

Ken Moore Associates

Presents

THE PERFORMANCE SCORECARD

In today's hyper competitive marketplace, employees and their managers understand that their organizational success requires highly educated and trained professionals who are capable of dealing with complex situations in a multi-disciplinary setting.

Employees in every discipline are recognizing that they must focus their efforts on profitability and productivity contributions rather than on activities. Human Resources professionals, for example, have been making great strides in learning how to quantify their historically qualitative activities so that there can be some meaningful statistical and comparative analysis of their contributions.

The problem then becomes: How do we relate our efforts to the corporate performance factors that drive executive leadership decisions and actions. One of the more popular approaches, The Performance Scorecard remedies this situation by providing basic mathematical models. Created by Ray Van Ness, PhD at the University of Albany and taught by Professor Kenneth Moore in the business school's Capstone Course, the Performance Scorecard shows you how to measure three areas that are critical to the success of any organization in America.

- a. **Financial data analysis.** The Performance Scorecard provides simple mathematical formulas to analyze and discuss the four basic financial areas of a corporation:
 - a. Profit, Equity & Share Value Management;
 - b. Debt Management;
 - c. Cash Management,
 - d. Asset Management;

This scares off most non-financial professionals. They'd prefer it to be left to the financial whizzes in the company. But basic financial statements literacy is relatively easy to learn and apply to your own discipline. For example, if the Accounts Receivable Turnover has increased from 30 to 45 days during the past 4four years, it is costing the company 15 days of extra money to support the operations before it gets paid by its customers. It may be an indicator that the Accounts Receivable leadership needs to be changed. With this knowledge, the HR recruiter should now be looking for someone the necessary skills to reduce the ratio down to 30 days or less. By finding the right candidate with these critical skill sets, the HR department has directly contributed to the profitability factors of the company.
- b. **Positioning:** Positioning refers to what is the company doing to insure that it stays in business and, hopefully, grow the business. There are five general categories discussed:
 1. **Vision and mission statement.** Does the company have a clear and compelling vision and mission statement that is focused and clear? Is it just a slogan or is it a compelling concept that drives decision making at all levels?
 2. **Competitive advantage.** Has the company's competitive advantage been established and communicated to all employees, customers and stakeholders? Does it have a solid rapport with its customer base?
 3. **General environment,** Is there a comprehensive and continuing review of the internal and external environment in which your company operates? Do we have the right mix of human capital, finances, raw material sources, corporate structure and leadership in place to insure success? Do we understand our competition and are we improving our competitive advantage?
 4. **Innovation.** Does your company lead the industry and marketplace with innovative in new products, ideas, services, methods and organization? Are employee KSA improvements encouraged throughout the company? Is your company re-active or pro-active in marketplace innovation?

5. **Plans & progress.** How does the company plan to stay in and grow the business in the future? How are expansion plans conducted and explained? Does the company plan to grow internally, by mergers and acquisitions, or by some other means?
- c. **Corporate Social Responsibility or Relationship Management:** How responsible is the company to the various stakeholders who have an investment in the company? How are these relationship managed:
 1. Employee/labor relations
 2. Shareholders
 3. The local community
 4. Vendors
 5. Competitors
 6. Regulatory agencies
 7. Board of directors
 8. Environmental

For each area, you can assign a number between one (poor) and five (excellent) and then debate and decide upon appropriate strategies to move from one number to a higher number.

For our clients, the key is to use their time to continue developing their fluency in the language of business. The Balanced Scorecard establishes a dynamic and relevant philosophical basis for acceptable and desired business conduct in our world. The Performance Scorecard teaches you how to critically examine various elements of corporate performance data. From this examination and analysis, you will be able to directly link your departmental strategies to the overall goals and objectives of the company and increase the effectiveness of your arguments.

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