Microsoft Business Scorecard Manager
Customer Solution Case Study

Bank Employs Scorecard Solution to Support Its Aim to Fund More Development Projects

Overview

Country or Region: South Africa
Industry: Banking

Customer Profile

The Development Bank of Southern Africa (DBSA) is a state-owned financial institution mandated to fund infrastructure development projects that can improve the lives of people in South Africa and the wider African region south of the Sahara. Created in 1983 and headquartered in Midrand, South Africa, the DBSA has 500 employees, a loan book of approximately 22.8 billion rand (US$3.5 billion) and annual disbursements of about 3.26 billion rand or half a billion U.S. dollars.

Business Situation

In 2004, the bank forged a new 10-year strategy that calls for an intensified focus on the poorest quintile of the population. Under the new strategy, the DBSA must fund more small projects in more disadvantaged municipalities. These new projects also need to have a more profound and sustained, positive impact on their communities.

Solution

A balanced scorecard system, based on Kaplan and Norton's Balanced Scorecard methodology and Microsoft® Office Business Scorecard Manager 2005, that can integrate data from disparate sources, link KPIs to unstructured documents to provide a contextual perspective, and enhance communication and culture through a collaborative system.

Benefits

- Easy-to-use quick-response system
- Access to information within a strategic context
- Increased collaboration
- Improved visibility into objectives and performance

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Dave Evans, Senior Strategic Planner, Development Bank of Southern Africa

More than 20 years after its inception, the Development Bank of Southern Africa (DBSA) continues to strive to improve the lives of people in South Africa and the wider African region by funding, advising, and providing project management capacity for sustainable infrastructure projects. But with so many municipalities still without basic services, the DBSA has, once again, reshaped its strategy to boost investment in the region's poorest communities, access to services, and broad economic growth. To achieve alignment with this new strategy, the DBSA produced a strategy map and recast its scorecarding solution. The new scorecard, built on existing technology investments and Microsoft® Office Business Scorecard Manager 2005, integrates disparately sourced data, presents information within the strategic context, and enhances collaboration and strategic implementation throughout the organization to ensure that all actions and decisions align with the bank's overarching strategy.

Microsoft Office
Business Scorecard Manager 2005

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Situation

As a state-owned financial institution that funds infrastructure development and economic growth projects in Southern Africa, the Development Bank of Southern Africa (DBSA) faces challenges beyond the realm of traditional banking. For one, it needs to ensure that its strategic objectives run parallel with those of its sole shareholder, the South African government. And unlike its commercial counterparts, the DBSA's success hinges not so much on profit margins in its loan book but on how effectively its investments further socio-economic growth in the region. How many people, for instance, have been connected to the electricity grid the DBSA helped create? How many jobs did the brick factory it funded in Limpopo create in the community, and how much is the factory now contributing annually to the country's GDP?

With 500 employees working in 35 business units, the DBSA has, so far, disbursed 28.4 billion rand (U.S.$4.4 billion) for infrastructure development and built a diverse project portfolio that includes water, sanitation, and electrical infrastructures, as well as hunting lodges, golf resorts, and school buildings. But while it has achieved so much since its creation in 1983, the DBSA is still years away from realizing its vision of a prosperous and equitable southern Africa. Many poor, rural areas remain deprived of such basic services as clean running water and electricity, and meaningful work is hard to come by. The situation is slightly better for the country's urban poor, who at least have access to most basic services. But the lack of affordable housing and adequate municipal infrastructure in the country's urban centres still make it hard for many South Africans to break out of the cycle of poverty.

As one of the primary driving forces behind nation-building in South Africa, the DBSA has recently reshaped its strategy to address the country's most pressing needs and to align with the government's priorities. In 2004, the country's Minister of Finance, Trevor Manuel, challenged the bank to come up with innovative ways to enable municipalities to deliver services—or, where basic infrastructures already exist, to improve access to services—for poor South Africans in both rural and urban areas.

So how does the DBSA intend to respond to such a daunting challenge? Mandla Gantsho, the Bank's CEO, says the bank has responded to its shareholder's call to action by adopting an entrepreneurial approach to development finance and redefining its strategic objectives to reach out further to the "less bankable sector of the market" with projects that reduce poverty in the short- and long-term and make markets work in poor and depressed areas.

"This means not only increasing our investments in infrastructure development but also allocating a larger share of the bank's portfolio to smaller projects," says Gantsho.

New strategy, new challenges to execution

According to Admassu Tadesse, the Bank's Chief Strategist, the DBSA's principal strategy over the decade leading up to 2014 calls for focused investments in infrastructural assets that will serve the poor, and a boost in public investment levels to take the country's investment level to 25 per cent of GDP, up from the current levels of 16 per cent.

As it funds more small projects in poorer locales, the DBSA will not demand high financial returns in its investments, says Tadesse, focusing instead on the social, economic, and environmental benefits of these projects.

Investing in poorer areas also means the bank must do more to ensure the success of its projects. Because many of the clients that

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receive DBSA funding have limited operational and organizational capacities, the bank frequently has to provide “knowledge intervention” and capacity building in various stages of a project, from planning and designing—both financially and technically—to total life cycle costing, revenue generation and longer-term infrastructure planning. With the bank’s new focus on more disadvantaged communities, knowledge intervention will probably be necessary in increasing numbers of cases to ensure a project’s positive performance.

“This is a situation faced throughout the continent,” says Tadesse. “There is no doubt that a major constraint on development and aid in Africa is the absorptive capacity of the recipients, not the availability of aid per se.”

As the DBSA is a self-funding financial institution, its strategy sees it balancing its low-return infrastructure projects with income from large and private sector projects that can accommodate commercial lending rates. But since the introduction in 2002 of the South African financial sector charter—essentially a commitment made by the country’s financial institutions to make financing and financial services more accessible to black South Africans—the commercial lending market has become more competitive. And if the DBSA is to generate the surplus funds it needs to finance the development project targets it set out in its overall strategy, then it must compete effectively in the top sector of the market.

As part of its strategy, the DBSA seeks to “crowd in” other lenders and investors as partners in its projects. “The Bank is expected to leverage its funding and open up new areas to infrastructure investment,” says Tadesse. “So for example, if we’re looking at a 100-million-rand project, we would lend 15 or 20 million rand and then, having given the project credibility, we would go to other partners and crowd them in.”

With a clearly defined vision for the next decade and a plan of action that spells out key components for success, the DBSA now needs to align its people, systems, and processes with its overall strategy. This is no easy task, given the size and spread of DBSA’s staff, not to mention the persistent cultural tensions between the bank’s field staff—who are onsite and hands-on with the bank’s projects—and the more academically-minded policy and research specialists.

Solution

So at the start of 2005, the DBSA did what it does best: built an infrastructure for success. This time, however, the project was not a building or transport system but rather an automated business scorecarding solution. And the immediate beneficiary of the project was not a community or municipality but the DBSA itself.

“We were looking for a more effective way to translate strategy into action and to measure performance on our delivery of services,” says Dave Evans, Senior Strategic Planner at the Bank. “Automating our scorecarding was the answer.”

Like most organizations that implement scorecarding, the DBSA hoped to bridge the gap between strategy and execution by measuring performance against targets and taking corrective action in areas that fell short of these targets. But recognizing that measuring and managing performance represented only one side of the strategy execution success story, the DBSA also looked to scorecarding as a means of communicating strategy throughout the organization and ensuring that information is always presented within the proper strategic context.

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The DBSA is no novice to scorecarding; six years earlier it began using Kaplan and Norton’s Balanced Scorecard method to monitor performance. But with 35 business units submitting data in Microsoft Excel® spreadsheet software or Microsoft Word formats, and no formal system with which to aggregate the results, scorecarding became a dreaded chore which tended to be done only when scheduled financial reports were due as well.

The new scorecarding solution, which automatically integrates data from disparate sources, addresses this problem effectively. Designed as a Balanced Scorecard and built with Microsoft® Office Business Scorecard Manager 2005, DBSA’s new solution groups key performance indicators (KPIs) and metrics into four main themes: Accelerated Infrastructure Development, Client Human Resource and Institutional Development, Broad-based Economic Growth and Regional Integration, and Knowledge Management, supported by the shareholder requirement for being financially self sustaining.

To ensure that it stays on track with its goal of increasing its investments in small projects in the country’s poorer municipalities, the DBSA is tracking such KPIs as total disbursements, percentage of loans going to new clients, and percentage of portfolio made up of small projects. Measuring the quality of its projects—in terms of how effectively and profoundly they impact people’s lives—is not so straightforward, especially given the fact that many projects take years to complete.

The DBSA scores its performance in this area by using “social accounting matrix” models which make predictive assumptions based on the project’s specific characteristics and “econometric” impact relationships with factors such as employment growth, GDP contribution, and number of households that stand to benefit from a particular project.

“We also have evaluation staff who will go out to specific projects to look at whether or not these projects actually created the 50 or 100 new jobs predicted by our models,” says Evans. “These results will also be included in our scorecarding metrics.”

Evans quickly points out, however, that the DBSA does not just hand over the money and then sit back and hope that a project succeeds. Instead, it proactively improves its projects’ chances for success by providing knowledge intervention services that help build operational and organizational capacity at the municipal level. To track its efforts in this area, the DBSA is keeping an eye on such metrics as how many municipal staff have been trained within a given period and how much money has been spent on training municipalities.

To meet its targets for “crowding in” other lending partners, the DBSA has begun measuring the ratio of its investments per project. “We have a ‘leverage ratio’ KPI, where the measure is how much outside funding goes into our project, compared to how much we put in ourselves,” explains Evans. “The target here is that for every rand we lend, we want at least one rand from other funders, who could for example be private commercial banks, or the World Bank for that matter.”

The DBSA is also using scorecarding to help maintain a balanced split between its infrastructure development and commercial lending activities. Using data from a business intelligence system that sits behind the scorecarding solution, combined with projected figures from a bank financial model, the DBSA has defined such KPIs as cost-to-income ratio and growth in income from commercial-type loans.

The DBSA is also using scorecarding to enhance its competitiveness, with KPIs in place to measure the bank's performance in customer-facing activities like project appraisals—measured in terms of turnaround time; service delivery, which is scored by the number of projects completed on time and within budget; and customer satisfaction. The bank is also measuring activity levels in such areas as policy research and advisory services.

Benefits

Driving User Acceptance

Evans predicts with confidence the widespread user acceptance of the new system, which was built on existing technology that most bank staff were already using. "The manual way was quite painful," he says. "Having this new, easy-to-use, quick-response system is going to be very well accepted."

The DBSA's new solution features a scorecard within a Web-based dashboard view. The Web parts on the dashboard allow users to link a particular KPI to an unstructured document such as an Excel report or a Word document. Evans foresees the bank linking its scorecards to such documents as pie charts, policy papers, and government directives. "Basically, content that will provide our teams with the contextual information they need to act and make everyday decisions that will advance the bank's strategy," he adds.

Increased Collaboration

Evans also sees DBSA taking full advantage of its collaborative tools, like e-mail, instant messaging, discussion groups, calendaring, and file sharing. Not only will this facilitate the communication of strategy, it will also enable the bank to quickly address underperforming or problematic KPIs.

"For instance, if disbursements seem to be lagging, then we can immediately test whether it's a phasing issue which will correct itself, or a genuine under-performance which needs escalated attention," says Evans.

Improved Visibility

Visible to everyone in the organization—although the degree of accessibility will vary according to each user's role in the organization—the new solution's collaborative tools may also improve relationships at the DBSA, creating a more cohesive corporate culture. It will also ensure that everyone in the organization stays current with changes to government strategy which may impact the bank's own strategy. And perhaps more importantly, it will provide everyone with a clear and universal sightline to the organization's objectives and performance, from the corporate and divisional levels to business unit, team, and individual levels.

"Going forward, having this new scorecarding system in place puts us in a very good position to carry out our strategy over the next 10 years," says Evans. "We are an organization with very complex business challenges. And while scorecarding doesn't simplify these challenges, it does clarify them and put them in front of everyone so we can all see what we need to do and where we need to go to overcome these challenges and achieve our business objectives."

For More Information

For more information about Microsoft Office Business Scorecard Manager 2005, go to: http://www.nexdimension.net

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