

Preface

Do we really know the critical phenomena that are linked to how enterprises function and the dynamics of their relationships with customers, suppliers and competitors? Are their decision-making processes founded upon a set of performance measurements that were accurately designed and systematically elaborated?

The above questions are the focus of this book: enterprises need a system to measure their critical performances so they can be effectively governed; metaphorically speaking, enterprises need a “management dashboard” to serve as a navigation support. A dashboard to show – with as few distortions as possible – the pattern of the key variables that characterise the specific formula that enterprises use to face their competitive and social environment.

However, a “management dashboard” is not a mere collection of data and indicators. With the widespread use of information technologies, enterprises find themselves dealing with an abundance of information; they possess many indicators, but the important information is hidden, drowned in muddled reports or disseminated throughout spreadsheets whose existence is known only to a few people. The main issue at stake is not to adopt the latest version of the most powerful IT tool of Business Intelligence available, so to be able to elaborate evermore sophisticated statistics in a fraction of a second. The issue is to conceptually design a system that will measure business performance. A design that follows an accurate and patient selection of the company’s indicators and is based upon the identification of the phenomena which are critical to an enterprise’s success and/or its survival (“measuring only what is important”); a thorough and an integrated overview of the enterprise and how it works (“measuring performance from 360°”); not only financial performances, but also those that pertain to the critical factors of success in its relationships with customers; those that pertain to the critical factors of internal processes’ functioning; and those that pertain to human resources. The term “Balanced Scorecard” – after the most renowned and used dashboard model at the international level – implies these two major concepts: the strategic importance of the measurements (*scorecards*: used for taking note of

the facts that matter in sports competitions); the integrated view of a company's performance, that is the "balance" (*balanced*).

The first part of the book, featuring four chapters, is dedicated to the exploration and in-depth study of the concepts and tools that are necessary for setting up a management dashboard, based upon the Balanced Scorecard model. The first chapter analyses the key question concerning the identification of critical phenomena and illustrates the logic behind the design of a system of indicators that is strategically aligned and balanced. In the second chapter, the "circular" approach to the implementation of the BSC model is presented; this approach reverses the traditional top-down logic, but is actually in line with the organisational and cultural peculiarities of small and medium-sized enterprises. The goal of the third chapter is to examine the characteristics of the processes that lead to a company's strategy and to highlight the role of the BSC model in such processes. Finally, the fourth chapter deals with the comparative analysis of the most renowned models used to measure performance, so we can appreciate – in a broader perspective – the conceptual and practical importance of Balanced Scorecards.

The second part of the book describes the experience of three SMEs as they implemented a management dashboard based upon the Balanced Scorecard. The enterprises are: Valbona, Home Cucine and Uniflair. Three companies of different size (from about 50 to 300 employees), which are dedicated to greatly heterogeneous businesses (canned products, modular kitchens, precision conditioning and raised-access floor panels), but are all extremely willing to improve and innovate their administration and management. A willingness that goes back to the basic ability to do some serious soul searching and to the desire of experimenting new solutions. These qualities are rather critical as we approach a reality where the level of innovation may become one of the few winning features on the globe's competitive arena.

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Scorecard

A Practical Approach to Implementation within SMEs

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