

## Balanced Scorecard Implementation and Employee Engagement

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*Employee engagement is a common challenge faced by most of the organizations today. An engaged employee, committed to the organization success is more productive, innovative and satisfied. On the other hand, a disengaged employee underperforms on critical tasks, creates negative work culture and actually adds on the undesirable expenses of the company. Thus, employees of the organization play a pivotal role in making or breaking an organization. This paper suggests that organizations can use their balanced scorecard implementation processes for building an engaging work environment. Balanced scorecard is mostly used by the organizations for ensuring strategy implementation, bringing in strategic alignment between business objectives and employee performance management. However, when employees themselves are involved in developing their scorecards; starting from the co-creation of organization vision; the process involves and engages all the employees. There is participation from all across the organization, enhanced communication, information sharing, collaboration and team work. Everyone together strives towards achieving the co-created organizational vision. Additionally, employees understand their organization culture far better than outside consultants, and therefore they include most appropriate change initiatives on their scorecards. When the leadership is committed to achieving strategic results and understand that nothing can be achieved without the involvement of employees, they do everything possible to build an engaging work environment. Engagement, as is obvious has an emotional aspect to it; and to ensure employee engagement leaders and managers in the organization need to practice emotional intelligence. An engaged and committed leadership, thus, while ensuring strategy implementation through balanced scorecard implementation, can build an engaging work environment.*

**Keywords:** *Engaging work environment; Balanced Scorecard; strategy implementation, emotional intelligence; leadership.*

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## INTRODUCTION

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The word engagement refers to a state of involvement. It refers to the energy, enthusiasm and involvement with which the employee does his work. Macey and Schneider's view of employee engagement concerns both feelings of engagement (focus and enthusiasm) and engagement behaviour (pro-activity and persistence) (Macey, 2008).

Employee engagement makes inroads to employee performance, retention and commitment level. Commitment can bring about 57% improvements in discretionary effort. The greater effort produces, on average, a 20% individual performance improvement and an 87% reduction in the desire to pull up stakes. Commitment can be both rational and emotional. Emotional commitment has four times the power to affect performance as compared to the rational commitment and it breaks the surface when workers value, enjoy, and believe in what they do (corporateleadershipcouncil.com, 2010). Engaged employees work in overall organizational benefit, and ensure organizational strategies get implemented as planned.

Balanced scorecard has been identified as an effective tool for strategy implementation. Balanced Scorecard was created by Art Schneiderman (an independent consultant on the management of processes) in 1987 however, the concept of Balanced Scorecard (BSC) was popularised by Dr. R S Kaplan from Harvard Business School and D P Norton, the founder of Balanced Scorecard Collaborative. The idea behind introducing the balanced scorecard concept is that focus on the traditional financial measures like ROI, revenue growth etc. alone are not sufficient to ensure organizational long term survival and growth; and hence it is important to focus on other performance indicators centred around customers, internal business process and organizational growth, learning and innovation. Thus, it provides an enterprise view of an organization's overall performance by integrating the financial objectives with other key objectives in the customer, internal business process and people and knowledge perspectives.

As a strategic management system balanced scorecard describes, implements and manages strategy at all levels by linking objectives, measures, targets and initiatives to the organization's strategy. It works as a strategy implementation tool, performance management tool, communication tool, change management tool; and a tool for bringing in complete alignment within the organization. In a nutshell, BSC enables an organization to cascade strategy, link individual performance to strategy, and attain proactive visibility - thus achieving the competitive advantage of a workforce that consistently delivers on strategic objectives.

## FACTORS INFLUENCING BALANCED SCORECARD IMPLEMENTATION AND EMPLOYEE ENGAGEMENT

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BSC is often depicted as a tool, the first step of which deals with translating strategic statements into measurable strategic goals. Dr. Kaplan and Norton point out that mission, vision and strategy are the basis for developing a BSC. The scorecards when cascaded down the line and across the organization make it easy for every employee to understand the organization's strategy and the deliverables expected of him, which contribute towards achieving the overall strategic objectives of the organization. Some important elements for ensuring successful scorecard implementation are:

1. Establish strong communication systems
2. Work Together to translate the strategy and vision into key performance indicators
3. Involvement of employees throughout the design and development process
4. Working in a customer-focused way
5. Implement the measurement system and report periodically to management, gathering response and feedback from others throughout the process
6. Examine Performance Factors (review balanced scorecards)
7. Creating a performance oriented work culture
8. Reward Good Performance and Behaviors
9. Continuous improvement and learning
10. Actively encourage positive behaviors

The entire journey of institutionalising the balanced scorecards in an organization and successfully implementing it must encourage a set of behaviours among employees which are given in table 1 underneath. It also specifies the leadership style necessary for encouraging the respective behaviours across the organization (Table 1).

**TABLE 1: BEHAVIOURS THAT BSC IMPLEMENTATION ENCOURAGES AND LEADERSHIP/MANAGEMENT STYLE THAT SUPPORTS THESE BEHAVIOURS**

<b>Behaviors to encourage</b>	<b>Leadership/management style that supports the behavior</b>
Inclusive	Embracing- working as a team
Collaborative	Collegiate- shared responsibility
Exploratory	Open – not always having the answer
Strong results focus	Focused- awareness of results and how they were achieved
Learning	Participatory – working with and sharing information and knowledge
Reflective	Strategic – Look back and forth to find out what needs to be done
Decisive	Authoritative – when a number of options are available, managers and leaders need to be decisive about the action
Ownership and Responsibility	Clear – setting unambiguous lines of ownership and responsibility for issues
“Can do” attitude	Open- keeping possibility open

Source: Adapted from [www.bnet.com](http://www.bnet.com)

Such leadership styles address almost all the 12 key employee expectations identified in the Gallup 12 point survey and encourage behaviours that are attributed to engaged employees. These expectations come out clearly in the 12 questions asked in Gallup employee engagement survey. These are *Gallup's 12 questions (Q<sup>12</sup>)* which are as under:

1. Do you know what is expected of you at work?
2. Do you have the materials and equipment you need to do your work right?

3. At work, do you have the opportunity to do what you do best every day?
4. In the last seven days, have you received recognition or praise for doing good work?
5. Does your supervisor, or someone at work, seem to care about you as a person?
6. Is there someone at work who encourages your development?
7. At work, do your opinions seem to count?
8. Does the mission/purpose of your company make you feel your job is important?
9. Are your associates (fellow employees) committed to doing quality work?
10. Do you have a best friend at work?
11. In the last six months, has someone at work talked to you about your progress?
12. In the last year, have you had opportunities at work to learn and grow?

Gallup survey concludes that these employee expectations when satisfied form the foundation of strong feelings of engagement.

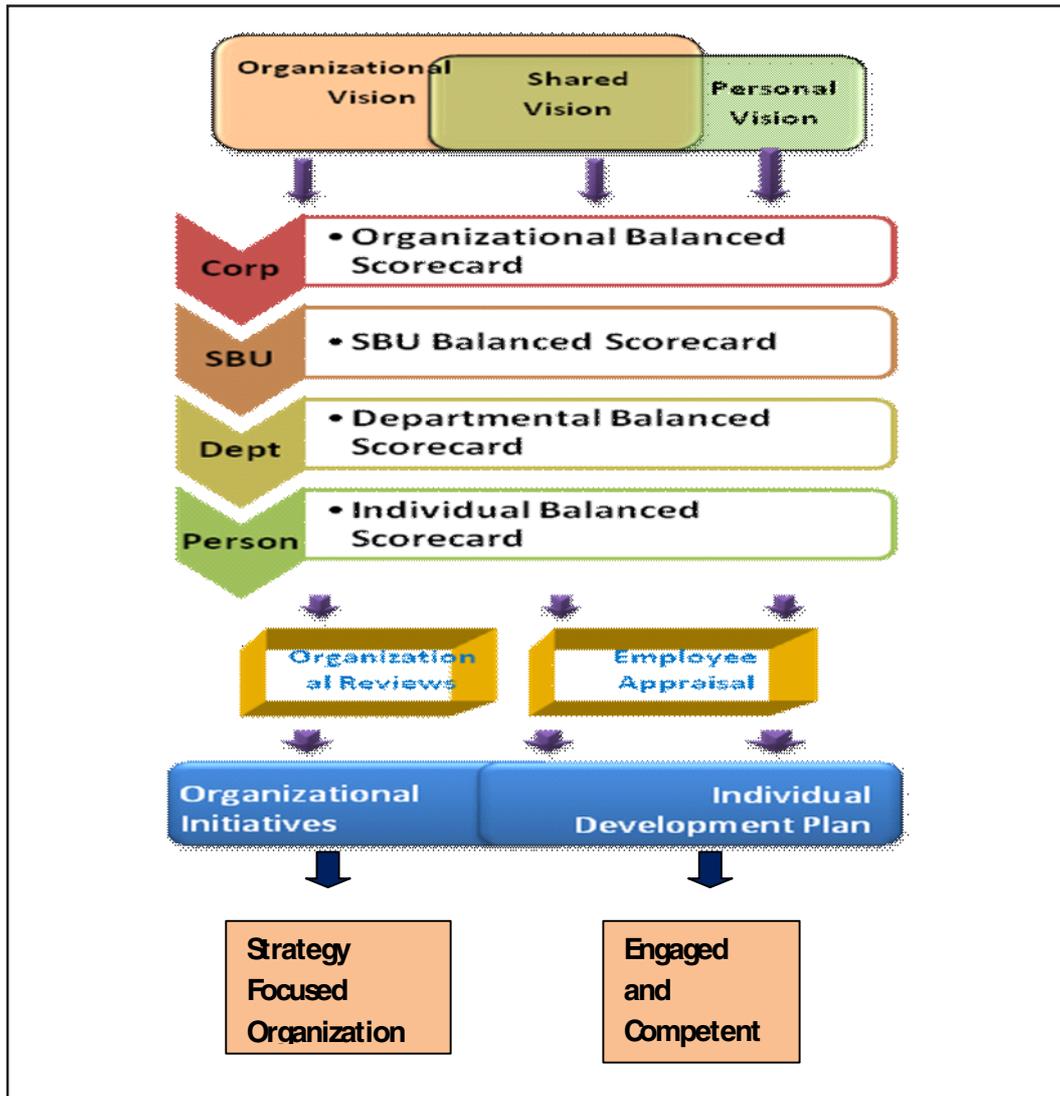
### **MODEL FOR BALANCED SCORECARD IMPLEMENTATION PROCESS**

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When any organization decides to use balanced scorecard, it must have a very clear idea of the objective(s) it wishes to achieve by way of balanced scorecard implementation. Invariably, the purpose is to get their employees aligned and engaged in the process of strategy implementation. Cascading of the scorecards brings in alignment. Cascading a scorecard means to transmute the corporate-wide scorecard (referred to as Tier 1) down to first business units, support units or departments (Tier 2) and then teams or individuals (Tier 3). The end result should be focus across all levels of the organization that is consistent. Scorecards are used to improve accountability through objective and performance measure ownership, and desired employee behaviors are incentivized with recognition and rewards.

However, to get the employees intrinsically motivated to contribute for achieving organizational vision and therefore, get engaged in the strategy implementation process; both physically and emotionally, require special efforts. This can happen when employees are able to see how they achieve their own personal vision (aspiration) while they strive for achieving organizational vision (aspirations). If this common link is established well, employees shall get engaged. Therefore, it is advisable that the organizations begin the process by developing co-created vision. Employees get to learn the visioning process, develop a vision for themselves and then work on developing organizational vision. The realization of a mutually beneficial symbiotic relationship gets them engaged in achieving the organizational vision. Also, they feel empowered to even bring out flaws in the system or culture of the organization that needs to be changed.

**Aligning Personal Objectives with Organizational Objectives through Visioning workshops and Balanced Scorecard Implementation process**



**FIGURE 1: APPROACH FOR DEVELOPING AN INDIVIDUALIZED BSC FROM SHARED VISION**

One of the public sector oil companies in India follows this process very systematically. All the balanced scorecard designing workshops there begin with developing personal vision followed by organizational vision and then clearly highlighting the link between the two. This process enables employees to see how they are achieving their own personal objectives while working towards the organizational objectives. Further, it is made sure that the individual performance appraisal system gets totally aligned with the balanced scorecard. Accordingly, the template for filling employee goals and targets has been modified to include KPIs irrespective of objectives in all four perspectives of their team's scorecard and in line with the role applicable to them. This brought in clear delineation between the roles of

each one in the team and defined their respective accountabilities. It incorporates the definition of the objective, KPIs as applicable to the position, measures, targets and initiatives.

### Consequences of BSC implementation

While an organization is implementing BSC, it translates strategic objectives into operational objectives, communicates the same down the line and across the organization while cascading scorecards; thus communicating, percolating organizational information and seeking employee participation in achieving overall vision. Similarly, when the scorecards are reviewed periodically, information and performance data flows upwards, also highlighting issues that require top management (leaders) attention. The consequences of BSC implementation thus are:

- The visioning and BSC workshops *facilitate better understanding of the organization vision and strategy and the manner in which employees can contribute towards accomplishing organizational vision*  
*It results in significant enhancement in communication and information flow.* The process of cascading scorecard communicates the organization strategy down the line and the BSC reviews conducted at the quarter end provides performance feedback from bottom to up. Areas of concern relating to strategy implementation get highlighted, discussed and resolved.
- When employees draw their performance goals and targets that is KPIs and select appropriate measures together in the workshop, *they can very clearly see their as well as their peer's role towards achieving the common goal. This role clarity avoids duplication,* and thus differentiates their role from the role of their boss, peers and subordinates. At this stage they can also judge the organizational fairness in distribution of work at this stage they can also judge the organizational fairness in distribution of work load and develop respect for their other team members.
- *There focus of employees enhances on achieving their goals and targets and also the department objectives; as the same get reviewed every quarter end and next steps are decided. This process of setting action points and regular performance reviews keep them involved in the work throughout the quarter. Highlighting achievements in these reviews starts a cycle of positivity and resilience.*
- The scorecard reviews must always be done jointly with all team members together. This provides the opportunity to not only share the pleasure of success but seek suggestions with respect to the problem areas faced by them. Also, collaboration and support of each other can be sought and ensured in the interest of the organization. Such joint reviews enable them to appreciate their counterparts for the good work done and extend necessary support.
- A number of initiatives start as an offshoot of BSC implementation. These initiatives help achieve the strategic objectives. Budget and other resources get aligned to ensure *successful completion of these initiatives.*

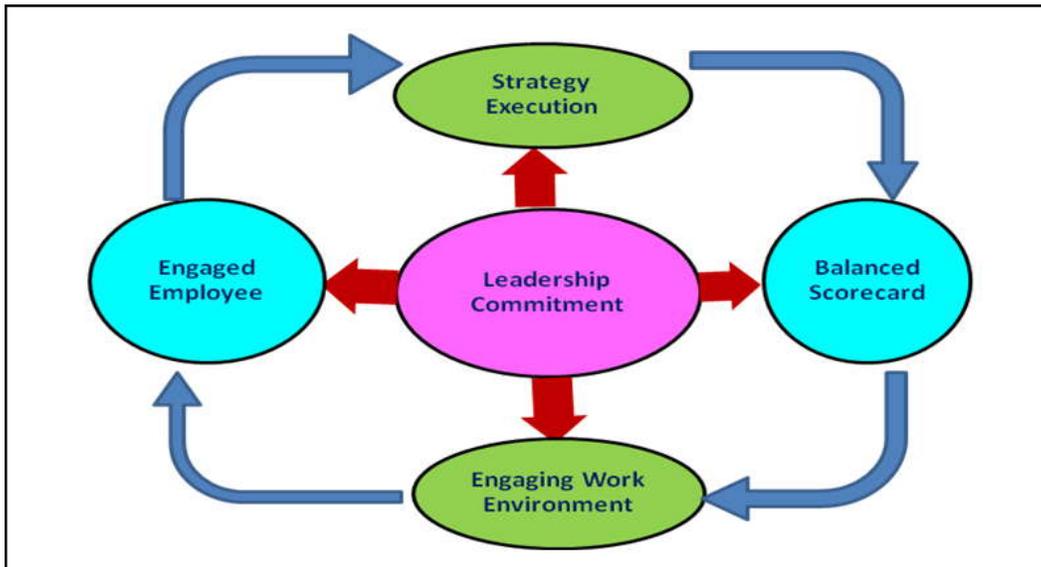
- While striving for common goals, the teams develop cohesiveness and collaborate. They become jointly accountable for ensuring team results. This leads to better relationships and *friendships*.
- BSC implementation obviously increases the *focus on the areas of learning and growth* considering the strategic objectives that shall be achieved to make the *refinery strategy to work*. Thus, *all the learning endeavours are driven towards developing competence required to do the job*.

Successful BSC implementation is always associated with a *performance driven work culture*. *Scorecard reviews highlight factual data on team and individual performance and the incentives and rewards are proportionate*.

- There is a *spur for innovation and trying new ideas*.
- *Role clarity and clear accountabilities make it possible for the senior managements to stop dissecting work of subordinates, rather work towards visionary leadership*. Thus, *people down the line become more empowered*.

### **Leadership Commitment – Pivotal for successful BSC implementation**

A close observation and reflection on the entire process reveals that at the centre of all this is the leadership commitment. Their commitment to realise the organizational vision motivates them to involve employees in the visualisation process (VLP) and enable employees to find alignment between the organizational vision and their personal vision. Thereafter, strategies are developed, and communicated to employees in the form of operational objectives on the balanced scorecards. While the employees participate in the scorecard designing process, they bring out processes that need improvement and other important parameters that need improvement for developing an enabling work environment. The entire process enhances communication, information sharing, team work, role clarity, learning endeavours, and so on. However, it's once again the leadership commitment which is essential for ensuring all that employees highlight is required for building an engaging work environment; which in turn result in high engagement levels. The following model puts it all together:



**FIGURE 2: LEADERSHIP COMMITMENT MODEL**

The engaged employees ensure successful strategy execution and enable the organization to achieve its vision. Thus, leadership commitment is absolutely essential at all stages.

In the process, certain key behaviours among employees are also observed which get enforced in the BSC implementation process. Table-2 below summarises some such noteworthy behaviours.

**TABLE 2: EMERGENT BEHAVIOUR IN THE AFTERMATH OF BSC IMPLEMENTATION**

Summary of key behaviours	
Cultural Variables	Emergent Behaviors
Enslaving	Shared organization vision, mission and strategy and integrating it with personal vision, mission and strategy
Collaborative	Good team player, shared responsibility, mutual support and co-operation, greater camaraderie
Open communication	Free information flow across organizational levels
Investigative	Encouragement to innovate and try out new ideas
Role clarity	Better understanding of the role expectations
Empowerment	Employees are empowered to take decision about their action
Results orientation	Focused- awareness of results and how they were achieved

*Contd...*

Learning	Opportunities to learn and grow
Leadership	The senior management team is endeavoring to become visionary leaders
Performance driven work culture	Periodic fair and objective performance review
Ownership and accountability	Clear – setting ambiguous lines of ownership and responsibility for issues
“Can do and have to do“ attitude	Increase in the confidence level, organization based self esteem

## SUMMARY

Any organization can ensure successful strategy implementation only when the employees get engaged in the entire process and feel that they achieve their personal aspirations while striving for achieving organizational aspirations. Organizations can conduct visioning workshops wherein employees build their shared visions and can see the alignment between personal and organizational visions. Further, they identify the organizational strategic objectives and their individual objectives as well. When they are themselves involved in designing their teams' balanced scorecard, their involvement is ensured. They select most appropriate initiatives and get committed to achieving the identified strategic objectives. Scorecards are first developed at the Corporate level, which gets cascaded down to the SBU and then Department / Team level from where follows the individualised scorecard of the employees. Regular scorecard reviews ensure continuous focus on achieving strategic objectives and ensuring all resource availability. The review team decides the next steps and resolves problems if any. Individualised scorecards enable the linking between team's balanced scorecards with employee performance appraisal. Employee performance gets reviews and they receive incentives and rewards accordingly.

HPCL followed this model and initiated the process of organizational transformations with visionary leadership programs (VLP). These workshops focus on developing the personal and organizational visions and bringing in alignment between the two. The following series of workshops translate the organizational vision and strategy into balanced scorecards and cascade the scorecards across the organization. These operational objectives on the scorecards are linked with employee performance appraisal system.

The commitment of top leadership team for ensuring strategy implementation leads them to adopt BSC tool and to ensure successful BSC implementation they work on building an engaging work environment for it is the engaged employee who actually executes the strategy.

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