

Balanced scorecard simulation team project

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Abstract, including the topical area(s) addressed within the financial/managerial sequence

Are you looking for a team project that excites students? The balanced scorecard simulation team project provides students an opportunity to research a company and improve their knowledge of the BSC. Students apply what they have learned about the balanced scorecard and performance measurement in this experiential project. This is a discovery learning experience requiring researching a firm’s strategy and business model. The project also provides students an opportunity to develop teamwork, communication and presentation skills. Students present the firm’s strategy, customer value proposition, global issues, and a financial overview. They prepare and present a strategy map and balanced scorecard to the class. A balanced scorecard measurement profile form for each measure on the BSC is provided to the professor. The BSC project requires students to present the firm’s key ethics and social responsibility issues for class discussion. During the three days of final presentations, we compare the ethics and social responsibility issues for the firms, providing an insightful perspective. The BSC project provides students an opportunity to improve their knowledge of the BSC and develop teamwork, research, communication and presentation skills. The author has used this project in the introductory managerial accounting course.

The basic learning objectives are:

1. to apply what students have learned about the balanced scorecard
2. to preparing a strategy map and a related balanced scorecard
3. to gain some insight into business models by developing and documenting business performance metrics for a firm.

AICPA Core Competencies Addressed

Functional Competencies:

Measurement, Research, Leverage Technology to Develop and Enhance Functional Competencies

Personal Competencies: Professional Demeanor, Problem Solving and Decision Making, Interaction, Leadership, Communication, Project Management, Leverage Technology to Develop and Enhance Personal Competencies

Broad Business Perspective Competencies: Strategic/Critical Thinking, Industry/Sector Perspective, International/Global Perspective, Resource Management, Legal/Regulatory Perspective, Marketing/Client Focus, Leverage Technology to Develop and Enhance a Broad Business Perspective

Detailed Description of the Case/Activity

Balanced scorecard simulation team project overview

The basic learning objectives are to apply what you have learned about the balanced scorecard to a firm, including preparing a strategy map and a related balanced scorecard and to gain some insight into business models by developing and documenting business performance metrics for a firm. This is a discovery learning experience that requires researching a firm's strategy and business model. The project also provides students an opportunity to develop teamwork, communication and presentation skills. The theme for this semester is innovation.

The balanced scorecard requires the firm to set goals and related measures for four critical aspects of performance. The balanced scorecard emphasizes performance measurements to enable strategy implementation. The four perspectives provided by the balanced scorecard are:

1. Financial -- How do we look to shareholders if we succeed?
2. Customer-- To achieve our vision how must we look to our customers?
3. Internal perspective-- What processes must we excel at to satisfy our customers?
4. Learning and growth-- To achieve our vision, how must the organization learn and improve?

The balanced scorecard brings together in a single management report many of the disparate elements of the company's competitive agenda. Measurement is used to give clarity to vague concepts. Measurement is used to communicate vision and strategy. In preparing the balanced scorecard, strategy is viewed as a series of cause and effect relationships.

Firm Case Study

The balanced scorecard case assignment involves selecting a firm to study. The theme for this semester is innovation. You should select a firm that has an innovation strategy and has been successful. The term case is used for this project because you will be focusing on the strategy implementation problem facing the firm. Your balanced scorecard is a recommendation for strategy implementation. A good case does not have a unique solution. Instead, you make a recommendation and provide convincing reasons why it will work. The team will have to gather information on a firm and gain insight into current strategic initiatives. Possible sources of information are annual reports, articles in the business press and materials on the firm's website. The firm's most recent 10K filed with the SEC is a valuable source of information. Pay special attention to item 7 on the 10K, management's discussion and analysis of financial condition and results of operations. Item 1A, risk factors, on the 10K is also very useful in identifying strategic issues. Since you will find most of the reference material on the internet and in our library data bases, you should save the reference material to a disk to be handed in (see below).

The case analysis should provide background on the firm's strategy and business model, and current situation. You will prepare a strategy map and recommended balanced scorecard at the firm strategy level. This case project should provide insight into the difficulties in measuring performance and the possible consequences of performance measurement. The team should be prepared to discuss the tradeoffs made in selecting measurements. Not only should the strengths of a measurement be defended, but also the team should be aware of the possible dysfunctional consequences. The assigned readings and balanced scorecard links on the course website related to this topic provide guidance in this regard.

Team Presentations

The team must make two presentations. The first presentation is Part A—Firm strategy and financial analysis-- see below. This presentation will introduce your firm to the class (10 minutes maximum including Q&A). The material from part A can be improved and used in the **final presentation**, which includes the following:

1. A description of the case that provides an understanding of the industry and the firm's business model, strategy, goals, critical success factors is the first deliverable. The firm's business risk factors should be identified and explained. You should include some key financial ratios in this analysis. The **Firm Case Study Guide (see below)** provides some structure for your work.
2. The strategy map and related balanced scorecard with goals and measures is the key to your project. Include a discussion why you selected the balanced scorecard goals and measures, which includes identifying the measures as leading and lagging. For some measures, you may have enough information to suggest a target. For example, the measure might be the strategic skill coverage ratio and the target is 100 percent.

In class we discussed that firms using balanced scorecard have the option of using the measures for performance evaluation. We discussed that research has shown a bias toward using or giving more weight to common measures versus unique measures on the balanced scorecard. If the balanced scorecard measures were used for performance evaluation of your firm's management, what weights would you assign to the measures? If the balanced scorecard measures were used for performance evaluation of your firm's management, are there any possible dysfunctional consequences with any of the measures that the firm would have to monitor in the strategic learning loop?

The hypothesized cause and effect relationships should be shown on a strategy map. The course website has some examples of strategy maps and balanced scorecards. There are numerous examples in the literature. A balanced scorecard measurement form (Appendix A) must be prepared for each measure. This form is designed to guide your thinking about the measures and the cause and effect relationships. It requires that you explain the logic underlying the measure and explain the linkages to other balanced scorecard measures-- example below.

3. Presenters-- Use a **class handout** summary copy of the strategy map and balanced scorecard, listing goals and related measures, for each member of the class. You should be able to fit this on one or two pages. You may want to use other handouts such as copies of key slides.

The presenting team should print three copies for the professor and practitioner reviewers to follow during the presentation of:

- a. their power point slides (pure black & white; 3 per page)
- b. a copy of the class handout (balanced scorecard and strategy map)
- c. a hard copy of the balanced scorecard measurement forms (Appendix A) for each measure. Thus, if your balanced scorecard has 15 measures, you will have 15 forms. However, you may be able to print two forms on one page.

In the spirit of competition, you may provide other materials.

4. Technology documentation—Please submit a CD containing the power point slides, balanced scorecard measurement profile forms, and any other evidence of research or technology usage such as copies of articles or links to websites. You must include a file that has the firm's most recent 10K filed with the SEC.

Due Dates (approximate dates; specific dates will be announced in class):

Week 3-- Last day for teams select a company to study. First come, first choice.

Week 8-- The first presentation (Part A)

Week 12-- Printout of power point slides (pure black and white 3 to a page) balanced scorecard and strategy map. This is a first draft that can be refined.

Week 12-- Presentations to the class begin.

Suggested companies to study:

You are required to select a successful innovative public company to study that is of interest to you. Business Week and Forbes periodically publish rankings of innovative firms. There are advantages to having some knowledge of the company from the customer perspective. It is best to pick a firm that is focused in an industry, as compared to a highly diversified firm. The following firms are good choices:

Yahoo, Wyeth Labs, DuPont, Sony, Genetech, Nokia, Amazon, Intel, Google, P&G, 3M, GE, Microsoft, IBM, Dell, Wal-Mart, IDEO, Merck, Microsoft, Applied Materials, Home Depot, Weyeth, Pepsi, Verizon, Comcast

I will not approve some firms presented in the recent past such as: Apple computer, Starbucks, Samsung, Toyota, Nike,

When you have picked the company, notify me class for approval. I will maintain a list. Before deciding on a company, check it out by doing some preliminary research. Your team captain (with a cc to the other team members) should email your choice of the BSC study firm to me. The email should state in a concise paragraph why you are interested in studying the firm. The subject line of the email should contain the firm name and the team number.

Firm Case Study Guide

The team will role-play. You have been hired as consultants to prepare a balanced scorecard that will be presented to top management. The team will prepare a description of the case (background information on the firm) that contains (as a minimum) the following:

Part A—Firm strategy and financial analysis:

1. Mission statement
2. Business model:
 - a. Strategy description; What is the customer value proposition?
 - b. Differentiation of products or services
 - c. Operations
3. Financial statement analysis
 - a. Focus on key areas—profitability, efficiency, ROI, financial leverage
 - b. Who is the firm's auditor?

Part B—Firm strategy implementation and balanced scorecard:

4. Competitive and business factors
 - a. Describe the industry and trends and major competitors (include global business issues)
 - b. Critical success factors (CSF)—what the firm must do to implement strategy such as product quality, customer service, technology and increasing market share.
 - c. What are the firm's strengths and weaknesses?
 - d. What are the competitive threats?
 - e. What are the opportunities for competitive advantage?
 - f. What are the major ethical and social responsibility issues?
 - g. What are the major business risks?
5. Customer analysis (include global business issues)
 - a. What is the customer value proposition? (related to CSF)
 - b. Who are the customers?
 - c. What are the firm's important market strategies and segments?
 - d. What is the size of the market and your firm's approximate market share?
 - e. Describe recent new product introductions and the firm's new product plans.
6. Key Value drivers (see below-- related to CSF)
 - a. What are they?
 - b. Explain how they affect sales growth and profits?
7. Balanced scorecard and strategy map (firm strategy level)

Value drivers

You should answer the question what drives value for the firm? Your answer might be a list of several factors such as the firm's ability to introduce a stream of innovative new products, quality products, superior service, etc. These will be related to the CSF. The firm's balanced scorecard would have leading and lagging measures relating to the value drivers. There would be linkages between the value drivers and financial measures evident on the strategy map.

Financial statement analysis

Financial ratios and other analysis techniques should be used gain insight into the firm's operations. You should also use benchmarks such as in industry provided by [Yahoo finance](#) -- Enter a stock symbol or use company finder. Click on company links to get information. For example, see how a firm's ratios compare to main competitors and the industry. More information about public companies is available on this site. The Bartley Business Information Center includes the Standard and Poors (S&P) Market Insight database. This database provides full text access to the S&P Industry Surveys, the Executive Compensation database, the Global Reports Library, which contains full-color, online international company source documents including annual reports, annual report summaries, financials, interims and IPO prospectuses for 13,000 companies around the world, and the GICS Sub-Industry Financial Highlights report which provides recent industry-level valuation, profitability, performance and financial risk data. There are also company reports searchable by name or ticker symbol.

Three to five key ratios may be sufficient for your presentation. Also, see the financial statement analysis links for ratios and benchmarks on the course website. It is recommended that the annual reports for at least two years or more be reviewed. This will provide a basis for you to gain an understanding of the firm's strategy in a prior year so that the outcome of the strategy can be evaluated. You may use all available sources for ratios and are not required to calculate the ratios. You can use the EDGAR database at [sec.gov](#) or the firm's website as a source for obtaining annual reports, financial statements and related information. The 10K and proxy statements on [sec.gov](#) contain considerable information. The Value Line Investment Survey (hard copy in the library) is another useful source of expert advice.

Appendix A:

Balanced Scorecard measurement profile (Strategy level)

Note: A profile is required for each measure

Measurement Name:

The BSC perspective that measurement is included in:

The measurement is relevant to the firm's goal or objective to:

Is this viewed as a leading (driver) or lagging (outcome) measure?

Explain the logic underlying the measure. What are the linkages to other balanced scorecard measures?

Data source—How would the firm collect this measurement information?

How often would the measurement be reported?

Strategic learning loop: What current or recommended strategic initiatives or themes are relevant to the measure?

Balanced Scorecard measurement profile (Strategy level)
-- example

Measurement Name: Percent of sales from new products introduced in the most recent 12 months

The BSC perspective that measurement is included in:
Internal perspective-- innovation

The measurement is relevant to the firm's strategy to:
Product leadership—high performance, first to market in most attractive segments

Is this viewed as a leading (driver) or lagging (outcome) measure?
lagging

Explain the logic underlying the measure.

The goal for our innovation program is to develop a stream of new products for attractive market segments. This requires an understanding of the customers in those segments. If we are successful in targeting these segments, sales will be affected quickly.

Data source—How would the firm collect this measurement information?
Accounting information system

How often would the measurement be reported?
Monthly

Strategic learning loop: What current or recommended strategic initiatives or themes are relevant to the measure?

1. Invaluable initiative
2. Wireless integration strategy

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Solution Set

Due to the nature of the project, there is no solution. My grading rubric includes the following:

1. Identified the major issues—Strategy clearly stated, business model, customer value proposition
2. Strategy-- clearly explained with cause and effect relationships using a strategy map
3. Effectively demonstrated an understanding of the major issues in the balanced scorecard (including ethics and social responsibility dimensions)
4. Discussed and provided sound rationale for various views on the goals and measures
5. Quality of the visual aids and handouts
6. Creativity demonstrated in the presentation and recommendations for the firm.

I typically have 4 to 6 teams of 4 or 5 students. During the Q and A, I focus on one perspective that seems most interesting for the firm and get into detail about the performance measures selected and the linkages on the strategy map. Thus, there is an opportunity to cover all of the perspectives in detail by changing my selected area of focus. This project is in the 5th edition. When the project was in the first edition I collaborated on an article with Lourdes White, who was using a similar project (Bremser and White, 2000); and the article contains list of questions that the professor might use to stimulate class discussion.