



Savage Arms
The Definition of Accuracy



SAVAGE ARMS CANADA

Balanced Scorecard & Policy Deployment “BASICS”

**Presentation for Tri-Association
Conference Nov 9, 2011**



Balanced Scorecard

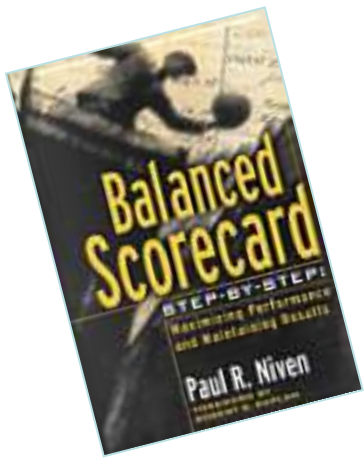
Kaplan and Norton's organizational performance management tool

In the beginning was darkness. We went to work, did our job (well or otherwise) and went home - day in and day out. We did not have to worry about targets, annual assessments, metric-driven incentives, etc. Aahh... life was simple back then.

Then there came light. Bosses everywhere cast envious eyes towards our transatlantic cousins whose ambition was to increase production and efficiency year-by-year. Like eager younger siblings we trailed behind them on the (sometimes) thorny path to enlightenment.

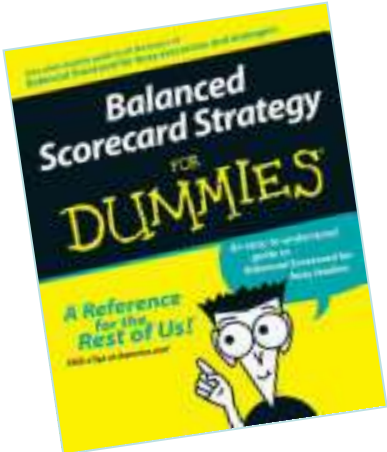
Early Key Performance Indicators – KPI's - were generally focused on the financial aspects of an organization by either claiming to increase profit margins or reduce costs. They were not always successful, for instance driving down costs could sometimes be at the expense of quality, staff (lost expertise) or even losing some of your customer base.





Two eminent doctors Robert S Kaplan and David P Norton evolved their Balanced Scorecard system from early KPI's and jointly produced their ground-breaking book in 1996.

Many other 'gurus' have jumped on the Balanced Scorecard wagon and produced a plethora of books all purporting to be the 'Definitive' book on Balanced Scorecards. Amazon.com shows over 4,000 books listed under Balanced Scorecards, so take your pick - and your chances!



What exactly is a Balanced Scorecard?

The definition often quoted is: “A strategic planning and management tool used to align business activities to the vision statement of an organization”

A Balanced Scorecard attempts to translate the sometimes vague, pious hopes of a company's vision/mission statement into the practicalities of managing the business better at every level.



So why do strategic plans fail?

According to the Balanced Scorecard Collaborative, there are four barriers to strategic implementation:

- 1. Vision Barrier** – No one in the organization understands the strategies of the organization
- 2. People Barrier** – Most people have objectives that are not linked to the strategy of the organization
- 3. Resource Barrier** – Time, energy, and money are not allocated to those things that are critical to the organization. For example, budgets are not linked to strategy, resulting in wasted resources.
- 4. Management Barrier** – Management spends too little time on strategy and too much time on short-term tactical decision-making.



A Balanced Scorecard approach takes a view of an organization and coordinates Key Performance Indicators (KPI's) so that efficiencies are experienced by all departments and in a drill down fashion.

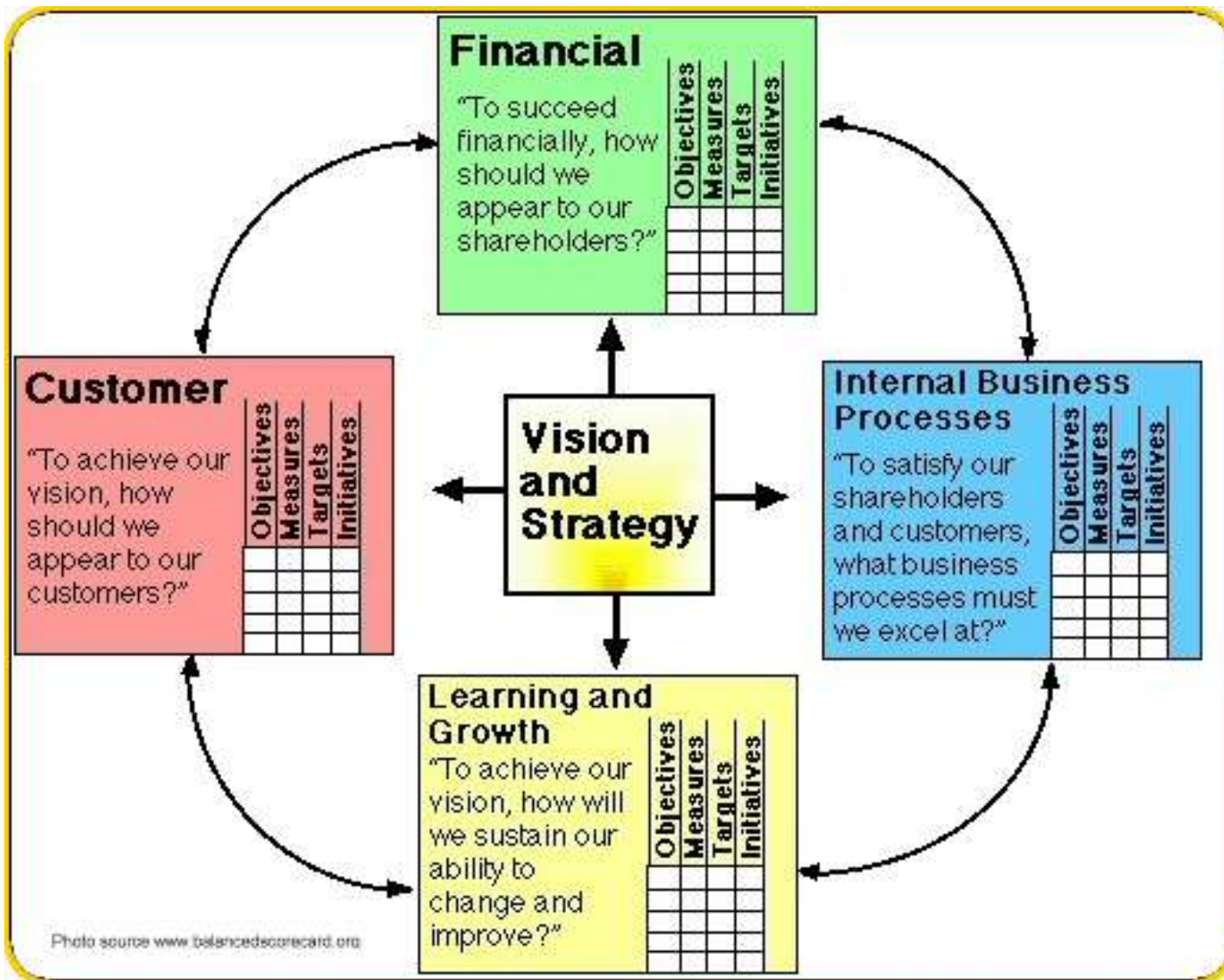
To begin down the Balanced Scorecard path an organization first must know and understand the following:

- ✓ The mission statement
- ✓ The strategic plan/vision

Then

- ✓ The financial status of the organization
 - ✓ How the organization is currently structured and operating
 - ✓ The level of expertise of their employees
 - ✓ Customer satisfaction level





Balanced scorecard - factors examples

Department	Areas
Finance	Return On Investment
	Cash Flow
	Return on Capital Employed
	Financial Results (Quarterly/Yearly)
Internal Business Processes	Number of activities per function
	Duplicate activities across functions
	Process alignment (is the right process in the right department?)
	Process bottlenecks
	Process automation
Learning & Growth	Is there the correct level of expertise for the job?
	Employee turnover
	Job satisfaction
	Training/Learning opportunities
Customer	Delivery performance to customer
	Quality performance for customer
	Customer satisfaction rate
	Customer percentage of market
	Customer retention rate



Once an organization has analysed the specific and quantifiable results of the above, they should be ready to utilise the Balanced Scorecard approach to improve the areas where they are deficient.



The metrics set up also must be SMART (Specific, Measurable, Achievable, Realistic and Timely) - you cannot improve on what you can't measure! Metrics must also be aligned with the company's strategic plan.

A Balanced Scorecard approach generally has four perspectives:

1. Financial
2. Internal business processes
3. Learning & Growth (human focus, or learning and development)
4. Customer



The GPEDC Balanced Scorecard example

“Measurement Strategic Criteria”

FINANCIAL

- Operate within the Budget
- Attract investment from the:
 - Private sector
 - Federal Gov't
 - Provincial Gov't

STAKEHOLDER

Adhere to the terms & conditions of the agreement with the city and county

Understand & act on the city and county priorities

Appropriately represent the city and county in its 3rd party dealings

Respond appropriately to client requests and input

Provide an appropriate level of service to PKT partners



The GPEDC Balanced Scorecard example “Measurement Strategic Criteria” Continued

CORPORATE MISSION

Form effective partnerships with senior levels of Government

Form strategic partnerships with local organizations

Succeed in facilitating the creation of new wealth in the community

Succeed in facilitating the creation of new jobs in the community

Facilitate the improvement of quality of life for the regions residents

INTERNAL PROCESS

Adhere to the terms & conditions of 3RD party funding

Hire and develop staff appropriately

Appropriately represent the city and county in its 3rd party dealings

Maintain effective personnel policies

Effectively implement a Business attraction & retention program

Effectively deliver it small business program

Effectively offer its DMO service



Savage Arms Canada Balanced Scorecard - S2 2011

		KPI's	2009 S1	2009 S2	2010 S1	2010 S2	2011 OBJ's	2011 S2 P.T.D.	S1 Nov	S1 Dec	S1 Jan	S1 Feb	S1 Mar	S1 Apr	S2 May	S2 Jun	S2 Jul	S2 Aug	S2 Sep
CUSTOMER SATISFACTION	1	Customer Rejects (PPM)	11,625	9,080	10,770	8,405	8,000	7,506	10,891	6,675	11,361	6,159	5,932	7,671	8,755	6,296	11,563	6,177	7,466
	2	Customer Complaints (# per month)	0	0	0	0	0	1	1	1	1	1	0	0	1	1	0	1	0
	3	Service Targeting Reject % (New from Inventory)		15	30	30	<15	11	43	25	0	0	33	50	26	0	0	0	0
	4	Supplier inbound rejects (PPM)	799	274	417	525	500	139	481	150	218	143	287	151	190	152	150	118	98
	5	No. Open CARRs with Customer	0	0	0	1	1	0	0	1	0	1	0	0	0	0	0	0	0
	6	No. Open CARRs with Suppliers	0	3	2	0	2	1	0	1	0	0	0	0	1	0	1	1	0
CONTINUOUS IMPROVEMENT	1	Not Right the First Time (PPM)	3,299	3,758	2,740	2,344	2,500	1,788	2,679	3,345	3,076	1,787	1,603	2,064	1,835	2,491	1,149	2,095	785
	2	Direct Labour Improvement Index % (PPH)	3.4	7.1	11.3	18.9	7.0	4.3	5.1	3.3	6.2	3.5	0.8	3.5	3.1	2.6	1.4	5.5	8.8
	3	Overall Equipment Effectiveness % (OEE)	80	82	87	88	90	90	89	89	89	89	88	86	88	91	89	90	91
	4	Series Change Time in minutes (SMED)	13	13	15	12	10	13	13	14	13	13	14	12	14	13	14	13	13
	5	Improvement ideas submitted per employee																	
PRODUCTION	1	Build to Schedule Rate %	95	98	100	100	100	100	100	100	100	100	100	99	100	100	100	100	100
	2	Rework \$ per gun	0.22	0.18	0.09	0.10	0.10	0.09	0.09	0.09	0.08	0.11	0.13	0.10	0.06	0.15	0.02	0.07	0.08
	3	Scrap \$ per gun produced	0.51	0.50	0.45	0.12	0.25	0.25	0.29	0.19	0.21	0.19	0.32	0.25	0.31	0.33	0.21	0.19	0.17
	4																		
BUDGET TARGETS	1	Guns produced per person per day	6.1	6.6	6.7	6.7	7.0	7.0	7.2	7.0	6.9	6.6	6.7	7.7	7.8	8.0	7.2	8.0	7.0
	2	Direct Labor \$ per gun	10.29	9.54	9.14	7.90	8.5	8.1	8.2	7.3	7.5	8.1	8.9	8.3	8.5	8.2	8.0	7.7	8.3
	3	Total Variable + Semi Var. Expenses \$ per gun (Production supp. + Plant Repair & Maint. + Tooling)	2.9	3.4	3.1	2.6	3.2	3.3	3.1	2.0	2.6	3.1	2.3	2.7	3.1	3.2	3.7	3.2	3.3
MATERIALS	1	Product lead time (# days to fill order)	43	36	23	26	28	31	20	18	18	27	29	32	38	30	30	28	28
	2	On time delivery to Customer (Order filled rate %)	76	84	98	99	97	95	98	99	100	99	98	91	84	99	96	99	99
	3	Supplier MPM (Missed deliveries)	77,020	167,814	56,095	36,283	40,000	18,921	28,249	23,529	29,762	28,571	16,327	17,937	21,930	10,753	29,126	22,989	16,129
	4																		
	5	Purchase Index % (Previous year vs. current year cost)	95.9	95.5	94.6	94.6	98.0	102.0	102.9	102.9	102.0	102.0	102.0	102.0	102.0	102.0	102.0	100.0	100.0
HUMAN RESOURCES	1	Hourly Employee Turnover rate %	0.2	0.8	0.2	0.4	0.5	0.2	1.5	1.5	0.0	1.4	0.0	0.0	1.1	0.0	0.0	0.0	
	2	Unplanned Direct Absenteeism %	3.6	3.5	3.5	2.4	2.0	3.2	2.8	2.8	3.0	3.8	1.3	2.3	3.3	2.6	1.9	4.3	3.4
	3	Total Unplanned Absenteeism %	2.7	2.4	2.3	1.7	2.0	2.5	1.9	1.8	2.5	2.5	1.2	1.7	2.2	2.4	2.0	3.0	2.4
SAFETY	1	Accident frequency - Number Lost Time Accidents	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	2	5S Audit % (5S scorecard result by factory)	83	84	93	94	>95	96	96	96	97	97	95	94	94	96	95	96	97
	3	No. of Priority 1 Open H&S Items > 30 days	1	4	0	3	0	0.0	0	0	0	0	0	0	0	0	0	0	0



SAVAGE ARMS CANADA EXAMPLES

BALANCED SCORECARD

WEEKLY FLASH KEY ACCOUNT SPEND

POLICY DEPLOYMENT

EMPLOYEE PERFORMANCE REVIEW FORMAT

- Production Manager

- Director of Manufacturing