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Building Better Governance

Developing a dashboard and balanced scorecard: a good practice guide

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[Centre for Charity Effectiveness]

Foreword

The unwavering vision of the Centre for Charity Effectiveness (CCE) is that of a strong nonprofit sector leading positive social change. We support the sector to achieve this through the services we deliver: education, knowledge sharing, research and independent consultancy advice.

We know that the need for good governance in our sector is greater than ever with recent public concern and media scrutiny which is often about the effectiveness of an organisation's governance. As the Charity Governance Code says, 'good governance in charities is fundamental to their success'. Our governance practice team is regularly commissioned to undertake reviews or other activities in support of more effective governance.

This is one of a series of updated Building Better Governance (BBG) good practice guides covering key governance activities including:

- Board & trustee performance review
- Board involvement in strategy and planning
- Board reports that add value
- Developing a balanced scorecard & dashboard
- Developing the whole top team
- Effective board meetings.

We are confident that, taken together, these guides will be an extremely useful resource for trustees and the senior team, covering the key areas of practice that make the difference between a board that does the minimum and one that is truly effective. If you need further information or advice, please get in touch.

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Contents

We are grateful to those who have shared their scorecards and dashboards with us and helped us on the journey of creating this guide.

What is a dashboard?

> **A one-page collection of the key performance measures of current and primary interest to the board, used to gain 'at a glance' insights to underpin strategic conversations**

Dashboards can be produced as a 'halfway house' for boards who are interested in adopting a balanced scorecard approach to strategic reporting, but who have not yet had the time to invest in its development. A dashboard is not intended to hold all the measures the board is interested in, just the most important ones.

SELECTING DASHBOARD MEASURES

When you select the measures and indicators for your dashboard, the decision making will depend on the board's view of 'what success looks like', and what the measures are that reflect this. Examples might be:

- Measures to illustrate key activities such as numbers of beneficiaries supported
- Measures to reflect the quality of the service provided such as numbers of compliments and complaints
- Those with a staff and volunteer focus – head count, training days, satisfaction
- Financial measures such as income and expenditure, reserves levels.

A dashboard would take these examples and put them together on one page that also illustrates trends over time as well as comparisons with targets, budget and the performance of others. A sample dashboard for a hospice can be found in Appendix 1.

What is a balanced scorecard?

A select set of strategic, linked objectives and measures that help you understand the key strategic drivers of performance, and then monitor your progress against those drivers

Many people use the terms scorecard and dashboard interchangeably. They usually mean a small collection of key measures that are regularly reviewed. However, how you create a balanced scorecard sets it apart from other approaches. The process of creating a balanced scorecard is almost as important as the performance management tool that is the end result.

A balanced scorecard results from mapping your strategy and identifying how key objectives are linked to each other. For example, delivering results for beneficiaries is dependent on financial success which in turn is dependent on your ability to fundraise, or to operate at a surplus. The balanced scorecard encourages you not only to measure key results but what is driving those results. As such it transforms an organisation's strategic plan into a powerful document providing the board and senior team with clear criteria for what delivery and success should look like. This provides a framework that not only enables strategic performance management but also helps to understand what should be done and measured at an operational level.

All elements of performance need to be 'in balance' for you to achieve the strategy in the most effective way; the scorecard should be fit for purpose for your organisation and stimulate cross-organisation conversation.

The balanced scorecard is not intended to be the sole reporting mechanism for your organisation. You will still need a range of other reports that together reflect the breadth and depth of operational performance. The balanced scorecard will focus on the handful of results critical to the success of your strategy, and will be one of the tools used by the board to understand and have oversight of performance against the strategy. The scorecard aligns the activities of the organisation to the vision and overall strategy, improving both the internal and external communications and essentially monitoring performance against specific strategic goals.

A balanced scorecard is derived from your strategy, and complements it. It does not replace your strategy, rather it helps you test and refine your strategy and to monitor progress.

Developing a balanced scorecard is a good way to get organisation-wide understanding of how your different objectives are linked to each other and may help with prioritisation and sequencing. It can help make more explicit the importance of supporting initiatives and functions and requires a 'whole organisation' view – so you need to find time and space for people to come together.

It is best to embark on developing a balanced scorecard when you have a strategy agreed, when there is support for the concept from the board and senior team, and when they can devote the necessary time. The leadership team – executive and non-executive – need to agree their priorities.

The balanced scorecard – some history

The concept of the balanced scorecard was developed by Kaplan and Norton in the 1990s. It is a popular management tool used within a wide variety of organisations.

There are different interpretations of the scorecard and indeed Kaplan and Norton adapted the concept over the years. When used in its entirety it is claimed that the balanced scorecard is not simply a management measurement tool, but a management 'system'. It is a performance measurement framework that includes strategic non-financial performance measures as well as traditional financial metrics to give managers and executives a more 'balanced' view of organisational performance. There are a variety of interpretations and we have included in this guide the approach we think charities will find most helpful.

Key benefits of the balanced scorecard approach

The key benefits of the balanced scorecard approach are that it:

- Looks at an organisation through four aspects of performance to get a balanced view: *Customer (all your stakeholders), business process, learning and growth, and financial*

- Provides an organisation with a framework that sets out what it needs to do to deliver on its goals

- Requires the leadership team to be explicit about its strategic priorities and goals

- Presents key information about the organisation's performance on a single page, though there may be more detail behind it

- Presents both long term and short term goals in a concise manner so helps all to be clear about how aspects connect

- Looks at items both from an internal and external perspective

- Gives at-a-glance information about what is on or off track

- Signposts where you need to drill down if things are off track

- Includes both financial and non-financial information making it an essential tool to track structures and processes as well as performance, including items such as social outcomes and employee or volunteer satisfaction

- Includes information about past performance but also information to help judge potential future success

- Provides a process (while developing and using a balanced scorecard) that helps 'test' assumptions about what is driving what (often called 'cause and effect')

- Provides a generic framework, but is shaped by each organisation to reflect their unique context

- Can be effective in communicating the strategy throughout the organisation. In some organisations different teams develop their own scorecards that all link together

- Can be used to motivate employees as each employee can see the goals they are working towards as well as how they are aligned with and dependent on others – breaking down traditional silos.

The 3 key components of the balanced scorecard approach

1. A STRATEGY MAP
A strategy map identifies the few, select things that the organisation must do. These are the organisation's key strategic objectives and will be inter-related and mutually supportive (NB the strategy map does not contain measures, just objectives). A strategy map helps you summarise your strategy, which helps you create a strategic matrix. It is important to ensure that the strategy map is fit for purpose for your organisation, enabling buy-in from the team so that all aspects are covered and everyone can see how their contribution fits.

2. A STRATEGY MATRIX
This lists the key initiatives in the current strategy to support the objectives, who is responsible, what success will look like and how success will be measured. A strategy matrix helps you articulate the key areas critical to success and their measures, which helps you create the scorecard.

3. A BALANCED SCORECARD
This is the regular report showing performance against your chosen indicators and targets, to help you monitor your performance in delivering your strategy, measured through a balanced approach.

These are all explained further with a simple worked example in the appendix.

The idea of perspectives and cause and effect

One of the central ideas of the balanced scorecard is that success needs to be looked at from a variety of perspectives that are aligned and inter-dependent. Using these perspectives as the basis, you then develop metrics, collect data and carry out analysis relative to each.

Typically these include the following four perspectives:

- **Customer perspective**
  This critical element explores 'how customers see us'. Customers will include beneficiaries and other key stakeholders including families, members, donors such as trusts or individual givers, the Local Authority or Clinical Commissioning Group, other voluntary sector agencies, visitors to your shops if you have them, and your local community. Using their feedback and based on what their expectations of the organisation are, the analysis should involve clearly defining what you need to do to meet the needs of the customer and achieve their satisfaction. Your key focus should be on really understanding and meeting need. This is not just because you exist to meet the needs of your customers, but also because decline can often be picked up in poor customer performance, so watching trends in this arena can give early warning, well before any problems show in the financial bottom line

- **Business process perspective**
  Sometimes known as the internal process perspective, this has metrics that enable you to know how well the organisation is running and whether services conform with customer requirements (and that of your mission). These metrics are usually developed by those who know the processes and know what you need to do to excel. In the case of organisations, this could be 'what do we have to do better or differently to enable us to excel for our beneficiaries'

- **Learning and growth perspective**
  This includes employee and volunteer capabilities, skills, knowledge and behaviours as well as the organisational culture. This perspective is directly related to both individual and organisational ability to improve and change to deliver the results you seek. People are the catalyst for delivery and their knowledge and skill is vital to success. In addition, from a growth perspective, we need to ensure we have a culture that creates the right environment for sustained success

- **Financial perspective**
  This identifies the few high level financial outcomes and their measures including cashflow, revenue and expenditure – providing information on the resources required to deliver the strategy. The financial metrics should clearly highlight the financial outcomes associated with delivering the strategic objectives and the assumptions

underpinning them. It is vital to document both the internal measures but also the external factors affecting these with stated assumptions so that these can be articulated through the metrics.

The intention behind the development of the scorecard is to connect each of the four perspectives so that they link together logically and properly reflect the contribution made by each element.

For example, objectives for a high quality service are matched by objectives for high quality processes delivered by well supported, highly motivated staff and volunteers. The logic of your linkages should be tested by asking people if they agree that the link is a robust one. The chain of 'cause and effect' will be clear – which resources fuel your capabilities, which capabilities will improve your key processes, which key processes will enable you to improve the experience for beneficiaries and deliver your mission. There is an example of the cause and effect chain in appendix 2.

It is often helpful to frame these perspectives within the context of your organisation's vision, mission and values as these are the focus of the strategy, with assumptions being clearly articulated and measurable.

Creating and using a balanced scorecard in four steps

These are the key steps in creating and using a balanced scorecard.

A) CREATE A STRATEGY MAP

This is a visual representation on one page of your key objectives and the key cause and effect relationships needed to achieve them (this step is often missed). A strategy map is often used as a communication tool to tell a story of how value is created in an organisation. It is central to forming the balanced scorecard because it gathers the things that really matter (at a strategic level) onto one page. It is best created by the board and executive team either directly from your strategy and plan or alongside the strategy development process. Organisations often choose to establish a 'Task and Finish' group (made up of trustees, executives and staff) to develop both a new strategy, and then a strategy map to reflect it. This ensures buy-in from all parties.

B) CREATE A STRATEGY MATRIX

The next step helps you summarise what needs to be done to implement the strategy, shining a spotlight on the critical elements to be considered when deciding what needs to go in the scorecard. It should articulate:

- Each key strategic objective (with any assumptions clearly articulated)

- What results really matter (and how these are controlled internally or affected by external factors)

- How these results will be measured (including what success and failure look like); the measures need to be SMART (specific, measurable, achievable realistic, timetabled). The timetabled element is very important as you need to ensure they are considered against a timetable that means that you can track both the achievement of success and markers along the way

- The target being aimed for; your key performance indicators

- The supporting activity or initiative in place to deliver it.

C) DESIGN YOUR BALANCED SCORECARD

Going through the first two steps will leave you ready to develop a scorecard and to begin reporting against the chosen targets at regular intervals over a period of 12 months. You will have strategic, linked indicators (both financial and non-financial) that help you to understand whether you are on track to meet your objectives, ensuring that these strategic objectives are clearly defined with any assumptions underpinning each point. If you have done the summary work at the earlier stages, you should be able to fit your key indicators onto one page with the objectives.

Sophisticated scorecards employ 'traffic lights' as a way of colour coding items that are on and off target so that you can spot them at a glance. This helps the board and senior management focus their attention on areas critical to your success. You will be able to 'drill down' to supporting operational reports if there are questions about progress against a particular target. It can be really tough to work out what belongs on the scorecard versus other management reports (i.e. what's really important as opposed to merely important). Finding indicators that have integrity and reflect the things that are critical (rather than just the things that we can measure or are just interesting) can also be very challenging, and it is vital that the measures are the right ones. However, do to take care to ensure that the benefit of having the information is greater than the cost of measuring it (return on investment).

D) LEARN AND ADJUST

Use the results of your scorecard monitoring to see if your assumptions about cause and effect are true (e.g. the impact of staffing levels on user satisfaction), and to signpost areas that need greater management attention. As you develop your scorecard, it is worth remembering that you will not get the perfect '100%' complete product the first time around. It is important to ensure that all three elements (map, matrix and scorecard) are regularly reviewed, perhaps every six months, depending on the speed with which your external environment is changing and obtaining feedback from staff.

More guidance on these four steps are set out in the appendix where we walk you through the process you would undertake to create a scorecard.

Top tips

- Make sure you have a strategy before you start to build a balanced scorecard, one that has a clearly defined vision and mission and which has been developed, understood and approved alongside the board and shared with the wider organisation.

- Ensure that your scorecard is fit for purpose for your organisation – whilst you may take examples from other scorecards, you need to ensure that your organisation's scorecard is right for you.

- Do not start with measures, rather start with objectives, as these will help you decide the most important measures.

- Take time as a team to create your strategy map, ensuring alignment with team members. It is key to have the buy-in from the team to prevent it being perceived as a 'top-down' tool. Expect it to be challenging!

- Remember to identify causal links – include only those objectives that clearly make an important contribution to achieving your mission.

- Remember this is an ongoing process and it will take time to create something that works. Don't wait for the perfect scorecard and set it in stone. Get going and keep refining it as you learn, asking for feedback.

- Keep the measures few in number; this isn't the place to show all of your activities and demonstrate how hard you're working. This is the place to show progress against the strategy, and whether your assumptions about the connections within the strategy are right and documented, reflected in the in-year plan.

Resources

ONLINE RESOURCES:

There are a number of online resources. Those listed below include resources and case studies specifically for not for profit organisations.

Excitant have a range of examples of relevant work with nonprofits.

NCVO/Know How website for guidance on creating a strategy map and using scorecards in strategy development
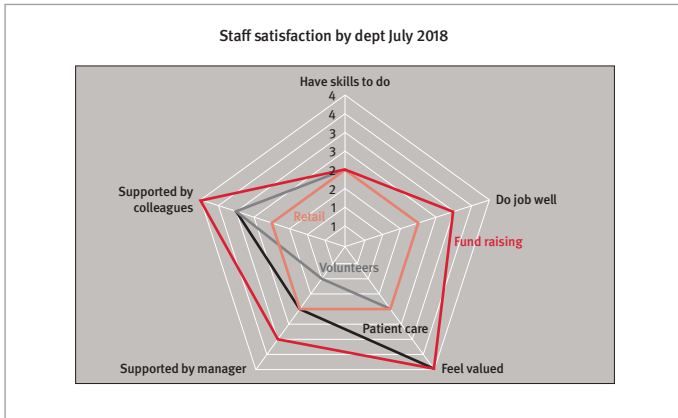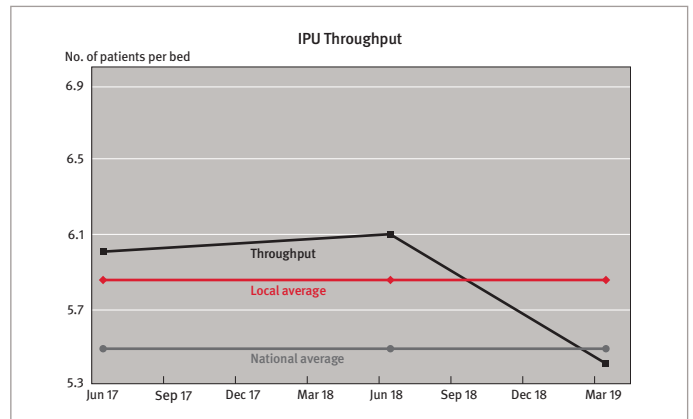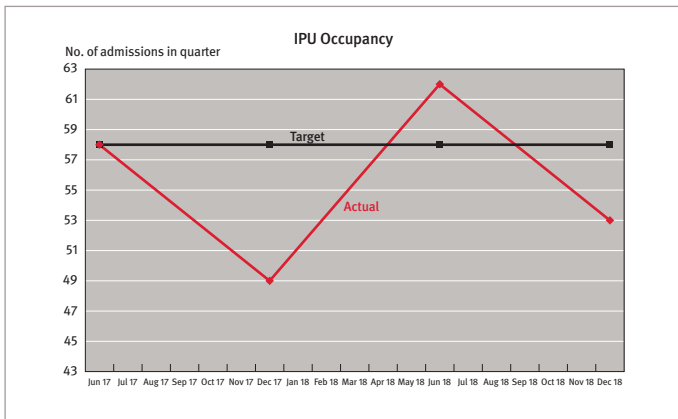
FOR FURTHER READING, TRY:
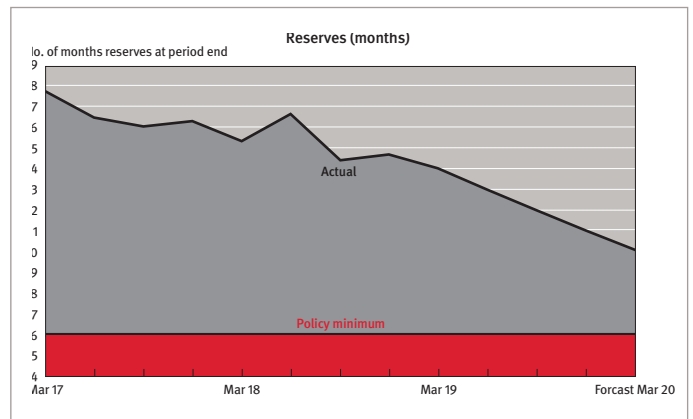
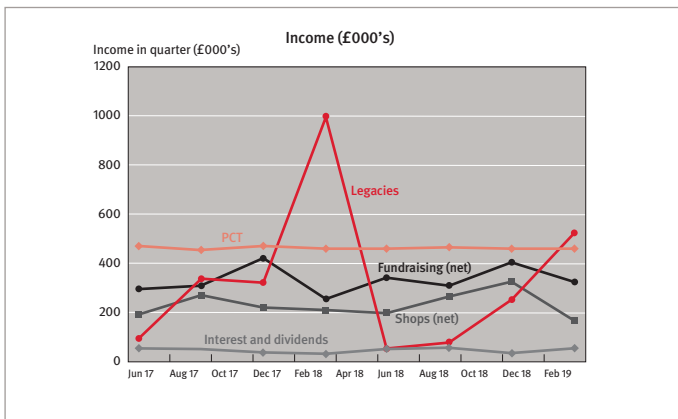BoardSource (2016) 10 Common Benefits of Dashboard Reports

Kaplan, R and Norton, D (1996) The Balanced Scorecard: Translating Strategy into Action: Harvard Business Review Press

More can be found on strategy in *BBG: Board Involvement in strategy development and planning*

Appendix 1: A sample dashboard for a hospice

IPU Occupancy

No. of admissions in quarter

Target

Actual

IPU Throughput

No. of patients per bed

Throughput

Local average

National average

Staff satisfaction by dept July 2018

Have skills to do

Supported by colleagues

Retail

Do job well

Fund raising

Volunteers

Supported by manager

Patient care

Feel valued

Commentary

Income (£000's)

Income in quarter (£000's)

Legacies

PCT

Fundraising (net)

Shops (net)

Interest and dividends

Reserves (months)

No. of months reserves at period end

Actual

Policy minimum

Hospice at home care HRS

Care hours in quarter

Surplus (£000's)

Surplus in quarter (£000's)

Appendix 2: A four step process to create a balance scorecard

STEP 1: CREATE A STRATEGY MAP

Summarise your strategic plan onto one sheet, focusing on why you exist and what you have to achieve to deliver on this for the plan period.

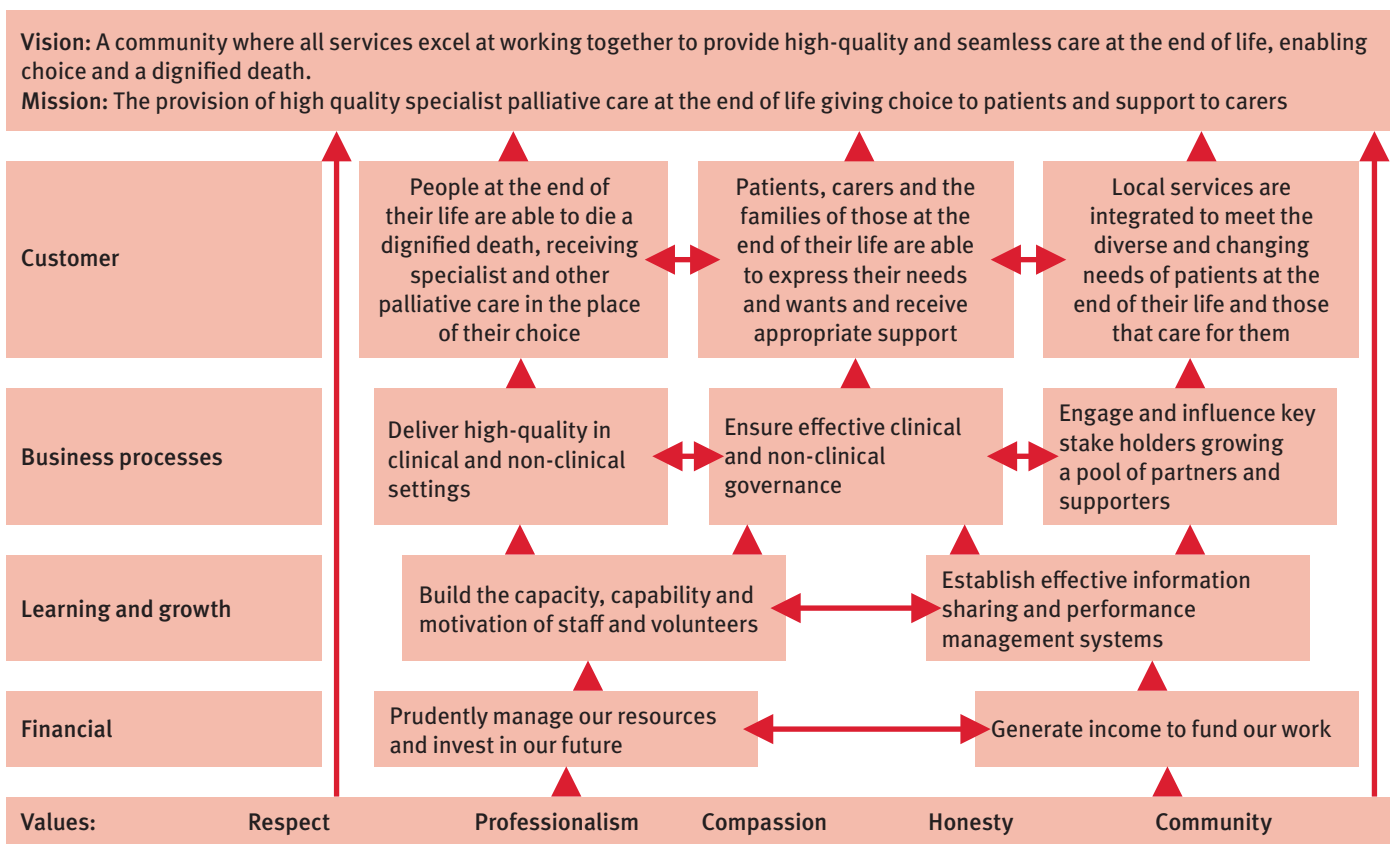| Vision & Mission	Your vision and mission as the ultimate statements of why you exist and what you want to achieve. Everything below must clearly demonstrate contribution to achieving these.
Customer	The strategic objectives that will deliver results for key stakeholders and achieve the Mission in the current plan.
Business process	The objectives that capture the processes you need to excel at in order to deliver results.
Learning and growth	The objectives that capture the capabilities you need to invest in, in order to excel.
Financial	The objectives that will ensure you are well-resourced and use these resources efficiently.
Values	How you should behave as you fulfill the objectives to deliver the mission

Worked example of an organisation strategy map

Vision	A community where all services excel at working together to provide high quality and seamless care at the end of life, enabling choice and a dignified death.
Mission	The provision of high quality specialist palliative care at the end of life, giving choice to patients and support to carers.
Customer	People at the end of their life are able to die a dignified death, receiving specialist and other palliative care in the place of their choice.
	Patients, carers and the families of those at the end of their life are able to express their needs and wants, and receive appropriate support.
	Local services are integrated, all working together to meet the diverse and changing needs of patients at the end of their life, and those that care for them.
Business process	Deliver high quality in clinical and non-clinical settings
	Engage and influence key stakeholders, growing a pool of partners and supporters
	Ensure effective clinical and non-clinical governance
Learning and growth	Build the capacity, capability, and motivation of staff and volunteers to deliver the mission
	Establish effective information sharing and performance management systems
Financial	Prudently manage our resources and invest in our future
	Generate income to fund our work by diversifying and extending the range of income streams, including social enterprise
Values	Respect, Professionalism, Compassion, Honesty, Community

For a helpful approach to identifying the four perspectives from your strategic plan, see Excitant's Four Pen Diagnostic

A Strategy Map worked example for a hospice: visual representation

Vision: A community where all services excel at working together to provide high-quality and seamless care at the end of life, enabling choice and a dignified death.
Mission: The provision of high quality specialist palliative care at the end of life giving choice to patients and support to carers

Customer	People at the end of their life are able to die a dignified death, receiving specialist and other palliative care in the place of their choice	Patients, carers and the families of those at the end of their life are able to express their needs and wants and receive appropriate support	Local services are integrated to meet the diverse and changing needs of patients at the end of their life and those that care for them
Business processes	Deliver high-quality in clinical and non-clinical settings	Ensure effective clinical and non-clinical governance	Engage and influence key stake holders growing a pool of partners and supporters
Learning and growth	Build the capacity, capability and motivation of staff and volunteers	Establish effective information sharing and performance management systems	
Financial	Prudently manage our resources and invest in our future	Generate income to fund our work	

Values: Respect   Professionalism   Compassion   Honesty   Community

STEP 2: CREATE A STRATEGY MATRIX

Having identified your key strategic objectives, you need to identify how they will be implemented in the current plan period. It is at this point that you begin to think about how best to measure your progress for each of these objectives and be clear on who is accountable for delivery of each objective:

Objective	Initiative	Key Performance Question	Balanced scorecard measure	Target/Mechanism
What do we want to achieve? You will have identified this on your strategy map	How will we do it? These will come from your strategy and plan	The question to focus your mind on the results that really matter, to be shown on the scorecard.	What is the key measure that will capture the results that really matter?	How will we know? How will we track achievement over time and how will we know what delivery risks are involved?
For each objective	Note down all of the initiatives from your plan – this will help you decide the most important. The balanced scorecard cannot report on all activities so prioritisation will be critical.	You will have other areas of performance that are important, but are not the most important in order to draw attention to the most critical results to achieve your strategy. This will stimulate much debate.	You will have other measures in your operational reports that will reflect the entirety of your operation. This is the place for the most important ones. They can be composites of others.	It is helpful to have a mix of lag indicators ('end of pipe' measures that tell you whether you've reached your goal), and lead indicators (measures that help you predict if you are on track – how things are flowing through the pipe)

It can be difficult to choose measures that really capture your objectives. Avoid the temptation to choose a measure simply because the data is readily available. Equally you need to be clear about the resource implications of collecting data. Understand the limitations of any measures you choose. It is tempting to ask for too much information – try to keep it streamlined and to the point so that users can obtain a high level view and understand delivery without getting caught up in too much detail. At this stage you may realise there are some gaps in implementation in which case you may need to add a new programme or change initiative, remembering that as you implement this, there may be further reiterations.

STEP 3: DESIGN YOUR BALANCED SCORECARD

Now you have identified the measures and targets in your strategy matrix you can design the data collection method and how you want to present your data.

Data collection: be clear who is collecting the data, how frequently and by what method. Make sure there is consistency in how the information is categorised and collected. It is worth holding a session with key staff to determine what is required, who will provide this and in what timeline so that there is no duplication and that all parties providing input in to the scorecard are clear on their requirements.

Presentation of data: careful thought about how to present information can transform its usefulness[2].

Use a consistent format

When a board becomes accustomed to seeing data in the same format over time, it is easier to spot trends, changes and problems that may cause concern. Ask the users if there is anything specific that is missing or not clear when the first draft is completed. It is essential to keep communication clear and regular on the scorecard as this should result in it being used as the single most powerful tool in the organisation. What you do not want is to develop a highly complex, difficult to understand document which is not fit for purpose for the organisation. This will only result in users creating or requesting additional reports to be set-up, leading to further duplication.

Provide a comparison

To transform data into information, it is often useful to ask the question 'compared to what'? You can compare actual performance with target performance, or last year's actual performance, or with a forecast or chosen benchmark. You might want to display historical trend information so you can see whether the underlying performance is improving or declining. Comparisons help put performance in perspective and can help to map out potential future trends too, based on projections.

Use charts, diagrams and other graphics to bring your data to life

Line charts, colour coding, bar graphs, pie charts, traffic light system and data maps can be very effective in conveying information and revealing meaningful trends and patterns[3].

Give a brief narrative

It is often useful to add a few words of description, identifying successes and areas of concern (with interventions/ actions as required), and possible cause and effect relationships.

Typically a scorecard is presented on one page, often with the option to delve deeper into the data e.g. by team, by area or customer group. In addition to an organisation wide scorecard, different teams may want to create a scorecard for the areas for which they are responsible.

Report regularly against the scorecard measures. More sophisticated scorecards employ 'traffic lights' – colour coding items that are on or off target so that you can see them at a glance. You may want to include trend arrows. The idea is that this helps the board and senior management to easily focus their attention on problem areas.

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2. These suggestions are drawn from THE NONPROFIT DASHBOARD: Using Metrics to Drive Mission Success © 2012 BoardSource
3. For more information see The Visual Display of Quantitative Information, Edward Tufte. 2001

STEP 4: LEARN AND ADJUST

Discuss your scorecard report at the board. focus in on areas that are off target. Look for patterns and evidence of an impending problem.

Try and look at the links between the different measures. Are the assumptions you made about cause and effect true; for example, can you see a link between staff satisfaction and patient satisfaction?

As you use the scorecard it may become clear that you haven't chosen the right measures, or that you need to allow more time for trends to come through. You may find that the way the data is being shown isn't that helpful – perhaps a line chart would be better than a bar graph. Be ready to adjust your scorecard; not too quickly, especially at the beginning, as things bed in. It can be difficult to spot patterns and get an overall view if you are constantly fiddling with the details.

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