

# Using Master Planning to Create a Balanced Scorecard

By uniting and focusing the complimentary strengths of *Balanced Scorecard* and *Hoshin Kanri*, Master Planning is a powerful tool uniquely able to undertake the formidable task of steering an organization and its employees through the treacherous shoals and reefs of the modern organizational management.

Historically, most strategic planning approaches have focused primarily on financial and accounting metrics as means of measuring an organization's health. As a result, "*various studies that have been done indicate that seven out of ten, or nine out of ten organisations that have strategies have been unable to execute them.*"<sup>1</sup>

In the early 1990s these failures led Marketing Partners and others to seek out and develop better methods of guiding organizational direction and performance. The most promising of these techniques—Hoshin Kanri and Balanced Scorecard—took a more holistic view by translating strategic objectives of an organization into a range of measurable metrics based on data from within the organization.

For nearly a decade Marketing Partners has been using a form of *Hoshin Kanri* called Master Planning to create balanced scorecards for its clients.

*Hoshin Kanri*—a strategic planning approach originally imported from Japan—is a way of powerfully integrating planning and management. It incorporates an intense, goal-driven focus on *metrics* and *measurement*, an emphasis on the *voice of the customer*, and alignment of the organization

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<sup>1</sup> Daum, J. (2001). *Interview with David P Norton: Intangible Assets and the Balanced Scorecard*, [Web Page]. The new New Economy Analyst Report.

through *deployment* and *visual communication* processes to concentrate organizational resources on breakthrough strategies.

*Balanced Scorecard* first developed in the mid-1990s by Robert S Kaplan and David P. Norton focused further on the *metrics and measurement* aspects of the *Hoshin* system. In *Balanced Scorecard*, Kaplan and Norton recommended focus on four key perspectives of the organization to develop the key measures:

- How do customers see us? (Customer perspective)
- What must we excel at? (Internal perspective)
- Can we continue to improve and create value? (Innovation and learning perspective)
- How do we look to shareholders? (Financial perspective)

Recognizing that *Balanced Scorecard* offered some new dimensions to the *Hoshin* process, MPI developed the Master Planning approach.

Master Planning takes the top-to-bottom, total organizational-involvement of *Hoshin Kanri*, marries it with the focused measures and metrics of *Balanced Scorecard* and adds elements of team-building and organizational development to provide strategic planning efforts that truly transform and improve organizations.

What truly distinguishes a Hoshin-based Balanced Scorecard system—such as Master Planning—from conventional strategic planning is how the principles inherent in the *Hoshin* approach integrate planning *throughout all aspects of the organization*. Master Planning engages the entire organization in an iterative, ongoing process that acts as a highly visible *management compass*. The power of Master Planning comes from its intense, goal-driven focus and the technique's ability to align the organization. Neither a top-down, nor a bottom up system, it is both, with a cascading technique that encourages multi-level dialogue throughout the planning process.

Master Planning incorporates an organization-wide approach that gives all organizational participants—top-to-bottom—clear and measurable goals and targets; a birds-eye view of how their particular goals and targets interact with those of other departments; and draws a clear path from each individual’s “day job” responsibilities to an organization’s overarching goals and targets.

The measurements of these overarching targets—on an ongoing basis—is what define the organization’s *Balanced Scorecard*. MPI Master Planning is nothing more than a systematic approach to a *Balanced Scorecard* that encourages employees to analyze situations, create plans for improvement, conduct performance checks, and take appropriate action.