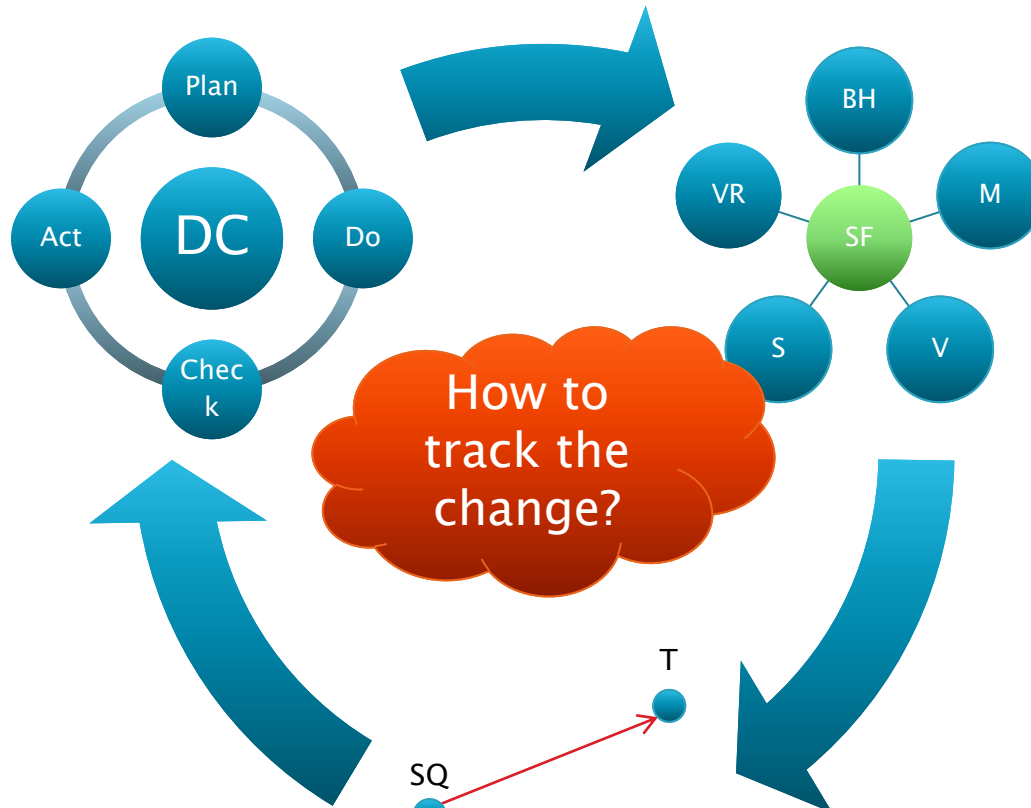


# Management by Competencies

Balanced Scorecard

# Change achieving



DC...Deming Cycle

How to track the change?

SQ  
Change Vector  
T



# Definition of Performance Indicators

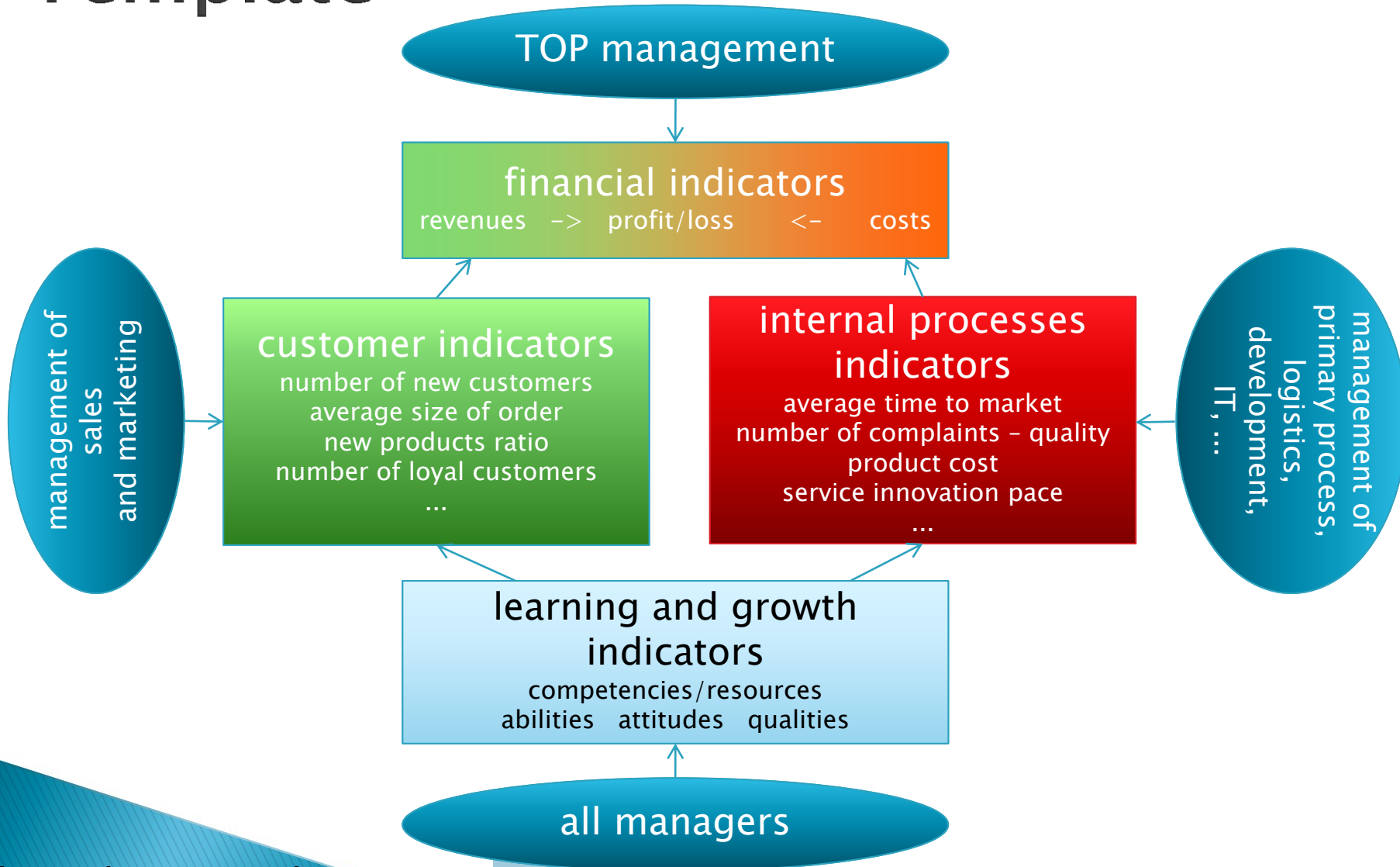


- ▶ To know WHAT to do is not enough
- ▶ It is important to know WHETHER and HOW we are doing
- ▶ Therefore MbC operates with system of indicators on every level of management
  - in accordance with development of company and people, the target values for indicators are determined that enable continuous monitoring and management of improvement
- ▶ Balanced Score Card utilization

# Balanced Score Card Motivation

- ▶ **Balanced Score Card (BSC)**
  - introduced in 1990's by Robert Kaplan and David Norton
  - reaction to popular cost-cutting projects
- ▶ **Cost-cutting Projects substantially improved cost-related financial indicators in fiscal year**
  - and consultancy companies made well getting good profit share
- ▶ **However, in next years cost-cut companies**
  - have seen a huge drop in their performance
  - loose much of their ability to react to changes (stability)
  - become less vital, i.e. able to continuously succeed
- ▶ **Therefore BSC**
  - introduced new kinds of indicators to existing ones to connect corporate strategy with all operational areas of within the enterprise

# Balanced Score Card Example Template



# Indicators in details

Financial perspective

Customer perspective

Perspective of internal processes

Perspective of learning and grow

# Financial perspective

- ▶ Financial goals depend of the lifecycle of
  - Company
  - Unit
  - Service

## Growing

- Early phase
- Growing potential
- Big long term investment
- Negative cash flow

## Preservation

- Interesting for middle and short investment (ROI)
- Elimination of constrains
- Positive profit and cash flow

## Harvest

- No big investments
- Only maintenance
- Positive cash flow
- High profit

# Strategic directions

Grow of turnover and mix of products

Reduction of costs and increase of productivity

Use of resources and strategy of investment



# Measuring of financial effects

		Strategic directions		
		Grow of turnover	Reduction of costs	Use of resources
Life status	Progress	Rate of sales growth The percentage of sales from new products	Turnover per employee	Investment (per sales)
	Preservation	Rate on target customers Profit per customer	Costs in comparison with competitors Indirect costs	Cash to Cash cycle Usage of resources
	Harvest	Profit per customer Percentage of non-profitable customers	Unit costs	Time of investment's returns

# Customer perspective

## ▶ Segmentation of customers

### Geographic

- Nation, States
- Regions, Cities

### Demographic

- Age, gender
- Family size
- Life cycle, Income

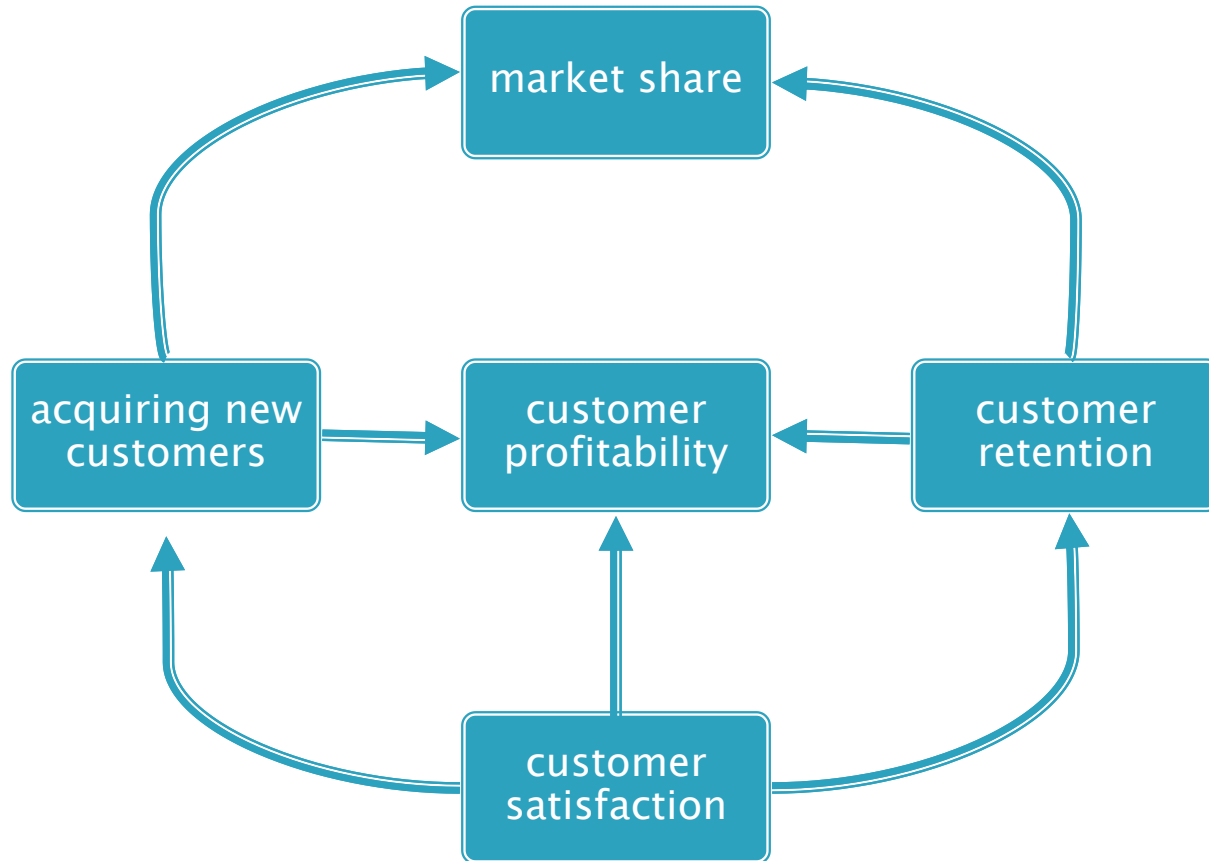
### Psychographic

- Social class
- Lifestyle
- Personality

### Behavioral

- Occasions
- Benefits sought
- User status
- Loyalty

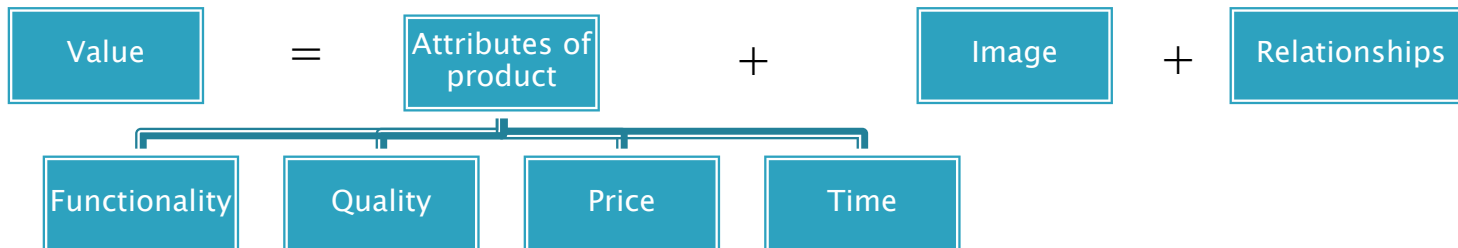
# Measuring segments contributions



# Target segments and customers

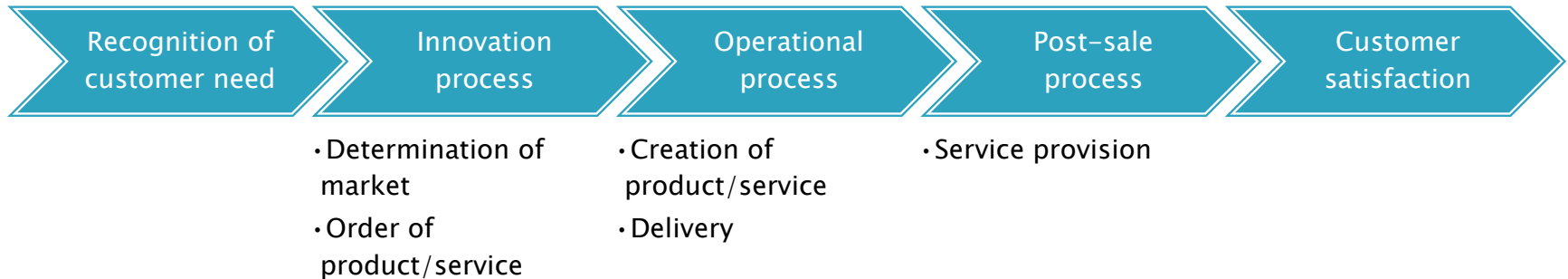
Customers	profitable	No profitable
Target segments	keep	move
No target segments	monitor	eliminate

## Value advantage of customer



# Inner processes perspective

- ▶ Innovation process
- ▶ Operational process
- ▶ Post-sale process



# Innovation process indicators

Percentage of new product / services

Number (percentage) of patents

Our indicators comparing to the competitors' performance

Time of new generation development

# Operational process indicators

- ▶ Mapping the process from customer's order to the product / service delivery
- ▶ Traditionally related to financial indicators
  - Costs
  - Budgets and deviations
- ▶ Now related with quality monitoring and time of delivery cycle
  - Number of rejects
  - Time of delivery

# Post-sale process indicators

## Repairs

- Warranty
- Non – warranty

## Complaints

## Payment processing

## Quality of service

## Quality of customer support



# Perspective of learning and growth

Employees' ability

Capability of information system

Motivation

# Employees' ability indicators

## Satisfaction

- Identification
- Meaningful work
- Information access

## Keeping

- Percentage of turnover of key employees

## Productivity

- Profit per employee
- Turnover per employee

# Capability of information system

It is necessary not only to save information but also to analyse them

To be able to develop new information as the basement for strategic decision

coverage ratio of strategic information

- Analogy to key employees
- Percentage of covered processes
- Feedback of costs

# Motivation indicators

Number of initiatives per employee

Number of initiatives realized

Motivation to improve internal processes

- Measuring of deviation before and after

Measuring of personal commitment

- Number of managers/employees to be involved

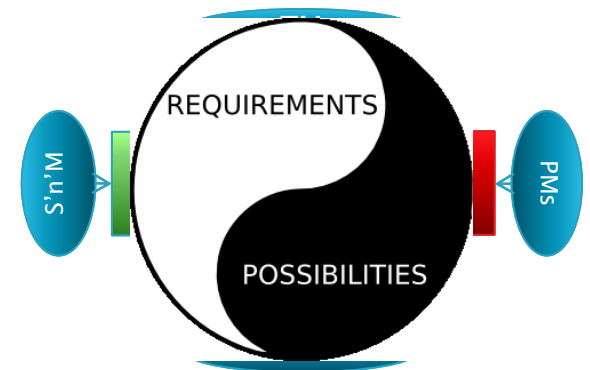
Measuring of teams performance

- Level of information sharing
- Number of integrated projects
- Percentage of teams with sharing of benefit system

# Balance Score Card and MbC

Learning and grow indicator are of the big importance

- focuses on competences that employees must have to successfully fulfill financial, customer, process or others
- these indicators focus the happening in the world of possibilities whereas the others the world of requirements



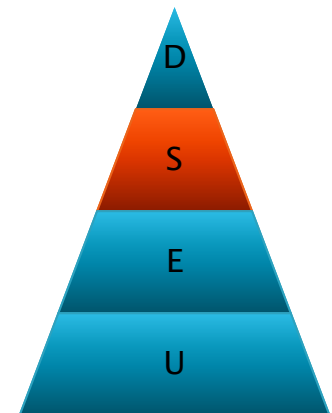
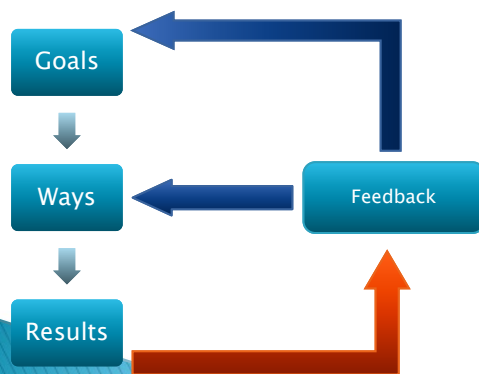
# Balance Score Card and MbC (cont'd)

- ▶ BSC is tool primarily for managers
  - but also communication mean with leaders, owners, shareholders



shareholders, owners, ...

- ▶ BSC may be foundation of monitoring system



# Conclusion

- ▶ Balanced Scorecard perspective
- ▶ Why to use in MbC
- ▶ Structure of Balanced Scorecard