

# Balanced scorecard

*Prof. M. Contrafatto*  
*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



**BSC**

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:

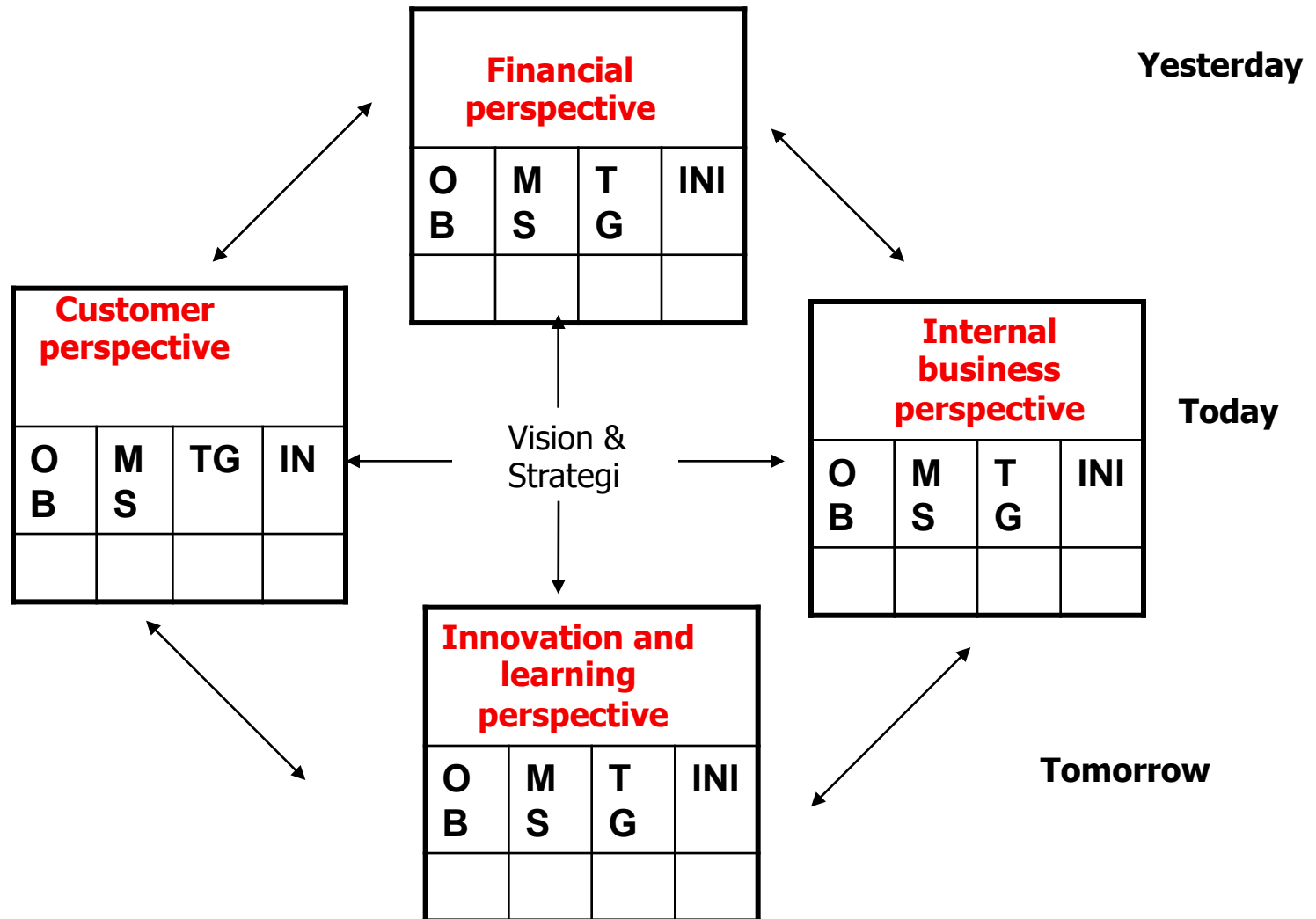
A) CUSTOMER PERSPECTIVE: How do customer see the company?

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			
<b>AVERAGE STOCK VALUE</b>		X		
CLOTHING MARKET	X			
<b>N° DISPATCHES</b>				X
N°EMPLOYEES			X	
N° PRODUCTS (new, discon, etc)			X	x
GROSS PROF		X		

## BSC: THE DATA (2)

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

# BSC: MEASURES OF PERFORMANCE

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



# BSC: MEASURES OF PERFORMANCE

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

# BSC AND MEASURES: CUSTOMER PERSPECTIVE

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

<b><i>FINANCIAL PERSPECTIVE</i></b>		<b>XX01</b>	<b>XX02</b>	<b>XX03</b>
<b>REVENUE GROWTH</b> (incr. revenue/revenue year bef)	<ul style="list-style-type: none"> <li>• (95-75)/75</li> <li>• (128-95)/95</li> </ul>		26.7%	34.7%
<b>GROSS PROFIT MARGIN</b> (gross profit/revenue)	<ul style="list-style-type: none"> <li>• 13.55/75</li> <li>• 16.5/95</li> <li>• 18.38/128</li> </ul>	18.1%	17.4%	14.4%
<b>STOCK TURNOVER</b> (Total costs/average stock value)	<ul style="list-style-type: none"> <li>• 61.45/5</li> <li>• 78.5/6</li> <li>• 109.62/14</li> </ul>	12.3 times	13.1 times	7.8 times
<b>NET PROFIT MARGIN</b> (net profit/revenue)		5.81%	5.02%	2.69%
<b>OVERHEAD TO SALES</b> (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
<b>EMPLOYEE GROWTH</b>	<ul style="list-style-type: none"><li>• <math>(328 - 286)/286</math></li><li>• <math>(492 - 328)/328</math></li></ul>		14.7%	50%

*1) EMPLOYEE GROWTH: increase of employees per year*

# BSC AND MEASURES:INTERNAL BUSINESS

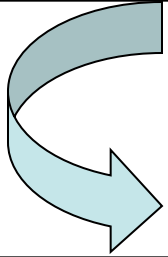
<i>Internal Business Perspective</i>		<b>XX01</b>	<b>XX02</b>	<b>XX03</b>
<b>DESPATCH PERFORMANCE</b> <i>(n° desp.in 48 hours/n° desp. Year)</i>	<ul style="list-style-type: none"> <li>• 5.850/6200</li> <li>• 8.590/8.950</li> <li>• 11.560/13.600</li> </ul>	94.4%	96%	85%
<b>NEW PRODUCT INTRODUCTION RATE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