

“I want to remain competitive – thanks to the fourth-generation balanced scorecard”

Do the following statements sound familiar?

- *Those employees who should implement the strategy don't understand it*
- *The specific strategic objectives are not linked to the goals of the operational departments and individuals*
- *Strategic and associated changes are making only sluggish progress in the company*

It's over twenty years since Norton & Kaplan started developing their approach, and it has evolved further in that time.

First-generation thinking aims to solve the issue of control and of "getting a grip on the organisation". It often creates a simple collection of measures across the perspectives (measure mania). Such first-generation scorecards are useful for operational measures but poor at describing strategy and change. They are rarely balanced.

Second-generation thinking focuses on what drives performance. The focus is on the few measures (Key Performance Indicators - KPIs) that will make a difference. There is usually some sort of cause and effect model across the perspectives.

Third-generation thinking is about the systematic and methodical implementation of the strategy (translating strategy into action). It emphasises the articulation of the strategy via a map, the adjustment of the organisation and the role of the Strategy Management Office. The scorecards use strategic themes that cross the four perspectives and show the tension present in the strategy. The scorecards reflect the measures and targets, but also the change projects (initiatives) that will boost performance. They place an emphasis on the management team agreeing the strategy and communicating it consistently (responsibility).

Fourth-generation scorecards recognise that management involves uncertainty and risk; they emphasise agility and responsiveness and the ability to learn when executing the strategy. Leadership cannot be reduced to measures and targets. Top management needs to empower people to make decisions locally, to treat their customers as equals and to realise that the most successful executives manage with both their left and right brains. To support leadership and management, fourth-generation strategy maps and balanced scorecards have an "Organisational Value" perspective. This underpins the existing four perspectives and incorporates the organisation's values as a driver of performance and change. Fourth-generation balanced scorecards address both the discipline and culture of performance. They encourage judgement and evidence.

The discipline of performance is about doing the basics. Evidence is needed to ensure you have the facts allowing you to manage the basic information to make decisions: by getting a grip on the organisation, you won't be a burden or cause more problems than benefits. The culture of performance is about getting the best from your people: unleashing their potential and creating space for them to perform. Building their judgement, helping them to understand, analyse and make decisions.



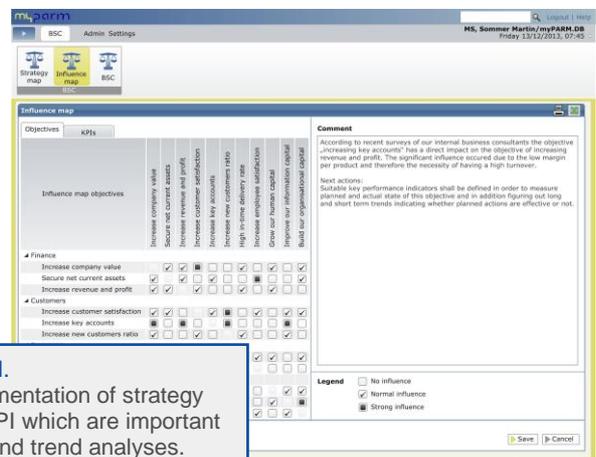
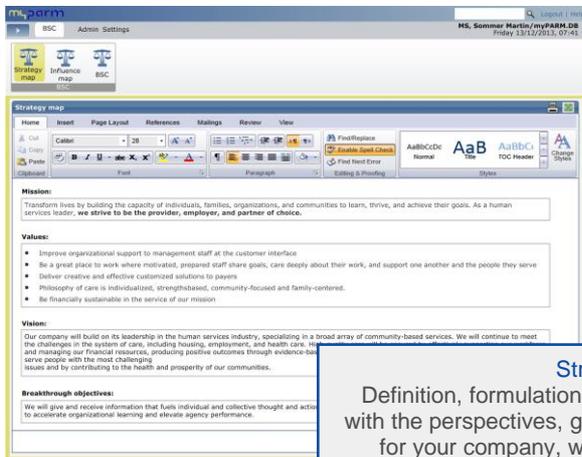
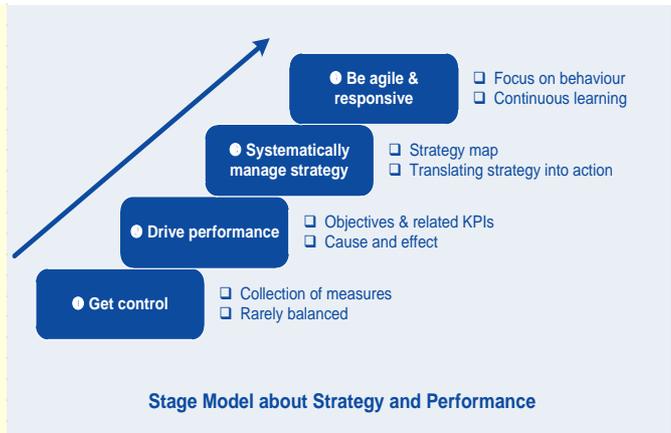
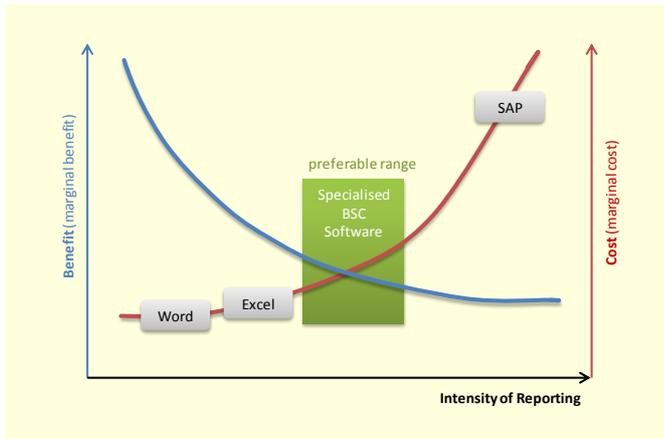
Our contribution is twofold:

- (1) Without an external view, success cannot be achieved; and**
- (2) without a suitable tool, your best intentioned approaches go up in smoke.**

[Correct Strategy] x [Efficient Implementation] = [Success]

Sources: Norton & Kaplan, Cobbold & Lawrie, www.excitant.co.uk

«This is how we solve the problem»



Strategic level.
 Definition, formulation and implementation of strategy with the perspectives, goals and KPI which are important for your company, with status and trend analyses. Support of Quality Management processes as well as planning and execution of actions and assistance measures (discipline, culture, judgement, evidence, management amidst risk and uncertainty, social and environmental responsibility etc.).

Name	Status	Short trend	Long trend	History	Actual value	Target value	Detailed status
Finance	100%	100%	100%				
Increase company value	104%	100%	100%				
Earnings per share growth (EPS)	14%	15%	10%				
Dividend payout ratio	47%	50%	70%				
Economic value added (EVA)	11707 EUR	91000 T EUR	-25%				
Secure net current assets	108%	100%	100%				
Time for payment	24 d	30 d	60				
Liquidity ratio 2	105%	100%	100%				
Increase revenue and profit	893%	890%	100%				
Revenue	268536 T EUR	3007000 T EUR	+60%				
Net sales growth	14%	15%	10%				
EBIT ratio	4%	4%	15%				
Operative profit	21322 T EUR	20900 T EUR	-2%				
Order stock	281309 T EUR	250000 T EUR	+100%				
Order inflow	399447 T EUR	350000 T EUR	+100%				
Customers	103%	100%	100%				
Processes	83%	100%	0%				

Name / Subject	Description	Priority	Start date	End date	Owner
PR initiative	Improvement of Image	Medium	07.01.14	23.05.14	ALGR Grindler, Alysha
New markets	Business Development in Asia	High	25.12.13	25.10.14	ANAC Ackermann, An
Cost reduction	Reduction of internal costs	Medium	24.10.13	11.02.14	ALRO Böhler, Alfre

Further information

Do you have any questions or would like further information on the application?

Eduard Pfister will be pleased to give you a personal consultation and tell you more

Tel.: +41 (0)71 243 10 00, E-mail: eduard.pfister@parm.com

