

Reforming Government Agencies Internationally: Is There a Role for the Balanced Scorecard?

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Abstract

According to its proponents, the Balanced Scorecard has the ability to improve performance and enhance accountability. After discussing domestic and foreign use of the Balanced Scorecard in government agencies in developed countries, this paper explores the applicability of the model to government organizations in developing countries. Although an advanced method such as the BSC may be able to facilitate improvement, implementation of the method by countries facing so many concurrent challenges would be difficult due to a lack of resources, politicization of public administration, and corruption.

Keywords: Balanced Scorecard, public agencies, development, organizational development

Introduction

Some scholars see an evolutionary process in the development of public administration. Part of this development is a transition from a clientelistic institution characterized by patronage to an institution with new professional and organizational ethics.^[1] The challenge continues today as public administration struggles with issues of accountability. Most recently, the interest in performance measurement and its management via performance management models is evident in the increasing use of the new public management paradigm.^[2] The measurement element within the new public management paradigm has led to further interest in the development of “organizational report cards”.^[3] Report cards can provide quantifiable measures of benefits from their tax dollars and related government agency activities and expenditures. These report cards have the potential to provide a mechanism for both building administrative capacity and for focusing attention on issues of government accountability in developing countries. The ultimate administrative goal in democratic societies is to create transparent, professionalized, rationalized, decentralized, and participatory institutions with administrative processes that are accountable, credible, and objectively measured.^[4]

The traditional and still predominant approach to performance measurement is based on productivity measures, including such measures as service inputs and outputs. While these measures may provide means to determine how well an agency is performing its “efficiency” related duties, such measures fail to provide a comprehensive picture of how well management is preparing an agency to handle current and future challenges. In short, performance measurement may describe how well an agency is meeting its defined

measures, but fails to capture information concerning deeper issues of institutional maintenance and resilience. These are pressing issues for developing countries.

Public agencies are under pressure to improve performance beyond mere economic efficiency. According to its proponents, the Balanced Scorecard has a twofold potential: first, to become a measurement instrument to guide performance in public administration and second, to enhance democratic accountability and responsibility. This paper explores the versatility of the Balanced Scorecard as a measurement system for government organizations in developing countries. After discussing domestic and foreign applications of the Balanced Scorecard to government agencies in developed countries, the applicability of the model to developing countries is addressed. The paper is organized in the following manner. Section one provides a basic overview of the BSC and its applicability to public agencies in general. Section two examines the use of the BSC in developed countries; while, section three discusses the challenges faced by developing countries and whether or not the BSC is an appropriate tool for these countries.

Overview of the BSC

In the past decade, some public administration scholars and practitioners have attempted to implement a more comprehensive model of performance measurement. This model, the Balanced Scorecard (BSC), developed by Robert Kaplan and David Norton, provides a comprehensive method of measuring organizational performance that is superior to traditional singular and efficiency based measures of agency performance. (For more on conceptual and theoretical issues as compared/contrasted with OD, QWL, Gallbraith or other approaches see *Ironies In Organizational Development* by Robert

Golembiewski, 2003.) The BSC promotes an alternative to singular measures of organizational success and instead focuses on a family of measures intended to assess the overall value created by an organization and incorporates the elements of financial responsibility, service to citizens, work process improvement, and human capital development as bases for measuring organizational success. As Kaplan and Norton note, “exclusive reliance on financial indicators could promote behavior that sacrifices long-term value creation for short-term performance”.^[5] The BSC thus measures the “capacity building” and “responsiveness” of organizational management. Capacity building and responsiveness are essential elements of the new management paradigm that are now measurable within the framework of the BSC.

The creators of the BSC, Robert Kaplan and David Norton^[6] provide a comprehensive system of measurement aimed at determining whether management is building the infrastructure necessary to sustain organizational and institutional resilience and accountability. The BSC measurement system includes four perspectives: financial performance, customer service, work processes and the learning and growth of employees. The measures ask the following four questions.

- “What is the organization’s financial performance?”
- “To what extent is the organization retaining its customer base and adding new customers?”
- “To what extent have work process improvements led to increased efficiency and improved customer service?”
- “To what extent has training been employed that enhances the skills and knowledge of employees?”

Linkages between each of the four elements represent a critical component of the BSC. These linkages show that each of the four elements serves to enhance the other elements, while improving overall organizational performance. For example, improving work processes allows the organization to provide better financial results but may also serve to improve customer service. Enhanced training of employees can lead to better customer service, increased efficiency, and an overall improvement in financial performance. The components of the different perspectives “define the ‘how’ that is as fundamental to strategy as the outcomes that the strategy is expected to achieve”(Ref. ^[5],p. 96). The greatest value of the BSC is the understanding that organizational performance is based on a variety of factors that contribute to organizational success. Moreover, these different perspectives capture both lag and lead indicators of outcome, providing a key improvement over a reliance on just financial measures.

The BSC also includes another major goal: linking the organization’s strategy to the actions of organizational subunits. Instead of an ad hoc collection of indicators, the BSC links measurement to strategy. By linking each of the four basic measurement elements to the organization’s strategy, management has a clear means for determining if organizational actions support the organization’s strategy (Ref. ^[5],p. 87). This innovation is of particular value since in large complex organizations subunits often engage in activities that do not support the overall organizational strategy. Thus, each subunit must produce its own scorecard showing how its activities support the total organizational strategy.

At the strategic level of the organization and at the functional unit level, management, often with opportunity for feedback, develops particular actions that

support the organization's goals. These particular actions are defined under the headings of objectives, measures, targets, and initiatives. Objectives refer to the actual results the organization hopes to achieve, while measures define how the unit measures its performance. The concept of targets is used to identify the actual level of performance the unit hopes to reach. Initiatives refer to the programs or policies the unit will employ to reach its objectives and targets. According to Kaplan and Norton, "By clearly defining the strategy, communicating it consistently, and linking it to the drivers of change, a performance-based culture emerges to link everyone and every unit to the unique features of the strategy. The simple act of describing strategy via strategy maps and scorecards makes a major contribution to the success of the transformation program" (Ref. ^[5],p.102). In this way, goals and actions of the organization, departments, and individuals can be combined and coordinated to improve outcomes.

Adapting the Balanced Scorecard to Public Agencies

The BSC approach may provide an effective method to achieve the goals of strengthening civil service and public management. The BSC approach is still relatively new to the public sector, although it holds particular potential as a measurement system for both developed and developing countries. A current challenge, common to both developed and developing nations, is to improve performance, promote accountability, and increase confidence in government. In order to facilitate these goals, the Organization for Economic Cooperation and Development (OECD) surveyed and evaluated performance management techniques in countries commonly regarded as those in the forefront of "reinventing government," such as Finland, the United Kingdom, Sweden, New Zealand, France, Denmark, Canada, the United States, and Australia.^[7] A

common response to budget cuts is to reduce services, making government reform difficult. Michael Ross points out “that by reducing staff levels or budgets, the government is reducing the level of service provided. In addition, only focusing on a financial reform “will not fully capture performance” (Ref. ^[8], p. 232 see also Guthrie and English 1997) ^[9]. Limiting service “does not remove the need for the service, nor the expectation by the consumer”. ^[10] However, the push for greater financial efficiency provides the opportunity for reform, creating an “emphasis on managing effectiveness of outcomes, in terms of customer satisfaction, and in specifying outcome measures during the planning process” (Ref. ^[8], p. 245).

While originally designed for business application, the BSC approach can help to refocus scarce resources toward the desired outcomes. ^[11] Despite unique constraints, the BSC has been implemented in government agencies. (For a comprehensive review of the BSC and its implementation and applicability see Niven 2003 and Niven 2005). ^[11,12] For example, within the federal agencies, there are two year federal budget cycles, political pressures, data collection constraints on type and amount of data (i.e. the Paperwork Burden Reduction Act), results beyond agency control, hiring and training constraints (personnel system and size of discretionary budget), and difficulties in developing performance measures. ^[13] Naturally, it is necessary to adjust the language of the BSC to the unique requirements of public sector management.

A simple adaptation of the BSC to government would consist of the following. Since government does not make a profit, the financial elements of the BSC for the public sector are seen as measures of financial accountability. In short, did the public agency spend its allocation as warranted by the large national, state, or local authority?

And, since citizens in a democracy are not just customers but citizens, then the language of citizen replaces the business sector language of customer. The BSC for government could ask the following questions, driving the four basic elements of the BSC.

- 1) **Financial:** Is the Agency maintaining its fiduciary responsibility to the citizenry by spending its allocation in ways consistent with the organizational mission and public law?
- 2) **Citizen Service:** Is the organization meeting the mandated needs of the citizenry as defined by its mission?
- 3) **Internal Work Processes:** Are work processes constructed and continuously improved in an effort to ensure efficiency and quality service to citizens?
- 4) **Learning and Growth of Employees:** Are employees receiving the training and support requisite to develop the human capital, and thus the supportive infrastructure, of the organization?

It is necessary to operationalize measures for each element of the BSC. Figure 1 illustrates that the goal is not to meet arbitrary budgetary goals but rather to develop clear means for defining objectives and targets, using measures that result from programmatic initiatives and organizational mission.

Insert Figure 1 here

Scholars have theorized about the potential advantages of a BSC approach in government. It has the potential to be a powerful tool for developing and refining strategy in complex political organizations, educating stakeholders in management

control (Ref. ^[14], p.327), avoiding ‘information fatigue’ (Ref. ^[15], p. 877), minimizing ‘initiative overload’ (Ref. ^[15], p. 879), clarifying strategy, communicating and linking goals, and enabling strategic feedback (Ref. ^[15], p. 879). Quinlivan ^[16] suggests incorporating the Australian Business Excellence Framework categories to conceptualize relevant perspectives.

The above discussion is a general translation from the business setting to a public management context. However, uncritical implementation of the BSC to public management can be problematic (Ref. ^[14], p. 32). Kaplan and Norton ^[5] state that public organizations have diverse stakeholders, such as citizens, clients, and donors. Carmona and Grönlund clarify that public agencies are more dependent upon the “support of external constituents and to a lesser extent on actual performance” (Ref. ^[17], p.1489). Adapting the BSC for government and non-profits entails identifying an overall strategy for the agency and identifying appropriate perspectives. Typically, instead of a financial perspective at the top, most governments or non-profits prioritize non-financial community outcome measures, such as customer or constituent perspectives (Ref. ^[16], p. 37) or political mission goals (Ref. ^[17], p.1477). Other suggestions include the following groupings of perspectives: cost incurred, value created, legitimizing support (Ref. ^[5], p. 99) or operational perspective, staff perspective, resources perspective, citizen perspective. ^[18] Each organization needs to adapt the scorecard to its own organization, according to its particular mission, culture, and strategic planning timeline (Ref. ^[18], p. 71 and (Ref. ^[19], p. 959). Even in an organization without a clear, pre-existing mission, the BSC could function as an evaluation tool, a means of communication, and as an

opportunity to formulate strategy (Ref. ^[19], p. 960). As with any performance evaluation, proper implementation and adaptation are necessary for success.

As promising as BSC is, there are recognized limitations for implementation. McAdam and Walker recognize hard constraints of government regulations, budget cycles, and rigid organizational charters, soft constraints of public sector culture, and the risk of creating overly simplistic measures in the complex customer and citizen profiles (Ref. ^[15], p.878-80). Johnsen warns against the temptation to use pre-existing data, which may result in “low validity and hence low decision relevance” (Ref. ^[14], p.324) and an uncritical application, which may result in “a rigid, dysfunctional, Soviet type, central planning system, rather than a flexible, decentralized learning system” (Ref. ^[14], p.326). Quinlivan warns that the development of bottom up scores with aggregation, “does not provide the strategic aspects of the K&N approach” (Ref. ^[16], p.37). In addition, with any performance management tool, managers need to guard against the “corruption of data or developing a culture of concentrating on doing what gets measured to the exclusion of what is not measured” (Ref. ^[16], p.37). Measurement should be strategically linked to improvement in outcomes.

Applications to Government Agencies in Developed Countries

The BSC has been used in federal agencies, states, and localities in the United States, in the context of the movement to revitalize government. The 1993 Government Performance and Results Act of 1993 or GPRA, requires agencies to develop strategic and performance plans, file performance reports to Congress, and develop improved performance measures. ^[20, 21] Other countries have experimented with the use of the BSC

in government. So far, experience has been limited to developed countries at the forefront of reform, such as Sweden, Australia, the United Kingdom, and New Zealand.

Insert Table One here

The GAO promotes the use of BSC in federal agencies to improve performance and strategic planning.^[24-27] Charlotte, North Carolina and the State of Washington have embraced the BSC approach. Local and state officials have found the approach helpful in the context of the devolution of power and resources from the federal government to state and local governments.

Federal Government. Despite the unique aspects of the federal sector in regard to performance management, the BSC has been implemented in numerous federal agencies.^[13] The GAO uses the BSC to gauge performance and tie it to strategic planning.^[28] The executive branch has a management scorecard, with the following perspectives: human capital, competitive sourcing, financial performance, e-gov, budget/performance integration (Executive Branch Management Scorecard). The Department of Energy currently uses procurement BSC scorecards, altering the financial perspective to measure cost efficiency and maximum value.^[29] The Department of Transportation utilizes a BSC, with the following perspectives: efficiency, effectiveness, and impact.^[30] The Department of Commerce Acquisition Community has scorecards with the following perspectives: customer, financial, learning and growth, and internal business.^[31] Beginning in 1998, the Department of Health and Human Services began using the BSC, in areas such as information technology and office of grants and acquisition management.^[32] The Army developed three linked scorecards of different

operational levels (command, regional, and local) in fall 2000.^[33] In 1999, the Veterans Administration implemented a BSC at three levels: national, network, and regional, using five perspectives (performance measures: accuracy, timeliness, unit cost, customer satisfaction, and employee satisfaction and development).^[34] Schay et al. examine the use of the BSC in federal human resources departments.^[20] These departments use the following perspectives: financial (direct application to agencies with ‘fee for service’ components), customer measures (use of a customer satisfaction survey), internal processes (establishment of efficient information systems and databases), and learning and growth (use of OPM’s Personnel Resources and Development Center survey, the Organizational Assessment Survey). They conclude, “since most federal agencies do not have an easily identifiable bottom line, use of balanced measures provide more realistic information on agency effectiveness, especially when linked to the strategic plans required by the Government Performance and Results Act” (Ref.^[20], p. 364). Likewise, Muldrow et al.,^[23] find in experiments with the US Mint and EPA Region VI, that the use of customer and employee surveys, if properly linked to outcome measures, can provide the basis for successful reform. They conclude, “A key goal for government agencies is to move from hierarchical and non-participatory cultures to participatory cultures that encourage creativity and innovation. This will lead to enhanced customer service and lower costs” (Ref.^[23], p.351).

Local Government: City of Charlotte, North Carolina. In the past, Charlotte, North Carolina measured government efficiency and effectiveness through the typical means of setting objectives and tracking performance of these objectives. (For an indepth study of the Charlotte see Niven 2003.)^[11] However, the city found this approach limited

for strategic planning. In response, they incorporated the BSC to transform its mission and strategy into concrete objectives and measures. The BSC provides a comprehensive view of the City's five focus areas (Community Safety, City-Within-A-City, Economic Development, Transportation, and Restructuring Government). These goals are balanced with another four perspectives: customer satisfaction, financial efficiency, internal processes, and learning and growth.^[35] The scorecard monitors progress on the bottom line, tracks progress on customer satisfaction, and evaluates organizational capacity building. In 2000, the city of Charlotte implemented measures for each of the nineteen objectives on the scorecard, creating a "dashboard" of the achievement across the five focus areas and the four perspectives. Each business unit has a business plan and a scorecard linked to and supported by each of the objectives of the corporate scorecard. For example, community safety has the objectives of reducing crime and increasing the perception of safety. Following the BSC has improved the clarity of strategic priorities and provided concise measures. The city conducts surveys to measure customer satisfaction, assesses its bottom line by comparing its costs to other cities, evaluates its administrative processes by using activity-based-costing analyses, and directs attention to the human capital of its employees by polling employees to see if they believed they had the necessary skills and resources to do their jobs. The reforms were designed to connect customer satisfaction with well-run departments and basic performance goals.^[36]

Washington State. The state modified the classic BSC four-box model (costs, customer, internal processing, and learning) to include the following aspects (public benefit and value, customers, financial management, internal process management, organizational learning and growth (Washington State)).^[37] Washington also

implemented the BSC in specific, interagency projects, such as the salmon recovery project in the Northwest.^[38] This complex project involved numerous actors (five states, Canada, twenty-seven Indian tribes, federal agencies such as the Environmental Protection Agency, and local agencies) because of its mandate involving state forests, hydropower plants, agriculture, transportation systems, and land use decisions. Instead of creating a separate department in the state government, the state implemented the BSC approach in November 1999. Previous attempts to create interagency policy failed due to indecision and redtape.^[3]

United Kingdom. McAdam and Walker^[15] found that the incorporation of the BSC in the United Kingdom, was, in general, positive. These reforms occurred in the context of the Best Value initiative, as introduced in the *Modernising Government* agenda in 1998. The BSC was specifically recommended by the Cabinet Office in 2001 as a preferred management framework. The process of creating and implementing scorecards was a flexible, strategic process that incorporated inputs from staff in a consensus building process. This planning process helped to “minimize ‘information overload’, revise service areas and functions, and to focus upon important services” (Ref.^[15], p.890). They also concluded that BSC implementation was hindered by poor data collecting systems, poor measures, and overly simplified conceptualization of customer needs. In general, they found that organizations with a pre-existing, systematic approach were more effective in implementation. Storey^[39] examines the implementation of the BSC in the U.K. education system. The BSC included nine criteria: five ‘enablers’/ inputs to performance (leadership, people, processes, policy & strategy, partnerships & resources) and four ‘results’/achievements (people results, customer results, society

results, key performance results) (Ref. ^[39],p. 327). She found the cultural climate in the education sector more open to reform, despite difficulties of concerns about professional autonomy. Moreover, the involvement of staff in measure design and objective setting increased cooperation. She concludes, “If people’s energies and activities are to be effective, then some thought needs to be given to an interlinked set of questions: clarity of objectives; communication of them; evaluation of progress measured against objectives chosen; and so on. The BSC, while not a panacea, at least seems to offer a systematic framework for these key processes to occur” (Ref. ^[39],p. 336).

Sweden. The use of the BSC by the Swedish National Police Board has been discussed by Elefalk ^[19] and Carmona and Grönlund^[17]. Beginning with experiments in six counties in 1998, this scorecard has four perspectives: success (of strategies and processes), staff (personnel as stakeholders), citizen (reaction of public toward policing) and resources (government as supplier of funding, material and human resources) (Ref. ^[17],p.1484). It put a greater emphasis on staff involvement and feedback (Ref. ^[19], p.959) in addition to extensive public opinion data about local problems and crime perceptions. In this Swedish law enforcement context, the BSC helped focus on critical areas, while avoiding a fixation on figures (Ref. ^[19], p.965) and developing performance metrics that improved resource utilization (Ref. ^[17], p.1490). However, Carmona and Grönlund noted difficulties in that there was a tendency for everything to become mediocre in the aggregate and omissions in the measurement of stated priorities, such as community policing and crime prevention (Ref. ^[17], p.1491). This case study is significant because the Swedish National Police tend to prioritize principles of concealment and enforcement instead of accountability. This case may be potentially instructive for “performance

measurement systems in other organizations characterized by a strict sense of secrecy, discipline, and hierarchy” (Ref. ^[17], p. 1477).

New Zealand. In New Zealand, reforms utilizing the BSC were examined in one government department and two Crown entities by Griffiths.^[18] In these applications, instead of financial and customer perspectives, shareholder, stakeholders and leadership quadrants were included. Moreover, these different perspectives were not causally linked, as in the original business BSC (Ref. ^[18], p. 77). Griffiths did find that BSC could serve a valuable function in organizations at different levels of maturity. In less developed agencies, the BSC could serve as a substitute for “a strategy development process” (Ref. ^[18], p. 75). He also found that the BSC had “the potential to improve transparency and accountability for these operations” (Ref. ^[18], p. 71). Despite the successes and potential, this case illustrates some problems of demonstrating cause and effect relationships, a limitation seen in some business applications.^[40] Finally, Griffiths noted the importance of increasing accountability and data disclosure (Ref. ^[18], p.77).

Australia. In the Australian state of Victoria, Kloot and Martin^[8] researched local reform efforts and evaluated attempts to institute performance measurement systems. Through in-depth interviews with officials in seven councils, they found that process measures and innovation strategies, in addition to good information, appropriate indicators, community involvement, and an open organizational culture, were essential to successful reform. In sum, when strategic planning and performance measurement are linked, overall efficiency and effectiveness of local council operations improve.

Table Two presents an overview of the assessment of the BSC implementation in public agencies in developed countries. As in any performance measurement system, it is

important to craft appropriate measures, collect good data, and encourage cooperation among the staff. The experience of BSC implementation in public agencies in developed countries demonstrates the potential for improvements in strategic planning, better analysis, and increased participation.

Insert Table Two here

The public agencies that have successfully implemented a balanced scorecard approach are depoliticized, mature organizations with sophisticated bureaucracies. However, applications in the developing world would face different starting points, constraints, and contexts.

Application of the BSC to the Challenges and Goals of Developing Countries

The major public administration challenge to developing countries is to improve institutional performance, enhance accountability, and increase efficiency. There is pressure to adopt market driven economic reforms, privatization, and new performance measurement systems. Yet,

...not much attention has been given to how to improve public management in general to ensure that the substantial percentage of GDP allotted to public expenditures is used effectively and efficiently to provide timely and courteous service to society. The emphasis has been in reducing public expenditures not in improved management.^[43]

Many developing country governments are undergoing both economic modernization and democratic transition. “In the view of the major role played by the state in the economy, the establishment of a high-quality civil service is a precondition for healthy and

sustainable development and economic growth” (Ref. ^[40], p.141). There are simultaneous demands to improve administrative efficiency and improve responsiveness to the public.

Upholding public interest, establishing rule of law, providing equal treatment to all, maintaining a balance between enforcement and regulation, and providing service to the citizens continue to dominate the work of public officials. However, the framework under which these activities take place has been considerably altered in the face of increased criticism of the public sector, continuing scrutiny of its performance, and ever widening gap between the availability of resources and the demands for services (Ref. ^[45], p.1293).

In developing countries, fiscal crises and undeveloped economies limit government programs. Many developing countries have been functioning under severe fiscal constraints imposed the International Monetary Fund through the conditionality of aid. IMF conditions limit both fiscal and monetary policy, forcing government to constrain their expenditures. At the same time, internal reforms of decentralization have created new opportunities for innovation at the local and state level. Moreover, eligibility for some international aid, such as in the Millennium Challenge Account, is tied to administrative reforms. These governments may find it advantageous to incorporate parts of the BSC approach to successfully plan and implement reform at the sub national level.^[46,47]

Typically, central governments have preferred to implement reform proposals that "come from the North," such as the recommendations from OECD, World Bank, or other international agencies. Different reform policies enacted include reengineering models, devoted to reducing costs and improving procedures, and result oriented reforms. However, to function at the sub-national levels of government, success of reform policies depends more on the ability to adapt a model developed in a different context to a new situation.^[48] The experience of developed countries has shown the importance adapting

the BSC to each particular organization and context. This general lesson applies to LDCs as well.

Insert Table Three here

What is the potential to apply a method such as the BSC to nations in Klingner's first or second stage of the development of public administration (political patronage or transition)? Table Three presents an overview of the unique challenges to effective reform and reform goals in developing countries. When examining issues faced by public agencies in developing countries, there are common challenges they face as their systems of public administration transition to maturity. A general observation about civil servants in Sri Lanka can easily be applied to most LDCs: "officers came to see themselves as mere cogs in machines, feeling no sense of responsibility or control. They justified their actions by quoting rules and regulations rather than accounting for results and outcomes" (Ref. ^[60], p.1359). Performance management is important to developing a system of accountability. Jones points out that improvement to performance management "could be made by more comprehensive and specific measurements of attributable outcomes" (Ref. ^[63], p.131). However, reform attempts threaten political discretion and, therefore, often face significant obstacles to implementation. Additionally, the BSC component requiring citizen feedback would be difficult in many developing countries. In a context of a history of non-responsive agencies, it is difficult to garner feedback about particular services independent from a general view of the agencies or government. A lack of confidence in the process, both from the citizens and

the officials, may complicate efforts at using them as reliable evaluation tools for the efficiency and quality of the public services.

Although an advanced method such as the BSC may be able to help with many of the obstacles faced by developing countries, implementation of the method by countries facing so many concurrent challenges would be difficult. The BSC can provide an integrated approach to reform, involving all major constituents — bureaucrats, politicians, and citizens. The mini-case studies of implementation of the BSC in developed countries suggest that the BSC has the potential to increase accountability, efficiency, and transparency by developing a strategic plan and opening lines of communication both within agencies and to the public. However, the implementation of the BSC in developing countries would be complicated by a lack of resources, politicization of public administration, and corruption. Nonetheless, parts of the BSC may have the potential to be useful in planning and implementing reform and to serve as an impetus to transition from a clientelistic institution characterized by patronage to an institution with a professional and innovative culture.

Conclusion: The Applicability of the BSC

An application of the BSC to public agencies is particularly appropriate for complex, transparent, and mature organizations with diverse stakeholders. To be effective, the strategic planning process should be adapted to the particular needs and goals of each organization to identify appropriate perspectives. In general, however, it would include four: financial, citizen service, internal work processes, and learning and growth of employees. Pressures for increased financial efficiency affect public agencies, in both developed and developing countries. In fact, fiscal crisis may provide the public

and politicians with the political will to push for reform. An advantage of the BSC is that reform does not end with increased efficiency, regardless of organizational mission and public needs. The strategic process of creating the BSC would attempt to reform public organizations so that they would better meet the needs of the citizens and the missions of their agency. In terms of internal work processes and human capital, the BSC has the potential to increase institutional capacity. By creating a more comprehensive overview of the agency, the BSC has the potential to encourage more long range planning, create more well-rounded objectives, and provide taxpayers with a clearer vision of where, how and what their taxes are being spent. Despite the promise of reform, the BSC is not a panacea. Successful implementation is likely to be limited to complex, mature and transparent public agencies.

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Table One: Balanced Scorecard Government Use in the United States

Federal Agencies	Defense, Energy, Commerce, Transportation, Coast Guard, IRS, Veterans Affairs, Health and Human Services, US Mint, Environmental Protection Agency
States	VA, IA, MD, PR, TX, MN, OR, FL, WA, UT, ME
Cities	San Diego, Portland, Charlotte, Seattle, Austin
Counties	Monroe, Fairfax, Prince William, Mecklenburg, Santa Clara

Sources: Refs. ^[22,23]

**Table Two:
BSC Implementation in Public Agencies**

Benefits	Challenges
<ul style="list-style-type: none"> • Builds consensus and improves communication, ^[15,17,19,22,41] • Captures both long and short-term strategic goals^[19,22,41] • Utilizes a triple time perspective (past, current, future), ^[17] • Ease of use, ^[19] • Promoted focused and subjective analysis of issues, ^[15,20] • Resulted in forward and improved strategic planning, ^[15,22,39,42] • May encourage participatory cultures, resulting in more innovation^[23,39] • Appropriate for use in organizations with multiple objectives^[39] • Helps overcome the perversion of focusing too tightly on a narrow agenda^[39] • Useful for both self assessment and external review^[39] 	<ul style="list-style-type: none"> • Developing appropriate “performance metrics”^[17] • Aggregation hinders strategic linkage ^[18] • Problematic aggregation – the tendency to produce a mediocre aggregated rating ^[17,18] • Need to promote disclosure of information ^[18] • Lack of sufficient information for scorecard^[15] • “Initiative fatigue”^[15,39] • Lack of long-term leadership^[15] • Entice staff without punishment for noncompliance^[15] • “Tendency to oversimplify the process”^[15] • Not particularly balanced, not always linked to strategy^[8] • Professional autonomy or resistance to business models^[39]

Studies reviewed: Swedish National Police ^[19]; one government department and two Crown entities in New Zealand ^[18]; thirteen local governments in the United Kingdom ^[15]; local council experience in the State of Victoria, Australia ^[8]; implementation in the United States ^[20,22,23,39].

**Table Three:
Public Administration Challenges and Goals in Developing Countries**

Challenges	Goals
<ul style="list-style-type: none"> • Human resources — lack of training, subjective promotion and hiring practices, pay not linked to performance or productivity • Hierarchical, non-participatory bureaucracy • State continuity • Lack of strategic planning • Rent seeking by bureaucrats creates need for competitive sourcing • Poor financial performance • Performance tracking — training has no relation to career development • Cultural barriers — highly politicized bureaucracy • Corruption — part of the administrative culture • Lack of political will — bureaucratic resistance due to an incestuous relationship between politicians and bureaucrats • Transparency — citizens not involved in public decision-making, • Customer Satisfaction — lack of responsiveness to citizens needs 	<ul style="list-style-type: none"> • Strategic planning • Effective implementation of policies • Increased flexibility and objectivity in performance evaluations • Open communication both within and between public agencies • Separation of political from career appointments • Increased use of contracts to improve continuity • Performance and training linked to career development • Participatory culture that encourages creativity and innovation within public agencies • Citizen involvement in public decisions • Customer satisfaction through efficient delivery of services • Reduce cost and increase effectiveness in civil service • Impartial bureaucracy

Studies reviewed: Maldives^[49]; Bangladesh^[50]; Indonesia, Korea, Malaysia, Thailand, and the Philippines^[51]; Sub-Saharan Africa^[52]; Japan and Korea^[53]; Israel^[54]; Turkey^[55]; Russia^[56]; Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo^[44]; Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka^[45]; Paraguay^[57]; Brazil^[48]; Swaziland^[58]; Post-Communist Europe^[59]; Sri Lanka^[60]; Ghana^[61]; Vietnam^[47]; Mexico^[61].

FIGURE ONE
BALANCED SCORECARD MODEL FOR GOVERNMENT
 According to Kaplan and Norton 1996

