

Introduction

What if you had a management tool that would give you and all of your executives current information on the health of your organization *and* where you stand with respect to achieving your corporate goals? What if this tool could also be used by other managers to communicate changes in strategy, align the business units with the changes, and ultimately help to align employee behavior with the corporate strategy?

This type of tool, used appropriately, could help give you the competitive edge you need to outrun your competition. Globalization, acquisitions and mergers, commoditization, and many other worldwide opportunities/challenges mean that it is getting tougher and tougher to remain (and for some organizations, become) competitive and profitable. Scorecard systems are an excellent example of a *strategy management* tool that can provide this type of advantage.

SHAPS STUDY OVERVIEW

Many of the conclusions in this book are based upon the results from two studies conducted by a research team consisting of Dr. Raef Lawson, Dr. William Stratton, and Ms. Toby Hatch. The North American On-Line Scorecard Study presented results from an English language survey conducted between 2002 and 2004, and the International On-Line Scorecard Study summarized results from a similar survey conducted in eight languages from 2004 to 2006. Both studies revealed practical insights about the adoption and use of scorecards at the various phases of their implementation. The International Study provides a foundation for comparative analysis in the global arena as well as trend analysis for North America. Throughout the remainder of this book, these two studies are referred to as the SHAPs (i.e., SUNY, Hyperion, and Pepperdine scorecard) study.

These studies were conducted primarily on a voluntary basis and supported by nonmonetary sponsors.¹ The responsibility of the sponsors was to solicit their members and customers to participate in the study. In return, all respondents and sponsors received access to articles and presentations based on the studies' results.

The International Study received 382 usable responses from 44 countries. Of these, 193 respondents (50 percent) indicated that they use some kind of scorecard system. The North American study received 150 usable responses. Of these, approximately the same percentage indicated that they use a scorecard system. As there are many definitions for scorecard systems, survey respondents were asked to document their own definition of a scorecard system, and then use it when responding to the survey questions.

Exhibit 1.1 International Survey Respondents Using Scorecard Systems by Region

Region	Use Scorecard System	Total Respondents	Percentage Using Scorecard Systems
Africa (primarily South Africa)	13	19	68%
Asia (including the Middle East)	31	62	50%
Europe	53	137	39%
United States and Canada ("North America")	74	137	54%
South and Central America ("South America")	22	28	79%
Total	193	383	50%

Respondents from the International Survey were organized into the five geographic regions shown in Exhibit 1.1

Slightly more than half of the respondents use scorecard systems, with the highest usage rate in South America and the lowest rate in Europe.²

When reviewing scorecard adoption rates between the two surveys, 46 percent of the respondents of the North American Study used scorecard systems. Two years later, the International Study indicated that this percentage has increased to 54 percent. There has thus been a significant increase in the use of scorecard systems by North American organizations, consistent with the prediction from our original study.³

STUDY ANALYSIS GROUPS

Throughout the book, respondents are often presented by group types (see Exhibit 1.2). The two basic groups in each of the studies are those who have adopted the use of a scorecard system (*Adopters*) and those who are not using a scorecard system (*Non-Adopters*). The Adopters group is further divided into additional groups: the "*Significant Benefits Group*" (*SBG*) includes those organizations that reported significant benefits from their scorecard implementation, and the "*No Significant Benefits Group*" (*NSBG*) includes those that reported no significant benefits.

Best practice criteria for implementing and using a scorecard system were developed from these studies. Sixteen of the 382 organizations in the International Study met these criteria. This group is referred to as the "Best Practice Organizations" (*BP*). The criteria stipulate that the organization must have:

- Had a scorecard system in place for more than 1 year (average was 4.5 years)
- A scorecard system that they consider to be a vision driver
- Achieved sustainable alignment facilitated by a scorecard system
- Achieved significant benefits from their scorecard system

These group classifications will be referenced throughout this book.

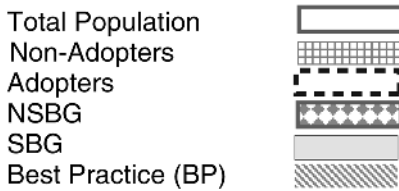
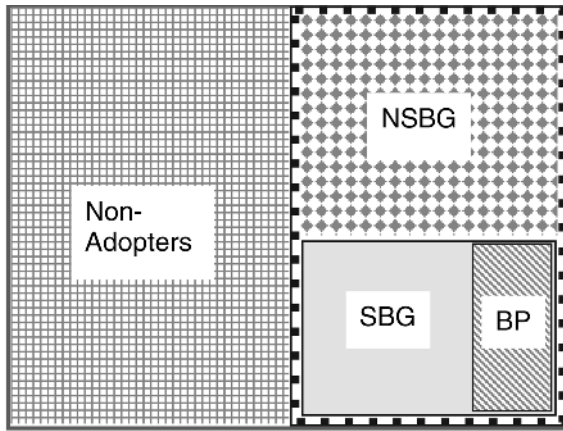


Exhibit 1.2 Study Analysis Groups

CONTENTS OF THIS BOOK

This book is the culmination of the results from both studies, as well as the expertise and professional and academic experiences of the authors and many contributors. Each chapter includes concepts, examples, and best practices from many aspects of scorecard design, implementation, and evaluation, and concludes with a summary of the best practices presented. This book does not provide the history of scorecards. There are a number of available references that provide this type of content.

The final chapter summarizes the most pertinent concepts and best practices from each chapter in one easily referenced checklist. This is followed by eight case studies that illustrate how a number of the presented concepts have been put into practice. These case studies include:

- Suzano Petroquímica
- First National Bank
- City of Boston

- Hospitality Services Company
- Fujitsu Services Oy
- Financial Services Company
- Entertainment Subscription Company
- Pfizer

In addition, you will find references to these case studies interspersed throughout the body of the book.

We are sure you will find this information helpful on your scorecard system journey.

NOTES

1. Available on the Web, the survey was sponsored by professional and consulting organizations from around the world. These included Institute of Management Accountants (IMA[®]), American Institute of Certified Public Accountants (AICPA), Balanced Scorecard Netherlands, CAM-I, Society of Management Accountants of Canada (CMA Canada), Chartered Institute of Management Accountants (CIMA), Hyperion Solutions, Van der Leer, and Yacsa.com.
2. Care should be taken not to read too much into these percentages, however, as these regional differences may be in part due to differences in the methods used by the various sponsors to solicit survey participation.
3. See “Balanced Scorecards as a Coordination and Control System,” W. Stratton, R. Lawson, and T. Hatch, *Cost Management*, May/June 2004: 41–42.