

## Results using the balanced scorecard in the public sector

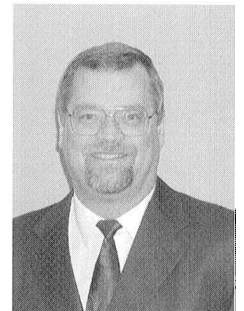
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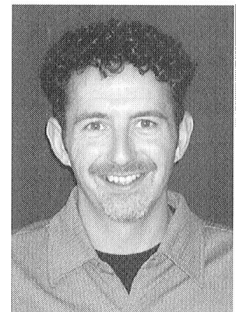
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**David Hagarty** was Manager of Strategic Planning and Performance Measurement with British Columbia Buildings Corporation (BCBC) from 1999 to early 2003. BCBC is a provincial Crown corporation that administers a portfolio of over 3,500 owned, leased and maintained properties, and 2.4 million square metres of space in over 300 communities. In his role at BCBC, David collaborated with senior executives to design the corporation's Balanced Scorecard, and managed all aspects of the scorecard's implementation and ongoing maintenance. David is currently Manager, Planning

### ABSTRACT

Annual reports and operational data are key performance indicators for any business. However, performance measurement is critical in today's real property domain and should be

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*come part of strategic planning and management processes for an organisation to be truly successful. In this paper the authors examine a number of case studies for the application of the Balanced Scorecard framework in establishing a balanced distribution of measures across four perspectives: financial; customer; internal business processes; and learning and growth. This balanced measurement of government organisations can help satisfy customers and shareholders — in the public sector, often one and the same.*

**Keywords:** *corporate real estate organisations, balanced scorecard, strategy, strategic framework, desired outcomes, performance measures, logic model, strategy maps*

## INTRODUCTION

The Worldwide Workplace Web (W4) network was established in 2000 to create an international forum for innovation and the exchange of public-sector real estate knowledge. This paper is a product of one of the W4 Learning Partnerships concerning performance measurement.

This paper explores the collective experience of W4 Learning Partnership members<sup>1</sup> on developing performance management frameworks within their organisations. It presents a generic Balanced Scorecard that has the potential to lead to international performance measurement comparisons and benchmarking within the W4 community.

## THE BALANCED SCORECARD IN PUBLIC-SECTOR CORPORATE REAL ESTATE

Robert Kaplan and David Norton<sup>2</sup> of Harvard Business School contend that organisations cannot manage performance by simply monitoring financial reports and

*ad hoc* data generated by operational systems. The architects of the Balanced Scorecard (BSC) propose that sound management requires a uniform distribution of performance measures among four perspectives: financial, customer, internal business processes, and learning and growth. Viewed horizontally, each perspective represents the set of outcomes desired by key stakeholders.

The BSC approach has proved useful to all types of companies, both public and private; it provides a framework for any type of organisation to monitor and influence the effectiveness of its strategies. However, as organisations become more service/knowledge-oriented, with less tangible desired outcomes, application of the BSC becomes more challenging.

## COMMON PERFORMANCE MEASURES IN CORPORATE REAL ESTATE ORGANISATIONS

### The generic Balanced Scorecard

The following list of performance measures is a synthesis of material gathered from several case studies. It has potential as a generic Balanced Scorecard for future discussion within the W4 Learning Partnership. The objective would be to compare performance across organisations and to learn from one another's experience.

- Financial perspective
  - Cost of leased versus owned inventory
  - Percentage of expenditures with private sector
- Client perspective
  - Customer satisfaction
  - Contribution to public policy and societal priorities
- Internal Business Process perspective
  - Accommodation usage

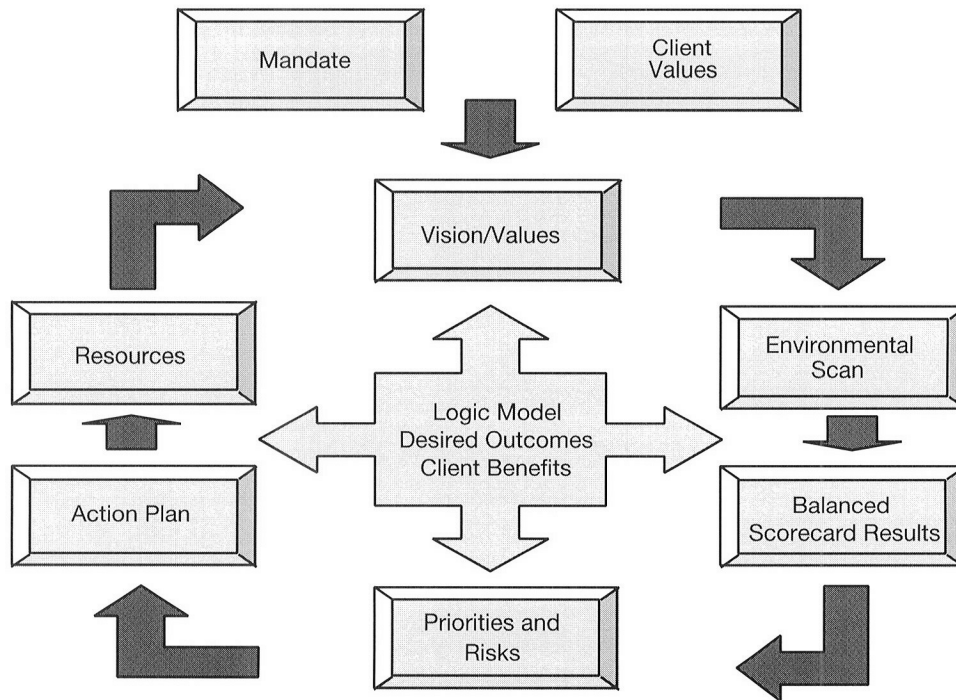


Figure 1 Strategic framework and planning cycle

- Vacancy rates
- Maintenance costs
- Operating costs
- Energy costs
- Return on investment
- Capital reinvestment ratios
- Sustainable development objectives
- Project efficiency
- Learning and Growth perspective
  - Staff satisfaction
  - Learning investment per employee
  - Employee tenure
  - Absenteeism
  - Staff turnover

## INTEGRATING STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT

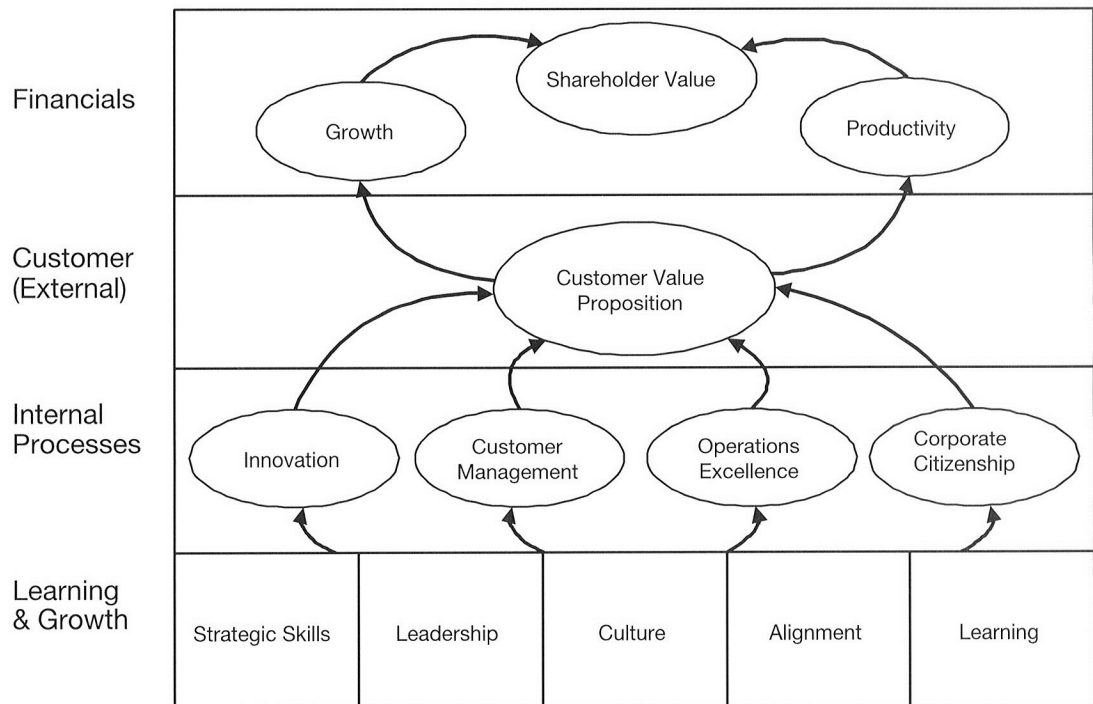
### The logic model and strategy map

A critical success factor for developing an organisational performance measurement framework is to ensure that the approach

is integrated with the planning of organisational strategy.

The question remains, however: how does an organisation identify a strategy in terms of its desired outcomes, and how does it align performance measures to those objectives? One approach is to establish a strategic framework and a strategic planning cycle, or management process, that is centred on a set of desired outcomes that have been articulated through the development of a 'logic model'. The logic model describes an organisation's major activities (what it does); major outputs (how it does it); desired outcomes; and benefits its clients will realise by the organisation attaining those outcomes (why it does it). These desired outcomes and client benefits become the objectives that the organisation is trying to measure. However, the cause-and-effect relationship between activities, outputs and desired outcomes is

Figure 2 Generic enterprise strategy map



not always linear, as multiple activities and outputs may contribute to a single desired outcome. Figure 1 illustrates the process.

A 'strategy map' — a model conceived by BSC architects Kaplan and Norton — is another approach used to visually represent the cause-and-effect logic of an organisation's strategy (see the 'Generic enterprise strategy map' in Figure 2). The *financial* perspective represents the ultimate outcomes of most strategies in the private sector: shareholder value. Therefore, financial performance measures must demonstrate to an organisation's shareholders that growth and productivity expectations are being met.

Figure 2 also shows that financial results are dependent on the organisation's ability to meet its *customers'* needs (ie timeliness of service, product quality and reasonable prices). *Internal processes* specify objectives associated with what the organisation will do to achieve customer value.

Kaplan and Norton have found that internal process objectives are often concentrated into 'strategic themes', such as innovation, customer management, operations excellence and corporate citizenship (ie good neighbour). Finally, the *learning and growth* perspective forms the foundation of any organisation's strategy. An organisation must have in place strategies to acquire, develop and maintain the necessary strategic skills before it can successfully implement internal processes designed to achieve customer and shareholder value.

Logic models and strategy maps are very similar tools, with two key differences. First, a strategy map divides an organisation's strategy into perspectives, ensuring a balance in objectives and performance measures. A logic model, on the other hand, describes the strategy of a programme (ie activities and desired outputs and outcomes) as

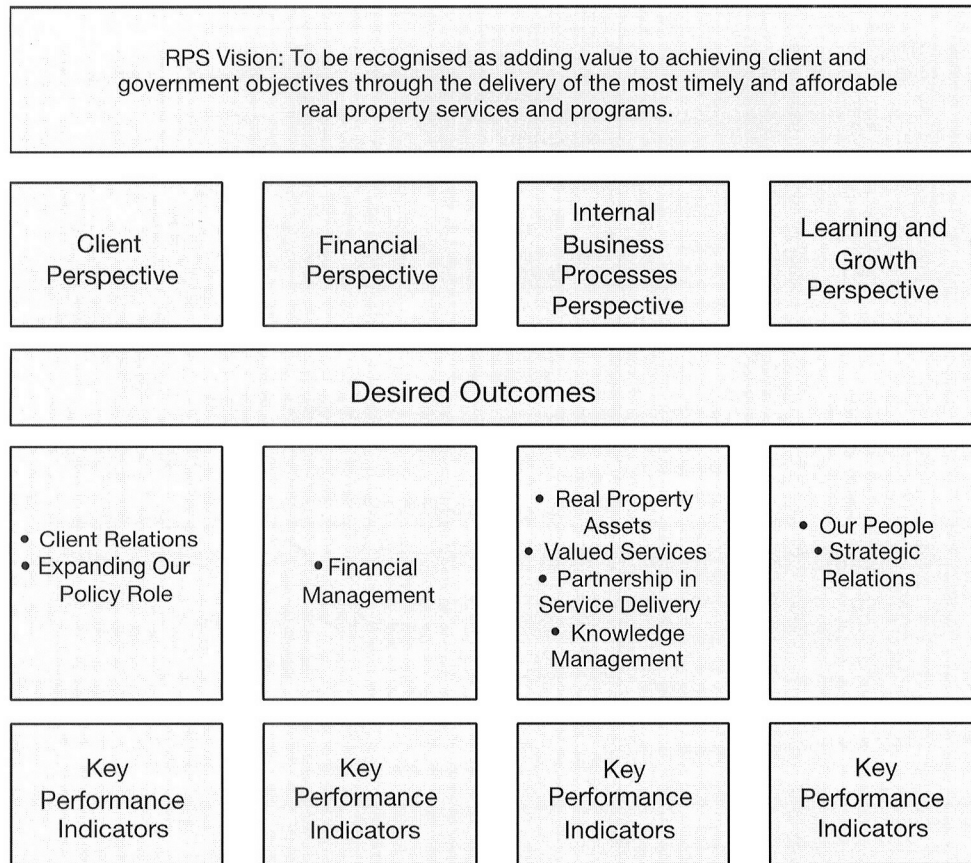


Figure 3 Real Property Services (RPS): The process

designed. Therefore, a strategy that has been designed without consideration for 'balance' (for example, a strategy with no learning and growth objectives and measures) would be uncovered during the development of a strategy map, but not in the development of a logic model. Secondly, logic models include details concerning inputs and activities, while strategy maps simply highlight resulting objectives; logic models therefore often represent a more detailed and complete reflection of the cause-and-effect logic of a strategy. This is valuable for analytical purposes, but is often overly complex for the purposes of communicating strategy to stakeholders. Because of their level of detail, logic models are often considered

more valuable at the programme rather than the enterprise level.

Many organisations are now finding that a combined logic model and strategy map approach that takes advantage of the respective strengths of each tool is quite powerful. No matter what approach is taken, however, the choice of performance measures must be based on a clear understanding of the desired outcomes of the organisation and what it wants to achieve. If these desired outcomes are not clearly articulated in measurable terms, then a performance measurement approach will provide mainly operational-level information. In this case, it is highly unlikely that the performance measurement approach will provide useful

Figure 4 RPS: Key performance indicators

Balanced Scorecard Perspective	Desired Outcomes	Key Performance Indicators
Client	<ul style="list-style-type: none"> <li>➤ Client Relations</li> <li>➤ Expanding our Policy Role</li> </ul>	<ol style="list-style-type: none"> <li>1. Overall Client Satisfaction with RPS services</li> <li>2. Overall Tenant Satisfaction with Property Management Services</li> <li>3. Business Volumes (Revenue Generated Through Optional Services in the Services Revolving Fund)</li> <li>4. Contribution to Public Policy Priorities (Modern Comptrollership, Workplace of the Future, Government Online, Greening of Government Operations)</li> </ol>
People (Learning and Growth)	<ul style="list-style-type: none"> <li>➤ Our People</li> <li>➤ Strategic Relations</li> </ul>	<ol style="list-style-type: none"> <li>1. Overall Staff Satisfaction</li> <li>2. Workforce Profile (total population by employment status)</li> <li>3. Human Resource Plan Objectives (age distribution, learning investment per employee, absenteeism, overtime, percentage of employees with learning plans in place, employment equity targets, inflows and outflows)</li> </ol>
Asset Management (Internal Business Processes)	<ul style="list-style-type: none"> <li>➤ Real Property Assets</li> <li>➤ Valued Services</li> <li>➤ Partnerships in Service Delivery</li> <li>➤ Knowledge Management</li> </ul>	<ol style="list-style-type: none"> <li>1. Accommodation Usage (rentable m<sup>2</sup> / full time equivalent employee, cost / rentable m<sup>2</sup> and cost / full time equivalent employee)</li> <li>2. Vacancy Rates in Owned Office Space</li> <li>3. Return on Investment</li> <li>4. Capital Reinvestment in Owned Space</li> <li>5. Progress Against Sustainable Development Objectives</li> <li>6. Space Supply and Demand Ratios</li> <li>7. Project Efficiency (time and budget)</li> <li>8. Quality of Data Integrity</li> </ol>
Financial	<ul style="list-style-type: none"> <li>➤ Financial Management</li> </ul>	<ol style="list-style-type: none"> <li>1. Budget Management (operating and capital, services revolving fund and disposals revolving fund)</li> <li>1. Accuracy of Financial Forecasting Compared to Year-end Results</li> </ol>

information on the success of the organisational strategy.

**DEVELOPING PERFORMANCE MEASUREMENT FRAMEWORKS: EXPERIENCE OF CREOS**

The following section summarises findings, described at the beginning of the paper, and sets out the approach and

current level of development in applying the Balanced Scorecard within several W4 member organisations. These include: Public Works and Government Services Canada (PWGSC); the British Columbia Buildings Corporation in Canada; the Directorate of Public Construction and Property (Statsbygg) in Norway; the US General Services Administration; and the National

**Customer Success**

1. Customer Satisfaction Index
2. Percentage of Customers with Service Level Agreements in Place
3. Percentage of Customers and Associated Revenues Retained
4. Survey Index Ratings for Customer Choice.
5. Survey Rating of Extent to Which Full Service Workplace Provisioning Solutions Meet Customer Needs
6. Total Annual Building Occupancy Charges Savings Realised From Government Restructuring

**Increase Value to the Shareholder**

1. Net Income
2. Return on Investment (overall)
3. Return on Equity
4. Return on Investment for Owned Market-Comparable Office Buildings
5. Total Proceeds on Properties Sold
6. Office Vacancy Rate
7. Status of Risk Management Activity (Contaminated Sites)
8. Number of Agreements / MOUs Signed in Health, Education and Other Government Sectors

Figure 5 BCBC: Performance measures

**Strengthen our Foundation**

1. Percentage of Corporate Expenditures with the Private Sector
2. General and Administrative Costs
3. Operations and Maintenance Costs
4. Lease Costs
5. Corporate Operating Margin
6. Ratio of Area Managed per Operations and Maintenance Employee
7. Energy Intensity
8. Percentage of Customers Indicating Information Technology Solutions Fulfilling Their Expectations

**High Performance Culture**

1. Investment in Training per Employee
2. Percentage of Employees Indicating a Strong Understanding of How Their Jobs Fit Into Attaining Corporate Objectives
3. Overall Performance Development Process Participation Rate
4. Percentage of Employees Indicating Satisfied or Very Satisfied on Employee Survey
5. Rate of Absenteeism

Property Board of Sweden. Some of these organisations (PWGSC, BCBC and Stratsbygg) are using the BSC framework, while the remainder have adopted balanced performance measurement approaches without explicitly adopting the BSC framework.

### Real Property Services (RPS) Branch of Public Works and Government Services Canada

RPS ensures that Canadian federal public servants are provided with affordable and productive work environments. It provides professional and technical services for the acquisition, management, operation, maintenance, construction, repair and disposal of real property.

RPS is applying a Balanced Scorecard to measure overall organisational performance. It has developed a strategic

framework to establish its desired outcomes through the use of a logic model. These outcomes form the basis for identifying performance measures. The desired outcomes of RPS within the four perspectives of the Balanced Scorecard are centred on the following themes:

- Client perspective
  - Client relations
  - Expanding our policy role
- Learning and Growth perspective
  - Our people
  - Strategic relations
- Internal Business Processes perspective
  - Real property assets
  - Valued services
  - Partnership in service delivery
  - Knowledge management
- Financial perspective
  - Financial management

Figure 6 BCBC:  
Strategy map and  
performance  
indicators

	<b>A. Customer perspective</b> <ul style="list-style-type: none"> <li>– Customer satisfaction</li> <li>– Customer choice rating</li> <li>– BOC savings to customers</li> </ul>	<b>B. Shareholder perspective</b> <ul style="list-style-type: none"> <li>– Net income</li> <li>– Return on investment</li> <li>– % expenditures with the private sector</li> </ul>
<b>C. Internal business process perspective</b>	<ul style="list-style-type: none"> <li>– Customer SLA implementation</li> <li>– Lease costs per square metre</li> <li>– Area managed/employee</li> </ul>	<ul style="list-style-type: none"> <li>– Office vacancy rate</li> <li>– Contaminated sites management</li> <li>– O&amp;M costs per square metre</li> </ul>
<b>D. Learning, people and technology perspective</b>	<ul style="list-style-type: none"> <li>– Investment in training/employee</li> <li>– Employee understanding of alignment with plan</li> <li>– Employee satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>– Rate of absenteeism</li> <li>– PDF participation rate</li> <li>– IT solution expectation fulfillment</li> </ul>

After establishing its desired outcomes through the development of a logic model, RPS identified key performance indicators against its desired outcomes and framed them within the four perspectives of the Balanced Scorecard, as illustrated in Figure 3. The key performance indicators used by RPS are described in Figure 4.

### British Columbia Buildings Corporation (BCBC)

Based in British Columbia, Canada, BCBC is a Crown corporation providing accommodation and real estate infrastructure services to the provincial government and the broader BC-based public sector. BCBC has also articulated four goals and aligned specific objectives, strategies and performance measures for each goal. The specific performance measures used by BCBC are described in Figure 5.

BCBC used a strategy map to frame its vision ('Best Solutions for Best Value') and goals within the four perspectives of the

Balanced Scorecard. Through using the BSC, the Corporation was able to ensure that the measures were both directly linked to its strategic goals and appropriately 'balanced' among the four perspectives of the scorecard. Figure 6 presents the high-level structure of BCBC's corporate strategy map and an excerpt of the associated performance measures.

The Balanced Scorecard architecture has been modified somewhat to fit the Corporation's environment better. Since financial performance is not the single desired outcome of BCBC's shareholder (the Government of British Columbia), the *financial* perspective was renamed the *shareholder* perspective. Also, BCBC's strategies are designed to achieve both customer success and shareholder value. Given that certain aspects of the Corporation's strategy are targeted directly towards increasing value to the shareholder, it was more logical to place both the customer and



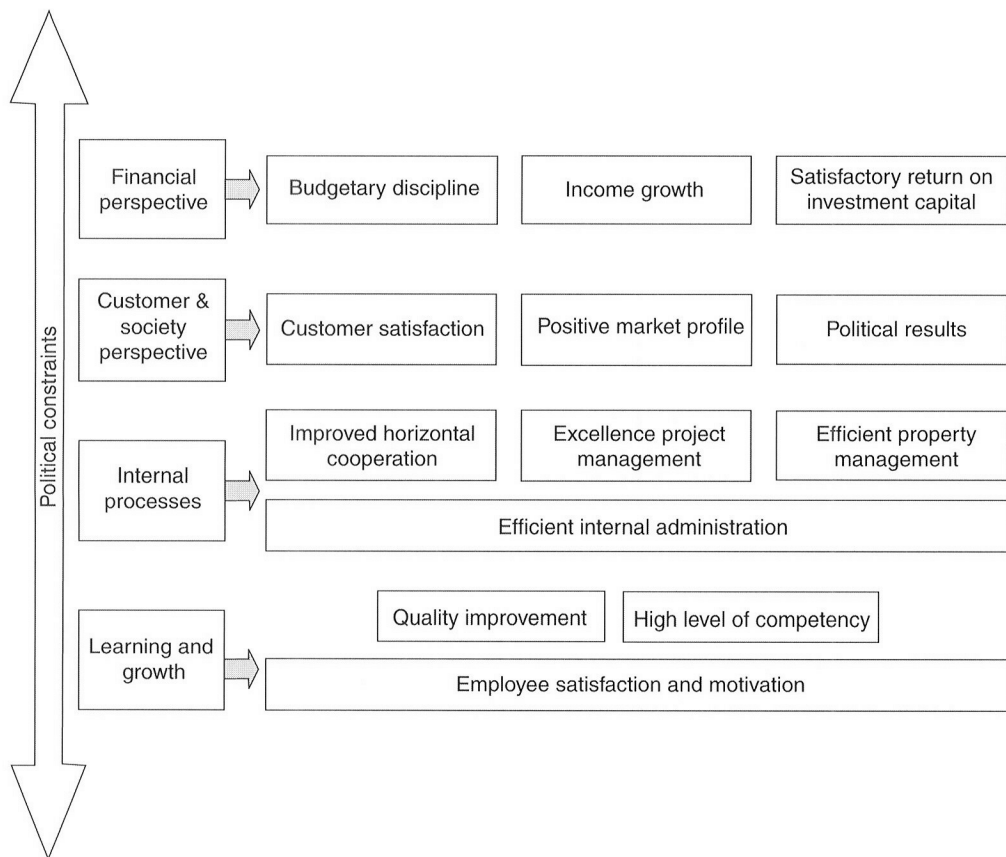


Figure 7  
Statsbygg: Strategy  
map

shareholder perspectives at the top of the corporate strategy map. The *learning and growth* perspective of the BSC was renamed *learning, people and technology* to reflect more accurately the necessary elements of the Corporation's 'foundation'.

### Norwegian Directorate of Public Construction and Property (Statsbygg)

Statsbygg acts on behalf of the Norwegian Government as a manager and adviser in construction and property affairs. Statsbygg uses its strategy map to align strategic goals within each of the four perspectives of the Balanced Scorecard, and specific performance measures are identified for each of these strategic goals. Figure 7 describes how Statsbygg has

framed its goals within the Balanced Scorecard.

The specific measures used by Statsbygg in Norway are provided in Figure 8.

### US General Services Administration (GSA)

The US General Services Administration (GSA) helps federal agencies serve the public better by offering superior workplaces, expert solutions, acquisition services and management policies. To date, GSA has not adopted a Balanced Scorecard approach, but uses similar metrics in measuring performance. For instance, the Real Property Performance Results Program measures these nine specific performance indicators for real property:

Figure 8  
Statsbygg:  
Performance  
measures

Customer and Society Perspective	Financial Perspective
<ol style="list-style-type: none"> <li>1. Satisfaction ratio – ministries, tenants and planning and consulting clients.</li> <li>2. Percentage of positive and neutral press coverage.</li> <li>3. All projects and divisions have their own communication strategy.</li> <li>4. Registration of all properties according to plan for protection of historical/cultural values.</li> </ol>	<ol style="list-style-type: none"> <li>1. Total project cost in relation to budget, the exceeding of total property management budget and administration budget.</li> <li>2. Transfer of budgeted funds to next year's budget.</li> <li>3. Total income from consulting and planning, construction project management and property management.</li> <li>4. Area leased as percentage of total area (m<sup>2</sup>).</li> <li>5. Return on property management. Result before finance cost as percentage of invested capital per year.</li> </ol>
Internal Processes Perspective	Learning and Growth Perspective
<ol style="list-style-type: none"> <li>1. The divisions' satisfaction with one another.</li> <li>2. Project group work done according to approved project strategies/plans.</li> <li>3. New quality plan implemented.</li> <li>4. All work on properties done in accordance with approved maintenance plan.</li> <li>5. Operation cost/square meters.</li> <li>6. Maintenance cost/square meters.</li> <li>7. Energy use/square meters.</li> <li>8. Administration cost/total income.</li> <li>9. IT-cost/employee.</li> <li>10. IT-cost/total administration cost.</li> <li>11. Transaction cost/all purchases.</li> <li>12. Service degree (internal production and services)</li> </ol>	<ol style="list-style-type: none"> <li>1. Implement new software system for budget and account.</li> <li>2. Implement new documentation of all routines, strategies etc.</li> <li>3. 'Project ALLNET': all employees on the same intranet.</li> <li>4. Implement the environmental protection project 'Green State'.</li> <li>5. Implement new research projects.</li> <li>6. Implement pre-project plan for new knowledge and best practice database.</li> <li>7. Implement new strategic system.</li> <li>8. Clarification of employees' individual competence requirements.</li> <li>9. Implementation of new leadership program.</li> <li>10. Human resource centre's ability to deliver competent employees according to other divisions' needs.</li> <li>11. Employee satisfaction.</li> <li>12. Sickness levels.</li> <li>13. Turnover.</li> </ol>

- Cost per square foot (owned)
- Cost per square foot (leased)
- Vacancy rate
- Cost per person
- Customer satisfaction
- Employees housed
- Total square feet
- Federal teleworkers
- Sustainability.

### National Property Board of Sweden (NPB)

The NPB is responsible for the management of state-owned property, building and lands that constitute Sweden's heritage. These assets include, among others, cultural heritage buildings, modern buildings and ministerial buildings.

The NPB manages property stock to ensure:

- Results in good resource management and financial efficiency;
- Provision of good-quality building on competitive terms; and
- The use, maintenance and development of the long-term value of property.

The following is a list of the performance measures used by the NPB, which are similar to the Balanced Scorecard perspectives:

- Financial perspective
  - Income
  - Return on equity
  - Different costs per square metre, such as energy consumption; operations and maintenance cost; and leasing costs
- Customer perspective
  - ‘Satisfied Customer Index’
  - Customer surveys
  - Media monitoring
- Internal business performances
  - Employee satisfaction survey
  - Swedish Institute of Quality model (based on the Baldrige criteria for performance excellence)
  - Development of unique system to measure the quality of internal and external facility services.

## CONCLUSION

Performance measurement is absolutely critical in today’s real property domain.

The experience of W4 members has shown that if performance measurement is to succeed, it must become an integral part of strategic planning procedures and management processes. A common error is to view the Balanced Scorecard as an operations level reporting mechanism. This approach will lead to having too many performance measures; management will be unable to focus on the critical information. The Scorecard should be viewed as a key management tool in telling a performance story on strategy implementation. The Balanced Scorecard approach is proving to be a well-accepted management practice within public-sector corporate real estate organisations.

## REFERENCES

- (1) The co-authors of this paper are David Hagarty, of the British Columbia Buildings Corporation (BCBC) in Canada, and Chris Wilson and Julie Gauthier, of Public Works and Government Services Canada (PWGSC), Real Property Services (RPS) Branch. Stan Kaczmarczyk and Shirley Morris of the General Services Administration in the USA, Randi Hovik of the Directorate of Public Construction and Property (Statsbygg) in Norway, Hiroshi Akagawa of NTT Facilities Inc. in Japan and Charlotta Andersson of the National Property Board of Sweden provided input during the preparation of the paper.
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