

Balanced Scorecard

Ing.J.Skorkovský,CSc.

and various listed resources

Department of Corporate Economy

Balanced Scorecard and continuum of value (1st part)

- Balanced Scorecard is a step in the continuum describing value and how the value is created



Mission – why we exist= proč existujeme

Values – what is important to us- co je důležité



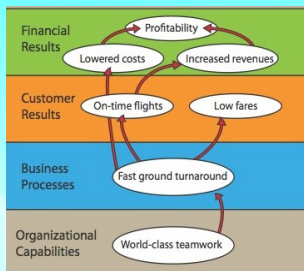
Vision – what we want to be- kam jdeme

Strategy – our game plan – strategie postupu



Strategy map – translate to strategy

Balanced scorecard – measure and focus



See next show

Vysvětlivky k předchozímu snímku

- **MISE** : Vyjádření toho, proč a k čemu organizace existuje, co chce dělat, co umí. Základním posláním každého podniku je svým zákazníkům poskytovat buď nějakou službu nebo jim prodávat nebo jinak poskytovat svoje výrobky
- **Vize** (anglicky **Vision**) je pojem, který se používá v rámci [strategického řízení](#). Vize je to představa žádoucího budoucího cílového stavu a má podobu jednoduchého popisu jeho podoby a ideálního stavu, kterého chce [organizace](#) svojí **strategií** dosáhnout.
- **Vize je součástí motivačních faktorů** (jedná se o největší motivátor) v [organizaci](#) - pomáhá “táhnout za jeden provaz směrem k jejímu naplnění”. Klíčové je, aby se s vizí ztotožnili všichni [manažeri](#) a zaměstnanci v organizaci. Stanovení vize je vhodné pro všechny typy a velikosti organizace. Bez ní chybí jasně vyjádřený směr, kterým se chce organizace vydat a špatně se tak stanovují další motivátory.
- Metoda **SMART** umožňující dosahovat cíle
- **S** - Specific – specifické, konkrétní cíle
- **M** - Measurable – měřitelné cíle
- **A** - Achievable/Acceptable – dosažitelné/přijatelné
- **R** - Realistic/Relevant – realistické/relevantní (vzhledem ke zdrojům)
- **T** - Time Specific/Trackable – časově specifické/sledovatelné

Balanced Scorecard and continuum of value (2nd part)

- Balanced Scorecard is a step in the continuum describing value and how the value is created

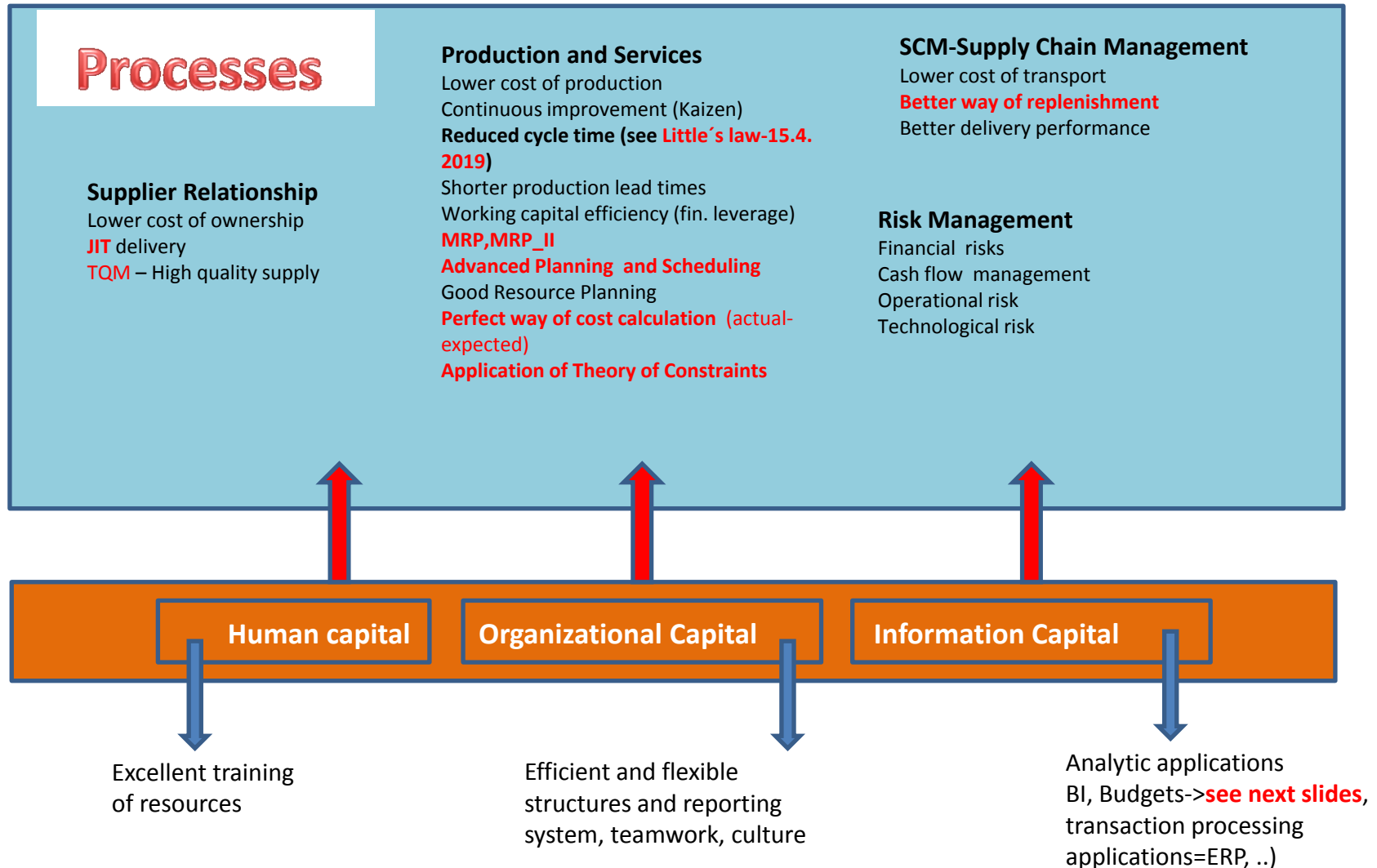


Definition

- BS developed by Robert Kaplan and David Norton
- BS examines a firm's performance in four critical areas



Basic strategy map (two lower BS levels)



Budget model in ERP-setup

G/L Budgets

Type to filter (F3) | Name

| Name | Description | Budget Dimension 1 Code | Budget Dimension 2 Code | Budget Dimension ... | Budget Dimensio... | Bloc... |
|------|-------------|-------------------------|-------------------------|----------------------|--------------------|--------------------------|
| 2018 | 2018 budget | | | | | <input type="checkbox"/> |
| 2019 | 2019 budget | AREA | SALESCAMPAIGN | | | <input type="checkbox"/> |

Set Work Date

Set Work Date

Work Date: 24.1.2019

OK Cancel

General

Budget Name: 2019 | View by: Week

Show as Lines: G/L Account | Rounding Factor: None

Show as Columns: Period | Show Column Name:

Budget Matrix (Filtered)

Balance Find Filter Clear Filter

| Code | Name | Budgeted Amount | 4.2019 | 5.2019 | 6.2019 |
|-------------|------------------------------|-----------------|--------|--------|--------|
| 6610 | Sales, Other Job Expenses | | | | |
| 6620 | Job Sales | | | | |
| 6695 | Total Sales of Jobs | | | | |
| 6710 | Consulting Fees - Dom. | 380,00 | 100,00 | 200,00 | 80,00 |
| 6810 | Fees and Charges Rec. - Dom. | | | | |

Total budgeted amount = 380

Budget model in ERP – (sales of consulting services)

| Lines | | | | | | | | |
|--|------|------------------------|---------------|----------|-------------------|----------------------|-----------------------|-----------------|
| Sales Line (invoice) 24.1.2019 | | | | | | | | |
| Functions ▾ Line ▾ New Find Filter Clear Filter | | | | | | | | |
| Type | No. | Description | Location Code | Quantity | Unit of Measur... | Unit Price Excl. VAT | Line Amount Excl. VAT | Line Discount % |
| G/L Account | 6710 | Consulting Fees - Dom. | BLUE | 10 | HOUR | 40,00 | 400,00 | |

| Lines | | | | | | | | |
|--|------|------------------------|---------------|----------|-------------------|----------------------|-----------------------|--|
| Sales Line (invoice) 31.1.2019 | | | | | | | | |
| Functions ▾ Line ▾ New Find Filter Clear Filter | | | | | | | | |
| Type | No. | Description | Location Code | Quantity | Unit of Measur... | Unit Price Excl. VAT | Line Amount Excl. VAT | |
| G/L Account | 6710 | Consulting Fees - Dom. | | 12 | HOUR | 40,00 | 480,00 | |

| Lines | | | | | | | | |
|--|------|------------------------|---------------|----------|-------------------|----------------------|-----------------------|--|
| Sales Line (invoice) 7.2.2019 | | | | | | | | |
| Functions ▾ Line ▾ New Find Filter Clear Filter | | | | | | | | |
| Type | No. | Description | Location Code | Quantity | Unit of Measur... | Unit Price Excl. VAT | Line Amount Excl. VAT | |
| G/L Account | 6710 | Consulting Fees - Dom. | | 4 | HOUR | 15,00 | 60,00 | |

General Ledger entries

| Posti... Date | Document Type | Document No. | G/L Acco... | Description | Gen. Posti... | Gen. Bus. Posting ... | Gen. Prod... | Amount | Bal. Accou... | Bal. Accou... | Entry No. |
|---------------|---------------|--------------|-------------|--------------|---------------|-----------------------|--------------|---------|---------------|---------------|-----------|
| 24.1.2019 | Invoice | 103037 | 6710 | Invoice 1004 | Sale | NATIONAL | SERVI... | -400,00 | G/L Account | | 2852 |
| 31.1.2019 | Invoice | 103038 | 6710 | Invoice 1005 | Sale | NATIONAL | SERVI... | -480,00 | G/L Account | | 2855 |
| 7.2.2019 | Invoice | 103039 | 6710 | Invoice 1006 | Sale | NATIONAL | SERVI... | -60,00 | G/L Account | | 2858 |

$$400+480+60=940$$

Budget- Planned-Actual

Options

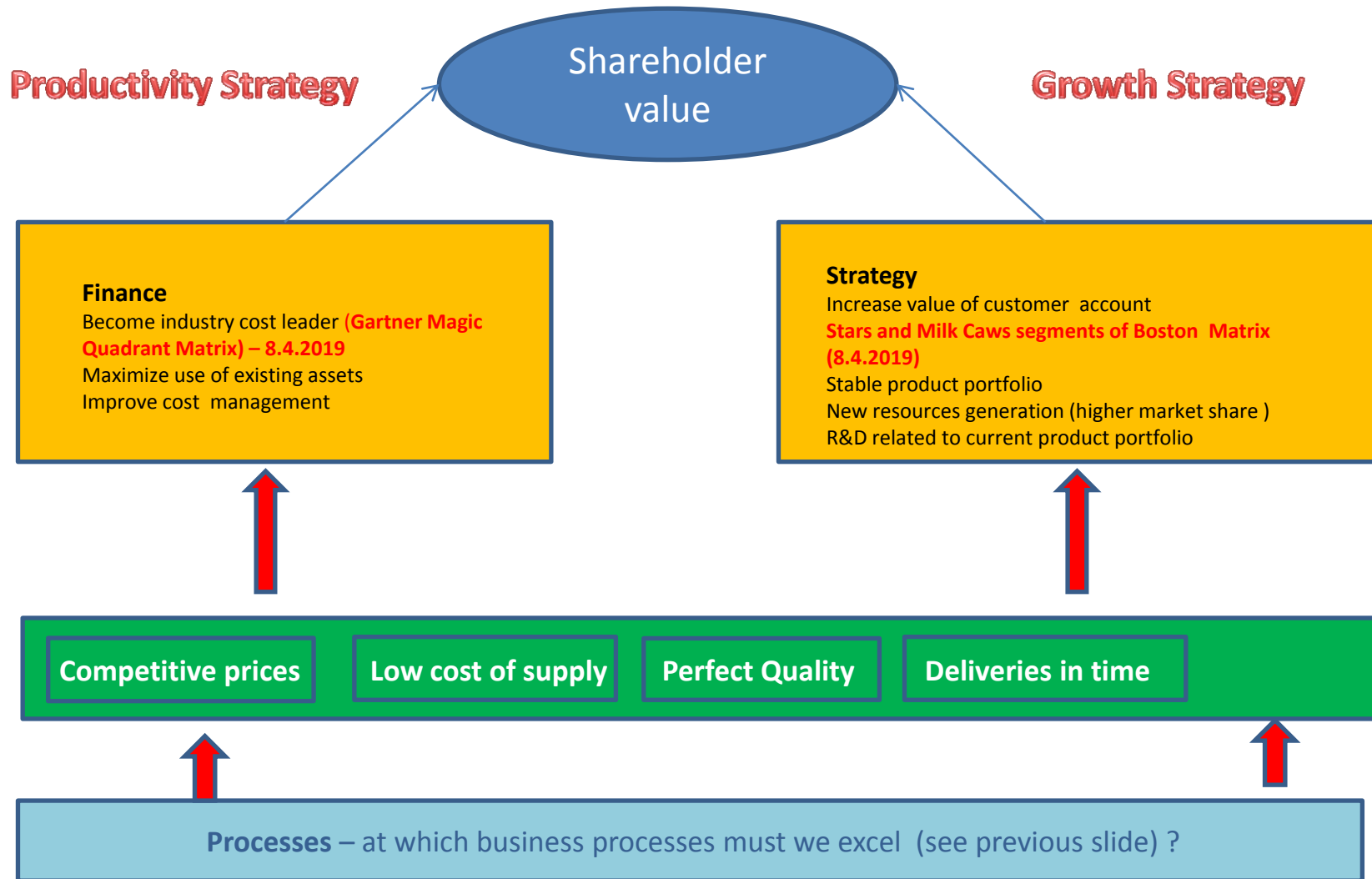
Closing Entries: View as:

View by:

| No. | Name | Income/Bal... | Debit Amount | Credit Amount | Budgeted Debit Amount | Budgeted Credit Amount | Balance/Budget (%) |
|------|------------------------|----------------|--------------|---------------|-----------------------|------------------------|--------------------|
| 6710 | Consulting Fees - Dom. | Income Stat... | | 940,00 | 380,00 | | -247,4 |



Basic strategy map (two upper BS levels)



Balanced Scorecard worksheet

| Dimension | | Objectives | Key Performance Indicator | Goal for 2008 | KPI Results to Date | Score | Mean Performance |
|------------------------|-------------------------------|---|-----------------------------------|---------------|---------------------|-------|------------------|
| Finances | Productivity | Become industry cost leader | % reduction in cost per unit | 20% | 10% | 50% | 65% |
| | Growth | Increase market share | Market share | 50% | 40% | 80% | |
| Customers | Quality | Zero defects | % good quality first pass | 100% | 80% | 80% | (50+80)/2 |
| | Timeliness | On-time delivery | % of on-time deliveries | 95% | 90% | 95% | 87% |
| Processes | Suppliers | Integrate into production | % orders delivered to assembly | 50% | 40% | 80% | 73% |
| | | Reduce inspections | % suppliers ISO 9000 certified | 90% | 60% | 67% | |
| | Products | Reduce time to produce | Cycle time | 10 mins. | 12 mins. | 83% | 52% |
| | | Improve quality | # warranty claims | 200 | 1000 | 20% | |
| | Distribution | Reduce transportation costs | % FTL shipments | 75% | 30% | 40% | 40% |
| | Post-sales Service | Improve response to customer inquiries | % queries satisfied on first pass | 90% | 60% | 67% | 67% |
| Risk | Reduce Inventory obsolescence | Inventory turnover | 12 | 6 | 50% | 50% | |
| | Reduce customer backlog | % order backlogged | 10% | 20% | 50% | | |
| Learning & Growing | Human capital | Develop quality improvement skills | # of six sigma Black Belts | 25 | 2 | 8% | 35% |
| | | | % trained in SPC | 80% | 50% | 63% | |
| | Information capital | Provide technology to improve processes | % customers who can track orders | 100% | 60% | 60% | 61% |
| | | | % suppliers who use EDI | 80% | 50% | 63% | |
| Organizational capital | Create innovative culture | # of employee suggestions | 100 | 60 | 60% | 55% | |
| | | % of products new this year | 20% | 10% | 50% | | |

Explanations : FTL=full truck load, LTL- less than truck load , SPC=statistical process control, EDI=electronic data interchange, Cycle time=time/unit=(e.g.7 min/1 customer request)

Some units for measuring (home study- intro I)

- **Will be presented later in sections such as :**
 - Little's law ($WIP = \text{Throughput} * LT$) – 15.4.2019 will be presented
 - Theory of Constraint... was presented
- **Takt Time (TT)** – rhythm in which we have to produce in order to satisfy customer demand (demand is 240 toaster ovens and we can produce these in 480 minutes $\rightarrow TT = 480/240 = 2$)
- **Lead Time (LT)** – Number of minutes, hours, or days that must be allowed for the completion of an operation or process, or must elapse before a desired action takes place –see next slide

ERP outputs and BSC

Customer - Summary Aging
CRONUS International Ltd.

12. Cerven 2015
Page 1

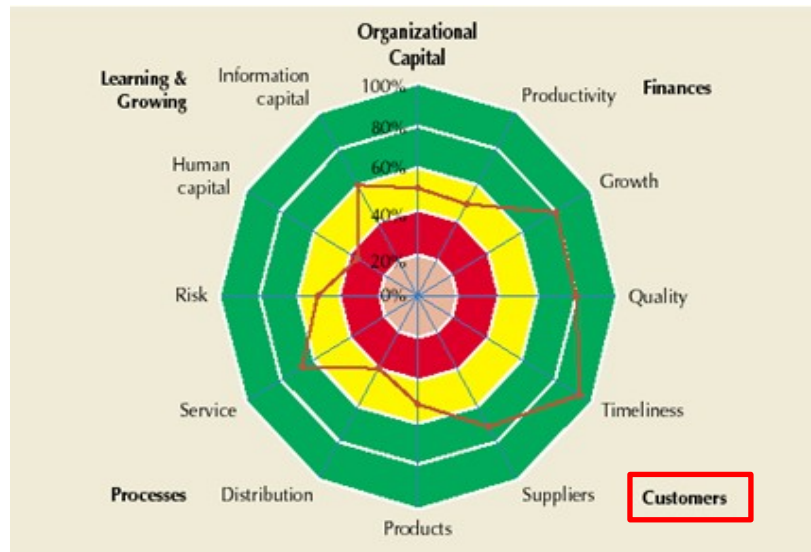
Report generated from
ERP MS Dynamics NAV

Customer: No.: 10000.50000

FINANCIAL WAY OF REPORTING

Balance Due

| No. | Name | ...before | 03.12.12 02.01.13 | 03.01.13 02.02.13 | 03.02.13 02.03.13 | after... | Balance |
|--------------------|----------------------------|-------------------|----------------------|----------------------|----------------------|-------------------|-------------------|
| 10000 | The Cannon Group PLC | 48 860,55 | 0,00 | 0,00 | 0,00 | 286 056,12 | 334 916,67 |
| 20000 | Selangorian Ltd. | -3 467,38 | 0,00 | 0,00 | 0,00 | 0,00 | -3 467,38 |
| 30000 | John Haddock Insurance Co. | 340 865,40 | 0,00 | 0,00 | 0,00 | 0,00 | 340 865,40 |
| 40000 | Deerfield Graphics Company | 1 328,88 | 0,00 | 0,00 | 0,00 | 0,00 | 1 328,88 |
| 50000 | Gullford Water Department | 666,75 | 0,00 | 0,00 | 0,00 | 0,00 | 666,75 |
| Total (LCY) | | 388 254,20 | 0,00 | 0,00 | 0,00 | 286 056,12 | 674 310,32 |



BS WAY OF REPORTING (RADAR CHART)

Based on KPI estimation in % out analysed company is excellent, but on the other hand, collecting money, credit limit and overdue management is falling behind


ERP forms related to customer aging report

10000 The Cannon Group PLC - Customer Card

General Communication Invoicing Payments Shipping Foreign Trade

| | | | |
|---------------------------|----------------------|----------------------------|------------------|
| No. | 10000 | Search Name | THE CANNON GR... |
| Name | The Cannon Group PLC | Balance (LCY) | 334 916,67 |
| Address | 192 Market Square | Credit Limit (LCY) . . . | 10 000,00 |
| Address 2. | | Salesperson Code | PS |
| Post Code/City | B27 4KT Birmingham | Responsibility Center . . | BIRMINGHAM |
| Country/Region Code . . | GB | Service Zone Code | M |
| Phone No. | | Blocked | |
| Primary Contact No. . . . | | Last Date Modified | 02.03.15 |
| Contact. | Mr. Andy Teal | | |

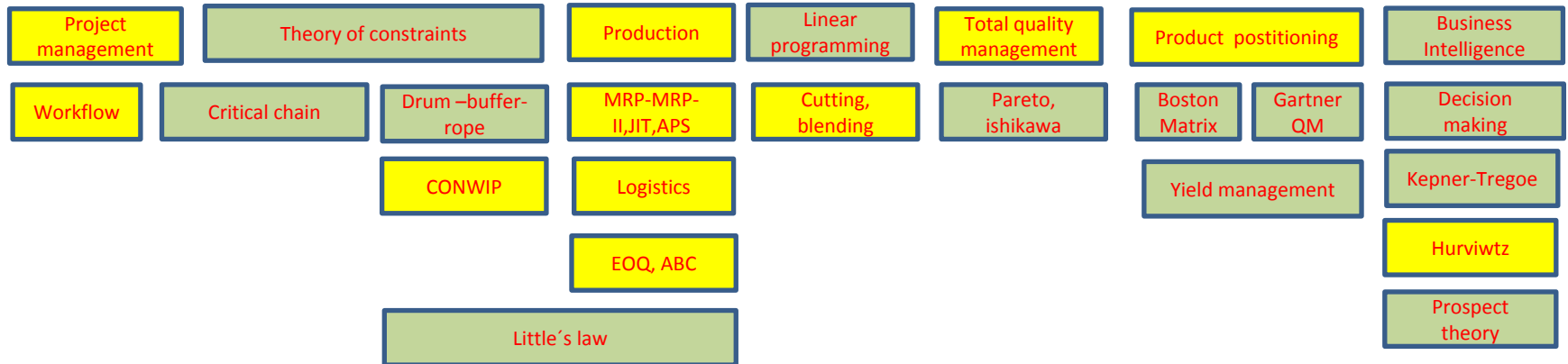
Check Credit Limit

 This customer has an **overdue balance** and the customer's **credit limit** has been exceeded. Do you still want to record the amount?

| | |
|---|----------------------|
| No. | 10000 |
| Name | The Cannon Group PLC |
| Balance (LCY) | 334 916,67 |
| Outstanding Amt. (LCY) . | 157 876,00 |
| Shipped/Ret. Rcd. Not.. | 525,50 |
| Current Amount (LCY) . . | 0,00 |
| Total Amount (LCY) . . . | 493 318,17 |
| Credit Limit (LCY) | 10 000,00 |
| Overdue Amounts (LCY) as of 10.12.14 | 48 704,17 |

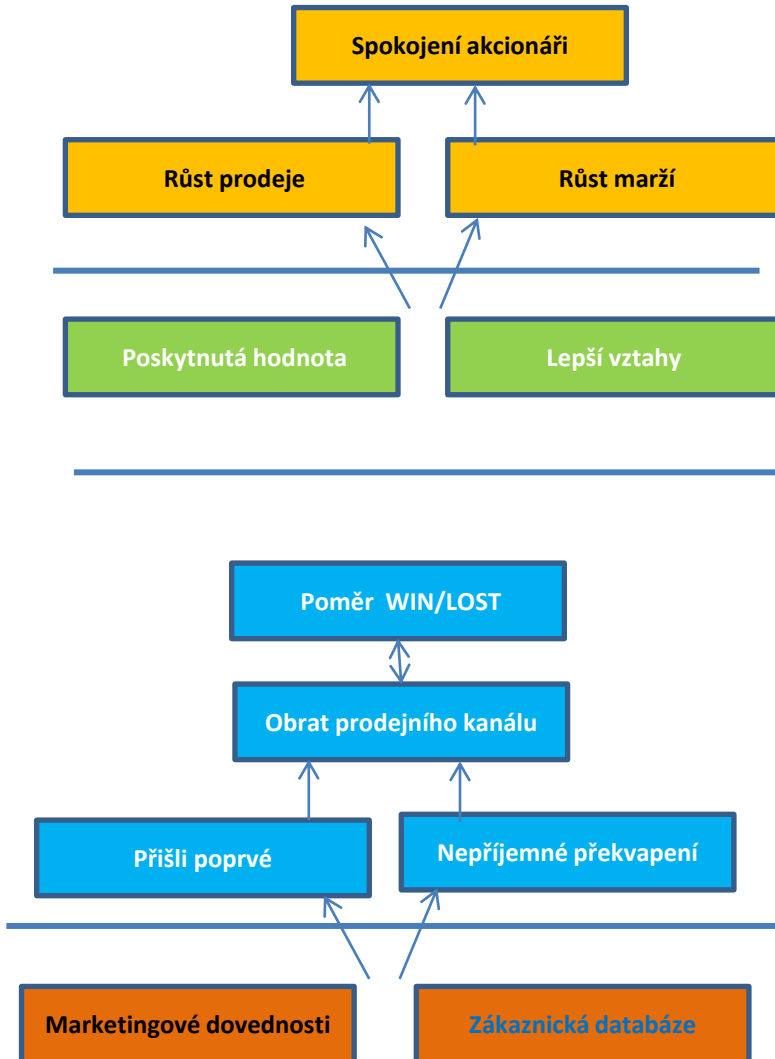
Yes No Customer Help

BS and OM



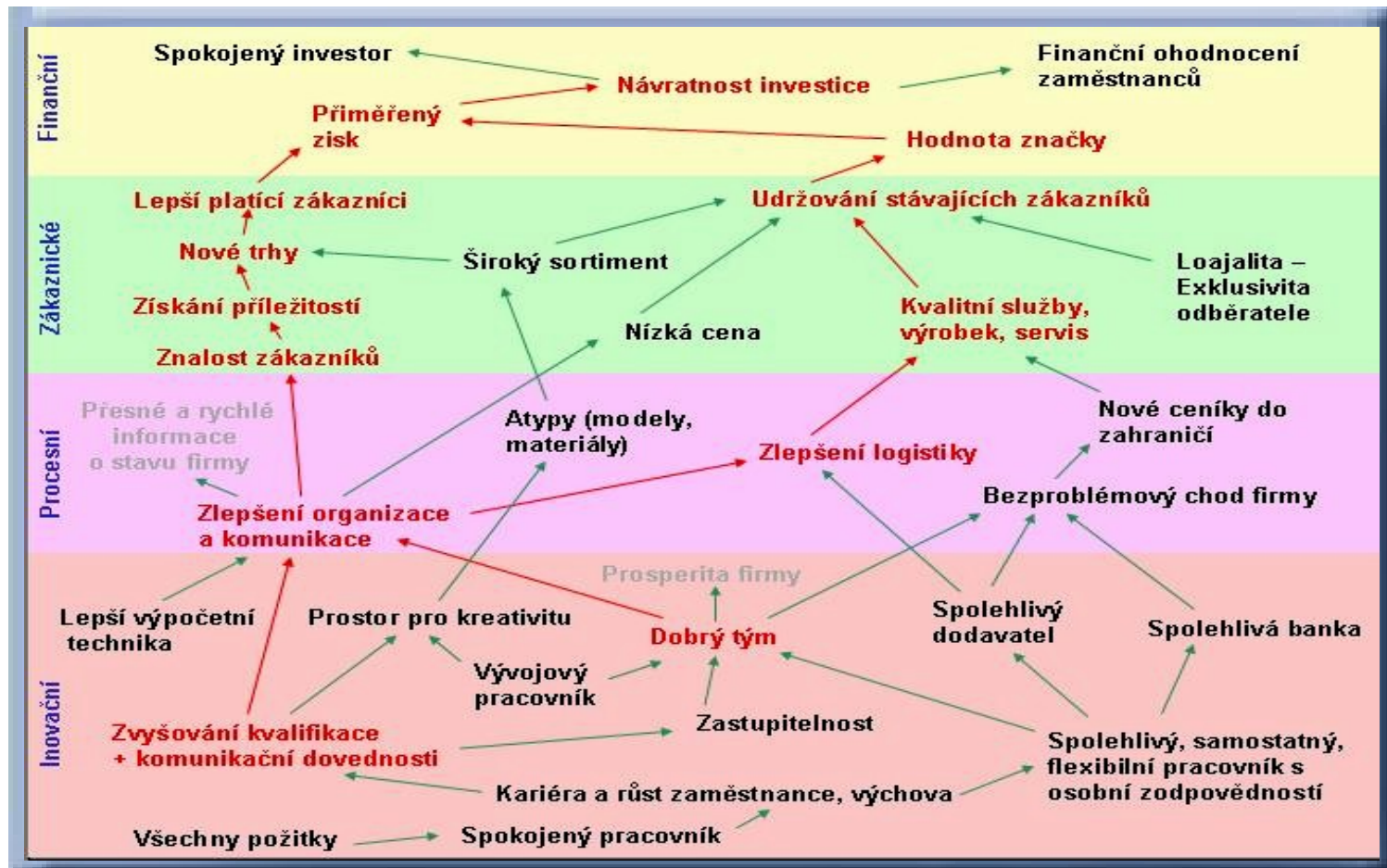
Strategické iniciativy

(dolní dvě BSC vrstvy mají zde definovaný Cíl- Měření- Záměr- Akční program)

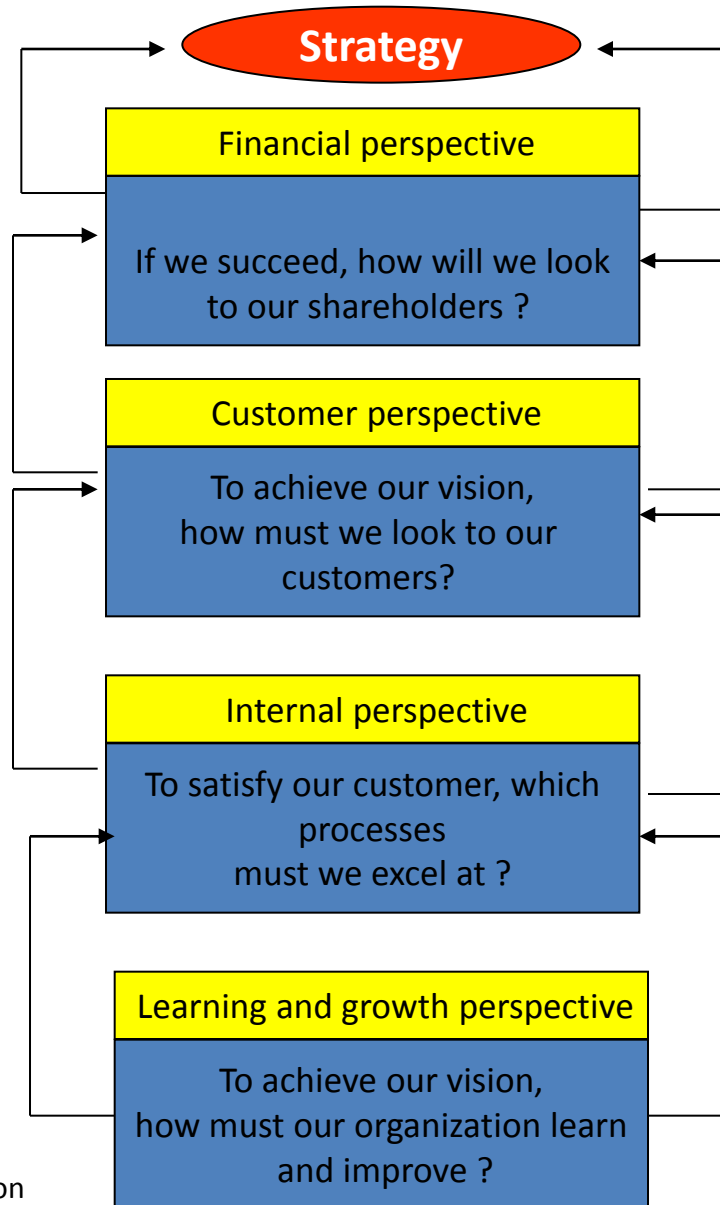


| Cíl | Měření | Záměr | Akční program |
|-------------------------|---------------------------------------|---------------------------------|-----------------------------|
| Udržet si zákazníky | Poměr WIN/LOST | | Akční prodeje |
| Zvětšit podíl na trhu | Počet nových klientů | o 100 % - 2 roky (zvýšení) | Podpora image |
| | Počet problémů | o 50 % - 2 roky (snížení) | Program cíleného marketingu |
| Marketingové dovednosti | % dovedností % zákazníků s OK daty | Do 100% -rok Do 80 % -2 roky | Školení Nový SW |

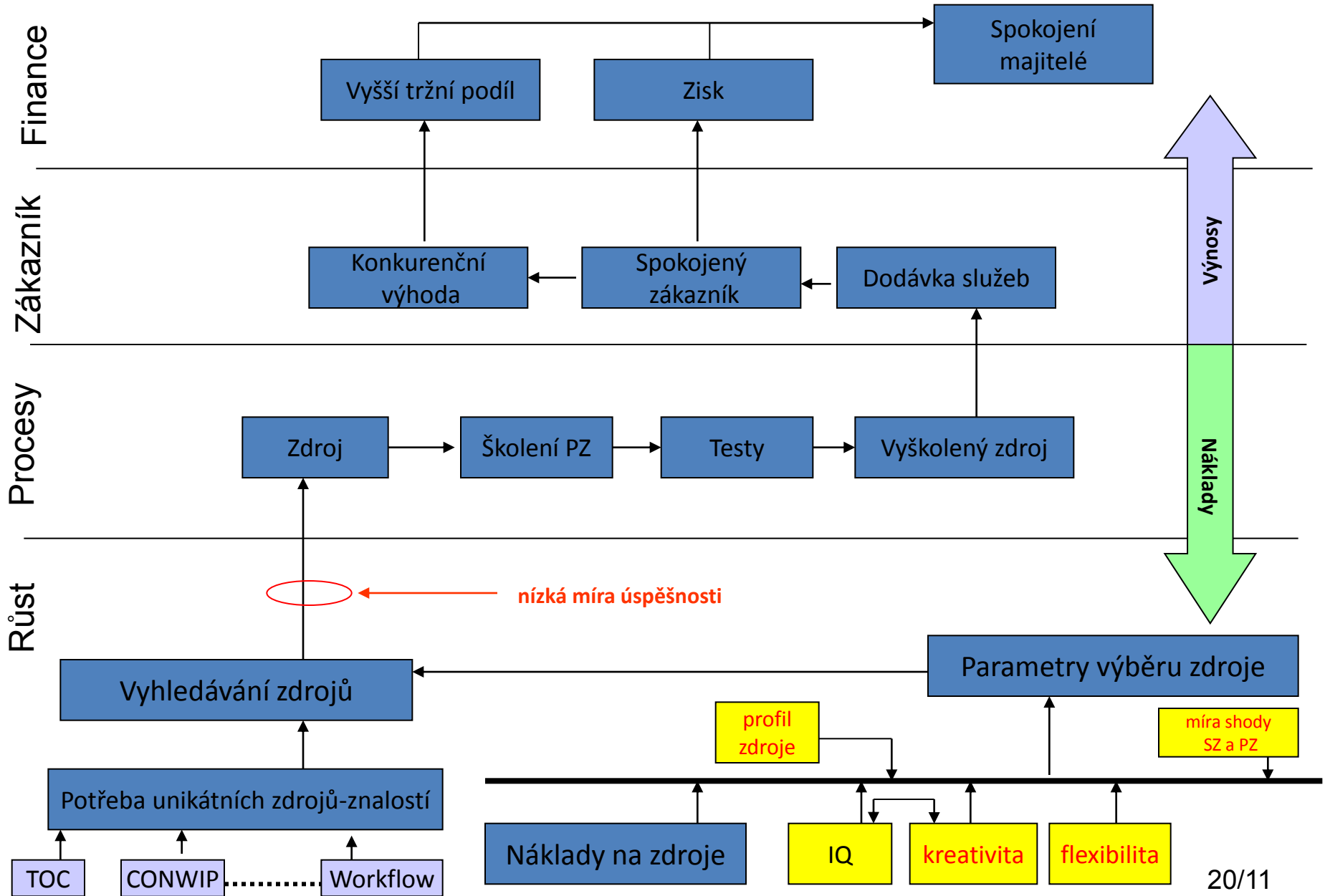
Výsledný graf po aplikaci JSS (transpozice FRT->BSC vrstev)



Strategy Map-The Simple Model of Value Creation



Strategická mapa (BSC)- velmi zjednodušené schéma



Test 1

- **What is the main goal of a company?**
 - A) Obtain the highest profit
 - B) Find solutions that will be in the best interests of stakeholders
 - C) Produce as many products as possible
 - D) A and C
 - E) None of the above

Test 2

- **Which of the following is Operations Management Technology not concerned with?**
 - A) Product & Service Technology
 - B) Process Technology
 - C) Globalization technology
 - D) Information Technology
 - E) All of the above

Test 3

- **Which of the following would be considered an input when converting inputs into outputs during the transformation process?**
- A) Land
 - B) Capital
 - C) Raw Materials
 - D) Facilities
 - E) All of the above

Test 4

- **Which of the following is not a key element of supply chain management ?**

A) Purchasing

B) Suppliers

C) Location

D) Logistics

E) Managers decision



THE END

This Is The End
Beautiful Friend
This Is The End
My Only Friend The End
Of Our Elaborate
Plans The End
Of Everything That
Stands The End