“Using the Balanced Scorecard to Execute a Sustainability Strategy”

5 MAY 2010

Jim Coffey
Principal
770.855.3102
james.coffey@gmail.com
Why a Sustainability Scorecard?

- While many organizations attempt to implement sustainability strategies; research\(^1\) shows execution of those strategies often fall short because:
  - they are executed at the operational level and not linked to the overall strategy
  - management of a sustainability strategy is often done separately from existing management systems used by middle and upper management

- A Sustainability Scorecard provides a way to successfully execute a sustainability strategy by:
  - clearly defining and communicating your sustainability strategy
  - identifying how the sustainability goals contribute to the organizations ‘overall goals
  - providing a means to monitor execution in an ongoing and formal manner

- The Balanced Scorecard provides a framework and tool for accomplishing the above

---

What is a Balanced Scorecard?

The Balanced Scorecard is a framework that provides a methodology for defining a strategy and translating the strategy into operations to drive execution.
Successful Strategy Execution Starts with Communicating the Case for Change

- Create a narrative – tell how the organization needs to change to achieve its goals

**CURRENT STATE**
- Today’s Strategy
- Today’s Organization

**FUTURE STATE**
- Long Term Goal
- New Organization

- Change drives the strategy – which is reflected in the Balanced Scorecard
The Balanced Scorecard is Built Around Four Key Perspectives

- **Financial**: What do our stakeholders expect?
- **Customer**: What customer needs must we meet?
- **Internal**: What internal capabilities do we need?
- **Learning & Growth**: What skills and capabilities do we need in our employees?

The perspectives are an integrating framework for defining the strategy.
Strategic Themes and Objectives to Communicate the Strategy

Strategic Themes

- Describe the major strategic thrusts
- Provide focus on what must be done

Strategic Objectives

- Describe how the strategy will be executed
- Illustrate the strategy's cause and effect relationship
Strategic Measures Motivate and Evaluate Performance

- **Motivation**
  - Measures drive desired behavior
  - Measures provide direction on what must be accomplished
  - You get what’s inspected, not expected

- **Evaluation**
  - Tests how well the organization is accomplishing its strategic objectives
  - Provides insight into how well the strategy is accomplishing its goals
  - Evaluates the cause and effect assumptions
Initiatives are the Resources for Executing the Strategy

OBJECTIVE
What must we do?

MEASURE / TARGET
How are we doing? Where are the gaps?

INITIATIVE
• Resources
• Action Plan
• Specific Goals

Initiatives drive closing the gap
Together, the Balanced Scorecard Components Help Drive Strategy Execution

Strategic Theme: Environmental Impact

<table>
<thead>
<tr>
<th>Strategy Map and Themes</th>
<th>Displays the strategy and the cause and effect logic</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Objectives</th>
<th>Measures</th>
<th>Targets</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Reduce Emissions</td>
<td>Percent Reduction in Greenhouse Gas Emissions</td>
<td>5%</td>
<td>• Shore Power Improvement</td>
</tr>
<tr>
<td></td>
<td>Lower Environmental Costs</td>
<td></td>
<td></td>
<td>• Truck Replacement Incentives</td>
</tr>
<tr>
<td>Customer</td>
<td>“Be Green”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>Reduce Emissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase Recycling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning &amp; Growth</td>
<td>Employee Sustainability Awareness &amp; Training</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Objectives: What must we do to execute the strategy
Measures: How will we define success
Targets: How well must we perform
Initiatives: How will we bring resources to bear to close gaps

Together, the Balanced Scorecard Components Help Drive Strategy Execution...
The Balanced Scorecard Answers, in an Integrated Manner, Some Key Questions About a Sustainability Strategy

1. **Economics**
   How does sustainability contribute to the bottom line?

2. **Customer Perception**
   What must we deliver to our customers?

3. **Process Requirements**
   What must we do well to deliver results?

4. **People**
   What capabilities must our people have to deliver results?
The Traditional “Triple Bottom Line” Fits Well within the Framework

- **Financial**
  - Financial or Economic Impact

- **Customer**
  - Social Impact

- **Internal**
  - Environmental Impact

- **Learning & Growth**
  - Financial or Economic Impact
The Strategic Objectives Show What Must be Done to Accomplish the Goals

- **Financial**
  - Social Impact
  - Environmental Impact
    - Lower Environmental Costs
  - Financial or Economic Impact

- **Customer**
  - Social Impact
  - Environmental Impact
    - "Be Green"
  - Financial or Economic Impact

- **Internal**
  - Social Impact
  - Environmental Impact
    - Reduce Emissions
  - Financial or Economic Impact

- **Learning & Growth**
  - Social Impact
  - Environmental Impact
    - Increase Recycling
  - Financial or Economic Impact

- **Employee Sustainability Awareness & Training**
The Strategic Objectives Can then be Broken Done into Lower Level Operational Objectives That Drive the Sustainability Strategy Throughout the Organization.
James Coffey
Principal, Beyond Scorecard LLC

Mr. Coffey has served as program manager for Strategy and Strategy Execution engagements using the Balanced Scorecard and the Principles of the Strategy Focused Organization authored by Drs. Kaplan and Norton. Jim has worked extensively in both Public and Private Sectors and most recently with medical organizations in the private and government sectors.

Jim has led project teams responsible for process reengineering, cost estimates, market competitive analysis and developing service level agreement, and financial reporting software system implementation. He has also worked in the power industry as a nuclear power plant performance evaluator with the Institute of Nuclear Power Operations and as a startup engineer with General Electric Nuclear. He served as an active duty submarine officer and reserve officer.

As a result, Jim has:
• Over twenty years of experience supervising personnel, managing multiple diverse technical programs with budgetary, planning and customer interface responsibility.
• Over fifteen years experience in organizational strategy management performance improvement efforts using Balanced Scorecard / Strategic Performance Measurement System methodologies; including managing, aligning and linking multiple organizational performance projects and initiatives.
• Extensive experience using automated, web-based Balanced Scorecard Collaborative/Strategic Performance Measurement certified applications and tools for scorecard development and reporting.

Education: MBA from the University of Chicago
Bachelor of Science in Engineering from The Ohio State University

Recent Experience
• Department of Interior 2010
• Port of Houston 2008 – 2009
• US Army Medical 2007 – 2010
• USAF Medical Operations Agency 2009 – 2010
• Essentia, Marshfield Clinic 2009

Areas of Focus:
• Strategy Management
  Systems and Balanced Scorecard design and implementation
• Performance measure development
• Initiative alignment with strategy
• Strategy Communication and Reporting

Contact
Jim Coffey
Beyond Scorecard, LLC
james.coffey@gmail.com
770.855.3102
Support Long-Term Economic Viability for the Port and the Houston region

Financial

Customer / Stakeholder

Sustainable Goods Movement
Safe & Resilient Houston Ship Channel
Earning & Maintaining Community’s Trust
Green Port of Houston

Internal Process

Leadership as a “convener” in managing critical issues
Innovation
Protection & Stewardship of Environment
Efficient use of natural resources

Learning & Growth

• Tools & Protocols
• Employee Sustainability Awareness & Training
• Employee Satisfaction & Retention
Customer / Stakeholder Perspective

- **Sustainable Goods Movement**
  - Regional multimodal air emission reduction
  - Environmental & socioeconomic impacts of the Goods Movement system

- **Safe & Resilient Houston Ship Channel**
  - Effective management of security, emergency and disaster response, and other critical issues in the Houston Ship Channel

- **Earning & Maintaining Community’s Trust**
  - Relationship with local communities
  - Community awareness of PHA commitments and progress

- **Green Port of Houston**
  - Environmental excellence in both PHA operations and among tenants
Internal Perspective

- Leadership as a “convener” in managing critical issues
  - Position PHA as a leader in convening stakeholders to address critical issues to the maritime community
  - Support effective maritime and transportation public policy and regulatory enforcement

- Innovation & Search for Better Solutions
  - Keep abreast of and implement new technologies and best practices in security and environmental management

- Protection & Stewardship of Environment
  - Extend ISO-14001 certification
  - Continual improvement in policy, processes, and performance

- Efficient use of natural resources
  - Energy and water conservation
  - Renewable energy
  - Recycling, including support for tenants
  - “Green Procurement”