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A new BSC architecture for the Public Sector

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Introduction

In order to successfully apply the Balanced Scorecard (BSC) methodology (1) in the public sector, the original framework should be adapted to fit the different needs of mission-oriented organisations. One of the most significant change to make is in the perspectives' architecture. The architecture that organisations adopt is a key element to consider because it inspires the chains of cause and effect relationships used by organisations to describe their strategy. The architecture proposed here is based on four perspectives in which the outcomes perspective (the community one) is depicted in four dimensions using what the author calls "a multidimensional approach to the community perspective".

The order in which perspectives are arranged

It may seem a trivial issue, but the order in which perspectives are arranged is important to identify outcomes and drivers. The BSC and strategy map architecture proposed here is composed of four perspectives inspired by the organisation's mission and arranged in the following order: Community; Internal processes; Financial resources; Learning & Growth.

This is the same order used by the City of Charlotte in building its BSC (2). In Charlotte's BSC, the outcomes perspective is called customer perspective. In order to avoid "*defining the citizen roles too narrowly*" (3), the author prefers replacing the term "customer" with the term "community". The scope public sector organisations exist for is to create public value for the community they serve. So the community (or the citizens) perspective should be the outcomes perspective of a BSC built for the public sector. Value for the community is created through the key internal processes performed by the organisation. The internal processes perspective describes the way organisation's strategy will be accomplished to achieve the desired results.

In the public sector, the traditional financial perspective, used by profit-driven organisations as the outcomes perspective, is meaningless. Financial resources can be seen as either enablers of organisation's success or constraints within which the organisation must operate. So in the author's opinion it is more correct to define a financial resources perspective and consider it as an input perspective. Depending on the kind of public organisation, this perspective includes objectives and indicators related with funding and resources planning, allocation and distribution. The learning & growth perspective is the traditional one, focused on how to develop intangible assets. To summarize, a strategy map of a public sector organisation should describe how: intangible assets, making the most of available financial resources, through the perfect execution of the few strategic processes, create the desired public value for citizens.

Community perspective: the multidimensional approach

In recent years, inspired by the New Public Management Movement (4), many public sector organisations around the world, have tried to change their bureaucratic approach to the citizenship focusing on citizens as customers and looking at themselves as service providers. Unfortunately the customer's metaphor is not suitable to represent the complexity of the relationships between public sector and citizenship. In the author's opinion, this complexity is a key element to consider in building performance management systems in the public sector.

In a Balanced Scorecard built considering the citizen as a customer, objectives in the internal processes perspective are aligned just with a partial set of outcomes and this can affect the performance of the organisation, especially in the long term. We should not forget that the Balanced Scorecard has a sequential structure that highlights cause and effect relationship between desired outcomes and what we consider the drivers of the future performance across all the perspectives. The community perspective should take into account different roles played by the citizen in her/his relationship with the organisation. In the author's opinion four dimensions are a good trade-off between the need to represent the complexity of the relationship and the need to preserve the

simplicity of the framework. These dimensions are: 1) *Citizen as Customer*; 2) *Citizen as Owner*; 3) *Citizen as Subject to laws*; and 4) *Citizen as Partner*

Why is it so important to distinguish different roles of citizen in the community perspective? To giving a clarity of purpose. Organisations need to be clear about their priorities and about the multidimensional role of stakeholder that citizens have since people working in the organisation must cope with the needs of a varied community that can not simply be reduced at the role of customer. These dimensions are mutually reinforcing and reinforce the employees’ motivations for engaging in the organisation’s work. Exhibit 1 shows the strategy map framework for a public healthcare organisation.



Exhibit 1 – The strategic map for a Local Healthcare Authority

1) *Citizen as customer* It is the dimension of responsiveness. It is important to consider citizens as customers in complex environments. Sometimes the word customer might not be the most appropriate to depict the role that the citizen has in her/his individual and direct relationship with the organisation (patient, user or just citizen are perhaps more correct), nevertheless it well represents the will to go beyond the bureaucratic approach so ubiquitous till a few years ago in the public administration.

2) *Citizen as owner* This represents the accountability dimension of Public Sector organisations. In this dimension we recognise the “*accountability of public organisations as service providers to the community at large*” (5). In the previous dimension citizen’s demand is about providing the best quality of service to her/him personally. In this dimension the demand is about being committed to the public’s interest and making the best use of public money. Citizens are taxpayers, voters and members of society with rights enshrined in the constitution. Though they act through intermediaries to control organisations, they are the actual owners of public sector organisations.

3) *Citizen as subject to laws* This is the dimension of protection. Protecting citizenship with laws means not only to improve the social well-being but also to minimize risks and uncertainty effects that could affect the organisation’s performance (6). Is it a mean or an end? In the author’s opinion it should be considered an end. Citizens have duties to the citizenship as a whole: these duties are regulated by rules and laws that public organisations must enforce with all the actions of information, prevention, control, inspection and surveillance under their jurisdiction.

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4) **Citizen as partner** This is the dimension of citizen engagement. Often citizen engagement is considered more as a process than an outcome. In the author's opinion, citizen engagement should be a goal, a condition of long term social well-being. Citizens should be involved as individuals (outcomes derived from promotion of healthy lifestyles, prevention and engagement) and as a part of organized groups (outcomes derived from collaboration). To improve waste recycling a local administration can increase the number of trash cans for recycling (glass, paper, plastic, organic waste), but if households do not separate the different kind of trash, it will be very difficult to achieve that objective. More citizens are actively involved and give their real contribution more recycling will be effective, less financial resources will be required, more financial resources will be available for other projects. The same happens in Healthcare: e.g. the cause and effect relationship between smoking and diagnosis of lung cancer. As far as the partnership with other organisations is concerned it has become a further priority for public sector organisations. In a complex world like ours, cross-organisational responsibility and events governance is a matter of fact. Today public sector organisations are involved in working together with other public sector, private and non-for-profit organisations in a (more or less) coordinated manner not only to deliver services but, more in general, to improve the quality of life of the citizenship. The objective is to move from a generic partnership to a structured network with clear governance and accountability (7) in order to realize more benefits for users, service deliverers and also for people working within organisations.

Conclusions

The multidimensional approach proposed by the author has been adopted in a few Italian Healthcare Organisations (8) to build their performance management systems. What has been found is that aligning objectives, measures and initiatives in the other BSC perspectives with a balanced set of outcomes in the four dimensions of the Community perspective helps managers and professionals to focus on different aspects and views of their work and represents a step forward in designing an effective performance management system for their organisation. It allows to balance: i) passive approach with active relationship; ii) short term with long term; accountability with control; responsiveness with collaboration (9); satisfaction and trust (10) with contribution (11); and helps to improve the partnership and the integration with other public sector and third sector organisations.

This is a revised extract of a paper presented by the author at EGPA2005. The full paper can be downloaded at <http://www.balancedscorecardreview.it/c2005/Bocci-EGPA2005.pdf>

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