

Chapter 7

Summary and Conclusions

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A substantial amount of information is presented in this book. The purpose of this chapter is to crystallize the most important points for the reader, to present some conclusions based on the experience of the contributors, and to recommend some areas for further study and development.

The balanced scorecard (BSC) is an important *logical framework, management tool and strategy execution methodology* that enables enterprise leaders, executives, and managers to move their organizations toward achieving long-term, sustainable success. The BSC is, by far, the most widely adopted management approach used today to drive performance measurement and strategic management. More importantly, thousands of organizations around the world have used this tool and its associated methodology to drive improvements in enterprise performance.

A *six-step process* for deploying the BSC approach is introduced in Chapter 3. Using these six steps, a prototype BSC is created for a state-owned microfinance organization and illustrates the process of creating a BSC and strategy map. Any enterprise manager might follow these six steps to implement the BSC in a logical manner. The BSC is most effective when introduced, supported, and championed by the highest levels of an organization's structure or hierarchy.

Three early case studies of state-owned enterprise (SOE) BSC implementations in the People's Republic of China (PRC) are presented in Chapter 3, and three more recent case studies with a more sophisticated approach are presented in Chapter 6. An award-winning seventh case, China Resources, presents impressive

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financial and nonfinancial performance data. This performance data attests to the significant value the BSC Methodology brought to that SOE conglomerate and its award-winning subsidiary, China Resources Microelectronics.

These *seven case studies* illustrate how SOEs are practically using the BSC Methodology. These cases highlight the possible improvements from measuring performance, creating and communicating an enterprise strategy, cascading that strategy to lower levels of the organization, and executing the strategy in a *systematic ongoing and replicable process*. Survey data of more than 100 organizations is presented in Chapter 6, indicating such an approach is necessary to achieve the desired breakthrough results.

A *new application* of the BSC is introduced for the first time in this book—using the BSC as a tool for governments to strategically manage their SOEs. Governments may manage their SOEs using the BSC directly or indirectly. Direct management by government would involve designing a BSC for the country’s entire SOE sector, as exemplified by the SASAC case described in Chapter 4. Indirect management by government would involve a government stimulating a country’s large holding companies or critical SOEs to design specific BSCs at multiple levels of their complex organizational structures, as described in Chapter 6.

In either possibility, there is a wealth of practical data and case studies from both developed and transition economies, indicating that five key aspects are necessary to achieve optimum results from the BSC Methodology:

- Describe your strategy in a strategy map.
- Measure strategic improvement via BSCs at multiple levels of the organizational structure or hierarchy.
- Align all organizational units (vertically and horizontally) to the strategy with the BSC.
- Link strategy to other critical functions and systems, most notably, budgeting, human resources, and information technology.
- Finally, periodically review, analyze, and adjust strategy (objectives, measures, targets, and actionable initiatives)

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in a manner that accurately reflects the internal and external realities faced by the government or enterprise leaders.

A new relative scoring system for measuring enterprise performance using the BSC is introduced in Chapter 4. Historically, an enterprise uses the BSC to measure and compare absolute measures, for example, return on equity (ROE) or perhaps growth of customer accounts within a specific enterprise. A new relative scoring system is introduced that allows a government to measure the relative performance of its enterprises in addition to the more typical approach of measuring each enterprise's absolute performance.

This type of relative performance measurement system may not be appropriate for all countries. However, for those countries and organizations with sufficient available data, the relative scoring system is an important innovation. For example, a holding company may be able to design a BSC to measure the relative performance of its subsidiary SOEs (in addition to the absolute performance of each SOE). Also, an organization with large numbers of stores, branches, or outlets may be able to adopt a similar scoring system using both financial and nonfinancial information from its IT databases.

Another major contribution of this book is the definition of a Country Corporate Governance Rating Index (CGRI) for SOEs as a tool that governments may use to measure, manage, and improve the corporate governance of their SOEs. We recommend that countries with large SOE sectors draft and publish a Country-specific SOE Code of Corporate Governance based on the 2005 OECD Guidelines of Corporate Governance of State Owned Enterprises.

As the PRC is the first application for each of these three innovations, more research and testing will be needed to determine the usefulness of these tools. The Egyptian Ministry of Finance, for example, is in the initial stages of investigating use of the BSC to improve the performance of their SOEs. Egypt is also in the initial stages of creating a CGRI for their SOEs based on their June 2006 "Code of Corporate Governance for Public Sector Enterprises."

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Many governments in the developed and developing world are implementing the BSC for their government organizations and enterprises. The results of these experiences should be closely watched and lessons learned disseminated in a similar fashion as we do in this book. The combination of improved SOE performance by use of the BSC management system and corporate governance rating indexes holds much promise for transitional economies in what is already a tumultuous 21st century!