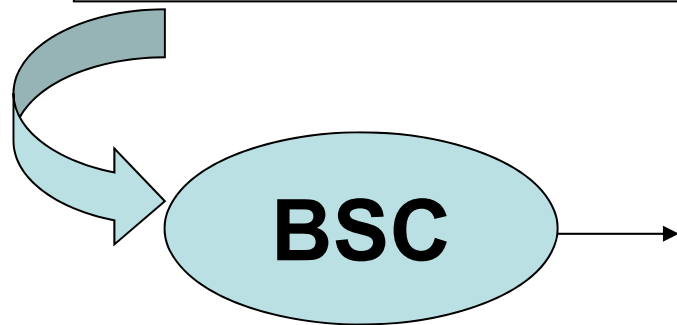


Balanced scorecard

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Workshop week 2

INTRODUCTION: SMA AND BALANCED SCORECARD

Need to integrate financial and non-financial measures of performance which link measurements to strategy led to the emergence of the BALANCED SCORECARD



It has been defined as an integrated set of performance measures derived from organizational strategy that gives top management a view of the organizational unit (Drury 2004, p. 1001).

BALANCED SCORECARD PHILOSOPHY

Bsc is based on the assumption that an organization's vision and strategy is best achieved when organizational operations are seen from the following perspectives:

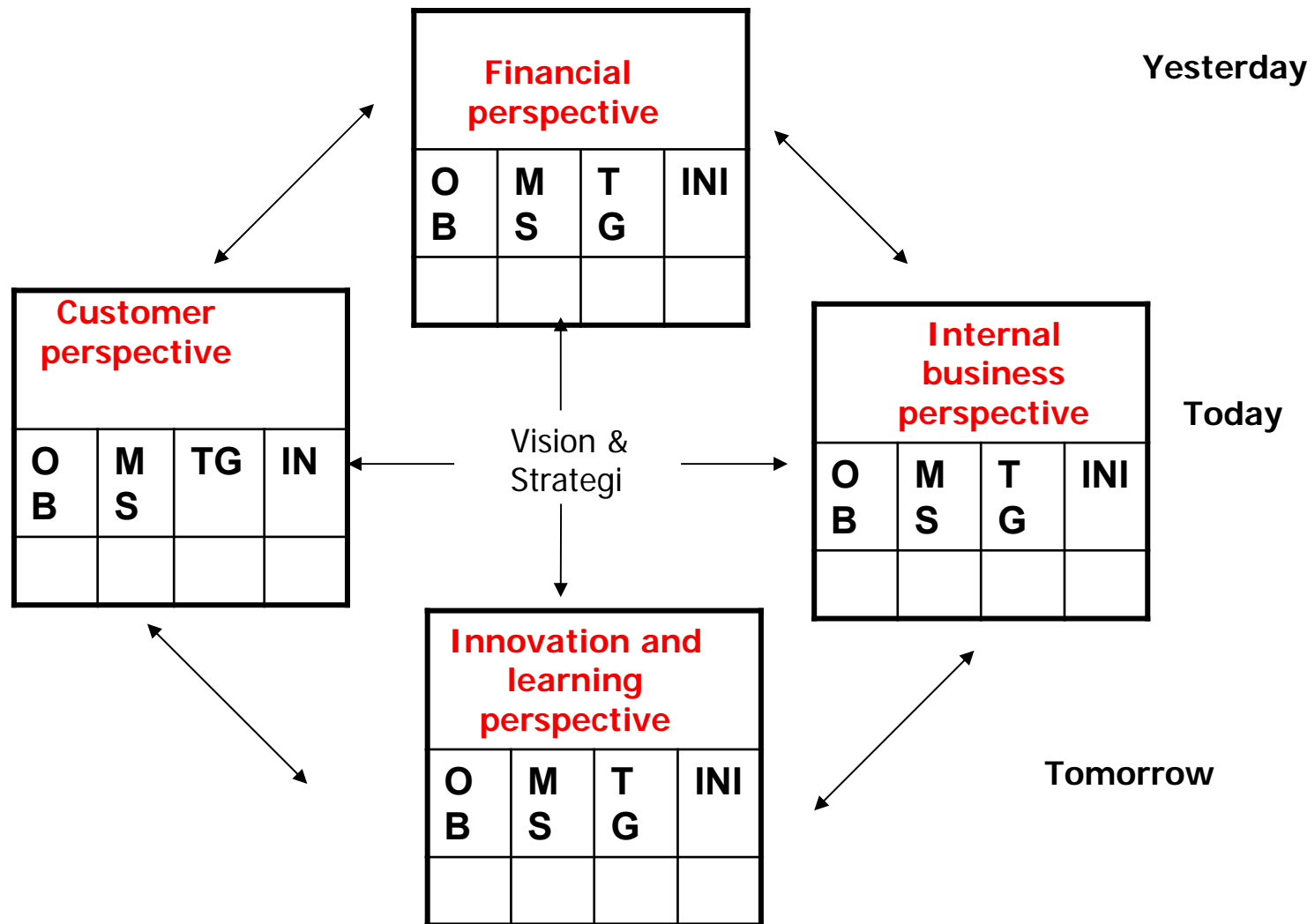
A) CUSTOMER PERSPECTIVE: How do customer see the company?

B) INTERNAL PERSPECTIVE: How well does it manage its operational processes?

C) LEARNING AND GROWTH PERSPECTIVE: can we continue to improve and create value?

D) FINANCIAL PERSPECTIVE: How do we look to shareholders?

BALANCED SCORECARD: PERSPECTIVES



BSC: THE CASE

THE CASE

Silver is a manufacturing company which produces three ranges of clothes: E, B,S. Products are sold to retail stores accross Italy. Company's strategy is to ehnanace customer workforce throughout all aspects of its operations. A BSC is introduced in order to monitor company's strategic progress. The following data for the past three financial years have been reported.

REQUIRED

- 1) Prepare a BSC using the provided data;*
- 2) Suggest other performance measures that could be included in the scorecard.*
- 3) Discuss overall results*

BSC: THE DATA (1)

	CUST	FINANCIAL	LEARNING INNOVAT	INTERNAL BUSINESS
SALES	X	X		
N°CUSTOM.	X			
AVERAGE STOCK VALUE		X		
CLOTHING MARKET	X			
N° DISPATCHES				X
N°EMPLOYEES			X	
N° PRODUCTS (new, discon, etc)				X
GROSS PROF		X		

BSC: THE DATA (2)

	CUST	FINANCIAL	LEARNING INNOVAT	INTERNAL BUSINESS
N° GARMENTS (sold, return)				X
DELIVERY COST DESP		X		
OVERHEADS		X		

BSC: MEASURES OF PERFORMANCE

	CUST	FINAN	LEAR	INT. BUS
MARKET SHARE <i>(Sales/Clothing market)</i>	X			
CUSTOMER GROWTH <i>(n°cust(t)- n°cust (t-1))/n°cust (t-1)</i>	X			
REVENUE GROWTH <i>(sales (t)- sales (t-1))/sales (t-1)</i>		x		
GROSS PROFIT <i>(gross profit/revenue)</i>		X		
STOCK TURNOVER <i>(Total cost/average stock value)</i>		X		
NET PROFIT <i>(net profit/revenue)</i>		X		
OVERHEAD TO SALES		X		

BSC: MEASURES OF PERFORMANCE

	CUST	FINAN	LEAR	INT. BUS
EMPLOYEE GROWTH (increase employee/employee year before)			X	
DESPATCH PERFORM. (n° desp. in 48 hours / n° desp. Year)				X
NEW PRODUCT INTRODUCTION (n° NP introd / n° P at beginning of year)				X
PRODUCT OBSOLESCENCE RATE (n° prod. Discon. / n° P at beginning of year)				X
GARMENTS PER DESPATCH (n° garm. sold / n° despt. made in the year)				X
VALUE PER DESPATCH (revenue / n° despachtes)				X
RETURNS per 1000 GARMENTS DESPATCHED (n° garments returned / n° garments sold)				X

BSC AND MEASURES: CUSTOMER PERSPECTIVE

<i>Customer Perspective:</i>		XX01	XX02	XX03
MARKET SHARE <i>(Sales/Clothing market)</i>	<ul style="list-style-type: none"> • $(8+52+15)/800$ • $(15+48+32)/1020$ • $(22+42+64)/1280$ 	9.4%	9.3%	10%
CUSTOMER GROWTH <i>$(n^{\circ}\text{cust}(t) - n^{\circ}\text{cust}(t-1))/n^{\circ}\text{cust}(t-1)$</i>	<ul style="list-style-type: none"> • $(542-386)/386$ • $(765-542)/542$ 		40.4%	41.1%

- 1) *MARKET SHARE: Total revenue per year divided total mrk in Italy;*
- 2) *CUSTOMER GROWTH: increase of customer per year*

BSC AND MEASURES: FINANCIAL PERSPECTIVE

<i>FINANCIAL PERSPECTIVE</i>		XX01	XX02	XX03
REVENUE GROWTH (incr. revenue/revenue year bef)	<ul style="list-style-type: none"> • (95-75)/75 • (128-95)/95 		26.7%	34.7%
GROSS PROFIT MARGIN (gross profit/revenue)	<ul style="list-style-type: none"> • 13.55/75 • 16.5/95 • 18.38/128 	18.1%	17.4%	14.4%
STOCK TURNOVER (Total costs/average stock value)	<ul style="list-style-type: none"> • 61.45/5 • 78.5/6 • 109.62/14 	12.3 times	13.1 times	7.8 times
NET PROFIT MARGIN (net profit/revenue)		5.81%	5.02%	2.69%
OVERHEAD TO SALES (overhead costs/sales per year)		8.53%	7.68%	6.09%

BSC AND MEASURES: INNOVATION & LEARNING

<i>Innovation and Learning Perspective</i>		XX01	XX02	XX03
EMPLOYEE GROWTH	<ul style="list-style-type: none">• $(328 - 286)/286$• $(492 - 328)/328$		14.7%	50%

1) EMPLOYEE GROWTH: increase of employees per year

BSC AND MEASURES:INTERNAL BUSINESS

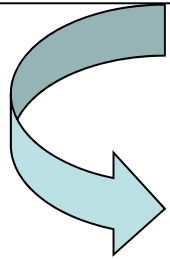
<i>Internal Business Perspective</i>		XX01	XX02	XX03
DESPATCH PERFORMANCE (n° desp.in 48 hours/n° desp. Year)	<ul style="list-style-type: none"> • 5.850/6200 • 8.590/8.950 • 11.560/13.600 	94.4%	96%	85%
NEW PRODUCT INTRODUCTION RATE (n° NP introd/n° P at beginning of year)	<ul style="list-style-type: none"> • 160/512 • 210/572 • 290/732 	31.3%	36.7%	39.6%
PRODUCT OBSOLOCENCE RATE (n° prod. Discon./n° P at beginning of year)	<ul style="list-style-type: none"> • 100/512 • 50/572 • 20/732 	19.5%	8.7%	2.7%
GARMENTS PER DESPATCH (n° garm. sold/n° despt. made in the year)	<ul style="list-style-type: none"> • 750.000/6.200 • 1.120.000/8.950 • 1.289.000/13.600 	121	125	95
VALUE PER DESPATCH (revenue/n° despachthes)	<ul style="list-style-type: none"> • £75/6.200 • £95m/8.950 • £128m/13.600 	£12.097	£10.615	£9.412
RETURNS PER 1000 GARMENTS DESPATCHED (n° garments returned/ n° garments sold)	<ul style="list-style-type: none"> • 2.500/750 • 3.450/1120 • 6.940/1.289 	3.33	3.08	5.38

BSC:

QUESTION 2

REQUIRED

1) Suggest other performance measures that could be included in the scorecard.



- EMPLOYEE TURNOVER AND TRAINING;
- CUSTOMER TURNOVER/RETENTION;
- CUSTOMER COMPLAINTS;
- CUSTOMER LOYALTY
- ROI;
- ROS;
-

BSC:

QUESTION 3

REQUIRED

1) Discuss the overall performance of the organization?