



*Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.*

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## Performance Measurement at Work-

### Subaru-Isuzu's Success with the Balanced Scorecard

Over the years, many buzz words have been thrown around in corporate America. If you aren't familiar with terms such as co-opetition, B to B, ROI, PDA and the like, the business world may just be passing you by. Two new buzz words have been born from actual practice and proven success. These are performance measurement and the balanced scorecard.

Large organizations select and use performance measurement systems to determine whether they are fulfilling their vision, meeting their short-term objectives and achieving their long-term, strategic goals. The measures focus on a critical few that link directly to the company's strategic plan, and are a combination of financial and non-financial indicators. Some financial performance measurements are historical, whereas non-financial performance indicators allow an organization to review its performance in real time and implement immediate adjustments. In any case, the specific indicators selected should best represent the factors that lead to improved customer, operational and financial performance.

Today, many companies are using a relatively new approach to strategic management developed by Drs. Robert S. Kaplan and David P. Norton of the Balanced Scorecard Collaborative, Inc. The "Balanced Scorecard" system is a management system that enables organizations to clarify their vision and strategy and translate them into action.

With a properly deployed and automated balanced scorecard approach, each management level can monitor the key performance measures within their control and responsibility, and understand the relationship to the overall success of their company. This approach provides management with visibility into the operations and issues of each business unit. It enables management to implement and track key initiatives for the purpose of addressing problem areas earlier or pursuing additional business opportunities faster and more effectively.

A good example of *Putting Performance Measurement to Work* may be found in Subaru-Isuzu Automotive, Inc., a joint Japanese automotive manufacturing venture between Fuji Heavy Industries and Isuzu Motors Limited.

In 1996, Subaru-Isuzu became conscious of the fact that they were using only historical data measures to judge the venture's overall performance. They realized that they had only vague goals and objectives to drive current and future growth. They were unable to effectively forecast targets and objectives for one, three, five and ten year plans. In 1998, the official decision was made to implement the balanced scorecard approach to performance measurement – a system designed in such a manner that the measures selected would actually support organizational goals and objectives.

The next step was to decide what needed to be measured, the frequency of measurement and finally, what type of system was needed to maintain and display the performance trends. After juggling numerous ideas on what needed to be measured, it was concluded that too many measures would likely create an unmanageable data overload. So, a decision was made to use the Malcom Baldrige National Quality Award criteria. This way, "approved" performance measures could be categorized under one of seven business performance objectives. The objectives include leadership, strategic planning, customer and market focus, information and analysis, human resource focus, project management and results. Subaru/Isuzu ultimately reduced the seven down to five major categories that best represented the venture's key business performance goals.

## Performance Measurement at Work – Subaru-Isuzu’s Success with the Balanced Scorecard (cont.)

Now, for the logistical end of the deal – How could Subaru/Isuzu provide a one-stop, easy to use, data management and measurement system for their end users that included security for sensitive data? It was also essential to find a system that would allow the organization to measure performance data against one another, so that the trends in one performance measure might help predict how another performance measure would react to change. To this end, the venture considered all the applications programs currently being used in house (Excel, Paradox and Access). None of these were acceptable to management. Subaru Isuzu selected *pbviews* to satisfy the perceived system criterion and to ultimately maintain and display the balanced scorecard.

While it is still early in the process, Subaru Isuzu has identified numerous areas for improvement. According to Mr. Brent Lank, Senior Business Performance Specialist, "By far, the best success so far is working toward having all necessary data in one system in one location. We wasted countless hours and dollars 'browsing' for reports in our network, calling people for data, etc."

Subaru Isuzu is now forecasting targets and objectives for one, three, five, and ten year plans based on this system of measurements. Lank went on to say, "This is truly a revolutionary change for our organization".

Companies of all sizes are experiencing the dramatic results associated with performance measurement. Small and large alike are using meaningful performance measurements to look into the future, and to make critical adjustments that will help meet and exceed established goals and objectives. By combining performance measurement with the balanced scorecard approach, organizations can clarify their vision and strategy allowing them to translate these into action. It provides feedback around both the internal processes and external outcomes in order to continuously improve strategic performance and results. An automated balanced scorecard focuses on proactive communication for addressing problems earlier and pursuing opportunities faster and more effectively than traditional management models. Find out more about how you can put these tools to work for you, give us a call today!