Best Practices in using a Balanced Scorecard

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The Balanced Scorecard

- What is it?

Definition:

The Balanced Scorecard is a management tool that provides stakeholders with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals.

The Balanced Scorecard

- Balances financial and non-financial measures
- Balances short and long-term measures
- Balances performance drivers (leading indicators) with outcome measures (lagging indicators)
- Should contain just enough data to give a complete picture of organizational performance… and no more!
- Leads to strategic focus and organizational alignment.

The Balanced Scorecard

Why do it?

- To achieve strategic objectives.
- To provide quality with fewer resources.
- To eliminate non-value added efforts.
- To align customer priorities and expectations with the customer.
- To track progress.
- To evaluate process changes.
- To continually improve.
- To increase accountability

The Strategy Focused Organization

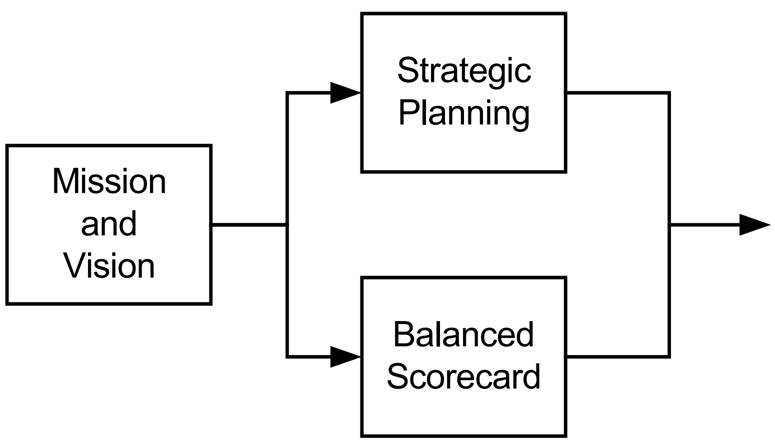
- Mission – What we do
- Vision – What we aspire to be
- Strategies – How we accomplish our goals
- Measures – Indicators of our progress

The Strategy Focused Organization

The Five Principles

- Translate the strategy to operational terms.
- Align the organization to the strategy
- Make strategy everyone’s job.
- Make strategy a continual process.
- Mobilize change through executive leadership

The Balanced Scorecard



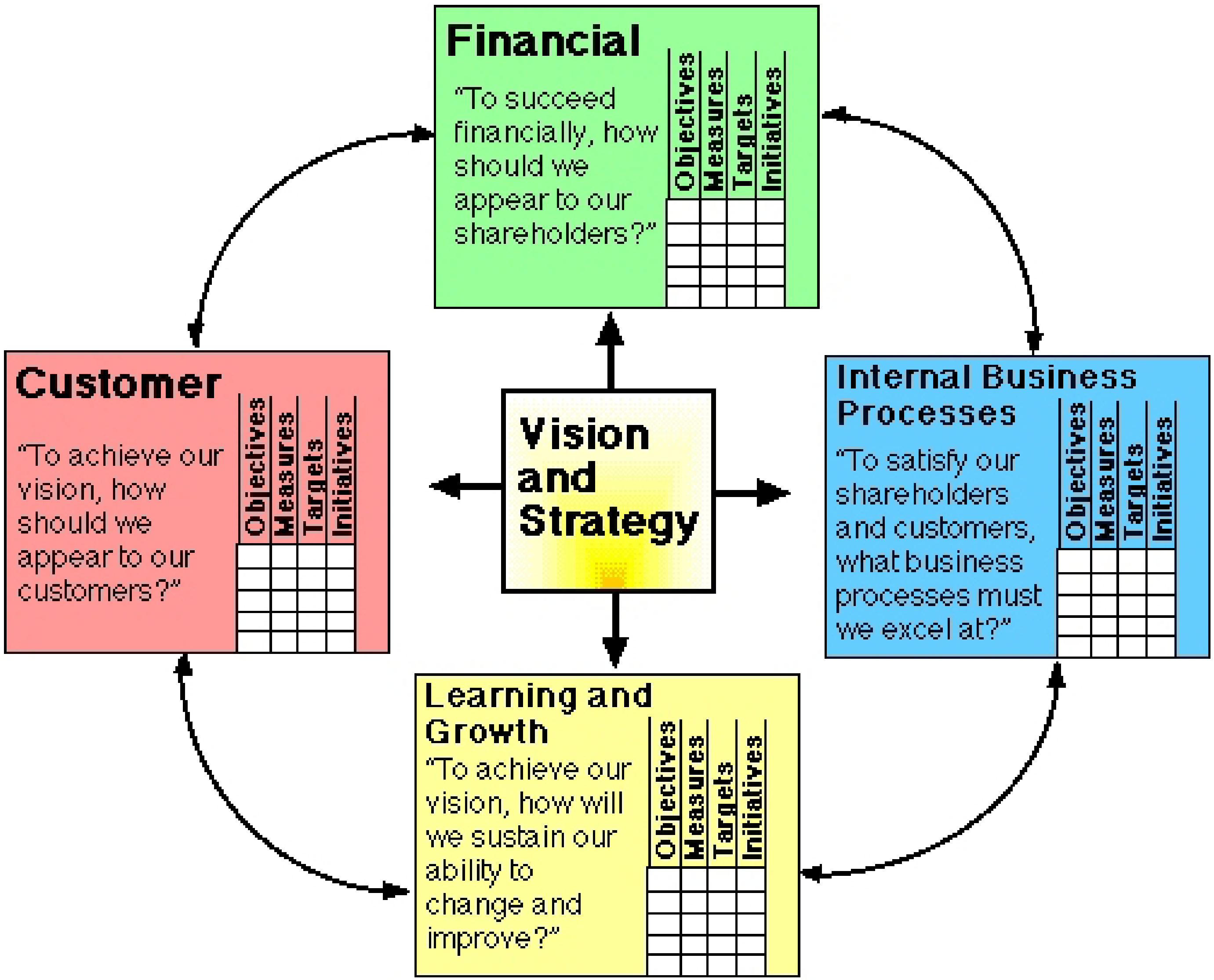
- Activity Based Costing
- Economic Value Added
- Forecasting
- Benchmarking
- Market Research
- Best Practices
- Six Sigma
- Statistical Process Control
- Reengineering
- ISO 9000, 13485
- Total Quality Management
- Empowerment
- Learning Organization
- Self-Directed Work Teams
- Change Management

The Balanced Scorecard

History

- First created in 1987 at Analog Devices
- Bob Kaplan published HBR articles in 1992
- “The Balance Scorecard” book published in 1996
- Adopted by many companies in the 90’s
- More popular in Europe
- Popular with Government organizations
- Widely used in Education

The Balanced Scorecard



The Balanced Scorecard

Financial Measures

- Funding/cost
- Magnitude
- Resources produced/unit cost
- Percent change from last period
- Risk assessment
- Cost / Benefit

Deming #4:
Cease doing business
on price tag alone.

The Balanced Scorecard

Customer Measures

- Customer/potential customer groups (market segments) aligned with products & services used
- Satisfaction: prompt, courteous, expert
- Complaint tracking and trending
- These are leading indicators: dissatisfied customers will quickly find other suppliers

The Balanced Scorecard

Process Measures

- How well are internal processes running?
- Do products/services conform to customer requirements: dependable, accurate, complete
- Designed by those who know processes most intimately
- Mission-oriented and focused on process improvement

Deming #3:
Cease dependence
on mass inspection.

Deming #5:
Continual improvement
of process.

Deming #11:
Eliminate
numerical quotas.

The Balanced Scorecard

Learning/Growth (People) Measures

- In a learning organization, people are the main resource
- Individual and institutional learning: hiring, training, technical tools, mentoring and development
- Communication

Deming #6:
Institute training on the job.

Deming #7:
Institute leadership.

Deming #13:
Institute a program of self-improvement.

Deming's 14 Points

1. Constancy of Purpose
2. Adopt the new philosophy
3. Cease dependence on mass inspection
4. Cease doing business on price tag alone
5. Continual improvement of process
6. Institute training on the job
7. Institute leadership
8. Drive out fear
9. Break down barriers between departments
10. Eliminate slogans, exhortations, and targets
11. Eliminate numerical quotas
12. Allow pride in workmanship
13. Institute a program of self-improvement
14. Do it

The Balanced Scorecard

- Part of a spectrum of Quality Improvement activities
  - Starting with Deming
  - Through Quality Circles and TQM
  - Phil Crosby: “Quality College”
  - Tom Peters: “In Search of Excellence”
  - Ending with Six Sigma and Lean Today

- All focused on the customer, process improvement and part of continuous improvement efforts

The Balanced Scorecard

An Example

Balanced Scorecard Example

FINANCIAL

We deliver tremendous medical value in a responsible, predictable manner

KEY STRATEGIES:

Increase revenue through innovative device technology

Metric:

- **Quarterly sales in devices**

Deliver devices with minimal resources (headcount and dollars)

Metric:

- **Total headcount and dollars**

Accurately predict financial expenses

Metric:

- **Adherence to Internal and External expense Plan and Capital Spend Plan.**

Provide devices that are profitable and consistent with corporate FMC targets

Metric:

- **Adherence to Internal and External expense Plan and Capital Spend Plan**

Provide device technology with the lowest total manufacturing cost to our customers

Metric:

COPS by product – supplier/site, depreciation, overhead

PEOPLE

Creating device leadership using our most valuable assets

KEY STRATEGIES:

Hire, develop, and maintain appropriate resources to achieve mission, vision, strategic intent and objectives.

Metrics:

1) % Training current
2) % Development plan completion

Maintain a work environment that is attractive to members of the team.

Metrics:

1) Employee Satisfaction (quarterly survey)
2) % positions >3 yrs in role
3) Safety Record

The Balanced Scorecard

CUSTOMER

Meet both external and internal customer needs with the best products in their class

KEY STRATEGIES:

Provide the best device in its class to maximize customer satisfaction and market share. "Perception of poor quality will never be the reason a customer does not use our device".

METRICS:

- **Post launch survey results (customer preference and perception of quality)**
- **Complaints per Million for marketed products**
- **Average days for complaint response to customer.**
- **% on time in full**
- **Customer satisfaction Six-Sigma results**

BUSINESS PROCESS

Create and deliver superior devices by meeting unmet customer needs .

KEY STRATEGIES:

Create and deliver superior devices by integrating unmet customer needs with innovative technology.

METRICS:

- **# of patents submitted and approved**
- **# of projects on schedule**
- **# of New Product Introductions**
- **Average Cycle times**
- **# of manufacturing improvements**
- **Yield improvements**
- **# of Non-conformances**
- **Quality backlog, non-conformances per lot, % Japan defects.**

The Balanced Scorecard

- The Balance Scorecard is a Feedback Tool
- It is not a Strategy or Quality program
- Think of it as a “Dashboard”
- Should be done in addition to the other Quality Improvement Initiatives:
  - Six-Sigma
  - Lean
  - Design for Six-Sigma

The Balanced Scorecard