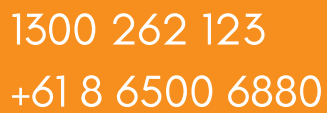




# SUPERIOR MACHINERY STRATEGIES

# Balanced Scorecard



SUPERIOR MACHINERY STRATEGIES

# INTRODUCTION

**We create what's next for  
your business to succeed.**

## **BALANCED SCORECARD**

Measure your resources and how capable they make your business.

In the beginning, was darkness. We went to work, did our job (well or otherwise) and went home – day in and day out. We did not have to worry about targets, annual assessments, metric-driven incentives, etc.

**Aahh... life was simple back then.  
Then there came light.**

Bosses everywhere cast envious eyes towards our transpacific cousins whose ambition was to increase production and efficiency year by year. Like eager younger siblings, we trailed behind them on the (sometimes) thorny path to enlightenment.

Early Metric-Driven Incentives – MDIs – were (generally) focused on the financial aspects of an organisation by either claiming to increase profit margins or reduce costs. They were not always successful, for instance, driving down costs could sometimes be at the expense of quality, staff (lost expertise) or even losing some of your customer base.

Two eminent doctors (Robert S Kaplan and David P Norton) evolved their Balanced Scorecard system from early MDIs and jointly produced their (apparently) groundbreaking book in 1996. Many other 'gurus' have jumped on the Balanced Scorecard wagon and produced a plethora of books all purporting to be the 'Definitive' book on Balanced Scorecards.

Amazon.com shows over 4,000 books listed under Balanced Scorecards, so take your pick – and your chances!



SUPERIOR MACHINERY STRATEGIES

# THE DEFINITION

## What exactly is a Balanced Scorecard?

A definition often quoted is:

***'A strategic planning and management system used to align business activities to the vision statement of an organisation'***

More cynically, and in some cases realistically, a Balanced Scorecard attempts to translate the sometimes vague, pious hopes of a company's vision/mission statement into the practicalities of managing the business better at every level.

A Balanced Scorecard approach is to take a holistic view of an organisation and coordinate MDI's (Metric Driven Incentives) so that efficiencies are experienced by all departments and in a joined-up fashion.

To embark on the Balanced Scorecard path an organisation first must know (and understand) the following:

- The company's mission statement
- The company's strategic plan/vision

### THEN

- The financial status of the organisation
- How the organisation is currently structured and operating
- The level of expertise of their employees
- Customer satisfaction level

## SUPERIOR MACHINERY STRATEGIES

# EXAMPLES

The following table indicates what areas may be looked at for improvement (the areas are not exhaustive and are often company-specific):

**BALANCED SCORECARD - EXAMPLE OF FACTORS**

DEPARTMENT	AREAS
Finance	Return on Investment Cash Flow Return on Capital Employed Financial Results (Quarterly/Yearly)
Internal Business Processes	Number of activities per function Duplicate activities across functions Process alignment (is the right process in the right department?) Process bottlenecks Process automation
Learning & Growth	Is there the correct level of expertise for the job? Employee turnover Job satisfaction Training/Learning opportunities
Customer	Delivery performance to quality performance for customer Customer satisfaction rate (customer percentage of market)

Once an organisation has analysed the specific and quantifiable results of the above, they should be ready to utilise the Balanced Scorecard approach to improve the areas where they are deficient.





SUPERIOR MACHINERY STRATEGIES

# PERSPECTIVES

**The balanced scorecard suggests that we view the organisation from four perspectives, and to develop metrics, collect data and analyse them relative to each of these following:**

## **1. The Learning & Growth Perspective**

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organisation, people -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode.

Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for the success of any knowledge-worker organisation.

A reasonable assertion is that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organisation, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools.

## **2. The Business Process Perspective**

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements.

These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions, these are not something that can be developed by outside consultants.



SUPERIOR MACHINERY STRATEGIES

# PERSPECTIVES

### 3. The Customer Perspective

Recent management philosophy has shown an increasing realisation of the importance of customer focus and customer satisfaction in any business.

These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline.

In developing metrics for satisfaction, customers should be analysed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

### 4. The Financial Perspective

There remains a traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data.

With the implementation of a corporate database, it is hoped that more of the processing can be centralised and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives.





SUPERIOR MACHINERY STRATEGIES

# GETTING IT RIGHT

**The Balanced Scorecard is a cultural change initiative. Successful organisations use the Balanced Scorecard to create a culture of continual focus on strategy formulation, measurement, and revision. They create strategy-focused organisation.**

The key elements in creating this strategy focused organisation are as follows:

## **1. Mobilise change through executive leadership.**

Building a strategy focused organisation usually involves significant culture change. Organisational change is an evolutionary process. Consistent executive leadership, involvement, active sponsorship, and support are critical to maintaining momentum through the challenges that organisations inevitably encounter.

The executive team must be in agreement on strategies and must drive the scorecard process for it to be successful. Often executives are too busy to be intimately involved in the process, so a cross-functional team is formed. This can be successful if:

- The executive team has first participated in facilitated sessions at which the fundamental mission, vision, and strategic themes are established.
- The team has the ear of the leadership and can readily escalate issues to executives for resolution.
- Executives continue to communicate their support for, and involvement in, the Balanced Scorecard initiative.

## **2. Make strategy a continual process.**

A strategic focus is not maintained if strategy formulation becomes a one-time activity. Feedback loops are needed to constantly focus attention on and reevaluate the strategy and the measures.



SUPERIOR MACHINERY STRATEGIES

# GETTING IT RIGHT

To support strategy evaluation, tools for reporting and analysis should be deployed to enable an analysis of the factors influencing the measures. The budget process also is often linked to strategy, and in some cases, the Balanced Scorecard replaces traditional budget formulation as a way to allocate funds.

### **3. Make strategy everyone's job.**

This is done through strategic education and awareness and by cascading the scorecard down through the organisation, so that business units, departments—or even individuals—create their own scorecards.

The linkages to strategy are explicitly defined at all levels. This helps departments and individuals understand and find new ways to support the strategy of the organisation. It also helps ensure that employees at all levels are being measured and compensated in ways that support that strategy.

### **4. Align the organisation to the strategy.**

This involves evaluating current organisational structures, lines of reporting, and policies and procedures to ensure that they are consistent with the strategy.

It can include the realignment of business units or re-defining the roles of different support units to make sure that each part of the organisation is lined up to best support the strategy.

### **5. Translate the strategy into operational terms.**

Tools like strategy maps, cascaded scorecards, and strategy grids are used to integrate strategy with the operational tasks that employees perform daily. This ensures that tasks are done in ways that support the strategies.





SUPERIOR MACHINERY STRATEGIES

# BALANCED SCORECARD

Strategic Theme: Smart, Profitable Expansion				
Objective		Measure	Target	Initiative
Financial				
Customer				
Process				
Learning & Growth				



# SPECIALIST MACHINERY SALES

AUSTRALIA, NEW ZEALAND & SE ASIA

