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Balanced Scorecard Case Study

Group Assignment

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Introduction

The Balanced Scorecard is a management tool developed by Kaplan and Norton in 1992 in order to reflect the strategy of the company by gathering both financial and non-financial performance measures and indicators. The objective of the Balanced Scorecard is to have a better understanding and vision of the long term strategy of the company and to better align people and daily objectives with the strategy.

Within the context of the lecture Advanced Controlling we conducted an analysis of a case study realised by Robert Kaplan on the subject of Balanced Scorecard implementation. Particularly, the case study relates a Balanced Scorecard project implemented in 2000, in a non-profit organisation, the Boston Lyric Opera, an opera house company in Boston.

If we have learnt about the traditional model of Balanced Scorecard management tool that Kaplan and Norton developed, it is interesting to analyse if this standard concept can be applied to non-profit organisations. So first we will expose a small literature review concerning the traditional Balanced Scorecard concept but also about literature developed regarding Balanced Scorecard in non-profit organisations. Secondly, we will have a look to the Boston Lyric Opera history, mission, values, people and context to better understand why the company decided to launch a Balanced Scorecard project. Thirdly we will have a closer look to the reason of the implantation of the Balanced Scorecard at the Boston Lyric Opera and we will develop criticisms regarding both the project and the structure of the Balanced Scorecard developed. Finally, we will look at the Boston Lyric Opera today's financial and competitive situation to understand its current challenges and will provide related criticisms and recommendations.

A. The Balance Scorecard

1. Kaplan Balanced Scorecard

Introduction to the Balanced Scorecard:

The concept of the Balanced Scorecard has been developed in 1992, by Robert S. Kaplan, professor at Harvard Business School, and David P. Norton, co-founder of Nolan, Norton & Company (a business strategy consulting firm) and founder and director of the Palladium Group Inc (a global management consulting firm). The first article they wrote in the *Harvard Business Review* “The Balanced Scorecard, Measures that drive performance” was based on former research, which led them to the observation that firms tend to lose controlling relevance due to their single focus on financial measures to assess performance. Through their reflexions, Kaplan and Norton introduced the importance of the consideration of both financial and non-financial data in the firm performance assessment especially within the context of competition and fast changing markets.

Considering this, they developed the Balance Scorecard, a management tool dedicated to gather both financial and non-financial information in order to better illustrate the firm’s strategy. More precisely, Kaplan and Norton (1995) explain that “The Balanced Scorecard translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system”. The Balanced Scorecard is not dedicated to define a new company’s strategy but more to have a better understanding and vision of the existing strategy. Moreover, the Balanced Scorecard Institution defines the Balanced Scorecard as “a strategic planning and management system used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals”. In other words, by translating and clarifying the vision and strategy into operational terms, the Balanced Scorecard offers to better align the strategy with the firm resources and capabilities, to better integrate the strategy as a continuous process in the daily challenges of the firm, and to better communicate and link strategic objectives and measures.

The four perspectives of the Balanced Scorecard:

Kaplan and Norton suggest that performance can be considered through four following perspectives: Financial, Customer, Internal Business Processes and Learning and Growth. For all these four dimensions, objectives, measures, targets and initiatives must be defined. The four different perspectives are detailed below:

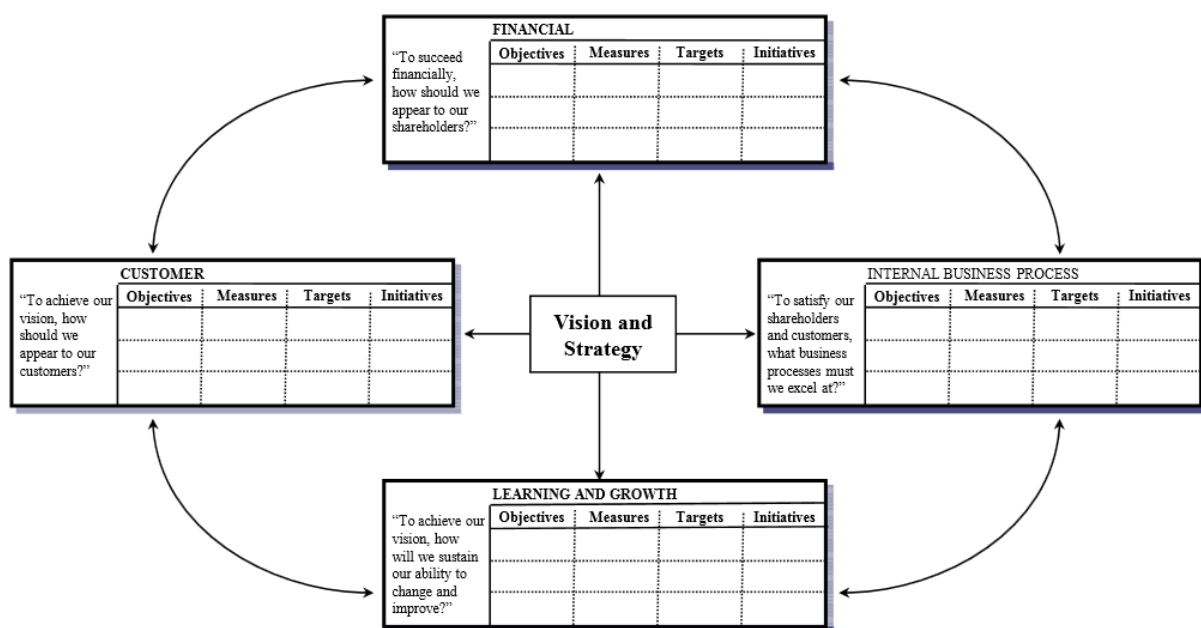
1. The Financial perspective depicts “the readily measurable economic consequences of actions already taken” (Kaplan & Norton 1996). In other word, it gathers financial-related data (such as net income, profit, return on investment, growth rate, cash flow...) that illustrates the level and evolution of the firm financial performance. The financial dimension is very important because it shows what value is created for shareholders, which the company depends on.

2. The Customer dimension gathers measures that “identify the customer and market segments in which the business unit will compete” (Kaplan & Norton 1996). It represents indicators such as customers’ satisfaction, awareness, loyalty or trust in the company. Such information can be obtained through specific studies or questionnaires addressed to customers. The more customers will be satisfied, the more they will be loyal in the long term, so this dimension represents a key indicator of the firm potential future performance and should not be neglected.

3. The Internal Business processes perspective measures “the critical internal processes in which the organisation must excel” (Kaplan & Norton 1996). The objective is to align operational processes with strategic objectives of the firm, in other words, to determine if internal business processes are performant enough to be able to reach customers’ expectations.

4. Finally, the Learning and Growth dimension depicts “infrastructure that the organisation must build to create long term growth and improvement”. It allows to evaluate the firm ability to growth sustainably in the long term and concerns indicators such as employees training, corporate culture. This dimension gathers information at both the individual and corporate level. Indeed, employees’ knowledge represents one of the most important resource of the company. Moreover, in a fast changing and competitive context, organisation should stimulate employees learning through for example training programs or stimulating work environments encouraging shared knowledge and communication.

Below is a representation of the four perspectives of the traditional Kaplan Balanced Scorecard.



Since its creation the Balanced Scorecard has known three evolution stages. The first one was the original conception described above. The second one concerns the introduction of a causal relation between the four perspectives (Kaplan and Norton, 1993). Finally the third one consists in a refinement of the conceptual conception of the second stage in order to give to the causal model the best functionality and to improve the relevance of the causal relations.

The Balanced Scorecard Causal Chain and Strategy Map:

Through the explanation of the four perspectives of Balanced Scorecard we understand that there are interdependencies between them and that causes and effects relationships between these dimensions exist. According to Kaplan and Norton (1996), these causal relations can be drawn into a Strategy Map offering a visual representation of the strategy and dependant resources and objectives through the help of causal arrows between the four perspectives. In Kaplan and Norton model this Strategy Map depicts the fact that if employees have the right skills, it should enable internal business processes quality, leading to customer satisfaction and loyalty, finally bringing sustainable return on capital employed.

Strength and weaknesses of Kaplan and Norton Balance Scorecard:

Kaplan and Norton Balance Scorecard presents strong strengths but also weaknesses. In terms of strengths, it enables to combine different dimension of the firm performance into a single document showing the interdependencies between them. Secondly, it allows a global view of the organisation strategy, vision and mission and offers the possibility to improve and better align them with the company resources and capabilities. Finally it can easily be adapted to be implemented in different kind of organisation. Besides, nowadays, numerous and various adaptations of Kaplan and Norton Balanced Scorecard have even been developed and are used by companies with the same purposes.

Nevertheless the Balance Scorecard has some weaknesses. First it can be seen as a too conceptual management tool, difficult to traduce into a measurement system. Moreover, as the Balanced Scorecard is supposed to reflect the strategy, it means that applying this unique model would suggest that all companies using the Balanced Scorecard have the same strategy, which is not possible. Secondly the Causal Chain relationships also may also be complicated to draw and may not perfectly reflect reality. Thirdly, if customers and stakeholders are considered, other important shareholders may not be taken into consideration. Fourthly, the Balance Scorecard is mainly oriented toward objectives and results and doesn't reflect financial resource and costs needed to reach these results. Finally, developing a Balanced Scorecard is often costly (in terms of money people and time involvement) and has to be up-to-date constantly. Indeed, the diverse performance indicators need to be adapted in accordance with the moving environment around the firm, meaning the Balanced Scorecard sometimes need to be re-developed, costing again money.

2. Balanced Scorecard in non-profit organisations

Kaplan interpretation of Balanced Scorecard for non-profit organisations:

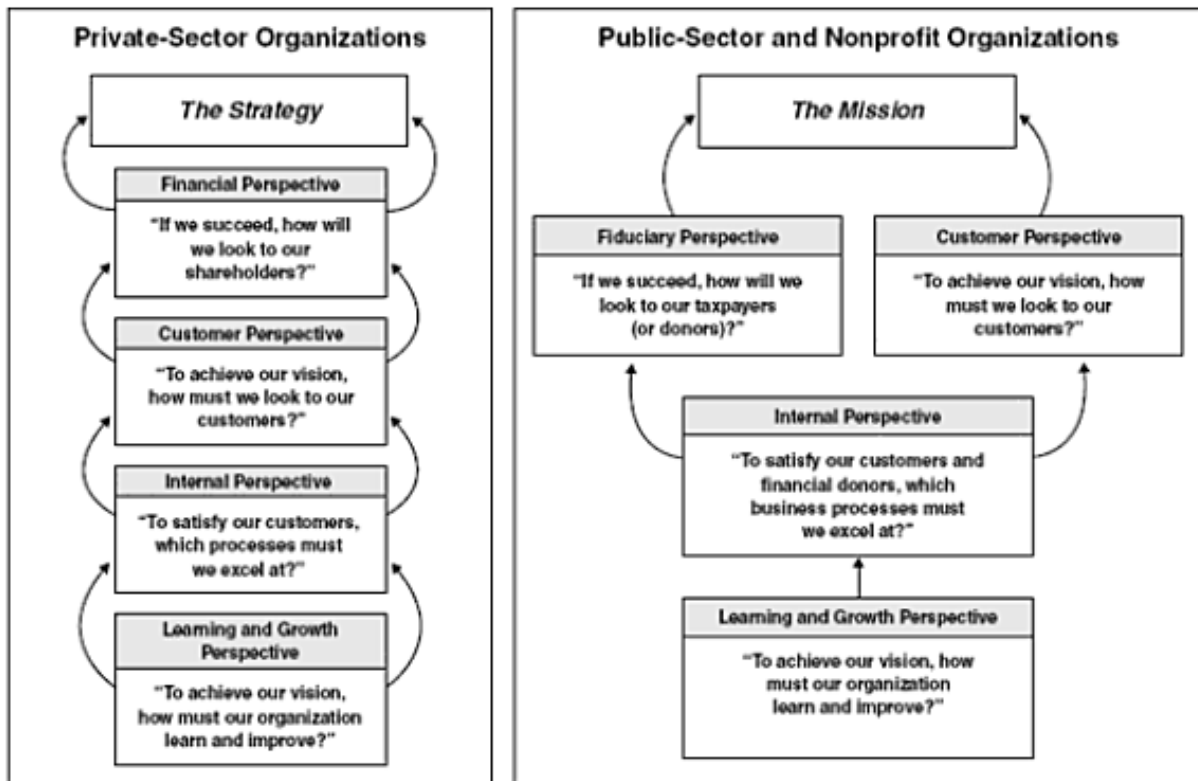
In its article “The Balanced Scorecard and Non-profit Organisations”, Kaplan (2002) explains that non-profit organisations rarely use strategic performance measures leading to a lack of focus, discipline and accountability. Indeed, he describes that performance measures are necessary for external markets to optimally allocation of human and resources, and that usually non-profit organisations use operational and compliance performance measures instead of strategic ones.

According to another of its articles “Conceptual foundations of the balanced scorecard” Kaplan (2010) adds that non-profit organisations need even more than for-profit organisations, a combined measurement system of both financial and non-financial measures. Indeed, non-profit organisations need to measure performance beyond financial indicators, based more on “effectiveness in providing benefits for constituents”. Moreover, for non-profit organisations, mission is driving strategy while strategy more focuses on financial performance for for-profit organisations.

By assisting several implementation of Balanced Scorecard in non-profit organisations, Kaplan identified some specific barriers non-profit organisations met. First these companies often do not have a clear vision of their strategy. When implementing a Balance Scorecard, they thus need to identify what are their future strategic accomplishment and outcomes. Secondly, non-profit organisation should also have a clear idea of what they will not accomplish due their limited resources and really try to focus on what they can do.

Concerning the structure of the Strategy Map, Kaplan explains that usually non-profit organisations need to rearrange it and consider the Mission on the top of their strategic map. Indeed according to Kaplan (2010), “since financial success is not their primary objective, non-profit and public sector enterprises cannot use the standard architecture of Balanced Scorecard Strategy Map where financial objectives are the ultimate, high level outcomes to be achieved”. More precisely, customers need to be redefined. Indeed, Kaplan explains than donors (or taxpayers) represent and provide the financial source of money (and pay for the service), while the constituents (or recipients) are people receiving the service. This is why Kaplan proposes a general version of the Balance Scorecard with both kinds of customers at the top.

Below is a scheme with on the left the traditional Balanced Scorecard of Kaplan and on the right side the adapted version¹.



Regarding these two models, we can ask ourselves if the new proposition is justified. Indeed, it seems that Kaplan could have kept the original Balanced Scorecard structure by only changing the definition of clients and rather considering partners (including both constituents and contributors) while still ending the strategic map with the financial perspective (including ratios about partners financial contributions). Even if some arguments are given to explain this new structure, we believe that it does not a lot more in terms of management tool.

Badia and Borin interpretation of Balanced Scorecard for non-profit organisations:

Another article about Balance Scorecard for non-profit organisations is “Opportunities and Critical Points for the Introduction of Performance Measurement Systems in Theatres” written by Badia F. and Borin E.. In this article, the authors highlight the fact that the fast moving public sector requires a more effective and efficient management, which could be helped through performance measure tools. This article is interesting within the context of our case of the Boston Lyric Opera, because authors give the specific example of arts and cultural organisations.

¹ See in appendix 1 examples of BSC for non-profit organisations

They are considered as fast growing public sectors for three reasons: first these organisations are struggling with difficult situations in public finance. Secondly they are moving in a fast growing industry with increasing cultural consumption and the development of mass cultural events. And finally, they are facing more and more expectations for transparency and accountability.

The article authors explain that because of that, the concept of “Value for Money” based on the three dimensions of efficiency, effectiveness and economy, is more applied and used for arts and cultural organisations. Besides, authors highlight the positive impact of using the Balanced Scorecard management tool for theatres to foster the companies’ services quality and thus to increase customers’ satisfaction. Indeed they consider the employees’ evaluation dimension through the Balanced Scorecard as a driver of their motivation and their ability to be more responsible in their daily management of objectives and identification of key success indicators.

Finally, they precise that indicators, both financial and non-financial, should be carefully chosen to reflect the specific characteristics of these performing arts institutions. Indeed, such organisations need to measure both their quantitative performance and qualitative performance (which rely on intangible factors). The article’s authors conclude by showing that the Balanced Scorecard is really a key success tool for these kinds of organisations and allow top managers to have a clear vision of the strategy of each department within a global mechanism dedicated to assess the companies’ diverse projects outcomes.

Yang, Cheng and Yang interpretation of Balanced Scorecard for non-profit organisations:

Ching-Chow Yang, Lai-Yu Cheng, and Chih-Wei Yang (2005) developed an article about Balanced Scorecard in non-profit organisations named “A study of implementing Balanced Scorecard (BSC) in non-profit organizations: A case study of private hospital”. More precisely, they investigate the feasibility of the implementation of the Balanced Scorecard in non-profit organisations with an example of a private hospital in Taiwan. Through this case study they want to demonstrate that the framework of the Balanced Scorecard can be applied to non-profit organizations. Indeed, so few non-profit organisations in Taiwan are using BSC while it actually represents a powerful tool for these kinds of organisations.

Authors explain that the number of non-profit organisations in Taiwan has considerably increased since the end of the 20th century and that research in management performance has mainly focused on for-profit organisations. The main reason is the fact that for-profit organisations performance assessment is based on financial indicators such as revenues and return on investment as their main objective is to generate profit. Measuring performance for non-profit organisations is more arbitrary and depends on their structure and objectives. Several different performance assessment methods have been developed, including the Balanced Scorecard of Kaplan and Norton (1992).

This article tries to demonstrate that as non-profit organisations’ main objective represents the fulfilment of their mission (instead of generating profit as for for-profit organisation) they are even more adapted to the Balanced Scorecard measurement method as they need both

financial and non-financial measures to assess their performance. They add that Balanced Scorecard for non-profit organisations is a powerful tool allowing them to condense their focus, enhance their potential and increase their management responsibility. Additionally, they precise that Balanced Scorecard applied to government or non-profit organisations or to private companies is different first because mission and vision is more important for government and non-profit organisations, and secondly because financial perspective for them is not the most important priority.

As Kaplan suggested, the article's authors adapted the Balanced Scorecard of Kaplan to put in first priority both the contributors and the clients (or customers) perspectives, and consider them as distinguished dimensions (contributors being more associated to the financial indicators and clients being more attributed to the customers' dimension). They detail that the client dimension should be used to develop the internal processes and the employee, learning and growth dimensions in order to maximize client value. Additionally to this adaptation of the Balanced Scorecard of Kaplan, they explain that for non-profit organisations, deeper efforts in explaining the background, context, process and effectiveness of the Balanced Scorecard, are needed from executives and managers to ensure volunteers and employees' understanding and acceptance of the Balanced Scorecard.

Through their research, authors developed an implementation model in 17 stages they applied to a hospital case. Their study concludes on the success of their proposition and model, and on the feasibility of the implementation of the Balance Scorecard for non-profit organisations by following these 17 stages and taking into account specificities of non-profits organisations. They add that according to the literature such projects would take around five years.

Here are the 17 stages they followed:

1. Planning phase of develop Balanced Scorecard
2. Criteria for choosing an appropriate organisational unit
3. Gain senior leadership support and sponsorship
4. Build up Balanced Scorecard team
5. Formulating a Balanced Scorecard project plan
6. Implementing a comprehensive communication plan
7. Gathering and distributing background material
8. Developing or confirming a mission, values, vision and strategy
9. Strategy system of non-profit organisations
10. Gaining common consensus from the organisation strategy
11. Developing objectives and measures for the four perspectives
12. Developing the cause and effect relationships
13. Establishing targets for measures
14. Setting strategic initiatives for targets
15. Cascading Balanced Scorecard into the non-profit organisation management system
16. Allocating the budget for targets
17. Implementation and examination of the ongoing.

Zimmerman interpretation of Balanced Scorecard for non-profit organisations:

In its article “Using a Balanced Scorecard in a Non-profit Organization” the consultant Joel Zimmerman also proposes a revised version of the Balanced Scorecard, specifically adapted to non-profit organisations. According to him the Balanced Scorecard management tool for non-profit organisations should consider six dimensions instead of the four proposed by Kaplan. These six dimensions are:

1. Revenue and funding (that could be associated to the Financial dimension and concerns more the funding and monetary resources strategy)
2. Resource allocation (referring to the budget plan principles)
3. Donors and Board members (that could be associated to the customer dimension and refers to people contributing and supporting the organisation and on which the sustainability of the company depends)
4. Product and service recipients (referring to products and services that are delivered by non-profit organisations and represent, even if it is not a lot, a source of revenues)
5. Internal operations (could be associated to the Internal Processes of Kaplan Balanced Scorecard and which is necessary to avoid errors and limits risks)
6. Staff development (which depicts the Learning and Growth dimension on which depends the quality of services processed by employees in organisation such as Operas).

B. The Boston Lyrics Opera

1. History

The Boston Lyric Opera has been founded in 1976 in Boston, following the merger of three New England opera houses, due to difficulties for independent operas to survive in a checkered context for operas in Boston. The new company did not have a common strategy and started to develop a new mission and strategy.

Years after years, the Boston Lyric Opera built a loyal and enthusiastic base of opera subscribers and supporters. Moreover, from the 1970's to 2000, the opera highly increased their audience, becoming one of the fastest growing segments in the performing arts company and employing 3.5% of the regional population. Regarding this, in the late 1990's, the Boston Lyric Opera rapidly faced a lack of seats capacity for productions. This is why in 1998, the Boston Lyric Opera experienced a major transition, when the company decided to move from the Emerson Theater (limited to 890 seats) to the Schubert Theater, offering almost double of the Emerson Theater capacity, with around 1,500 seats. Through this important transition, the Boston Lyric Opera intended to attract a larger audience and to increase the annual number of performances, while keeping stimulating supporters, donors and spectators' interest for the opera. Both revenues from tickets sales and support increased.

In 2000, experiencing a fast economic growth, the Boston Lyric Opera decided to undertake a Balanced Scorecard project. The objective was to help the company to clearly define its long term strategy, and to adequately align it to the mission of the company.

2. Board and people

From 1992 to 2008, Janice Mancini Del Sesto was the general director of the Boston Lyric Opera. Prior to its position at the Boston Lyric Opera, she studied voice at the New England Conservatory, became consultant for performing arts organisations, and was general director at the Boston Opera Theater, an opera house which went bankruptcy. She accumulated a strong knowledge and experience in fundraising and sponsorship. Appreciated by her colleagues and local media; she has been one of the key success factors of the Boston Lyric Opera. In 2001, within the context of the implementation of the Balanced Scorecard, she was supervising the company's five following operating departments:

1. Artistic and Production Administrative Staff
2. Finance and Administration
3. Marketing, Box Office and Public Relations
4. Education and Community Program Staff
5. Development Staff.

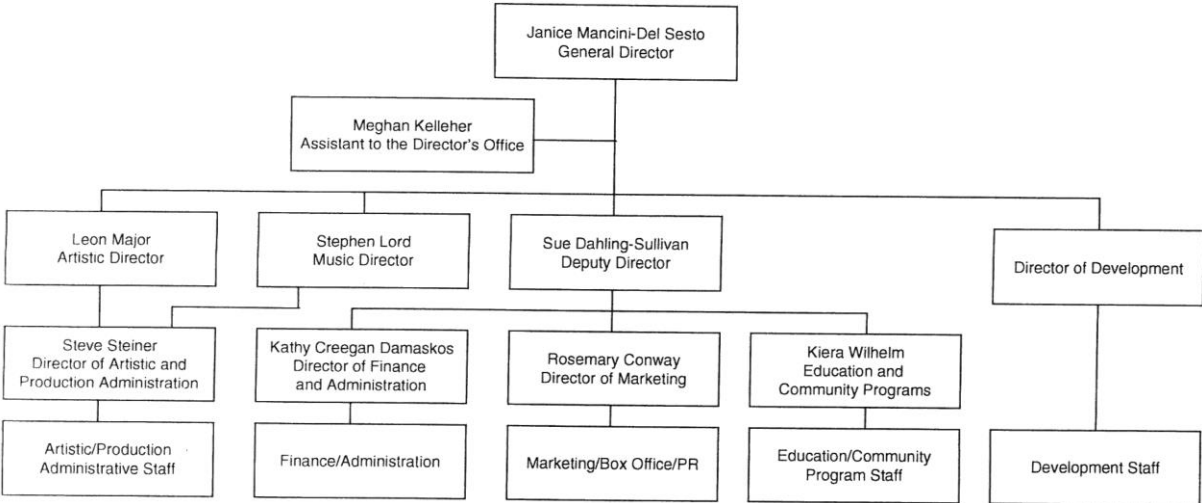
The Artistic and Production Administrative Staff division was directly supervised by Leon Major and Stephen Lord. Leon Major was the Artistic director of the Boston Lyric Opera from 1998 to 2003 after what he became artistic consultant for Opera Cleveland and artistic director of the Maryland Opera Studio at the University of Maryland School of Music.

Stephen Lord was the music director from 1991 to 2008. Prior to this position, he was music director for around twenty years at the Saint Louis opera. He was replaced right after the departure of Janice Mancini Del Sesto by David Angus.

The three departments Finance/Administration, Marketing/Box Office/Public Relations, and Education/Community Program Staff have been supervised by the deputy director of the company, Sue Dahling-Sullivan from 1993 to 2005. Prior to the Boston Lyric Opera, she completed her Master in Business Administration at the Tuck School of Business in Dartmouth. She is today chief strategic officer at Citi Performing Arts Center.

Finally, the Development Staff division was supervised by the director of development on which we did not find any information.

Below is the organisational chart of the Boston Lyric Opera:



Other strategic people we could mention and who participate in the implementation of the Balanced Scorecard are Steve Steiner, the director of artistic and production administration of the Boston Lyric Opera from 1991 to 1999; Sherif Nada, the board chairman and Ken Freed, the co-chairman of the strategic planning committee.

3. Competitors

In early 2000's, as a small and young opera house, the Boston Lyric Opera competitors mainly concerned the national and regional level, competing with others North American opera houses (for example the Dorothy Chandler Pavilion in Los Angeles Opera, the Kennedy Center for the Performing Arts Opera House in Washington or the Four Seasons Centre for the Performing Arts in Toronto in Canada).

At the international level, the Boston Lyric Opera was and is still competing among the biggest prestigious opera houses such as the Metropolitan Opera House of New York or the Scala de Milan. We will see more in details today's competitors of the Boston Lyric Opera further in the report.

4. Mission and values

The mission of the Boston Lyric Opera have been redesigned two times, in 1993, after Janice Mancini Del Sesto became general director, and in 1999 after the transition and switch to the Schubert Theater and during the implementation of the Balanced Scorecard.

In 1993, the Boston Lyric Opera mission was articulated around three main dimensions. First the Boston Lyric Opera wanted to deliver high quality and professional opera productions. The company was thus proposing a large diversified repertoire and recruiting highly talented directors and designers. Secondly, the company launched the “Fund for Emerging Artists” to invest in developing the next coming generation of artistic talents. Finally, the Boston Lyric Opera already wanted to promote opera and art works through educational and community outreach programs to reach the greater Boston area. At this time the company was offering artistic training programs for adults and children (through its acquisition of “Opera New England”); and was collaborating with universities to foster communication about opera and to encourage interactions between professionals and students (through public lectures and master classes).

In 1999, the Boston Lyric Opera reshaped its mission around two major axes. On one hand, the company wanted its mission to focus actively on building a community that would be knowledgeable about, appreciative and supportive of operas. On the other hand, the Boston Lyric Opera mission was concerning the development of the next generation of artistic professionals, audiences, supporters and volunteers leadership, which the future of the company depends on.

We can notice strong similarities of the two periods, illustrating the consistency of the Boston Lyric opera mission along time. Indeed, the community and the next generation of both high talented artists and supporters and audience dimensions have always been a matter of concern and are still part of the mission today.

5. Why the BLO used the Balanced Scorecard

A new planning process:

When Janice Mancini Del Sesto decided to develop a Balanced Scorecard for the Boston Lyric Opera, the company was experiencing a fast growing and success period. Indeed, in 1998, the company has moved from the Emerson which capacity was limited to 890 seats, to the Schubert Theater, offering 1,500 seats, almost the double of previously. The objective of this major transition was to enable the Boston Lyric Opera to grow through a larger audience and to expand its services. From 1995 to 2000, the Boston Lyric Opera became the fastest growing opera company in North America. However, even if the Boston Lyric Opera was increasing its audience, revenues from ticket sales remained less than the initial 40% of operating expenses, meaning the company needed to increase revenues from potential donors and supporters. Within this context Janice Mancini Del Sesto wanted to use this specific management tool in order to have a clear vision of the long term strategy to facilitate its understanding and support, for both staff, board of directors and artistic directors.

Additionally, she believed such a tool could foster employees' motivation and better align people with the mission and strategy of the company. Finally, the Balanced Scorecard would help the company to align its long term strategy to its new three levels mission (develop loyal and generous donors, build a reputation on the national and international opera scene, and reach the Boston area community). Nevertheless, we will see further in the analysis and criticism of the case that, it is not really clear if the Balanced Scorecard has been used to clarify the strategy or to define it. Indeed, the case study suggests that the new strategy was shaped from the Balanced Scorecard whereas the initial purpose of such a tool is not to develop a strategy but is supposed to reflect it.

The team project:

The general director of the Boston Lyric Opera, Janice Mancini Del Sesto, shaped a team project, formed by both executives and board members to develop a Balanced Scorecard strategy map for the future strategy of the company. The team project included the board chairman Sherif Nada, the chairman of the planning committee Ken Freed, and senior administrative staff, including Janice Mancini Del Sesto and deputy general director Sue Dahling-Sullivan. Finally, Ellen Kaplan (the wife of Robert Kaplan) who was a board member with high experience in implementing Balance Scorecard in non-profit organisations played the role of an internal consultant and facilitator.

Strategy Map:

The group project started the development of the Balanced Scorecard by defining the Boston Lyric Opera's strategy, its competitive advantage and uniqueness through open dialogues between the project group members. These discussions led to the development of a Strategy Map around three strategic themes, each concerning a specific key customer group:

1. "Develop loyal and generous individuals who feel a strong sense of ownership in BLO's future". Tickets sales were only representing 34% of the annual expenses, meaning the long term success of the company was threaten unless the Boston Lyric Opera find extensive and ongoing support from donors, foundations and from the community. Within this strategic theme, customers' objectives were articulated around two dimensions, first by retaining and increasing support from existing donors while attracting new contributors; and secondly by recruiting board members and foster their involvement in accomplishing objectives. Indeed, concerning this last objective, the Boston Lyric Opera used in the past to choose its board members based on their financial contribution to the company. The new recruitment objectives more considered board members' involvements in achieving the mission and objectives prior to their potential financial support.
2. "Build the BLO reputation on the national and international opera scene". As a young and relatively small opera house, the Boston Lyric Opera did not aim to compete among the biggest international opera houses (as the Metropolitan Opera House of

New York or the Scala de Milan) but wanted more to gain national reputation instead of simple local audience. Indeed, its objective was more to differentiate itself at a national level from the North American opera houses, through artistically interesting and innovative productions, not limited to the traditional Mozart, Puccini and Verdi. More precisely, the Boston Lyric Opera objectives, which were reflecting their existing strategy since 1992, were considering four axes. First Del Sesto wanted to attract the best young talents (directors, singers, conductors...) and enable them to become in the future the performers of the most prestigious opera companies in the world. Secondly, Del Sesto desired to develop a unique style with a diversified and exiting repertory offering a combination of popular, but also lesser known and contemporary art works. The third customer objective was to contribute to the Boston Lyric Opera differentiation strategy through the institutionalization of an artistic and production style and a set of standards characterizing the company's productions. Finally, in order to diversify risk and leverage the company's limited resources while keeping offering high quality productions, the Boston Lyric Opera would collaborate with prestigious partners. This would allow strengthening the company competitive position in both the national and internal opera scenes.

3. "Reach the Boston area community". This third strategic theme was developed to ensure the future audience for operas, by attracting new generations of spectators mainly through community and educational programs. The objective was mainly to break down the luxury and elitist image of opera, to make opera part of people's everyday lives. The community theme was developed around two main objectives. First, the project group wished to build a community support for the Boston Lyric Opera that would become an important part of the greater Boston community, and secondly, the team wanted to develop quality and value added educative programs for children, teenagers, families and schools.

They developed the three strategic themes based on observations of past failure and existing needs. For instance, they realized they didn't have any processes in place to assess the effectiveness of the previous programs the company launched to attract donors and subscribers. So they developed and invested in specific initiatives (for example they hosted for years a VIP room at a hotel nearby the theatre to invite individuals for cocktails) for which they had no impact measures and no results.

To facilitate the achievement of the Boston Lyric Opera three strategic themes' objectives, the group project identified three high-level business processes objectives and sub-internal strategic objectives the company should focus on. First, the Boston Lyric Opera needed to increase awareness through its educational and community programs, through special events attracting community, supporters and spectators and finally through public relations program to create a buzz and strengthen the company strategic position. Secondly, the company should enhance customers relationships, particularly through one to one contact concerning loyal and generous supporters, boards and prospects, through streamline ticketing and gift recognition processes, and by providing web-based relevant and easy to use services and products. And

finally, the Boston Lyric Opera should insure operational excellence by improving its product quality (through its best talents strategy), by developing an innovative review process supporting and prioritizing strategic initiatives, and by improving cost effectiveness and quality assurance.

The Boston Lyric Opera Balance Scorecard:

The Boston Lyric Balance Scorecard² differs from Kaplan traditional Balanced Scorecard and from the adapted version Balanced Scorecard for non-profit organisations we have seen. Indeed, the company kept the four tradition dimensions of the Balanced Scorecard but put the financial axe first on the bottom, as the foundation of the Boston Lyric Opera Strategy Map. We will see further the analysis of their Balanced Scorecard structure.

6. Results

According to Kaplan and Norton (2004) book “Strategy Maps: Converting Intangible Assets into Tangible Outcomes”, the Balanced Scorecard fostered “a unity and integrity of purpose that had not existed before” at the Boston Lyric Opera. The project allowed the board but also the diverse departments to better understand the three strategic levels mission of the company and to be aware of its business aspects. According to them, all the company’s constituents became aligned and focused on the Boston Lyric Opera Strategy. The book authors explain that before each meeting, Janice Mancini Del Sesto was writing the three themes on the conference room whiteboard saying “I want our conversation to relate only to activities that support the themes. That was, we will stay focused on our objectives”.

After the Balanced Scorecard implementation, the development office set priorities and oriented its activities by focusing on “loyal and generous donors”. The young artists trained started to understand their own impact on the Boston Lyric Opera business and accomplishment of the company’s mission.

Additionally, the Balanced Scorecard project has fostered employees’ motivation and the staff began to focus on initiatives and events that would have a positive impact on the company’s objectives. In parallel, cross-departmental initiatives arose and the diverse departments started to work more closely together (for example the Development department began working closely with the Marketing/Box office department on VIP seats and donors’ education initiatives). The implementation of the Balanced Scorecard also fostered employees’ individual motivation to make suggestions and undertake initiatives (for instance, a junior production staffer fashioned a backstage tour for board members and donors to show them how magic was made in “The Magic Flute”).

Finally, concerning the community objectives, the Boston Lyric Opera developed a new major program “Carmen on the Common”, a free opera the company performed twice in September 2002 and which attracted 130,000 people in the Boston Park.

² See in appendix 2 for the Boston Lyric Opera’s Balanced Scorecard

C. Analysis

1. Analysis of the BSC project and its implementation

Key success factor of a strategy focused organization:

The implementation of a Balanced Scorecard project is not an easy recipe to apply and is not always successful at the end. Even, many companies invest a lot in developing such strategic measurement tools but fail integrating them in the company's everyday challenges. Regarding this, the Balanced Scorecard is often compared to a cultural change initiative (Kaplan 2010) used to create what Kaplan and Norton called a strategy focused organization. They developed some key success factors that can be considered within the context of Balanced Scorecard project, to create these strategy focused organization:

1. Mobilize change through executive leadership. This concerns cultural changes involved by a strategy focused organisation and concerns consistent executive leadership, involvement, active sponsorship and support. Concerning the Boston Lyric Opera, the company benefited from the strong and successful leadership of Janice Mancini Del Sesto. Another positive point is the fact that the group who developed the strategy, within the context of the Balanced Scorecard project, was formed with people from different horizons: board members, senior departments' heads, artistic leaders and financial donors. When defining the strategy, this diversity allowed a better global vision of the company's long term strategy. Also, by using the experience and help of Ellen Kaplan they were able to develop an adequate and quality management tool.
2. Make strategy a continual process, meaning the strategy formulation needs constantly to be reevaluate and readapted to tomorrow's challenges. Janice Mancini Del Sesto precised that every meetings following the implementation of the Balanced Scorecard were oriented around the three strategic themes of the company to be sure to focus on the important dimensions of the strategy every time, and to orientate discussions about the long term strategy of the company.
3. Make strategy everyone's job. It concerns strategic education and awareness about the company strategy. For the Boston Lyric Opera Balanced Scorecard project, Dahling-Sullivan involved all the different departments by asking them to develop their own Scorecard, to illustrate how the departments will do their own work effectively and efficiently and how they will contribute to the company's mission.
4. Align the organisation to the strategy. This consists on evaluating current organizational structures, lines of reporting, policies and procedures, to ensure that they are consistent with the strategy.

5. Translate the strategy into operational terms, to integrate the company strategy with employees' daily operational tasks to ensure that they support the company's strategy. Concerning this step, Sue Sullivan has been strongly involved in taking time to work closely with each department, to help them formulate their own scorecard adapted to their everyday challenges and objectives in order to strongly integrate everyone's job in the global strategy of the company.

Communication and motivation:

Two other dimensions that are often associated to success factors for the development of a Balanced Scorecard are the strong communication and motivation of employees. Concerning the Boston Lyric Opera, we have seen that people from different parts of the organisation were involved allowing to better communicate and integrate the strategy at the different levels of the organisation.

Moreover, the Boston Lyric Opera benefited from the experience and expertise of Sue Sullivan (who spent one year in Harvard, studying the Balanced Scorecard) and Ellen Kaplan, who were strongly and highly communicating about the project and its challenges for the company long term success, while trying to involve everyone within the organisation.

Additionally, during the development of the Balanced Scorecard, supplementary efforts and initiatives were launched to increase involvement of the Board and of employees. According to Janice Mancini Del Sesto, the Board was the greater challenge, realizing that some members were even not familiar with the company's mission and the Board's role in it. Such initiatives were for example the creation of a guided tour to educate the board, donors and subscribers. Through this program, Steiner believed that "the more the Board member understands what goes on behind the scene, the more loyal and committed the Board member becomes". Another idea and initiative more dedicated to employees, was to offer the leftover merchandises (CDs, Tshirt...) remaining after every productions as gift to the artistic staff, to show them recognition and foster their satisfaction, motivation and involvement.

Reflecting the strategy through BSC:

Reading the case study suggests that instead of reflecting the strategy, the Balanced Scorecard was used specifically to redefine the company's strategy, which is not supposed to be its purpose. Indeed, even if the company already had a mission before the deployment of the Balanced Scorecard project, it seems that the strategy was not clearly defined, and that the strategy has been developed as the first step of the Balanced Scorecard project. Although this is not supposed to be the Balanced Scorecard purpose, redefining the strategy as the first step of the project has allowed to understand and clarify the company's strategy for everyone within the organisation and to better communicate and align it with its daily challenges to successfully achieve the company's mission.

2. Comparison with Kaplan BSC Models

Comparison with traditional Balanced Scorecard structure of Kaplan and Norton:

In comparison with the traditional Balanced Score card of Kaplan, we can see that the Boston Lyric Opera has respected the four traditional perspectives of the Balanced Score: Financial, Customer, Internal Processes and Learning and Growth. However, we can notice that the four perspectives of the Boston Lyric Opera's Balance Scorecard are not represented in the same order than Kaplan traditional Balanced Scorecard (with first Learning and Growth, secondly Internal Processes, thirdly Customer and fourthly and finally Financial). Indeed, the Boston Lyric Opera put the financial dimension as the first step and the basis of their Balanced Scorecard instead of the last step, as in the traditional proposition of Kaplan and Norton Balanced Scorecard. This suggests that the final financial goal proposed by Kaplan is actually the basis and starting point for the Boston Lyric Opera.

So we can ask ourselves if this new configuration of Boston Lyric Opera's Balanced Scorecard is really justified and well adapted to the company.

Comparison with adapted Balanced Scorecard structure of Kaplan:

As for non-profit organisations, the Boston Lyric Opera proposes at the top the Mission instead of the Strategy. Indeed, we have seen that for non-profit organisations, the mission drives the strategy of the firm. But compared to the adapted Balanced Scorecard we have seen for non-profit organisations with both the two kinds of customers on the top (donors who can be associated to the financial dimension, and spectators, who can be associated to client), the Boston Lyric Opera model does not consider the two distinct types of customers, but include the three axes of their strategy within the Customer axe (supporters and subscribers, national and international opera scene, and community).

Additionally, we have seen above that the Boston Lyric Opera considers a financial dimension, which was in literature, attributed to a fiduciary dimension through a customer perspective considering donors and supporters. In the literature about Balanced Scorecard model in non-profit organisations, this financial dimension was on the top, at the same level than customers (such as spectators). It is justified by the fact that the global mission for non-profit organisations is usually to attract more investors while providing services to more customers. The Boston Lyric Opera put this financial dimension on the bottom of their model.

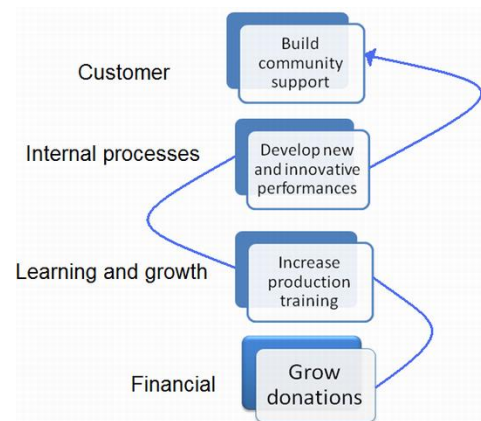
Again, we can ask ourselves why the Boston Lyric Opera has developed a different configuration from Kaplan specific Balanced Scorecard model for non-profit organisations.

3. Why changing the Balanced Scorecard

Why the Boston Lyric Opera changed the Balanced Scorecard:

The fact the company considered the financial dimension as the basis can be explained by the willingness of the Boston Lyric Opera not to consider the financial dimension as an objective but more as a mean to achieve all the other perspectives to finally reach the final purpose of customers' satisfaction. By considering the financial axe as the basis of their Balanced Scorecard, the Boston Lyric Opera reflected the fact that the diversity and quality of the services provided depends on financial donations and supports.

The BSC Designer Company of Balanced Scorecard and Performance Management Software developed the same Balanced Scorecard structure for non-profit organisations than the Boston Lyric Opera, with the financial dimension at the bottom of the model. They explain that the financial dimension for non-profit organisations corresponds to the global objective to make the donations grow, and that this funding and the proper fund allocation are necessary to provide high quality services. They add that non-profit organisations do not think in terms of earning money but more in



terms of their ability to spend money, and that an efficient fund allocation allow to have better results through efficient spending money, minimal budgets and higher attractiveness for sponsors. According to the BSC Designer Company the Learning and Growth and the Internal Processes perspectives are as much important for non-profit organisations as for for-profit organisations. By setting the financial dimension first, the Balanced Scorecard of the Boston Lyric Opera illustrates the fact that growth in donations will allow to improve work environment and to increase employees' training and motivation. Indeed, employees' motivation in non-profit organisations represents a pillar of the company success and is necessary to align the company's mission to its strategy. For the Boston Lyric Opera, it is based on three dimensions: develop strategic job competencies, strengthen strategic alignment and build growth enabling infrastructure. This Learning and Growth perspective is necessary to support Internal Business Processes that are oriented around three axes: enhance customer relationships, insure operational excellence and increase brand awareness.

Finally, as we have seen with Kaplan propositions of Balanced Scorecard for non-profit organisations, the Customer perspective should be place on the top, the quality of services to customers and the customers' satisfaction being the most important achievements for these organisations. Customers' perspective for the Boston Lyric Opera concerns three axes (supporters and subscribers, national and international opera scene, and community) and corresponds to company's final objectives that are necessary to achieve its mission.

Criticism of the Boston Lyric Opera Balanced Scorecard structure:

Even if we have seen that some companies (such as the BSC Designer Company) are promoting similar Balanced Scorecard structure for non-profit organisations, such structure with the financial dimension on the bottom could also be criticised. We believe that the financial dimension (or more fiduciary dimension as proposed by Kaplan and Yang, Cheng and Yang) could also be placed on the top considering financial indicators and donation growth as its main objectives. Indeed, even if final objective of the Boston Lyric Opera is not to make profit, one of their main objective is still to attract more supporters. So the company could have reproduced a similar Balanced Scorecard than the adapted version of Kaplan, by dividing the customer perspective in two different axes, one concerning supporters, subscribers and community supports, and one concerning the national and international opera scene and the community programs. Finally, we have seen that Kaplan adapted version of the Balanced Scorecard (dividing the customer perspective in the two axes customer and fiduciary perspectives) could even be criticize and assimilated to Kaplan traditional Balanced Scorecard. This means that the Boston Lyric Opera could have considered as the third perspective the customer dimension (redefined as partners dimension including both contributors and constituents), and could have kept as the fourth axe the financial perspective (including ratio about partners contribution).

The conclusion to the Balanced Scorecard of the Boston Lyric opera has two sides. On one hand we can consider that the company developed the financial dimension at the bottom of the structure as a mean to have a better vision and understanding of strategic financial objectives for the company, and as a mean to achieve all other objectives and deliver high quality products through better allocation of resources and higher motivation. On the other hand, we can consider that this structure has maybe been developed as a window dressing for communication purposes to beautify the strategy of the company where the financial dimension would really not represent finality for the company, to easily attract and convince contributors. That way, it would additionally represent a communication tool to better illustrate where the money is allocating and for what it is used for.

4. Is the choice of the BSC adapted for the Boston Lyric Opera?

Involvement of Ellen Kaplan:

A criticism we can do about the choice of the Balanced Scorecard by the Boston Lyric Opera is the fact that Ellen Kaplan was one of the Board Overseers members. Indeed, we can ask ourselves about Robert Kaplan's wife role and interests in this project, if she has been acting only for the interests of the company or also for her own interests. Of course, having Ellen Kaplan and Dahling-Sullivan, who also has experience the Balanced Scorecard (having spent one year at the Harvard Business School, where Robert Kaplan was teaching), allowed the Boston Lyric Opera to put in place a management measurement tool that was more easily and rapidly possible to implement and was probably cheaper (on the short term) than asking a consulting company to propose a strategic plan. This is why we believe that the Boston Lyric Opera took the advantage of using the Balanced Scorecard to clarify their long term strategy.

In one hand it was an easier way for the Boston Lyric Opera to manage the changes with the participation of experienced people concerning the Balanced Scorecard. On the other hand, this project represented a good challenge for a new case study for Kaplan and his popularity.

However, maybe choosing the Balanced Scorecard was not the best adapted tool and has been chosen more by facility. Indeed, we have mentioned that developing a Balanced Scorecard is costly and need to be adapted over time. The Boston Lyric Opera being a small structure, such a tool is maybe not the best strategic choice in terms of money saving in the long term, even if these kinds of organisations' strategy do not change a lot over time.

Strong involvement of Janice Mancini Del Sesto:

Finally we were also interested about the involvement of Janice Mancini Del Sesto in the Boston Lyric Opera Balanced Scorecard project. Indeed, often general directors do not stay a long time in their position and rapidly change from one company to another. So investing in such a project could represent a short term interest for the company without considering the long term success of the company.

However, the fact Janice Mancini Del Sesto staid until 2008 (eight years after the implementation of the Balanced Scorecard) reveals that she was strongly investing herself for the best interest of the company, showing that she probably considered the project with high importance. Additionally, she was assimilated to one of the key success factors of the Boston Lyric Opera success during the following years, showing that even if the Balanced Scorecard was not the only reason of this success, it probably helped to reach objectives and to achieve the mission during these years.

When she publicly announced she was leaving, on November 2007, she precised: "At this point in my personal and professional life, I look forward to new challenges when I complete my tenure in 2009. BLO has a strong staff, board and support base; a healthy balance sheet; and an excellent product, programs and reputation. There couldn't be a better time for the Company to recruit a new administrative and artistic team".

5. Conclusion about the Balanced Scorecard success

The Balanced Scorecard has been positive in several ways for Boston Lyric Opera. First it has allowed to better define, understand and integrate the strategy within the company's missions, and has fostered people to think more strategically and with greater clarity about their objectives within a united vision. Secondly, this project has encouraged employees' motivation and involvement by making them aware of their role and importance in the long term success of the company, and by challenging them, fostering self-assignment in defining their objectives to achieve their targets. Thirdly financial statement for the year 2000 compared to 1999 (that we will see in details in the following part) and medias illustrate the fact that the Boston Lyric Opera experienced successful years following the implementation of the Balanced Scorecard.

Regarding all this we can conclude that this Balanced Scorecard project has been successful and has helped the company in the success it encountered in the early 2000's.

However, some negative aspects can be expressed. Indeed, we have seen that the particular structure of the Boston Lyric Opera with the financial dimension at the basis can have a double meaning and is not necessarily justified. The specific choice of a Balanced Scorecard is also controversial. Finally, no information at all are related today by the company about the Boston Lyric Opera's Balanced Scorecard project of 2000. This questions the consideration of the Balanced Scorecard in the early 2000's success and suggests that the Balanced Scorecard is not used anymore by the Boston Lyric Opera.

D. The Boston Lyrics Opera today

1. History

From 2000 to 2008, the Boston Lyric Opera enjoyed successful years and even became the first ranked regional company thanks to Janice Mancini Del Sesto and to her music director Stephen Lord. They make the company especially famous for bringing emerging singers to Boston (even launching some international career) while keeping having established stars to appear in fascinating material. However, when the worldwide economic crisis stroke the company faced difficulties to attract donors as well as attendance. Tickets sales and financial supports fell, leaving Janice Mancini Del Sesto with two choices. Indeed she could whether ignore this situation and continue providing interesting repertory and strong box office appeal artists; or she could go back to the standard works what everyone knows and likes and wait for the crisis to end. She chose the last and more prudent option but in the very musically sophisticated city of Boston, this was an error, interest for productions decreased and the subscribers dropped their subscriptions because of the lack of creativity in the offerings. Finally, Stephen Lord and Janice Mancini Del Sesto departures were announced shortly thereafter.

Esther Nelson replaced Janice Mancini Del Sesto from 2009 until today. She worked on a return to more varied and interesting repertory but have been strongly criticised for how she produced this repertory (she was cutting parts of half the productions). Today, the Boston Lyric Opera has not recovered its old success, the company is struggling with financial difficulties, and the future of the company is still in doubt.

2. Financial situation (from the implementation until today)

While implementing the BSC 1999-2000:

The Boston Lyric Opera Financial Statement³ for the year 2000 reveals an important financial growth from the 31th of Mai 1999 to the 31th of May 2000. First, *Total Support* has increased by 47%, from around 3.3 to 4.8 million dollars. This is consistent with the company's strategy to mainly focus on financial contributions as the main source of revenues. Secondly, *Total revenues* have increased by 38% from 4.8 to 6.7 million dollars. With the expansion of the Boston Lyric Opera's activities during this year, *production expenses* increases by 1 million dollar, leading to a global increase of *Total Expenses* of 2 million dollars. Finally, *Net Incomes* have been multiplied by 2.8 reaching 342,400 dollars in 2000. These global information clearly illustrate the willingness at this time, of the Boston Lyric Opera to develop its business. However, we can see that although the number of seats capacity increased by 68%, due to Boston Lyric Opera major transition to the Schubert Theater, the impact on ticket sales isn't proportional and only resulted on an increase by 20%.

The Balance sheet of 2000 depicts an increase by 37% of the Total assets (reaching 3.2 million dollars) compared to 1999, mainly due to higher Cash (440,000 dollars more) and

³ See in appendix 3 for BLO Financial Statement for 1999 and 2000

Unconditional promises to give (330,000 dollars more). This is consistent with the increase in Total Support we observed previously concerning the Financial Statement. Liabilities have consequently increased by 56% (reaching 1.7 million dollar in 2000) due to higher Account payable and Advance ticket subscriptions, which is again consistent with previous observations. Finally Net assets that are contributed by donors, attained 1.9 million dollars in 2000 (23% more than in 1999).

Today financial situation:

Financial statement⁴ for the years 2011 and 2012 is available on the Boston Lyric Opera website. Compared to 2000, we can first notice that *Total Support* has increased by 10% reaching 5.4 million dollars. But the most interesting part of this, is the fact that *Contributions* have decreased by 25% (around 1 million dollar) while *Grants* have increased by the same amount of 1 million dollar. This difference is explained by the *EnVision Opera Challenge* the Boston Lyric Opera started in November 2010, and which is a four-year 1 million dollar grant from an anonymous family foundation. Each year, the Boston Lyrics Opera leverage 250,000 dollars in order to attract 750'000 dollars from foundations and individuals. The company hopes the success will allow to allocate not just through 2014 but also beyond, the resources needed to ensure sustainability of the company in the future. Through the *EnVision Opera Challenge* the Boston Lyric Opera additionally offers to donators of more than 3,000 dollars to the BLO's Annual Fund, to become members of the *Orfeo Society*, their core community of supporters. Being part of the *Orfeo Society* allow supporters to enjoy special benefits such as behind-the-scenes access to productions, artists, music, and opera-making; special treatments when ticketing to obtain best seats, and finally access to the Orfeo Lounge where they can share their passion together. The Boston Lyrics Opera also has another community of supporters, the largest one, which is called *Friends of Boston Lyrics Opera*, offering them advantages such as backstage tours, invitations to private events, and through which members can actively socialize and share their passion. The objective of the *Orfeo Society* and the *Friends of Boston Lyrics Opera* is to foster supporters' generosity and passion for the art, to help the Boston Lyric Opera to preserve it.

Compared to 2000, *Revenues* have decreased by 22% reaching 1.4 million dollars. This is mainly explained by 350,000 dollars reduction in the *Tickets Sales* revenues reflecting a decline in audience maybe due to the worldwide economic recession.

Compared to 2000, *Total expenses* haven't changed much and have barely increased by 6% to reach an amount of 6.7 million dollars. The only small changes we can notice is the fact the *General and Administrative* expenses have been divided by two allowing to allocate more resources in the Ongoing *Production* expenses (with an additional 285,000 dollars budget), and in *Marketing and Promotion* expenses (that have doubled with 740,000 dollars in 2012). Finally, the company created a new account, the *Community Engagement* (for which 116,000 dollars were allocated in 2012) that is the results of several initiatives such as organization of family and education programs (with free and open to public opera nights, concerts, museum

⁴ See in appendix 4 BLO Financial Statement for 2011 and 2012

events, zoo animal explorations, children's arts & crafts, activities, lectures...) in collaboration with the Boston Public Library; free Open House days (where visitors enjoy backstage tours and guided visits of the BLO); and sponsoring of special workshops in their Vacation Week Institute in collaboration with the Wheelock Family Theater specially dedicated for children and teenagers in holidays.

The Balance Sheet of 2011 and 2012 reveals an important growth of the Total Assets, from 3.5 to 5.9 million dollars, due to higher Investments and Pledge receivable, while current assets (specifically Cash) have decreased by 350,000. Liabilities have decreased by 30% to attain 1.1 million, due to lower Account payable and Advance ticket subscriptions. The important increase of asset observed traduces the Boston Lyric Opera willingness to grow sustainably and results in high Total Net Assets of 4.8 million, which is 2.5 times more than in 2000.

3. Mission, Strategy and People

People:

Janice Mancini Del Sesto has been general and artistic director of the Boston Lyrics Opera since 1992 and kept her status 16 years, until 2008. Today, she is senior director of Development at the South Florida Wildlife Center, a non-profit organisation. She is in charge of all aspects of fund development planning and implementation, and manages direct marketing, communications, special events and growing the support base.

Since 2008 Esther Nelson is the new general and artistic director. Before 2008, she was a management consultant for artistic associations (such as the New York Historical Association, the Farmers' Museum in Cooperstown in New York, European International Music and Arts Foundation or the Cultural Diplomacy Institute in New York and Berlin). She became consultant after holding six years long the General Director/CEO position of Glimmerglass Opera in New York, one of the largest and most famous United States Opera festivals. During her tenure, the company observed a significant artistic growth and financial stability. Since her arriving, she has launched many community programs including Opera Annex, Signature Series at the Museum of Fine Arts, Open House, and partnerships with Boston University's Opera Institute as well as other universities and organizations' collaborations.

Other senior staffs are Dan Duro, Managing director, Nicholas Russell, Director of Artistic Operations, Aileen Nugent Williston, Director of Development, Steven Glanzman, Chief Administrative Officer and Ryan Jimenez, Management Director Operation and Marketing Communications.

Stephen Lord was music director at the Boston Lyrics Opera from 1991 to 2008 (the same time lapse than Janice Mancini Del Sesto), and since 2008, David Angus is the new music director. Concerning other people in the Organizational chart of 2000, it seems that all of them have changed.

Mission and Strategy:

In the early 2000, we have seen that the Mission of Boston Lyrics Opera was oriented around three main purposes: Loyal and Generous Contributors; National and International Opera Scene and Greater Boston Community.

Today's Mission of Boston Lyric Opera is *"to build curiosity, enthusiasm, and support for opera by creating musically and theatrically compelling productions, events, and educational resources for our community and beyond. We produce opera in all forms, large to small, popular to lesser known, from early music to newly-commissioned works"*. We can see that their mission still highlights the importance of contributors to ensure the company sustainability but more under a communal way. Indeed, the community dimension seems to be more important than before and to form a key success factor pillar of the company's mission. Also, the mission today is no more communicating about the internationalisation dimension.

We believe that rather than focusing on its reputation the company seeks to communicate about its willingness to foster people to be part of their community, that address to every artists and spectators (different kinds of shows for all the tastes, different artistic levels...). Additionally, the Boston Lyrics Opera proposes more and more additional educational programs to increase public awareness of the arts and ensure future public interest and support to the company. Finally the company tries to communicate more and more about its willingness to be perceived as a creative and innovative opera to regain its popularity.

In conclusion, today's strategy is mainly based on creating awareness about the diversified and creative arts the Boston Lyrics Opera is promoting, and about developing a consequent artistic community where members can share their passion, experience and nourish their knowledge and love about arts, in order to encourage them to support the Boston Lyric Opera to preserve both the company and the arts.

4. Competitors today

The Boston Lyrics Opera is competing at two levels. First at a national level, the company is competing with small and big American Opera companies. At an international level the Boston Lyrics Opera is also competing with big international players.

National competition:

The national competition gathers around 125 small, middle and big opera houses in the United States mainly located in the biggest cities of America. According to the production company American Opera Theater, the most known opera house is the Metropolitan Opera House located at the Lincoln Center in New York. With 3,800 seats, 220 opera performances each year and founded in 1880, it represents the largest and oldest opera house in the United States. The Metropolitan appears as one of the biggest and most extravagant in the world (hiring only the best people, directors, choreographers, dancers or operas singers). The second largest opera in the United States is Civic in Chicago with around 3,100 seats. It has been founded in 1929 and is known for its art-deco style resulting from a three years, one hundred million dollar remodelling project in 1993. There is also the War Opera House in San Francisco, founded in 1932, with around 3,100 seats and with the specific mission of honouring people who served in the World War I. The fourth largest opera house is the Potomac River in Washington offering 2,300 seats, founded in 1971 and located at the John F. Kennedy Center for the Performing Arts. The last big opera we could mention is the Nancy Lee and Perry R Bass Performance Hall in Fort Worth which opened in 1998. This opera house is famous for its spectacular building, probably the most modern of the popular operas houses.

Finally, if we consider in addition, regional competition, we can evoke the Boston Opera House, also operating in Boston, created in 1928 and having 2,677 seats.

International competition:

At an International level, the Boston Lyrics Opera competes with the biggest ones, even if they are not always present on the same segments. According to National Geographic, the top ten operas in the world are:

1. La Scala in Milan (Italia), founded in 1778 is known as having presented some of the best known world premieres (like Otello or Madame Butterfly).
2. The Teatro di San Carlo in Naples (Italia), is the world oldest working theatre, founded in 1737
3. Teatro Colon in Buenos Aires (Argentina), has been founded in 1908 and offers around 2,500 seats.
4. Royal Opera House in London (England) has been built in 1856, offers 2,300 seats, and is home of the Royal Opera, The Royal Ballet, and the Orchestra.
5. Bolshoi in Moscow (Russia) has been founded in 1825

6. Sydney Opera House (Australian) has opened in 1973, well known for its spectacular building.
7. Paris Garnier (France) has been founded in 1875 and is home of the Paris Opéra, known for some great premieres (like Verdi's Don Carlos).
8. Versailles Court Theater (France) built in 1770 with around 700 seats.
9. Vienna Staatsoper (Austria) has been built in 1869 and is particularly famous for its winter ball.
10. Lincoln Center in New York (United States) gathering the Metropolitan Opera, the New York Philharmonic and the New York City Ballet.

Other articles mentioned the Copenhagen Opera House in Denmark as one of the most modern opera house in the world (which has cost over 500 million dollars), the Opera Zurich House (Switzerland), founded in 1891 with 1,100 seats and known as a pioneer music theatre with high artistic standards in opera and ballets; and the Bavarian State Opera in Munich (Germany) which is known for its famous directors (Such as Richard Strauss or Richard Wagner) and for its summer festival "opera for everybody".

We can notice that all these companies have invested a lot in renovations and strive to update the opera old-fashioned image through special programs to get the general public and the young people (special prices for students, opera museum, guided tours, teaching programs for teenagers and children...)

The Boston Lyric Opera:

Although the Boston Lyric Opera benefits from a good reputation, the company appears as young and small compared to the big national and international competitors. Indeed, due to its smaller size, the company presents weaknesses compared to them in terms of fundraising and grant, marketing budget available and attractiveness (for well-known star performers). However, the Boston Lyric Opera is the largest New England opera house, and tries to differentiate itself from national and international competitors by investing in new emerging and innovative segments. In 2008, the Boston Lyric Opera was specially recognized for its ability to identify some of the opera's most exciting emerging talents and presenting them to Boston audiences. Moreover, the Boston Lyric Opera has strongly developed its programs for school children and families, and on the community programs we have seen above. But this is nothing compared to the Metropolitan Opera House which recently invested in new segments and markets, for example with "*The Met: Live in HD*" to retransmit in live and in HD some productions directly from their website or also available in American and international cinemas and televisions. "*The Met: Live in HD*" brought an additional 34.5 million dollars revenues to the company for the 2012-2013 season and a combined 121 million dollars revenues (including both Live in HD and box office) according to the Metropolitan Opera House 2012 annual report. This diversification on new markets represents a new form of competition for American opera houses, as spectators do not anymore need to go to the opera

to enjoy the show. Even if we believe this new way to watch opera will not discourage opera fanatics to enjoy the authentic acoustic of a real opera, this could however represent an alternative for not passionate or young people. Regarding this, one recommendation we could do to the Boston Lyric Opera would be to diversify its services and develop similar services.

If we compared financial statements for the Boston Lyric Opera and the Metropolitan Opera House⁵ we can see that 47% of the Metropolitan Opera House revenues come from contribution representing 150.3 million dollars for the fiscal year of 2012 (mainly coming from government agencies such as the City Department of Cultural Affairs or the National Endowment for the Arts), while it is 79% for the Boston Lyric Opera with 5.3 million dollars. Indeed, 30% of the Metropolitan Opera House revenues come from box office (94.4 million dollars) while this source of revenues only represents 20% for the Boston Lyric Opera. This illustrates the fact that the Metropolitan Opera House revenues are more diversified and then less risky than the Boston Lyric Opera for which tickets revenues are even decreasing more and more (1.9 million dollars in 2009, 1.8 million dollars in 2010, 1.6 million dollars in 2011 to finally 1.4 million dollars in 2012). This indicates that the Boston Lyric Opera strategy should maybe not rely too much on contributions and supports, and should try to diversify more its revenues through larger tickets sales. Indeed, even if contributions for now allow the Boston Lyric Opera to finance itself, the company long term success depends on spectators' interest for the Arts and for the opera. This is why the Boston Lyric Opera should not neglect the tickets sales dimension.

Additionally, the Boston Lyric Opera could diversify its revenues through new products and services development. For instance, the company could develop its online services through media rebroadcasting shows, and through online merchandising services and sales of secondary products. Finally, the company could extend online donation capabilities not only for important supporters but also for small donors who could help contribute to the company's survival. Moreover, we have seen that many small opera houses exist in the United States so we believe that for the long term success of the company, the Boston Lyric Opera should develop partnerships with some opera houses to benefit from synergies and optimize resources allocation. This such partnership could allow the company to provide higher creative productions and to strengthen potential donors trust in the company future.

Finally, expenses for both companies present about the same structure with around 65% of expenses due to performances (or productions) and 11% dedicating to media and marketing.

5. Usage of BSC today

No information can be found on the press or the Boston Lyric Opera website to know if the Boston Lyric Opera is still using the Balanced Scorecard. We tried to contact them by mail but did not get any answer. However, we believe that it is probably not the case anymore. Moreover, it is very likely that following the departure of Janice Mancini Del Sesto, the new CEO, Esther Neston has considered her own management tool.

⁵ See in appendix 5 and 6 Metropolitan Opera House Financial Statement for 2012

Conclusion

Generally, we can conclude that projects concerning the implementation of a Balanced Scorecard represent a good challenge for non-profit organisations as they may not have a clear vision on their own strategy. It encourages both executives and staff members to think more strategically about their long term mission and strategy allowing them to survive. In this sense, the Balanced Scorecard implementation at the Boston Lyric Opera has been a positive and successful project allowing to better understand and define the strategy and to better align its people and daily objectives within the long term strategy of the company. Additionally, it has stimulated employees' organisation and motivation by making them aware of the importance of their respective role in the future success of the company and by empowering them about their specific objectives and targets.

However, it seems that the work art sector is a fast moving industry where it is not easy to compete as a small player. Indeed, recent financial statements illustrate that the Boston Lyric Opera is facing difficulties, mainly due to an increase in operating expenses and a decrease in both tickets sales and donations. Regarding this, the Boston Lyric Opera seems to take financially less risk, leading to less innovation capabilities and investments.

Finally, if the Balanced Scorecard has been a success in the early 2000's, we cannot know if this results from the project or from other factors such as the strong implication and leadership of Janice Mancini Del Sesto in the company. Additionally, excepted articles written by Kaplan, no information concerning the Balanced Scorecard implementation have been related by the company since then. This is why we can ask ourselves about the justification of such a costly project for a company for which each saving money counts.

In terms of recommendations, we have seen in comparison with the Metropolitan Opera House that the Boston Lyric Opera was less diversified in terms of its revenues sources. This is why we would recommend the company to try to more focus on one side on increasing the tickets sales part in the revenues, and on the other side, on developing new segments and markets products and services allowing to generate new sources of revenues.

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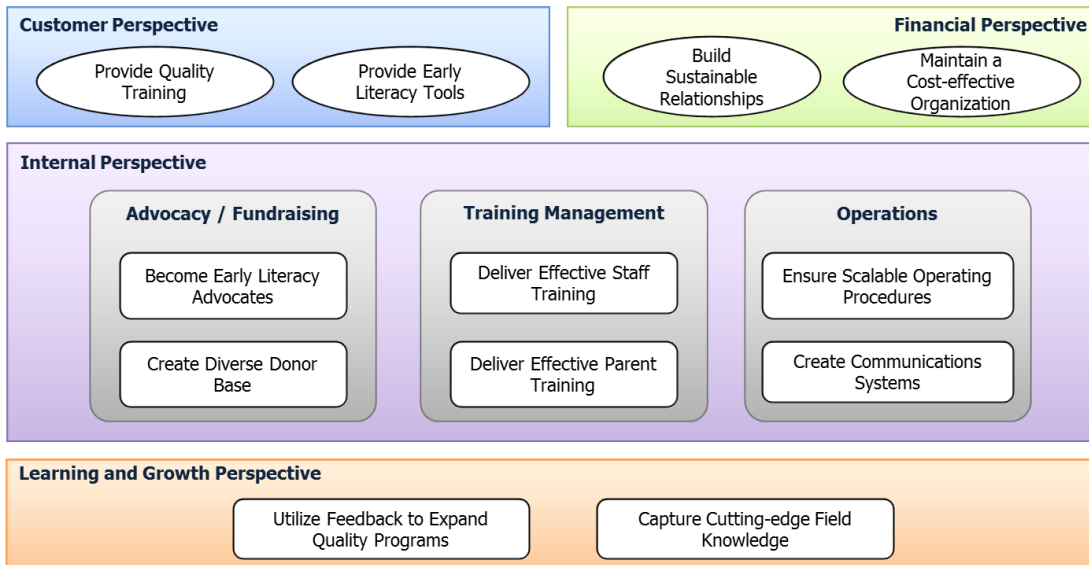
Appendices

1. Appendix 1: example of Strategy Map for non-profit organisation

Early Literacy Organization

Strategy Map is Modified for Educational Purposes

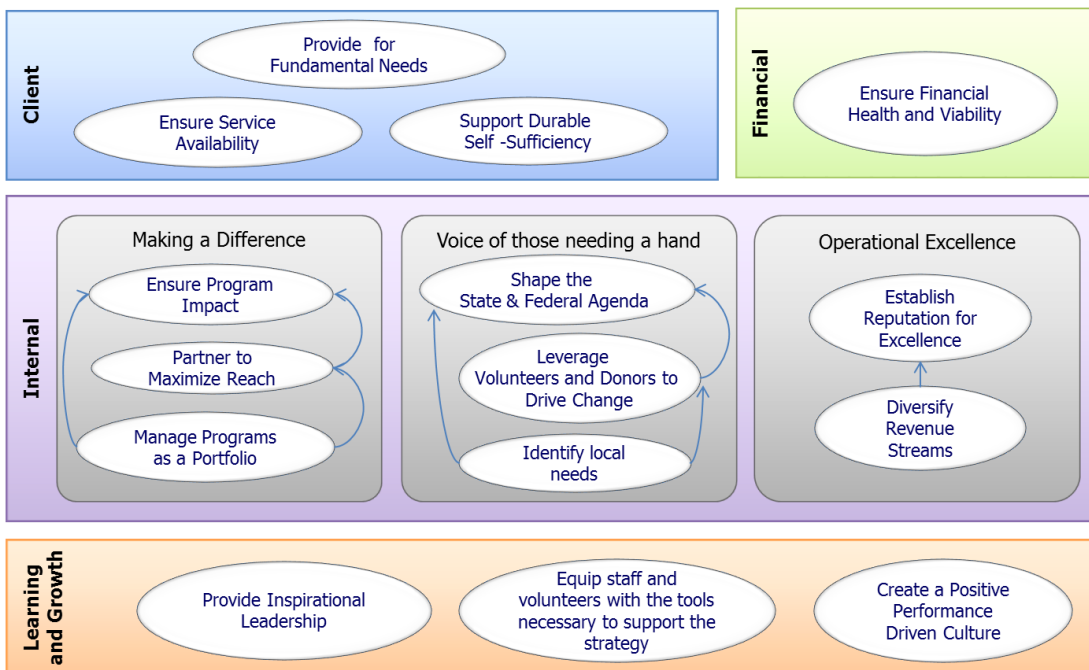
Improve literacy rates by encouraging families to start reading to their children at an early age.



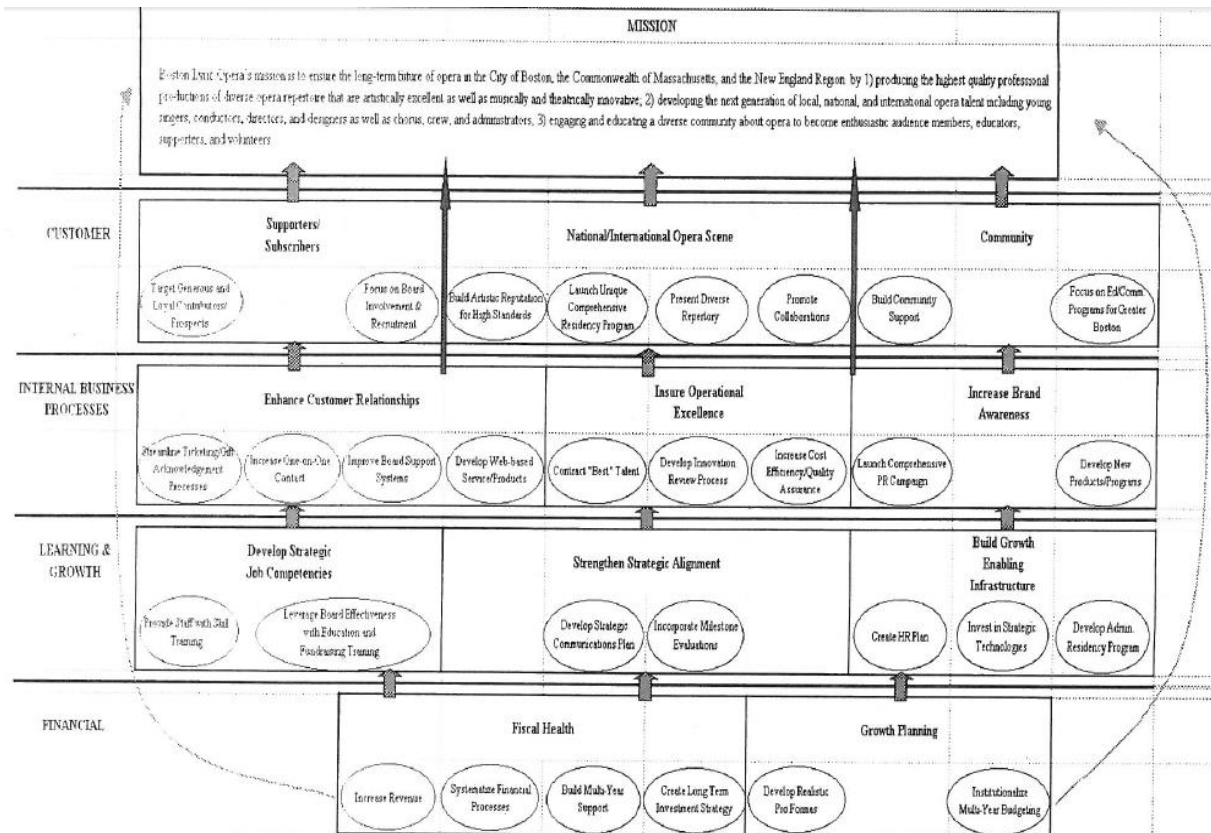
Social Services Organization Strategy Map

Strategy Map is Modified for Educational Purposes

Our Mission: Connecting a community of volunteers to support the dignity of those needing a hand.



2. Appendix 2: Boston Lyric Opera Balanced Scorecard



3. Appendix 3: BLO financial statements for 1999 to 2000

Income Statement for the Year Ended May 31, 2000

	2000	1999
Support:		
Contributions	\$4,223,042	\$2,619,338
Special events	372,110	218,062
Grants	205,710	393,055
Contributions-in-kind	34,970	61,438
Total support	<u>\$4,835,832</u>	<u>\$3,291,893</u>
Revenue:		
Ticket sales	\$1,713,389	\$1,431,620
Other Income	78,313	67,117
Interest	57,088	38,663
Unrealized gain	208	--
Total revenue	<u>\$1,848,998</u>	<u>\$1,537,400</u>
Total support and revenue	<u>\$6,684,830</u>	<u>\$4,829,293</u>
Expenses and Losses:		
Production expenses ^a	\$3,774,179	\$2,685,447
General and administrative	1,520,287	1,222,965
Development expenses	610,709	472,517
Education	274,691	317,132
Bad debt	153,828	--
Loss on sale of securities	8,737	5,098
Loss on disposal of assets	--	3,301
Unrealized loss	--	624
Total expenses and losses	<u>\$6,342,431</u>	<u>\$4,707,084</u>
Net Income	<u>\$ 342,399</u>	<u>\$ 122,209</u>

^aSchedule of Production Expenses

	2000	1999
Production salaries and fees	\$2,082,376	\$1,538,004
Other production costs	591,421	358,646
Advertising and promotion	358,775	359,298
Scenery and properties	322,928	52,491
Costumes	224,242	173,928
Theatre rental	159,052	176,421
Depreciation	35,385	26,659
Total production expenses	<u>\$3,774,179</u>	<u>\$2,685,447</u>

4. Appendix 4: BLO financial statement for 2011 to 2012

BOSTON LYRIC OPERA COMPANY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING SUPPORT AND REVENUE:								
Operating support:								
Contributions	\$ 2,211,220	\$ 1,107,255	\$ -	\$ 3,318,475	\$ 2,232,141	\$ 1,609,652	\$ -	\$ 3,841,793
Grants	605,592	666,249	-	1,271,841	424,800	345,656	-	770,456
Special events	606,051	5,000	-	611,051	459,136	2,000	-	461,136
In-kind contributions	148,990	-	-	148,990	139,499	-	-	139,499
Net assets released from restrictions:								
Time	1,216,495	(1,216,495)	-	-	923,353	(923,353)	-	-
Purpose	550,997	(550,997)	-	-	1,021,466	(1,021,466)	-	-
Total operating support	<u>5,339,345</u>	<u>11,012</u>	<u>-</u>	<u>5,350,357</u>	<u>5,200,395</u>	<u>12,489</u>	<u>-</u>	<u>5,212,884</u>
Operating revenue:								
Ticket sales	1,368,156	-	-	1,368,156	1,579,011	-	-	1,579,011
Investment income designated for current operations	64,000	-	-	64,000	60,000	-	-	60,000
Other	6,369	-	-	6,369	41,088	-	-	41,088
Interest	1,531	-	-	1,531	3,479	-	-	3,479
Total operating revenue	<u>1,440,056</u>	<u>-</u>	<u>-</u>	<u>1,440,056</u>	<u>1,683,578</u>	<u>-</u>	<u>-</u>	<u>1,683,578</u>
Total operating support and revenue	<u>6,779,401</u>	<u>11,012</u>	<u>-</u>	<u>6,790,413</u>	<u>6,883,973</u>	<u>12,489</u>	<u>-</u>	<u>6,896,462</u>
OPERATING EXPENSES:								
Ongoing productions	4,419,271	-	-	4,419,271	4,420,411	-	-	4,420,411
Development	789,282	-	-	789,282	816,523	-	-	816,523
Marketing and promotion	741,141	-	-	741,141	635,307	-	-	635,307
General and administrative	641,916	-	-	641,916	634,787	-	-	634,787
Community engagement	116,407	-	-	116,407	258,872	-	-	258,872
Total operating expenses	<u>6,708,017</u>	<u>-</u>	<u>-</u>	<u>6,708,017</u>	<u>6,765,900</u>	<u>-</u>	<u>-</u>	<u>6,765,900</u>
Changes in net assets from operations	<u>71,384</u>	<u>11,012</u>	<u>-</u>	<u>82,396</u>	<u>118,073</u>	<u>12,489</u>	<u>-</u>	<u>130,562</u>
NON-OPERATING REVENUE (EXPENSES):								
Investment income, net	6,604	53,085	-	59,689	41,107	201,487	-	242,594
Investment income designated for current operations	-	(64,000)	-	(64,000)	-	(60,000)	-	(60,000)
Total non-operating revenue (expenses)	<u>6,604</u>	<u>(10,915)</u>	<u>-</u>	<u>(4,311)</u>	<u>41,107</u>	<u>141,487</u>	<u>-</u>	<u>182,594</u>
Changes in net assets	<u>77,988</u>	<u>97</u>	<u>-</u>	<u>78,085</u>	<u>159,180</u>	<u>153,976</u>	<u>-</u>	<u>313,156</u>
NET ASSETS, beginning of year	<u>217,490</u>	<u>3,330,230</u>	<u>1,130,225</u>	<u>4,677,945</u>	<u>58,310</u>	<u>3,176,254</u>	<u>1,130,225</u>	<u>4,364,789</u>
NET ASSETS, end of year	<u>\$ 295,478</u>	<u>\$ 3,330,327</u>	<u>\$ 1,130,225</u>	<u>\$ 4,756,030</u>	<u>\$ 217,490</u>	<u>\$ 3,330,230</u>	<u>\$ 1,130,225</u>	<u>\$ 4,677,945</u>

The accompanying notes are an integral part of these statements.

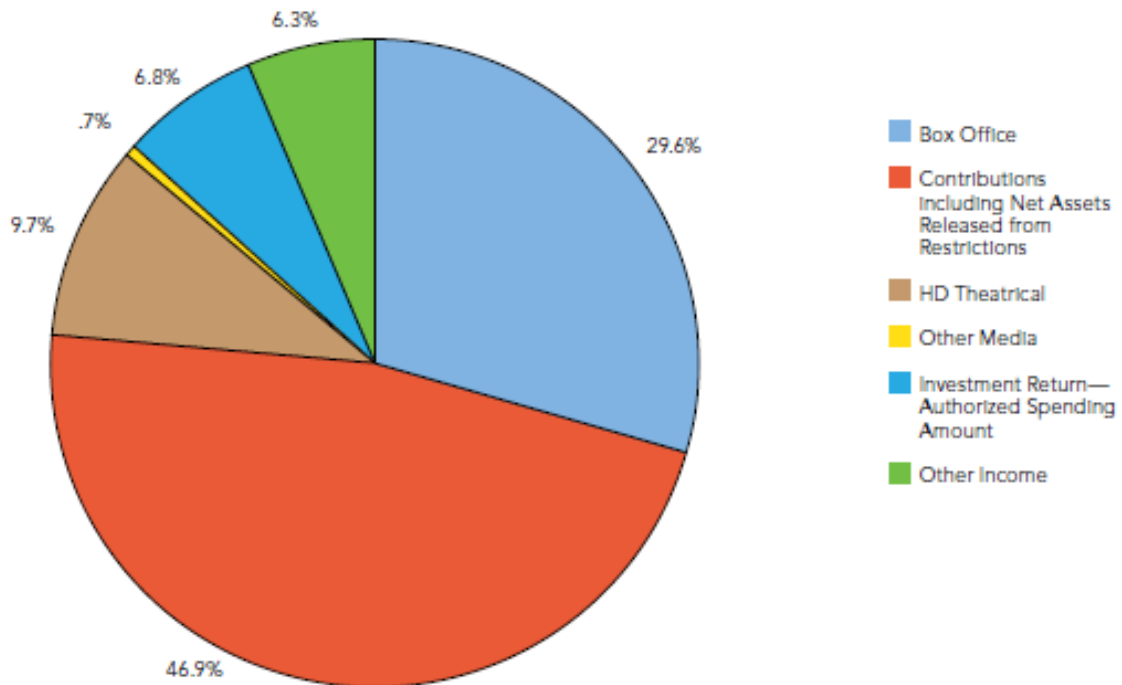
5. Appendix 5: Metropolitan Financial statements

Years ended July 31, 2012 and 2011 (In thousands)

	2012			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Operating revenues:				
Opera activities:				
Box office and tours	\$ 94,795	—	—	94,795
Media revenues	33,295	—	—	33,295
Other revenues	5,022	—	—	5,022
Ballet and other presentations	7,961	—	—	7,961
Investment return and bequest authorized spending amount (note 3)	21,920	—	—	21,920
Other income (note 3)	7,231	—	—	7,231
Total	<u>170,224</u>	<u>—</u>	<u>—</u>	<u>170,224</u>
Operating expenses:				
Opera activities:				
Performances	195,593	—	—	195,593
Media	33,463	—	—	33,463
New productions	24,348	—	—	24,348
Other expenses	8,277	—	—	8,277
Ballet and other presentations	7,615	—	—	7,615
Opera House	18,713	—	—	18,713
General management (note 5)	17,290	—	—	17,290
Total	<u>305,299</u>	<u>—</u>	<u>—</u>	<u>305,299</u>
Loss from operations before contribution activities	<u>(135,075)</u>	<u>—</u>	<u>—</u>	<u>(135,075)</u>
Contributions and bequests	90,851	28,864	4,134	123,849
Net assets released from restrictions	<u>59,487</u>	<u>(59,487)</u>	<u>—</u>	<u>—</u>
	150,338	(30,623)	4,134	123,849
Fund-raising expenses	<u>(15,263)</u>	<u>—</u>	<u>—</u>	<u>(15,263)</u>
Net contribution activities	<u>135,075</u>	<u>(30,623)</u>	<u>4,134</u>	<u>108,586</u>
(Deficiency) excess of operating revenues over expenses	—	(30,623)	4,134	(26,489)
Investment return (less) greater than spending amount (note 3)	(3,238)	(13,616)	(1,558)	(18,412)
Bequests received greater than amounts appropriated for operations	1,026	—	—	1,026
Pension plan changes other than net periodic cost (note 6)	(54,160)	—	—	(54,160)
Change in value of interests in split-interest agreements	(444)	2,126	278	1,960
Change in fair value of interest rate swap (note 5)	(813)	—	—	(813)
Capital contributions and other	372	3,500	—	3,872
Change in donor designation	—	—	—	—
Reclassification of net assets due to adoption of ASC 958-205 (note 8)	—	—	—	—
Change in net assets	<u>(57,257)</u>	<u>(38,613)</u>	<u>2,854</u>	<u>(93,016)</u>
Net assets (accumulated deficit):				
Beginning of year	<u>(133,347)</u>	<u>173,627</u>	<u>216,635</u>	<u>256,915</u>
End of year	<u>\$ (190,604)</u>	<u>135,014</u>	<u>219,489</u>	<u>163,899</u>

6. Appendix 6: Metropolitan revenues and expenses sources

2012 Unrestricted Operating Revenues



2012 Operating Expenses

