

## Kinnarps

*Unnerved by an industry downturn, a Swedish furniture maker uses the scorecard to safeguard its success.*

### Navigating a Fast-Changing World

“The world around us changes fast these days,” affirms Kinnarps AB’s information controller Charlotte Bhiladvala. To stay ahead of industry changes rather than risk being left behind, this 60-year-old, family-owned and -run furniture company adopted the Balanced Scorecard in 2001.

Generating annual revenues of roughly \$287 million, Kinnarps constitutes Europe’s fourth-largest office-furniture maker. Headquartered in Kinnarp, Sweden, it operates in 25 countries, employs 6,500 people, and maintains three manufacturing facilities (all in Sweden). Sixteen wholly owned subsidiaries in key European countries and seven sales agents in other nations provide additional support. The firm serves numerous highly pedigreed customers, such as Turner Broadcasting, Volvo, and Aston Martin.

Despite these successes, company executives realized that maintaining Kinnarps’ market position would hinge on their ability to communicate the corporate strategy to the entire organization. Kinnarps had always worked from a well-defined strategy — but it hadn’t yet managed its communication and execution efforts systematically. The BSC struck executives as the natural tool for ensuring that employees not only heard about the strategy but also understood how their efforts contributed to it. With its emphasis on balance, the scorecard methodology also reflected the “four cornerstones” on which Kinnarps has built its culture: people, quality, environment, and ergonomics.

### Constructing and Cascading the Scorecard

Kinnarps’ executive team began by building a corporate (Level 1) scorecard containing just 10 objectives across the four traditional perspectives. Good performance in the objectives “Professional leadership” and “Communicate Kinnarps’ strategy and culture” (under the “Motivated Workforce” theme), they theorized, would underpin improvements in the internal process perspective — specifically, “Effective supply of components/products,” “Improved quality and deliveries,” “Identify customers’ demands and needs,” and “The most effective sales channel in the market.” Progress on these fronts could, in turn, influence performance in the customer perspective’s “Concept and delivery that create customer value” — which could fuel success in the financial realm.

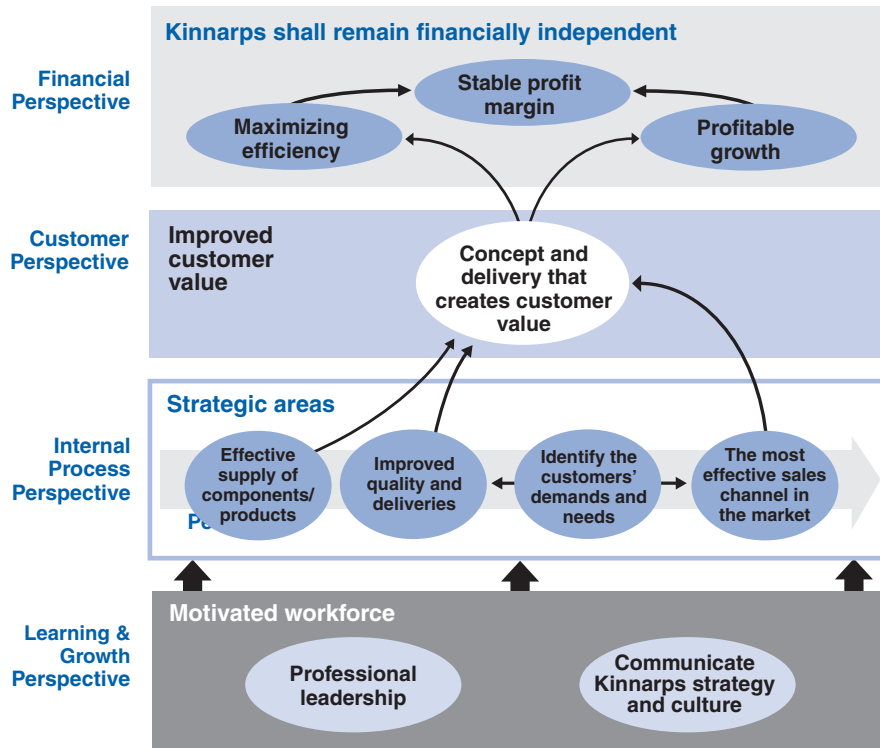
In cascading the scorecard to lower levels, the executive team mandated some objectives, but encouraged functional managers to define their own objectives. Cause-and-effect relationships, they reasoned, should be clarified by the people

*continued on next page*

### KEY *Scorecard* RESULTS

- Gross margin jumps from 1.10 SEK (\$US 0.18) in 2001 to 8.20 SEK (\$US 1.11) in 2003
- Across-the-board customer satisfaction increases in same time period: purchase frequency and recommendation, retailer contact, delivery, and product quality
- Sustained market-share increases and profit margins despite industry slump

## Kinnarps Strategy Map (Level 1)



*Caption to come. Caption to come. Caption to come. Caption to come.  
Caption to come. Caption to come. Caption to come.*

who would ultimately be using the resulting strategy maps. Production and Logistics thus added “Dedicated personnel” to the mandated objectives in its learning and growth perspective.

Moreover, the cascaded scorecards show strong linkages through their objectives, measures, and initiatives. For example, the Level 1 customer objective “Concept and deliveries that create customer value” links to the Production and Logistics (Level 2) internal-process objective “High precision in deliveries and quality level.” The next link in the chain is the Shipment Planning and Fitting

(Level 3) customer objective “High quality in service”— which the department measures through customer responses to questions about service and delivery quality and supports with a depot-building [do you mean warehouse? Depot suggests a train station, which they might also mean. Could you clarify, Laurie – or we’ll ask Charlotte] initiative. Finally, the fitters group (Level 4) has a corresponding objective called “Never leave customers’ premises without a personal contact and a satisfied customer,” measured by customer feedback and supported by an initiative entailing phone calls to customers to check their satisfaction.

To date, Kinnarps has implemented a total of 20 scorecards throughout its top three levels, including support units. It is currently creating scorecards for its subsidiaries as well.

Like many other organizations, Kinnarps has encountered some obstacles in implementing the BSC. For example, as Bhiladvala points out, long-time family ownership of the company has created a culture in which people value “doing things ourselves” and view academic theories and methodologies with skepticism. Thus, the implementation team has worked hard to simplify scorecard concepts — without losing the methodology’s foundation. Occasionally, Bhiladvala says, “the project almost failed because we didn’t understand the importance of speaking in nonacademic terms.” One department, despite the CEO’s mandate, still refuses to use the BSC. The best way to get that group’s buy-in, Bhiladvala reckons, will be to show it what other departments have achieved.

### Applying the SFO Principles

By automating its scorecards, Kinnarps has enabled managers and employees to apply two Strategy-Focused Organization principles — Make strategy everyone’s job, and Make strategy a continuous process — with particular vigor. Though the company has not yet created individual scorecards, any employee can find the scorecard information posted on the intranet and in the software application. Postings on notice boards and discussions during monthly scorecard-review meetings further enhance communication of the strategy throughout the managerial and employee ranks.

Kinnarps’ automated scorecards also feature a straightforward, customized rating system — “√” for “good”; “X” for “poor”; “◆” for “acceptable” — that helps managers immediately assess performance on all objectives and measures and fine-tune strategy as needed. Production and

Logistics director Robert Petersson remarks that “[the scorecard] allows the entire organization to be aware of our current situation, creates a climate for action, and provides a strong incentive . . . to accomplish our goals.”

### Leveraging and Learning from the Scorecard

Kinnarps’ executives have put the scorecard’s benefits to work inside and outside the company. For example, finance director Per-Arne Andersson explains that “the Balanced Scorecard has increased employees’ focus on strategy and results” and “has been an advantage when we acquire other companies. [During acquisitions, the scorecard enables us] to communicate and focus on the most important areas for long-term, profitable growth.” Information controller Bhiladvala notes that “many of our key-account customers are interested in our BSC. . . . They often want to know . . . how we assure the quality of our products. By showing them our scorecards, we can easily convince them that quality is an essential part of our focus.”

Kinnarps’ scorecard results have captured the attention of current and future business leaders alike. Executives from at least 15 companies from a diverse array of industries — including Volvo, Hillside Aluminum South Africa, and Kappa Packaging (a Dutch firm) — have visited Kinnarps to learn about its scorecard-implementation process. And students at several business schools have used Kinnarps’ story as a case while writing their exams.

— *Lauren Keller Johnson*