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Balanced scorecard and strategic performance:

Case Study : Cardboard packaging manufacturer

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Abstract— This article aims to explain through a case study Steering strategic performance by balanced scorecard.Indeed, to carry out this study, we start with a presentation of steering system by the balanced scorecard and its implementation approach, and then we proceed to its application through a case study of a Moroccan manufacturer of cardboard packaging.

MAROC CARTON is a Moroccan company of cardboard packaging; it saw its profitability decreasing after new competitor enter on the market. To cope with this situation, the company decided to launch several strategic projects. Multitude and complexity following projects have pushed the company to rethink its conventional steering system to a balanced scorecard monitored strategy.

The results highlight that effectiveness of balanced scorecard highly depends on chosen monitoring indicators relevance, automated information system level and capacity of balanced scorecard to be adapted to all organizations. However, this system must follow environment's evolution. Also, it should be noted that balanced scorecard is a tool for monitoring strategy implementation and in no way replaces strategic thinking.

Index Terms— Balanced scorecard, Strategic performance, Steering system, Strategic implementation, case study, strategy, control

1 Introduction

More than ever, business environment is becoming increasingly turbulent: New vulnerabilities appear, new challenges are emerging, and competitive positions are constantly being challenged. Moroccan companies, as part of the world, are still not spared from this situation.

Context of business globalization has forced companies to focus on scale economies, minimal cost strategies and exploitation of all business opportunities around the world. In this context, companies must constantly question their initial strategies for improvement. Steering of these development strategies is an everyday challenge for companies.

Considered as a crucial step in strategic process, implementation and strategic control is about determining performance of a given strategy through assessing achievement of organization's goals and taking corrective actions when and where it is needed. Indeed, this strategic performance management consists of linking defined strategy and monitoring its implementation.

Several companies are content with financial and accounting management to establish their strategic choices, implement them and carry out their businesses. However, as the company evolves and in view of its ever-changing environment, the company needs a steering system that allows having an overview of carried actions, and more detailed reading to better guide these actions more reactively.

Several tools have been built to assist an organization in implementing its strategy and steering its objectives. These tools include Kaplan and Norton's Balanced Scorecard (1992, 2001, and 2007). This steering assistance tool, and not just measurement tool, aims to find a balance between fixed strategy and achieved objectives by using financial and non-financial indicators.

In this paper, we begin with a presentation of balanced scorecard and its realization approach that we illustrate and discuss through a case study of a Moroccan cardboard manufacturer.

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2 THE BALANCED SCORECARD, A TOOL TO STEER STRATEGY IMPLEMENTATION?

Detailed Strategy implementation is an important step of strategic process. Indeed, poor performance from strategic choices is often attributed to poor implementation (M.Goold et al., 1994).

Strategy implementation is step with scarcity of tools and reflection must integrate contributions of other domains: Finance, marketing ... it's also a stage which presents a part of uncertainty as it's difficult to anticipate reactions of organization members to changes. In addition, power structure is likely to face new strategic choices (P.Rosenzweig, 2009).

As a consequence, tools were built to help an organization to implement its strategy and drive its objectives; among these tools, the Balanced Scorecard of (R.S.Kaplan &D.P.Norton, 1992; 2001; 2007).

This measurement and steering tool is the link between strategy and its implementation monitoring. According to Robert Kaplan and David Norton, The Balanced Scorecard is not a simple measuring instrument, it is a management system too that guarantees clarification and formalization of organizations' strategy (RS Kaplan & DP Norton , 2001). In essence, balanced scorecard defines a framework for designing strategy so it can be effectively translated into actions.

This tool seeks to focus actions of different parts of organization to generate synergies, requires the construction of a set of synthetic indicators with financial and non-financial dimension in order to align strategy implementation with its objectives, and indicates a course of actions to be taken to correct eventual deviations from objectives.

Balanced scorecard is a business management tool that integrates perspectives enabling strategy to be implemented and driving business: Finance, Customers, Internal Processes and Organizational Learning. In concrete terms, implementation of a balanced scorecard involves defining measures by segment and associating these segments with objectives to be achieved. Thus, reviews of these objectives and measures allow the company to approach the strategy it has set. Effectiveness of a balanced scorecard is linked to its implementation approach: clarity of strategic vision and relevance of the indicators.

3 THE APPROACH REALIZING A BALANCED SCORECARD

To achieve a balanced scorecard, Norton and Kaplan have identified a process that can be summarized as follows:

- **Explain strategy**: Balanced scorecard requires first to establish an explicit strategy and to identify main determinants of performance that a direction sets.
- **Establish strategic map**: This involves establishing cause and effect relationships between objectives and performance determinants by putting causal relations between the four perspectives.
- **Choose appropriate measurement indicators (Key Performance Indicators)**: It is a question of determining indicators that will make it possible to effectively monitor strategy implementation and to analyze eventual excesses. These indicators need to be carefully selected because they ensure effectiveness of balanced scorecard. According to Norton and Kaplan, they must be few, synthetic and precise. These KPIs must be adapted to each organization according to their activity and strategy. They are as well accounting, financial, and operational. In an interactive approach, these measures come from general management in consultation with function or activity managers.
- **Establish balanced scorecard with objectives, KPIs and action plan**: Balanced scorecard is a measurement system that summarizes objectives and action plan. It must involve information for which responsibilities are clearly defined in organization. Balanced scorecard is a popular tool because it can be easily adaptable to a wide variety of contexts: Organizations can limit number of perspectives or modify them to best match their strategic priorities.

In addition, balanced scorecard remains a steering tool for strategy implementation and does not replace in any case strategic thinking. Balanced scorecard can limit leeway if its analysis is followed by an action plan. It is a tool that must evolve as indicators and objectives must be constantly challenged to better reflect changes in company and its environment.

In what follows, we present an illustration of a balanced scorecard development through a case study of a Moroccan company operating in manufacturing and marketing of cardboard packaging.

4 METHODOLOGY

To perform our literature review, we opted for a documentation search. Then, we conducted our case study by performing interviews with senior management and function managers as well as a full analysis of the company.

5 CASE STUDY : MAROC CARTON

Created in 1989, MAROC CARTON is a Moroccan industrial family company specialized in manufacture and marketing of cardboard packaging.

The company currently has two production units located respectively in southern and Casablanca region, supplying all Morocco. MAROC CARTON serves diverse industrial sectors (oils, sugars, beverages, dairy products, ceramics, textiles and leather, household appliances, etc.) as well as those of agricultural sectors.

In Morocco, cardboard market has long been dominated by two major operators: An incumbent operator which holds more than 50% of market share and MAROC CARTON with 47% of market.

This sector is particularly energy intensive, the high cost of energy, which represents 20% of its cost, is a major obstacle for Moroccan companies. In addition, since cost of transportation and logistics in import is high, Moroccan manufacturers and farmers have no substitution other than to buy cardboard in Morocco. Thus, the two operators share a strong demand.

Over the years, customers' requirements are changing in terms of packaging, from simple packaging to innovative solution enhancing their products. Customers today are looking for efficient, personalized packaging that takes consider their business demands.

In addition, in 2014, cardboard market experienced a major upheaval with entry of a regional leading specialist, a Spanish manufacturer who settled in Northern zone and created two large production units.

As a result, MAROC CARTON is experiencing a steady decline in its turnover. Executives express their concern, as profitability of company is also down. Also, customers especially those of Northern zone go one by one towards the new entrant.

To cope with this situation, MAROC CARTON decided to open a new factory in northern zone, invest in research and development, and obtain quality and environment certifications to better control cost structure.

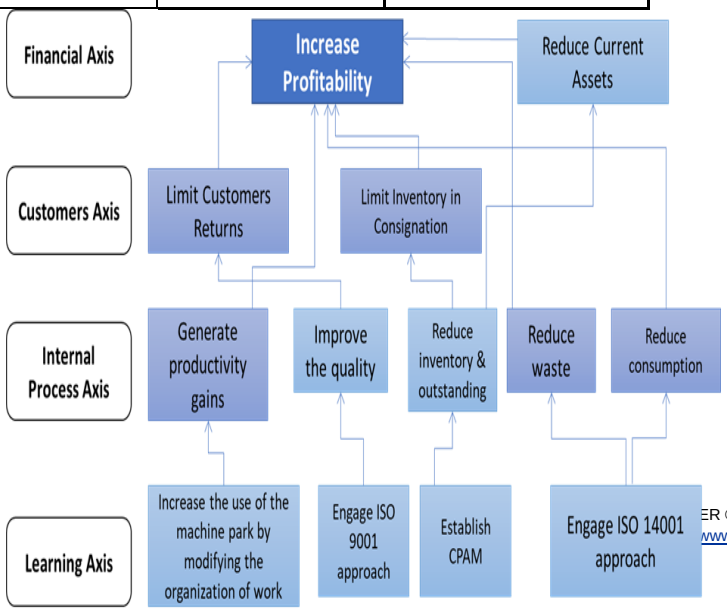
In terms of management, MAROC CARTON is a company with a purely financial management. Today, and given changes that company has undergone (multiplication and complexity of projects, stakeholders, environmental requirements, etc.), indicators choice has become a difficult task and a rigorous approach had to be found to choose and link them with financial results according to a cause and effect logic. Given this context, balanced scorecard approach seems well suited as it should be able to respond effectively to mentioned needs cited above.

- Explain strategy and performance levers: MAROC CARTON to improve its profitability (turnover increase of 20% the first two years) have chosen to launch a new factory as part of a specialization strategy, it remains operating in the same activity that is cardboard packaging fitting into a business strategy of cost domination. To implement these strategies, company sat a list of operational objectives: Increase use of production machines for better productivity, engage an ISO 14001 approach to reduce waste and consumption, obtain ISO 9001 certification to improve quality and put a CAPM (Computer Aided Production Management) solution to better manage inventory and outstanding. To better visualize these objectives and to trace the causal link between them and the four perspectives of balanced scorecard, it would be necessary to draw the strategic map (figure 1).

- Establish the strategic map:

Figure 1: Strategic map of MAROC CARTON

Axis	Objectives	KPI
Financial Axis	Increase Turnover	Revenue growth in percentage Percentage of new customer sales
	Reduce Current Assets	Percentage of debt recovery Age of claims
Customers Axis	Limit Customers Returns	Percentage of returns / sales by customers
	Limit Inventory in Consignation	Percentage of consignment stock / Global stock
Internal Process Axis	Improve Productivity Gains	Percentage of average productivity per worker
	Improve Quality	Percentage of returns and rejects / CA
	Reduce Inventory	Percentage stock / turnover
	Reduce Waste	Percentage of waste / production
Learning Axis	Increase Use of Machines	Average utilization rate of machines
	Engage ISO 9001 Certification	Time to obtain certification
	Implementation of a CAPM solution	Number of planning incidents
	Engage ISO 14001 Certification	Time to obtain certification



This strategic map retraces strategic objectives and link between them, this reasoning causes effect by integrating financial and operational aspect will better manage implementation of corporate and business strategies of company. Now remains to define the most appropriate indicators (Table 1).

- Choice of indicators and establishment of the Balanced Scorecard:

Table 1: Balanced scorecard indicators

For each indicator, it is necessary to determine the target to be reached (%), to identify the deadline and the action plan to be implemented by specifying the responsible function.

6 CONCLUSIONS

The purpose of this work was to illustrate balanced scorecard approach to monitoring and controlling strategy implementation by a real case study of a Moroccan cardboard packaging manufacturer.

Indeed, through our case study, we can emphasize that balanced scorecard steering system unlike conventional one based exclusively on financial indicators, can drive strategic performance by creating synergy between financial and non-financial elements, linking long-term strategic vision with short-term objectives, integrating inputs, transformation processes, outputs and stakeholders. However, this system requires regular monitoring, vigilance when choosing indicators, computerization of data and stabilization of information system. It is a tool that must evolve to keep pace with business requirements and environment changes.

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