

Strategic management accounting: a case study

Week 4_2

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OUTLINE WORKSHOP

“What gets measured, gets done”

- **Work in group:** read case and answer to the question (50 min)
- **Presentation to the class:** 20 (min)
- **Synthesis and comments** (15 min)

WORK IN GROUP

Required

Read the case study and using the data provided in table 1, develop at least four performance measures for the following perspectives:

- A) customer;
- B) internal business;
- C) innovation and learning;
- D) financial.

In addition, provide a synthetic description of the company and identify the rationale for the choice of the performance measures.

Attention to consider the right figures and numbers reported in the table

PRESENTATION

Required

Prepare a slide where to report the answer to the question.

Present in 4/5 minutes the findings to the class

SYNTHESIS

THE COMPANY

- BHMC was founded in 1957 in Clinton, South Carolina by Chapman and entered the woven fabric industry. The firm had a line of 39 woven fabric product falling into three categories: A) industrial; B) fine goods; C) outerwear.
- Company had a good research and design department.
- Sales force were by contract exclusively. Price was in the mid-range;
- The company was currently operating about 70% of productive capacity.

SYNTHESIS

THE COMPANY

- In February 1997, company president asserted that financial returns were negative.
- A consultant was hired to propose solutions to improve company's situation.
- Company's strenghts:
 - products and innovation;
 - operating procedures;
- Company's weakness: it is *missing an integrated financial control system which is consistent with vision and corporate objectives.*

SYNTHESIS

- Company's initiatives:
 - reduction in the number of contracts with suppliers;
 - more attention to employee training;
 - flexible scheduling;
 - ABC system;
 - Determination and definition of Vision: "Blue-Hose: on time weaving excellence";
 - Determination of Corporate objectives: i) customer satisfaction and ii) long-term profitability.
 - Analysis of critical success factors: i) fabric quality; ii) on-time performance; iii) cost.

BSC

Consultant proposed to develop a fully integrated set of performance measurements which is able to drive the organization towards its objectives. A BSC is proposed. The measures should considered:

- the organizational level since that information needs vary by level;
- frequency;
- level of aggregation.

A proposed set of
Performance
measuerements

BSC: CUSTOMER PERSPECTIVE

	Current period	Previous period	Two periods prior	Three periods prior
Market share	6.9%	8.0%	8.0%	8.5%
Accounts lost	5.6%	4.1%	2.9%	2.9%
Complaints per 100 customers	16.9	10.9	10.0	8.8
Complaints to inquiries	50%	35%	32%	25%
Customer satisfaction	83.1%	89.1%	90.0%	91.2%
Lost sales	12.3%	12.0%	12.0%	11.2%
Orders on time	72.2%	74.2%	77.4%	67.9%

BSC: FINANCIAL PERSPECTIVE

	Current period	Previous period	Two periods prior	Three periods prior
Revenue growth	4.76%	5.0%	-7.0%	N/A
Gross profit	30.0%	32.0%	31.0%	33.0%
Stock turnover	10.2	8.2	8.6	9.0
Asset turnover	3.67	3.00	3.11	3.36
Return on assets	1.10%	2.10%	4.04%	4.37%
Debt ratio	32%	25%	24%	22%
Net profit	0.30%	0.70%	1.30%	1.30%

BSC:INTERNAL BUSINESS PERP

	Current period	Previous period	Two periods prior	Three periods prior
Orders on time	72.2%	74.2%	77.4%	67.9%
Orders shipped complete	100.0%	100.0%	96.8%	7.1%
Machine downtime	17.0%	19.2%	12.0%	10.0%
Inspection tail rate	6.7%	6.0%	4.0%	3.1%
New product sales rate	12%	11%	10%	10%
Detectives per 1000 yards	30	50	60	90
Orders cycled on time	81%	73%	84%	60%
Yarn usage over standard	105.0%	104.6%	104.2%	104.0%
Off-quality production to COS	7.5%	5.8%	5.2%	3.2%
Average set-up time - minutes	240	224	200	180

BSC:LEARNING AND GROWTH

	Current period	Previous period	Two periods prior	Three periods prior
Training costs per employee	\$601	\$732	\$871	\$845
Training costs to total costs	3.0%	3.6%	4.2%	3.8%
New sales to total	12%	11%	10%	10%
Employee growth	8.7%	5.8%	0.0%	N/A
Average set-up time - minutes	240	224	200	180