



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com. DEGREE EXAMINATION – HONOURS**

**SIXTH SEMESTER – APRIL 2022**

**UBH 6501 – ADVANCED PERFORMANCE MANAGEMENT**

Date: 20-06-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

## PART - A

Answer the following Case Study –

(50 Marks)

### 1. Company background

Chiven Stores (Chiven) is a listed clothing retailer in Beeland. Its overall aim is 'to become the largest clothing retailer in Beeland and deliver exceptional value to its shareholders'. It has recently dropped down the clothing retailer rankings from fourth to fifth largest.

Shareholders have expressed concern at the lack of dividend growth at a time when spending in the Beeland clothing market has been growing. There has been a recent change of chief executive officer (CEO) and she has tasked you with preparing a report for the board to address the performance measurement and management issues which she views as important. Her plan is to achieve the overall aim of Chiven by 'maximising our opportunities from new technology and increasing our currently small web presence'. She would like the report to cover the following four areas.

### Performance reporting

The CEO has identified that the performance reporting at Chiven is not fit for the needs of the business. She wants a detailed evaluation of the existing set of measures and their presentation in the current performance report which is used by the board for its annual review of the business (Appendix 1). She has stated that the report does not need a commentary as she and the finance director talk through the report in detail with the board.

### Performance measurement

The CEO would like you to use the data in Appendix 1 to recommend (with appropriate calculations and justifications) three new performance measures for Chiven that you believe address key issues for Chiven but are not currently included in the report.

### Value chain

In an additional effort to drive improvement and gain competitive advantage for Chiven, the board has decided to use the value chain as a business integration tool. She believes that further improvements in Chiven's performance can be achieved through simplification of the supply chain. The CEO believes that this has implications for the performance measurement and information systems at Chiven and wants your report to advise on appropriate performance measures and systems when using the value chain approach to simplify the supply chain.

### Big Data

Finally, the CEO has already identified one important reason for Chiven's poor performance and that is its failure to make use of 'Big Data' in relation to Chiven's web sales. She believes that the board does not understand the implications of the volume, velocity and variety of this data for the business and wants you to write a guide for them which includes a discussion of the development of Big Data and its potential impact on Chiven's information systems. She is aware that this is a new and rapidly developing area for most businesses, so she considers that the report should also include a discussion of the risks and challenges Big Data presents.

**Required:**

Write a report to the board of Chiven to respond to the CEO's instructions for work on the following areas:

- (i) evaluation of the performance report (20 marks)
- (ii) recommendation of new performance measures (10 marks)
- (iii) advice on performance measurement and systems when using the value chain approach (10 marks)
- (iv) Big Data development, impact on systems and risks/challenges (10 marks)

**Appendix 1**

**Annual performance report for year ended March 2018**

| Revenue (\$m)                                       | Region        | A        | B        | C        | Total          | 2018<br>Total         | 2017<br>Total         |
|---|---------------|----------|----------|----------|----------------|-----------------------|-----------------------|
| <b>Clothing</b>                                     |               |          |          |          |                |                       |                       |
| Men's   |               | 178      | 356      | 178      | 712            |                       |                       |
| Women's   |               | 297      | 593      | 297      | 1,187          |                       |                       |
| Children's  |               | 119      | 237      | 119      | 475            |                       |                       |
|   | <b>Total</b>  | 594      | 1,186    | 594      |                | 2,374                 | 2,351                 |
| <b>Other</b>  |               |          |          |          |                |                       |                       |
| Men's   |               | 19       | 39       | 19       | 77             |                       |                       |
| Women's   |               | 32       | 65       | 32       | 129            |                       |                       |
| Children's  |               | 13       | 26       | 13       | 52             |                       |                       |
|   | <b>Total</b>  | 64       | 130      | 64       |                | 258                   | 255                   |
|   |               |          |          |          | <b>Total</b>   | 2,632                 | 2,606                 |
| <b>Operating profit margin (%)</b>                  |               |          |          |          |                |                       |                       |
|   | <b>Region</b> | <b>A</b> | <b>B</b> | <b>C</b> |                | <b>2018<br/>Total</b> | <b>2017<br/>Total</b> |
| <b>Clothing</b>                                     |               |          |          |          |                |                       |                       |
| Men's   |               | 15.5     | 15.7     | 15.2     |                |                       |                       |
| Women's   |               | 16.2     | 16.3     | 15.9     |                |                       |                       |
| Children's  |               | 18.1     | 18.3     | 18.0     |                |                       |                       |
| <b>Other</b>  |               |          |          |          |                |                       |                       |
| Men's   |               | 15.5     | 15.8     | 15.2     |                |                       |                       |
| Women's   |               | 16.2     | 16.4     | 15.8     |                |                       |                       |
| Children's  |               | 18.1     | 18.2     | 17.8     |                |                       |                       |
|   |               |          |          |          | <b>Overall</b> | 16.5                  | 16.5                  |
|   |               |          |          |          |                | <b>2018<br/>Total</b> | <b>2017<br/>Total</b> |
| Number of stores                                    |               |          |          |          |                | 542                   | 540                   |
| EPS (\$)  |               |          |          |          |                | 0.56                  | 0.56                  |
| Dividend per share (\$)                             |               |          |          |          |                | 0.28                  | 0.28                  |
| EVA™ (\$m)  |               |          |          |          |                | 21                    | 24                    |
| Inventory turnover rate (days)                      |               |          |          |          |                | 32                    | 32                    |
| Average number of product lines bought per supplier |               |          |          |          |                | 66                    | 64                    |
| Floor space (square metres)                         |               |          |          |          |                | 850,000               | 828,000               |

|   |        |        |
|---|--------|--------|
| Market share (%)  | 9.8    | 10.1   |
| Number of employees   | 40,500 | 39,400 |
| Number of suppliers   | 161    | 161    |
| ROCE (%)  | 8.3    | 8.5    |
| Number of accidents in stores                                       | 256    | 255    |
| Average queuing time for customers (seconds)                        | 125    | 128    |
| WACC (%)  | 5.8    | 5.7    |
| Average time between customer entry and employee greeting (seconds) | 248    | 232    |
| Inventory obsolescence/loss write-downs (\$m)                       | 25     | 25     |

### Part B

Answer the following TWO Case study

(2 case x 25 marks each = 50 Marks)

#### 2. Company Information

Tench Cars (Tench) is large national car manufacturing business. It is based in Essland, a country that has recently turned from state communism to democratic capitalism. The car industry had been heavily supported and controlled by the bureaucracy of the old regime.

The government had stipulated production and employment targets for the business but had ignored profit as a performance measure. Tench is now run by a new generation of capitalist business people intent on rejuvenating the company's fortunes.

The company has a strong position within Essland, which has a population of 200 million and forms the majority of Tench's market. However, the company has also traditionally achieved a good market share in six neighbouring countries due to historic links and shared culture between them and Essland. All of these markets are experiencing growing car ownership as political and market reforms lead to greater wealth in a large proportion of the population. Additionally, the new government in Essland is deregulating markets and opening the country to imports of foreign vehicles.

#### Quality management

Tench's management recognises that it needs to make fundamental changes to its production approach in order to combat increased competition from foreign manufacturers. Tench's cars are now being seen as ugly, pollutive and with poor safety features in comparison to the foreign competition. Management plans to address this by improving the quality of its cars through the use of quality management techniques. It plans to improve financial performance through the use of Kaizen costing and just-in-time purchasing and production. Tench's existing performance reporting system uses standard costing and budgetary variance analysis in order to monitor and control production activities.

The Chief Financial Officer (CFO) of Tench has commented that he is confused by the terminology associated with quality management and needs a clearer understanding of the different costs associated with quality management. The CFO also wants to know the impact of including quality costs and using the Kaizen costing approach on the traditional standard costing approach at Tench.

**Required: Write to the CFO to:**

**(a) Discuss the impact of collection and use of quality costs on the current costing systems at Tench. (7 marks)**

**(b) Discuss and evaluate the impact of the Kaizen costing approach on the costing systems and employee management at Tench. (10 marks)**

**(c) Briefly evaluate the effect of moving to just-in-time purchasing and production, noting the impact on performance measures at Tench. (8 marks)**

#### 3. Background information

Ganymede University (GU) is one of the three largest universities in Teeland, which has eight universities in total. All of the universities are in the public sector. GU obtains the vast majority of its revenue through government contracts for academic research and payments per head for teaching students. The economy

of Teeland has been in recession in the last year and this has caused the government to cut funding for all the universities in the country.

### Benchmarking

In order to try to improve efficiency, the chancellor of the university, who leads its executive board, has asked the head administrator to undertake an exercise to benchmark GU's administration departments against the other two large universities in the country, AU and BU. The government education ministry has supported this initiative and has required all three universities to cooperate by supplying information. The following information has been collected regarding administrative costs for the most recent academic year:

|                                | GU<br>\$000 | AU<br>\$000 | BU<br>\$000 |
|--------------------------------|-------------|-------------|-------------|
| Research:                      |             |             |             |
| contract management            | 14,430      | 14,574      | 14,719      |
| laboratory management          | 41,810      | 42,897      | 42,646      |
| Teaching facilities management | 26,993      | 27,263      | 26,723      |
| Student support services       | 2,002       | 2,022       | 2,132       |
| Teachers' support services     | 4,005       | 4,100       | 4,441       |
| Accounting                     | 1,614       | 1,571       | 1,611       |
| Human resources                | 1,236       | 1,203       | 1,559       |
| IT management                  | 6,471       | 6,187       | 6,013       |
| General services               | 17,049      | 16,095      | 18,644      |
| Total                          | 115,610     | 115,912     | 118,488     |
| Drivers:                       |             |             |             |
| Student numbers                | 28,394      | 22,783      | 29,061      |
| Staff numbers                  | 7,920       | 7,709       | 8,157       |
| Research contract value        | \$m 185     | 167         | 152         |

The key drivers of costs and revenues have been assumed to be research contract values supported, student numbers and total staff numbers. The head administrator wants you to complete the benchmarking and make some preliminary comment on your results.

### Required:

(a) Assess the progress of the benchmarking exercise to date, explaining the actions that have been undertaken and those that are still required. (10 marks)

(b) Evaluate, as far as possible, Ganymede University's benchmarked position. (15 marks)

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