

Futura and the balanced scorecard case study examples

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FUTURA and the Balanced Scorecard

The Balanced Scorecard is a performance management system that was developed by Robert S. Kaplan, Emeritus at Harvard Business School and David P. Norton of Nolan-Norton Company and the Balanced Scorecard Collaborative in January-February 1992 (Frigo, 2012). Kaplan and Nolan (1992) developed the concept of Balanced Scorecard with a view that to accurately measure the performance of modern day businesses, old and traditional methods of financial performance metrics were inadequate and a more balanced presentation of both financial and operational measures was needed. The Balanced Scorecard includes a set of measures giving the managers a comprehensive yet fast and accurate assessment of the business (Kaplan & Nolan, 1992). It included measures in four dimensions. The first is Financial Measures which tell the results of actions already taken. The three operational measures include Customer Satisfaction, Internal Process and Innovation and Improvement activities- the measures that drive future financial performance (Kaplan & Nolan, 1992). The BSC was thus originally introduced to improve corporate performance measurement by balancing lagging metrics of financial performance with nonfinancial metrics that drive future performance (Frigo, 2012).

About 50% of Fortune 1000 companies today use the Balanced Scorecard (BSC) as a system for measuring business performance (Gumbus & Lussier, 2006). However its usefulness for small to med-sized enterprise has also been illustrated by Gumbus and Johnson (2003) in their study of FUTURA Industries. The company focused on the fundamental dimension of learning, innovation, and growth for the success of the enterprise. It was found that

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the company was able to increase its revenue by 50% for the period of 1996-1999 without the addition of personnel (Gumbus & Johnson, 2003).

The Learning, Innovation and Growth dimension as per Kaplan and Nolan (2004) consists of 3 categories of intangible assets- Human Capital, Information Capital and Organization Capital. The Human Capital refers to the skills and knowledge the employees in an organization need to excel is the domain of human capital (Niven, n. d.). The Information Capital is the company's databases, information system networks and technology infrastructure (Kaplan & Nolan, 2004). The Organization Capital discusses the culture, leadership, employees' ability to share knowledge and alignment of the people with the organization's strategic goals (Kaplan & Nolan, 2004). The approach at FUTURA industries was contrary to the methods of other organizations where primary focus is laid on financial and Operational measures involving Customer Satisfaction and Internal Process. FUTURA Industries is an international organization that had more than 50 years of experience in aluminum extruding, finishing, fabrication, machining, and design (Gumbus & Johnson, 2003). The company was able to surge ahead from the rest due to its focus on putting its people ahead of everyone else. The newly appointed President of the company in 1995, Susan Johnson built a culture where the employees could thrive. The company was thus able to hire and retain the best people in the industry who were devoted towards the customer satisfaction.

Some of the initiatives of FUTURA in its Learning, Innovation and Growth dimension were of minimizing turnover, assessing employee satisfaction and measuring certification and training matrix of the employees. The company

was very particular about measuring turnover. The company was able to reduce turnover of the management and employees through improvement to many work life initiatives aimed at a corporate culture based on performance and employee commitment (Gumbus & Johnson, 2003). The company was able to reduce the turnover by 33% since 1998 to a 10. 7% turnover YTD when the industry average stands at over 50%.

Surveys had a large role to play in collection of data on how to make FUTURA a better workplace. Here the employees were asked to fill out “ Employee Friendly Initiatives at FUTURA” survey that lists more than 60 benefits and asks which are important to them. This way the company had a very good idea of what the employees saw as benefits and which were the most desirable. The company also had other metrics of employee satisfaction that included a “ Birthday Review” which took place on the month of the employee’s birthday and the questioned the employee on work climate, communication, and achievement. A preferred score of 3. 2 on a scale of 1-4 was fixed and a score of 3. 26 YTD was achieved. The Leadership survey was annual and aimed at evaluating the managers and how they can increase their effectiveness and contribute to two-way communication between manager and employee. The certification and training matrix enabled the company to track the professional growth of the employees. A target of 80% of the employees moving to the next level was fixed. The Annual Performance and Personal Development Review was the system of formal appraisal.

The Customer Service dimension of BSC at FUTURA involved the principle that providing good customer service lies in hiring people aligned with

company values and retaining people who deliver outstanding customer service (Gumbus & Johnson, 2003). The Customer Satisfaction was gauged from survey of 10 randomly selected previous customers of a month who were asked a set of questions. The score of 8.5 was set as a goal on a Likert scale of 1-10, and the company achieves 8.64. The Financial Dimension was driven around the costs per item per customer so we can profitability between customers could be compared. The Financial dimension was directly linked to the customer dimension which was rooted to the Employee satisfaction- the Learning, Innovation and Growth dimension. The Internal Operations of the company too focused on reducing the number of insurance claims, and thus aimed at reducing accidents at the workplace. This translates to a friendly and safe workplace too and involves connection of the Learning, Innovation and Growth dimension through the wellness of the employees

The FUTURA Industries, through its central focus on the employees ensured that the Human, Information and Organization Capital were well taken care of and reflected positively on the BSC too. The company used surveys and interesting ways of reviews to maintain a lead in the industry. The BSC was of considerable help in accurately measuring the success of the organization in meeting the future financial and customer goals too.

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