

Balanced Scorecard FAQ's

9/13/04

What is a “Balanced Scorecard?”

The Balanced Scorecard is a strategy implementation tool that translates the EHS Office strategy into action. The BSC links performance measurement to strategy using a multi-dimensional set of performance measures. It can be applied to a whole institution like MIT or a unit within the institution like the EHS Office.

Why is the EHS Office (as opposed to EHS which includes DLC Coordinators..) using the Balanced Scorecard?

The EHS office is using the Balanced Scorecard to help us focus our efforts on the key actions that help us achieve our strategic objectives. The BSC translates our strategy and vision into operational terms and allows us to set goals and objectives and to measure (or ‘monitor’) where we are at reaching those goals and objectives. More importantly, it is a way to communicate the value of our services to the Institute’s senior management and our clients. For many years the EHS professional organizations (particularly industrial hygiene and safety) have been stressing the importance of being able to communicate to senior management what we do and why it’s important. We need to “speak their language”. This tool allows us to do that.

What other systems or tools could be used and why did we pick this?

Scorecards or performance metrics are being used increasingly by management to set goals and monitor progress towards these goals including, OGSM (Objectives, Goals, Strategies, and Measures) and Management by Objectives. Some of these tools focus on financial measures or operational parameters. The BSC allows for financial perspective to be considered and balanced with other key perspectives of client (our colleagues in the DLCs, management and regulators), internal processes (what we do and how we do it) and learning and growth (people’s technical and behavioral skills).

We decided to use the BSC because it allows us to identify that objectives and goals that are important for us to meet our future vision and to communicate this with senior management. The BSC is a recognized business tool developed at Harvard that being used by other universities. Knowledge of the BSC within MIT is growing and we are gaining recognition within the Institute for our leadership position in applying the BSC.

We picked the Balanced Scorecard because it is simpler and easier to understand and builds on things we have been doing for the past 5-10 years. Additionally, other parts of the Institute are initiating its use so that we will all be talking the same language.

How does the BSC relate to ISO 14001, ISO 9001, Six Sigma and other “Management System”?

Most management system models, including ISO 14001, ISO 9001 and the USEPA EMS framework described in our consent decree include requirements for planning and tracking of progress towards meeting objectives. The BSC is a tool that allows us to meet EPA requirements for the EHS-MS, which requires that we describe how environmental planning will be integrated into organizational decision-making to prevent pollution and minimize

waste. The BSC allows us to communicate to EPA that the EHS Office has an overall strategy to achieve our environmental policy and to specifically set objectives and goals to achieve the policy and our vision. Internally at MIT, we also decided to include Health and Safety as part of our management system.

How is it different from the past goals and objectives process we have been doing for the past several years?

In terms of day-to-day implementation, it is very similar and in some cases the same. What is new is the systematic coordination of individual goals to larger EHS Office goals, mission and vision as well as MIT mission. We also are now working to develop measures so we can see how we are doing and communicate our status to senior management in terms they understand. These measures may also help us in benchmarking our performance against other universities.

What are the challenges we face using the BSC?

Although the main concepts (setting goals and objectives) are the same, the language used is somewhat different. It also requires us to be able to visualize how our day-to-day activities and goals are aligned with the EHS Office and MIT's strategies and goals.

There may also be uncertainty or even fear by some among us who are not familiar with quantitatively measuring goals. The fact that the Balanced Scorecard will actually measure our progress may also generate anxiety, although unfounded that failure to meet our objectives will be seen as a failure. This will not occur if we set realistic goals, identify the proper way to measure how we meet goals, closely monitor our progress, readjust when necessary, and work together to achieve them.

Will the BSC be part of my performance review? If so, how big a factor will it be in my review?

In past years you and your supervisor (Deputy Director or Director) worked together to agree on objectives and goals to be achieved in the coming year. These were included as part of your annual performance review. This same process will be followed going forward and you may find that the BSC will help you in developing personal objectives and goals, which align with the EHS Office BSC. In fact some of you may develop a personal BSC to help you focus on things that are most important for you in your EHS Office role. Our overall performance will continue to be primarily determined by our accurate, efficient and timely delivery of EHS services.

How will the BSC effect me?

When fully implemented, the BSC will help to set clearer expectations and priorities and provide a more objective measure of EHS Office performance and your contribution to our success. Initially, it will take us time to learn the new terminology and develop appropriate ways to measure our objectives. This year particular will be used as a learning period for all of us. Measures will be more qualitative this year than in subsequent years as we learn how to develop more quantitative metrics that will effectively communicate our progress to our clients and to senior management. In fact this first year, many of our initiatives are to develop appropriate measures (metrics) i.e. what measurements of our services most accurately reflect the progress or status of our systems or programs.

How long will this last? Is it just a fad?

If developed and implemented successfully by us, the BSC will become a tool we that we routinely use in implementing and communicating our strategy – it will become a normal part of the way we do business. It typically takes one year to 18 months to fully implement a BSC after the initial development activities.

How are we implementing this?

The EHS Office Director and Deputy Directors, with the input of the EHS Office staff, have put together a draft Balanced Scorecard with what we believe are achievable goals for the first year (FY 2005) that we will build on in subsequent years.

We have identified 14 strategic goals such as “improving performance” and “building organizational strength.” To achieve these strategic objectives we have developed 17 specific initiatives (or projects) for this year. There are of course many other objectives and initiatives that individual programs and staff will be working on in FY 2005, but these 17 have been identified as key to meeting our vision and strategy including continuing to develop and implement the EHS Management System. These 17 initiatives will be the ones we monitor more closely and report on at the end of the fiscal year.

What can I do to help the EHS Office achieve its vision?

- 1) Continue to do your job and fulfill your personal objectives.
- 2) Learn what the Balanced Scorecard is and provide input to help shape and implement the various initiatives. As we identify ways to improve our service you should make the appropriate adjustments.
- 3) Let us know what you think. If you don't understand the EHS Office vision, mission or the BSC or have comments on our strategic objectives or initiatives, let your DD know or Lou know. In order for this to be successful, we all need to be focused on the overarching EHS Office vision.

Where can I find more information?

We will established a BSC corner on the on the EHSNET under “tools”. In the meantime, more information is available at: <http://www.bscol.com/>

Who else is using the Balanced Scorecard?

Other departments within the MIT Executive Vice President's Office are beginning the process but are not as far as we are. Many industries, non-profit organizations and government agencies, have been using the Balanced Scorecard for up to 10 years including: the University of California, San Diego; NASA, Duke Children's Hospital, Mobil, Tennessee Valley Authority, and US Army.

What should I do if my project is not listed on the Balanced Scorecard?

Every program, projects, and activities that we do, have an important role in providing EHS services to the community. All of them contribute to the five guiding principles outlined in the EHS policy statement. Many are tied in one way or another to the 14 strategic Objectives identified on our BSC. However we have focused on 17 Initiatives because they are key to achieving our vision and are important for us to communicate progress on a regular

basis to our clients, stakeholders and senior managers. These 17 initiatives also relate closely to our EHS-MS development activities and EPA Consent Decree requirements. We will be looking to measuring and communicating more accurately on all the work we do!

Why the focus on numbers?

The focus is not entirely on numbers but where we can measure something we should only if that measurement provides real meaning to what is being done. There are some numbers that do not give the true picture of the value of the activity we perform. For example, the total pounds of hazardous waste (chemical, radiation or biological) disposed of in a given year, doesn't tell us much. More valuable is how that compares to past years (trends) and how much is generated per DLC or per PI. That is why we need to carefully consider what we measure.

What if we don't meet our number?

For those cases where we have a measurable activity, we will establish a "target" number. This may be the % of people trained, the % reduction in waste, the % reduction in spills, etc. We need to choose these carefully to reflect a valuable indicator of performance and a realistic target. We also need to recognize where we have control over these targets and where that control resides with other DLCs. Thus when we have quantitative targets, we need to collaborate with all those who may effect the outcome and establish reasonable targets and get their buy-in. Targets are something we shoot for but there is an understanding that we may not attain them all. Rather than "punish" someone (be it EHS or another DLC), we should be able to determine why the target was not met and what we can do to correct the process.