Management Case Study
Implementing a Performance Scorecard for a Collaborative Commercial Agency: Involving All Employees in Mapping, Managing and Monitoring a Pathway to Success

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Implementing a Performance Scorecard for a Collaborative Commercial Agency: Involving All Employees in Mapping, Managing and Monitoring a Pathway to Success

By
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Abstract: This case study outlines how the North West Collaborative Commercial Agency developed a performance management framework comprising a strategic map with supporting objectives and action plans. It also outlines how the organization deploys a color-coded heat map to prioritize activities and how it uses key performance questions and key performance indicators to monitor progress. Finally, the case study highlights the key benefits of a Scorecard implementation for both large and small organizations.

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Introduction

The North West Collaborative Commercial Agency (NWCCA) faced challenges that bedevil most enterprises: how to identify and describe the critical few drivers of strategic success and communicating these goals enterprise-wide.

With facilitation from the Advanced Performance Institute, NWCCA created a performance framework that comprised a strategic map and supporting objectives and action plans. The organization deploys a color-coded heat map to prioritize performance improvement and uses key performance questions and key performance indicators to assess how the organization is progressing toward strategic targets. A values charter completes the framework.

NWCCA was able to involve all staff in creating the performance framework, which generated buy-in and strategic clarity across the organization. To ensure that individuals continue to remain focused on strategic goals NWCCA plans to fully align the objectives within an individual’s appraisal system with those described on the strategic map.

The NWCCA

Headquartered in Salford, the North West Collaborative Commercial Agency (NWCCA) is the collaborative purchasing agency for the UK National Health Service (NHS) trusts in the North West of England (Greater Manchester, Merseyside, Cheshire, Cumbria and Lancashire). By maximizing the massive purchasing power of more than 50 regional trusts, the agency (mainly under its previous name of the North West Collaborative Procurement Hub) helped achieve savings of more than £90 million from 2004-2008; money that has been ploughed back into enhancing patient care.

NWCCA has become the national template for effective procurement collaboration throughout the NHS, critical in the present economic climate where there is increased focus on tighter performance management to deliver value for money. To help achieve the substantial cost savings available to the region’s NHS trusts, the NWCCA’s core role is to develop health purchasing procurement skills, raise overall standards, consistency and quality of commercial capability.

Public Awards

The achievements of the agency (for instance the 2004-2008 savings represented a return on investment of 7:1, well in excess of targets) has been applauded in the procurement industry, through the presentation of two of its most prestigious business awards. In 2007, the organization won the Chartered Institute of Purchasing and Supply’s ‘Most Improved Purchasing Organization’ award and in 2008 it took the European Procurement Leaders Awards ‘Best Cross Function Project’ (which saved more than £ 1
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million for renal units across the region and included a range of stakeholders such as clinicians, renal technicians, finance staff, renal nurses and procurement).

Performance Challenges
As befitting an agency that has a laser-like focus on cost containment, NWCCA is a lean organization – comprising just 48 employees. That said, by 2008 it was of sufficient size to be challenged by some of the same performance issues that bedevil much larger enterprises: for instance, achieving consensual agreement within the executive team around the key deliverables of strategic success and communicating that strategy to everyone in the organization in a way that is understandable and enables performance alignment. “Basically we didn’t have a performance framework in place,” says Michelle McCusker, NWCCA’s Head of Business and Performance. “We had implemented a management by objectives programme across the organization but we really needed something more focused and strategic to take us to the next performance level.”

External Facilitation
After attending a seminar hosted by the Advanced Performance Institute (API) and talking to delegates that had previously procured API’s services, McCusker arranged for a presentation to the five strong executive management team, headed by Chief Executive Officer Peter Akid, who joined the agency in 2005 from Cable and Wireless where he was Vice President of its Global Supply Chain. Amongst the performance imperatives discussed were the need for the senior team to clearly articulate and agree upon the vital few things that matter the most in the NWCCA’s reaching its strategic goals; the need to define not only outputs but outcome objectives as well as performance enablers; and the benefits of using a simple one-page document (a plan on a page) to communicate the agency’s strategy and how to align initiatives, metrics and targets with those goals.

Creating the Performance Framework: Involving all Employees
Following that presentation the decision was made to implement within NWCCA a Balanced Scorecard, based on API’s value creation map and supporting methodology, (which would be called a performance framework). Designing and implementing the framework began in February 2009, when API conducted focused interviews with NWCCA’s staff. Although a standard step in a best practice Balanced Scorecard process is to conduct one-to-one interviews with the senior management team, the NWCCA scorecard design was somewhat unusual in that API interviewed just about everyone in the organization. “Such widespread consultation was possible as we are a small company,” explains McCusker. “And the interviews provided an invaluable and balanced view as to what people within the agency believe to be our strengths and weaknesses and how they see the organization developing going forward.”

Three interview streams
This is not to say that the same interview process was deployed enterprise wide. At the senior manager/director level, focused one-to-one interviews were held to consider the entire strategy and to gauge each manager’s take on why the organization exists, the priority areas in which it must excel and the underpinning enablers of
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This was followed by facilitated focus group sessions for functional groups such as finance, operations, IT and marketing, as examples. These sessions focused on what the functional areas must do to support the strategy as well as securing their views on mission critical strategic goals, performance enablers, etc. A further interview phase involved selected external stakeholders as well as non-executive board members, where attention was placed onto overall objectives and outcome targets and not on the internal drivers of performance.

All of the data from the three interview streams was pulled together in the creation of the performance framework’s strategic map. Once a draft map was designed all participants were invited to a feedback workshops to finalize the map. Those staff members that couldn’t attend the workshops were invited to provide written feedback via e-mail. That said the composition of the final map was the decision of the executive leadership team, which is right and proper as it is they who have ultimate responsibility for delivering the organizational strategy.

**NWCCA’s Four Level Strategic Map**

As shown in Figure 1, NWCCA’s strategic map consists of four levels.

**Level one: We exist because...**

The top level describes why the organization exists. Essentially a mission statement, it is explained this way: We exist because ‘we support the delivery of world-class health and the highest quality of health care to the people in the North West by obtaining better quality and better value for money products and services through world-class procurement and commercial services’. This overarching mission/description is supported by three sub-components, for example: ‘we generate value and efficiency savings for our members.’ These sub-components provide a more practical focus than is typically the case with ‘mission’ statements.

**Level two: We have to excel at...**

Level two of the strategic map describes those critical few performance outcomes that NWCCA must excel at if it is to deliver to its ‘mission’. Three outcomes were identified, for example: ‘become a trusted commercial advisor to our customers’.

**Level three: We need to manage these key performance enablers**

Dropping down to level three of the strategic map we find the key performance enablers that NWCCA must manage exceptionally well in order to deliver its outcomes. The executive leadership team identified eight key enablers, such as ‘retain and grow our customer base by understanding our customer needs’.

**Level four: We need to manage these resources**

The fourth and final level of the strategic map describes those key resources that the organization must manage to deliver its mission. The three resources identified include ‘process excellence and programme management’. As we can see from Figure 1, there is a clear causal relationship between managing resources well and sequential successes at the next three levels. “We now have a plan on one page,” says McCusker. “Everybody within the organization can see what we are aiming to do, what our objectives are and what activities we must excel at.”
Creating a Heat Map

To really make the ‘plan on a page’ come alive, a heat map is used to assess performance. A heat-map is a color coded version of the plan-on-a-page that highlights current performance levels. NWCCA uses a five color system (see Figure 2).

- Blue: Better than expected
- Green: Everything good
- Yellow: Some issues
- Amber: Bigger issues
- Red: Not good at all.

Although it is through assessment of key performance indicators (see below) that performance colors are assigned on an ongoing basis, NWCCA did create its first heat map from the initial interviews. “The feedback provided excellent insights into what was working well and what wasn’t,” explains McCusker. “It meant we were quickly able to use the strategic map as a performance management tool and to prioritize improvement efforts.”

A tool for prioritization

And using a heat map as the basis for prioritization is an important observation. The purpose of color-coding is not to turn everything green, but rather to provide prioritization at the strategic level, which requires a balance between green, amber, yellow and red.
Objectives and Action Plans

NWCCA’s strategic map forms the highest level of the organization’s performance framework. Each of the identified outcomes/activities on the map is a gateway to more granular objectives and action plans. For instance, consider the key enabler of performance: ‘innovate and develop new services and improve our service delivery’. For this six objectives have presently been identified, including ‘develop agreed partnerships with sub-regional organizations’ and ‘introduce and develop non-NHS customers.’ The objectives have six supporting activities, such as ‘ensure suitable SLAs are in place to cover the additional services and their costing’ and ‘identify opportunities for new business’. Each objective and activity has a designated owner and each activity has a specified delivery date.

As a further example, the enabler ‘foster a performance driven culture and live our values’ is supported by four objectives, such as ‘develop and improve internal communications’ and nine action plans, such as ‘reinforce the cultural values of the organization as part of the induction process for all staff’ and ‘determine the appropriate communications support needed by the organization as it develops.’

Performance Definitions

As with all other outcomes and activities, a more detailed definition than appears on the map is provided to shape the objective/action plans that
support the ‘foster a performance driven culture and live our values’ enabler. This is: ‘We need an organizational culture that is customer focused, professional and performance driven. We therefore have to live our values leading to the right behaviors. Our values are:

- Customer focused in all that we do
- Integrity of thought and deed
- Aspire to excellence
- Respect people and value their individuality
- Lead by example in fostering a collaborative culture.’

A Values Charter
Highlighting this particular enabler is purposeful as values play an important role in shaping NWCCA’s performance. “We have created a values charter that all employees must adhere to and which serves as a key part of our overall performance framework,” says McCusker.

The values charter describes the key behaviours that are expected to deliver to each of the five values. As one example, the behaviors that support the ‘customer focused in all that we do’ value includes: ‘committed to best in class to support healthcare delivery and improve patient outcomes’ and ‘be seen to make a difference’. As a further example, the value ‘aspire to excellence’ is supported by behaviors such as ‘strategically informed decision making at all times and ‘encourage adoption and sharing of best practices.’

Key Performance Questions and Key Performance Indicators
An integral part of NWCCA’s performance framework is the use of key performance questions (KPQs) as a tool to ensure that the organization is focusing on the most appropriate strategic goals. Pioneered by API, KPQs enable a full and focused discussion on how well the organization is delivering to these goals and serve as an important bridge between these goals and key performance indicators (KPIs). (For more information on KPQs and KPIs see the API white paper ‘What are KPQs’ and the API management overview ‘Key Performance Indicators’).

Staying with the enabler ‘foster a performance driven culture and live our values’ as the example, five KPQs have been identified (although it should be noted that both KPQs and KPIs are still being fine-tuned within NWCCA, and will likely evolve going forward):

1. To what extent are we customer focused in all that we do
2. To what extent is there integrity in thought and deed
3. To what extent do we have a culture of excellence
4. To what extent do we value people and respect their individuality
5. To what extent are we leading by example in fostering a collaborative culture?

Staff and customer focus groups and surveys are used to collect the qualitative and quantitative data that inform the KPIs that assess performance to these questions.

As another example, the enabler ‘extend the awareness of our services and better communicate

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1 http://www.ap-institute.com/resources.htm
with customers’ is supported by two KPQs ‘to what extent are organizations in the market aware of us and what we do’ and ‘to what extent is the market receiving our messages’ and by three KPIs ‘awareness levels among existing customers’, ‘awareness levels among suppliers’ and ‘market analysis’.

**Next Steps: Aligning Individual Performance with Strategic Goals**

If NWCCA is unusual in that just about all employees were involved in creating the strategic map, it is also unusual in that the next implementation step will see the individual appraisal system used as the main format for devolving the performance framework enterprise wide. “Everybody in the organization will have twice-yearly appraisal meetings that will be linked to the strategic map and through which individual targets will be set in the context of the NWCCA strategy,” says McCusker, who puts it nicely when she says: “Organizational performance will filter down like a golden thread from the high level map, through each objective and action plan to the individual goals of each employee.”

**Being able to put strategy down on paper**

A real benefit for small companies is simply the ability to put strategy onto paper. The fact is that many small organizations don’t have strategic plans. And where they do exist they basically reside in people’s heads. This often means that there is confusion about the strategic priorities of the organization. This gets especially complicated if there are a number of directors who all have their own slightly different models of strategy – this means people send out different and therefore confusing messages about priorities.

Being able to articulate a strategy through a single direction piece of paper (a plan on a page) drives a clarity of strategic understanding through the organization and goes a long way to ensuring that there is congruence in the activities and initiatives that are in place to deliver the strategic goals.

**Retaining a Focus on ‘What Makes a Difference’**

Many organizations fail during the transition from being a small organization - that is dependent on a few people - to a large company that requires the employment of, and commitment of many people. Without a ‘plan on a page’ it is easy for the organization to ‘forget’ the key capabilities and relationships that made it succeed in the first place and that it requires to maintain a competitive edge as it grows. Creating a Balanced Scorecard helps the organization maintain its competitive advantage as it grapples with the operational challenges of managing a growing enterprise.

**Appendix: Using Balanced Scorecards within Small organizations.**

An oft-asked question is whether Balanced Scorecards are as useful for small companies as they have proven to be for larger corporations. The answer is that the benefits for small and large companies are essentially the same, which we list below. However, there are three specific benefits for small companies which we discuss in more detail in the following sections.

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All Employees can be involved in Creating the Balanced Scorecard

As described with the NWCCA case study, the ability to involve all employees in the process of creating a scorecard - and therefore making buy-in much more likely - is a benefit that can only realistically be achieved by small companies. For cost reasons, this is typically unachievable for larger companies. Being so inclusive is a powerful way to secure buy-in to the organization's goals and sets a cultural tone that will likely remain within the organization as it continues to grow.

The following list applies to organizations; irrespective of they have 48 employees or 480,000.

Better Strategic Planning

A Balanced Scorecard is a powerful framework for building and communicating strategy. The business model is visualised in a Strategy Map which forces managers to think about cause-and-effect relationships. The process of creating a Strategy Map ensures that consensus is reached over a set of interrelated strategic objectives. It means that performance outcomes as well as key enablers or drivers of future performance (such as the intangibles) are identified to create a complete picture of the strategy.

Improved Strategy Communication & Execution

The fact that the strategy with all its interrelated objectives is mapped on one piece of paper allows companies to easily communicate strategy internally and externally. It has long been recognized that that a picture is worth a thousand words and this ‘plan on a page’ facilitates the understanding of the strategy and helps to engage staff and external stakeholders in the delivery and review of strategy. In the end it is impossible to execute a strategy that is not understood by everybody.

Better Management Information

A Balanced Scorecard approach forces organizations to design key performance indicators for their various strategic objectives. This ensures that companies are measuring what actually matters. Research shows that companies with a Balanced Scorecard approach tend to report higher quality management information and gain increasing benefits from the way this information is used to guide management and decision making.

Improved Performance Reporting

Companies using a Balanced Scorecard approach tend to produce better performance reports than those without such a structured approach to performance management. Increasing needs and requirements for transparency can be met if companies create meaningful management reports and dashboards to communicate performance both internally and externally.

Better Strategic Alignment

Organisations with a Balanced Scorecard are able to better align their organisation with the strategic objectives. In order to execute a plan well, organizations need to ensure that all business and support units are working towards the same goals. Cascading a Balanced Scorecard into those units will help to achieve that and link strategy to operations.
**Better Organisational Alignment**

A well implemented Balanced Scorecard also helps to align organizational processes such as budgeting, risk management and analytics with the strategic priorities. This will help to create a truly strategy focused organisation.

**Endnotes, References & Further Reading**


**Highlights from the API resources library:**

Our Resource and Research Library offers a selection of relevant downloads and links to books, articles and case studies. These have been selected as useful information sources for further reading and to illustrate best practice and leading thinking.

Some key ideas explained in simple terms:

- What is Performance Management?
- What is the Balanced Scorecard?
- What is a Key Performance Indicator?

To read more just click: [http://www.ap-institute.com/resources.htm](http://www.ap-institute.com/resources.htm)