

Balanced Scorecard – a core competence of Kappler Management AG

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Over the course of the last few years, many well known Swiss companies have implemented this management system, developed by Kaplan and Norton in the 90s. Kappler Management AG has developed parts of the balanced scorecard system further and, in conjunction with a new competence centre – the BSC.Institute – is offering it to mainly small and medium sized enterprises (SMEs).

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In our fast moving times, companies can no longer rely solely on financial measures, such as sales volume or gross margin. If corporate strategies are measured only by their financial outcomes, the management information they produce usually comes too late.

A management system with key figures

The balanced scorecard (BSC) management tool provides a company's management with the management data essential to competitive success – the first benefit of the BSC. The company's vision and, above all, its strategies are translated into a transparent system for performance measurement – the scorecard – which forms the framework for a market-oriented management and performance measurement system.

Ideal for the implementation of strategies

Strategic corporate objectives are translated into short-term operative objectives in order to create the basis for a performance and market-oriented key figure catalogue. The system of balanced key figures – the balanced scorecard – is a unique tool for the direct implementation of strategic objectives – the second benefit of the BSC.

How does a BSC work?

Traditional management, focussed on financial key figures can, as has been mentioned, no longer satisfy the demands for effective planning tools in today's age of information. This was the reason why Kaplan und Norton introduced four different perspectives whose viewpoints can be used to assess a company's activities:

- **Financial perspective**
(how do our shareholders see us?)
- **Customer perspective**
(how do our customers see us?)
- **Process perspective**
(in which processes must we be outstanding in order to be successful?)
- **Employee perspective**
(how do we strengthen our ability to change and to improve?)

The structure of a balanced scorecard does not always have to incorporate all four perspectives, although this has become the common practice over the last few years.

Why the Corporate.Six principle?

As already mentioned, in addition to the basic perspectives proposed by Kaplan and Norton of employees, processes, customers and finances, other perspectives may be incorporated into the management system.

Innovation perspective

Our experiences in consultancy have shown that, over the last two or three years, the innovation factor has become an existential question for forward-looking companies.

Marketing-communication perspective

In the present environment, marketing-communication or the approach to the market – the way to the customer – has become ever more significant and has thus become a strategic tool. This tendency will continue to apply over the coming three to five years.

In both consultancy and coaching, primarily of SMEs, we have been successful with the following six perspectives:

The Corporate.Six perspectives:

Financial perspective

How do our shareholders see us?

Customer perspective

How do our customers see us? What benefits do we bring our customers?

Communications perspective

How do we reach our customers? How do we contact our customers?

Process perspective

How must processes be designed to produce the greatest benefit for our customers?

Innovation perspective

How do we continually implement innovations (in processes, product offer, marketing)?

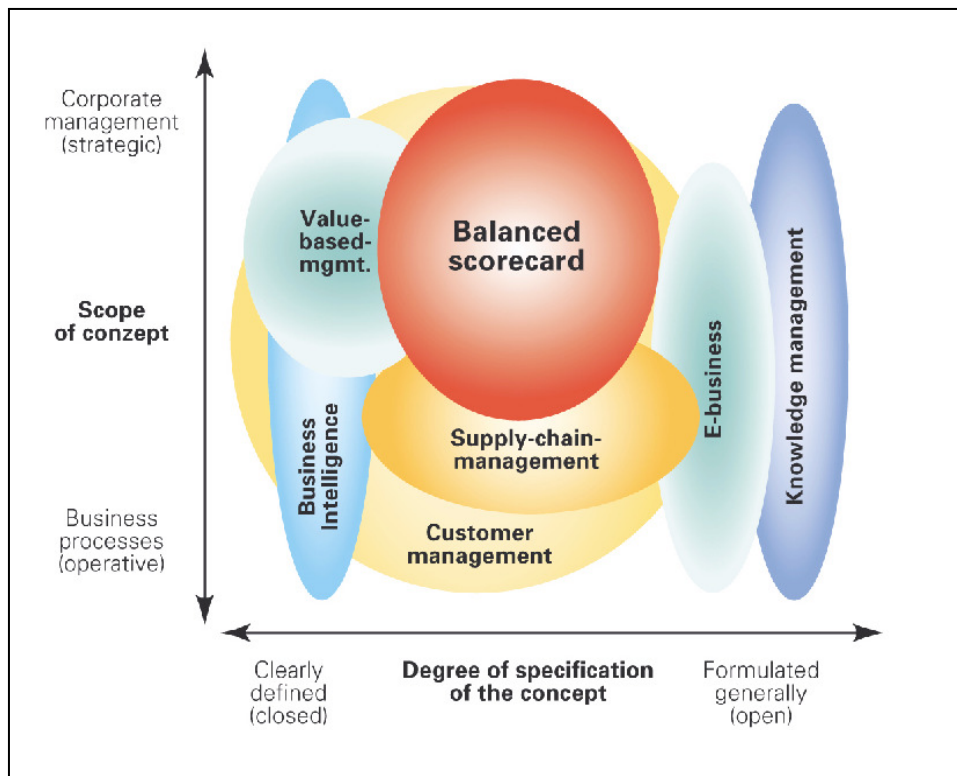
Employee perspective

How do we motivate? How do we encourage development, teamwork and the rest?

Assessment of the balanced scorecard

Is the balanced scorecard a true conceptual innovation or is it simply old wine in new bottles? The positioning of different management concepts in a two-dimensional matrix provides the first insights into the ranking of common concepts. They may be formulated specifically or more generally. They also differ in their more strategic or more operational relevance (see figure below).

Overview of management concepts in terms of management objective and degree of specification of measures



Balanced scorecard – more than just finance

The objective of this management concept is to translate its general vision into strategic objectives and finally, specific measures. It was important for the authors to consider not only the financial aspects in the formulation of strategies, but other dimensions as well.

The weakness of the original principle that the BSC deals solely with strategic matters, has been corrected over the years by practitioners and by Kaplan and Norton themselves. Now the BSC serves to steer the different objective within a company in a common, consistent direction at both strategic and operative levels and can, therefore, be used as a basis for the company-wide allocation of resources.

Stakeholder principle

Theoretically, the concept of the BSC is neither fundamentally new, nor unique in its principles and the concept of stakeholder values makes very similar claims, In the German-speaking area, the work of the St Gallen scientist Hans Ulrich on holistic principles of corporate management incorporating several perspectives and Knut Bleicher on the division of corporate management into vision and normative, strategic and operative management, pursue very similar ideas and principles.

The differentiating characteristic of the BSC – and this is probably the reason for its wide acceptance by practitioners – is that it provides a systematic basis for the implementation of a company's strategies. While drawing up a BSC, the strategic objectives can be broken down as far as actions at the operative level.

The way is as important as the objectives

When drawing up a BSC, we must never lose sight of the fact that the iterative process involved in the original creation of a BSC is at least as valuable as the resulting scorecard itself.

What must be considered in a balanced scorecard (BSC)

- The original creation of a BSC requires considerable involvement of the company's management.
- The implementation of a BSC requires additional support from the company's management.
- Start with the question of architecture: which perspectives must be represented in order to implement the strategy?
- All key figures must be strategically relevant.
- Reduction to only a few key figures. No more than 20 – 25 key figures may be incorporated into the BSC for any organisational unit, whether the whole company, a business unit or a department.
- In order to turn tendential statements into specific proposals, intensive work must be done on the cause-and-effect relationships between the different measures.
- The implementation of corporate information systems is of great significance, as, in addition to the conceptual design of the information system, the quality, durability and processing of the data usually require changes to be made.
- The BSC must continue to be developed after its introduction and, in particular, the assumptions made must be reviewed periodically.

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