

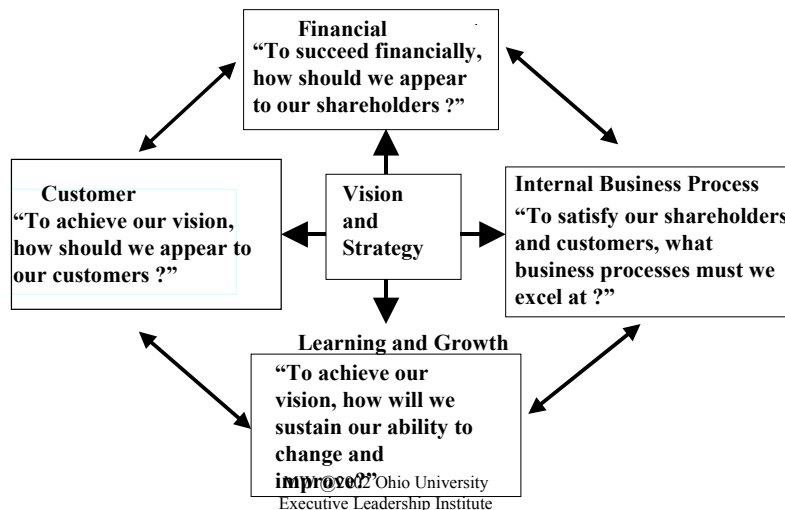
## Ohio University Executive Leadership Institute

### APPLYING A “BALANCED SCORECARD” APPROACH TO PUBLIC SECTOR STRATEGY

- When private-sector organizations want to create value for customers and stakeholders, they encourage employees to engage in entrepreneurial behaviors and formulate strategies around value creation. Similarly, public-sector organizations need to identify the value they want to create and then engage in strategies and entrepreneurial behaviors toward those ends.
- The *Balanced Scorecard* approach helps organizations measure how well they are creating value. It focuses on measuring performance in four areas: customer value, which is at the top of the scorecard; financial value; internal business processes; and learning and growth. The Scorecard approach has been used widely in business, government and the nonprofit sector.

### 1996 Balanced Scorecard to Translate Strategy into Operational Terms

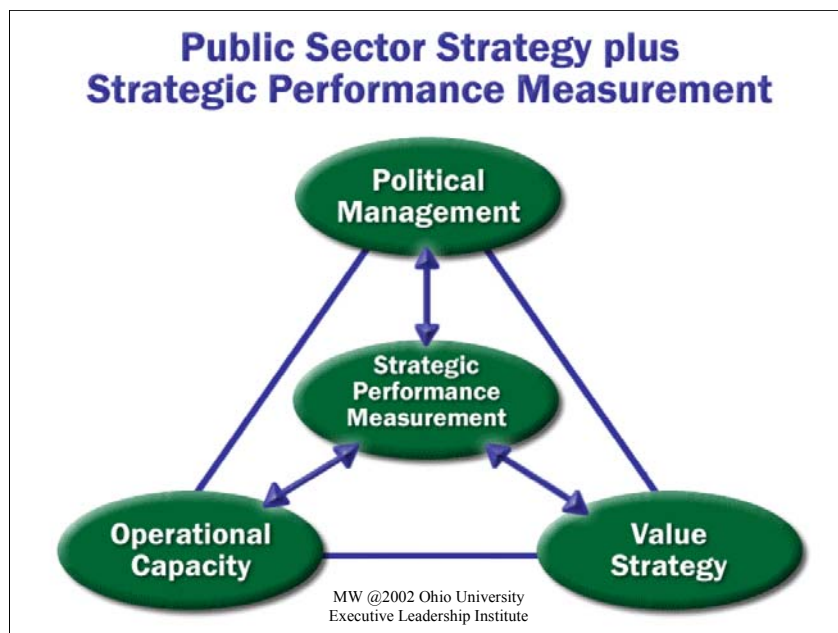
Source: Robert S. Kaplan and David P. Norton.



- However, the creation of public value is fundamentally different than the creation of private value in several important respects.
  - Public value is based on community preferences as opposed to private consumer preferences.
  - The distribution of public value by government has to be both fair and equitable.
  - Governments do not have customers in the same sense as the private sector; rather they deliver both service and fulfill obligations using public resources and public authority.

- Strategy development and implementation toward public value occurs within a political, democratic framework based on disagreement. Strategic leadership involves the ability to forge strategy and compromises within this political framework.
- Therefore, strategic management and performance measurement systems in public organizations need to measure three things:
  - 1) the value the organization creates;
  - 2) how successfully the organization manages and responds to the political authorizing environment; and
  - 3) how well the organization is building and maintaining operational capacity to implement strategy.

This approach is based on the Strategic Triangle developed by Professor Mark Moore at Harvard University. Politics is at the top of strategy models in the public sector. The Strategic Triangle and Performance model for this approach is:



- Since 1998, more than 400 participants have completed the Ohio University Executive Leadership Institute program, *Leading with Vision, Value and Strategy*. The vast majority of participants are in Ohio. They believe that the Strategic Triangle and Performance Model is useful as a way to think strategically about managing change in public organizations. The model also focuses public officials on the development and measurement of their political, operational and value management strategies and helps them understand how political compromise affects the development and implementation of strategy in government.

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