Management Case Study

Creating and Implementing a Balanced Scorecard: The Case of the Ministry of Works - Bahrain

“The Ministry of Works is a world-class application: the organisation is committed to investing in the future of itself and the country by building on the best management techniques they can find. Their programme is as good as anything we have seen.”

Dr David Norton – Co-creator of the Balanced Scorecard

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Creating and Implementing a Balanced Scorecard: The Case of the Ministry of Works - Bahrain

By

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Abstract: This case study describes how the Bahrain Ministry of Works has created and implemented a world-class Balanced Scorecard system to help them define and execute their strategy, for which it was inducted into the prestigious Balanced Scorecard Hall of Fame in 2009. The scorecard is fully aligned to the 2030 vision of the Government of the Kingdom of Bahrain aimed at economic and social transformation. The case study outlines how a corporate Strategy Map and Balanced Scorecard have been cascaded into the organisation and how accountability for performance has been assigned to more than 280 objective owners. It also outlines how an Office of Strategy Management has been set up to facilitate the strategy management process and the role of business plan and progress review meetings. Also explained is how the MoW has successfully integrated risk management with strategy management at the corporate level and reports both on the same Balanced Scorecard.
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Introduction

The Kingdom of Bahrain has much to be proud of. This island state of just over one million people has both the fastest growing and freest economy in the Arab world, according to separate reports. Moreover, it has been named the world's fastest growing financial centre by the City of London's Global Financial Centre Index. As a physical testament to Bahrain's confidence and status the planned Friendship Bridge that will link Bahrain with Qatar will be the longest fixed link in the world. This will complement the celebrated King Fahd Causeway that already links Bahrain with Saudi Arabia.

Bahrain Vision 2030

But Bahrain is not sitting back on its laurels. The Kingdom's Government has formulated a long-term strategy for the nation that it calls Bahrain Vision 2030. Unveiled by the Economic Development Board in November 2007, the vision was the outcome of over four years of consultation with representatives from the public and private sectors, academia and international bodies. Serving as a blueprint for dramatic economic and social transformation, the vision commits the nation to massively improved standards of living, radically reformed Government, widespread privatization, better education and health services and an enhanced quality of life. The vision is described this way:

“We aspire to shift from an economy built on oil wealth to a productive, globally competitive economy, shaped by the Government and driven by a pioneering private sector – an economy that raises a broad middle-class of Bahrainis who enjoy good living standards through increased productivity and high-wage jobs.

“Our society and Government will embrace the principles of sustainability, competitiveness and fairness to ensure that every Bahraini has the means to live a secure and fulfilling life and to reach their full potential.”

Aspirations

The vision is further fleshed out through a set of aspirations for the Economy, Government and Society dimensions. For example, ‘Bahrain stimulates growth by enhancing productivity and skills,’ is an Economy aspiration. An example aspiration for Government is ‘a world-class infrastructure linking Bahrain to the global economy.’ Finally, ‘a high standard of social assistance gives all Bahrainis an equal start,’ is a society aspiration.

Bahrain Vision 2030

Such is the importance of the vision that each of Bahrain's 16 Government Ministries must ensure that its own strategy is fully aligned to the 2030 goals. In early 2008 senior managers and
professional staff members within the 1600 employee-strong Ministry of Works (which is responsible for the construction, roads and sanitary engineering sectors, and therefore the major portion of the nation's public works sector and capital asset formation) completed an exercise in mapping its strategy against the vision.

“We held Open Space/Knowledge Café style sessions with over 200 key staff where we explored and discussed how our present strategies, as described through the Balanced Scorecard [see below], aligned to the Bahrain National Vision and what we needed to do to strengthen the alignment,” explains Raja Al Zayani, Chief of the Strategic Planning and Quality Management (SPQM) Section, which serves as the MoW's Office of Strategy Management (OSM). “The sessions in many ways validated our existing work as we discovered that our strategies already embodied a high degree of alignment with the national goals.”

**Four Strategic Themes**

In essence the MoW's strategies are described through four themes:


2. A key planning player: Ensuring effective collaboration and coordination among Government agencies in order to fully contribute towards effective national strategic and structural planning. This includes ensuring effective policy planning/making and regulatory enforcement.

3. Sustainable quality services: Ensuring the better management of services, projects and quality in order to deliver more and better services that are competitive, fair, customer focused, sustainable and cost effective.

4. A leading professional organization: Being able to attract and retain professionals and high quality competencies, and ensuring a high performance staff and organization.

“Our senior management increasingly sees the core competency of the Ministry to be centered on engendering private sector involvement and partnership, project management, integration, coordination and value engineering,” says Raja. The strategic thrusts of the Ministry (whose works range from small projects and services, such as road safety works and repairs to the sewage network, through to large, complex strategic projects such as the building of ports, hospitals, bridges, major highways, sanitary networks and pumping stations) are therefore built around those competencies that are required to engender private sector involvement and partnership and the handling of large complex projects of strategic impact. The competencies for actual implementation and delivery of services are increasingly provided by the private sector.

**Building Strategy Management Capabilities**

These four themes were chosen through a major strategy update that took place in late 2006 and early 2007 as part of a wider and more significant effort on behalf of the Ministry of Works (MoW) to establish best practice strategy management capabilities. The seeds were first planted back in 2004 under the leadership of the then Minister of
Works His Excellency (HE) Fahmi Bin Ali Al-Jowder, who introduced a greater focus on strategic planning into the Ministry.

**Management Development Programme**

But the genesis of the scorecard and indeed strategy management within the MoW can be traced back to 2002 when, and coinciding with a mandate that Government departments and agencies must adopt strong supporting organizational structures, operating systems and strategies, the MoW launched a Management Development Plan (which ran until 2004) that introduced a large number of initiatives to strengthen its strategic capabilities. Examples include programmes to improve service provision and client/community integration as well as the building of performance excellence. A major intervention launched under the Management Development Plan was the introduction of a Balanced Scorecard (a strategy management framework that comprises a Strategy Map of objectives and a scorecard of measures, targets and initiatives).

Following parliamentary elections in Bahrain in November 2010, HE Al-Jowder became Minister for Electricity and Water Affairs (EWA). Previously HE Al-Jowder was responsible for EWA in addition to his MoW responsibilities. He introduced the scorecard into EWA and the organization was inducted into the Balanced Scorecard Hall of Fame in 2009 at the same time as the MoW. Therefore HE Al-Jowder became the first person to head two separate organizations that were inducted into the Hall of Fame in the same year.

The new Minister for Works is HE Essam Khalaf, who was previously Assistant Undersecretary (AUS) for the Roads Sector at the MoW and an objective owner on the corporate scorecard. As with his predecessor he is committed to executing strategy management through the Balanced Scorecard. While at AUS Essam Khalaf demonstrated a high level of professionalism in focusing the Roads business on the MoW’s strategic direction and in maneuvering its operations to a strategic visionary leadership style.

Although the MoW can report significant benefits as a result of using the scorecard and through the building of broader strategy management capabilities (see Sidebar on page 6), the original scorecard (which was in place from 2004 to mid-2006) had some fundamental flaws. Raja recalls that the most problematic was that the original Strategy Map contained objectives that more closely resembled initiatives. “As a result, the reporting of performance often became more about measuring progress against an initiative rather than performance of strategic objectives,” she says, adding that it led to some resistance to the scorecard concept in the early days.

**Building the 2007 Balanced Scorecard**

The scorecard effort was revitalized and refocused. The new effort was a well defined project to re-implement the MoW Balanced Scorecard from beginning to end. This involved a mix of standard Balanced Scorecard strategy mapping and scorecard building techniques that focused on the five phases of creating a Strategy-Focused Organization as described by scorecard co-creators Drs Robert Kaplan and David Norton: Mobilize, Translate, Align, Motivate and Govern (see Figure 1) interwove with the Strategy Aligned Management (SAM) approach, (essentially a
Sidebar: Benefits of strategy management

Since being introduced in 2004, strategy management has led to some significant achievements within the Ministry of Works (MoW). Perhaps most notably has been the massive increases in delivery of quality projects worth BD 250 million (US $660 m) in 2007 compared to just BD 35 million (US $92.5 m) worth of projects in 2002; importantly this was achieved with little change in the number of Ministry staff. Note too that during 2009 AND 2010 MoW handled budgets that accounted for more than 50% of the whole budget of the Government of Bahrain.

Other examples can be reported according to the MoW's four strategic themes.

Public Private Partnership Strategic Theme:
• Large growth in private sector interest to support accelerated and expanded infrastructure development. In 2002 this was virtually zero.
• Similarly large growth in services being outsourced to the private sector to support the same goals for accelerated and expanded infrastructure development. In 2002 this was again very small fraction of what it is today.
• In 2009 and 2010 more than 50% of the government’s project budget was allocated to MoW.

Quality Services Strategic Theme:
• 100% of programmes and their budgets are linked to MoW strategy which is very different to pre – 2004 where there was no focus of objectives.
• Achieved much greater budget utilization from 2007, which had been a major issue in previous years.
• The number of staff that are certified project management practitioners has increased more than 20-fold since 2002. Project management is a core competency of the MoW.

Key Planning Player Strategic Theme:
• Balanced scorecard and performance management systems have been implemented.
• Sectoral strategies have been developed and integrated.
• The MoW has 100% alignment with Bahrain’s national strategies as expected by the Economic Development Board.
• The vast majority of MoW strategic initiatives have a high strength of linkage/impact with the Bahrain Vision 2030
• There have been significant improvements in the National coordination amongst the key agencies/stakeholders involved in infrastructure development.

Leading Professional Organization Strategic Theme:
• Greater than 10-fold increase in training budget from 2002-2007. Funding was maintained from 2008-2010.
• Greater staff quality & performance and reduced staff turnover rates.
• Improvement in staff satisfaction score from 65% to 85%.
• MoW values are well-established and adhered to.
• Media perception has improved dramatically between 2006 and 2010.
modified form of scorecard design and implementation defined by Bill Barberg of Insightformation and others, which the MoW has used to great effect). Such has been the success of the revitalized scorecarding effort that Dr Norton has publicly stated that the MoW's approach to the Balanced Scorecards is "world class" and "as good as any we've seen."³

The process began with strategy management and Balanced Scorecard awareness workshops and training. The strategy was revisited and out of this came a revised mission statement to 'provide public works services to enhance the quality of life', vision to be 'a leading organization providing quality services,' and values: 'ethics & integrity, excellence, professionalism, team spirit and effective communication'.

Next, cross-functional teams of managers were organized into four teams that would build sections of the Strategy Map according to the strategic themes ('theme teams', an idea that came out of the SAM methodology).

A workshop was then held to integrate the themes within a draft Strategy Map. Following further refinements the corporate level map was approved.

In line with reports from other organizations Raja stresses the value of taking the time to ensure that consensus was reached as to the key corporate
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Corporate Strategy Map

The 2007 MoW corporate level Strategy Map that resulted contained 14 strategic objectives from the four perspectives of learning & growth, internal process, customer and stakeholder (the latter essentially represents the financial or shareholder perspective that would be found in a scorecard for a commercial organization, but allows for a broader interpretation of stakeholder value than just financial) (see Figure 2).

The Balanced Scorecard and Strategic Themes

As cited, the four strategic themes guide the Strategy Map composition. Although strategic theming of objectives is commonplace today and normally recommended when creating a Strategy Map, the approach taken by the MoW was new and...
innovative. Whereas themes are typically articulated as a collection of objectives from the internal process and learning & growth perspectives that together deliver customer and financial outcomes (such as operational excellence, for instance) the MoW opted to describe its themes through horizontal and vertical dimensions.

The learning & growth perspective serves as the horizontal 'leading professional organization', theme. The other three themes are described vertically, cutting through process, customer and stakeholder perspectives. In essence, the horizontal theme powers the delivery of the vertical themes. "It is the active participation of all employees that makes strategy happen," says Raja. As we shall explain, participation has become the watchword of strategy management within the Ministry.

The public private partnership –PPP- theme was described through three objectives from 'effective PPP strategy' through to 'improved PPP outcomes'; the key planning player theme was captured in three objectives from 'improved communication and coordination processes' through to a 'key planning player' objective; while the quality of service theme was described through five objectives from 'full utilization of financial resources' through to enhanced/expanded service delivery'.

But note that these themes are viewed holistically and not as narrow, siloed efforts. For instance, through a causal relationship ‘Excellent communication and coordination processes’, a key planning player objective, impacts the public private partnership and quality of service themes as well as its own.

**Measures, Targets and Initiatives**

Supporting the Strategy Map is a scorecard of measures, targets and initiatives. Again, as part of the Balanced Scorecard design and implementation process, teams of senior staff and managers were assigned to the creation of measures, targets and initiatives. For confidentiality reasons, specific targets are not described here. However, targets have been set for each objective to both the short-term (one year) and long term (six years in advance). In many cases these targets represent a significant stretch.

As an example of measures and initiatives consider ‘highly motivated and performing staff,’ a Learning & Growth objective. Metrics include ‘staff development’ and MoW retention capability’. Initiatives include ‘create a prestigious leadership programme to develop leaders in the public sector,’ and ‘improve the quality and availability of training.’

As a further example consider ‘excellent management of quality’, an objective within the internal process perspective. Metrics include ‘risk severity index’ and ‘corrective/preventative actions closed on time’. Initiatives include ‘Implement Total Quality Management’ and ‘Establish Quality Management- achieve certification – e.g., ISO 9001.’ The MoW achieved ISO 9001 certification in 2010. The importance of this objective was stressed when the quality management function was moved into the Strategic Planning Section in 2008. The MoW has since gone through several cycles of strategy learning & review, culminating in a corporate Strategy Map for 2010 consisting of 19 objectives (see Figure 3) and further improved supporting measures. Note that the current Strategy Map includes the photographs of objective owners.
This has heightened accountability at the objective owner level and makes it easier for MoW employees to identify the person they need to contact if required. This is the first of several innovations that we will point to in this case study.

**Prioritizing Strategic Initiatives**

Notably, the MoW has put in place a robust process for prioritizing strategic initiatives. This process has been evolving over recent years, and an early tool created was the initiative mapping template shown in Figure 4.

Today, prioritization is according to three main aspects: ‘Strategic Alignment,’ ‘Value/Benefit’. And Ease of Implementation.’

The ‘Strategic Alignment’ aspect comprises two components: objective alignment (the level of alignment of the initiative to either National, MoW corporate or MoW SBU objectives) and percentage impact on the strategic objective if achieved within a prescribed timeframe (a measure of performance).

The ‘Value/Benefit’ aspect comprises the two components of ‘financial value’ (e.g., generate income/savings or enhance the financial growth of
the Ministry, etc) and sustainability (economic, environmental, social and cultural).

Finally the ‘Ease of Implementation’ aspect comprises four components: duration (time to implement the project), cost (cost to implement the project), organization difficulty (stakeholder involvement/breadth and depth of change) and technical difficulty (uniqueness, sensitivities, scarcity of resources, materials, people).

A percentage weighting is assigned to each component. The score that is generated is fed into a prioritization matrix that horizontally comprises a scale of very low importance, low importance, medium importance, high importance, very high importance, and vertically has a scale of low difficulty, medium difficulty and high difficulty. From this matrix initiatives can be prioritized.

**Aligning initiatives with budget**

Implementing a robust process for initiative prioritization is crucial as all budgets are tied to initiatives and projects at both Ministry and directorate levels. “We now provide budget submissions from our Ministry to the Ministry of Finance with our portfolio of strategic initiatives via the Economic Development Board,” says Raja. “This includes information about the strategic alignment of all initiatives based on National 2030 aspirations.”

Timing of this process is crucial to ensure an effective integration of the process. For example the 2009 budgetary process followed the annual corporate strategy review held over January/February, and the following cascaded unit strategy reviews. These are necessarily held beforehand so that consolidated budget information can be obtained as an outcome of the process and ensure budgets are linked to strategic priorities.

**Cascaded Scorecards**

Following the creation of the corporate map, cascaded scorecards were created at sector and directorate levels, using the same design and implementation process as for the corporate scorecard.

Moreover, care was taken to ensure that cascaded scorecards aligned back to the Bahrain Vision 2030 by supporting the four strategic themes.

**Road Sector Strategy Map**

For instance, consider the Strategy Map for the ‘roads’ sector (See Figure 5). While keeping the
same 'leading professional organization' objectives (as described in the learning and growth perspective), roads captures the sustainable quality service theme through objectives such as 'excellent management of quality and projects,' from the internal perspective' and 'full reach of services' from the customer perspective. A full scorecard of measures, targets and initiatives support the map.

Support Unit Strategy Map
As a powerful example of how the 'theme' cascade extends to the support units, note the Strategy Map for the Human Resources Directorate (Figure 6). Not surprisingly the bulk of its objectives relate to the 'leading professional organization' theme, but also well represented are objectives that relate to the 'sustainable quality of service' theme, such as 'Cost effective HR services,' within the stakeholder perspective and 'excellent HR project management practices' within the internal perspective'. Once more, the map is supported by a scorecard of measures, targets and initiatives. For example, 'excellent HR management of knowledge,' an objective from the learning & growth perspective is supported by a measure of 'HR knowledge sharing events' and an initiative to 'embed knowledge management practices.'

Office of Strategy Management
Given the scope of the strategy management and scorecard effort, the MoW introduced an Office of Strategy Management (OSM) in early 2006, which it calls the Strategic Planning and Quality Management Section (SPQM). "We recognized that
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Effective strategy management was so critical to the MoW's success that we needed to ensure that it became an internal capability," says Raja, who adds that the SPQM has now become the centre of expertise for strategy management and the Balanced Scorecard. The SPQM Strategy Map is shown in Figure 7.

Note that Excellent Evidence-Based Intelligence is an objective within the internal perspective, with James Creelman as the objective owner. This objective utilizes the five step Evidence-Based Management framework and methodology developed by the Advanced Performance Institute, which is fully described in Bernard Marr's book: The Intelligent Company: five steps to success with Evidence-Based Management (see Figure 8). SPQM will be rolling out Evidence-Based Management awareness sessions through 2011 and 2012.

On departing the MoW, HE Al-Jowder commented that setting up the SPQM was one of his proudest achievements as it had really driven strategic management capabilities into the Ministry.

Presently the OSM has eight people with a wide range of skills covering areas such as strategic planning, the Balanced Scorecard, Total Quality Management/quality assurance, risk management and Activity Based Management. External
consultants are also within the section developing state-of-the-art surveying capabilities.

Such is the level of importance attached to the SPQM that it Chief reports directly to His Excellency the Minister and not through an intermediary executive. In line with the best practices described by Drs Kaplan and Norton the SPQM has overall facilitative responsibility for the strategy formulation, implementation and learning process.

**Governance Process**

More broadly, SPQM has facilitative responsibility for driving, supporting and managing the Ministry's governance cycles. This includes the annual strategic formulation, business planning and management reviews. As part of its role, SPQM supports the MoW to formulate, drive, develop, review, schedule and facilitate strategy governance meetings/workshops such as workshops that focus on strategic analysis, enterprise risk management, annual business planning, cascading strategies, initiative prioritization as well as the quarterly Corporate Business Reviews and Sector reviews. SPQM also conducts any other awareness workshops required to communicate and highlight strategy management-related issues across the

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Figure 7: SPQM Strategy Map
MoW and with related entities outside of the Ministry.

**Participative Management**

Note that the SPQM is expected to facilitate strategy management - not own it. On launching the SPQM (or SPS as it was originally called before the integration of quality management) it was recognized that day to day ownership for strategy, especially its execution, had to lie with the business. The cited theme teams are key to this ownership. These teams maintain responsibility for scorecard implementation. Each team is led by a 'Theme Team Owner'.

At the corporate level these 'owners' are drawn from the senior team and key professionals within MoW. Presently the four corporate Theme Team Owners are the MoW Undersecretary (who reports directly to the Minister of Works) and three Assistant Undersecretaries. These Theme Team owners are held fully accountable for the objectives and strategic Initiatives under the Theme.

**Objective Ownership**

But ownership and accountability does not stop at the level of themes. Members of the executive team have ownership of corporate level objectives (and so must work closely with the Theme Team owners). Indeed, while Minister of Works, HE the
Minister owns the ‘win and maintain stakeholder support’ objective. There are also owners for each objective at sector and directorate levels. "In all we have designated owners who are held accountable for all of the more than 280 objectives that appear within our suite of scorecards," comments Raja. Each objective owner has their own team, members of which are often assigned ownership for measures and initiatives. Therefore every single theme, objective, measure and initiative within the MoW suite of scorecards has a designated owner.

Business Plan and Progress Review Meetings

As part of its responsibilities SPQM facilitates a series of business review and report progress meetings. Theme Team business plans are updated annually and feed into the annual strategy review, which is then cascaded to the business units.

Each quarter the Strategy Map and Balanced Scorecard is reviewed, which includes detailed analysis and reporting of progress, with a goal of assessing the effectiveness of implementation of the strategy and launching any corrective actions when progress is not at the required level.

The review process begins with Internal Sector Business Reviews (ISBRs). The purpose of ISBRs, which are chaired by an Assistant Undersecretary, is to clarify and sharpen the performance focus and messages that will be delivered at the following quarterly Sector Business Reviews (SBRs) and Corporate reviews.

The SBR and Corporate Reviews are chaired by His Excellency the Minister. Starting with SBR’s for the three sectors (roads, sanitary and construction), an SBR review is then held for corporate support units, services (including HR and IT) and finance units. These reviews serve as a prelude to, and inform the corporate review. Within SBR and Corporate review meetings, all objective owners present to HE the Minister. This raises the importance of all objectives and heightens personal responsibility and accountability at the objective owner level.

The practical insights gleaned from this process provided MoW with significant learning and resulted in revisions to fine tune and enhance the review process and its outcomes.

Managing the Quality of the Strategy

Also noteworthy is that over time the strategy review has become broader than just an evaluation of implementation successes or failures. The quality of the strategy is reviewed as well as performance of strategy, with every scorecard being assessed and audited for its quality in terms of its objectives, measures, targets, initiatives, and timeliness of reporting.

The assessments provide both a measure of strategy quality by units, but additionally are the basis for further enhancement. Another MoW innovation is to tie this quality assessment of measures to a well defined process that leads from a definition of standard measures through ‘performance Indicators’ to ‘key performance indicators’.

Performance measures: any discussed measure by which performance can be assessed.

Performance indicator: the subset of measures that have been assessed as of sufficient quality in
terms of a defined set of quality criteria (requires an internal benchmark to be put in place).

**Key performance indicator:** the subset of performance indicators that have been selected as the most important of all the performance measures (requires an external or historical benchmark to be put in place).

For the strategy quality assessment, the MoW uses its own modified version of the SMART categories to organize its measure quality assessment into five categories. Note, for example, that the A in SMART stands for ‘Ambitious’ and not the commonly used ‘Attainable’. “Such a traditional usage of A in the SMART acronym was felt to be more appropriate for a quality management approach to operational measures and continuous improvement than for breakthrough strategy which was what the MOW intended,” explains Raja. The MoW version of the SMART acronym is:

- **Specific:** Well defined in specificity, scope & detail
- **Measurable:** Practicality – Quality data can viably be collected at least quarterly
- **Ambitious:** Targets are challenging
- **Relevant:** Closely indicate performance of objective – high conceptual quality
- **Time-bound:** Targets set over a Vision Time Horizon (e.g., yearly until 2015)

Moreover, in recent strategy reviews increasing efforts have been made to ensure sufficient focus and balance is given to a ‘bottom up’ view of strategy. “We have found that these both introduce elements that may otherwise be ignored and also validates corporate strategy by ensuring it is based very much on the specific context and practicalities of the various sectors and directorates,” says Raja. “Strategy is not seen as something that is just imposed from the top.”

**Objective Owner Performance Presentations**

But perhaps the most powerful element of the strategic review is that each objective owner presents a performance report to His Excellency the Minister. “This is both empowering for the objective owner as well as bringing a higher level of personal responsibility to bear on him or her,” says Raja, who adds that there has been a visible and dramatic improvement in commitment and ‘ownership’ by the objective owners through the introduction of their presentations into quarterly review cycles.

As a testament to the upswing in commitment and ownership, consider the following statements from both a member of staff as well as a political representative. Mona Jasim Al Mutawa, Director of the Construction Projects Directorate comments that: "In the earlier days, although I strongly supported the Balanced Scorecard initiative there were difficult times when I did have my reservations," she recalls. "However, in recent years there have been substantial changes in our processes for managing the strategy, which is now paying dividends. For example I have noticed quite a dramatic change in staff attitudes, with many now becoming much more engaged with the Ministry's strategy and our participation in it."

And Effat Redha, the Assistant Undersecretary for both Technical Services and ‘Human and Financial Resources’ states that: "The critical success factor in all stages of implementing the objective was ensuring the ownership and buy-in of the people
concerned, at all levels of the organization. Without this alignment, we would not have succeeded.”

A key driver of the increase in ownership has been the visibility that using the scorecard and the review process has afforded parts of the organization that were perhaps previously under-appreciated, as highlighted by Sameer Affouni, director of the Materials Engineering Directorate (MED): “[In 2006], MED was perceived merely as materials testing provider to technical directorates,” he recalls. “Now, however, all directorates endorse MED’s roles at the various phases of the project life cycle. Strategic planning sessions and business plan reviews have highlighted the potentials of MED and expanded and maximized the utilization of its capital.”

Reporting Objectives and Initiatives
In reporting scorecard performance the MoW has taken several further innovative steps. The first is to clearly separate and distinguish between the reporting of objectives and of initiatives.

Colour-Coded Reporting
For reporting of performance to strategic objectives, the MoW followed the SAM approach and used four as opposed to the conventional three colour-coded ‘traffic lights’: Red (poor performance), yellow (less than targeted performance), green (good or targeted performance) and blue (breakthrough performance). Raja comments that, “adding blue has allowed greater room for differentiation in reporting.”

Reporting is by ‘exception’, that is only for objectives that are not ‘green’. The objective owner presents the objective, its performance, the initiatives employed to address performance issues, and the progress on these initiatives along with corrective actions/requests for help for any initiatives in trouble.

For initiative reporting the MoW uses only three status colours, Red (in trouble), Amber (issues but manageable) and Green (OK Ahead), where the meaning of these colours is very different from the objective status colours. Reporting by exception is also the norm for initiative status.

Note that for the reporting of performance to objectives, the status of the four lights is clearly understood as not being according to the traffic light metaphor, which is reserved instead for the reporting of initiatives. Raja explains. “The MoW defines objective performance status reporting as a backward looking indicator that is based on historical data only, whereas Initiative reporting is in essence the ‘management of expectations’, and as such is a form of ‘forward’ reporting,” she says. “Therefore the traffic light metaphor makes sense for the latter but not the former.”

Raja comments that a notable weakness of the Balanced Scorecard literature to date is a lack of a discussion of the practical requirements for clarity in the meaning of the reporting of objective and initiative performance status and the differences between the two. “We have gone to great lengths to ensure that a very clear shared understanding of the difference is established and embedded.”

This, she continues, is not as straightforward as it seems as everyone comes with their own preconceptions. “But if a review meeting does not
have a single shared understanding then the outcomes of a review will not be as good as they should be."

**Project Management Office**

In addition to the alignment between strategy and operational reviews, the MoW has further strengthened its overall performance management capabilities through the establishment of a Project Management Office (PMO) – a Bahrain first. This is based on best practices according to the Project Management Institute. 4

The Ministry considers itself a leader in integrating strategy management with performance and project management which work together to reinforce the ability to execute upon the MoW strategy. HE Al-Jowder has said that “strategy and performance management go hand in hand, and we continue to link core business and management initiatives with operational projects and this will ensure improved performance at technical, managerial and individual levels.”

**Risk Management**

Since mid 2009, the MoW has been focusing heavily on integrating risk management with strategy and assessing, reporting and improving both through the Balanced Scorecard. SPQM led this effort and Mark Ranford, then a strategy consultant within the section said in James Creelman’s forthcoming book: ‘Creating a Balanced Scorecard for a Financial Services Company’, that will be published in June 2011 by John Wiley, Asia: “The management of risk should focus the organization around best achieving its objectives by explicitly recognizing and even undertaking risks that might be deemed necessary to achieve the objectives, whilst also avoiding risks that are deemed unacceptable to the organization, its mission, values, vision and strategic objectives,” he said.

Raja adds that: “Risks as opportunities or threats are inherent in the formation of MoW’s strategy,” she says. “But we are endeavouring to ensure that risk management is so well embedded that we can ensure that risks are properly controlled on an ongoing basis.”

The MoW combined strategy management with risk management by combining the Balanced Scorecard with the ISO 31,000: 2009 risk standard. “We adopted ‘effect of uncertainly on objectives’ from the standard as the definition of risk for the MoW,” explained Ranford. “This definition clearly relates risks to the things that will affect the achievement of organizational objectives and hence puts strategy at the centre of risk management. Below are the principles of Risk Management that the organization adopted (adapted from the ISO standard).

**Risk Management:**

- Creates and protects value
- Is an integral part of all organizational processes
- Is part of decision-making
- Is tailored
- Takes human capital and cultural factors into account
- Is systematic, structured and timely
- Is transparent and inclusive
• Is dynamic, iterative and responsive to change
• Facilitates continual improvement of the organization

“Integrating the ISO standard for risk management into the Balanced Scorecard was a fairly straightforward effort as the two methodologies complement each other very well,” said Ranford. “The efforts to integrate these have been documented in a new combined strategy and risk management framework within the organization.”

Note that risk management is only integrated at the corporate level. For each objective a risk Heat Map has been created with the likelihood of risk being rated from very low to very high on a vertical axis and the negative consequences to the MoW if risk should happen from very low to very high on a horizontal axis. A risk title is provided for each objective and a risk description. The scorecard initiatives that will mitigate these risks are also listed. Once a quarter a risk assessment for each objective is conducted where the focus is on those risks that are red on the Heat Map.

Automation
Automation is also playing a key role in improving strategy management. In 2008 the MoW introduced the Balanced Scorecard solution Executive Strategy Manager (ESM) from Palladium. This, Raja says, has improved the decision making, objective performance assessment and assessment of the progress of initiatives, while also taking a large documentation and reporting burden off their hands. “Previously a strategic management repository was in place using SharePoint and associated tools, but this was found to be insufficient for the growing needs and demands for strategic management information," she comments.

With hindsight Raja says that the MoW might have benefited from introducing an automated solution earlier, but that they were very careful in ensuring that the scorecard effort did not become a technology-led programme.

ESM is now used actively by over 200 people for management and reporting purposes and by more for viewing purposes.

Raja stresses however that they will not be relying solely on ESM, but will continue to use a diverse set of information systems and tools to support its strategy management processes. "For example we expect several areas of business intelligence to increasingly require more sophisticated tools, especially in terms of how we manage strategy on an ongoing basis and confirm strategic causal linkages.

Final Words
Raja states that strategies are hypotheses to be tested in the real world, a point she stresses in her concluding remarks: "We see strategy as a continual process of evolution. We aim for an agile strategy capability to the extent that strategy updates may not need to wait for the next cycle but can in fact be initiated at any time based on prompting from urgent external or internal events."
Endnotes, References & Further Reading


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Some key ideas explained in simple terms:

- What is Performance Management?
- What is the Balanced Scorecard?
- What is a Key Performance Indicator?

To read more just click: http://www.ap-institute.com/resources.htm

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1 See e.g. United Nations Economics and Social Commission for Western Asia, 2006 and Index of Economic Freedom, Heritage Foundation/Wall Street Journal, 2006

2 Global financial Services Index, City of London Corporation, 2008

3 For more information please see: http://www.albawaba.com/en/countries/Bahrain/237843

4 For more information on the Project Management Institute see www.pmi.org