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The impact of balanced scorecards in a public sector environment

Empirical evidence from Dunedin City Council, New Zealand

Richard Greatbanks
Department of Management, School of Business, University of Otago, Dunedin, New Zealand, and
David Tapp
Dunedin City Council, Dunedin, New Zealand

Abstract

Purpose – Many papers discuss the use of the balanced scorecard yet few provide empirical evidence within a longitudinal context. Still fewer studies present balanced scorecard evidence from within public services. This study seeks to consider the impact of implementing and using the balanced scorecard within a public service city council environment.

Design/methodology/approach – The paper reviews the recent literature within the area of public sector performance measurement. A longitudinal case study approach is adopted using interview and documentation analysis to consider the impact of balanced scorecards in a public sector organisation. The impact of balanced scorecards was evaluated at three levels: strategic planning, team management, and individual staff performance.

Findings – The empirical evidence suggests that the use of scorecards within the case organisation enables employees to clearly appreciate their role, and focus on delivery of performance-related measures which support organisational strategy. Clarity of role appears to have a positive influence on the achievement of the organisation's business plan and excellence goals regarding the delivery of customer service.

Research limitations/implications – As with any single longitudinal case study, issues of generalisability to other settings and environments can occur.

Practical implications – This paper indicates the potential benefits and pitfalls of introducing and developing the balanced scorecard within a public sector organisation.

Originality/value – This research is set within a public service environment and by providing empirical case evidence contributes to the literature within this area.

Keywords Balanced scorecard, Public sector organizations, Local government, New Zealand, Case studies, Business excellence

Paper type Case study

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Introduction

Within the performance measurement literature there appears to have been a subtle shift in focus from developing models and frameworks capable of providing a balanced set of performance measures, through the implementation of such models and frameworks, to how measures, derived from balanced models and frameworks, are actually used in practice (Franco and Bourne, 2003). Neely (2005) considers the development of

performance measurement literature over the past 25 years, and suggests it can be classified into five broad phases; problem identification, frameworks, methods of application, empirical investigation, and theoretical verification. This paper contributes to the fourth of these phases by providing empirical evidence of the impact of scorecards on the performance achievements of a public sector city council organisation.

The adoption and use of balanced approaches to performance management has been popular for several years, yet empirical evidence from the manufacturing and industrial sectors appears to far out-weigh that from public service environments (Ittner and Larcker, 1998; Johnsen, 2001; Radnor and Lovell, 2003; Eskilden *et al.*, 2004; Moxham and Boaden, 2005). There appears to be a general consensus amongst researchers that transposition of private sector performance models do not readily fit within a public sector environment, and that some adjustment of such models is generally necessary (Kaplan, 2001; Radnor and McGuire, 2004; Moullin, 2004; Wisniewski and Stewart, 2004; Adcroft and Willis, 2005; Pidd, 2005).

The research, which this paper reports, reviews the introduction, implementation and development of balanced scorecards over a three-year period within the Customer Service Agency (CSA) section of Dunedin City Council. The focus of this research is to assess the impact of scorecards over this time at three levels: first, their impact within the internal planning processes of the CSA, and the development of CSA performance measures; second, the effect of scorecards on the CSA internal team management processes and; third, the impact upon the individual CSA staff, and their actual achievement of CSA performance objectives and goals.

This paper is structured as follows; first, the supporting literature in the area of public sector performance management is examined and considered. Second, the Dunedin City Council, and the CSA section, where this research was undertaken, are briefly introduced. Third, the research methodology adopted is outlined. Fourth, an analysis of the use and impact of scorecard implementation within the CSA section is provided. A discussion of the main research implications follows, and is contrasted with the recent public sector literature within this area. Finally, conclusions are drawn as to the impact of scorecards on three levels within the CSA section: the impact at the departmental planning level, on the CSA team internal management, and on the individual CSA staff.

Literature

Although performance measurement *per se* has developed into a relatively broad body of literature over the past two decades, many researchers comment that areas of under-development still exist within this body (McAdam and Banister, 2001; Bourne *et al.*, 2002; Franco and Bourne, 2003; Thorpe and Beasley, 2004; Bourne *et al.*, 2005; Neely, 2005; Busi and Bititci, 2006). Literature of particular interest to this research can be found in two areas: first public sector performance measurement, and second, reported empirical evidence of the impact of measurement approaches on organisational performance. Literature specifically focussed on public sector balanced scorecard applications is also considered.

Public sector performance measurement

Despite the exponential growth of interest in performance measurement in recent years (Neely, 2005), many researchers note the problematic nature of public sector performance measurement. Adcroft and Willis (2005) comment on technical and

managerial issues which can lead to performance measurement systems being unfit for purpose. Atkinson and McCrindell (1997), reporting on a study of the Canadian Government's strategic performance measures, comment that measures and indicators have proliferated and become too operationally focussed, resulting in an inability to manage these measures. Micheli and Kennerley (2005) comment that "few attempts have been made to provide public and non-profit organisations with a framework in order to monitor, and enhance, their performance". Many of the problems and difficulties associated with public sector measurement appear to arise from frameworks "imported" from the private sectors. Gooijer (2000) comments that most performance measurement solutions originate from profit generating commercial organisations, and as such have limited application to public sector management (Gooijer, 2000). Trans-sector importation problems are noted explicitly within the UK health care sector (Radnor and McGuire, 2004; Moullin, 2004). Further evidence (Wisniewski and Stewart, 2004; Pidd, 2005; Moxham and Boaden, 2005) suggests that such problems are not limited specifically to healthcare but are public and voluntary sector wide. Adcroft and Willis (2005) suggest the importing of practice and theory from elsewhere is a recurring theme in the public sector.

Boyne (2002) notes that public and private organisations "differ in a variety of important aspects" and suggests such differences "act as barriers to the transfer of management techniques from the private to the public sector". Bolton (2003) comments that there is increasing pressure on the public sector organisation to demonstrate accountability, but the performance measurement frameworks are often private sector-based and thus can prove difficult to implement within a public sector environment. Bolton further suggests this is a fact of life and that such transition is both possible and useful to the public sector organisation if carefully managed (Bolton, 2003). Franco and Bourne (2003) identify nine factors which impact on the way organisations manage through measures, and report that public sector environments are often more difficult due to political and government agendas distorting the system. Moullin (2004) acknowledges that whilst the balanced scorecard has been used in public sector organisations there are still difficulties associated with its implementation in this sector. There appears to be ample evidence that a performance measurement approach cannot be simply transferred from one organisation, or sector, to another without consideration for organisational or sectoral context.

Of the few public sector specific approaches in the literature, Gooijer's (2000) knowledge management performance framework provides some interesting parallels, and is referred to in greater detail later in this paper. Kloot and Martin (2000) provide another more detailed review of performance management within the Australian local government sector. A number of useful research questions are posed by Kloot and Martin, particularly when they ask "... can a balanced model of effective performance management for Australian local government be developed?" (Kloot and Martin, 2000).

Within the context of public sector performance management the role of stakeholders is seen as an important issue, and features centrally in the academic discussion (Neely *et al.*, 2001; Kennerley and Neely, 2002). Wisniewski and Stewart (2004), note that who is seen as the end-user of the performance measurement information generated, is of critical importance. Bendheim *et al.* (1998), comment that stakeholders influence all aspects of performance measurement and management, and define five key stakeholder domains. Moullin (2004) integrates stakeholder views to his

public sector scorecard, but argues that a "service user/stakeholder" perspective is more appropriate for a public sector environment. Kloot and Martin (2000) discuss the "problematic" nature of researching in a multi-stakeholder environment, and mention the importance of anchoring the performance measurement system within the strategic framework of the organisation. Furthermore, a distinct area of literature, which emanates from the public administration literature, is new public management (NPM) (Mwita, 2000; Hoque, 2005; Halachmi, 2005). NPM has become increasingly popular with public sector accounting research and thus overlaps with many aspects of performance measurement and management.

Empirically reported evidence

The second area of particular interest is literature which provides empirical evidence of the impact measurement has on organisational performance. McAdam and Bailie (2002) report on research exploring the longitudinal alignment between performance measures and business strategy. Within this work McAdam and Bailie confirm that performance measures derived from strategically important projects of an organisation are perceived to be more successful. McAdam and Bailie also suggest that business improvement models, such as the balanced scorecard, are particularly appropriate for ensuring the strategic alignment of measures. Lipe and Salterio (2002) report some interesting findings from studies which compare the effect of displaying performance measures within a "balanced scorecard" format, particularly with inexperienced participants. Chan (2004) presents data from a large-scale survey of municipal governments in the USA and Canada, and cites factors which appear to influence the success or failure of implementation. In the UK, McAdam *et al.* (2005) observe the increasing pressure upon public sector organisations to demonstrate performance improvements and comment that the public sector is now devoting more attention, time and money to performance measurement than ever before.

Balanced scorecard specific literature

Considering the specific application of balanced scorecards (Kaplan and Norton, 1992, 1993, 1996a, b) within a public sector environment, again there appears to be a general lack of empirically reported research. Johnsen (2001), regarding the application of the balanced scorecard, comments that the public management context has hitherto only received scant scholarly attention. Eskildsen *et al.* (2004) report from a study of management models in Danish private and public organisations, that almost twice as many private companies implemented the balanced scorecard than public sector organisations. Kaplan (2001) considers the application of the balanced scorecard in non-profit organisations and provides several insights into how such organisations can benefit from this approach. Kaplan suggests a number of areas where the non-profit organisation might need to modify its approach from that taken by a private company. Kaplan also reports that many non-profit organisations have rearranged the geography of their balanced scorecards, and should consider expanding the definition of their customers. Finally, Kaplan (2001) comments that achieving focus and alignment (of their performance measures) may be particularly difficult for non-profit organisations.

Wisniewski and Olafsson (2004) consider the development of balanced scorecards in two local authority environments, and offer a number of useful findings. First, they point out that in public sector organisations performance measures focus

not only on cost, but also on the efficiency and effectiveness of the service provision, a point also considered by Kaplan (2001). Second, the customer (satisfaction) perspective becomes one of the ultimate objectives of the performance measures. Third, within a public service environment, customer definition can be more complex, resulting in a multiplicity of customers or service users, as well as stakeholders. Again this is echoed by Kaplan (2001). Wisniewski and Olafsson (2004) suggest therefore that for all these reasons the process of public sector balanced scorecard implementation is not an easy one, and is arguably more difficult than in a private sector company.

Summary of literature

Considering all of the above, a number of important points may be drawn from the literature. First, a broad agreement appears to have been reached that balanced scorecard implementation in public and non-profit organisations is not readily transferable from private sector experience, and that some modification of both the implementation process and the resulting schema will be necessary. Second, implementation of balanced scorecards in public and non-profit organisations is generally accepted as being more complex, and thus more difficult, than private sector implementation. The primary factors appear to be the multiplicity of customers and stakeholders, the resulting problems in definition, and the disparate nature of public and non-profit organisations regarding their strategic focus. Finally, the culmination of these factors appears to be largely responsible for the reported lack of empirical evidence regarding balanced scorecard implementation within public and non-profit organisations.

Context of case research

Dunedin is New Zealand's fifth largest city with an approximate residential population of 120,000 people and is located on the lower East coast of the South Island. Dunedin City Council (DCC) employs a total of 940 employees in 620 full-time equivalent positions across 36 departments, and has responsibility for the provision of all municipal services within the Dunedin City environ. Its total operating expenditure for the financial year 2005/2006 is NZ$110 million (approximately £40 million) (DCC, 2005).

The DCC's mission statement reads:

> Our purpose is to maintain and enhance our community for the long-term well-being of our people and environment through innovative leadership and provision of cost-effective services (DCC, 2004a).

Within the DCC, the customer and information services (C&IS) department handles most of the Council's external customer interfaces, and comprises three sections; the Knowledge Centre (KC), the Visitor Centre (VC), and the CSA. Council-related information, including the DCC's external web site (www.CityofDunedin.com) and internal intranet, telecommunications, information management, archive records, geographic information services, are managed by the 20 KC staff. The VC provides tourism-related customer services to visitors and locals. The VC handles nearly 300,000 enquiries annually with 14 permanent staff and up to 20 volunteers in high season, and is open 365 days per year. In 2004/2005 the VC generated an external gross revenue of nearly NZ$3.5 million (approximately £1.4 million).

The third section of C&IS, and where this research took place, is the CSA which deals with the majority of external communication to the DCC. The CSA has 30 staff, referred to as consultants, who are responsible for dealing with telephone, e-mail and

face-to-face customer requests for information. The CSA aims to be a "one-stop-shop" for all council enquiries, and during the year 2004/2005 handled more than 67,000 face-to-face enquiries, responded to over 10,000 e-mails and letters, and received over 300,000 telephone calls.

The C&IS department employees a total of 67 staff across 64 FTE positions in four separate locations within the DCC, and has an annual operating budget in excess of $NZ6.5 million (approximately £2.5 million).

Methodology

The opportunity to research the CSA function of the DCC was taken for a number of reasons. First, the use of balanced scorecards within New Zealand local government departments is not yet widely established. The CSA application was believed to be the only fully developed balanced scorecard local government application known to the CSA managers. Yin (1994) and Van de Ven (1992) support the adoption of a case-based approach where real life contexts are being investigated. Furthermore, Yin (1994) justifies the use of a single case study where a rare or unique event is explored in order to probe the "how" and "why" questions in greater detail. Second, the CSA performance was considered to be comparable to best-in-class standards, both nationally and internationally. Finally, as the process of using scorecards, as they are referred to in the CSA, had been in place since July 2003, this case study provided the possibility to explore the application of balanced scorecards from a longitudinal perspective looking at both the current performance and also exploring the effects of balanced scorecard implementation on the CSA performance over this time.

This research therefore adopted a longitudinal case study methodology within a single organisation, the CSA section of the DCC. A primary research question was formulated to explore the impact scorecards have had on CSA section performance. Other secondary research questions were developed from the primary question. Of further interest was the impact of using scorecards on the different organisational levels within the CSA section, i.e. the CSA planning process, the management of the CSA teams, and finally the impact of scorecards on the individual CSA staff member.

Using these research questions as the starting point a series of semi-structured interviews were held with members of the CSA staff and the CSA section managers. Of the CSA management team and staff, 12 members were individually interviewed during this research over a six-week period during July and August 2005. Interviews lasted between one and two hours, and were taped and transcibed. Other less formal meetings with staff and team managers were also arranged. The researcher also undertook non-participant observation at scorecard development meetings between the C&IS manager and CSA team managers. Notes from these meetings were produced and used as a means of generating points for discussion in interviews and meetings with the CSA team managers and staff. Subsequent reflection on these meetings also provided a useful form of content and context analysis, and was helpful in linking specific scorecard issues with remarks made by staff and managers.

Analysis of internal documents, including materials used during the initial presentation of scorecards to the CSA section, formed an important source of historical information from which early performance data could be drawn. Particular effort was made to ensure interview data and document analysis were anchored in the strategic framework of the DCC, as per suggested practice from Kloot and Martin (2000).

Within this case study the primary unit of analysis (Yin, 1994) is the CSA section. However, in order to address the secondary research questions three sub-units were also defined, these being the CSA planning context, the internal team managers, and the individual CSA staff. Thus, an embedded research design was considered to be the most appropriate, offering multiple units of analysis, and thus providing the framework to investigate both CSA performance, and also the planning, management and individual staff of the CSA section. Yin (1994, p. 44) however, cautions the use of the embedded design, and advises the researcher that balanced reporting of all units of analysis is needed to prevent the case study from focusing only on one sub-unit, and thus changing the case focus.

Organisational context of CSA performance management

The DCC performance management framework, within which the scorecards are positioned, comprises four levels of documentation which describe and operationalise the DCC strategic objectives for each departmental function.

This model, shown in Figure 1, is initiated by the first level "Community Outcomes" which drive the council's customer service organisation. The community outcomes are a series of seven defined areas within which the DCC strives to support and develop the City of Dunedin as follows:

(1) a wealthy community through tourism, marketing, events and the VC;

(2) an accessible city through developed road and infrastructure transport networks;

(3) a safe and healthy city through building, liquor, food and waste standards and controls;

(4) a sustainable city and environment though city planning and urban design;

(5) a supportive community through community development;

(6) a city of culture and learning through provision of museums, libraries and art galleries; and

(7) an active city through provision of sports facilities, gardens and playgrounds.

The DCC's community outcome statements are therefore used to position and anchor all organisational policies, strategies and actions to these objectives.

The second level of the DCC's strategic framework are the Customer Service Group Strategic Guidelines. These provide high level strategic guidelines for the customer service group of the DCC, and establish minimum customer service expectations for service provision. These guidelines draw no distinction between the external and internal customers, other than each will have particular service expectations and requirements that need to be met (DCC, 2004b). The guidelines provide a context of six broad areas across which customer service is delivered:

(1) *Commitment.* There will be a commitment to customer service.

(2) *Needs.* Customer needs will be understood.

(3) *Access.* All customers will be able to access DCC services.

(4) *Delivery.* Service delivery will be reliable and cost effective.

(5) *Values.* Customer service will be built around valuing customers.

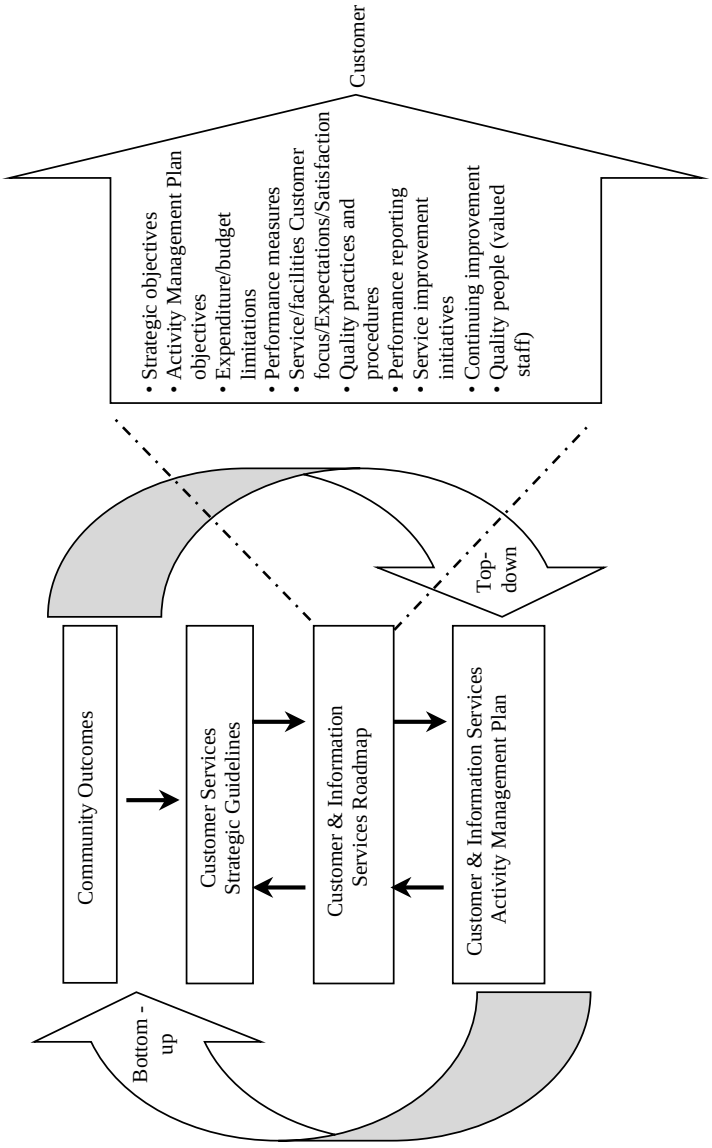

Figure 1.
Multi-level strategic framework of C&IS department

(6) *People*. Excellent service delivered by skilled staff supported by quality management initiatives.

Each of the above six areas are further detailed regarding how they are to be achieved, and operationalised in practice. From these guidelines operational enablers are developed, which feed into the third level, the C&IS "Roadmap" which sets the long-term business direction and goals of C&IS, and identifies all the enablers required to deliver the DCC's customer service strategy.

The fourth and final level of documentation is the C&IS Activity Management Plan (AMP). Each section of the DCC has an AMP which details the contribution to the community outcomes, defines future planned levels of service and consequent performance measures necessary to support and achieve the community outcomes. Within the AMP performance measures and targets are established for each section with the C&IS department. For instance, in the AMP for the CSA some 13 performance measures and performance targets are defined across the four areas of customer service, organisational performance, strategic advice and people development. Finally, the AMP contrasts these current performance measures and targets with the historic performance of the CSA in these areas.

Through the above strategic performance management process, community outcomes are linked to detailed "section relevant" goals and performance metrics. In this manner all CSA section AMP performance measures are aligned to the DCC strategic goals and community outcomes. Thus, the achievement of the AMP goals at the CSA level, inherently contributes to the achievement of the DCC strategic targets and fulfilment of the community outcomes.

Implementation of scorecards within the CSA section

In July 2003, scorecards were introduced within the CSA section. Prior to July 2003, the CSA section had some strategic and operational measures in place, but these were not tailored to individuals, nor were they monitored on a frequent basis. Call centres tend to be highly measured and monitored environments (Gilmore, 2001), and for this reason the scorecards were piloted in the CSA.

All CSA consultants, support staff and team managers were introduced to the concept of scorecards through a structured process which included discussions with team leaders regarding the nature and potential advantages of a balanced scorecard approach to performance management, and presentations to CSA staff and team leaders detailing the exact nature of the scorecards to be implemented. Following this process all CSA consultants, support staff and team managers were issued with individual scorecards.

CSA performance in 2003/2004

In the financial year immediately after the introduction of scorecards the CSA performance exhibited significant improvements in several key areas. The CSA service level, a primary indicator of call centre performance, increased from 78.1 to 83.5 per cent (AMP target 80 per cent). The daily percentage service level is an algorithm of total daily calls, number of abandoned calls, and average time taken to answer calls.

Other measures of CSA performance include the following:

- calls abandoned (caller hangs up before CSA answer) – reduced from 3.2 to 2.5 per cent (AMP target less than 5 per cent); and

- call waiting time (average time before call is answered) – reduced from an average of 14 to 10.5 seconds (AMP target less than 14 seconds).

During the financial year 2003/2004 the total calls made to the CSA increased from 327,037 to 343,069, an increase of 4.9 per cent. The CSA performance, summarised above, is presented within the context of previous year's performance in figures (horizontal full line indicates the AMP target) (Figures 2-4).

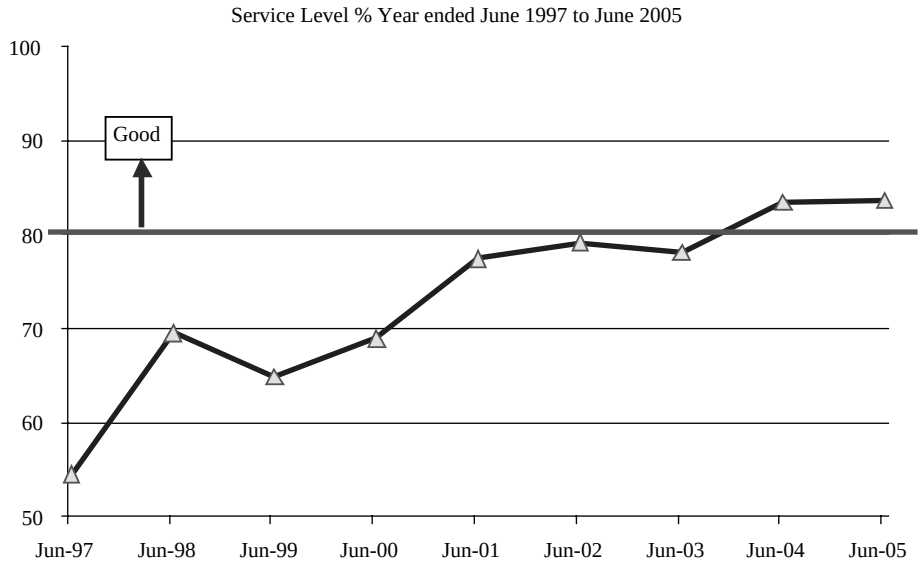

Figure 2.
CSA percentage of service level performance (scorecards introduced June 2003)

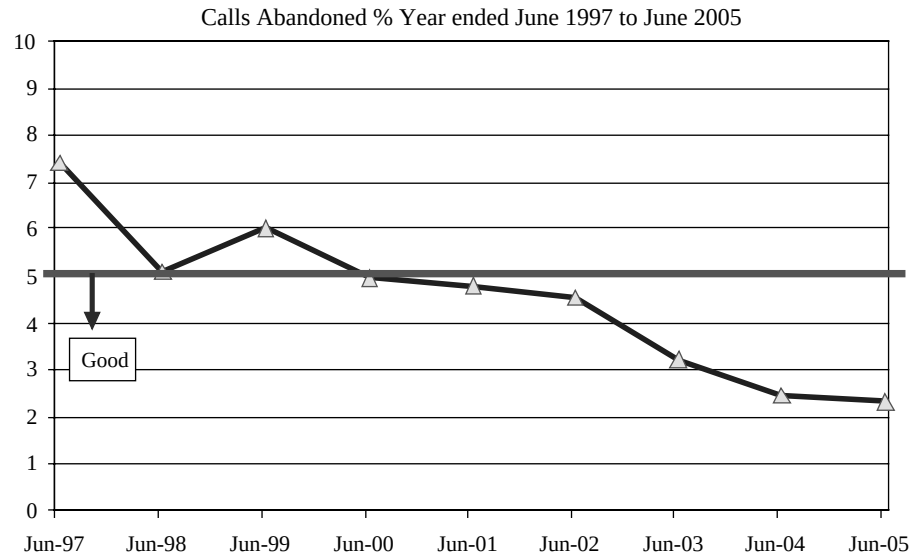

Figure 3.
CSA percentage of call abandoned performance (scorecards introduced June 2003)

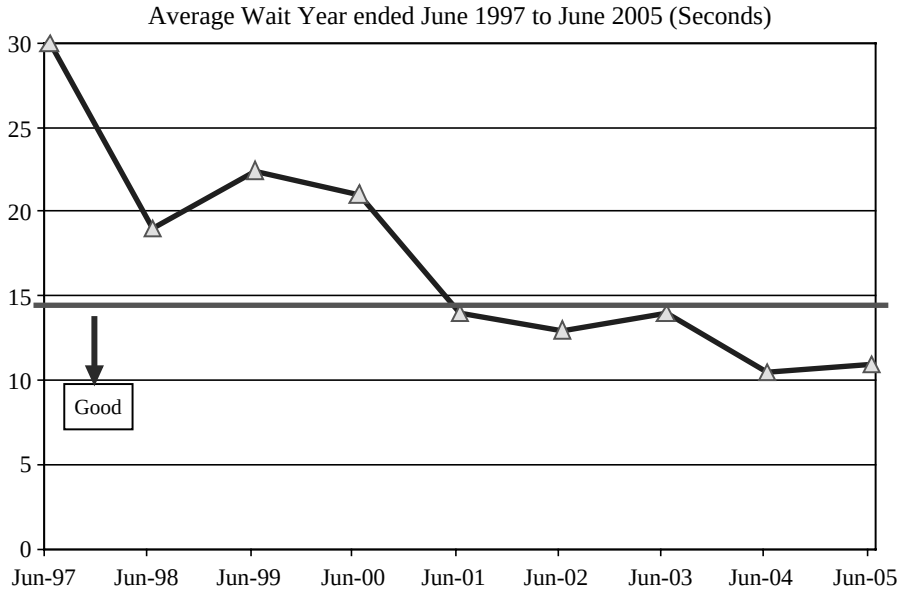

Figure 4.
CSA call waiting performance (seconds) (scorecards introduced June 2003)

After resolving a few early issues through team meetings the scorecards were introduced within the CSA section. From interview data the introduction of scorecards appears to have changed the behaviour of both CSA staff and managers. Alignment of the DCC's strategic objectives with the day-to-day CSA performance was easier to understand, and CSA staff felt they could concentrate on the scorecards measures without the distraction of other performance criteria. In discussion, one team manager commented:

> Most staff seemed to accept the scorecards. There were a few that had an issue. It wasn't the structure of the scorecards; more the change in culture to a top-down approach where they could be measured on particular aspects of their performance, but most were happy to see where this idea would lead.

Another team manager commented:

> They [scorecards] are now accepted as business as normal. They are transparent and easy to understand. The staff can see when the service level performance is below what is required, and they work to improve it. They all know exactly what is expected of them, what their role is, and whether they, individually or collectively, are doing a good job. We get a weekly dashboard every Monday, so they know how they've done the week before, and every month we issue an update of [scorecard] performance figures.

Integration across other sections

In July 2004, following a successful review of the CSA section performance, scorecards were introduced to both other C&IS sections, the KC and the VC. A similar process of presentations and discussion was taken before implementing the scorecards in the VC and KC sections. Currently each of the 58 C&IS staff and nine team managers are monitored on performance by an individual scorecard which reflects key strategic, financial, customer, operational, and personal development measures as appropriate to

their position and responsibilities. Scorecards have been used within the CSA section for four complete financial years, and are due to begin their fifth year of use in July 2007. The VC and KC sections will complete their third year of use in June 2007.

Using dashboards and scorecards within the C&IS department

One enabler defined within the C&IS roadmap is the implementation of internal dashboard and performance management initiatives. Dashboards are a summation of the section performance and are produced weekly, bi-monthly or monthly, depending on the particular section. The production of a dashboard provides a means of feeding back current performance, and allows all C&IS staff to clearly understand where the current and cumulative performance is in relation to AMP goals. Dashboards also provide a medium for general communication within each section and across the C&IS department as a whole through an open circulation policy. A typical example of a dashboard is shown in Figure 5.

Vertical integration of each individual scorecard is achieved over the three levels of the C&IS department. At the highest level is the C&IS manager's scorecard (Figure 6); beneath which are nine team managers split across the three sections of C&IS department; and finally 58 C&IS staff. The scorecards for each level are shown in Figures 6-8.

Components of each scorecard

As can be seen in the above figures each scorecard is built up from C&IS departmental strategic, financial, operational, customer and development measures appropriate to the position and level of the individual concerned. Each of the measures is also designated a focus; that of team or individual. Manager scorecards are entirely team focused apart from the individual development measure, whereas for example, the CSA consultant has a mix of four team-based measures and three individual-based measures (Figures 7 and 8). Team-based measures are intended to ensure that support and assistance are provided within a team environment, and thus support team achievement.

Scorecard measures are determined in a number of different ways. First, operational measures, such as the percentage of calls completed for a CSA consultant (Figure 8), are measured on a real-time call-by-call basis through the call centre monitoring system and reported as a team measure via the weekly CSA dashboard (Figure 5). Customer satisfaction metrics are measured through an annually administered, DCC wide external resident opinion survey. Finally, the development metric is based on immediate manager feedback based on observations of the staff member's attitude, initiative and team contributions throughout the year.

Another aspect of the scorecards is the horizontal integration between the three C&IS sections. As well as the appropriate measures for their team, all team managers have two additional measures on their scorecards; the customer satisfaction performance of the two other C&IS sections. For instance, on the CSA team manager's scorecard (Figure 7) internal customer dissatisfaction with the KC and VC customer satisfaction are both incorporated. The rationale for this horizontal integration is to support the C&IS team performance ethos such that team managers are also considerate of how they could assist the other C&IS sections, rather than solely focusing on their own section's performance (Figure 9).

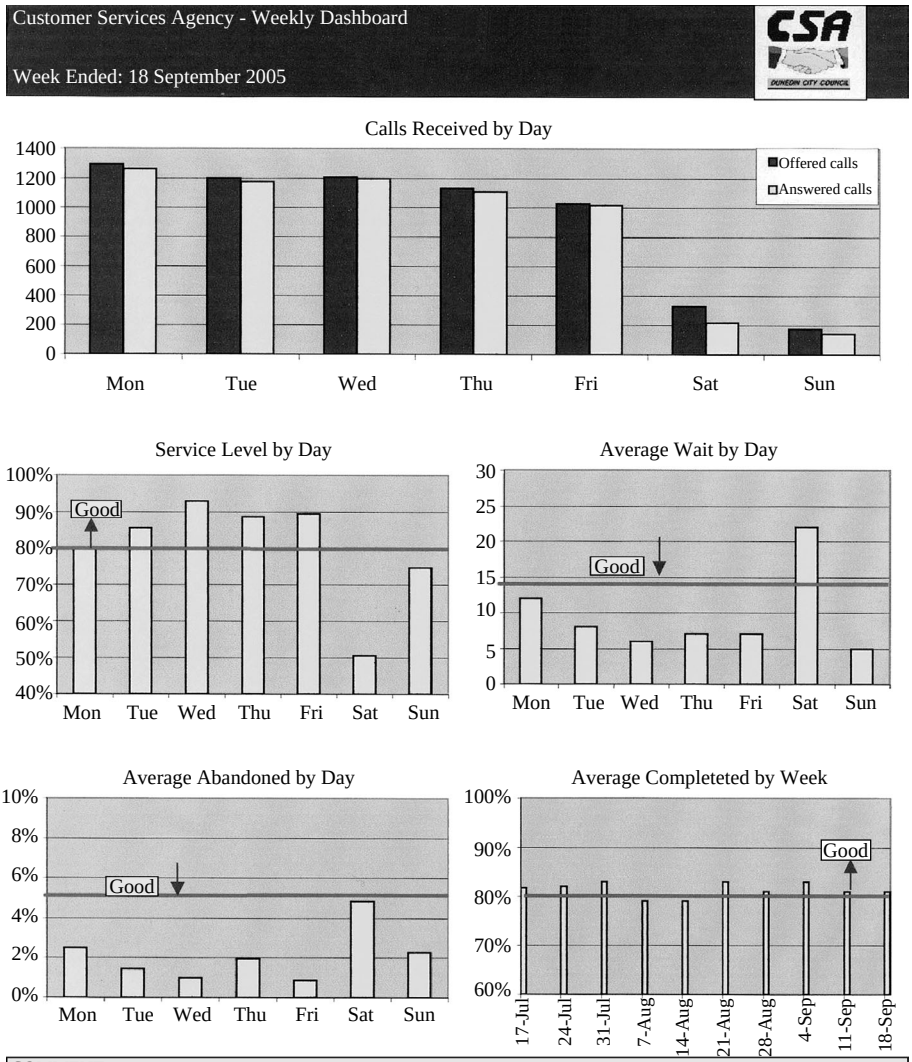

Figure 5.
Example of a weekly dashboard feedback sheet

C&IS SCORECARD FOR 2004/05
ACTIVITY: *C&IS*
INDIVIDUAL'S NAME:
POSITION: *C&IS Manager*

PERFORMANCE CATEGORIES	FOCUS	MEASURES	Activity Management Plan	Excellent Target	Annual Result	Excellent Target Achieved?
C&IS RoadMap	Team	Number of Roadmap Initiatives Progressing to Schedule	80%	90%		
FINIANCIAL	Team	FY End Budget Variance (KC, VC and CSA combined)	< +/-5%	< +/-4%		
OPERATIONAL	Team	% C&IS Operational Targets Achieved	80% (15 out of 19)	85% (16 out of 19)		
CUSTOMER	Team	% of C&IS External Customer Satisfaction Targets Achieved	80% (7 out of 5)	100% (5 out of 5)		
	Team	% of C&IS Internal Customer Satisfaction Targets Achieved	50% (1 out of 2)	100% (2 out of 2)		
DEVELOPMENT	Individual	Manager Feedback	6 out of 10	8 out of 10		
		TOTAL NUMBER OF EXCELLENT TARGETS MET=				

Manager's Signature: Name:

Individual's Signature: Name:

Figure 6.
C&IS manager scorecard

C&IS SCORECARD FOR 2004/05
ACTIVITY: *Customer Service Agency*
INDIVIDUAL'S NAME:
POSITION: *CSA Team Manager*

PERFORMANCE CATEGORIES	FOCUS	MEASURES	Activity Management Plan	Excellent Target	Annual Result	Excellent Target Achieved?
C&IS	Team	Internal Customer Dissatisfaction with KC	<5%	<4%		
	Team	Visitor Centre Cust Satisfaction	95%	96%		
FINIANCIAL	Team	Cost per Call	$2.80	$2.75		
OPERATIONAL	Team	CSA Service Level	80%	82%		
	Team	% of calls completed in CSA	80%	81%		
	Team	Average Wait Time	< 14 seconds	< 12 seconds		
CUSTOMER	Team	External Customer Dissatisfaction	<5%	<4%		
	Team	Internal Customer Dissatisfaction	<5%	<4%		
DEVELOPMENT	Individual	Manager Feedback	6 out of 10	8 out of 10		
TOTAL NUMBER OF EXCELLENT TARGETS MET=						

Manager's Signature: Name:

Individual's Signature: Name:

Figure 7.
Customer services agency team manager scorecard

C&IS SCORECARD FOR 2004/05
ACTIVITY: *Customer Service Agency*
INDIVIDUAL'S NAME:
POSITION: *Customer Service Consultant*

PERFORMANCE CATEGORIES	FOCUS	MEASURES	Activity Management Plan	Excellent Target	Annual Result	Excellent Target Achieved?
FINIANCIAL						
OPERATIONAL	Team	CSA Service Level	80%	82%		
	Team	% of calls completed in CSA	80%	81%		
	Individual	Personal Roster Adherence	70/80	73/83		
	Individual	Personal Call Quality	90%	93%		
CUSTOMER	Team	External Customer Dissatisfaction (ROS)	<5%	<4%		
	Team	Internal Customer Dissatisfaction	<5%	<4%		
DEVELOPMENT	Individual	Manager Feedback	6 out of 10	8 out of 10		
TOTAL NUMBER OF EXCELLENT TARGETS MET=						

Manager's Signature: Name:

Individual's Signature: Name:

Figure 8.
Customer services agency consultant scorecard

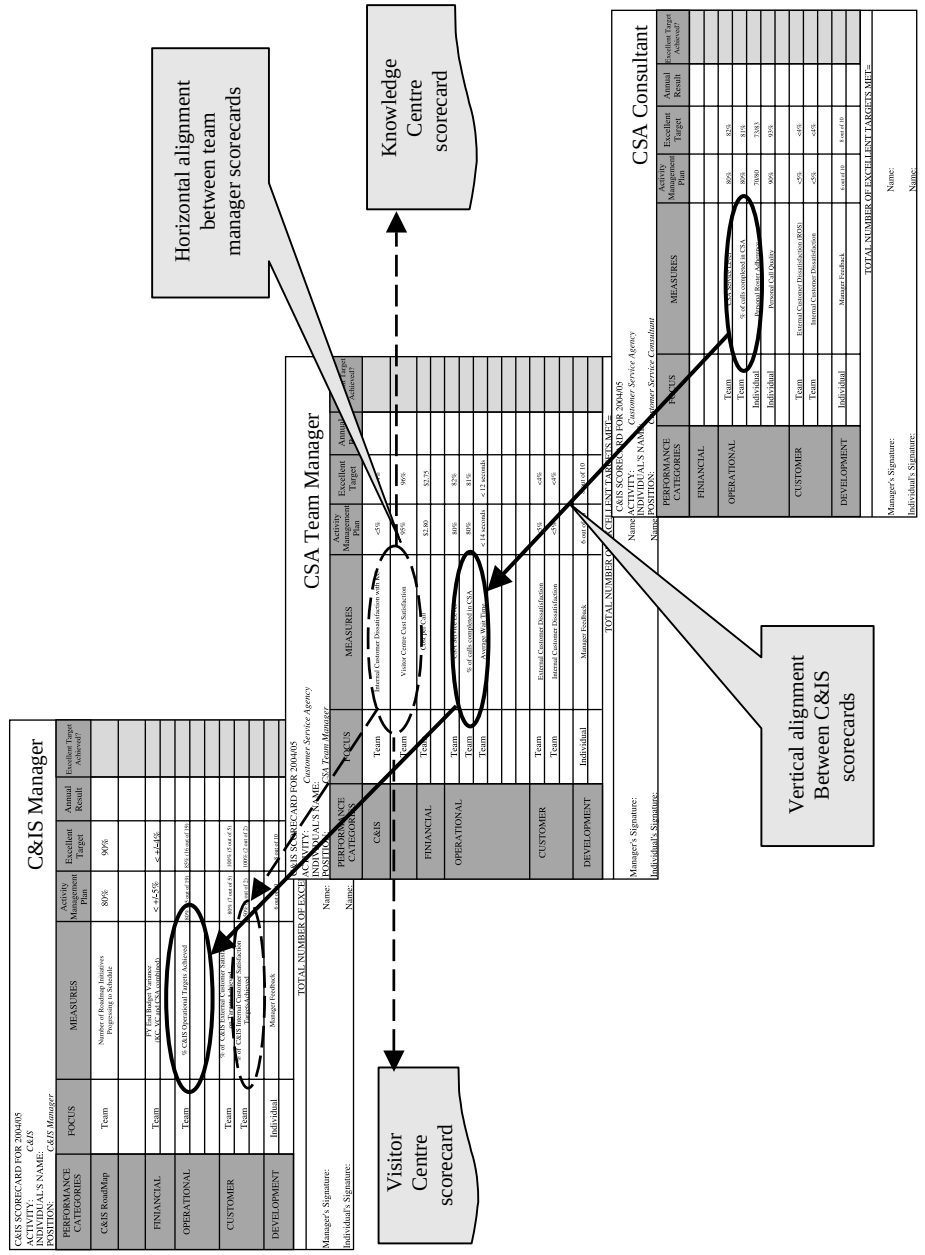

Figure 9.
Horizontal and vertical linkages between C&IS scorecards

Examining the CSA consultant scorecard in more detail, (Figure 8) reveals four operational measures, two of which are team-oriented and two individually based, and two measures relating to customer satisfaction (although it should be noted that a reciprocal dissatisfaction index is used as the target).

Incorporating excellence measures within the scorecard

As noted from the above figures two targets are included in each scorecard measure: the first is the AMP target, as called for in the DCC AMP; the second is an "excellence target" the attainment of which over a 12-month period triggers a bonus payment to the individual staff member. The total bonus pool is equivalent to a percentage of the annual staff salary budget. This pool is divided by the total number of excellence targets offered (seven per CSA consultant, and nine for each team manager) to arrive at a dollar payment for each excellence target achieved. Payment of the bonus award (which is the same financial value for managers and employees) is made to all individuals at the end of the financial year.

The excellence target is an extension of the AMP target, and is considered to represent a level of individual and team performance beyond that naturally achievable through delivering the AMP. In the year July 2004-June 2005 all sections of the C&IS department were working to scorecard-based performance measurement. During this period 80 per cent of individual-and team-based excellence targets were met across the department.

Supporting initiatives to improve CSA performance

Whilst the CSA scorecards have been in place for four years, many other supporting initiatives have also been launched to support team and individual performance over this time. A comprehensive training and development programme is used to train CSA consultants in the correct and expected responses to customer telephone and e-mail enquires. Following this training programme, well defined guidelines regarding the information and manner in which a telephone call should be handled have been developed. CSA staff call performance is regularly taped and analysed by the training facilitator. From this analysis the scorecard "personal call quality" performance measure is constructed (Figure 8).

The CSA also tests its processes and staff through the use of mystery shoppers making telephone and e-mail contact with the DCC. Responses are recorded and analysed for accuracy and completeness. From such testing, call quality level performance is established. Additionally internal customer satisfaction surveys are regularly completed which provide feedback to the customer scorecard performance. It should therefore be recognised that whilst the scorecards have contributed to the CSA performance, many other less visible initiatives have also been put in place to support the introduction of balanced scorecards within the CSA.

Discussion

When discussing the implications of this case study a number of different perspectives have been taken. First, the primary research question, i.e. "what was the impact of balanced scorecards on CSA performance?" is considered and addressed. Secondary research questions relating to the impact on planning, management and the individual

staff of the CSA section are then discussed. Finally, the case evidence is critically contrasted with the salient points found within the literature.

What impact have balanced scorecards had on the CSA performance?

During the data collection phase of this research semi-structured interviews were held with 12 members of the CSA section including CSA managers and individual staff members. The objective of this approach was to challenge and triangulate verbal and documentary evidence of performance improvement from the adoption of scorecards.

Before evaluating this case study a number of contextual points should be made. First, a telephone call centre is a highly measured environment, and as such CSA staff and managers are somewhat more accustomed to much higher levels of measurement and reporting than most other office environments. Second, due to the availability of such data, individual and team performance can be monitored with more ease and greater accuracy than in many other office environments. From the data provided above it is clear that the CSA performance has improved over the time reported. What is less clear is the degree to which the implementation of balanced scorecards has positively contributed to what was already a high performing team.

In discussion with CSA managers there is a consensus that the CSA performance would not have been as high, nor as sustainable, without the scorecards and supporting dashboards, although the manager interviewed did concede when challenged that performance was always "pretty good". As one manager put it:

> They [scorecards] have given us an edge, they've made a very good team performance best-in-class.

Through interviews with CSA staff it is evident that scorecards have made the individual and team targets clear and uncomplicated. Furthermore, staff suggested that the relationship between the different scorecard measures is now much more transparent. One member of staff commented:

> If I'm not too busy, but another section is overloaded I will help by taking calls for that section. The dashboards help you to see the bigger picture of [CSA] performance. We all understand it's about trying to achieve all the measures, not just your individual ones.

However, bearing in mind the other initiatives which support the scorecards, such as the weekly dashboards, call response training and service quality development, one should be careful not to place all the achievements in performance on the back of scorecards alone.

Impact of scorecards on CSA planning

It is difficult to determine if the implementation of scorecards has positively assisted in the management of CSA planning. In terms of CSA performance there are more AMP measures than those represented by the scorecards. One accepted impact of scorecards has been to focus on key aspects of performance. In 2004/2005 95 per cent of AMP targets were met by the CSA section. However, the resulting impact on planning through higher CSA performance is not easily correlated. Planning is largely a function of business stability, and thus even without scorecards a stable business should be able to plan with relative confidence. Conversely, even with scorecards a turbulent business environment will make future planning consequently much more difficult.

Impact of scorecards on C&IS team management

In discussions and interviews with team managers one of the primary benefits of scorecards was seen to be the clarity with which staff viewed scorecard measures. Within the CSA AMP for instance, 13 performance measures and associated performance targets are defined. Of these measures only seven are incorporated into the staff scorecards. The scorecard metrics are selected to focus the attention and performance of the CSA staff to the critical aspects of their role. A team manager commented that from a management perspective:

> It's really easy to track and measure against what we're charged to do from the business plan. There is a satisfaction in achieving the Activity Management Plan and if we achieve the excellence measures as well, then everyone's happy.

Several managers thought the scorecard provided an incentive to achieve both the AMP measures, required by the DCC, and the excellence bonus measures. When questioned about evidence of achievement, one manager commented:

> I don't think we would have achieved the excellence targets without the scorecards. They've helped staff focus on the important parts of the job so they know what we're expecting. We didn't have this focus before, we didn't monitor it as went along, we either achieved them [AMP targets] or we didn't!

Regarding the combination of team and individual measures a team manager commented:

> The individual scorecard measures work well for most staff. They feel they have control over their own performance, and can influence their own remuneration through the bonus scheme. But I think it's the team measures which are really helpful in improving the whole performance of the department.

Another important aspect of the scorecards and dashboards was the actual data collection, undertaken by team managers. Within the CSA particularly, data collection is undertaken on a real-time basis through the Call Centre Manager (CCM) information system. This system automatically collects and displays current performance data, such as the daily percentage of service level, an algorithm of total daily calls, abandoned calls and average time taken to answer calls. Other performance metrics displayed through the CCM are number of calls waiting, average daily waiting time, number of CSA consultants online and available. A summary of the previous day's performance was also displayed on white boards around the CSA for staff information.

Impact of scorecards on C&IS staff performance

The introduction of scorecards within each of the three C&IS sections appears to be supported by staff. In discussions with staff each thought the scorecards provided a clear and concise message regarding which activities, and the expected performance the management team viewed as important. From this perspective staff felt scorecards were an improvement on previous measurement approaches.

Staff also commented that linking the bonus payment to the scorecard excellence measure allowed a clear understanding of bonus performance and therefore expectations. A staff member commented:

> Previously we didn't have scorecards; there was no formalised reward system in place, and so acknowledgement for excellence was random and not always clear; it was something that

> was at times kept secret from other staff by the staff member who received it – sometimes you weren't sure how much to say.

Another staff member noted:

> We knew we were doing a reasonable job, but we didn't collect any data to prove this. The bonus payments were purely on the recommendation of a manager; there was no transparency of why you had been awarded the bonus.

One important point to note is the rapid performance feedback through the dashboards. These help staff and managers gauge the weekly section performance and assist in the transparency of the scorecard process. As one staff member put it:

> Without the dashboards we wouldn't know how we were doing until the end of the month; sometimes that would be too late, so dashboards are useful to keep in touch.

From discussions with CSA staff one central theme associated with the scorecards is the payment of the annual bonus award. This is a payment for every performance measure where the excellence target has been achieved or exceeded. Whilst some individuals commented that the monetary payment is actually quite small, implying an insignificance, the attainment of such recognition and reward was clearly a motivation for many.

However, as a result of the integration of the bonus with the scorecard performance, this has effectively meant they are viewed as one and the same instrument. Again, it is difficult to determine if the scorecards would be as well supported if the monetary incentive were not present. Interestingly, however, Chan (2004) notes the lack of linkage between scorecard introduction and the employee reward system as an important contributory factor in scorecard implementation failure (Chan, 2004).

Reflections from the literature

Wisniewski and Stewart (2004) in their study of performance measurement within Scottish local authorities, comment that there can be a tendency to collect "a fragmented and complex set of information" through the performance measurement framework. Within the C&IS department this problem has been largely avoided by a clear and consistent view that the scorecards should be simple and focused only on the critical activities of individual staff. The team and C&IS manager's scorecards incorporate individual staff performance within a team and department metric, respectively.

Chan (2004) cites eight factors as necessary for scorecard implementation to be successful, these being:

(1) top management commitment and leadership buy-in;

(2) department, middle manager and employee participation and buy-in;

(3) culture of performance excellence;

(4) training and education;

(5) keeping it relatively simple, easy to use and understand;

(6) clarity of vision, strategy and outcome;

(7) link of balanced scorecard to incentive; and

(8) resources to implement system.

All these factors can be considered present, albeit to varying degrees, within the C&IS department. When discussing how the C&IS scorecards could be developed over the next two years, the C&IS manager felt the introduction of innovation could be considered. Chan (2004) cites innovation and change as the performance perspective with the fewest measures developed.

Because of this highly measured environment, weekly dashboard and scorecard performance was rarely a surprise to the CSA team mangers. Staffs were also proactive to the CCM displayed information, such that where a heavy call load built up, more staff would make themselves available to take calls. A similar observation is reported in Bourne *et al.* (2005) where they describe this proactive data collection approach as a practice which differentiates high performing teams.

When viewing the three examples of scoreboards shown in Figures 6-8, it is evident that a customer focus is predominant. Such predominance is accepted by Kaplan (2001) as part of the reconfiguration process which should accompany its implementation within a non-profit public organisation. This is also in line with that reported by Chan (2004), from a large US and Canadian study, where most respondents identified customer satisfaction, operational and employee performance measures as those most commonly used.

Wisniewski and Olafsson (2004) discuss the independent adoption of balanced scorecards at the sub-unit level, such as individual departments or services. This typifies the C&IS application which has implemented scorecards in one area of a large organisation, rather than throughout the whole organisation.

Considering the introduction of scorecards to the CSA, bearing in mind the nature of a call centre environment, Wisniewski and Olafsson (2004) comment that acceptance of the scorecard as an appropriate way forward is not universally accepted, with some managers finding it too challenging. In discussing this, CSA managers and staff agreed that initially it was not a popular choice, and that some (passive) resistance was encountered. As one manager put it:

> Three years down the track and much of that is forgotten. Most of us have just gotten on with the job, and scorecards!

Regarding the development of the scorecard process, Wisniewski and Olafsson suggest the process is incremental and evolutionary as managers gain experience in both design and development of a scorecard. In attending meetings as a non-participant observer, the researcher witnessed some devolvement of authority and responsibility to CSA managers for developing future versions of the CSA scorecards and target excellence measures. From such meetings it was clear that ownership of the CSA scorecards had passed to, and been accepted by, the CSA managers.

A question of balance

Within the literature there has been considerable debate as to what constitutes a balanced set of measures. Kaplan and Norton's (1992, 1993, 1996a, b) balanced scorecard model is centred on the four dimensions of financial, customer satisfaction, internal business processes, and innovation and learning. The inclusion of non-financial measures is often seen as indicative of balanced measures, however Guthrie and English (1997) comment that in the government sector objectives are often

stated in non-financial terms. At the CSA consultant level no financial measures are present. All measures are either operational, customer or development focussed. This makes sense as CSA consultants do not exercise any financial authority. At team manager and C&IS manager levels financial performance measures are present, although these are articulated in meaningful terms to the nature of each position.

MacStravic (1999) discusses the aspects of balance, and suggests a balanced measurement approach should incorporate both success and survival metrics, i.e. metrics of performance considered critical to the organisation's goals or objectives, and thus a balanced approach should help the organisation track long-term as well as short-term success. Certainly the CSA scorecards incorporate business critical measures, such as a team-based "calls completed" measure, and an individual "personal call quality" measure.

The literature suggests the process of developing a balanced scorecard is as useful as the resulting measurement schema (Mwita, 2000; Wisniewski and Olafsson, 2004). Evidence from this case would appear to support such conclusions. The process of developing scorecards annually requires CSA managers to consider not only "what" processes should be measured, but also "how" such processes should be measured within the context of the CSA's operating environment.

Analysing the components of each scorecard at the different levels of the C&IS department offers a number of perspectives which provide an aspect of balance. First, within staff scorecards there are four team performance-based measures and three individual performance measures. The intention was not only to foster both individual achievement within staff, but also to support co-workers to raise the team performance. During interviews with team managers this aspect of the scorecards was considered to have worked extremely well. The team managers have nine scorecard measures, of which two are from sections outside their immediate areas of control. CSA staff's individual performance contributes to the team manager's scorecard as a team performance measure, thus there is both horizontal and vertical integration of performance across the staff and team managers scorecards.

When analysing the content of each card there is a balance of strategic, financial, customer, operational and individual development measures, although the exact combination of these components depends on the position and role. Table I provides a summary of scorecard measure and level/position within the C&IS department.

Award winning performance

In August 2005, DCC's CSA was awarded the best New Zealand local government telephone call centre in the 2005 National CRM Contact Centre Awards. The award was based on the CSA's overall performance, and included answer time, product knowledge and operator attitude and efficiency. The DCC was also placed third in the open category which attracted 91 telephone customer services providers across New Zealand. In 2006 the CSA were awarded a second place in the national open category of the same award. Whilst the C&IS management team acknowledge these achievements are not purely as a result of scorecard implementation, the increased focus of the scorecard, its transparency and ease of use are considered important contributory factors. After discussion by the management team, an additional one-off scorecard objective; that of winning the 2007 national CRM Contact Centre Award, has been introduced to the 2006/2007 CSA scorecards.

Measure and focus C&IS position	Strategic measures	Financial measures	Customer measures	Operational measures	Operational measures	Development measures
	Team-based	Team-based	Team based	Team-based	Individual	Individual
C&IS manager	Roadmap initiatives progress to schedule across C&IS sections	FY end budget variance across all C&IS sections	Percentage of C&IS external customer satisfaction targets achieved	Percentage of C&IS operational targets achieved		Manager
Six measures			Percentage of C&IS internal customer satisfaction targets achieved			Feedback
CSA team manager	VC customer satisfaction	Internal	External customer dissatisfaction	CAS service level		Manager
Nine measures	KC customer satisfaction	Cost per call	Internal customer dissatisfaction	Percentage of calls completed		Feedback
				Average waiting time CSA service level	Personal quality	Manager
CSA consultant			External customer dissatisfaction			
Seven measures			Internal customer dissatisfaction	Percentage of call completed	Phone calls	Feedback
					Forms/e-mail/face to face[a]	

Note: [a]Most appropriate chosen

Table I.
Summary of scorecard measure and level/position within C&IS department

Conclusion

When examining this case study there are a number of important points to note. First, the scorecards developed and used within the CSA are not taken directly from the Kaplan and Norton model. They have been developed specifically for application with the CSA and therefore do not closely resemble the four dimensions as originally described by Kaplan and Norton. Unlike Kaplan and Norton's (1992) model, which presents their balanced scorecard as a strategy balancing and alignment approach, the CSA scorecards and dashboards are used very much as an operational performance and feedback model within the DCC's wider performance management structure.

Second, the CSA scorcards operate at a sub-unit level as described by Wisniewski and Olafsson (2004), rather than through the whole of the DCC organisation. To a large extent this alleviates some of the strategic alignment issues reported in the literature (Kaplan, 2001).

Third, whilst the scorecards are the primary form of measurement at the individual CSA consultant level, there are other measures that the CSA and other C&IS sections must consider regarding their performance within the DCC. There are also many different initiatives which have been put in place to support the introduction of scorecards in the CSA.

Considering the primary research question, set out initially as: "What impact have the scorecards had on the C&IS team performance?" interview and documentary data suggest that scorecards have had a positive affect on CSA performance, although it is difficult to identify their contribution precisely. Team managers felt many of the excellence targets would not have been achieved without the focus and transparency inherent in the scorecards.

Furthermore, the C&IS scorecards represent the key performance metrics of a broad and relatively well-defined performance management system. The scorecards are used predominantly to establish a transparent and objective annual bonus award system for managers and staff, which allows the achievement of higher levels of both individual and team performance to be rewarded financially. It is not clear as to how well supported the scorecards would be without the linking of this financial incentive.

This said, there appears to be clear evidence that providing between seven and nine key performance measures, in the form of an individually tailored scorecard, provides a motivation to deliver the target performance. This supports findings from research undertaken by Lipe and Salterio (2002). The scorecards appear to provide a number of benefits to the C&IS department staff and managers. They are considered transparent and simple to understand, which allow staff to focus on these aspects of their day-to-day tasks. Scorecards are generally viewed as an objective form of measurement, with the performance expectations clearly stated at the beginning of the financial year. The scorecards also provide a clearly stated excellence measure, around which the annual bonus payments are calculated, thus allowing staff to monitor cumulative progress towards the achievement of these targets. Clarity of current and cumulative performance through regular dashboard reporting provides a positive impact on the achievement of the DCC's AMP and C&IS excellence targets. There appears to be clear support for this approach amongst managers and staff, both commenting that the scorecards provide a focus on critical performance not achieved previously.

The organisational context is also considered important within scorecard implementation. Of the eight factors cited by Chan (2004) as necessary for scorecard implementation to be successful, all eight are fulfilled within the C&IS department. The C&IS scorecards have been adapted from the "standard" Kaplan and Norton model to provide a performance framework which suits the public sector customer service focus needed. Across the management team there is horizontal integration between the three C&IS sections. In terms of balance the C&IS scorecards provide a broad suite of measures, tailored to an individual, and featuring both individual- and team-based performance dimensions.

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Corresponding author
Richard Greatbanks can be contacted at: rgreatbanks@business.otago.ac.nz