

Balanced Scorecard

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and various listed resources

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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

Values – what is important to us

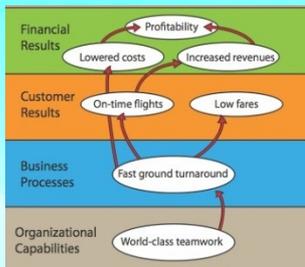


Vision – what we want to be

Strategy – our game plan



Strategy map – translate to strategy



Balanced scorecard – measure and focus

See next show

Balanced Scorecard and continuum of value (2nd part)

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

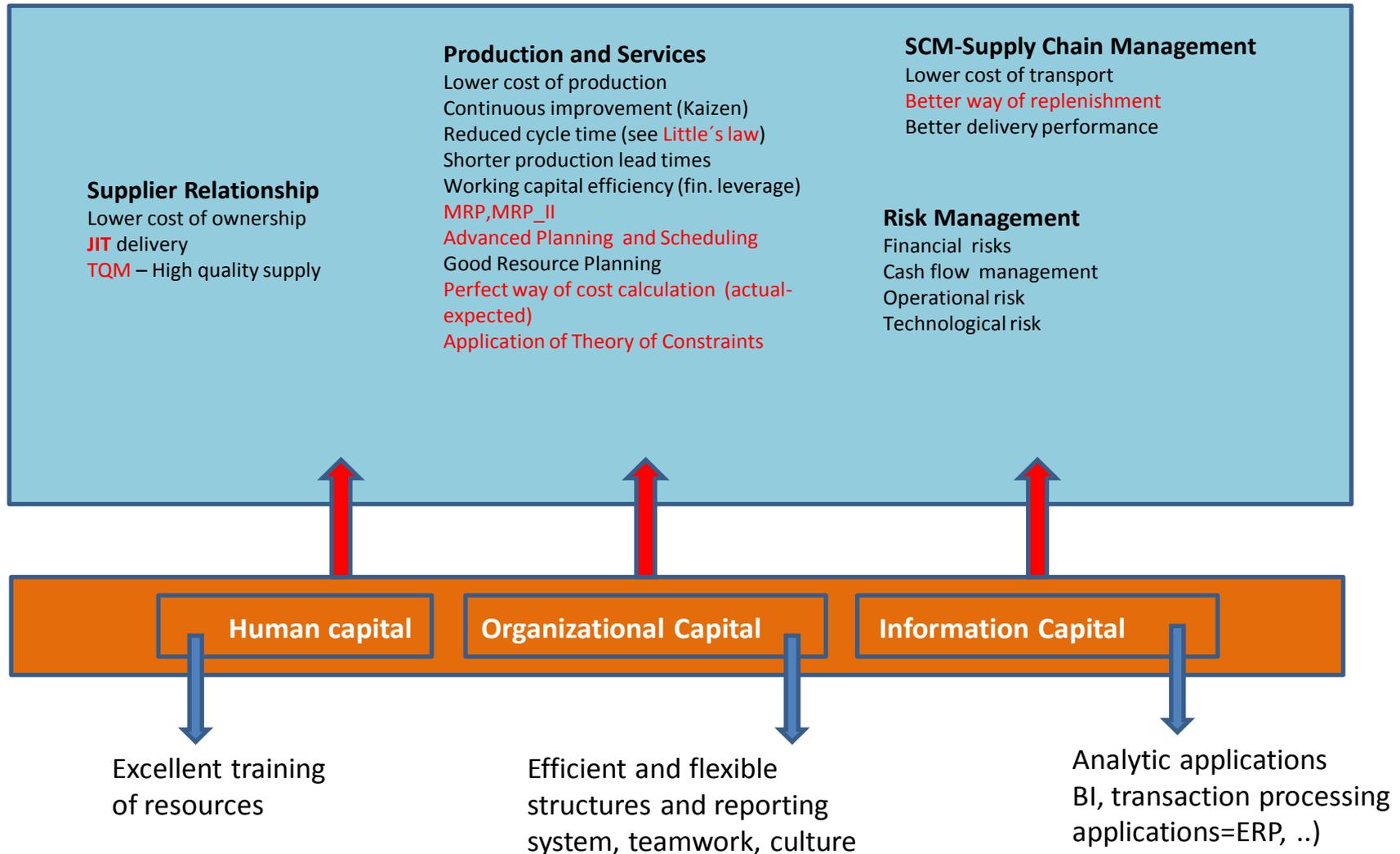


Definition

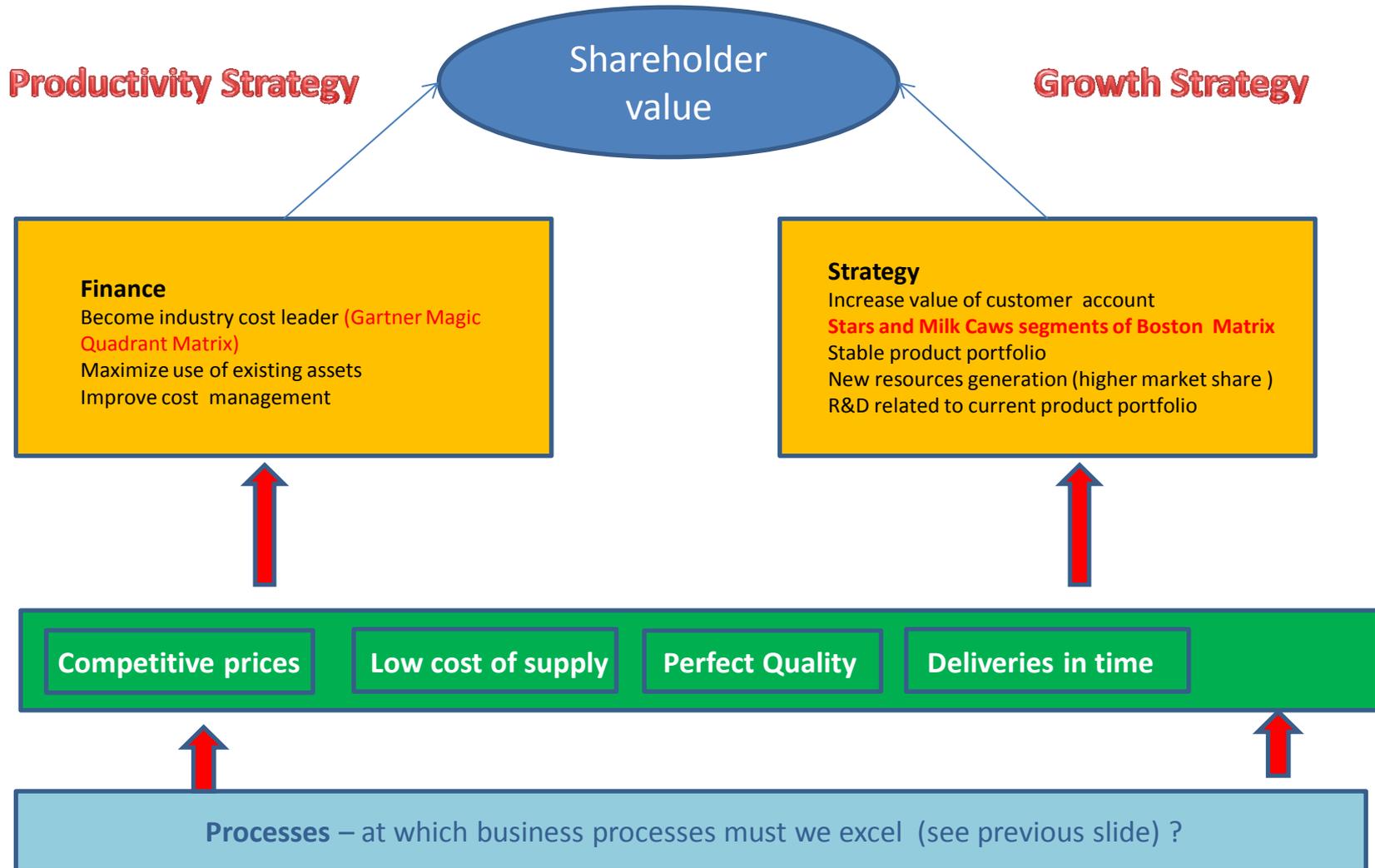
- BS developed by Robert Kaplan and David Norton
- BS examines a firm's performance in four critical areas



Basic strategy map (two lower BS levels)



Basic strategy map (two upper BS levels)



Balanced Scorcard worksheet

(KPI/Goal)*100



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% (50+80)/2
	Growth	Increase market share	Market share	50%	40%	80%	
Customers	Quality	Zero defects	% good quality first pass	100%	80%	80%	87% (95+80)/2
	Timeliness	On-time delivery	% of on-time deliveries	80%	90%	95%	
Processes	Suppliers	Integrate into production	% orders delivered to assembly	50%	40%	80%	73% (80+67)/2
		Reduce inspections	% suppliers ISO 9000 certified	80%	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% (60+50)/2
% of products new this year			50%	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)

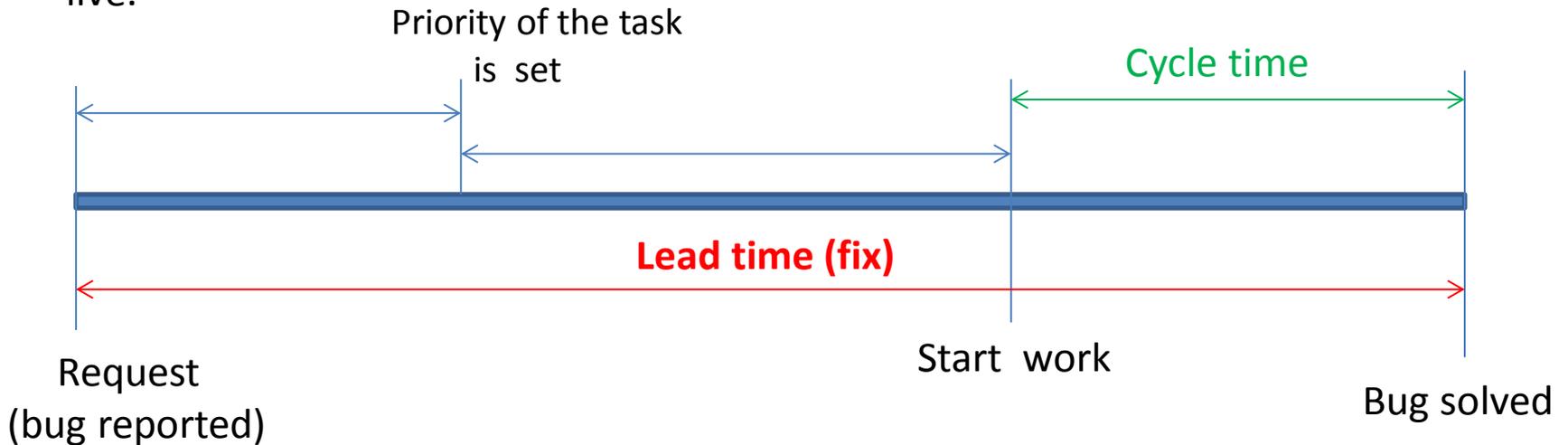
Some units

NOT MPH_AOMA !!!!!!!!!!!

- **Will be presented later in sections such as :**
 - Little's law ($LT=WIP*CT=WIP/Throughput$)
 - Theory of Constraint...
- **Cycle Time (CT)**– time to complete task (time/unit)
- **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 -> $TT= 480/240=2$)
- **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
- *Comment : $CT<>LT !!$*

Lead time

The lead time is the time and not the effort. You may have a lead time of 100 days and only have to work 1 hour to fix the bug. Sometime you start working on the bug. The *cycle time* is the time from the start of the work until the bugfix is live.



ERP outputs and BS

Customer - Summary Aging
CRONUS International Ltd.

12. Ceven 2015
Page 1

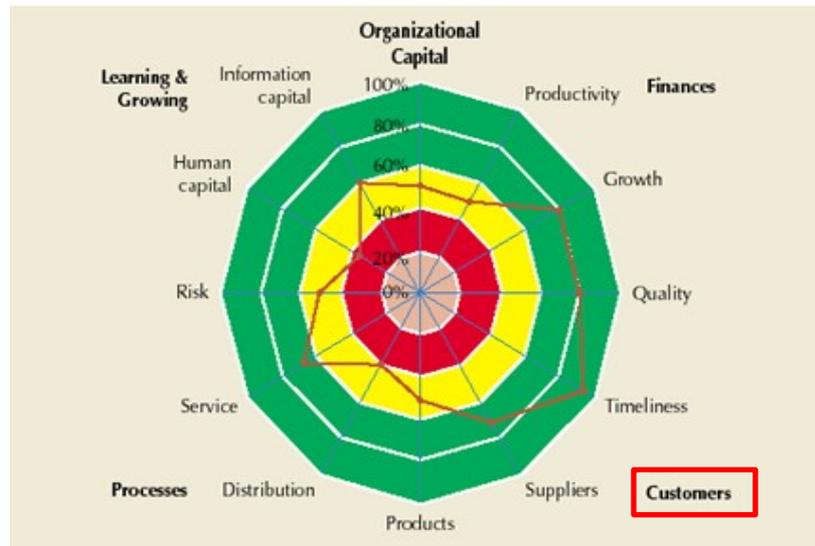
Report generated from
ERP MS Dynamics NAV

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		

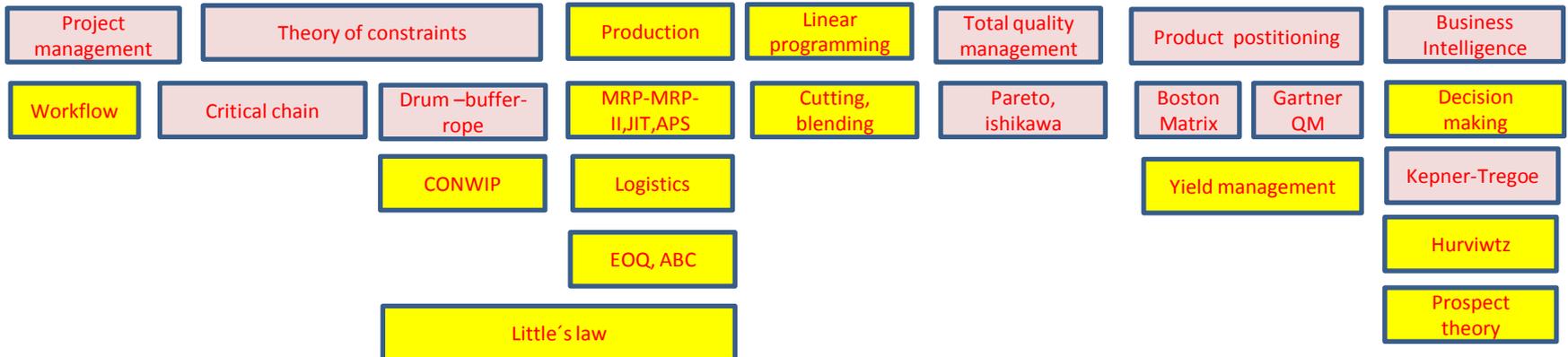
Check Credit Limit

 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

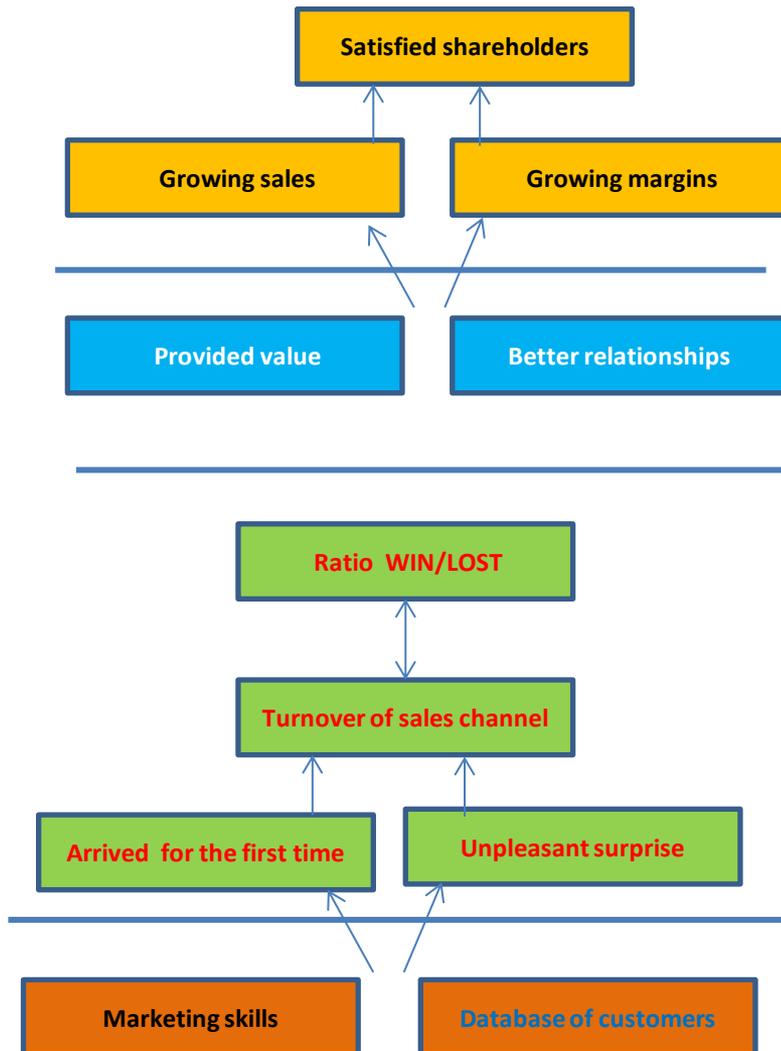
Balanced Scorecard and Operation Management



ERP MS Dynamics NAV 2009 !!!!!!!!!!

Strategic initiatives

(two bottom BSC layers have defined Goal-Measurement-Intention-Action program)

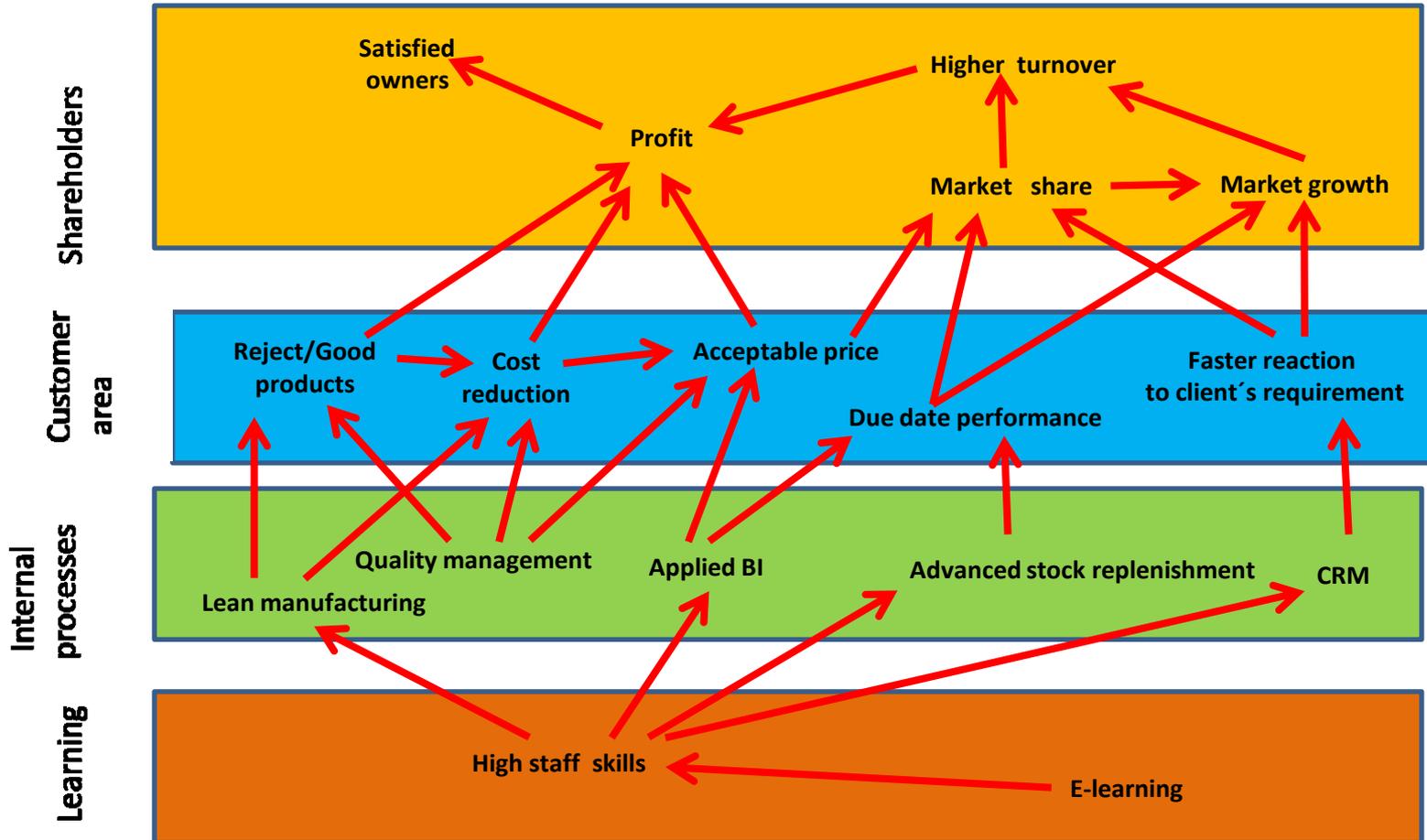


Goal	Measurement	Intention	Action program
Keep existing clients	Ratio WIN/LOST		Action sales
Increase of market share	Quantity of new clients	By 100 % in 2 years (increase)	Support of company image
	Quantity of problems	By 50 % in 2 years (decrease)	Program of direct marketing
Marketing skills	% skills % clients with good data	By 100% -1 Y By 80 % -2 Y	T raining New SW (ERP)

Processes-methods - Goals-benefits

GOALS									
METHODS									
	16							10	20
		10			36			4	23
							12		18
	3			30					
					40				
		50						31	
	14								
	9	37						23	
		40							

BS (for inspiration only)



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) Locations
 - D) Logistics
 - E) Managers decision

NOW THIS IS NOT THE **END**
IT IS NOT EVEN
THE **BEGINNING** OF THE **END**
BUT IT IS, PERHAPS
THE **END** OF THE **BEGINNING**

Winston Churchill

