance Scorecard concept, development of individual, job-related and organizational competencies is the focal point. The Personal Balanced Scorecard (PBSC) relates to the individual, and the Organizational Balanced Scorecard (OBSC) relates to job-related and organizational competency development. The PBSC functions as a personal improvement and self-coaching instrument for individuals, and focuses on their personal well-being and success in the society. Of particular importance here are the personal lives, skills, and social behavior of individuals.

For several reasons, the formulation of the PBSC is the initial and most important step in the process of improvement, development and learning. It also allows you to improve your behavior and create your own future. After all, as an individual becomes more conscious of one's own self, one's own inner processes, and motives, the individual becomes more creative and productive. Formulating personal ambition involves a search for one's own identity, which in turn becomes the key to action for an individual. Moreover, having a clear personal objective gives meaning and direction to one's life. By formulating a Personal Balanced Scorecard and reflecting on it, you will get to know yourself better as well as gain more control over your own life.

The second reason that the PBSC approach is so important is that finding a proper balance between an individual's personal ambition and behavior results in inner peace, lesser energy expenditure and the ability to be guided by the inner voice. When an individual achieves this inner authority, he can also have a positive effect on the feelings of loyalty, motivation and dedication of those around himself. According to Kouzes and Posner (1999) the credibility of leaders depends on the following:

- Trustworthy leaders practice what they preach.
- They keep their word.
- Their actions match their words.

The third reason for the PBSC is that if there is an effective balance between the interests of individual employees and those of the organization, employees will work with greater commitment towards the development and implementation of the OBSC. The development of the collective and personal ambition takes place simultaneously. When different individuals, associated with the same organization answer the question of what they want for the organization and where they want to go together, they also ask what they want for themselves and which win-win situation accommodates personal and organizational interests simultaneously.

The fourth reason for using the PBSC as the first step in the strategy development process is this: it is the right thing to do. Don't waste any more time with strategy development and organizational improvement and change according to traditional, cosmetic approaches. Working with the Personal Balanced Scorecard is an essential condition for sustainable improvement and change.

According to Peter Senge (1990) when an organization uses the personal ambitions of its employees as a starting point, it becomes an instrument of self-realization instead of being simply a machine to which the employees are enslaved. According to him, managers usually assume that encouraging employees to develop and express their personal ambition will only lead to organizational anarchy and confusion. Experience shows, however, that these assumptions are totally ill founded. Most employees are more than willing to align their personal ambition to that of their organization. Stephen Covey (1993) also argues for an "inside out" approach. He explains that the core of an employee's identity must be his starting point. In order to improve one's relations with others, one must begin with oneself (see also Ulrich and Lake, 1990). This means that one must succeed in one's personal life before one can achieve something in the world, and that one must be loyal to oneself before one makes promises to others.

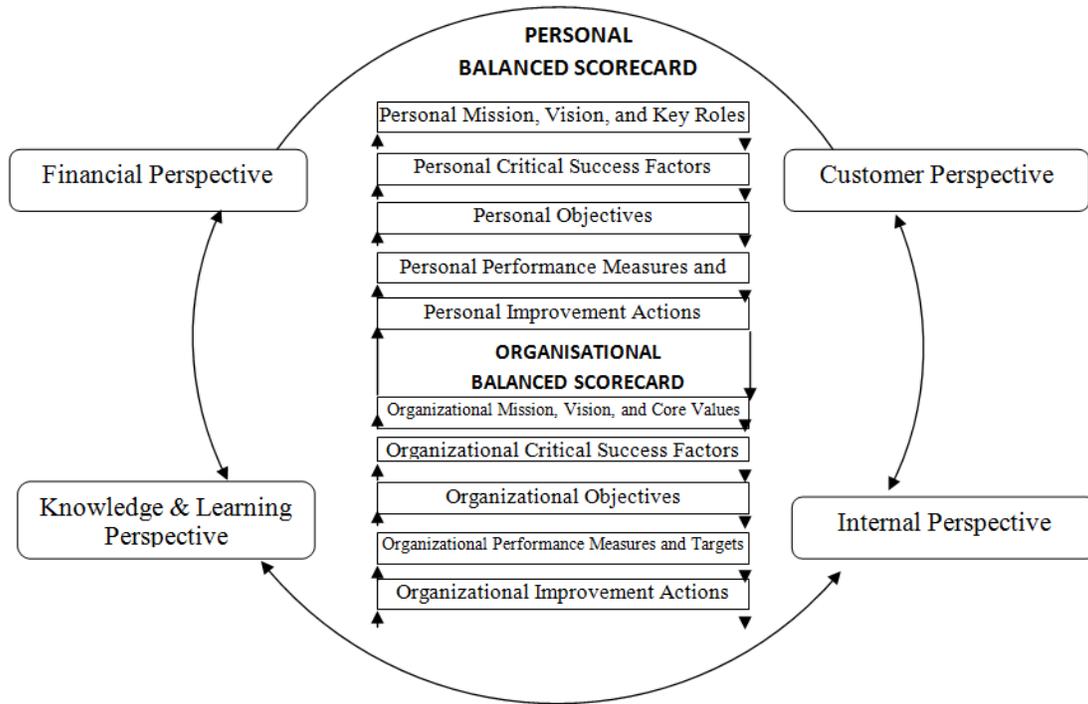
IV. CONSTRUCTION OF THE ORGANIZATIONAL BALANCED SCORECARD:

The Organizational Balanced Scorecard (OBSC) is a top-down management instrument that is used for making an organization's strategic vision operational at all levels (Kaplan and Norton, 1996, 2000). The OBSC is a participatory approach that provides a framework for the systematic development of the organizational vision. It makes this vision measurable and translates it systematically into actions. The elements of the OBSC are divided along various perspectives.

There are various result areas that are central to the OBSC (corporate scorecard) as well as to the business unit scorecard, the team scorecard, and the individual performance plan. Depending on the organizational typology, different essential areas may be identified that are unique to the organization and from which results need to be obtained, such as finances, customers, internal processes, knowledge and learning, service quality, market share and so on.

Four perspectives are used most frequently (Kaplan and Norton, 1996):

- 1) Financial: Financial soundness. How do shareholders see the company? What does it mean to our shareholders?
- 2) Customers (external): Customer satisfaction. How do customers see the company? What does it mean to our customers?
- 3) Internal processes: Process control. How can the primary business processes be controlled in order to create value for customers? In which processes does the organization need to excel in order to continuously satisfy the customers?
- 4) Knowledge and learning: Skills and attitudes of the employees and the organizational learning ability. How can the organization continue to be successful in the future? How can learning and communication be utilized to improve employees' performance and realize the organizational vision?

Chart 1: The Elements of the Personal and Organizational Balanced Scorecard

Source: Rampersad, 2002

the chart given on page 7 clearly explains various perspectives and their inter-relations with one another.

V. CONCLUSION:

TPS differs in essential ways from traditional improvement, change management, and strategy development concepts. This approach fits very well within learning organizations, which learn continuously because knowledge quickly becomes obsolete. Learning organizations consist of people whose personal ambitions are in line with the organizational mission and vision and, as a result, have a positive approach towards improvement and change. These organizations consist of people who learn individually and as a team. In teams composed of balanced learning mechanisms, employees continually learn from their own mistakes, share knowledge with one another, trust one another, and communicate openly with one another. Learning organizations also have leaders who coach, help, inspire, motivate, and stimulate. Business processes are reviewed continuously based on performance measures and feedback. Such an approach can certainly bring about a sustainable improvement in the organizational performance along with an improvement in the performance of individual employees.

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