

# LINKING COMPREHENSIVE PERFORMANCE ASSESSMENT TO THE BALANCED SCORECARD: EVIDENCE FROM HERTFORDSHIRE COUNTY COUNCIL

MARGARET WOODS AND SUZANA GRUBNIC\*

## INTRODUCTION

Over the course of the last twenty years there has been a growing academic interest in performance management, particularly in respect of the evolution of new techniques and their resulting impact. In the public sector, New Public Management (NPM) (Hood, 1991 and 1995) places a strong emphasis on performance management (Dixon et al., 1998) and this philosophy has promoted the adoption of private sector management practices. Additionally, there is growing evidence that access to resources within the UK public sector is now linked to the achievement of externally imposed performance targets (Propper and Wilson, 2003).

One important theoretical and empirical development has been the emergence of multidimensional performance measurement models that are potentially applicable within the public sector. These include the Business Excellence Model (EFQM, 2002), Total Quality Management based upon the thinking of Juran (2000) and Deming (1986), the Results and Determinants Framework (Fitzgerald et al., 1991) and the Balanced Scorecard (Kaplan and Norton, 1992, 1993, 1996a, 1996b, 1996c, 2000 and 2001). All of these approaches recognise the value of non-financial information in a multi-stakeholder environment (Brignall and Modell, 2000).

This paper has two objectives, both directly related to the current theoretical and empirical backdrop within public sector performance management. The first objective is to demonstrate the theoretical linkages between the Comprehensive Performance Assessment (CPA) of local government and the balanced scorecard. This linkage is new to the academic literature, but builds on the work of McAdam

\*The authors are respectively Associate Professor and Lecturer in Accounting and Finance at Nottingham University Business School. They are grateful to the BAA Special Interest Group on Public Services Accounting Research, funded by CIPFA, for their continued financial support; managers at Hertfordshire County Council who have given of their time and access to documentation; participants at the 4<sup>th</sup> EIASM International Conference on Accounting, Auditing and Management in Public Sector Reforms, 7–9 September, 2006, Siena; and the anonymous referees for their valuable comments on earlier versions of the paper.

**Address for correspondence:** Margaret Woods, Nottingham University Business School, Jubilee Campus, Wollaton Road, Nottingham NG8 1BB, UK.  
e-mail: Margaret.Woods@nottingham.ac.uk

and Walker (2003) who chart the overlap between the performance dimensions used in the balanced scorecard with those applied in Best Value. The link between CPA and the balanced scorecard (BSC) is important because, when demonstrated, it provides a framework for evaluation of the impact of CPA at both national and local levels. The second objective is to use a case study of performance management within a well managed, but not atypical, county council to demonstrate how these linkages work in practice and provide evidence of the beneficial effects of the balanced scorecard upon council performance. The case study adds to the literature in addressing the scant scholarly attention given to the use of the BSC in public management (Johnsen, 2001), and particularly the recognised paucity of UK research on the balanced scorecard in relation to best value (Hepworth, 1998).

The next section identifies the potential benefits (and problems) of using the BSC in a public sector context, and in so doing provides the justification for consideration of whether or not CPA is a version of the BSC.

#### POTENTIAL BENEFITS OF THE BALANCED SCORECARD

##### *Basic Principles*

The balanced scorecard (BSC) is a control system popularised by Kaplan and Norton (1992, 1993, 1996a, 1996b, 1996c, 2000 and 2001) which has its origins in Porter's concept of strategy as a response to competitive forces in an industry. The scorecard recognises the influence of non financial factors upon strategic success, and offers advantages over historically based performance measures because it incorporates lead indicators that create a feed forward control system as well as simply a performance measurement system (De Haas and Kleingeld, 1999).

Originally developed for use within the private sector, the balanced scorecard comprises four interlinked perspectives – namely financial, customer, internal business processes and learning and growth. In the private sector model, financial performance is determined by performance in the other three perspectives. The principle of interdependence between the four perspectives has been criticised, however, due to a lack of empirical evidence of clear linkages (Norreklit, 2000).

A company's overall strategy is translated into financial, customer, process and learning and growth strategies which are then monitored by using operational performance measures. The BSC thus links operational and strategic perspectives within an organisation, and hence fits with Ittner and Larcker's (1998) definition of a strategic performance management system within which managers are assessed using both financial and non-financial performance measures.

*BSC – Adapting it to Public Sector Organisations*

In an adapted BSC model Kaplan and Norton (2001) suggest that the primary objective for government organisations should be high level and represent the organisation’s mission. They suggest objectives such as a reduction in poverty levels or illiteracy rates and a possible format for the scorecard is depicted in Figure 1.

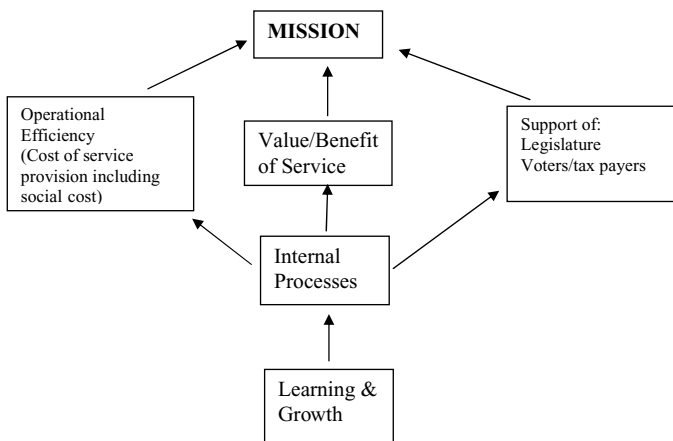
In Figure 1 the mission for a public sector body is shown as being directly related to the provision of valuable and beneficial services which satisfy the legislature, voters and taxpayers, and also demonstrate operational efficiency. This aligns with Moe’s (1997) characterisation of the public sector as populated by multiple principles.

Recognition of the interdependency between financial and non financial performance is central to the Kaplan and Norton model, and Figure 1 shows that the achievement of the mission is dependent upon good performance across a range of dimensions. Consequently the value of the services provided (in the eyes of the legislature and voters as conceived by Kaplan and Norton) is a result of not just operational efficiency and cost control, but also the qualitative dimensions of process management, learning and growth.

This view complements the academic literature on the public sector which highlights the role of qualitative information as an indicator of effectiveness (see, for example, ter Bogt, 2001). The literature also recognises the need for measures

**Figure 1**

Suggested Format for a BSC for a Government Organisation



Source: Adapted from Kaplan and Norton (2001).

to assess improvements in business processes and innovation and learning as a route to ensuring long term quality improvements and value for money services (Johnsen, 1999; and Kloot and Martin, 2000).

Kaplan (2001) argues that the balanced scorecard can be useful in managing not-for-profit organisations in several ways, the first of which is by facilitating a process through which an organisation can achieve strategic focus. The academic literature on public sector performance management has criticised local government for its failure to articulate vision, purpose and key objectives (Sanderson, 2001), and so access to a tool that facilitates this may prove valuable.

A second benefit of the scorecard lies in its potential to bridge the gap between vague mission statements and day-to-day operations. The public sector has been criticised for its inability to achieve this coupling of performance measures and strategy (Johnsen, 2001; and McAdam et al., 2002) and Talbot (1999) suggests that a key strength of the BSC lies in its ability to translate strategic objectives into tangible improvements in service level operations. Where successful, the linking of strategy and operations also encourages staff involvement and greater acceptance of the performance management system (Talbot, 1999).

Kaplan (2001) also suggests that a BSC can shift an organisation's focus away from programmes and initiatives and on to the outcomes of their actions and decisions. Johnsen (2005), however, notes that measuring policy outcomes is a challenge for the public sector, which appears to make little use of quality and effectiveness measures.

The last benefit of the BSC that is suggested by Kaplan (2001) is its potential to enable organisations to align initiatives, departments and individuals to work together in ways that reinforce each other and lead to performance improvements. Local government has been criticised for its failure to integrate performance management systems with mainstream budgetary and management processes (Palmer, 1993) and the BSC model would seem to have the potential to directly address this problem.

The arguments presented above suggest that the thinking that underpins the public sector BSC developed by Kaplan and Norton (2001) aligns with academic suggestions about how public sector performance should be assessed. It would therefore appear that there is significant scope for the BSC to be used as a tool for performance improvement within the public sector, and it is perhaps not surprising that there is growing evidence of its diffusion into the sector (Modell, 2004). Nonetheless, Hepworth (1998), Sheffield and Bowerman (1999), Johnsen (2001) and Broad et al. (2007) all note the lack of UK based research in this area.

In a Swedish healthcare context, Aidemark (2001) found the scorecard to be useful in broadening performance management beyond purely financial issues, but also observed a current lack of understanding on the interaction between operations and strategy. In the USA, guidelines on the use of a BSC in public organisations were issued in 1993 and 1994 (McAdam and Walker, 2003) and

a study by Chesley and Wenger (1999) demonstrated the successful use of the BSC by a local government office in Charlotte (USA). The authors found that the BSC helped the authority to clarify, plan, communicate and align its strategic and operational objectives, but they also noted that the authority's strategic choices were restricted by what they termed 'hard' and 'soft' constraints. The 'hard' constraints came from central government regulations and the prescribed budgetary cycle, whilst the culture of the sector served as a 'soft' constraint. In a survey of chief administration officers in US and Canadian local government, Chan (2004) found that only 14 out of 184 respondents had actually implemented a BSC. Those that had done so tended to be larger municipal authorities that were more responsive to new management ideas, but where the scorecards were not linked to staff rewards the introduction was less successful due to continued resistance to change.

Evidence on the use of the balanced scorecard within the UK local government sector is extremely limited. McAdam and Walker (2003) found mixed evidence on the impact of the introduction of the BSC into a number of different local authorities in the area of waste management. In all cases they found the process of development of the scorecard and performance measures to be as important as the end result. In addition, their results confirmed that the BSC helped in the clarification of strategic goals for all stakeholders, as well as helping to relate strategic direction to individual services and staff. On the other hand, success required time, a commitment from senior staff (coupled with resources) and a target setting system that was not punitive.

Wisniewski and Olafsson (2004) offer general comment and observations arising from their experience of introducing the BSC into a number of local authorities and other public organisations. Whilst they acknowledge that:

in principle the scorecard offers a co-ordinated approach to ensuring that an authority's declared strategic priorities and goals are visibly linked to corporate, service and business plans which in turn are linked to the search for continuous performance improvement (p. 603)

the practical reality is much more challenging. In common with McAdam and Walker (2003) they consider the process to be as important as the product, and identified success as being dependent upon access to time, commitment and resources. Nonetheless, they also noted the problems of defining performance measures for intangibles such as service quality or social inclusion that make up the high level strategic goals for authorities. The need to wait for an extended period, possibly years, to see real changes in these measures also causes potential problems.

The consensus view, albeit based upon limited evidence, therefore appears to be that the BSC may have beneficial effects upon performance management in the public sector. In view of this, it is helpful for the evaluation of CPA to demonstrate that it is a version of the BSC. The evidence for this is detailed below.

## THEORETICAL LINKS BETWEEN CPA AND THE BALANCED SCORECARD

*Historical Background*

The UK government's launch of the CPA programme in 2002 was a direct response to comments by the Audit Commission controller Sir Andrew Foster, who suggested that:

Reforms are needed to the performance management and statutory planning arrangements for local government. Local authorities are required to produce a wide range of plans (including Best Value Performance Plans, LPSAs, community strategies) all of which focus on some aspect of performance. This system is fragmented and bureaucratic, and can hinder councils' capacity to focus on what matters (Audit Commission, 2001, p. 3).

CPA reflects an attempt to develop a more coherent perspective, using an audit and inspection framework to form an overall view of the performance of councils and their arrangements for improving their services to the public (Audit Commission, 2005a). The three main components of the score are the annual assessments of core service areas, an annual evaluation of the council's use of resources, based upon scores determined by the council's external auditor, and a periodic assessment of how well the council is run. The latter, termed a corporate assessment, is conducted by Audit Commission inspectors, and evaluates the council's ability to drive the provision of good direct services. The three core components are complemented by a direction of travel statement which assesses the council's ability to improve, and all four elements are aggregated to generate a ranking, updated annually, for all councils in England.

Over the period 2002–2005 the rankings were categorised as excellent, good, fair, weak or poor but the system was then changed to a star based system of zero to four stars. The criteria of assessment were also changed, most notably via the inclusion of a value for money assessment (see Audit Commission, 2005a, for further details of the changes).

*Linking the Assessment Components within CPA to the BSC*

In 2001 the Cabinet Office identified the Balanced Scorecard as a key public sector quality management framework (McAdam et al., 2002). The commitment to a multidimensional approach to performance management was reinforced by the introduction of CPA the following year.

CPA is multidimensional because it includes long and short term as well as financial and non-financial elements. This view is confirmed by Freer (2002), who uses the term balanced scorecard to describe a council's overall CPA score. In so doing he echoes the language adopted by the Audit Commission to describe CPA (Audit Commission, 2002).

The four elements of the CPA assessment relate to both core service provision and also support functions, and each element of CPA can be linked directly to

the components of the BSC. The generic public sector scorecard, as depicted in Figure 1, shows the need for (in this case) a council to identify its mission and to directly relate this to the provision of valuable and beneficial services. As already noted, the academic literature suggests that this is an area where local authority capability appears to be weak (Sanderson, 2001).

The corporate assessment element of CPA looks specifically at the ability of elected members and executive management to understand community needs, and develop an appropriate set of priorities and ambitions – in other words, to define their mission. In private sector terms this might be rephrased as their ability to construct and implement a strategic plan that ensures continuous improvement.

The corporate assessment also requires the council to ensure that internal processes are organised in such a way as to facilitate the achievement of the core objective of providing services of value and benefit to the local community. This requires them to establish the capacity and systems to achieve their aims, and the term ‘capacity’ in this case includes performance management systems. In terms of Figure 1, CPA therefore matches the BSC in recognising the role of internal processes as drivers of effectiveness in service provision.

In addition, because the corporate assessment evaluates the ability of both elected members and the executive management to understand community needs, it directly links to the BSC component of support of local voters. The extent to which the services are perceived by voters and taxpayers as valuable is reviewed in CPA corporate assessments via a detailed judgement on the level of user focus in the council’s activities, and an evaluation of the robustness of the information collected through the council’s own customer surveys, focus groups and other consultations. The overarching ethos of CPA, in its focus on ensuring compliance with national minimum standards of performance for core services, also ensures that councils are focused on retaining the support of the legislature.

In summary, clear and robust ambitions, priorities, systems of accountability for decision making and the use of performance to drive continuous improvement are necessary for a council to score highly on their corporate assessment. These evaluation criteria reflect the Audit Commission’s view that good direct services are driven by a successful corporate engine (Audit Commission, 2005b).

The second component of CPA is the best value service assessment(s), which questions whether service levels meet minimum national standards (to satisfy the legislature) as well as the needs of local citizens. User satisfaction is difficult to quantify, and is done via the use of focus groups and consultation with local people to compare desired to actual levels of service. Compliance with minimum standards is measured in terms of performance against nationally specified performance indicators. Service assessments also include value for money criteria achieved via cost efficiencies, and the learning and growth dimension of the BSC. If a council can demonstrate openness to learning, for

example through visiting and adopting best practice from Beacon Councils,<sup>1</sup> they will be assessed as showing potential for improvement. In summary, therefore, the service assessment(s) links across to not just the BSC core objective of providing services of value/benefit, but also to the mechanisms that demonstrate value in terms of both operational efficiency and the satisfaction of legislature and citizens.

The use of resources judgement within CPA originates from the council's auditor and comprises a largely financial perspective. The key lines of enquiry require the auditor to assess the quality of the council's financial accounting and reporting arrangements, and the way in which it plans and manages its finances. Evaluation of the systems used to protect a council's financial standing, the internal controls and its achievement of value for money are all aspects of the use of resources assessment. In relation to the BSC, the use of the resources element within CPA focuses on operational efficiency and internal processes as drivers of service value.

The direction of travel statement contains the CPA inspectors' view of whether there is evidence of continuous performance improvement within a local authority. A high CPA score requires evidence of not just improvement but also that plans have been put in place to extend rather than simply maintain that improvement. Improvement is measured by reference to quantitative evidence from service scores and performance indicators, but also qualitative evidence in respect of customer feedback and resource capabilities in the light of future plans. Indirectly, therefore, the direction of travel judgement includes elements of internal processes and also support of voters and the legislature, in addition to learning and growth.

The linkages between the BSC and each of the components areas of assessment within CPA are summarised in Table 1. Reference back to the generic elements within the BSC further affirms that CPA is a form of BSC. The CPA inspectors' use of focus groups of local citizens to assess the level of effectiveness of service provision implies recognition of a need for a user perspective. At the same time the corporate assessment requirement for both continuous improvement and evidence of capacity to improve moves CPA away from a result based approach to one which also includes planning and processes. Lastly, by separately evaluating performance against both the *processes* and *objectives* that make up the balanced scorecard, the CPA framework explicitly links the performance measures to the strategic plans.

In theoretical terms it therefore seems reasonable to conclude that CPA can be described as a form of BSC. In practical terms, however, this does not imply that if a council uses a BSC based performance management system that it will necessarily be based upon the CPA framework. In the next section we therefore use a case study to explore initial empirical evidence on the linkages between CPA and the BSC within an English local authority.



**Table 1**

## Linking CPA Components to the Balanced Scorecard

<i>CPA Components</i>	<i>BSC Components</i>
Corporate Assessment	Mission Value/benefit of service Internal processes Support of voters/tax payers
Service Assessments	Value/benefit of service Operational efficiency Support of legislature, voters/tax payers Learning and growth
Use of Resources	Operational efficiency Internal processes
Direction of Travel	Learning and growth Internal processes Support of voters/tax payers Support of legislature

APPLICATION OF BSC AT A LOCAL LEVEL: THE CASE OF HERTFORDSHIRE  
COUNTY COUNCIL*Overall Context*

Before addressing the detail of the history, structure and impact of the BSC in Hertfordshire, it is helpful to place the study into context. The interview which forms a large element of the evidence for the case study was conducted in 2006. By this stage Best Value had been in place for almost seven years and CPA for four years. Consequently, like other local authorities across the UK, Hertfordshire was used to the concept of external performance evaluation. This is important because it has a number of implications for practice.

Firstly, as Broad et al. (2007, p. 124) observe:

it is clear that intensive external imposition of performance measures has changed practice and assisted in developing a performance management culture.

Secondly, Meyer and Rowan (1977) note a tendency for isomorphism amongst formal organisations that results in the adoption of similar forms and procedures as a way of obtaining legitimacy. The isomorphism may be a response to external, coercive pressures or purely mimetic in nature. Broad et al. (2007) argue that the influence of CPA upon performance management is an example of coercive isomorphism. In other words, the performance management systems prevalent in an authority such as Hertfordshire in 2007 may not be as individual in style as the authority may wish to suggest, due to the influence of CPA.

*Research Site and Method*

Hertfordshire is situated just north of London and is a county with diverse geographic areas. The north and east of the county is largely rural, but the rest of the county is very congested and population density is high. Political direction is provided by a Conservative administration. There is a Leader and Cabinet governance structure with eight councillors, each taking an executive lead for performance and resources or services and partnerships. The Council has a revenue budget of £603.3 million and a capital budget of £163.8 million for 2007/08. The 2007 CPA results give the council a three star grading.

Hertfordshire was selected as the subject of the case study (Yin, 2003) because we sought primary rather than secondary data from management (see Arnaboldi and Lapsley, 2008) on the operation of the balanced scorecard within an English local authority. An IDEa discussion forum included contact details for a small number of authorities using a scorecard approach and, when contacted, Hertfordshire were the first to respond and offer an interview with two senior officers. It is accepted, therefore, that the authority was self selecting, but that does not necessarily imply it is unrepresentative. Evidence that it is not atypical in terms of both its CPA performance and application of the BSC is presented below.

We are not aware of any central database on the number, type and range of English local authorities that formally register the fact that they use a BSC as the basis of their performance management system. From a diverse range of sources that includes the internet, the Improvement and Development Agency (IDEa), audit commission inspectors and local authority websites we are aware of at least twelve councils, excluding Hertfordshire, that use such a system. In the context of a total of 149 single tier or county councils in 2007 the total (of which we are aware) using a BSC amounts to a little under 9%. In the light of CPA, however, and the associated concept of coercive isomorphism, we would anticipate that the actual number is likely to be higher. On this basis we would argue that Hertfordshire is not an outlier in respect of its performance management system. Similarly, Hertfordshire does not appear to be an outlier in terms of its CPA score. In 2007 it was one of 25 county councils, out of a total of 41, placed in the 3 star CPA category. Of the remainder, eight were classed as 2 star and eight as 4 star. Performance management is evaluated in the corporate assessment and in this context Hertfordshire was in the top eight councils receiving a 4 star in 2007. This is interesting because it suggests that the impact of the top ranked corporate centre has not yet filtered through to services sufficiently well to yield an overall CPA rating of four. Some possible reasons for this are discussed in detail later in this section.

Data for the case was drawn from a number of sources, the primary one being an extended interview with two members of staff within the Chief Executive's Unit of Hertfordshire County Council. The interviewees were the Head of Performance Improvement and the Performance Improvement Manager, who

provided us with extensive internal documentation on the content and style of their performance management system and how it has evolved over time. Audit Commission CPA assessment reports and the council's corporate plan 2006–9 were also used as information sources. The access to verbal, written, internal and external information sources therefore facilitated triangulation of the data to enable verification of key facts.

### *History of Performance Management*

The current performance management system within the council has emerged from a series of initiatives that were kick-started by the Best Value service inspections of 1999–2001. The Head of Performance Improvement observed that:

The whole of the Best Value culture was beneficial to us as an organisation because there was no tradition of performance management within the organisation at all. This is perhaps a bit of an overstatement, but I don't think there was any ... there wouldn't have been necessarily monitoring of performance against sets of indicators on a regular basis.

Initial efforts by senior management at the centre to introduce a system of performance management focused on the application of the European Foundation for Quality Management (EFQM) approach to performance management, but this was not found to be working due to a lack of support from certain sections of the authority. The lack of 'buy-in' for EFQM was explained in terms of the organisational structure of the authority, which has traditionally had a relatively small corporate centre and strong, independent services. The lack of support from some services led to a search for what was described as a simpler approach that could be a corporate standard.

The selection of the BSC as the chosen alternative arose partly as a result of the BSC beginning to be discussed in central government circles and particularly the Office of the Deputy Prime Minister. The managers also observed that it was slightly 'in vogue' at the time within the private sector, and so it offered them an opportunity to appear innovative. With support and stimulus from the Hertfordshire Chief Executive, the decision was made to develop a Balanced Scorecard for the county. This same Chief Executive has now moved on and adopted the BSC approach in his new post in Jersey.

The first BSC was introduced in 2003–4 using a basic Excel platform, which has since been extended. Excel was used due to resourcing restrictions which prevented the purchase of specialised performance management software. The extension has taken place as a result of the necessary resources subsequently becoming available. The interviewees observed that selling the BSC concept to staff within the services in the council was made easier by the introduction of CPA because it reinforced the view that something needed to be done in terms of performance management.

*Scorecard Design*

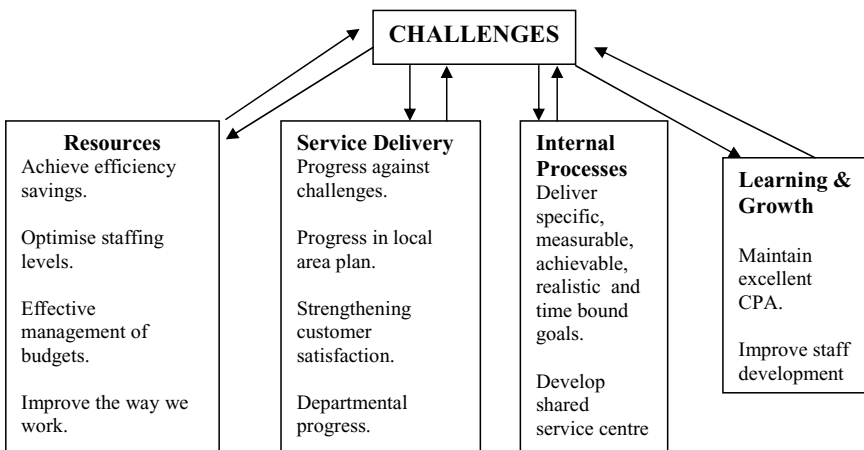
The current scorecard adopts a format which is replicated across different levels within the council. In common with the approach of Kaplan and Norton the BSC contains a mission – termed challenges by Hertfordshire – the achievement of which requires the management of performance across four quadrants, namely service delivery, resources (operational efficiency), processes and learning and growth. The scorecard assumes two way interactions between the challenges and the quadrants, such that the challenges are used to set both targets and performance measures within the quadrants and the feedback is used to both evaluate achievement against those challenges but also identify future potential strategies. Operational efficiency is a core element alongside service delivery, processes and learning and growth. The Hertfordshire scorecard also reconfigures the theoretical model shown in Figure 1 by integrating the dimension of support from the legislature and local voters/taxpayers into the learning and growth and service delivery quadrants respectively.

The Hertfordshire scorecard, summarised in Figure 2, show that the quadrants of service delivery and efficiency mirror the service assessment and use of resources within the CPA framework. The processes and learning and growth quadrants similarly reflect the corporate assessment and direction of travel elements of CPA. It would therefore seem that the BSC that has been adopted by Hertfordshire is a blend of both the Kaplan and Norton and the CPA approaches.

Performance is managed at different levels within the council that hold responsibility for both strategic and operational issues. The structure is headed

**Figure 2**

Hertfordshire County Council Balanced Scorecard



Source: Based on the Hertfordshire Strategic Management Board Scorecard (2006).

up by a Strategic Management Board (SMB) led by the Chief Executive and comprising chief officers with responsibility for overall management of the council and delivery of all services. The SMB is responsible for the scorecard for the whole organisation and overseeing the implementation of the corporate plan. Consequently, the SMB receives regular reports on performance in relation to the council's declared core objectives.

The view is held that implementation requires close interaction between elected members and senior officers within the council. This thinking perhaps reflects the fact that the relationship between members and officers and their co-operation in the development and implementation of corporate plans forms part of the CPA's corporate assessment process.

The mission takes the form of seven challenges which are both financial and non-financial in content. For the 2006–9 period the challenges include helping people feel safe and secure, tackling the causes and impact of congestion, maximising opportunities for all children and young people and maximising efficiency savings. For each of the challenges the corporate plan defines what it means, what success will be like, the key actions to be taken and the performance targets used to measure success.

Operational performance management is the responsibility of the Performance and Planning Group (PPG) which is chaired by the Head of Performance Improvement and comprises the assistant directors of services together with staff from the corporate centre specifically responsible for service planning and performance issues. The intention is that members of the PPG work as advocates of performance issues within their respective service areas, and report to the SMB on overall performance against the seven challenges.

At a lower level within the corporate hierarchy, within each separate service there is a Performance Improvement Network responsible for providing management with information on performance. The network encourages the exchange of information and ideas across different services. For example, the environment service shared its scorecard with staff from other services in an attempt to nurture best practice and a common approach to target setting and measurement across the authority. This sharing of information confirms the findings of McAdam and Walker (2003) who observed that adoption of the BSC encouraged cross service thinking.

Within each service a board takes responsibility for establishing performance targets and developing and managing the service scorecard. Within some, but not all, of the services the scorecards go down to a level where they are used for individual staff evaluation. Examples of services that use scorecards in this way are Adult Care Services, Environment and Fire and Rescue. The variation in the extent to which scorecards drill down to individual staff level within services is a consequence of inconsistencies in staff level support. This is viewed as a cultural issue that requires long term effort to resolve. The service scorecards are complemented by the use of what is termed a 'strategic compass' which is used to measure relative performance against relative cost. This effectively monitors

the money that has been spent in order to improve any particular performance indicator. The cost versus performance grid facilitates the assessment of whether the key outcomes are being achieved but also ensures that the operational efficiency and service delivery quadrants of the scorecard are inter-linked. The service scorecards incorporate a user perspective via the establishment of a performance target that aims to increase by two per cent per year the proportion of residents who believe the council has been successful in maximising savings through efficiencies over the past year.

The system of cascading scorecards and targets from corporate to individual manager level within the council aids the vertical integration of performance management. In the words of the Performance Improvement Manager:

We have all this information for the challenges and at the strategic management level we've sucked up the information for the individual PIs and we just report it at the challenge level. The scorecard is about linkage to your overall strategy, your ambition in our case and your key objectives and seeing how over the whole organisation you are moving towards that single end.

The operational and strategic level scorecards are linked by what the council staff term 'golden threads.' This terminology can also be found in documentation from the Audit Commission, IDeA, and other local authorities, such as Newcastle City Council, that also use a Balanced Scorecard approach for performance management. A golden thread refers to the path which links strategies to operational performance targets and measures, right down to the level of individual work plans.

Within Hertfordshire, in the services where the golden threads go right down to individual work plans, they appear to be proving successful, but only in part. For example, the service level performance within environmental services, where there is strong staff support for the BSC, improved from two to three stars between 2005 and 2007. In contrast, however, the service score in Adult Social Care, where there is similar staff support, remained unchanged at 3. These results suggest some progression from the position where public sector bodies were criticised for their inability to couple operational performance indicators to strategy (Johnsen, 2001; and McAdam et al., 2002). They also, however, suggest that the factors driving change may be relatively complex and extend beyond just a requirement for staff support. The officers in Hertfordshire indicated that some of the cause may be linked to the increased challenges within CPA, which have made even retaining a score more difficult, but this is unlikely to be the full explanation for what is happening.

In practical terms, the golden threads require the translation of broadly defined corporate level strategies or challenges into operational level performance measures and targets. This can be illustrated by reference to the declared challenge of tackling the causes and impact of congestion. The operational performance measures were developed via consultation with both staff and members of the public that began with agreeing a definition of the term

congestion, as many people appeared to view it as a fact of life. The agreed definition was expressed in terms of unreliable journey times, and this was then translated into target journey times that could be used as a performance measure for tackling congestion at the operational level. Interestingly, the journey times cover both private and public transport, but the council faces some difficulties in obtaining data from bus and train companies that they can use to assess performance against target.

Linking strategic and operational objectives and performance creates a number of potential benefits. At the corporate level it requires the articulation of strategy and the specification of the factors that will facilitate strategic success (Kaplan and Norton, 1996c). Lower down the hierarchy, requiring managers to think about how they might contribute to the corporate plan and including continuous improvement within all of the scorecards helps encourage staff involvement and refocus the culture towards performance improvement. This feature is identified by McAdam and Walker (2003) as a key strength of the BSC's use in the public sector. The Audit Commission's Corporate Assessment (Audit Commission, 2007) reported that performance management was embedded within the council and there is evidence of continual improvement in the fact that 64% of the council's Best Value Performance Indicator scores have improved since 2003–4.<sup>2</sup> The use of targets for improvement and organisational learning at all levels of the organisation may also help to engender a forward looking performance culture rather than a backward looking one. Hopefully this will also encourage innovation within the boundaries of existing capacity.

The interviewees were also asked about the extent to which the performance indicators within both the strategic and service level scorecards were influenced by and drew upon the CPA assessment criteria. Their response was that at the strategic level the priorities and challenges were largely driven by national political priorities and the performance indicators within CPA. It was also observed that CPA had been beneficial in forcing the council towards a clearer strategic focus:

We were already thinking strategically but not tying the bits together. CPA helped with this.

As such it had created demands that extended well beyond just service improvements. In drilling down the scorecard to create performance indicators within services to link lower level operational activity with strategies, CPA proved to be less directive. Targets were only partially generated from CPA, but a significant proportion of them originate from their own 'localised' scorecard. Additionally, the local scorecard is used to monitor progress against CPA indicators. This is interesting, as it suggests that even if CPA is a version of the scorecard, it remains incomplete as a mechanism for coupling operational and strategic levels of activity across all services.

Performance throughout the council is tracked monthly and an interactive system enables service staff to input their measures into the scorecard, although

these will be monitored and also the subject of internal audit. Some performance data is only available monthly because it is not cost effective to collect it more frequently, and some performance indicators such as examination results are only available annually.

#### DISCUSSION AND CONCLUSION

In the first part of this paper we summarised the academic literature which suggests that the BSC is a potentially useful performance model for the public sector. One of the benefits identified was the scorecard's requirement to articulate strategy, which has been recognised as a weakness of public sector organisations by a number of researchers (Chan, 2004; and Wisniewski and Olafsson, 2004). The case study demonstrates that the performance staff within the council believes that CPA has been helpful in this regard. They similarly observed that CPA was valuable in facilitating the recognition of complex objectives (Aidemark, 2001), such as the problem of congestion, and identifying performance measures to assess outcomes in relation to these objectives. This suggests the BSC has helped them to focus on outcomes rather than outputs as indicators of operational effectiveness. The evidence presented above clarifies the idea that the challenges, or core strategies in Hertfordshire are complex in nature but at the same time it suggests that they are capable of being defined and broken down into operational objectives and performance measures through the adoption of the golden thread mechanism.

The evidence is rather mixed in terms of whether or not the golden threads yield tangible improvements in service level operations. In other words, the fact that the BSC translates strategic objectives into operational targets (Johnsen, 2001; and McAdam et al., 2002) and Talbot (1999) may not be enough in itself to guarantee performance improvement. Other intervening variables such as staff support for the scorecard are essential ingredients for success, as a consequence of the 'soft' constraint of corporate culture identified by Chesley and Wenger (1999).

That said, the cascading down of the BSC approach through the organisational hierarchy can potentially help overcome the resistance to change that marks out many public sector organisations (Chan, 2004) by negating the risk of a management system that is divorced from the core service being provided. Additionally, this approach also encourages staff involvement and acceptance of a performance oriented culture (McAdam and Walker, 2003). The Audit Commission's description of performance management as 'embedded' suggests that in Hertfordshire staff acceptance is widespread, although it is acknowledged that this may not be even across all services. The case also provides evidence that when the link is made, it helps to make strategy relevant for day to day activity (Norrekliit, 2000).

Both the corporate plan and the internal documentation indicate that both strategic and operational level scorecards are deconstructed into both financial



and non financial targets. This approach embraces the widespread academic support for the adoption of multi-dimensional performance management systems in public sector organisations in order to avoid over emphasising financial targets at the expense of broader quality issues (Forgione, 1997).

Additionally, the corporate assessment review of the robustness of user feedback data on service satisfaction levels indicates that the CPA scorecard in Hertfordshire assesses effectiveness as well as efficiency and economy. This approach addresses earlier criticisms in the literature of a lack of effectiveness measures in the public sector (Sanderson, 2001).

Performance management theories such as the BSC and Fitzgerald et al.'s (1991) Results and Determinants Framework recognise the need for setting targets and measuring performance in secondary supporting processes as well as primary objective. The processes quadrant within the Hertfordshire BSC explicitly meets this need, but targets that may impact upon support processes are also included in other quadrants, reinforcing the interdependence between the elements of the scorecards. For example, the staff development objective within learning and growth might be expected to lead to better processing on a lot of different levels.

We recognise the limitations of a single site case study, although we would argue that the site is not unrepresentative of performance levels in English county councils. We therefore conclude that whilst the BSC in Hertfordshire was developed over a period contemporaneous with the evolution of the CPA framework, its structure also displays a certain independence from CPA. More fundamentally, it provides initial evidence that there are attempts to introduce strategic performance management systems within English local authorities. The need now is for further research to investigate both the performance methodologies being used and the extent to which a culture of performance management is becoming embedded within local authorities.

#### NOTES

- 1 The Beacon Scheme was set up in 1999 to disseminate best practice in service delivery across local government. Beacon status is granted to those authorities who can demonstrate a clear vision, excellent services and a willingness to innovate.
- 2 National data to enable comparison of this statistic with other councils is not available, and it is accepted that this limits the usefulness of this statistic.

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