IDENTIFICATION AND DESIGN OF PERFORMANCE MEASURES AND DRIVERS FOR SAFCOR PANALPINA

Final Report

Axel Jochem Peters

s26032385
Executive Summary

The purpose of this report is to investigate and provide Safcor Panalpina with a continual improvement framework. Top management strives to promote quality through the organisation but lacks a source to provide them with effective information. There are many business frameworks to assist management with successful decision making. The models that are taken into consideration are Balanced Scorecards, Supply Chain Operations Reference, Performance Pyramids and Business Excellence Models.

Each model is explained and introduced. The model of choice is the Balanced Scorecard. The biggest influence for this choice is that the framework designer is able to develop a solution that does not need a lot of training and in-depth understanding of each organisational process while still adding value to management. The Balanced Scorecard is built together by information supplied by Safcor Panalpina. Each stage of the framework is explained and what information is required in order to create a successful framework.

The results of the obtained Balanced Scorecard, as in the performance values will not be part of this document. However there is an evaluation sheet that Safcor Panalpina has filled out to show the effectiveness of the Balanced Scorecards. This is will assist Safcor Panalpina to target certain areas within the organisation and improve them.
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1. Introduction

1.1 Introduction to Safcor Panalpina

Safcor Panalpina is an organisation specialising in supply chain management (SCM) solutions. Safcor is part of Bidvest and is in partnership with Panalpina World Transport Group, with a massive network spanned over the world. They are situated in over 90 countries with 500 branches. They attend to various facets of SCM such as: forwarding, consulting, customs clearing logistics and financial services.

Safcor has over 100 years’ experience in the supply chain sector and is therefore considered to be the solid figurehead in supply chain solution. Their supply chain services target many business sectors (industry verticals) such as: telecommunications, electronics, automotive, pharmaceuticals and oil and gas. Safcor is involved in many different industries therefore they have to maintain a customisable service to each customer. This is a valid reason as to why Safcor puts a lot of effort into knowing what their customer wants.

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1 For the rest of the document Safcor Panalpina will be represented as “Safcor”
1.2 Problem statement

*Safcor* is in a need of a quantitative analytical approach for the evaluation of their importing operation as well as a comparison of this operation with established best practices. *Safcor* would like to use a benchmarking method to act as a catalyst towards continual improvement. This method will serve as a continual improvement initiative rather than an actual solution in their current operations. Through this method it will be easier to highlight gaps in their operation and allow *Safcor* to create a solution to align their mission and vision with their operations. It is vitally important that a global organisation like *Safcor* is world class and can strive towards perfection. Therefore *Safcor* is in need for a framework to provide them with information to improve and identify issues that might exist in their importing operation.

1.3 Project Aim

The aim of the project is to identify and select an appropriate method for the identification of *Safcor’s* key performance indicators (KPIs). Once the most suitable method is selected it should be adapted and developed in order for the organisation to use it in their import operation and provide information to empower their supply chain objectives. The solution will complement their quality management system (ISO 9001: 2008) and should be able to fit into their quality manual as a continual improvement tool. Management
should be able to understand and use the tool as a guidance framework into creating their controls.

1.4 Project Scope

The boundaries of the solution will be built around the importing operation at Safcor’s freight warehouse (Unit 2), situated at the O.R Tambo International airport (O.R. Tambo). In the project the importing operations encompass the logistic processes at the freight warehouse, from the point of receiving the merchandise at O.R Tambo airport (Cargo Plane) to the freight warehouse (Unit 2) and then from the warehouse to the customer. All the smaller processes that are used to execute this import operation shall be taken into account although they will not be the main focus of the solution. The main focus will be to identify the gaps in the importing operation that need improvement and identifiers which will have the most significant effect towards continual improvement.

1.5 Problem definition

At the moment Safcor focuses on the financial problem identifiers known as Financial Key Performance Indicators (FKPI). This narrow focus poses the threat of neglecting other indicators that could also be very important. Some risks of only considering financial indicators for preference measurements include:
• Overlooking high value areas in an organisation which is often presented in intangible assets such as intellectual capital and innovation.

• Neglecting the importance of customer satisfaction, since it is only indirectly measured through finances.

• When focusing mainly on financial measures, the shareholder tends to abuse the short term objectives, which can damage the organisation’s ability to attain long-term goals.

The use of financial measures are still critical in any organisation however, in isolation it can fail to provide insightful information into the processes responsible for achieving the desired results, and consequently limit the organisations true improvement capabilities (Tangen, 2004).

1.6 Document structure

The structure of the document will follow a logical approach towards the solution. The second chapter will be a literature review about management control and practices used in business currently as well as the selection of an appropriate method. The third chapter will be a walkthrough of how a BSC is established; this will highlight the steps that were taken into account when working on the final solution. After which the fourth chapter will break done the actual solution and creation of the BSC. Lastly chapter five will explain implementation and application of the BSC.
2. Literature study

2.1 Management control

In the previous ten years there have been issues with the normal management approach concerning the use of financial measures. This is because the conditions for business cannot be governed by traditional management control. The main aim of traditional management practices were aimed to keep the company efficient. This elevated management focuses more on costs than actual revenue (Simons, 1999).

As time went by companies have grown and become more sophisticated. This process leads to the demand for stronger management control. Many companies have begun to understand the requirement of a more balanced reporting system with regard to its processes. At this point many tools have been developed to address this need like lean production; total quality management (TQM), and business process redesign (BPR). These ideas were emulated from the financial control department and therefore interfered with traditional management control (Simons, 1999).

In the established management of systems there was criticism as to how it can review internal control. An innovative strategic direction requires new information for development and control. This is why it is vitally important to
take external factors into consideration; to prevent a business from losing their competitive advantage in the future (Meyer, 2003)

The implementation of traditional management control has several disadvantages, including:

- Use of misleading information for decision-making
- Does not take requirements of today’s organisation and strategy into consideration
- Promotes short-term visions and goals
- Mainly uses financial measures to measure overall performance
- Pays little information to the business environment

There are a few practices that are currently in use concerning the use of performance indicators like Supply-Chain Operations Reference-model (SCOR), performance prisms, Balanced Scorecards (BSC). All frameworks have their positives and negatives thus further investigation is needed to make a clear selection into what would be the better tool to use (Zheng, 2007).

2.2 SCOR

2.2.1 An overview of SCOR

The SCOR model is a Reference modelling tool used to evaluate the organisational supply chain. This is based on more than one level of evaluation. The main processes that are encompassed are plan, source, make, deliver, and return (as shown in figure 1). It can be used to explain a supply chain in a complex or simple way, by using a common set of definitions and metrics.
The SCOR model has the ability to:

- Determine process improvement
- Guide the collaboration of internal processes with that if the greater supply chain
- Create a standardised process throughout the organisation so that it may be simplified for a IT solution (SCC, 1996)

The SCOR model can be broken down into 5 different levels. The first level is the scope of the supply chain. The second level handles the configuration of each entity in the supply chain by assigning plan, source, make, deliver, and return. The third level demonstrates the relationships and the metrics of each entity. The fourth level is built around the workflow of the internal processes. Lastly the fifth level goes into detail about how the data is exchanged between workflows. Overall the first three levels are based on the standardized SCOR techniques, whereas the last two are more focused on the industry and internal interactions (SCC, 1996).
2.2.2 Advantages and disadvantages of SCOR

The advantage of a well implemented SCOR model is that it is a well-established self-evaluation framework. It allows the organisation to compare itself with its competitors, giving productive feedback for decision making. Best practices are used as a foundation for each process and are used as a self-evaluation tool to identify performance initiatives (Gordon, 1997).

However SCOR model does requires training within an organisation and if handled incorrectly could convey the wrong information. The model does supply a good amount of analytical data although it requires the analyst to be extremely familiar with the business sector. If the analyst does not have a good hands on understanding of the current organisation and its business sector many important aspects will be left out and a misleading model will be created. The matrices in the model tend to favour US-centric operations
and could fall short when implementing the model solution outside the US (ManPing, 2007).

2.3 Performance Pyramid

2.3.1 An overview of Performance Pyramid

The performance pyramid focuses on the customer and links customer needs with the company’s strategy. It uses non-financial key ratios as well as financial ratios to link the organisation’s strategy. The information required to construct the pyramid is normally only viewed at a higher organisational level. The fundamental concepts of the model are built around quality management, industrial engineering and accounting (Neely, 2002).

Figure 2 shows the two-way communication between objectives and measures. At the top level the company explains its vision and then branches down into goals in the form of financial goals and divisional targets. On the third base it shows the paths each goal is achieved within. By doing this, the higher level decision-makers are able to identify the key factors that drive the financial measures. The lower part of the pyramid shows the operations that make up the sections on top of them. This represents a list of measures cascading to the lower parts of the pyramid (Neely, 2002).
2.3.2 Advantages and disadvantages of a Performance Pyramid

The advantage of a well implemented Performance Pyramid is that management is able to evaluate various business scenarios aligned to their current operations. This gives management a strong overview of possible solutions. However it takes a lot of time and the results may not benefit the organization in anyway. The model also limits management to view what the model highlights and leaves little to no room for other solutions (Zheng, 2007).
2.4 Business Excellence Model

2.4.1 An overview of a Business Excellence Model

The Business excellence model (BEM) is a tool that uses measures to empower organisational improvement. It is a framework created to implement best practice activities through management. The model is built around five areas namely leadership, people, policy and strategy, partnership and resources as well as processes. The organisations performance is represented in values through nine aspects comparing each to thirty-two standard statements. The system is created to assist an organisation to benchmark its values with other companies. The model however does not supply information on how bad scores can be improved. Figure 3 is an overview of a BEM and how the model fits together (Andersen, 2000).

![Figure 3 BEM overview (EFQM, 1999)]
2.4.2 Advantages and disadvantages of BEM

The advantage of BEM is that the model has a strong alignment with the actual organisational processes. BEM also has the ability to benchmark the current operations with against other existing organizations. The model also incorporates best practices and identifies what the organisation is doing correctly. However it needs rigorous implementation to be effective and requires trained personal. Since this tool is mainly used as a self-assessment it tends to be neglected by managers and therefore resulting in minimal benefit (Lawrie, G, 2000).

2.5 Balanced Scorecards

2.5.1 Overview of balanced scorecards

The BSC is a performance measurement tool in the form of a formal framework. As displayed in Figure 4 the four main areas that BSC address are financial, customer, internal, business process as well as learning and growth.
Each area is evaluated with regard to certain KPI’s which are based on the company’s vision, strategy and mission. This practice aligns the organisational processes with its vision, strategy and mission, to benchmark them and then fair them against a target to evaluate performance. A complete BSC will allow evaluation of the processes that are not reaching their targets. Once the targeted areas are identified improvement initiatives may be put into place to close the gap between the target and the attained value (Kaplin, 1992).

As the name suggests, the BSC provides a balanced overview of an organisation and, when implemented the financial control is supported by other objectives which provides a stronger overview of what actually happens in the organisation. This is achieved by maintaining a balance of the measures and how they relate in a complete business picture.
It is important to understand that a BSC is not just a record of results, but that it shows what the organisation aims to achieve. This makes the BSC an easy to view business plan of the company and contains the mission of the different business sectors. The whole planning process is influenced by the format of the BSC. It assists the company to focus on the stronger issues balancing between long-term and short-term strategic decisions. This makes the BSC a catalyst for continual improvement that could have been created without it but when using it sparks the creation for future management control (Roy, 1999).

The four boundaries of performance measures are established:

- In order to excel financially, how should the company understand their shareholders?
- To walk the path of our vision, how should the company look at our customers?
- In order to reach the expectation of our shareholders and customers, what processes should we prioritize?
- To attain our vision, what should we maintain to further our learning and growth (Kaplan, 2001)?

Therefore it is important that a vision and strategy should be the cornerstones for all the perspectives. Each perspective of the BSC will be built around strategic aims, measures, targets and action plans. The role of the scorecard should emphasise the importance of the organisation’s goals. The vision is shared and communicates the organisation’s incentives. A
properly constructed BSC should highlight the strategy of the business and its cause and effect relationships.

2.5.3 Advantages and disadvantages of a BSC

The advantage of a BSC is that it supplies a balanced view of the organisations performance and a great overview of the whole organisation. A BSC has ability to evaluate the company’s performance on a short term as well as long term basis. It supplies stakeholders with information on important company aspects. The organisation is also assured that their strategic aims are implemented (Roberts, 2011).

. However the model takes time to implement as a lot of information needs to obtain about the organisation. The financial information included in a BSC is limited and can be misleading and misinterpreted (Roberts, 2011).

2.6 Model Selection

Safcor requires a tool which will enable them to identify problem areas and assist management control. The two strongest competitors are BSC and SCOR.
Since both models are able to supply the information Safcor needs. Based on the research conducted and the evidence provided in the literature study the reason why BSC was chosen over SCOR is:

- A BSC can be created easily and there is a lot of information on how to construct a BSC that will give back value to the organisation.
- The BSC is a well-known practice that has been used countless times in many world class companies.
- The BSC would give a quantitative solution that is easy to understand for any manager and stakeholder.
- The BSC can be created by solely using information within the organisation.

2.7 Conclusion

The success of a business cannot be determined by a few measures. It can however be possible to identify a few financial metrics and excel in these areas so that the company has a stronger foothold over its customers. Within a company the means to exist identify improvements, and these improvements can be regarded as investments.

There is a lot of information promoting the intellectual capital (also known as the essence of the company) as the actual value of the company. Many organisations are faced with decisions regarding new investments besides the common term investments (ie. new markets ventures, facilities or R&D projects). The decisions include the processes involving IT to execute
information flow between departments and customers or how much time is put into learning and understanding of the internal processes of the organisation? This can be easily neglected as each requirement as a cost that do show direct benefit on the current financial measures. The BSC can assist and show what key areas of investment need attention (Roy, 1999).
3. Creating a BSC

3.1 An overview of BSC creation

A BSC serves as a tool for employees to understand the organisation’s strategy. This needs to be achieved in order for the organisation to be dynamic and competitive in the future. The BSC solution can be used in everyday operations to share the view throughout each department towards a similar goal.

It is therefore imperative to understand that a company’s vision and strategy should form the foundations of management control, and the goals and measurements to be used in the BSC will therefore be developed based on the company’s vision and strategy (Roy, 1999).

The vision:
This is the top view of the model. The vision is where the company would like to be in the future. This makes it the guide, control and obstacles that whole company needs to share.

The perspectives:
These are the four major areas into which the vision is divided namely financial, customer, processes as well as learning and growth.
Strategic Aims:
These are decomposed aims from the vision as guideline from the vision.

Critical success factors:
These are the most important factors for the company’s prosperity.

Strategic measures:
This is the part of the BSC where the goals and measures are explained, so that the control systems in place may systematically lead to success.

Action Plan:
At the end of the process the action plan will be the conclusion into what paths the organisation will take after attaining the BSC information (Norton, 1992).

3.2 The BSC broken down into phases

3.2.1 Phase 1: Understand the industry.

In this step the starting block is conceptualised to determine the characteristics and requirements of the industry. This can be done through interviews with higher management, which will help with defining the characteristics of the company from many viewpoints. A simple tool to apply in this step is basic strengths, weaknesses, opportunities and threats (SWOT) analysis or Porter’s forces model. There are a lot of models to assist with
defining the characteristics for the organisation and the BSC designer may use his own discretion to execute this phase. The following model represents a resource approach into understanding the company’s industry (Niven, 2002):

![Resource Based Approach (Hax, 2005)](image)

**Figure 5 Resource Based Approach (Hax, 2005)**

### 3.2.2 Phase 2: Validate the company’s vision

Since the BSC is mainly focused around the vision of the company. It is vitally important that the vision is revisited to make sure that it upholds the current state of the organisation. The vision, strategies and goals should promote confidence, give the company a challenge, allow the organisation
ability to create personal achievements to a satisfying level and promote meaningfulness and personal feel (Bianchi, 2008).

### 3.2.3 Phase 3: Create the perspectives

Once the vision is revisited and aligned it is required to decide what perspectives will be used in developing the BSC. The suggested four from Kaplan and Norton are financial, customer, processes as well as learning and growth, however some organisations feel that they need to include employee or human perspectives. This is decided by the previous two steps as to what is most required and most beneficial for the model (Roy, 1999).

### 3.2.4 Phase 4: Divide the vision into each perspective and create aims

Since the BSC models company strategy it should transform strategy it into measures. This step ensures balance between the various perspectives.

#### 3.2.4.1 Financial:
This demonstrates the outcomes of the other perspectives while maintaining future outcomes insight. This is where the expectations of the shareholders in terms of growth and profits are defined. It may also contain risks investment strategies and various cash flows. (Roy, 1999).

#### 3.2.4.2 Customer:
The customer perspective shows what value is obtained for customers, and what satisfies them and why they will buy your product/service. The
company’s processes and development will show in this section. Most of the indicators are aligned with the thought of how to maintain their customer base and improve on it. It is very important to understand the exact need of the customer and what they are willing to buy into. Also to identify what can contribute value to the existing products to strengthen their loyalty. The goals that are selected in this perspective come from:

- Markets holding
- Loyalty
- New customers
- Satisfaction
- Profitability to the customer (Roy, 1999)

### 3.2.4.3 Internal processes

The internal process perspective is there to identify which processes give value to the customers, in order to achieve the owner’s goals. The initial step here is to conceptualise the overview of the current business processes. Porter’s value chain model is often used to create a good information gathering technique. After gaining knowledge of the processes the designer demonstrates the process in terms of costs, time and quality. It is important to focus on the processes that create the biggest gain in value towards the customer. This requires the designer to identify the resources and ability in which the organisation can improve themselves. The following figure represents a value chain overview used in determining the value added in each process (Roy, 1999).
3.2.4.4 Learning and Growth

In this perspective it is shown how the organisation has the ability to perform in the long-term. It can be broken down into a core competency balance sheet or matrix. This demonstrates the portion of shareholder equity creates value to the company. Tools used here are Shareholder’s equity tables and market vs. core competence matrixes (Roy, 1999).

3.2.5 Phase 5: Find the important factors for prosperity

In this phase all information gathered about the organisation thus far will be formulated and used to obtain each vision. This is done by revisiting the management of the organisation demonstrating the information formulated, so that they can highlight the critical items needed to align the BSC vertically and horizontally. This is done by a sketch of a possible BSC to connect factors to one another (Norton, 1992).

3.2.6 Phase 6: Establish measures, find cause and effects and maintain a balance

Once the need for development of a BSC has been established, the identification and development of key performance measures are attended to. A strategy map, as indicated in Figure 6. is then developed, which reflects
the cause-and-effect relationship between the measures. The measures are also grouped according to the perspectives of the BSC, and the links between the measures indicate how the company’s strategy will be achieved (Kaplan, 2001).

Figure 6 Strategy Map (Analytix, 2011)

3.2.7 Phase 7: Break down of top level BSC

The strategy map needs to be reviewed by management to ensure no factors are left out. After the feedback has been taken into account the map is broken down and viewed from each level of the organisation to allocate measures that would allow them to achieve the company’s strategy. All these measures assist in creating the final BSC (Roy, 1999).
3.2.8 Phase 8: Formulate Goals

A company can assign both long-term and short-term goals to each measure so that the BSC can reflect the true intent of what the company is working towards (Roy, 1999).

3.2.9 Phase 9: Create an action plan

Finally at the end of the process all the data is considered and put into an easy to view format so that management control may view the organisation in its various aspects and make decisions on what is best course of action to take for them to achieve their vision (Roy, 1999).
4. Project development:

This chapter will be concerned with the development of the Balanced Scorecard (BSC) for Safcor, following the development procedure discussed in the preceding chapter. One scorecard will be developed in order to align the operations of Safcor with Bidvest, of which Safcor is a subsidiary. Due to the sensitivity of the data required for the development of such a scorecard and the confidential nature of the data provided by Safcor, no real values will be used, but instead definitions of the requirements that should be in place will be identified.

4.1 Phase 1: Understand the industry

4.1.1 High level Imports Process

The current high level import process performed by Safcor consists of the following activities:

- Arrival of cargo flight
- Receive Removal in Bond from the South African Revenue Services
- Vehicles allocated
- Cargo transported to Unit 2
- Damages inspected
- Cargo split into pallet quantities at receiving area
- Cargo to logistics warehouse or degroup
- Cargo organised into lanes according to the documentation
- Cargo organised from the lanes to the cages for dispatch
- Cargo approved to be loaded
- Documents received by printer – triggers the procedure
- Dispatch personnel coordinates cargo in cage
- Cargo loaded onto vehicle
- Routes allocated – delivery area and quantity of cargo

(This will be represented as a flow diagram in the final doc)

4.1.2 SWOT:

Upon understanding of the importing operation the next course of action was to construct a basic SWOT model.

Strengths:
- Global organisation
- Recognized brand
- 100 years of experience
- Professional personal
- Secure base of operations

Weaknesses:
- Lack of ability to instantly locate cargo in warehouse
- Bottleneck at customs’ clearance

Opportunities:
- To improve on quality speed and precision
- Access a greater target of the Current market
- To offer more customer value
- Identify new customer needs
- Increase profits

Risks:
- Competitors
- Damaged cargo, Failed on time deliveries (48 hour rule)
- Rand exchange rate
- Operations in a third world country.

4.2 Phase 2 Validate the company vision

The mission and vision gathered from Safcors was:

Mission: To WOW our clients and other partners, through our values, people, technologies and relationships

Vision: To partner with you in global supply chains

(Panalpina, 2009)

Values:
- Mutual respect and trust
- Acknowledged interdependence
- Open and honest communication
- Continuous improvement
- Integrity

(Panalpina, 2009)
The information was revised and accepted as this is a clear mission and vision to use for creating a BSC.

4.3 Phase 3 Select perspectives

*Safcor* accepted that the best perspectives that to use are:

- Financial
- Customer
- Process
- Research and development

4.3.1 Perspective Mission Statements

Based on the selected perspectives a strategy statement was created for each of the perspectives to give more insight regarding the requirements of the organisation. This was provided by *Safcor* to give further insight into *Safcor’s* strategies:

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Mission/Strategy Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Creating a sustainable financial business environment</td>
</tr>
<tr>
<td>Customer</td>
<td>To always WOW our clients through our values, people, technologies and relationships</td>
</tr>
<tr>
<td>Process</td>
<td>Continuous improvement, and striving for operational excellence</td>
</tr>
<tr>
<td>Research and Development</td>
<td>We put great value in skills development in the company, emphasized by our successful annual learnership program</td>
</tr>
</tbody>
</table>
4.4 Phase 4 Create the Strategy Maps

In order to create the strategy maps the designer had to conduct an in-depth investigation into safcor to get a full picture of each company aspect.

From the financial side (shown in table 2) the main business aim was to please the shareholders. This can be broken down into a currant productivity strategy and a growth strategy both are needed to maintain the balance between the now and future shareholder value. Each area was addressed and many questions were posed to establish the balance between the growth and currant productivity.

In the customer perspective (shown in table 3) Safcor emphasised their importance to improve their partnership with their customers. As their partnership relied on their current affairs and overall relationship, it was important to break each down into further elements to define the important aspects. The final step was to link the partnership with the customers based on the financial growth and productivity.

In the company processes perspective (shown in table 4) it was imperative to ensure there was a link between the customer relationships and the organisational operations. Once established the current operations and continual improvement aspects were broken down and linked to the customer perspective.

Finally in the research and development (R&D) perspective the main aim was to investigate the organisational R&D activities and link the properties to the organisational processes.
Table 2 Financial Strategy Map

Table 3 Customer Strategy Map
Table 4 Processes Strategy Map

Table 5 R&D Strategy Map
4.5 Phase 5 Identify KPI’s

To identify the relative key performance indicators (KPI) the strategy maps were analysed. In each strategy map had properties that built the organisations strategy and each property required a measure to get information based on the organisation.

The KPI’s were taken from a large KPI database (KPI Library, 2004). This website is a community website where leading organisations share their best practises. The important task was to locate KPI’s that would represent each strategy map property the best, based on best practises. After a list was generated it needed to be validated by the company decision makers to make sure it reveals the true strategy of the organisation.

4.6 Phase 6 Create the scorecard

The links between strategy and measure were summarised in a easy to read format. Each measure was described and shown how to calculate. The BSC in this document do not have the actual values or the targets of the organisation.
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Measure</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future strategy</td>
<td>Revenues for new ventures and business operations (R)</td>
<td>Identify income received from new ventures for the last year</td>
<td>This will demonstrate the income from new investments</td>
</tr>
<tr>
<td>Current company standing</td>
<td>Market Price (%)</td>
<td>Real Capital / Nominal Capital X 100</td>
<td>The current value at which a service can be sold</td>
</tr>
<tr>
<td>Current value added</td>
<td>Value added per an employee (R/empl)</td>
<td>(Sales Prices – Purchasing Prices) / per employee</td>
<td>This will show when the assets of the firm will return per an employee</td>
</tr>
<tr>
<td>Strategy</td>
<td>Measure</td>
<td>Calculation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------------</td>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Solvency ratio (%)</td>
<td>= (After Tax Profits + Depreciation )/ Liabilities</td>
<td>Investors can understand the ability the company has to meet its long term goals</td>
</tr>
<tr>
<td>Improve Shareholder value</td>
<td>Return on investments (%)</td>
<td>= (Gain from investments – Investments)/ Investments</td>
<td>This shows the efficiency of investments based on the return of the investment</td>
</tr>
<tr>
<td>Growth</td>
<td>Profitability margin (%)</td>
<td>= Gross profit margin/ Total revenue</td>
<td>To benchmark against competitors to compare who is more efficient</td>
</tr>
<tr>
<td>Strategy</td>
<td>Measure</td>
<td>Calculation</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------</td>
<td>------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Relationships</td>
<td>Number Of Customers (No)</td>
<td>= Total number of customers</td>
<td>Shows the size of the customer base</td>
</tr>
<tr>
<td>Service</td>
<td>Monthly Sales per customer (R)</td>
<td>= Sales / Number of customers</td>
<td>Indicates the average sales per customer to see what value is spread over the total.</td>
</tr>
<tr>
<td>Respect and trust</td>
<td>Customers Lost (No)</td>
<td>= Customers that have not made any new orders for the last year</td>
<td>Shows the number of customers that have been dormant or lost</td>
</tr>
</tbody>
</table>

Table 8 Customer BSC (1/2)
### 4.6.2.2 Customer

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Measure</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Affairs</strong></td>
<td>Percentage of customer complaints (%)</td>
<td>= (Total Number of complaints / Total orders) X100</td>
<td>Portion of orders that result in a customer complaint</td>
</tr>
<tr>
<td><strong>Value added to customer</strong></td>
<td>Service expense per customer (R)</td>
<td>= Service expenses / Number of customers</td>
<td>Shows the average amount of costs each customer incurs on the company</td>
</tr>
<tr>
<td><strong>Quality of service</strong></td>
<td>Percentage of defects from customer claims (%)</td>
<td>= (Number of packages returned / Number of packages delivered) X100</td>
<td>Shows the percentage of packages that have been considered as damaged goods given to customers</td>
</tr>
</tbody>
</table>

Table 9 Customer BSC (2/2)
### 4.6.3.1 Process BSC

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Measure</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin value added</td>
<td>Admin Costs over total income (%)</td>
<td>= (Administration costs / Income)X100</td>
<td>Shows the percentage of costs incurred from administration</td>
</tr>
<tr>
<td>Benchmarking what is promised</td>
<td>On-time delivery percentage (%)</td>
<td>= (Number of on time deliveries / Number of deliveries)X100</td>
<td>Demonstrates what portion of deliveries are on time</td>
</tr>
<tr>
<td>Technological advancement</td>
<td>IT expense per employee (R)</td>
<td>= IT expenses used by employees / number of employees</td>
<td>Shows the IT costs related to each employee to execute their job</td>
</tr>
</tbody>
</table>

Table 10 Process BSC (1/2)
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Measure</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current operations</td>
<td>Average Lead time from Order to delivery (Days)</td>
<td>= Total Lead time from Order to delivery / total number of orders</td>
<td>Demonstrates the average amount of time an order take to reach the customer</td>
</tr>
<tr>
<td>Perfect order execution</td>
<td>Contracts filled without error (No)</td>
<td>= Number of contracts that needed to be corrected after the order phase</td>
<td>Gives an indication as to how many order are put through incorrectly</td>
</tr>
<tr>
<td>Internal affairs</td>
<td>Number of internal complaints (No)</td>
<td>= Number of complaints sent through to management from employees</td>
<td>Indicates the number of employees that have had issues within the organisation</td>
</tr>
<tr>
<td>Strategy</td>
<td>Measure</td>
<td>Calculation</td>
<td>Description</td>
</tr>
<tr>
<td>-----------</td>
<td>---------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Costs of R&amp;D</td>
<td>R&amp;D Expense (R)</td>
<td>= Research and Development costs</td>
<td>Creative work processed is a systematic order to improve business operations</td>
</tr>
<tr>
<td>Research</td>
<td>Investment in research (R)</td>
<td>= Amount of costs incurred from research</td>
<td>Shows the amount of money the organisation puts into research</td>
</tr>
<tr>
<td>Training</td>
<td>Investment in training (R)</td>
<td>= Amount of costs incurred from training</td>
<td>Shows the amount of money the organisation puts into training</td>
</tr>
</tbody>
</table>

Table 12 R&D BSC (1/2)
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Measure</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>Marketing expense per customer (R)</td>
<td>( = ) Marketing costs / number of customer</td>
<td>Average amount of costs that are put in for each customer attained</td>
</tr>
<tr>
<td>Internal</td>
<td>Average age of employee (No)</td>
<td>( = ) Age of each employee / number of employees</td>
<td>Shows the average age within the organisation to see how young the company is within</td>
</tr>
<tr>
<td>prospect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>Average amount of time each employee receives training (Hours)</td>
<td>( = ) Total time in training of each employee / number of employees</td>
<td>Shows the amount of time the average employee receives training</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 13  R&D BSC (2/2)
4.7 Phase 7 Evaluation

The first step of evaluation will be to evaluate the quality of the scorecards based on the relationship of the decision makers and the scorecard. The application of a survey will be utilised to gain further insight (Refer to Figure 5).

![Evaluation Card](Davies, 2008)

Does the BSC clearly represent Safcors Strategy?
- “No at all”
- “Partially”
- “Nearly there”
- “Yes, the BSC is clear”

Does the Financial Perspective contain relevant KPI’s?
- “Major work to be done”
- “In some areas”
- “Mostly”
- “All KPI’s are”

Does the Customer Perspective contain relevant KPI’s?
- “Major work to be done”
- “In some areas”
- “Mostly”
- “All KPI’s are”

Does the Process Perspective contain relevant KPI’s?
- “Major work to be done”
- “In some areas”
- “Mostly”
- “All KPI’s are”

Does the R&D Perspective contain relevant KPI’s?
- “Major work to be done”
- “In some areas”
- “Mostly”
- “All KPI’s are”

Are the perspectives linked to create a balanced view?
- “No at all”
- “To a very limited degree”
- “In most areas”
- “Perfectly linked”

How often can the BSC assist in management decisions?
- “Never”
- “Rare”
- “Often”
- “Most Decisions”

*Figure 5 Evaluation Card (Davies, 2008)*
4.8 Phase 8 Continual Improvement

The final step is to establish continual improvement and how Safcor can utilise the BSC. In each perspective the measures and targets are shown, the gap between the actual measured value and the target are important factors. If Safcor identifies a measure that is not reaching its target they may investigate the roots of the issue and conduct an improvement plan to close the gap.

An example of a gap in the current measures is the customer complaints measure. They currently do not have a customer feedback form with each order to get feedback. The simple solution would be to establish a customer feedback protocol to receive data to assist them.

5. Conclusion

This report examined the different facets of Safcor by using the perspectives of a BSC and identified the strategies and strategic goals by using strategy maps. The strategy maps explained Safcor’s strategy through cause-and-effect relationships. They helped to communicate the strategy among the different levels of the organisation. The BSC linked the strategies with the desired measures to ensure a good indication of the current operation. The end result was a well formulated BSC that can be used by management to
find aspects of the organisation that are not meeting their requirements and employ corrective action.
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