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failure to satisfy the
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Summary of the article

The article named “ Building up a Performance Indicator System of International Projects, Based on the Balanced Scorecard” is based on international projects. It describes a tool that could be used to evaluate the performance of international projects in a more scientific approach to achieve accurate ratings in a comprehensive way. The tool is a balanced score card (BSC). The balanced score card considers all the valuation models of a project ranging from finance requirements, cash flows, customer satisfaction, technological level, employee standards, competitiveness, alignment with goals and objectives, main and motivating reasons, secondary indicators and many others.

The tool is easy to understand since it has progressive layers of different segments and indicators of project performance (Bowers, 2005). The article considers a market of engineering projects. The main factors considered by the tool are the company strategy and whether it contributes towards achievement of set goals and objectives, the company customers and whether they are provided with satisfactory goods, services & communication and the idea of balance.

Balance is all about the combination of all the indicators and contributing factors in optimal proportions for an equitable growth and performance of a project. It considers management performance, finance limitations and strategies, the future aspects of the project, the quality standards of the project, the potential payout from the project and all other conflicting interests that need to be balanced using management principles (Norton,

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1992). The article further probes on the four most important indicators of international engineering projects namely: finance, customers, inner-business process and study & growth.

Finance as an indicator, reflects the financial position of a company at a particular time, the asset liability ratios, the internal rates of return, the profitability ratios, revenue growth rates, cash flows and many other factors that determine the capital structure of the project. The customers as indicators deal with the market share, the demand versus supply, customer satisfaction and the perspective of the whole public and the governments. The inner business process reflects the production, distribution, marketing, organizational and remuneration plans. The study and growth indicator deals with the technology and future aspects of the project (Hui, 2010).

Key Learning Points from the Article

According to the Balanced Scorecard Institute, 2010, the balanced scorecard helps align a company's strategic goals with the strategic planning of business activities. It combines both financial and non-financial performance of the company in the local industry and in the international scene. The balanced scorecard is a very effective tool for evaluation of a project's performance since it considers all the basic indicators that spearhead the performance of it in the international scene. These are factors that are common in every product.

However, the comparison of performance of projects from different industries in the international markets is difficult since the intensity of each indicator is varied. For example, a project in the hotel industry will have variations with

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one from the information technology industry. This is because of several factors like the mobility of goods and services, the orientation i. e. I. T industry is technology oriented while the hotel industry is oriented to people and professional service. Balanced scorecards will consider the strategy adopted by each company ranging from production, promotion, marketing and advertisement to distribution and consumption strategies. Companies with poor strategies will have lower scores while companies with higher quality of strategies will have higher scores.

However, this does not guarantee that they score higher than the international projects with low quality standards. This is due to the balance approach i. e. a balance must be obtained between each of the indicators for any project to score higher. The balance scorecard emphasizes that the customer is the king of all business. Failure to satisfy the customer is a threat and a very sensitive factor in the balanced scorecard formula. Any project need to be in line with the customer requirements. That is, effective and frequent communication with customers about the project, high quality of goods and services offered to the customer, various utilities to the customer like place, form, time & possession, a suitable pricing strategy for the customer like stable prices, customer satisfaction and promotions.

When analyzing the customers as indicators of the performance of the project, one should consider the owners, the government and public satisfaction. This is in terms of the environment impacts of the project, resource conservation and efficiency, impact of the project to the local economy and industry, impact of the project to the equity holder's value and project returns. One should also note other impacts such as, training
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opportunities created by the project, compliance of the project to the state's laws and regulations, social impact of the project in the local area, owner's perception of the changes generated by the project and many other factors. The balance scorecard also considers the inner-business process as very influential to the performance of each business. The management techniques should start from the inner-business so that they can shine to the outer-business world.

Inner business includes the internal practices and culture of the business. This ranges from cost control, progress control, internal communication and cooperation to quality control. Cost control includes management decisions on budgets, cost estimates, expenditure evaluation and analysis and monitoring of inventories. This helps the company to reduce costs on projects and maximize outputs. Progress control includes formulation of working schemes, frequent task reports, network analysis of projects and timing of tasks with deadlines and floats. This helps evaluate the progress of a project. Internal communication involves the standards, policies, technology and level of communication within an organization. This is facilitated by the management through the provision of the infrastructure and motivation for cooperation in achieving set goals and objectives.

The article also highlights quality control as a move to improve the inner-business process of a company. This helps to ensure that products and services are of high quality thus high demand from customers. The non-financial aspect of the balance scorecard mainly lies in the study and growth aspects. It helps the management to focus on other factors influencing the performance of the organization. This includes the staff of the organization, <https://assignbuster.com/summary-business-failure-to-satisfy-the-customer-is/>

the innovative capability of the project, knowledge management, and the growth prospects of the brands involved in the project and so on. The scorecard further sub-divides these into basic units that can be easily evaluated and monitored.

This includes the level of satisfaction of the staff from the project pay versus work done, the effectiveness and quality of the staff training systems i. e. sponsorships, scholarships, seminars, workshops and meetings and the rate at which the management and technical staff are lost. The evaluation criteria also considers the level of education of the employees, the working conditions of the staff i. e. working hours, safety measures, health facilities, promotion of organizational culture in unison with that of the employees and so on. The scorecard helps the management analyze how the project can utilize new available materials, new technology methods and expansion capacities. Projects with high use of new technology, input of newly available materials and expansion capacities are preferred thus a higher score.

The project may also avail more information to the company that could be used to make future decisions. This includes demand rates, market share, and financial position of the company, customer perspective of the company's products and government perspective of the company and/or its projects. The balanced scorecard is an effective tool for comparison of the performance of projects in the international markets.

I disagree with this statement due to the following reasons: The balanced scorecard does not consider the global/regional economic movements affecting the projects. This includes the recessions, booms, recoveries and

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depression. These movements are discordant, in that they do not affect the world evenly.

One part of the globe may be experiencing a different stage of economic movements than the other. This makes situations different, thus comparison should consider these factors. The balanced scorecard can only be used to compare projects within the same industry i.

e. two engineering projects. If it is used to compare projects from different industries bias occurs since the goals, strategies, approaches and economic conditions of the two projects may not rhyme. A company in the entertainment scene usually depends highly on the quality of its staff i. e.

Graphic designers and Actors of Hollywood Productions determine their performance whereas, a company in the agricultural sector highly depends on the amount of land, quality of soil and climatic season for their performance. This shows that the balance scorecard cannot trace the comparison of the balanced approaches used to evaluate the performance of projects in such a case. However, more universal methods could be applied like the use of financial implications of a project, which are common in any project. The balanced scorecard does not consider other influential factors that could have higher weights on a company like political status of the local country, social status of the domestic country, the brand names i. e.

companies with high brand names get high responses and reputations from potential customers. The local competition and experience of the firm in the market i. e. a project from a new firm is likely to encounter more difficulties than another from an experienced firm. The balanced scorecard integrates <https://assignbuster.com/summary-business-failure-to-satisfy-the-customer-is/>

all management principles and strategies and applies them to achieve management goals. I agree with this statement due to the following reasons:

The balanced scorecard helps the managers to apply their techniques in various fields to achieve the business strategies, goals and objectives.

This is because the balance scorecard is a step-by-step analysis that involves all the interests of a business and then integrates them into an interrelated system of dependent variables. This means relating the customers, inner-business processes, the financial department and the study & growth with the business goals, objectives and strategies or rather the vision of the business (Eilon, 1999). The managers has to coordinate the tasks of the business, the employees and the finance department, the production, the quality assurance department, the marketing department and the administration to achieve high performance of the business. They also need to control the flow of resources to increase revenue and reduce cash outflows; this is a very important aspect in the balanced scorecard.

The managers also organize how the various activities of the inner-business are to be carried out for optimum achievement of organization's goals. The performance of the inner-business process is essential for high score in the balanced scorecard. The promotion and motivation of employees is another function of the manager that directly contributes to the performance of the business in the international scene and gain a higher score in the balance scorecard through improved study and growth prospects of the business.

The management are also involved in planning activities in application of organization's strategies to achieve set goals. The staffing policies adapted by the management also help the mangers to increase efficiency in inner
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business processes and growth plans of the business. The management is also involved in supervision of all business activities to ensure efficient business transactions, results and performance of the business projects according to plan and protocol. This helps achieve management standards that are required for optimum scores in the balanced scorecard (BSC) (Kerzner, 2009).

Critical analysis

The article describes the BSC as a tool that can be used to mobilize all business activities towards a common goal. Traditional management principles aimed at organizing departments so that they can work independently and be monitored easily. This parted them from the overall most important goals of the business especially when departments started setting their own goals and objectives. The BSC helps the management to recover the lost bonds that help drive a company to achievement of its business strategies. It helps visualize the sensitivity of each aspect of business and move the organization as a whole and not as departments. The BSC can be perceived as a management tool for evaluation of business performance and comparing between different trading periods to establish trends. This helps the business to monitor progress, performance and new opportunities in real time.

The BSC could be used as a decision making base since it shows the overall picture of the business (Niven, 2006). It establishes the units with low scores hence creating room for further studies on how to improve the scores. The business could also use it to compare itself with the competitors and establish its weaknesses.

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This would help it improve the weak points and grab the opportunity created by the competitors (Anand, 2005). The BSC shows the indicators of business performance in two classes. The first class indicators are important and wide.

They may not lack in any business. However, the second-class indicators are many and less important. They can be missing in some businesses of less influential in other businesses. In some businesses, the second class elements could be so influential to deserve the first class level i. e.

stability of the exchange rate could highly affect the performance of a business project especially in the agricultural sector (Brown, 2007).

Application in the UAE

Let us take an example of a bank in the UAE i. e. NBAD (National Bank of Abu Dhabi). This is a bank that is currently going global. It is encountering a lot of challenges from other banks in the UAE and in the world. The management has been very successful on profitability strategies that helped it amass wealth beyond any other bank in the UAE. NBAD needs to have a growth oriented management strategy that will help it increase its markets, future prospects, revenue growth, market share and overall performance.

To achieve this, its management should adapt a BSC technique to monitor the progress and score of each activity they take. For example, they introduced E-banking. This project has a lot of implications that improve its overall score. However, a deeper study of the project using the BSC could establish issues that can be improved to stay on the upper edge of

competition in the international market. For this particular E-banking project for the NBAD, the scorecard could establish the target customers, what they

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really want, their perspectives about the product and the expected terms and conditions.

The scorecard could also help the bank to analyze its financial position, expected marginal revenue, profitability ratios and so on. The inner-banking processes could also be efficiently monitored through the BSC. This tool would help the bank to focus of expansion and growth without losing quality/focus on the current business processes and strategies.

Lessons Learnt

There are various business lessons that can be learnt from this paper as will be outlined in the following section. Management functions could work better when applied together instead of separately (each in its own line). This is achievable using a balanced scorecard. It helps the manager to monitor his own actions towards the organization. The functions played by the manager are thus integrated by the BSC towards achievement of the company's vision. The BSC helps the manager to align the company's vision with its business strategies. From the beginning of each project of the company, the manager analyzes the scores to keep the project on track, make the necessary changes and adapt to the new environment, align the project to the customer's needs and grab the new opportunities that might be created by the new project. This means that the scorecard is like a guardian tool that maintains proper track of a project and explores new advantages accrued to the project.

The BSC is suitable for comparing the orientations of the business and establishing areas that should be privileged for optimum performance of the

company. For example, a business could be customer oriented while another could be oriented to inner-business processes like quality and pricing. The business compares its scores from each activity and realizes the weak points and strengths. It may then generate policies to help the business to improve on weak points or reduce the capacity invested on weak points.

This helps the company to stay on the upper edge of competition. Each indicator in the BSC should have a weight assigned to it (Smith, 2010). This weight helps analyze the effect and sensitivity of such item. For a balanced indicator system, the weights should not be equal since some indicators are more influential than the others. However, there is a challenge in quantification of some indicators especially the non-financial ones. Other indicators are rapidly changing thus the results are not exact but estimates.

Relative measurements should be used in a case where approximation is difficult.

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