

## Member Focus

# Measuring our mission with the Balanced Performance Scorecard

By Erin Huntimer



“We deliver safe, reliable, affordable energy for the benefit of our members.”

Variations of this mission statement grace the hallways, annual reports and websites of most electric cooperatives across the country. It’s a noble mission, but how do electric cooperatives know they’re getting the job done?

Guessing and good intentions can’t quantify success; measuring and comparing can.

Enter the Balanced Performance Scorecard. A twist on a proven business performance measurement tool, Touchstone Energy® has customized it for electric cooperatives. Cooperatives can benchmark their performance against their peers and their own past performance in four categories: member satisfaction, safety, reliability and cost.

It’s a powerful strategic planning tool, giving directors and managers the knowledge to set specific, measurable goals and stay the course for the membership.

### Defining success



Tim Sullivan, senior director of business development for Touchstone Energy, says the Balanced Performance Scorecard concept has been around since the early 1990s. It was introduced by Drs. Robert Kaplan and David Norton in a Harvard

Business Review article. “It really took the corporate world by storm. It’s popular with Fortune 1,000 companies. A number of cooperative innovators and leaders have had some version of this for a long time,” he says.

Touchstone Energy, with guidance from its Standards and Best Practices Advisory Committee, molded the Balanced Performance Scorecard to fit the cooperative business model. Advisory committee members from the Basin Electric family include Chad Reisenauer, Basin Electric key accounts/energy conservation coordinator; Darryl Edwards, manager of Mountain View Electric Association; and Mark Vogt, manager of Wright-Hennepin Cooperative Electric Association, who chairs the committee.

Touchstone Energy rolled out the cooperative version of the Balanced Performance Scorecard in December 2009,

Performance Category	Measure	Cooperative Performance by Quartile			
		4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	Top
<b>Member Satisfaction</b>	ACSI (American Customer Satisfaction Index)	53.0			92.0
<b>Safety</b>	All injury incident rate	20.3			0.0
	Days away incident rate	9.7			0.0
	Severity rate	55			0
<b>Reliability</b>	Yearly SAIDI (minutes)	623.8			14.0
	Yearly SAIFI (frequency)	4.6			0.3
	Yearly CAIDI (minutes)	294.2			37.7
<b>Cost</b>	Total cost per kWh sold (cents)	16.4¢			3.9¢
	Avg. annual % change in controllable cost per average number of consumers	11.8%			-3.6%
	Avg. annual % change in total utility plant investment per mile of line	12.1%			-1.4%

Your cooperative's scores are each placed on a spectrum that compiles scores from similar cooperatives. Your placement on the spectrum gives a visual depiction of how you compare to others.

and it has steadily been growing in popularity since. Hundreds of electric cooperatives from across the country access their American Customer Satisfaction Index (ACSI), Key Rating Trend Analysis (KRTA), Rural Electric Safety Achievement Program (RESAP) and Reliability Benchmarking Group (RBG) data and other measures in the database on [www.cooperative.com](http://www.cooperative.com).

Sullivan says individual data sets remain anonymous to other cooperatives; they are calculated in the aggregate for the sake of comparison. However, each cooperative can securely recall their own scores and compare them to groups of cooperatives similar in size, density, utility plant or growth rate. Cooperatives can also graph up to three years worth of data, set performance goals, and generate charts helpful in the board room.

“Like any performance measurement, its power lies in answering the question, ‘How are we doing?’ Are we achieving our mission and taking it out of the realm of opinion, supposition and good intentions, and moving it into the realm of data, facts and real results?” Sullivan says.

“Success is not just being skinny on your balance sheet. It’s managing costs effectively while insuring high reliability, high member satisfaction and a safe work force,” Sullivan says. “That’s why it’s called a balanced scorecard.”

Sullivan says it addresses how these issues impact each other so directors and management can make informed, purposeful decisions.

## Case study: Powder River Energy Corporation *Basin Electric Class A member Sundance, WY*

Powder River Energy Corporation (PRECorp) uses the Balanced Performance Scorecard and other conduits to feed 31 points of data in four categories: strategic themes, initiative, culture and operational benchmarks. The data points are fed into iDashboard software that gives a high-level, visual look at the health of the cooperative at any given time.



PRECorp CEO Mike Easley says the Balanced Performance Scorecard is an essential tool to effectively manage and guide strategic alignment in an organization. “It provides the nexus

for the rich conversation between the board, executive staff, employees, and even the members regarding the direction, health and success of the cooperative in executing its vision and mission.”



Les Penning, PRECorp senior vice president of strategic planning, says measuring cooperative performance gives the cooperative a basis to manage. “Our members work hard for their money and it is

our responsibility to ensure their investment into the cooperative is effective,” he says.

Penning says the data drives improved efficiencies, allows better communication with employees, members and stakeholders; supports justification needed for investments; and allows for a sustainable path forward.

Developing the process to measure what’s important is the first hurdle in getting started. Another is ensuring integrity of the data. “We have faced both. But once you move past that, the cooperative can plan and execute successfully,” Penning says.

That’s where the Balanced Performance Scorecard concept comes into play. “Deploying this new framework is allowing PRECorp to more clearly hook strategy and operations to ultimately attain performance results.”

# Member Focus

## Putting the metrics to work



Chris Baumgartner, Basin Electric manager of member relations, says the Balanced Performance Scorecard can be a valuable part of any cooperative's strategic plan. "Basin Electric offers confidential strategic planning assistance to the membership. We are beginning to integrate the Balanced Performance Scorecard into our planning process," he says.

"Directors are receiving more information than they ever have. Member expectations are high," Baumgartner says. "This tool helps managers communicate to their boards the cooperative's position in objective terms so they can think strategically about exactly what it'll take to get from point A to point B."

And its value doesn't stop in the board room. Sullivan and Baumgartner agree: best-in-class cooperatives share the Balanced Performance Scorecard data with their entire employee base. Managers can use it to draw a clear line of sight from any job role to the cooperative's strategic goals.

"For example, a manager can make the connection with an employee by saying, 'By you doing this particular task, you're helping us reduce our cost or improve our reliability. We

track that as part of our strategic plan, so I want you to know that what you're doing is meaningful.' It helps keep a broader perspective in how we all work together," Baumgartner says.

Going hand-in-hand with the Balanced Performance Scorecard is Touchstone Energy's Best Practices Knowledgebase, available on the Touchstone Energy Interest Area of [www.cooperative.com](http://www.cooperative.com). Cooperatives that set goals to improve are encouraged to learn from others who have gone before them. The Knowledge Base features 52 concise case studies ranging in topics from safety, reliability, customer service, technology and more.

"Cooperatives cooperate, and if my cooperative scores low in a given area, say, reliability, I can reach out to another cooperative that has great reliability," Sullivan says. "Cooperative principle number six says cooperatives need to share the secrets of their success. This is one of the powerful benefits of the cooperative network."

Cooperatives wanting to learn more about the Balanced Performance Scorecard can contact Tim Sullivan at [tim.sullivan@nreca.org](mailto:tim.sullivan@nreca.org) or 651-686-7477. Basin Electric member cooperatives interested in implementing the Balanced Performance Scorecard as part of a strategic planning process are encouraged to contact Chris Baumgartner at [chrisb@bepc.com](mailto:chrisb@bepc.com) or 701-557-5622.

## Changing legislation, increasing costs, technological advancements

# What's your strategy?

To help member cooperatives prepare for these challenges, Basin Electric provides strategic planning services to assist members in developing short- and long-range goals.

One, one-and-a-half, or two-day sessions are available for boards of directors and employees.

For more information or to schedule a session, contact Chris Baumgartner at [chrisb@bepc.com](mailto:chrisb@bepc.com) or Darby Schlichenmayer at [dschlich@bepc.com](mailto:dschlich@bepc.com).

