

CUSTOMER CASE:



Electronics Centre is an independent business unit under The Defense Forces Material Command. It is responsible of maintaining and servicing the electronics systems of the Finnish Army and certain electronics systems of the Navy and the Air Force as well as selected IT systems and electrical measurement equipment.

Balanced Scorecard and Incentives Drive Operations in the Electronics Centre of the Finnish Defense Forces



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*Mr Jukka Perko,
Electronics Centre of the Finnish Defence Forces.*

Electronics Centre combines Balanced Scorecard, incentives and EFQM-based self-assessment as an effective management tool. The objective is to develop the Electronics Centre into a unit providing full service covering the whole life-cycle of systems and equipment with the help of partnerships. Customer orientation, effectiveness, transparency, responsibility and will to improve are the key drivers for the operations.

Strategy made tangible with Balanced Scorecard

Electronics Centre started defining vision and strategy in mid-nineties. The challenge was to make strategy tangible by finding concrete measures. "Public sector organizations typically have less means to implement strategy than those in the private sector." comments Mr. Jukka Perko from the

Electronics Centre of the Finnish Defense Forces.

Electronics Centre has a long tradition of doing self-assessments based on EFQM Excellence Model. In addition to these assessments the Balanced Scorecard (BSC) measurement system was introduced. In the beginning the incentives targets were not linked to the BSC and most of the measures were updated only once a year. This meant that the impact on the daily operations was quite limited. Fine-tuning of strategy and derivation of the measures was started by creating a strategy map. Process improvement, operational effectiveness and financial efficiency, motivated and service oriented personnel as well as customer satisfaction and social responsibility were identified as strategic objectives. Next the critical success factors and concrete measures for them were derived from these strategic objectives.

Top-level scorecard was cascaded to all six units of the Electronics Centre. Each scorecard has 20 measures, which all constitute to the bonus calculations. 2002 was the first year when follow-up of the scorecard performance was done using QPR ScoreCard. The scorecard measures are being updated by an active group of 20-30 people. All scorecards are available to all 250 employees of the Electronics Centre in the Intranet. Measure updates are currently done manually.

“QPR ScoreCard eases significantly the manual updating process for scorecard measures. In the future we will get some measure values updated automatically from ERP and financial systems.” says Mr. Perko.

Performance Agreements and Incentives

Head of the Electronics Centre makes an annual performance agreement with the Head of the Material Command. Based on this agreement the performance targets are set for the Electronics Centre and then cascaded to its units. Targets are further cascaded to team and individual level in appraisal discussions. Performance agreement covers the key activities and initiatives, which are an essential part of the scorecards. Management review takes place twice a year. The review is used to evaluate the performance using scorecard data and to decide on any improvement actions needed.

All scorecard measures are linked to the incentive system. Critical success factors have weight factors varying between 5 and 15 %. Based on the experience so far, the bonuses drive the action very effectively even though the value of the maximum bonus is only a few percentages of the total salaries.

“Incentives should not mean paying more for the same work. Instead the bonus should be paid only for better results or additional work done.” emphasizes Mr. Perko.

Self-assessment compliments Balanced Scorecard

In addition to using the Balanced Scorecard, Electronics Centre and its units still do annual self-assessments based on the EFQM Excellence Model. Self-assessment compliments BSC methodology very well. It also brings up several improvement ideas, which are then evaluated and prioritized against the strategy and the scorecards.

QPR ScoreCard has been used to build separate EFQM scorecards.

“The graphical scorecard view in QPR ScoreCard is the best presentation of the results of the self-assessment I have seen.” says Mr. Perko.

Commitment leads to Results

“The greatest challenge in implementing BSC has been changing the organization culture. We have overcome this challenge by running a comprehensive training program for the teams. It has been crucial to get the personnel to think about the mission, future and the values of their team.” tells Mr. Perko based on his experiences at the Electronics Centre.

“Balanced Scorecard forces people to look at the strategically important issues more frequently, so that these issues are not forgotten or left undone due to continuous stress and hurry.” points out Mr. Perko. “For example our recruiting has become easier after our image as an employer was included as a measure in our scorecard and we started a campaign to improve it.” continues Mr. Perko on the practical effects of implementing the Balanced Scorecard.