

# **Balanced Scorecard (BSC) Orientation for the Office of Research Services**

The Balanced Scorecard for Government, Inc.  
Debrah Whitaker and Patrick Patterson



March 2003

Ver-1



**For more information on Performance Management in the Office of Research Services:**

[http://www.nih.gov/od/ors/od/oqm/pm/index\\_pm.htm](http://www.nih.gov/od/ors/od/oqm/pm/index_pm.htm)

**Or Contact:**

Amy Culbertson

Culberta@ors.od.nih.gov

(301) 594-9616

**Acknowledgments**

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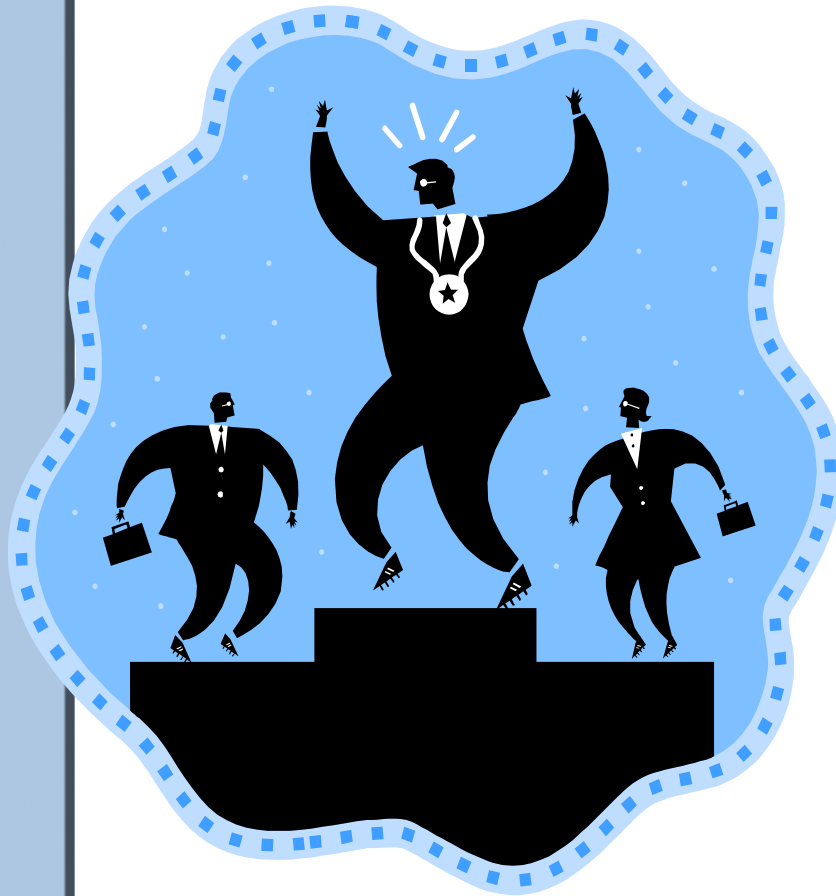


# Training Objectives

- Discuss how to develop a sound value proposition
- Revisit how to define strategy
- Review how to develop objectives for the four BSC perspectives
  - Customer
  - Internal Business Process
  - Learning and Growth
  - Financial



# Value Proposition



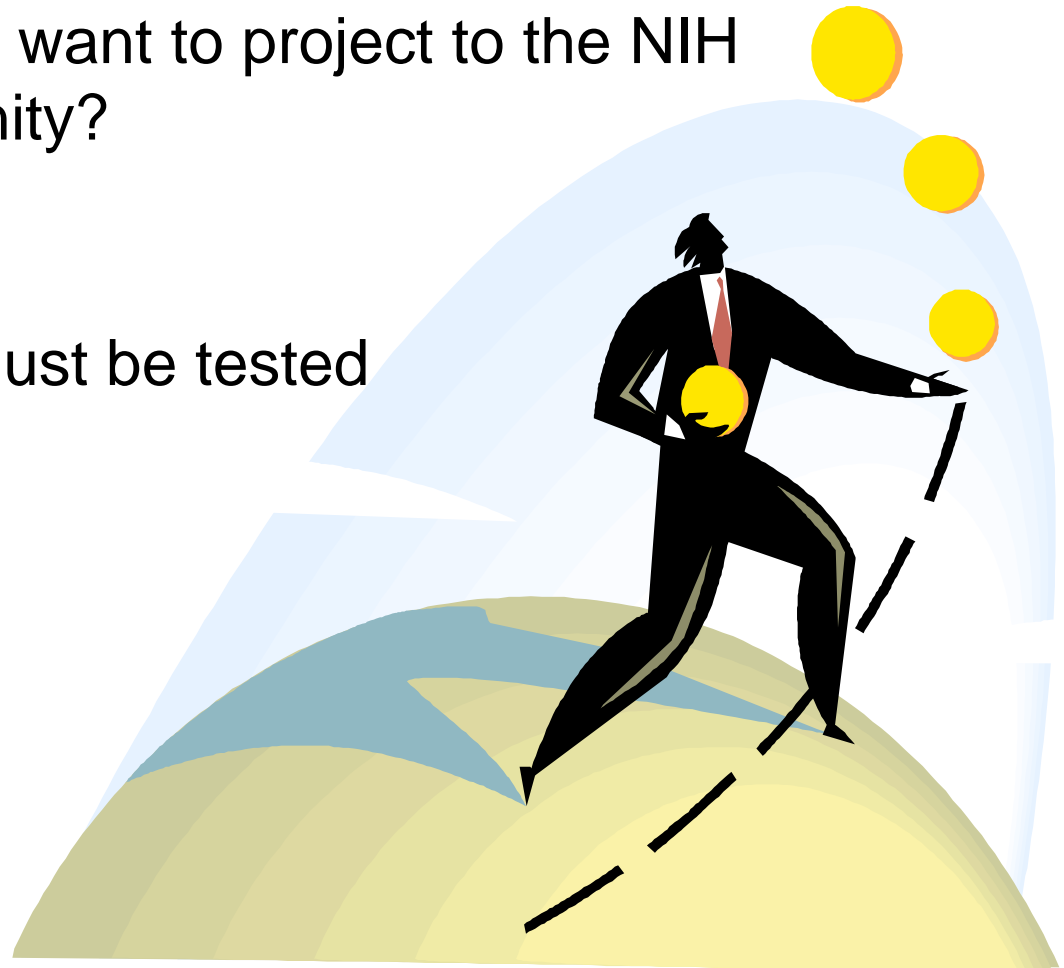
The Value Proposition should be established with the Research Community in mind and is derived using the following formula:

Value = Product and/or service attributes + image + relationship

The value proposition should establish why we do what we do, and what impact that has on the community for whom we provide our services.

## What is the value proposition for your Service Group?

- What values do we want to project to the NIH Research Community?
  - Customers
  - Stakeholders
- It is a theory that must be tested



# First, you must consider “Who are our customers?”

## Customers:

- Are the recipients of our goods and services
- Are the direct beneficiaries
- May also be stakeholders



## Stakeholders:

- Influence budget, funding, and resource allocations
- Are alter egos of customers
- Fill a stewardship or regulatory role



**Note:** Customer segmentation data should clarify your customers/stakeholders.

## Customers

- The NIH Institutes
- ORS program managers
- ORS service providers
- ORS administrators



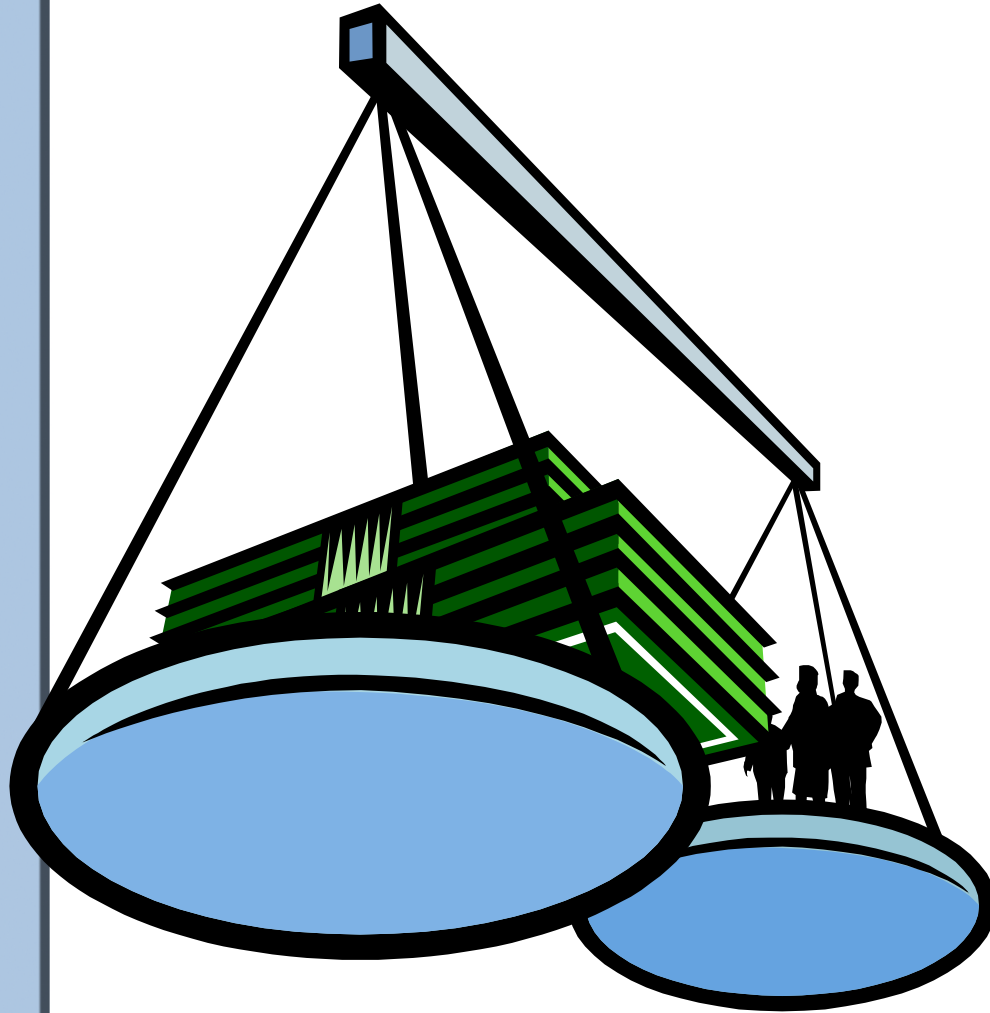
## EXAMPLE

## Stakeholders

- ORS Advisory Committee
- FARB
- DHHS
- OMB/GAO/Congress



## Why do we distinguish stakeholders from other customers?



- Stakeholders have different issues
- Need different approach
- Stakeholders can increase or decrease funding (regardless of how customers feel)
- Stakeholders can influence policy
- Customers and stakeholders may each value something different



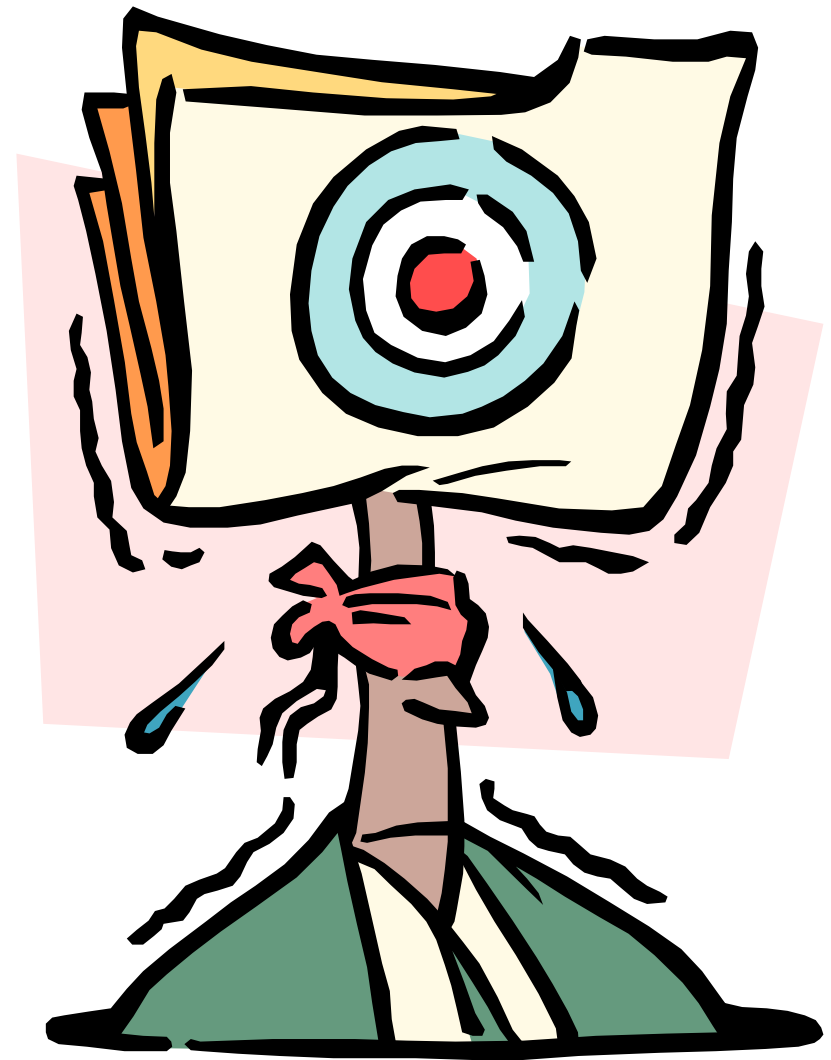
# What do customers really want?

- What value do we provide to customers?
- What would happen to customers if we were no longer around?
- How much are customers willing to pay for our products/services?
- What is our obligation to customers?
- What can we do to ensure their support?
- What can we do to better educate them?



## What do stakeholders really want?

- What do our stakeholders value?
- How does what they value differ from what our customers value?
- What is our obligation to stakeholders?
- What can we do to ensure their support?
- What can we do to better educate them?



# The Value Proposition

**EXAMPLE**

*Generic Model → The value proposition should establish “why”*

**Value = (Product / Service Attributes) + Image + Relationship**



*Example: Federal Agency*

| Product/Service Attributes |                     | Image                  |                                     | Relationship                       |                                 |
|----------------------------|---------------------|------------------------|-------------------------------------|------------------------------------|---------------------------------|
| High Quality (Services)    | Reliable (Products) | Knowledgeable (People) | Leadership & Focus (Executive Team) | Personal Relationships (Customers) | Quality of Worklife (Employees) |

## VALUE PROPOSITION STATEMENT

“XYZ Agency” delivers value to their customers by providing reliable policy and high quality advice developed by knowledgeable experts in order to ensure a safe and secure work environment.

# What value do we offer our customers/stakeholders?

## Why are you in business?

Value = (Product / Service Attributes) + Image + Relationship



## What is the VALUE PROPOSITION for your Service Group?

| Product/Service Attributes |   | Image |   | Relationship |   |
|----------------------------|---|-------|---|--------------|---|
| ?                          | ? | ?     | ? | ?            | ? |

# Revise/update your Value Proposition on your Performance Management Plan (PMP)

| Performance Management Plan (PMP)               |                                  |
|---|----------------------------------|
| <b>Service Group</b>                            |                                  |
|   |                                  |
| <b>Discrete Services</b>                        |                                  |
| DS1:  |                                  |
| DS2:  |                                  |
| DS3:  |                                  |
| DS4:  |                                  |
| DS5:  |                                  |
| DS6:  |                                  |
| <b>Value Proposition</b>                        |                                  |
|   |                                  |
| <b>Service Strategy</b>                         |                                  |
| <input type="checkbox"/> Operational Excellence | <input type="checkbox"/> Growth  |
| <input type="checkbox"/> Customer Intimacy      | <input type="checkbox"/> Sustain |
| <input type="checkbox"/> Product Leadership     | <input type="checkbox"/> Harvest |
| <b>Strategy Description</b>                     |                                  |
|   |                                  |
| <b>Team Leader</b>                              |                                  |
|   |                                  |
| <b>Team Members</b>                             |                                  |
|   |                                  |
| Date:   |                                  |

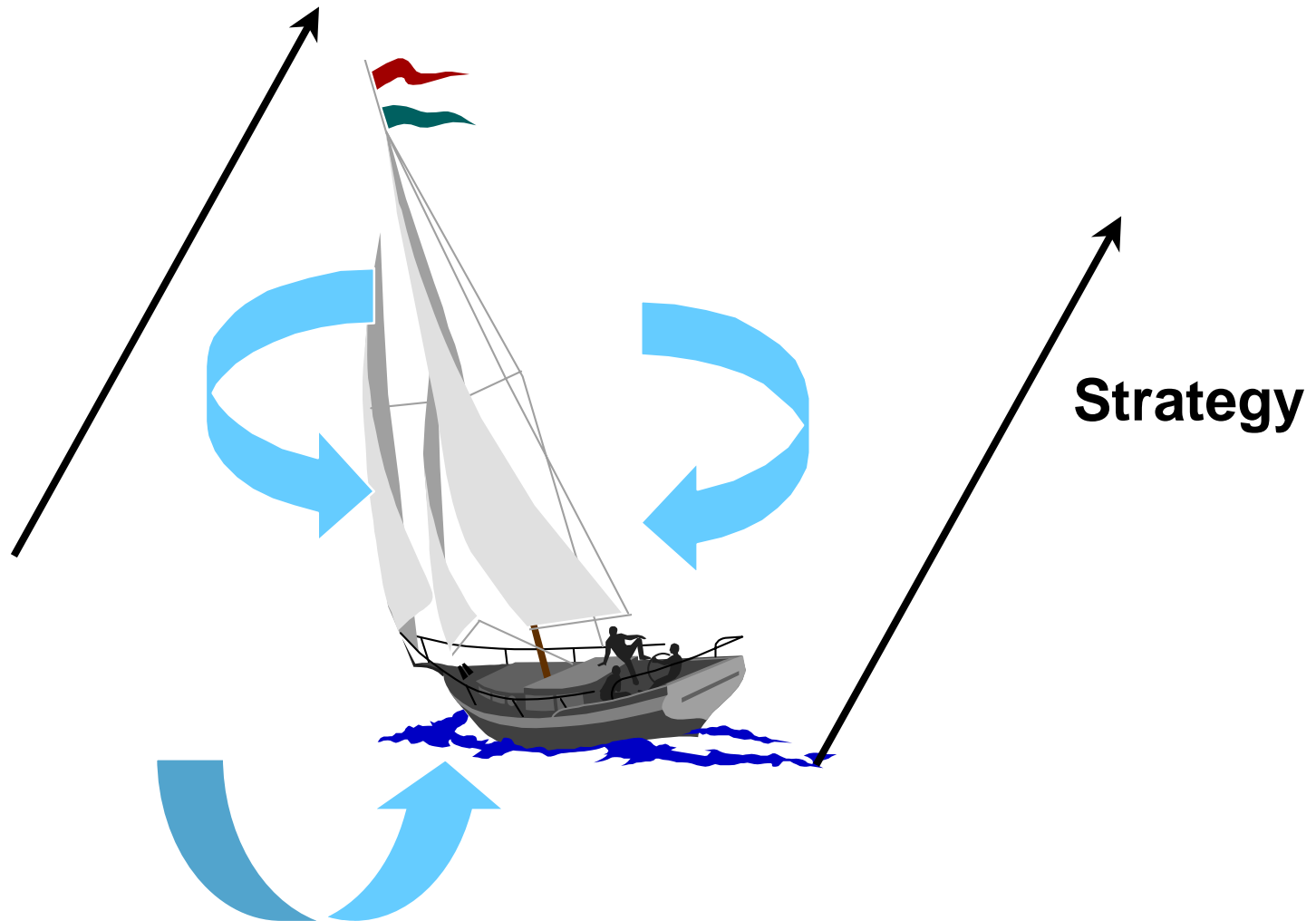
*Type in revised/updated value proposition (VP) here.*

# Revisit Strategy



# What is strategy?

Think of Strategy as a Way to Get to Your Destination



# The BSC Provides Structure and Context for Effective Strategic Management

*Informed executives managing a strategic agenda*



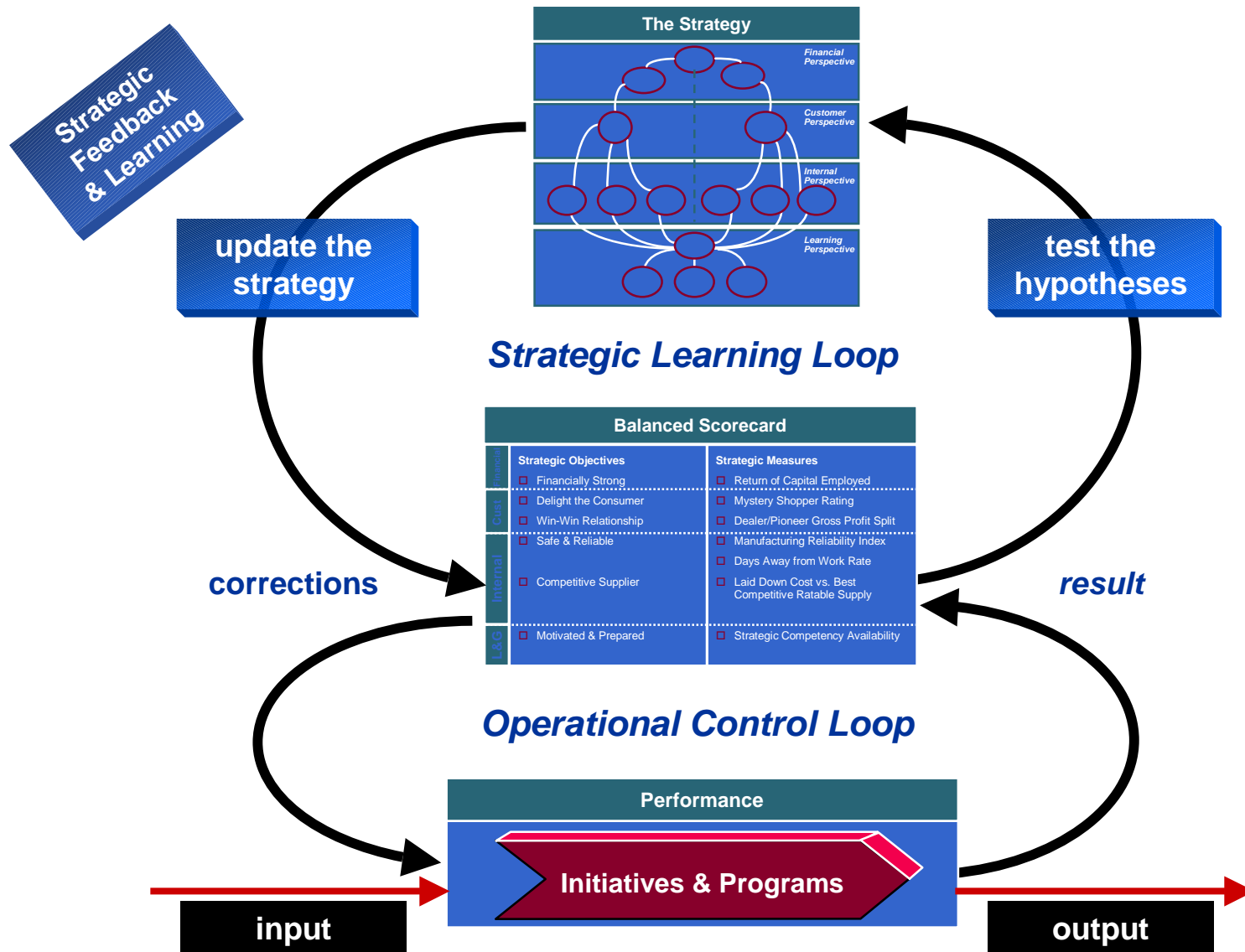
**The Power To Rapidly Implement Strategy, Learn, and Improve**



*Motivated workforce implementing strategy and documenting progress*



# Strategic Management Is Based Upon a “Double Loop” Learning Approach

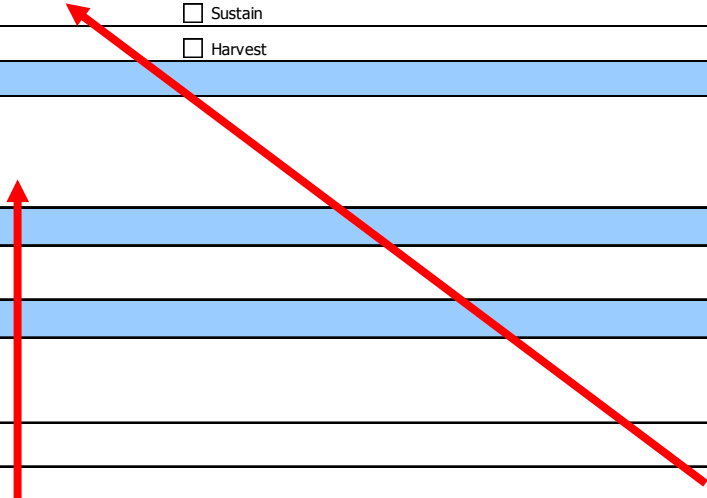


## Elaborate on Your Strategy

- **Think more deeply about the strategy choices you made for your Service Group in FY02**
  - Go beyond the category system provided
  - Write your own strategy statement(s) or develop strategy map(s)
- **What may help with expanding your thinking on strategy?**
  - What demands are the customers or “chain of command” placing on the Service Group?
  - Are your customer demands for services changing dramatically?
  - Has the environment changed to require new products/services, or service levels, from your group?
  - Are there expectation for reduced unit cost?
  - What is the future direction of your Service Group?

# Describe Service Group Strategy on your Performance Management Plan (PMP)

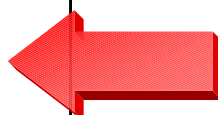
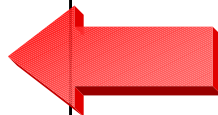
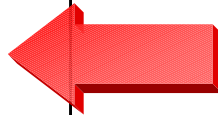
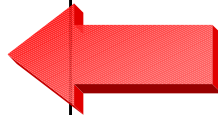
| Performance Management Plan (PMP)               |                                  |
|---|----------------------------------|
| <b>Service Group</b>                            |                                  |
|   |                                  |
| <b>Discrete Services</b>                        |                                  |
| DS1:  |                                  |
| DS2:  |                                  |
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| <b>Value Proposition</b>                        |                                  |
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| <b>Team Leader</b>                              |                                  |
|   |                                  |
| <b>Team Members</b>                             |                                  |
|   |                                  |
| Date:   |                                  |
|   |                                  |



**Describe your strategy by expanding on your choice(s) in FY02.**

# From Strategy to Objectives.....

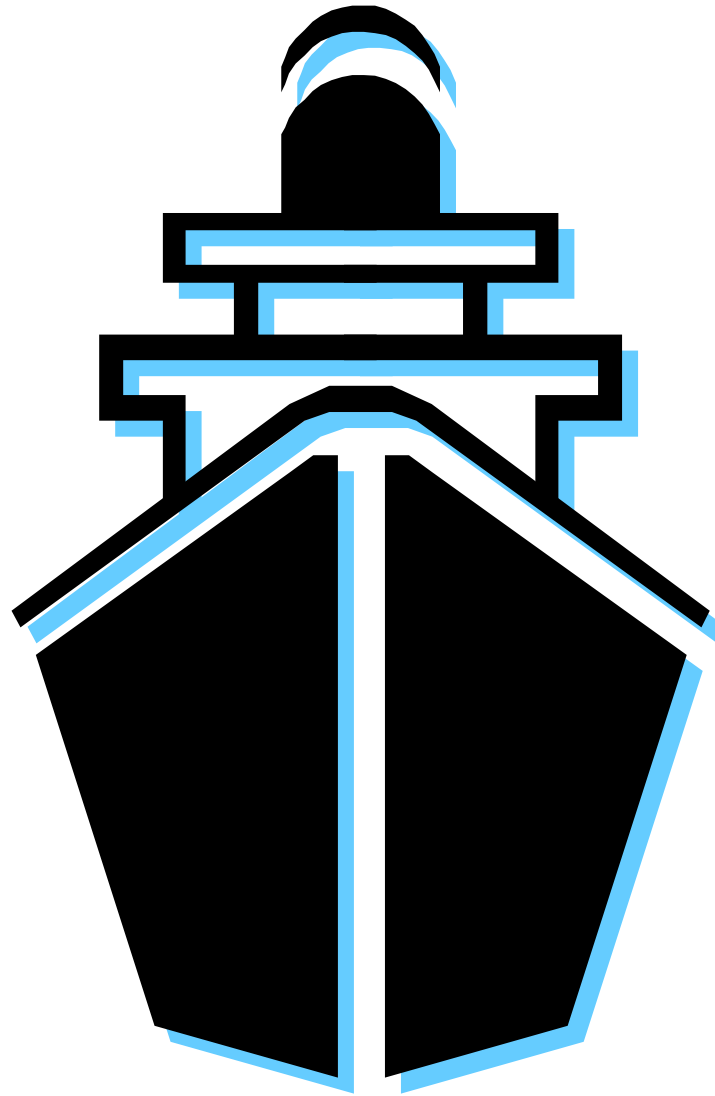
| Service Group:      |           |         |                 |                |                |            |       |
|---------------------|-----------|---------|-----------------|----------------|----------------|------------|-------|
|                     | Objective | Measure | FY 03<br>Target | FY04<br>Target | FY05<br>Target | Initiative | Owner |
| Customer            |           |         |                 |                |                |            |       |
| Internal Business   |           |         |                 |                |                |            |       |
| Learning and Growth |           |         |                 |                |                |            |       |
| Financial           |           |         |                 |                |                |            |       |



**Next, our focus will be on crafting the objectives.**

*Objectives should enable the achievement of your value proposition and strategy.*

# Constructing the Performance Management Plan Objectives



# Objectives

**Objectives are a means to achieve your value proposition and strategy.**

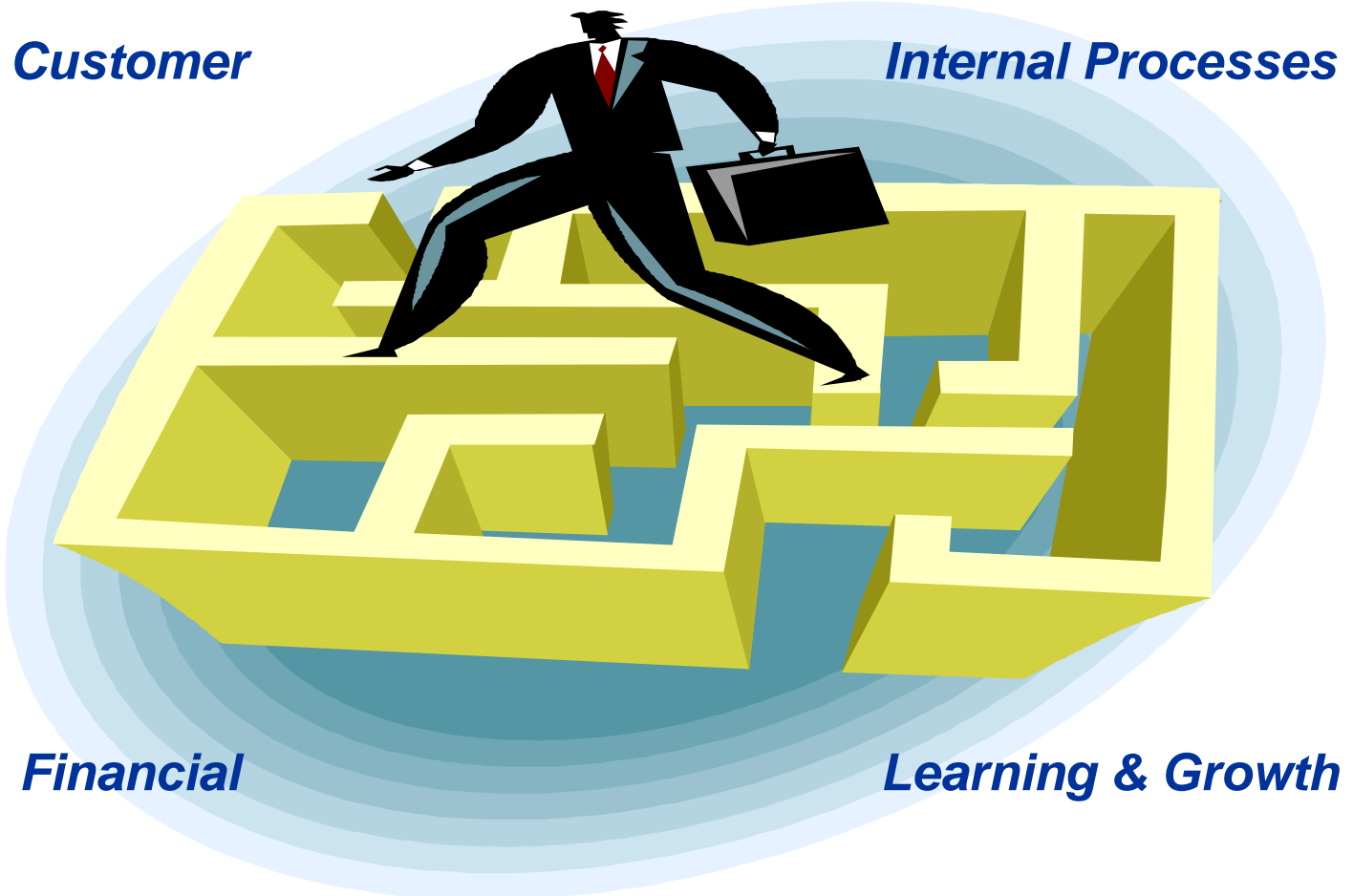
## Perspective

- **Customer**
- **Internal Business Process**
- **Learning and Growth**
- **Financial**

## Information Needed

- Customer/stakeholder segmentation, value proposition and strategy
- Process maps, process data, value proposition and strategy
- Future needs of the customer and the organization, enablers (people, tools, culture) to get there, value proposition and strategy
- Customer demands for services/service levels, willingness to pay for services, funding levels available for Service Group, value proposition and strategy

# Crafting Objectives By Perspective



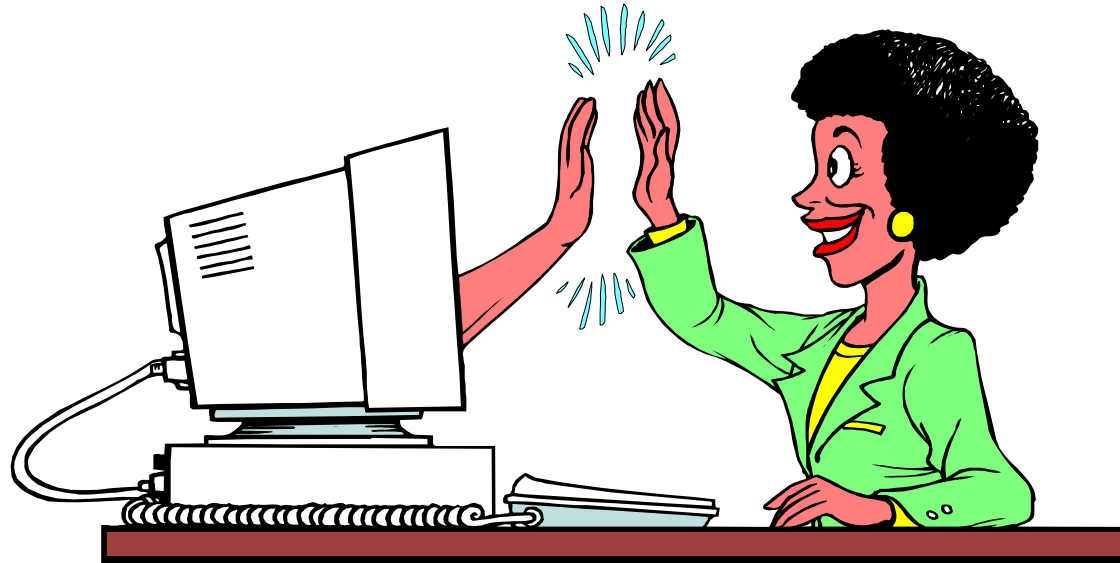


## Customer Perspective





# What Do Our Customers Really Want?



(Outcome or “end-state”)

What are we really trying to accomplish as a Service Group?

What outcomes are we offering customers with our Service Group/Discrete Service offerings?

What will our customer base look like 5-7 years from now?

What will our customer needs be in the future?

## Customer Objectives (Outcomes)

EXAMPLE  
OBJECTIVES

- Increased customer satisfaction
- Increased customer loyalty (repeat business)
- Best value products and services (repeat business, word of mouth referrals, requests for partnerships in projects)
- New customer acquisition or increase in market share
- Supplier of choice (word of mouth referrals, repeat business)
- Collaborator of choice (requests for project/scientific collaborations)



## **Internal Business Process Perspective**



# What is Your Value Chain?

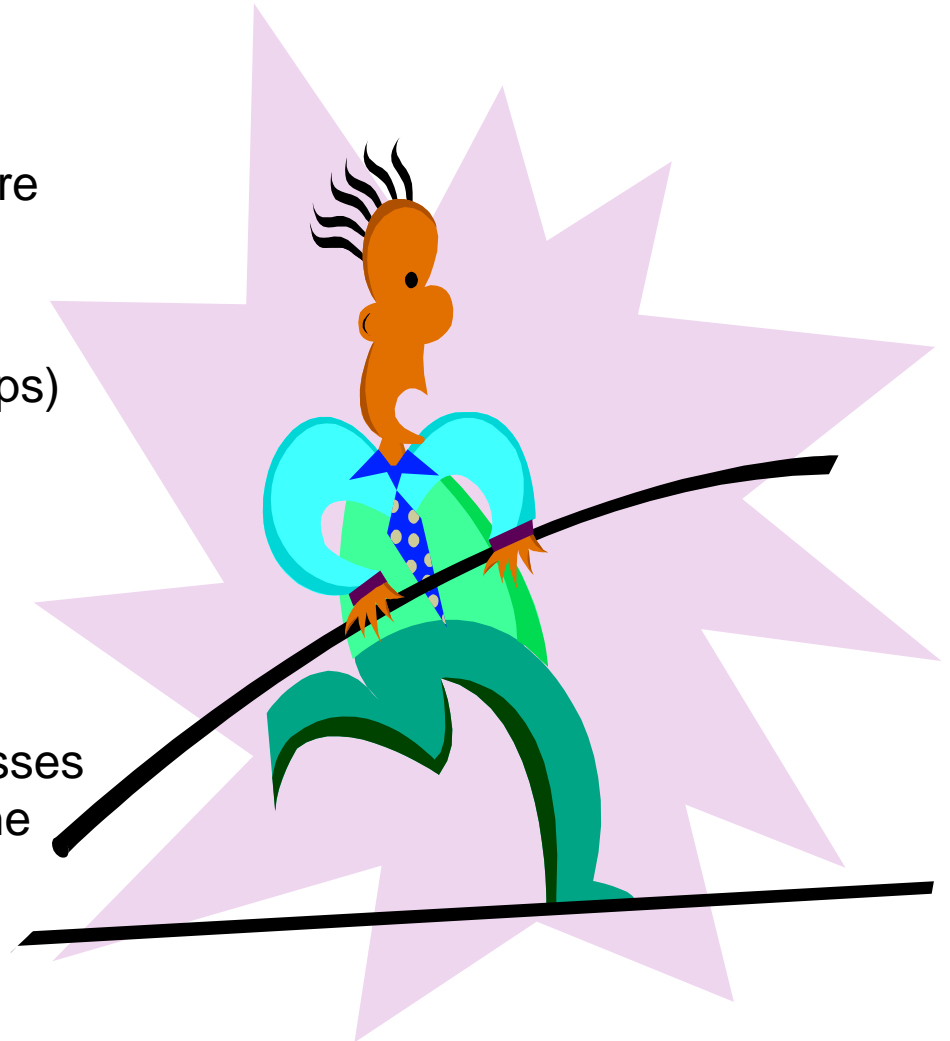
How do we get new work? Where does it come from?

What processes do we need to perform very well? (process maps)

How do we complete the work? (deployment flowcharts)

How do we deliver it to our customers?

How can we improve our processes to meet attributes identified in the value proposition?



# The Internal Business Process Perspective

## Generic Value Chain Model



- In most cases, the value chain should reflect the core internal processes – product development, customer communication, fulfillment, customer service, etc.
- Objectives should relate to the core processes or the integration of processes and not to sub-tasks or support activities (e.g., “identify customer needs” or “manage HR”)

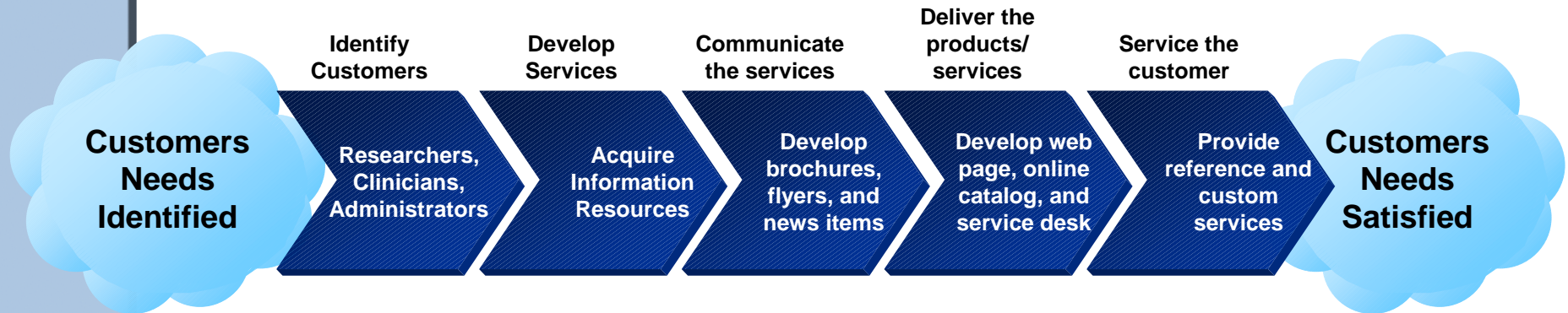


# Value Chain for the NIH Library

**EXAMPLE**

## Provide Library Services

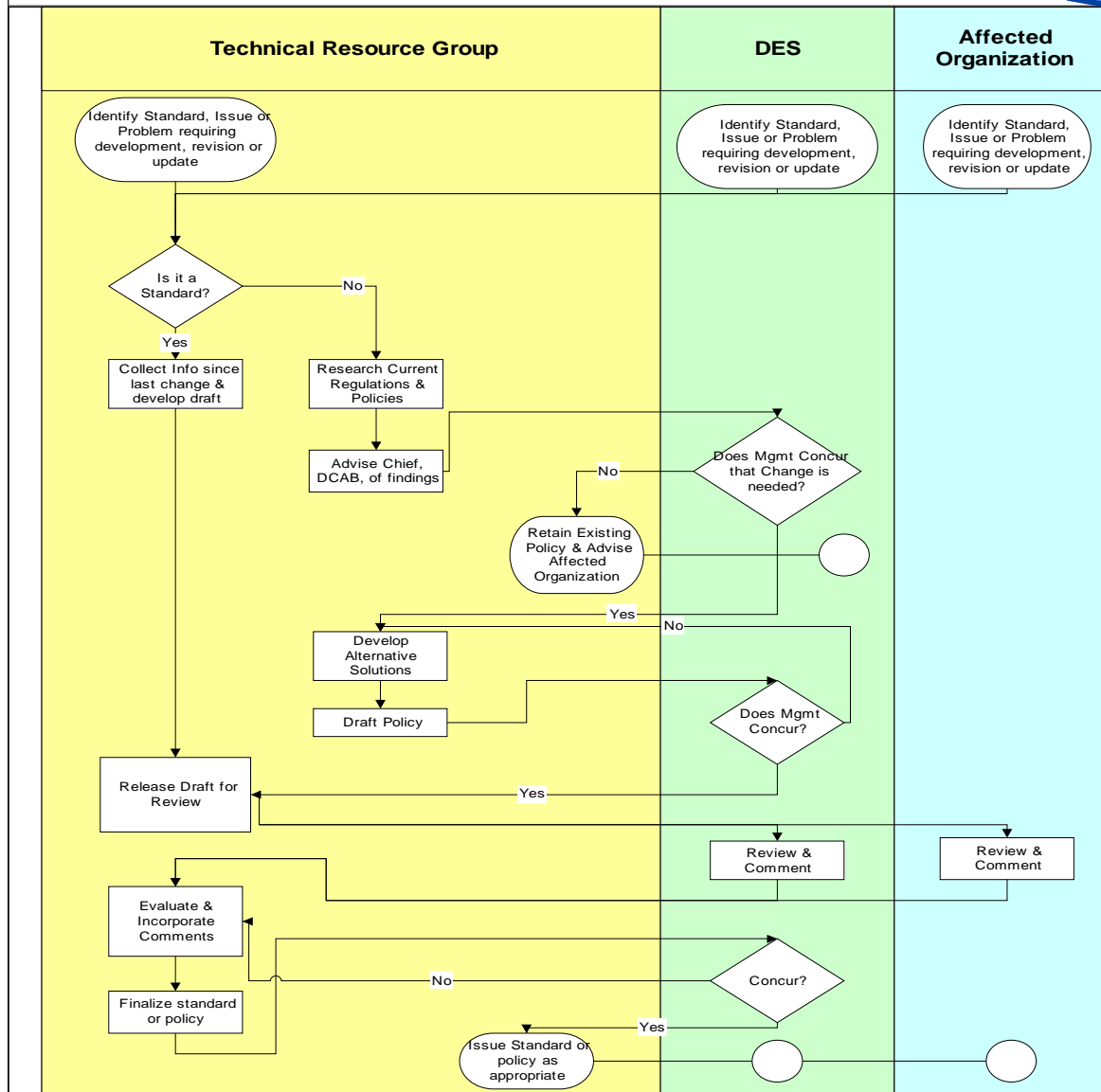
**Value Proposition** - Support the biomedical and behavioral research needs of the NIH community with a comprehensive range of scientific, medical, and administrative information and support services.



# Review Process Maps to Understand Value Chain

Discrete Service: DS1 - Provide technical standards and policy for NIH Facilities  
Date: Draft 30 July 2002 Participants: ASA Team

**EXAMPLE**



# Internal Business Processes

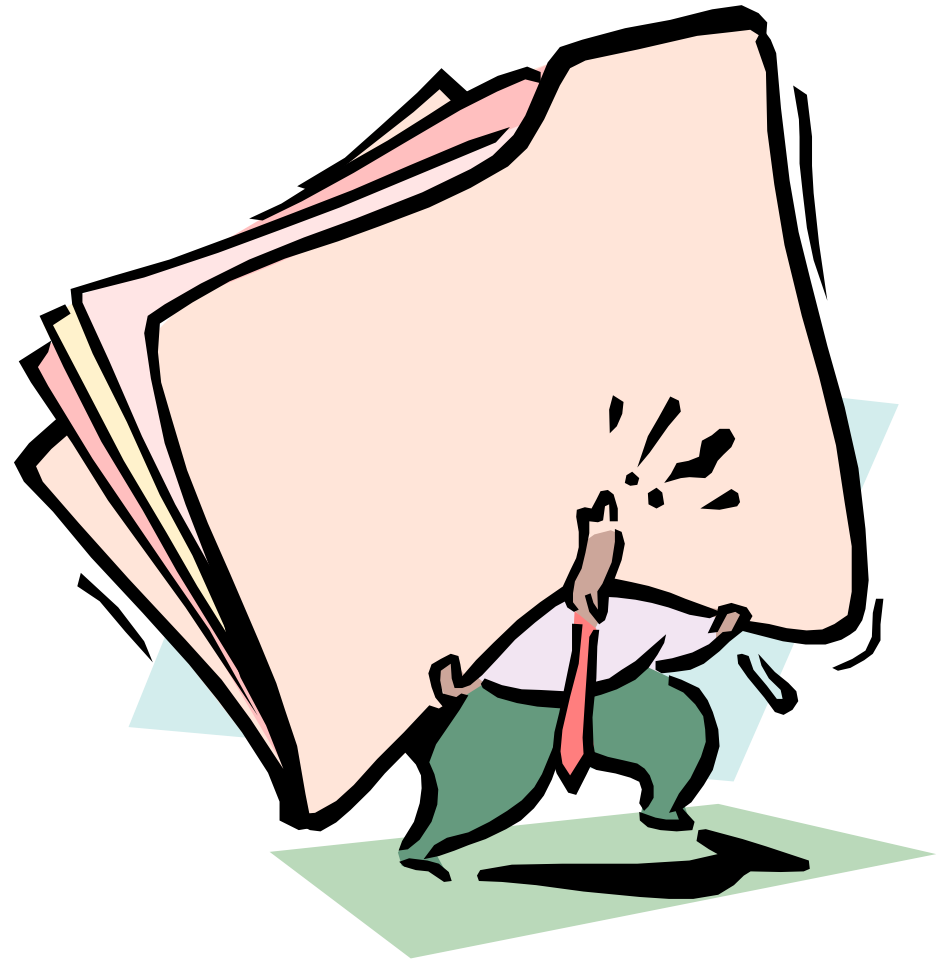
- What is our value chain?  
(How do we create value for our customers, stakeholders, employees) through our processes?
- What key processes do we need to focus on?
- What aspects of the processes are important (e.g., predictable performance, efficient, safe)





## What improvements can be made in our internal processes?

- What do we need to do better to make our customers happy?
- Can we be more efficient or more effective at what we do?





## Internal Business Process Objectives (Outcomes)

**EXAMPLE  
OBJECTIVES**

- Prompt (fast) delivery of products and services
- Faster response to customer requests
- Reduced cycle time
- Increased capacity
- Lower error rate
- Reduced rework
- Improved quality

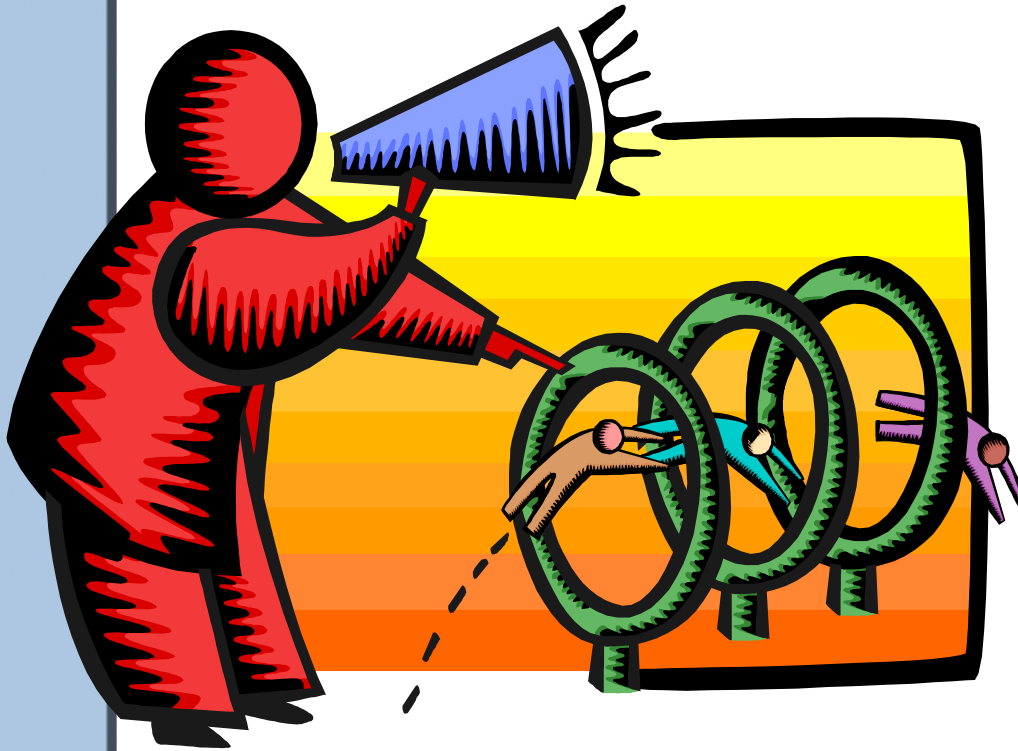




## Learning & Growth Perspective



## Learning & Growth



The formula for this perspective is a function of:

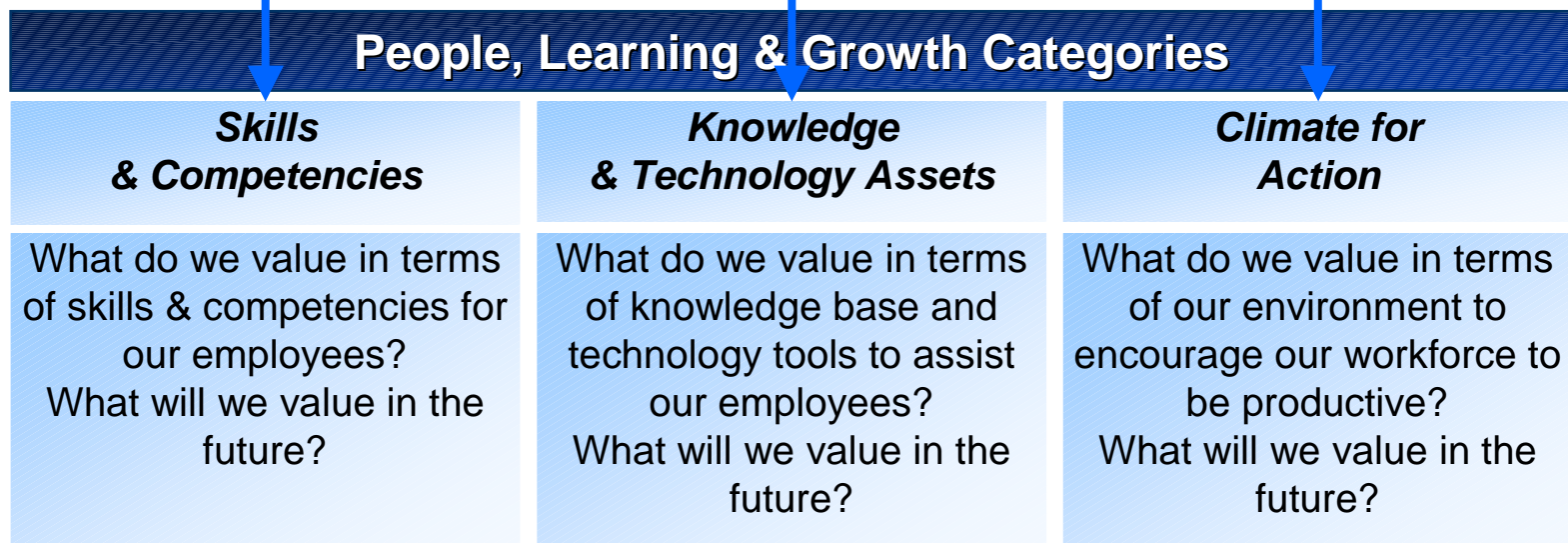
People, Tools, and Climate

**Learning and Growth objectives are a function of future customer and organizational needs.**

# The Learning & Growth Perspective

What are the future needs of our Service Group in terms of:

$$\text{Organization Learning \& Growth} = f \left[ \left( \text{People} \right), \left( \text{Tools} \right), \left( \text{Climate} \right) \right]$$



# What “enablers” will prepare us for the future?

**EXAMPLE**

$$\text{Organization Learning \& Growth} = f \left[ \left( \text{People} \right), \left( \text{Tools} \right), \left( \text{Climate} \right) \right]$$

## Typical Learning & Growth Objectives

| <i>Skills &amp; Competencies</i>   | <i>Knowledge &amp; Technology Assets</i>  | <i>Climate for Action</i>  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Engineering skills</li> <li>• Training to required levels</li> <li>• Program Management skills</li> </ul> | <ul style="list-style-type: none"> <li>• Technologies</li> <li>• Databases</li> <li>• Experience capture</li> <li>• Best practices</li> </ul> | <ul style="list-style-type: none"> <li>• Leadership</li> <li>• Alignment</li> <li>• Results Oriented</li> <li>• Teaming</li> </ul> |

# What do our employees need to help us achieve our goals?



What skills need to be addressed?

What will the knowledge and skill needs be over the next 5-7 years?

Do we need to train/recruit/contract out?



## Learning & Growth Objectives (Outcomes)

**EXAMPLE  
OBJECTIVES**

- High quality work environment
- Diverse, mobile workforce
- Workforce is recognized and rewarded
- Knowledge is a valued asset
- Increased skills among employees
- Innovative people who take risks
- Right staff for “ORS of the future”







## Financial Perspective



## Financial

This perspective is typically made of the following elements:

- Funding (Revenue)
- Cost (expenses)
- Demonstrated savings

What will our financial requirements be in the future?



*It is always about what value we offer to the organization.*

# What do our financial stakeholders expect from us?



Can we do this now?

How can we contribute?

Can we increase revenue?

What cost savings can we realize?

What obligation do we have in our spending activities?

How do we manage the gap between customer demand and funding levels?



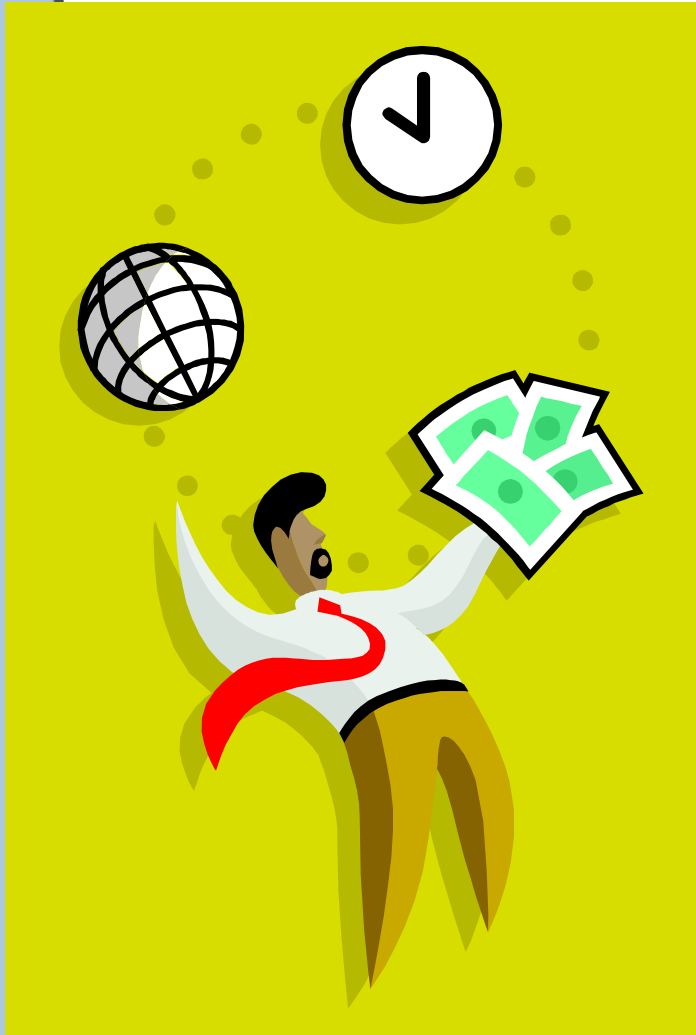
## Financial Objectives (Outcomes)

**EXAMPLE  
OBJECTIVES**

- Lower unit cost
- Acceptable total ownership cost
- Improved management of resources
- Improved utilization of assets
- Investment in products for future capabilities




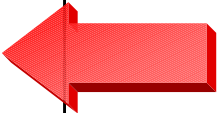
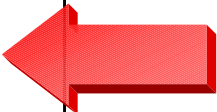
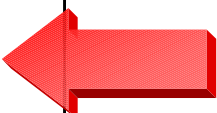
## Generating and Finalizing Objectives



- Recommend about 2 sessions with the Performance Management (PM) Team and your OQM Consultant
- Identify pool of objectives
- Narrow objectives to critical few in each perspective
- OQM consultant can lead team through use of “voting” procedure to gather Team’s input and consolidate the list of objectives
- Enter objectives onto the Service Group’s Performance Management Plan (PMP)



# Enter Your Objectives on your Performance Management Plan (PMP)

| Service Group:      |           |  |              |             |             |            |       |
|---------------------|-----------|--|--------------|-------------|-------------|------------|-------|
|                     | Objective | Measure  | FY 03 Target | FY04 Target | FY05 Target | Initiative | Owner |
| Customer            |           |    |              |             |             |            |       |
| Internal Business   |           |    |              |             |             |            |       |
| Learning and Growth |           |   |              |             |             |            |       |
| Financial           |           |  |              |             |             |            |       |





## Resist The Urge To Jump Ahead

- At this point most people jump into measures...and when they get there, they start listing all of the “action items”
- There is one last step before moving to measures...



# Define Objectives

**EXAMPLE**

| Service Group:      |   |            |         |              |             |             |            |       |
|---------------------|---|------------|---------|--------------|-------------|-------------|------------|-------|
|                     | Objective   | Definition | Measure | FY 03 Target | FY04 Target | FY05 Target | Initiative | Owner |
| Customer            | C1: Increase customer satisfaction                    |            |         |              |             |             |            |       |
| Internal Business   |   |            |         |              |             |             |            |       |
| Learning and Growth |   |            |         |              |             |             |            |       |
| Financial           | F1: Minimize unit cost at a defined level of service. |            |         |              |             |             |            |       |

*To be able to come up with good measures, it helps to define each objective.*



## Define Objectives (cont.) Common ORS Objectives

EXAMPLE

| Objective   | Description  |
|---|--|
| <ul style="list-style-type: none"><li>• <b>C1: Increase customer satisfaction</b></li></ul>                 | <ul style="list-style-type: none"><li>• C1: A relationship with the people we serve that increasingly promotes good will, repeat business, commendations, and minimal complaints.</li></ul>  |
| <ul style="list-style-type: none"><li>• <b>F1: Minimize unit cost at a defined service level.</b></li></ul> | <ul style="list-style-type: none"><li>• F1: Understanding the total dollar cost to provide measurable service and products at agreed upon terms in order to reduce these costs to levels that meet or exceed customer expectations of market prices.</li></ul> |

# Summary



This training has given you new information that your Team can use to revisit/update/improve your:

- Value Proposition
- Strategy
- Objectives
  - Customer
  - Internal Business Process
  - Learning and Growth
  - Financial