N PRACTICE USING THE BALANCED SCORECARD AT THE UNITED STATES POSTAL SERVICE47

The U.S. Postal Service (USPS) employs roughly 700,000 workers, with a fleet of over 200,000 vehicles driven about a billion miles a year to deliver more than 206 billion pieces of mail to over 142 million delivery points. It operates one of the largest facilities networks in the nation, with about 38,000 retail offices. Like most organizations, the Postal Service has multiple stakeholders. However, the scope and scale of postal operations makes balancing the interests of its stakeholders somewhat more complex, especially as there are no direct “shareholders” that command precedence in determining organizational priorities. As a public institution, the Postal Service has numerous responsibilities and accountabilities not shared by typical private sector organizations.

The Postal Service had traditionally been able to depend on the growth of the economy to drive mail volume and revenue increases in a protected environment. By the late 1980’s it was becoming clear that this planning assumption could no longer be taken for granted. The Postal Service had fairly sophisticated operational planning, and in fact successfully deployed a massive automation program (Corporate Automation Plan) to reduce the number of manual processes in mail processing. The Postal Service also developed a rigorous financial planning process, including rate case and capital investment planning, but some- thing more was needed because service performance and customer satisfaction were declining.

Anticipating the need for substantial change, the Board of Governors appointed Marvin Runyon as the nation’s 70th postmaster general in July 1992. Formerly a senior executive with Ford Motor Company, and the first president and CEO of Nissan America, Runyon had successfully applied quality management principles. He established a quality group at the senior management level of the Postal Service.

Runyon began an assessment of the Postal Service in 1993 using the Baldrige criteria. The results of that process led to the creation of what was called CustomerPerfect!, now known simply as the management cycle. One of the critical features that emerged was the development of strategic goal areas of emphasis called “voices”: Voice of the Customer , Voice of the Employee, and Voice of the Business . This is the beginning of the balanced scoreboard approach in the Postal Service and served as a major focal point toward developing a quality approach. A senior management committee was established to set goals and improvement targets and to develop specific performance indicators and measurement systems.

One of the first areas of emphasis was the “Voice of the Employee,” which focused on pro- viding a safe and secure workplace in response to instances of violence and poor employee relations. A second major initiative, the “Voice of the Business,” focused on the “Breakthrough Productivity Initiative,” while the third area, the “Voice of the Customer,” focused on providing timely, reliable delivery. In their balanced scorecard work, Kaplan and Norton advocated a well-connected mapping that leads from an organization’s main strategy to the four perspectives of the balanced scorecard: Financial, Customer Satisfaction, Internal Process, and Learning and Growth. Each element works to support the strategic objectives in a linked process. Learning and Growth (“Voice of the Employee” in postal terms) supports improved Internal Processes (“Voice of the Business”), which support Customer Satisfaction (“Voice of the Customer”). Customer satisfaction leads to the desired financial outcome, which in the case of the Postal Service is sufficient revenue to support the universal delivery service mission.

Most organizations adapt the balanced score- card to their own conditions, which is why it is difficult to assess the effectiveness of the approach across organizations. At USPS, they were responding to performance gaps in three specific and critical areas. One of the critical areas that needed improvement in the labor-intensive Postal Service was the workplace environment (Voice of the Employee). A strategic goal was established and indicators were developed to measure annual improvements. The primary indicators of performance in this category of the scorecard were safety, based on the requirements of the Occupational Safety and Health Administration, and employee satisfaction. Employee satisfaction is measured by a survey of all employees that is conducted annually but can be tracked monthly by each unit. The Voice of the Business was separated into two areas—one represented by a productivity measure and the other by a revenue generation measure. The last major area of strategic emphasis, “Voice of the Customer,” is owned by the chief marketing officer in partnership with the chief operating officer. The primary indicator was a set of delivery service measurement systems.

The organization’s efforts were focused on achieving specific, measurable results in each area. A balanced scorecard was constructed, as shown in Figure 8.14. As demonstrated by the arrows, there is an implied alignment from the performance-driven culture reflected in human capital improvements, to operational efficiency, to improvements in customer satisfaction, all of which will improve financial stability. The Postal Service drove the concept throughout the organization by deploying specific goals relevant to the functional and operational units involved.

The Postal Service developed a rigorous performance review process tied to achieving the targets set. Ann Wright, then-manager of performance assessment, stated, “USPS has developed a National Performance Assessment (NPA) sys- tem, which provides detailed measures for each of the corporate-level indicators, that provides a line- of-sight link to unit and individual performance down to the frontline supervisor. These are consistent across operating areas and job categories within the operating units. Each of the indicators is objective and measurable, and focuses on results or outcomes rather than activities or processes.” Individual and unit performance within organizations ares driven, in large part, by the focus given to specific activities and by the incentives associated with achievement of the specific goals. The NPA system provides a systematic approach more akin to the private sector, and, in fact, the Postal Service has been a forerunner of “pay-for- performance” approaches now being implemented elsewhere in the federal government.

The results of these initiatives have delivered impressive results. The Postal Service has improved its performance on those measures assessing a safe and secure environment. USPS has been recognized as one of the best places for minorities to work. The Postal Service’s implementation of the REDRESS (Resolve Employment Disputes Reach Equitable Solutions Swiftly) program has received national recognition. The USPS Occupational Safety and Health Administration OSHA Illness and Injury rate improved to 6.3 in 2004 from 8.7

in 2000. The results of the annual employee satisfaction survey, expressed as an index for six key questions (where a larger index indicates improvement), have advanced from 57.5 in 2000 to 62.1 in 2004. The improvements in the workplace, along with aggressive implementation of automation and other management investments, have led to a remarkable growth in postal productivity that has outpaced the growth of productivity in the U.S. economy. The result is that the Postal Service is de- livering more mail to more places, with fewer employees. Postal delivery service also has improved significantly. First-class mail performance has improved to over 95 percent of overnight mail being delivered on time, with improvements in other categories of first-class mail.

One way to summarize the effectiveness of the postal implementation of the balanced score- card approach is to refer to the assessment of the American Society for Quality in their annual American Customer Service Index, where they described the Postal Service in their 2004 survey as “the most improved organization” since the comparative measurement program began in 1994.

In an overall comparison to industry ratings of customer satisfaction, the Postal Service ranked above the Transportation, Telecommunications, and Utilities averages, and about equaled the Services industry.

**Key Issues for discussion**

**QUESTIONS FOR ESSAY**

1. Explain how the Voice of the Employee supports improved internal process (Voice of the Business), and how the Voice of the Business supports customer satisfaction (Voice of the Customer).
2. Suggests some measures that might be included, using your knowledge of postal operations.