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Value plans beat balanced scorecards

Tony Manning

Across South Africa today, organisations are trying to use balanced scorecards as a way to improve their performance. Ironically, this could be one reason so many of them do not deliver the results they promise, and why many of their people will never live up to their potential.

The balanced scorecard is one of the most popular business tools in the world today. An army of consultants promotes it and many executives are big fans. It's not hard to find case studies of success.

But nor is it hard to find stories of frustration and failure.

Almost every organisation I encounter is wrestling with a scorecard. Whenever I suggest it may be more trouble than it is worth, people nod, snicker and nudge one another. Often, the boss is the only one who doesn't agree. The fact that he or she sees things one way and the team has a quite different view escapes them. Yet this is precisely where problems start.

Confusion is a fact of organisational life. If it is hard to tell the wood from the trees when you are the CEO, it becomes impossible far away in the factory, in a cubicle in Administration or out on the front line. So in an organisation of any size it is natural for people to establish different priorities, talk past each other and work at the wrong things.

The task of a leader is to get results through others. To achieve that, he or she has to create a community of champions. And that, in turn, requires that they deal with what I call the "ten buck test."

Every one of us wakes up every day with plenty to do, but with only "ten bucks" – representing money, time, energy or whatever – to do it with. In the same way, every organisation faces many possibilities with too few resources. So trade-offs are crucial.

To be effective, leaders need to help people make sense of a complex world ("This matters, that can be ignored"), point them at the same "hill" ("We are going to do X with our ten bucks, not Y"), establish priorities and relentlessly focus attention on the few actions that will make the big difference.

There are many concepts of strategy, leadership and change management. But boil them all down to their essence, and the one constant is conversation. So as more and more business experts are starting to recognise, "strategic conversation" is not only the ultimate management tool, it is the one on which all others depend.

In theory, the balanced scorecard offers a way to frame your strategic conversation. In practice, there are three problems with it.

First, it dictates that no matter whether you're selling pizzas, auto parts or insurance, you should set goals under the same four headings: financial, customers, internal business processes, and learning and growth.

Second, it does not limit how many goals may be set – and given half a chance, we all set too many, rather than too few.

Third, it is too often introduced as a "magic bullet", but then quickly becomes a bureaucratic chore. Creating the perfect message becomes more important than communicating it.

Experience with many major organisations suggests a simpler, more powerful way to get the right things done. By creating a value plan with just three value drivers supporting a clear purpose, top managers frame their strategic conversation in a way they can remember and others can understand.

When each value driver leads to just three goals, and when each goal is underpinned by three actions, the “to do” list stays mercifully short and do-able, and performance can easily be tracked.

SAA’s new boss, Khaya Ngqula, clearly understands this. In a *Business Day* article (“SAA focus on people, patronage and profit”, November 2) he homes in on the handful of “big bang” issues that will make the most impact, and leaves the rest off the table.

Of course, SAA, like any big organisation, has lots on its plate. It’s tempting to add a laundry list of stuff to the “to do” list. After all, someone has to deal with the dismal state of the airline’s finances, load optimisation, the Airbus order, global alliances, relations with Transnet and so on.

But Ngqula clearly understands that if he doesn’t unclutter the agenda and put his ten bucks on a few priorities, all else will be in vain. He is showing both courage and common sense when he says, “The triangle of interdependent goals of people management, maintenance of patronage and resultant profit is at the heart of SAA’s future.”

The jury is still out as to whether his strategy will work. There are plenty of sceptics – and for good reason. But by shaping his strategic conversation around those three value drivers, Ngqula has raised the odds in his favour.

It won’t take long for all SAA’s people to know what he expects of them. And when everyone understands “What I must do on Monday morning”, it is likely that many of them will deliver.

Ignorance is the enemy of empowerment and performance. Understanding unleashes potential.

If more South African executives used value plans to frame their strategic conversations they’d probably be surprised how smart and motivated their people really are. But as long as they try to shoehorn balanced scorecards into their organisations, they will struggle with people who “don’t get the message.”

Tony Manning is a strategist and author