

The Balanced Scorecard: An Effective Performance Tool for Offices of Inspector General

By Inspector General Scott Dahl and Kathleen Frampton

In President Barack Obama's 2011 State of the Union address, he remarked, "We shouldn't just give our people a government that's more affordable. We should give them a government that's more competent and more efficient."¹ At a time of increasing fiscal austerity, all government organizations, including offices of inspectors general, must manage and improve performance to be more efficient and effective. Employing performance management systems, like the Balanced Scorecard performance management tool, can facilitate performance improvement and provide OIG managers with the necessary data to make informed decisions.

PERFORMANCE MANAGEMENT CONSISTENT WITH OIG MISSION AND VALUES HEALTH, SAFETY AND WELFARE OF MEN AND WOMEN IN UNIFORM

Much of an OIG's attention is properly focused on improving an agency's programs and operations, but an OIG also must look internally to improve its own operations and processes to deliver timely, relevant and high-impact oversight to stakeholders. To make OIG operations more efficient and effective, OIG managers need sufficient data and metrics on performance to benchmark progress and make strategic decisions about effective resource allocation.

Many OIGs develop strategic plans identifying organizational goals and objectives, establish metrics to track performance and develop specific strategic initiatives to improve processes or performance. Likewise, the Council of the Inspectors General on Integrity and Efficiency recently adopted a five-year strategic plan that incorporates specific performance measures tied to its strategic

goals and objectives. The CIGIE plan identifies strategic and far-reaching objectives and targets, which CIGIE management believes are attainable and will improve CIGIE's service to its members, Congress and the public.

A familiar saying "what gets measured gets done" provides the foundation for performance management. The key to the success of performance-management initiatives is linkage of the organization's mission with a system for measuring and tracking the performance on goals and deliverables. A performance management system provides data points on how well the organization is performing in the various functional areas. It thereby plays an important role in strategic decision-making by highlighting those areas that are not performing as expected or identifying areas in need of improvement or greater management attention.

In addition, OIG managers can use the data from the performance management system to communicate with staff about how well the organization is doing on achieving its strategic objectives. The increased awareness will help to focus the staff on the highest priorities and will enhance organizational transparency and accountability. The data also can be used to make mid-course programmatic corrections during the year, making the OIG

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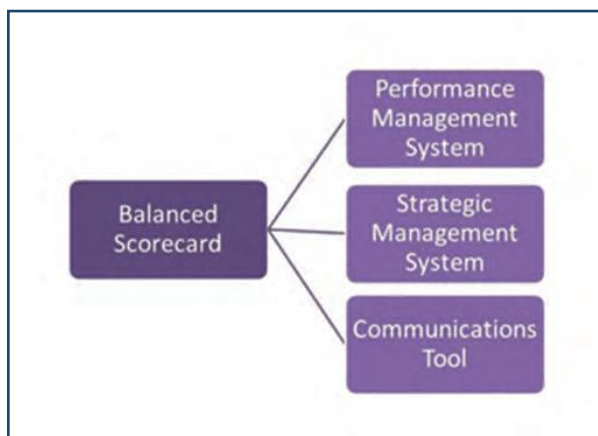
1) Address Before a Joint Session of the Congress on the State of the Union, 2011, Daily Comp. Pres. Doc. 1 (Jan. 25, 2011)

more flexible and adaptive to address emerging issues.

Moreover, a performance management system will assist in making the most efficient resource allocations. Almost all agency budgets have been cut and are being closely scrutinized for further reductions. OIGs are likewise experiencing corresponding budget cuts. Despite cuts, many statutory requirements for OIGs are unrelenting, and in fact, in some cases, the requirements have increased. As a result, we have to do more with less. Performance management is an enabler, helping managers align resources to the highest priority projects.

THE BALANCED SCORECARD APPROACH

A performance management system widely accepted in the private sector, and more recently in government and not-for-profit organizations, is the Balanced Scorecard approach. Prior to the 1990s, business managers primarily used financial data to determine the health of a business and make strategic business decisions. Financial data generally provides a historic picture of performance, but relying solely on this backward look at performance is not optimal in making strategic decisions to drive future performance. It omits critical data about organizational performance, such as employee training and development and customer satisfaction. In the early 1990s, Robert Kaplan and David Norton



introduced the Balanced Scorecard, a strategic and operational tool linking financial and nonfinancial data to indicate organizational performance and enable better strategic decision making.²

2) Kaplan, R.S. & Norton, D.P. (1992, January/February). The Balanced Scorecard—Measures that Drive Performance. *Harvard Business Review*, 70(1).

Key to the BSC is the interrelationship of four perspectives on which the BSC is based: customer data, learning and growth (of employees), internal processes and financial data. Financial and customer data are historic or lagging indicators, whereas internal processes and learning and growth are forward looking, or leading indicators, and are drivers for future performance. BSC enables managers to align the vision and strategy implementation with operations by measuring performance across the four perspectives. These cause-and-effect relationships between leading and lagging indicators present a clear picture of factors affecting performance. Strategy implementation is fueled by measuring and managing mission-critical success factors



across the four BSC perspectives, which in turn leads to mission accomplishment.

In addition, the BSC is an important communication tool, providing employees and stakeholders with a clear and concise understanding of important factors to accomplish the organization's mission. Communication is critical in successfully implementing a BSC. Employees need to understand how the work they do feeds into organizational performance and strategy. The BSC provides clear linkages from work to mission accomplishment. For stakeholders (funders, appropriators and customers), a BSC demonstrates accountability and a willingness to be transparent.

An outgrowth of the internal-processes perspective and an important component of the BSC is process improvement. Process improvement drives organizational change and promotes innovation by evaluating the status quo and considering new

ways of doing business. By identifying those mission-critical processes and empowering employees to re-engineer those processes, breakthroughs in organizational efficiency can occur.

Overall, the BSC is a tool that provides a framework for organizations to take a holistic view of the organization to determine what progress is being made and lagging indicators. It also enables organizational leaders to identify areas that need management attention, whether to improve performance or change processes. When fully integrated into the fabric of an organization, BSC serves as a strategic management system, measurement system and communications tool.

In developing its five-year strategic plan, CIGIE used the BSC framework. Several OIGs also have used or are developing strategic plans based on the BSC framework. A helpful resource guide for developing BSC for an OIG is Paul Niven's book, "Balanced Scorecard Step-By-Step for Government and Nonprofit Agencies."³

APPLICATION OF THE BALANCED SCORECARD IN OFFICES OF INSPECTOR GENERAL

The OIG's mission as agency watchdog opens countless avenues for expending limited resources. OIGs must have effective systems and processes to guide work planning and better focus resources. The systems also allow us to assess our performance in meeting our organizational goals. The BSC approach dovetails neatly with OIG first principles, because it is grounded in an organization's strategic plan and core values, including ac-

countability, performance excellence and integrity. Because oversight of the agencies for which we are responsible centers on holding these organizations accountable, to be responsible and credible, we also should hold ourselves accountable to how well we are performing against our strategic goals. We should focus on our own results and be prepared to

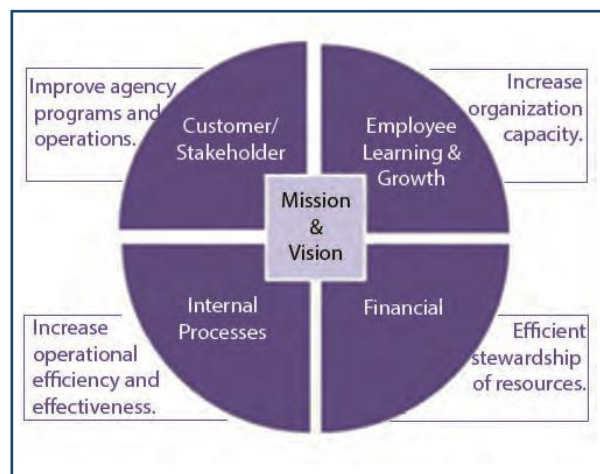


measure our progress in achieving them to better serve our stakeholders.

Using the BSC approach, the OIG senior managers first establish the OIG's strategic goals and then identify objectives, those activities or processes that must be completed to achieve the strategic goals. OIG managers develop metrics that provide quantitative data to monitor progress towards achieving the objectives. Some objectives may cross OIG office boundaries. For example, an objective such as "timely delivery of OIG products" will encompass audit, investigation, legal analysis and congressional response metrics. This organizational view of the OIG will enable senior staff to identify areas that warranted management attention or process improvements.

As the OIG begins BSC implementation, the senior staff responsible for an objective will need to identify specific performance measures and targets. In addition, these measures can be validated and benchmarked against other OIG offices. Many measures are likely to be focused on timeliness, which is one of the primary objectives for an OIG. Measures and targets can be refined and adjusted through time to better reflect the OIG mission and strategic intent.

In addition, some objectives may involve process improvement to make the OIG a more efficient



³ Id. (2008).

and effective organization. An example of process improvement could include the audit process to improve quality, relevance and timeliness of audit reports. The outcomes of this process improvement may involve defining the audit workflow, developing a baseline measure of timeliness, reducing data calls and increasing transparency for OIG leadership. Another example of process improvement on the investigation side might be hotline processes to better standardize the intake, referral and review process, increase timeliness of complaint disposition and develop a trend analysis of complaints. The outcomes of the hotline process-improvement project include consistent communications with complainants during complaint review process, increased timeliness of complaint disposition and increased management attention to complaint trends.

A benefit of employing BSC is the ability of managers at all levels of the organization to track progress, identify risks and mitigate those risks before they have become larger problems. BSC is an excellent communication tool for providing the entire organization a data-driven picture of performance on mission goals. BSC can be posted on the OIG intranet and discussed with the staff throughout the year.

OIGs already gather, for various products, much of the data that BSC tracks, such as semiannual reports, Office of Management and Budget reports, congressional responses and others. No special software or specialized training is needed to use BSC.



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LEGISLATIVE REQUIREMENTS FOR PERFORMANCE MANAGEMENT

BSC can also assist OIGs in meeting statutory performance management requirements. In response to presidential initiatives beginning in the 1990s, government managers have focused on becoming more results-oriented and providing more information to the public about their operations. In addition, agencies are required by the Government Performance and Results Act, and more recently the GPRA Modernization Act of 2010, to measure and monitor performance. Prior to GPRA, agency management and decision making were based on activities and processes rather than results and outcomes. A requirement of GPRAMA is that federal agencies must develop a multi-year strategic plan to identify their mission, specific goals or objectives and define performance measures or milestones that indicate progress toward goal attainment and results. GPRAMA also requires agencies to provide data about programs that cross agency boundaries and ensure quarterly data is available on public websites. To meet the requirements of GPRAMA, BSC is a tool that has a proven track record of enabling organizations to develop and implement strategic plans and to measure and track performance.

In addition, federal regulations require that agencies use a performance management system to evaluate senior executive service personnel. Performance plans must include measurable results and strategic planning initiatives. Senior executive system performance plans can be tied to BSC measures and performance on strategic initiatives, and these measures cascade throughout the OIG.

CONCLUSION

The Balanced Scorecard performance management system is a proven, flexible, inexpensive, and dynamic tool that is easily adaptable to any organization. BSC provides a straightforward framework to more effectively define the organization's priorities, make strategic decisions and evaluate performance. In addition, BSC is an excellent communications tool within the organization that provides a clear picture of its health and priorities. ☞



Scott Dahl

Scott S. Dahl was appointed as inspector general of the Smithsonian Institution Jan. 16, 2012. Prior to his appointment, Dahl served in other senior positions in the inspector general community—first as senior counsel to the inspector general at the Department of Justice, then as deputy inspector general for the Office of

the Director of National Intelligence (which oversees the Intelligence Community), and most recently as the deputy inspector general for the Department of Commerce. Before joining the IG community, Dahl was a corruption prosecutor in the Public Integrity Section, Criminal Division of the Department of Justice, and a trial attorney in the Civil Fraud Section, Civil Division of the Department of Justice. Prior to government service, Dahl was an associate at the Washington, D.C., law firm of Arnold & Porter. For the past 21 years, Dahl has been an adjunct professor at the Georgetown University Law Center, teaching classes on professional responsibility and public corruption.



Kathleen Frampton

Kathleen Welch Frampton currently serves as a business consultant in the Department of Defense. She has extensive experience in project management, performance management, process improvement, strategy development, and organizational studies and analyses.

Frampton has served in the Department of Commerce Office of Inspector General, National Weather Service, Office of the Director of National Intelligence Office of Inspector General and the Department of Veteran Affairs. Prior to returning to government, Frampton was a management consultant with Touchstone Consulting Group. In addition, Frampton is adjunct faculty at the University of Maryland University College, Graduate School of Management and Technology. She is a certified project management professional and Lean Six Sigma green belt.

