

Performance Measurement Framework and Balanced Scorecard: A comparison

Stan Dransfield has performed a comparison of the Performance Measurement Framework with the Balanced Scorecard, based on conformance with two sets of criteria for excellent performance:

1. McKinsey 7S
2. Australian Business Excellence Framework

A summary is as follows (details are provided on subsequent pages):

McKinsey 7S criteria	PMF	BS	ABEF criteria	PMF	BS
Super-ordinate goals	Y	?	Leadership and Innovation	Y	?
Strategies	Y	?	Strategy and Planning Processes	Y	Y
Skills (institutional)	Y	N	Data Information and Knowledge	Y	?
Systems	Y	?	People	Y	?
Structures	Y	?	Customer and Market Focus	Y	?
Style	Y	?	Processes, Products & Services	Y	?
Staff	Y	?	Business Results	Y	?

Y = consistent with criterion

? = partly consistent

N = not consistent

Detailed comparison using McKinsey 7S

Criterion	General descriptors	PMF response	Balanced Scorecard response
Super-ordinate goals	Creating future concepts	Provides structured opportunities for presenting concepts in relation to all stakeholder groups	Provides structured opportunities for presenting concepts in relation to some stakeholder groups
	Distilling essential values	Consistent with all recognised principles of quality management as a basis for identifying a consistent set of values	Not consistent with all recognised principles of quality management (e.g. no statistical thinking)
	Identifying future direction	Directly addresses the requirements for clear mission, vision and values. Identifies all stakeholder groups – <ul style="list-style-type: none"> • Owners • Customers • People • Strategic Partners • Community – and their needs and performance expectations (outcomes)	Assumes existence of mission, vision and values. Identifies objectives in designated key areas: <ul style="list-style-type: none"> • Financial • Customers • Learning • Business processes
	Providing a basis for making meaning to our people	Provides and maintains an organisational context for performance measurement and planning	Provides and maintains a localised context for performance measurement and planning
Strategies	Responding to changes in environment	Provides a structured basis for environmental assessment. Provides a structure for distinguishing strategic and tactical responses	Assumes capability to carry out environmental analysis. Does not distinguish need to distinguish strategic and tactical performance responses
	Improving our competitive position	Basis for strategic measurement is comparative/ competitive performance	Strategic measurement is not based on comparative/ competitive performance
	Providing a route to sustainable success	Drives alignment from a strategic perspective. Provides a basis for comprehensive stakeholder strategy development	Drives alignment through cascaded deployment. Provides a limited stakeholder perspective to strategy development
Skills (institutional)	What we are best at doing	Diagnoses current performance, including perceived current strengths	There is no diagnostic phase, hence does not necessarily ask this question.
	Our dominating attributes that make us good	Diagnoses perceived strengths and questions validity of current measurements.	As above
	Our capabilities in relation to creating and delivering products and services efficiently	Provides a disciplined process for performance measurement, from selection of measure to reporting	There is no measurement process to facilitate operational definition and reporting

Criterion	General descriptors	PMF response	Balanced Scorecard response
Systems	Our 'procedures' for doing work	Provides a systems view of the organisation through the concept of strategic, tactical and operational measurements. Provides a focus on core processes as the means of managing improvement.	Identifies business processes but largely deploys planning hierarchically and functionally
	The way we do things	Provides the basis for a process view of organisation.	Supports a functional view of organisation (<i>i.e.</i> business process view is from a functional perspective)
Structures	How we formally segment work	Promotes a core process view of the organisation	Promotes a localised business view of the organisation
	How we assign authorities and responsibilities	Provides a basis for identification of authorities and responsibilities consistent with a core process view	Supports the 'organisational chart' view of authorities and responsibilities through its hierarchical deployment approach
Style	Our organisational patterns of behaviour	Promotes an explicit data and information-based approach based on sound measurement practices as the basis for control and improvement of organisational performance	Promotes a limited data and information-based approach as the basis for improvement of localised performance
	How we manage relationships	Promotes continuous improvement based on valid measurement of regular processes, products and services	Promotes periodic improvement based on performance management cycles
Staff	Our approach to managing people, including motivation and morale	Staff are a key stakeholder group; their needs and expectations are inclusive to strategy formulation and goals.	Staff are not a stakeholder group. The BC is used to manage their performance.

Detailed comparison using Australian Business Excellence Framework

Criterion	General descriptors	PMF response	Balanced Scorecard response
Leadership and Innovation	Setting and communicating strategic direction	The essence of PMF is the measurement of strategic success at the stakeholder level. It considers the impact of all strategies on all stakeholders. Communicating strategic direction is built into the process	An organisation-level BS will set strategic direction but it will not necessarily be measured at the strategic level. It will probably be measured at the tactical level as an organisational output
	Developing appropriate organisational culture	Consistent with quality-management based cultures. Promotes development of data/information based decision-making	As BS does not necessarily consider all stakeholders, it is not fully consistent with a quality-management culture
	Developing leadership throughout the organization	Promotes identification of accountabilities (for outcomes) and responsibilities (for actions)	Promotes identification of responsibilities through the focus on hierarchical deployment. Provides opportunities for mentoring and coaching as part of performance management of individuals.
	Contributing to environment and community	Environment and community are a specific stakeholder group	No specific requirement to respond to environment and community.
Strategy and Planning Processes	Understanding the business environment	Intrinsic in the process for improving performance	Included in the organisational level BS. Implied in the lower level scorecards
	Enacting the planning process	The hierarchical structure fully supports the planning processes. The requirement for valid measurement at all levels provides functionality to the planning process	The essence of the BS. Designed to deploy planning to each level of the organisation through individual involvement
	Using resources and assets	Indirectly addressed through the assessment of internal capability as a component of planning	Addressed at the level of the group doing the BC
Data Information and Knowledge	Collecting and interpreting data and information	The discipline of measurement, data generation, collection, analysis, presentation and reporting is central	Lacks measurement-related rigour. There is no 'measurement process'.
	Integrating and using information for decision-making	The rationale is essentially based on explicit decision-making across and through the organization	The rationale is based on deployed strategies/plans with their specific requirements for substantiating performance indicators
	Creating and managing knowledge	Provides a logical basis for identifying the data and information critical to the enterprise	Provides limited guide to the data and information critical to the enterprise

Criterion	General descriptors	PMF response	Balanced Scorecard response
People	Getting people involved and committed	Provides and maintains an organisational context for the contribution of people	Gets people involved and committed to local improvement
	Achieving effectiveness and development	Provides a basis for assessing effectiveness at the level of organisation. Does not provide a direct basis for individual performance management	Provides a basis for assessing individual performance <i>versus</i> set goals and for evaluating personal development needs
	Ensuring health, safety and well-being	People are a stakeholder group. Their health, safety and well-being are specific stakeholder needs.	Not necessarily addressed
Customer and Market Focus	Getting and using knowledge of customers and markets	Intrinsic component of the process	Intrinsic component of the process
	Customer relationship management	Provides a quantitative basis for discussing issues with customers	Provides a quantitative basis for discussing issues with customers
	Determining customer perceptions of value	The comparative value approach to stakeholder needs and expectations ensures that customer perceptions are identified within a competitive environment	Provides customer satisfaction data but no competitive information
Processes, Products and Services	Managing the innovation process	Provides a basis for measuring innovation through its impact on stakeholder perceptions	Provides a limited basis for measuring innovation through its impact on customers and financial performance
	Developing supplier relationships	Provides a quantitative basis for managing suppliers	Not necessarily addressed
	Managing and improving processes	Provides a quantitative basis for managing processes	Not necessarily addressed
	Measuring quality of products and services	Provides a quantitative basis for managing products and services	Not necessarily addressed
Business Results	Measuring current results	Provides a fully scoped and structured performance measurement system to manage organisational processes and outputs, and to monitor impacts on all stakeholders	Provides a limited performance management system to manage the organisation's functions and people
	Measuring indicators of future success	Intrinsic in the measurement and planning processes for the organization	Intrinsic in the planning process