

Foreword by Robert Kaplan

BALANCED SCORECARD
AND
STRATEGY EXECUTION
Applications in China

平衡计分卡中国战略实践

(英文版)

(美) Irv Beiman (毕意文) 著
Yong-Ling Sun (孙永玲)



机械工业出版社
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本书阐述了平衡计分卡作为有效战略管理工具的应用。作者在简要介绍了平衡计分卡的概念与发展历史后,着重描述了他们就此理论在中国的具体实践;在原有平衡计分卡理论的基础上,将其延伸至协调组织体系、流程改进、人力资源系统(能力发展、浮动薪酬、领导力、组织学习和企业文化)等领域,构建了系统的平衡计分卡体系;同时更指出了在实施平衡计分卡体系过程中可能遇到且必须解决的重要问题,并提供了实践证明行之有效的解决方案。

Irv Beiman, Yong-Ling Sun. Balanced Scorecard and Strategy Execution: Applications in China.

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Praise

For a long time, managers in China have been eager to learn new management concepts from the West. However, many of these concepts failed to fit China. This book takes the concepts and tools of the Balanced Scorecard and interprets them comprehensively for businesses in China. Thanks to their extensive experience in China, Irv and Yong-Ling have created something relevant, insightful, and useful for China.

Katherine R. Xin, Ph.D.

Professor of Management, Michelin Chair in Leadership and HRM

Editor-in-Chief, *Harvard Business Review* (China)

China Europe International Business School

In my role leading operations in China for DuPont's Engineering Polymers business I found the Balanced Scorecard methodology very powerful in aligning key operations performance objectives & measurements with business strategies. Through use of BSC methods I found that our Chinese operating leaders were better able to see their roles & work in the context of an overall business strategy. In my experience, leaders in China often have difficulty seeing & understanding work processes, systems, and structure in an integrated way.

In Chapter 7 of their book, *Balanced Scorecard and Strategy Execution: Applications in china*, Dr. Beiman & Dr. Sun provide very practical descriptions of how to use the BSC methodology to align functional groups toward attainment of an overall business strategy. The book looks at aligning objectives & measures both across and within a function. Leaders in operations will find the book very helpful in understanding business organization in a systemic way.

Mike Walker

Asia/Pacific President, DuPont Engineering Polymers

This book stands out because it brings together a no nonsense approach to the well proven balanced scorecard concept with a deep understanding of the issues facing companies in the fast changing and highly competitive China market place.

David Learmond

Senior Vice President & HR Director, Unilever China

China has entered WTO and competition is increasing. To gain competitive advantages in the marketplace, Chinese companies are attempting to implement scientific management principles and tools. The Balanced Scorecard book written by Dr. Beiman and Dr. Yong-Ling Sun includes concepts and methodologies that will progressively stimulate Chinese companies to change and improve. The authors focus on strategic management in China, and the book is localized for China. It will help Chinese executives and managers understand not only what BSC is about, but also how to successfully implement the BSC system in China.

Qi Si Hua

DBA, DGM, Ma An Shan Steel Co., Ltd

Our company grew to its number one market position in China because of a single leader. Now we are shifting from one person driving the company to a more scientific approach. eGate's book and consulting are helping us learn how to use systems and processes to drive the company forward to greater success. The BSC methodology is a powerful tool, but it takes time to digest and blend into a company before the company makes it their own.

The process of learning and implementation is much more important than the initial result. This learning process for our managers will enable us to continue growing for many years. Because of this scientific approach and the enormously beneficial learning process for our company, I strongly recommend this book for Chinese managers.

Su Xian Ze

Chairman & CEO, ZheJiang Supor Cookware Co., Ltd

This is a breakthrough publication for companies in the PRC. Irv Beiman and Yong-Ling Sun have combined the theory and practice of the Balanced Scorecard methodology in a way that will be of tremendous assistance to companies operating in China. The writing is clear and the book is well structured. This book is a must for companies in China that are looking to stay ahead in the fastest evolving economy in the world.

Jonathan Seifman

Editor, *China Staff*

I strongly believe the BSC methodology will be adopted on a large scale in China. It will help Chinese companies to gain competitive advantages in the global marketplace. The authors have provided Chinese managers with valuable, practical and beneficial insights on successful BSC implementation.

Wang Qun Bin

Managing Director, Shanghai Fosun Industrial

We have been focusing our research on the Balanced Scorecard since we undertook the national natural science fund project of "Company Performance Measurement and Motivation" in 2000. We believe that the Balanced Scorecard has evolved into a management system. This system involves the balance of strategic and tactical management, financial and non-financial measures, internal and external people, output measures and enabling measures. It also involves many people, so all the measures must be well designed to be scientific and reasonable. Those who are involved in the implementation must have significant practical experience.

Wang Hua Cheng

Vice Director, Business School of RenMin University of China

Liu Jun Yong

Business School of RenMin University of China

This book has two useful characteristics. One is the extensive use of cases; the other is that it is visual and easy to read. The authors illustrate the real world challenges of strategy

execution in China through a variety of practical cases, which also broaden the readers' view, stimulating the reader to think and analyze problems. These cases include visual diagrams and tables which are very helpful in understanding the concept, methodology and principles of BSC...

Balanced Scorecard and Strategy Execution: Applications in China is the result of the two authors' many years of business and consulting experience. It provides an effective analytical, thought provoking and practical tool for China entrepreneurs and managers. At the same time, it stimulates them to be more creative.

Wu Xiao Bo, Professor
ZheJiang University EMBA Center Director
Chief Consultant, HangZhou eRay Consulting

Foreword

I am very pleased to introduce this important book to Chinese managers, executives, academics, and students. China currently competes in global markets through its low-cost manufacturing capabilities. But China, as it integrates with the World Trade Organization into global markets, must become even more competitive. Low cost will still be an important differentiator, but competing by low prices alone will not be a sustainable competitive advantage. Low cost strategies also require consistently high quality, ease of purchase, and short lead times from order to delivery. Some Chinese organizations may choose to migrate further up the value chain by following alternative strategies such as by offering superior product functionality or complete customer solutions. These higher value-added strategies offer opportunities for Chinese companies to maintain competitive advantage while paying higher wages and salaries for employees capable of producing differentiated products and services. But whatever the strategy a company decides to offer—low total cost, superior products, or complete customer solutions, it can successfully implement its strategy only if all employees, all management processes, and all resource allocations are aligned to the strategy. The Balanced Scorecard provides the proven solution for aligning and focusing all an organization's resources and capabilities on successful strategy implementation.

Since 1990, when Dave Norton and I developed the Balanced Scorecard, this innovative measurement approach has been adopted and successfully applied by a wide variety of organizations throughout the world—manufacturing and service, private-sector and public sector, for profit and nonprofit, large and small. As one measure of its wide-ranging application, our two books on the Balanced Scorecard measurement and management system¹ have already been translated into more than

¹ *The Balanced Scorecard: Translating Strategy into Action* (Boston, HBS Press, 1996), and *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* (Boston, HBS Press, 2001).

20 languages.

Dave Norton and I are often asked, as we travel around the world to speak with executive audiences, whether a system developed in the United States can be applied in countries with very different histories, cultures, and economies. We always reply with a highly affirmative answer. The Balanced Scorecard management system addresses a systemic issue that organizations in all cultures and economies must solve—how to describe and implement the organization's strategy. In each region, however, we rely on local experts to adapt and apply the system to their particular context. I have been impressed with the extensive experience and expertise that Irv Beiman and Yong Ling Sun have gained in implementing the Balanced Scorecard with Chinese organizations. Their book reveals an in-depth understanding of the essence of the Balanced Scorecard measurement and management system. It provides important foundational material about the Balanced Scorecard and shows how to apply the BSC in a way that is consistent with Chinese culture and traditions, and in the contexts of diverse Chinese organizations. It highlights how to balance the tension between the Chinese Confucian legacy of respect for authority with the competitive imperative to encourage individual empowerment and initiative. This book provides Chinese managers with an excellent introduction to the theory and application of the Balanced Scorecard in their culture and context.

Dr. Irv Beiman and Dr. Yong-Ling Sun describe the principles organizations must follow to become strategy-focused. They address the significant behavioral and organizational issues that can arise and that must be overcome for successful implementations. Every chapter is richly illustrated with relevant examples from Chinese organizations.

As a specific example, the book describes how to link the Balanced Scorecard management system to new human resource management processes, such as performance appraisal and performance management systems. The authors demonstrate how to align key HR processes such as recruitment, selection, retention, and variable pay to the organization's strategy. As another example, the book devotes an entire chapter to linking the strategic Balanced Scorecard framework to current Chinese initiatives on total quality management. A third example is the book's identification of the imperative for developing a new model

for executive leadership and organizational learning in the Chinese context.

I am very impressed with the contents of this book. I highly recommend it to Chinese managers in all organizations, whether tiny embryonic and entrepreneurial ventures, town and village owned-enterprises, FDI subsidiaries, up through giant state-owned enterprises searching for new management models to become more competitive, efficient, responsive, and effective. Organizations that follow the principles articulated in this book will become healthier and more successful Chinese enterprises. I look forward to tracking the journey that such organizations will be following in the years ahead.

Robert S. Kaplan
Marvin Bower Professor of Leadership Development,
Harvard Business School, and
Chairman, Balanced Scorecard Collaborative
Boston, Massachusetts, USA
June, 2003

11/27/01

Preface

As China continues to grow economically, strategic management is becoming increasingly important for organizations in China. Chinese executives and managers are thirsty for learning about how to compete successfully in both domestic and global markets. Increasing competition is stimulating their thirst for learning how to develop strategically effective organizations. These conditions have created a clear need for a systematic approach to formulating, executing and adjusting organizational strategy in China.

The Balanced Scorecard

During the prior decade a systematic methodology for strategic management has emerged within global organizations. It makes use of a new and innovative approach, called the Balanced Scorecard. By the end of the previous century more than half of the largest organizations in the world were using this approach to improve the definition and execution of their strategies.

The Balanced Scorecard was originally developed by Harvard University Professor Robert Kaplan and consultant David Norton, with 1992 marking the date of their first publication on the subject. Kaplan and Norton's use of the Balanced Scorecard has continued to evolve as they contribute to their client organizations, and continue to learn from those same clients. Their published books and articles are extensively referenced in the first half of this book. They have made a breakthrough contribution to the field of management in general, and specifically to the field of strategic management. We have the utmost respect and appreciation for their work, which has taken place primarily within fully developed western economies.

The Balanced Scorecard Methodology

Our own work with the Balanced Scorecard has taken place in China since 1996, after first establishing East Gate Consulting in Shanghai in 1993. East Gate brought business process improvement to China as a supplier, working with more than 100 China organizations helping them execute their business strategies. After East Gate was acquired by Hewitt Associates and we served for two years as country managers for Hewitt in China, we formed our second China enterprise, eGate Consulting. Our focus at eGate is on consulting, training and software that enable Chinese organizations to better formulate, execute and adjust their business strategies. This extends to the realm of process improvement, competency development, variable pay, leadership and culture—all components of what we call the Balanced Scorecard Methodology.

We believe the publication of this book marks a milestone for strategic management in China. The reason is that this book describes *a methodology* for strategic management that can be systematically applied in virtually any organization in China. This methodology has been adapted from Kaplan and Norton's work for specific application in China. Our experience clearly indicates that BSC implementation success in China requires a more comprehensive approach than what is typically the case in western countries. Because of this, in addition to referring to the "Balanced Scorecard", we also refer to the "Balanced Scorecard Methodology".

Target Audience

Our target audience for this book is executives, managers and entrepreneurs in China, as well as government officials who are looking for a systematic way to improve the quality and efficiency of their organizational units. We believe the book is highly suitable as a text for MBA courses in strategic management, leadership, human resources, organizational behavior and change management. Each of these content areas is an appropriate arena for the Balanced Scorecard Methodology. Examination of the chapter topics below reveals why this is the case.

Organization of the Book

This book delivers a comprehensive overview of the evolving BSC Methodology that we have been applying in China since 1996. The primary focus of each chapter is summarized below:

- **Chapter 1** addresses the multiple **challenges** that can arise when attempting to set and reach challenging organizational goals in China.
- **Chapter 2** provides an **introduction** to the BSC Methodology and the elements of a single Balanced Scorecard.
- **Chapter 3** describes the **historical development** of the BSC approach.
- **Chapter 4** summarizes published international BSC **cases**, including analysis of the implications of each case for application in China.
- **Chapter 5** offers a detailed explanation of the concepts, principles and tools that can be systematically applied to **strategy formulation**.
- **Chapter 6** focuses on setting **BSC objectives**, including a discussion of measurement issues.
- **Chapter 7** addresses a critically important issue for strategic management in China: using the BSC Methodology to design **organizational alignment** and overcome functional silos.
- **Chapter 8** extends the explanation of BSC Methodology alignment to **Human Resource systems**, with a focus on competency development, variable pay and composition of the work force.
- **Chapter 9** addresses the more conceptual issue of **organizational culture** from a practical perspective—organizational readiness for the BSC Methodology.
- **Chapter 10** is devoted to identification of the typical **business process** problems in China and how the BSC Methodology can be used to achieve process improvement and more effective strategy execution.
- **Chapter 11** offers a comprehensive three tier model of **leadership** and explains how the BSC Methodology can be used to lead change and provide a structure for organizational learning at multiple levels.
- **Chapter 12** describes the stages of implementing the BSC Methodology in China and identifies important success factors for **implementation**.
- **Chapter 13** describes the **current status** the BSC Methodology in China

and offers predictions for **future directions** in how it will evolve.

Balanced Scorecard and Strategy Execution: Applications in China has given us an opportunity to apply the concept of “balance” in writing the book:

- We include both *context* and *detail*, to explain a more complete picture of how strategic management can be successfully implemented in China.
- We include both *international* and *Chinese* cases to illustrate the practical application of concepts, issues and tools.
- We present both *models* and *methods*, to help managers understand a useful conceptual framework for strategic management within which they can take practical and effective action.

Clarity, Focus and Alignment

Writing this book has given us an opportunity to translate our experience, learning and intuitions into words, thereby subjecting them to logical analysis. In a related fashion, the BSC Methodology enables the development of three critical characteristics of successful organizational strategy: *clarity*, *focus*, and *alignment*. We have experienced more than a few moments, when we found ourselves staring at a blank computer screen, trying to figure out how to express what we have learned and explain how we do what we do. These moments of focused reflection eventually led to clarity and a worthwhile learning process. In sharing our experience of this learning with a colleague, we described it in the following manner: “Writing this book has been a truly interesting experience. It has given us an opportunity to translate moments of clarity into words.”

We hope that you, the reader, will find these words as worthwhile as we have found the experience of writing them. In this manner we will experience with you the longstanding Chinese principle of mutual benefit. As we express at the end of the book, we do so at the beginning as well: May your journey be a rewarding one!

Acknowledgements

We have had many teachers and guides in the 60 years of work experience and almost 40 years of education accumulated between the two of us. They are too

numerous to specifically acknowledge. Our clients have all been good people who provided us with excellent learning opportunities, and we wish to thank them for opening their organizations to us. Several of these clients are deserving of specific acknowledgement:

- Douglas Dawson of Shanghai Ingersoll Rand was the GM who retained us for our first organizational consulting project in China in 1993. We credit Doug with helping to focus our consulting experience on what the China market needed at the time.
- Jack Bresnahan of Shanghai Norton Abrasives was the GM who first pulled us into helping China manufacturing companies analyze and improve their business processes in cross functional teams in 1994. We cooperated with Jack in designing the first iteration of an organizational change process that relied heavily on problem solving and process improvement. We eventually delivered that process to more than 70 companies in China. We continue to use the learning from those projects. It is threaded throughout this book.
- Jeffrey Reid was GM of Beijing CPC Foods, a unit of Best Foods, the largest global food company in the mid 1990's. He retained us for a comprehensive organizational consulting project in which the Balanced Scorecard was a key element, along with process improvement, competency development and localization. Jeff was an excellent role model for how to coach and develop local managers. He demonstrated a willingness to experiment that we continue to appreciate and find useful today.
- Mr. Zhou Yi Ping was GM of Jinshan Telecom, a unit of China Telecom. In 2001, he had the unusual foresight to anticipate the value of the BSC Methodology for state owned enterprises in China that are facing the need for change and increased competitiveness. He also had the foresight to use a BSC software solution developed by eGate Consulting to automate the BSC process and to track and analyze his company performance. He demonstrated leadership commitment in causing his organization to design and implement the BSC Methodology.
- Mr. Du Min, GM of Qingdao Shengyuan Milk Co., has a deep understanding of the strategic value of the BSC Methodology for his organization in coping with an increasingly competitive market. He has demonstrated strong

commitment to deployment of the methodology, with the process unfolding smoothly as a result of his leadership. He recognizes that business process is an important enabling driver for business strategy execution, and has committed resources to business process improvement/reengineering in order to ensure successful BSC implementation.

Writing and translating a book such as this in less than 4 months requires intensely dedicated support. Our staff has demonstrated unusual commitment and persistence in accomplishing a difficult and demanding translation project. Jean Wu, as one of two primary translators, has maintained a cheerful smile and willing attitude despite long hours and weekend work. We are deeply appreciative of her commitment, and the intensity and quality of her work.

Jane Shi and Arlene Xu have provided secondary translation on an as needed basis, in addition to their other varied responsibilities. Juggling multiple tasks in a hectic office is not easy, and Jean Wu, Jane Shi and Arlene Xu have demonstrated genuine commitment in achieving this. In addition to her other demanding responsibilities as a consultant, Lufei Bao has provided translation quality checks over long hours and much weekend work. She has an endless supply of energy, and we are glad it was available.

In addition to our staff, Andrew Hou, as the other primary translator, has delivered high quality translation through evening and weekend work. We are equally appreciative of his output. Grace Bell provided much needed translation quality checks for the first few chapters of the book on a part-time basis.

A final comment. This book shares much of the learning we have accumulated over decades of professional activity. We acknowledge the book's content has been influenced by our own perceptions and interpretations. We hope you will find these observations and suggestions useful. We encourage you to use the Balanced Scorecard Methodology as you continue your management journey. We believe you will find it a worthwhile vehicle for lifetime learning.

Irv Beiman, Ph.D.
Yong-Ling Sun, MBA, DBA
Shanghai
July, 2003

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Foreword

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