MEASURES SCORECARD IDEAS

This handout is provided as an idea-starter for designing Measures Scorecards.

Guidelines for Measures of Success

Questions to ask for every objective you are trying to measure

- Do we have cascading relationships between:
    * Strategic Measures Scorecard
    * Supporting Measures Scorecards for each Department and/or Functional Management Area
    * Measures Scorecards for every Process
- To avoid lop-sided decision-making, are our measures balanced?
    * Between several (sometimes competing) success factors?
    * Between objective and subjective measures?
    * Between short and long term?
    * Between desired outcomes, and the performance drivers of those outcomes?
       (lagging and leading indicators)
- Are our measures cost-effective to obtain?
- Have we established motivating stretch targets for each objective and measure?
- Do our measures provide fast, timely feedback that is easily and correctly interpreted?
    * Are our Process Measures Scorecards highly visual? (big, graphs, charts, colors…)
    * Are our Measures Scorecards simple to understand?
    * Are our Scorecards posted within clear sight of the people doing the process?
    * Are all of our Scorecards updated frequently?
    * Can any passer-by quickly and easily understand how well this process is doing?
- Do our measures cause improvement? Or just monitor it?

Questions to ask about the relationships between objectives
- Can all of our companies and/or divisions share a single overall strategic plan? Or should some Strategic Business Units have their own Strategic Measures Scorecard?
- Within a Measures Scorecard, do all objectives (and their measures) fit together in cause-and-effect relationships that form a single well-articulated strategy?
- How can (do) we test whether our cause-and-effect theories are true?
- Do we use our measures to articulate, seek feedback, and gain approval for our strategy? (Or do we use measures to control mindless execution of tasks defined by management?)

Peter Drucker: "If you want it, measure it. If you can't measure it, forget it."

Jim Belasco: "People who know how well they are doing will do well."

Anonymous: "What gets measured gets done. What gets measured and rewarded gets done first."

The following headings are not intended to be all-inclusive. Some of the most important measures of success for your company might require a new heading.

Stakeholders Perspective

What do we need to do to keep our investors, managers, and employees happy?

Measures of Sales performance

Examples: Total revenue growth. % increase sales by product line. Forecast to actual sales. Backlog &/or inventory increase or reduction. Market share within targeted markets. Risk reduction by decreasing reliance on large percentage markets or product lines…

Measures of Business Plan performance

Examples: Return on Investment, Equity, Assets, or Capital Employed. Cash to cash cycle. Operating income. Budget to actual. Gross Margin by product or market. Revenue per employee. Employee retention. Employee satisfaction.

Examples of potential Financial Perspective themes

Objective	Revenue Growth & Mix	Costs & Productivity	Asset Utilization
Growth	Revenue growth by market or product line % revenues from new markets or product lines	Revenue per employee Employee satisfaction	Investment to Sales Ratio R&D to Sales Ratio
Sustain	Share of targeted markets Cross-selling Profitability by market	Costs vs. competitors Cost reduction rate Indirect expenses to sales ratio	Cash to cash cycle ROA by asset category Throughput
Harvest	Profitability by market	Costs per unit or transaction	Throughput Payback

Measures of employee satisfaction

Examples: Employee retention. Cross-training. Participation in kaizens and employee suggestion programs. Surveys of employee satisfaction…

Customer and Internal Processes Perspective

What do we need to do to keep our customers happy? (by market segment)

Most common Customer Perspective measures

Customer satisfaction. Customer retention. Customer acquisition. Customer profitability. Market share.

Measures of Delivery Speed and Dependability

Examples: Units delivered / units scheduled. % of orders, units, or lines filled without backorders. Target order cycle delivery times. % of delivery promises kept. Average days late. Backorder fulfillment speed and consistency. Volume of errors or damage. # rush orders. # late shipments. Inventory accuracy. Response to errors or damage…

Example of one company's delivery targets: 95% inventory availability for A products, 91% for B's, 87% for C's. Deliver 98% of all orders within 36 hours of order placement. Ship less than 10% of orders from secondary service points. Ship 80% of orders complete without backorders. Restrict backorders to 7 days aging. 60 most profitable customers will receive these minimums on 98% of all orders.

Measures of *improvement:* % increase in delivery promises met. % decrease in # of delivery promise changes at our request. % cycle time reduction. % reduction in lead time per product. % reduction in warranty claim turnaround time. % reduction in purchasing lead time. % reduction in stock-outs. % reduction in "emergency" orders placed per week. % reduction in hours of expedite time. % improvement in ratio of master scheduled to actual output. % increase in quality of delivered product...

Measures of Other Desired Product & Service Attributes

Measures of quality. Measures of safety. Price and terms vs. competitors. Total cost of transaction. Total cost of ownership. Number of engineering changes after release of design to production. Measures of good, fast, and cheap.

Measures of Customer Relationship

Employee training and cross-training. % of questions answered by one person within one phone call. % reduction in support calls following on-line publishing of commonly-requested information. % of customers actively using our e-commerce offerings. % of business customers for whom we have earned preferred vendor status. Measures of image & reputation. Speed and of quote responses. Sales won/lost analysis & improvement. Mystery shopper subjective evaluations.

Measures of Cost Improvement

Examples: % reduction in data transactions. % decrease in costs per good product (by cost type). Total cost as a function of lead time. % inventory turnover increase. % decrease in hours per shipped product (by department). Measures of warehouse productivity. % set-up time reduction. Cash to cash cycle. % reduction in employee turnover. Receivable # days outstanding. Bad debt ratio. Measures of employee satisfaction…

Measures of Flexibility Improvement

Examples: % cycle time reduction (cycles could include sales order processing, quote/estimate processing, response time to various types of customer inquiries, the purchasing cycle, change orders, planning cycles, production cycles, set-up times, repairs, engineering, product development, inventory counts, month-end closings...). % of products with economic lot sizes smaller than X. % increase in # of cross-trained direct labor skills. % decrease in job classifications. % decrease in work in process inventory. % decrease in # of bottleneck resources. % increase in vendor deliveries obtainable within X days…

Measures of Purchasing performance

Examples: % of Purchase Orders released on time (as per Purchase Advice reporting). Inventory turns (Annual cost of sales / average inventory). Vendor Delivery Performance (with defined tolerances, and distinction between whether we or they requested delivery date change). Inventory availability (number or % of unplanned stock-outs). # purchase part shortages. # or % of incorrect purchases. # rush or expedited orders.

Measures of Post-sale Service performance

Examples: RMA cycle time. Repair cycle time. Call response time and consistency. Spare parts availability. Post-sale transaction volumes. % reduction of each reason for return.

Measures of Production performance

Examples: Sales & Operations Plan to actual sales and production. Master Production Schedule to actual. % of production and purchasing orders released on time. Capacity Plan to actual. Annual sales to net fixed assets (good crude measure of capacity utilization). Manufacturing Schedule performance (Parts completed / Parts scheduled). Engineering Schedule performance (Actual deliverables / Scheduled deliverables). Cycle time reduction for lengthy operations…

Measures of Quality Improvement

Examples: Vendor quality performance. % defect reduction. % reduction in scrap value. Yield improvement. Rework reduction. % of defects identified before moving on to additional operations. % reduction in product returns or warranty claims. % reduction in unscheduled downtime. % reduction in number of vendors. % of

inspection operations eliminated. % reduction in time between defect detection and correction. % reduction in order entry errors. % reduction in engineering changes. Number of parts produced without failures. Number of employees educated in Quality…

Organizational Learning Perspective

What do we need to do to keep getting better?

Employee Capabilities

Employee training and cross-training (by topic).

Employee productivity

Revenue to payroll. Revenues per employee (be careful of potentially-damaging hidden drivers). Value added per employee (subtract externally-purchased services, materials, and supplies from revenues). Measures of alignment of individual and organizational goals. Measures of Team performance. Employee retention. % of quotes that become orders.

Innovation

Examples: Measures of suggestions made and implemented. Break-even time (BET), % increase in new product introductions, % sales from proprietary products, % decrease in new product introduction cycle time, new product introductions vs. competitors, % increase in common parts per product, % decrease in material travel time between work centers, % reduction in process steps, % reduction in # parts per product…

Measures of Data Accuracy

Examples: Inventory Accuracy (# sku's correct / # sku's counted. Can optionally consider location.) Bill of Material Accuracy (Parts in Agreement / Total Parts). Master file accuracy (Accurate master file records / # of records audited – for customer, vendor, inventory, and other master files).

Measures of Data Availability

Examples: Average time to respond to different types of customer inquiries. Availability, accuracy and completeness of technical product information…

Suggested Readings

The Balanced Scorecard, by Robert Kaplan and David Norton

The Complete Lean Enterprise (for Administrative and Office) – by Beau Keyte and Drew Locher

Lean Thinking, by James Womack and Daniel Jones

The Re-engineering Handbook, by Raymond Manganelli and Mark Klein

Benchmarking for Best Practices, by Christopher Bogan and Michael English

Beyond the Bottom Line, by McNair, Mosconi, and Norris