



Chapter XV

Management of Large Balanced Scorecard Implementations: The Case of a Major Insurance Company

Peter Verleun, Egon Berghout and Maarten Looijen
Delft University of Technology, The Netherlands

Roel van Rijnbach
Nationale-Nederlanden, The Netherlands

In this chapter, established information resource management theory is applied to improve the development and maintenance of large balanced scorecard implementations. The balanced scorecard has proved to be an effective tool for measuring business performance. Maintaining a business-wide balanced scorecard measurement system over a longer period implies, however, many risks. An example of such a risk is the excessive growth of scorecards as well as scorecard metrics, resulting in massive data warehouses and difficulties with the interpretation of data. This is particularly the case in large organisations. This chapter proposes balanced scorecard management framework that is illustrated with the experience gathered from the company-wide balanced scorecard implementation in the insurance company Nationale-Nederlanden in the Netherlands.

INTRODUCTION

An increasing number of organisations use the balanced scorecard to measure and control their business performance. The dynamics of their business environment requires instant responses and traditional, financially orientated, budgeting and performance measurement systems are too slow in producing adequate management information. It simply takes too much time before business changes actually appear in financial figures.

The balanced scorecard is an obvious option for these organisations. However, management systems based on the balanced scorecard can become quite complex and less effective, particularly when used over a longer period. In the last chapter of their book,

Kaplan and Norton (1996) already emphasize that a strategic management system, which is supported by the balanced scorecard, should be adequately managed in order to capture all benefits. However, they do not present a method on how to maintain their strategic management system in the operational stage.

In this chapter the framework for information resource management of Looijen is applied to manage a large balanced scorecard implementation (Looijen, 1998). A comprehensive list of task areas that need to be addressed is given on basis of the distinction between: functional management, application management and technical management. Furthermore, an associated organisational model for large balanced scorecard models is described.

Both tasks and organisational model are illustrated with the experiences gained from the balanced scorecard implementation at insurance company Nationale-Nederlanden (NN). NN has implemented a balanced scorecard based reporting system as their company-wide management information system. From this case study, it is concluded that the resource management based approach appears to be an adequate method to manage large balanced scorecard implementations.

Descriptions of both the balanced scorecard methodology and the applied information systems resource management framework are kept to a minimum in this chapter. Readers can obtain extensive information in the two references. In this chapter we focus on the new combination of the two areas and the case study at NN.

This chapter has the following outline. First, a brief introduction to the balanced scorecard is given. Second, Looijen's framework for information resource management is presented. Third, this framework is illustrated given the situation of NN. This Chapter ends with conclusions and recommendations.

THE BALANCED SCORECARD

This section provides a brief introduction to the balanced scorecard. Given the fact that this technique is already well known we will particularly focus on characteristics of the scorecard that increases the complexity of scorecard implementations.

Balanced Scorecard and Performance Measurement

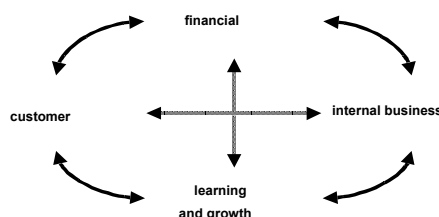
Lynch and Cross give many examples of organisations that under-perform due to an inadequate performance measurement system (Lynch and Cross, 1991). Through measuring on four distinct perspectives, the balanced scorecard already proved to be an excellent measurement system. These four areas are (Kaplan and Norton, 1996):

- Customer perspective;
- Internal organisation perspective;
- Financial perspective;
- Innovation and growth perspective.

The four perspectives are illustrated in Figure 1.

Once businesses have built their initial scorecard, the scorecard should be embedded in the organisations ongoing management system. For fully using the scorecard potential the scorecard should be tied to a number of management processes, such as budgeting, alignment of strategic initiatives and set-

Figure 1: The four perspectives (Kaplan and Norton, 1996)



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