Balanced Scorecard

Ing.J.Skorkovský,CSc.

and various listed sources

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



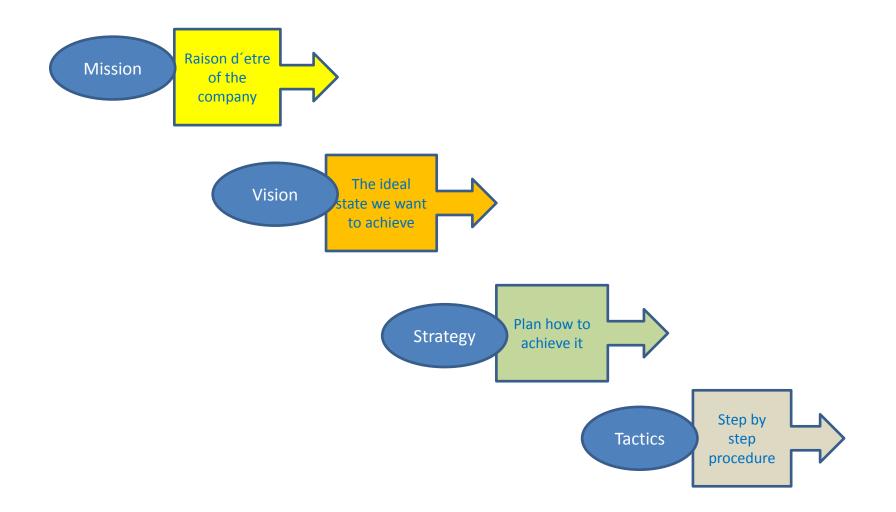
Mission

- **Mission:** what the company represents, what is the purpose of its existence, and what values it recognizes; examples:
- **Google:** "Our mission is to organize the world's information so that everyone can access and use it."
- **McDonald's:** "We want to be the best in the world in fast service and provide customers with the best quality, service, cleanliness, and value."
- **Coca-Cola:** "Refresh the world in mind, body, and spirit. Arouse moments of optimism and happiness through our brands. Create value and create the difference."

Vision

- **Vision:** what the company wants to become, what is its target state; examples:
- **IKEA:** "Creating a better everyday life for as many people as possible."
- Harvard University: "Developing Leaders Who Will One Day Make a Global Difference"
- SOS Children's Village: "A loving home for every child."

Step by step...



Balanced Scorecard and continuum of value (2nd part)

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



Budget model in ERP-setup

G/L Budg	ets 🔹				Ту	/pe to filter ((F3) Name 🔻 🔿
							Set Work Date
Name	Description	Budget Dimension 1 Code	Budget Dimension 2 Code	Budget Dimension	Budget Dimensio	Bloc	Set Work Date
2018	2018 budget						Work Date: 24.1.2019 -
2019	2019 budget	AREA	SALESCAMPAIGN				
							OK Cancel
						_	

General						^
Budget Nam Show as Line	ines: G/L Account Columns: Period 1atrix (Filtered)	View by:	Let a la constante de la consta	Week	•	
Show as Colu	umns:	Period	✓ Show Colum			
Budget Mat	rix (Filt	ered)				** ^
😴 Balance 🔻	A F	Find 🛛 Filter 🏾 🐺 Clear Filter				
Code	Nar	ne	Budgeted Amount	4.2019	5.2019	6.2019 ^
6610		Sales, Other Job Expenses				
6620		Job Sales				
6695	Te	otal Sales of Jobs		-		
6710	C	onsulting Fees - Dom.	380,00 🔫	100,0	0 200,00	80,00
6810	Fe	es and Charges Rec Dom		_]
			1			

Total budgeted amount =380

Budget model in ERP – sales of consulting services

Lines			Sa	Sales Line (invoice) 24.1.2019											
🗲 Functions	• 🏼 Line • 🖞	🗋 New 🏙 Find 🛛 Filter	🏹 Clear Filter												
Туре	No.	Description	Location Code	Quantity Unit of Measur		Unit Price Excl. VAT	Line Amount Excl. VAT	Line Discount %							
G/L Accoun	t 6710	Consulting Fees - Dom.	BLUE	10 HOUR	•	40,00	400,00								

Lines			Sales	Line (invoice) 31.1.2019		
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Туре	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 茨 Clear Filter													
Туре	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						

Genera 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 by:	Include Quarter	•	View as:	Net Cł	nange		T	
No.	Name	Income/Bal	Debit A	mount	Credit Amount	Budgeted Debit Amount	Budgeted Credit Amount	Balance/Budget (%)
6710	Consulting Fees - Dom.	Income Stat			940,00	380,00		-247,4

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)

Processes

Supplier Relationship Lower cost of ownership JIT delivery TQM – High quality supply

Production and Services

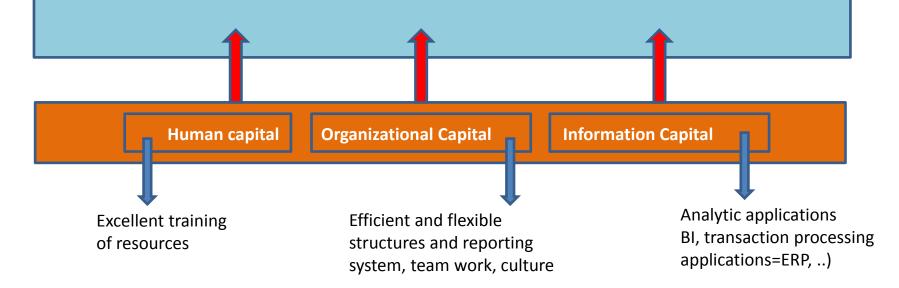
Lower cost of production Continuous improvement (Kaizen) **Reduced cycle time (see Little's law)** Shorter production lead times Working capital efficiency (fin. leverage) MRP,MRP_II Advanced Planning and Scheduling Good Resource Planning Perfect way of cost calculation (actualexpected) Application of Theory of Constraints Linear programming- optimization

SCM-Supply Chain Management

Lower cost of transport Better way of stock replenishment Better delivery performance

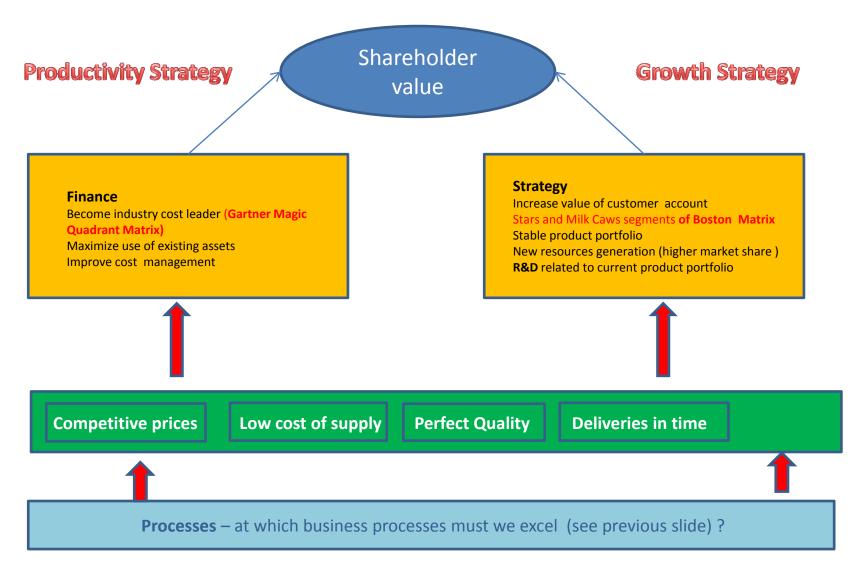
Risk Management

Financial risks Cash flow management Operational risk Technological risk



Resource : Operation Management, Quality and Competitiveness in Global Environment, Russel & Taylor (not the red ones)

Basic strategy map (two upper BS levels)



Resource : Operation Management, Quality and Competitiveness in Global Environment, Russel & Taylor (not the red ones)

Balanced Scorcard worksheet

Dim	ension	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%	(50+80)/2
mers	Quality	Zero defects	% good quality first pass	100%	80%	80%	87%
Oustomers	Timeliness	On-time delivery	% of on-time deliveries	95%	90%	95%	0776
	Suppliers	Integrate into production	% orders delivered to assembly	50%	40%	80%	73%
	Suppliers	Reduce inspections	% suppliers ISO 9000 certified	90%	60%	67%	15%
	Products	Reduce time to produce	Cycle time	10 mins.	12 mins.	83%	52%
Ses	Troducto	Improve quality	# warranty claims	200	1000	20%	32%
Processes	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%
	Nak	Reduce customer backlog	% order backlogged	10%	20%	50%	3076
	Human	Develop quality improvement	# of six sigma Black Belts	25	2	8%	25%
ĝ	capital	skills	% trained in SPC	80%	50%	63%	35%
Learning & Growing	Information	Provide technology to	% customers who can track orders	100%	60%	60%	61%
ming	capital	improve processes	% suppliers who use EDI	80%	50%	63%	
Lea	Organizational	Create innovative culture	# of employee suggestions	100	60	60%	55%
	capital	% of products new this year		20%	10%	50%	30%

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 time units (home study)

- Will be presented later in sections such as :
 - Little's law (WIP=Throughput *LT
 - Theory of Constraint...
- **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

ERP outputs and BS

Customer - Summary Aging CRONUS International Ltd.

RONUS International Ltd.

Report generated from ERP MS Dynamics NAV

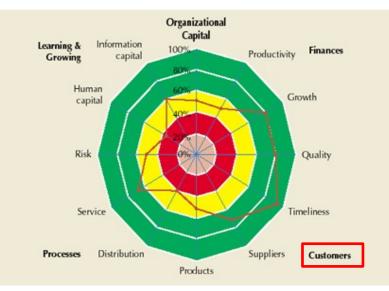
12. Červen 2015 Page 1

FINANCIAL WAY OF REPORTING

Customer: No.: 10000...50000

			03.12.12	03.01.13	03.02.13		
No.	Name	before	02.01.13	02.02.13	02.03.13	after	Balance
1000	0 The Cannon Group PLC	48 860,55	0,00	0,00	0,00	286 056,12	334 916,67
2000	0 Selangorian Ltd.	-3 467,38	0,00	0,00	0,00	0,00	-3 467,38
3000	0 John Haddock Insurance Co.	340 865,40	0,00	0,00	0,00	0,00	340 865,40
4000	0 Deerfield Graphics Company	1 328,88	0,00	0,00	0,00	0,00	1 328,88
5000	0 Guildford 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

Balance Due



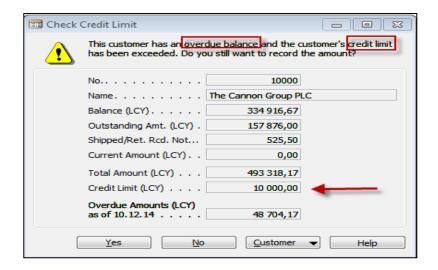
BS WAY OF REPORTING (radar chart)

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

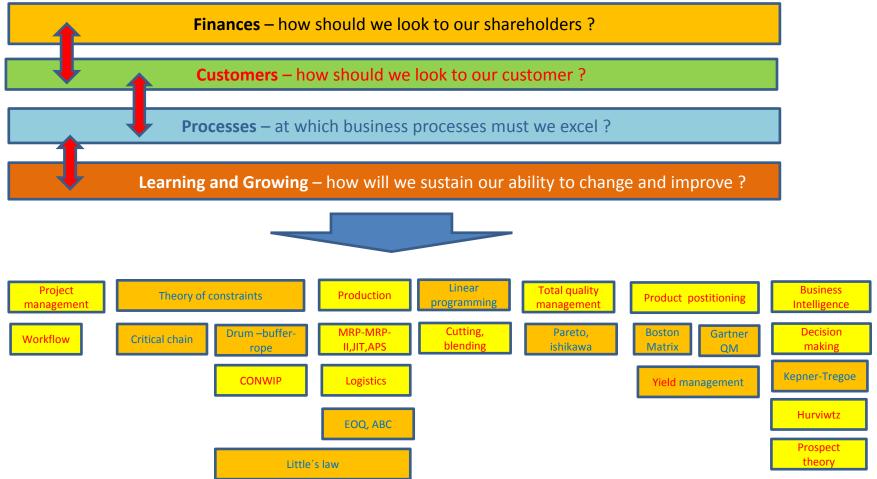
Resource : Operation Management, Quality and Competitiveness in Global Environment, Russel & Taylor (only radar chart)

ERP forms related to customer aging report

📰 10000 The Cannon Group PLC - Customer Card	
General Communication Invoicing Payments Shipping Fore	eign Trade
No 10000 📖 🥒	Search Name THE CANNON GR
Name	Balance (LCY) 334 916,67
Address 192 Market Square	Credit Limit (LCY) 10 000,00
Address 2	Salesperson Code PS 🗈
	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	

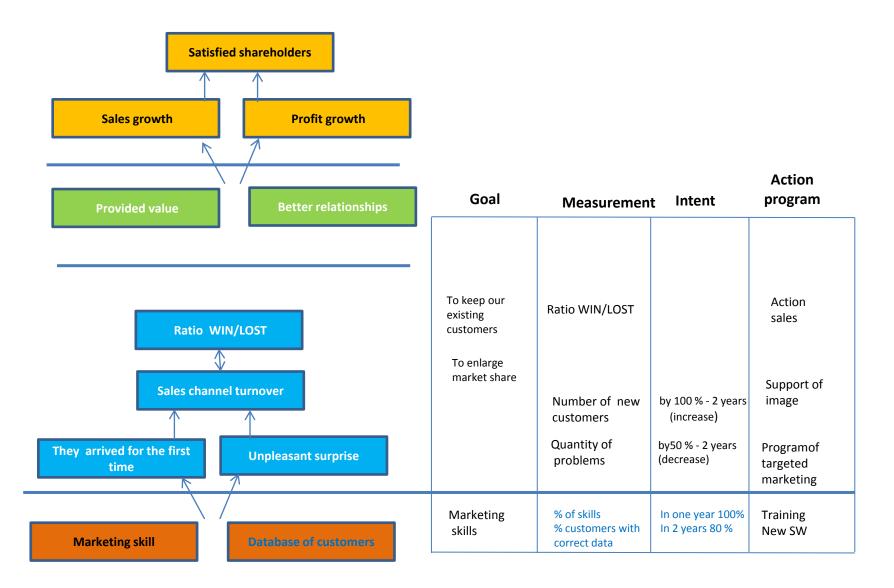


BS and OM



Strategic initiatives

(two lower BSC layers have defined way : Goal-Measurement-Intent-Action Program



Tabulka jako podklad pro konstrukci grafu JSS (FRT→BSC) ^{Czech courses only} a eliminaci nepotřebných aktivit

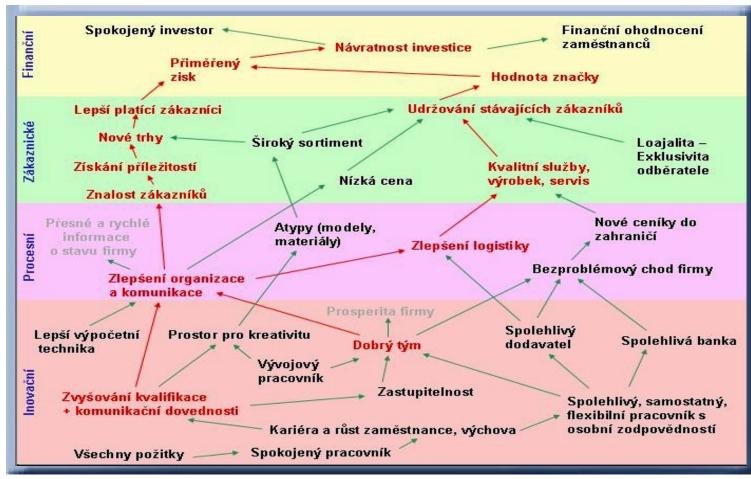
(obdoba postupu při zavádějí štíhlé výroby)

			Zisk	Podíl na trhu	S nižování zadhženoti	Hodnota značky	Dlouhodobá kontinuita	Hodnota firmy – distribuce	Profesní a karierový nůst a vzdě	Mzda a sociální zabezpečení	S tabilita	Klima ve firmě a pracovní prost	Benefity	_{No} Shizby - podpora prodeje	S mžení nákladů na sklad, nychlo	Marketingová podpora	Kvalita díbů	Udržet neexkhizivní postavení	Kvalitní personál	S mžení Lost sales	Uspokojení zákazníků a zaměsti	Strategie SWOT	Predikce	Plánování	Motivovat	Tým	Optimalizace ceny	Udržení šíře sortimentu – rozšíň	Hledání alternativních dodavatel	Udržení exkhrzivity	Analýza portfolia produktů	Analýzy portfolia zákazulů	Loajalita Zákazmlů
SFE.1	SFE	Exportní objednávka			·			·····						2				·								· · · · · · · · · · · · · · · · · · ·							
SFE.2.2.	SFE	Tvorba objednávkykatalogu zboži pro odběratele						1	1		1	1					1								1	1			1				
SFE.2.8.	SFE	Průzkum a tvorba nabídek na spolupráci		3				1	1			1					1								1	1	\bigcirc		1				
SFE.2.10.	SFE	Jednání se zákazníkem	3	2	1	1	1	1			1	1			1		Ĩ					1	1	1	1	1	1	4	1	1	1	1	5
NA01	NA	Objednání zboží			2			1				1			2		1			1					1	1							
PM.01	PM	Dotazy z poboček						1	1			1		4	3		1					2			1	1	4						
PM.02	PM	Výběr dod <i>a</i> vatele	2		3			1			<u> </u>				4		1			2				2			2			2			
PM.05	PM	Kakulace	1							1	1			5		2				3		4		3			3		4		2	2	
PM.06	PM	Informace o novém zboží pro prodej	4			4				1	1			6		3				4		5											
PM.08	PM	Jednání s dod <i>a</i> vateli		7						1	1			7	5					5		6	2				5						
PM.09	PM	Marketing - Přípravy a vyhodnocení akci	1	8		6		1		1	1			12			10					7		5			6	3	3			3	
SF 23	SSF	Investice - smlouvy (servisy PE)		9	6	7		1		1	1			8		8							1	6			1	5		5			4
SF 24	SSF	Rozvoj koncepce Partner ELIT		10	7	8	8		[[9	6	7							5	7	1	Ì		6	[6			3
LO.01	LO	Objednávky od poboček - zpracování						2							7					7													
LO.02	ιO	Přijem zboží na CS						3	1			1			8		6			8					1	1			1	1			
LO.04.	LO	Výdej zboží z CS						4				Ì					Ĩ			9					1	1							
LO.05.	LO	Prodejzboží z CS (SSF,B2B)						4			1				9		1			10					1	1							2
LO.06.	ίLΟ	Provoz CS			8			6	1			1					31			6					1	2			1				
LO.08.	LO	Zpracování podkladů pro mzdy								1	1				10																		
LO.12	LO	Doprava	1		9	1		7		1	1					8.00	11			11				1	2.00								
LO.13	LO	Fakturace CS - služby (Doprava a ost.)				1		8		1	1												1		1		Ĩ						
LO.16	LO	Staré díly a vratné ob aly	1					9		1	1						3																
LO.19	LO	Vraky			10			10			1						5								1		1						
LO 24	LO	Učetní převody zboží (Zb. Deník)	1			1				1	1													1		1	1						
PR.17	PR	Smlouvy pro zák azniky, Distributory	1	11		[9	[1	1											9	4	[[7	7		7			6
PO2	PO	Finanční operace						I									1								I	L							
PO.4	PO	Tvorba podkladů pro mzdy Pobočky						I	[I					1								Ι	I			[L			
P0.6	PO	Objednání zboži			11			11			1				11		I			12					1								
PO.7	PO	Příjem zboží						12			1				12		7								I	L							
P0.8	PO	Prodej		12	13			13	[I		10	13		8			14		8		8	I	L		8		8	5	5	1
PO.9.3	PO	Transferzboží do jiné pobočky			14	Į		14		1	Į				14		4			13			Į	Į									
PO.10	PO	Výdej zboži						15			Į						12						Į]]	
	CO	eCat		13	15	10	10			Į	Į			11	16	9				15			Į	9]				6	[]	7
	FI	inzdy								1	Į							1	1					10]	
		vzdělávání							1			2]	2]	
		Budování týmu																								3	1	8.8				1	

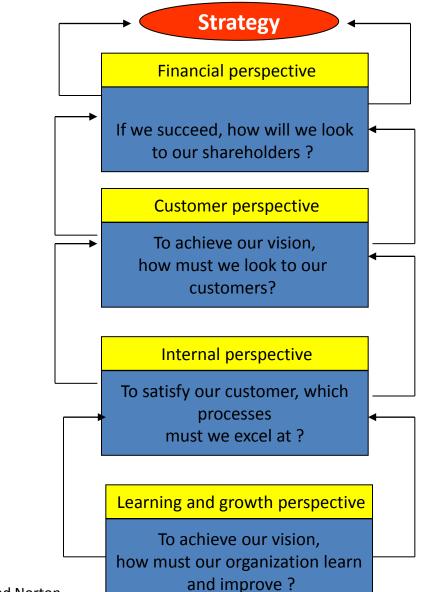
Výsledný graf po aplikaci JSS (transpozice FRT->BSC vrstev)



Czech courses only

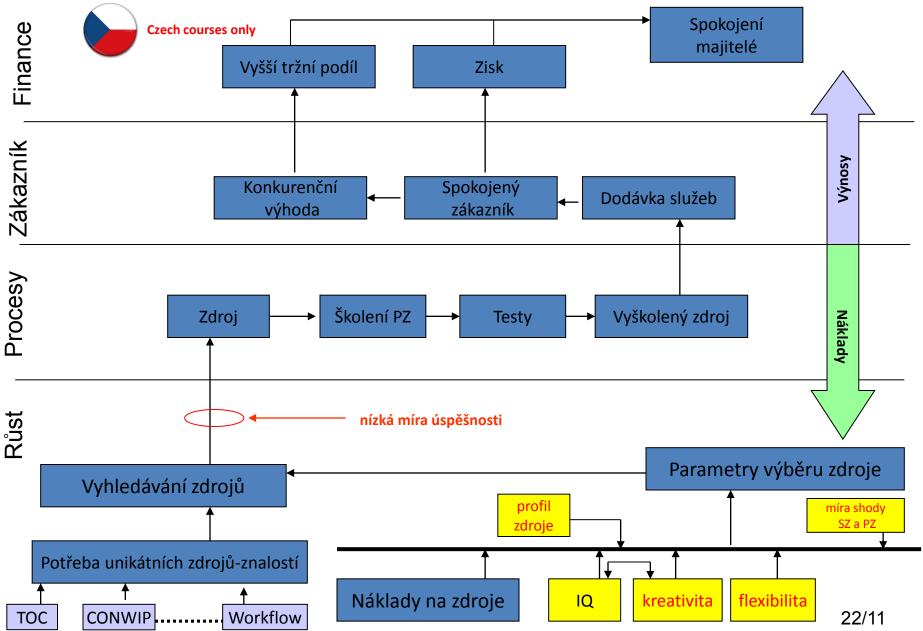


Strategy Map-The Simple Model of Value Creation



Resource : Strategy Maps, Kaplan and Norton

Strategická mapa (BSC)- velmi zjednodušené schéma



- 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

• Which of the following is Operations Management Technology not concerned with?

A)Product & Service TechnologyB)Process TechnologyC) Globalization technologyD)Information TechnologyE)All of the above

- 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

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

A)Purchasing

- **B)** Suppliers
- C) Location
- D) Logistics
- E) Managers decision