

Case study: Powder 8 Lodge

Lost Peak ski resort was for many years a small, family-owned resort serving day skiers from nearby towns. Lost Peak was recently acquired by Western Resorts, a major ski resort operator. The new owners have plans to upgrade the resort into a destination resort for vacationers. As part of this plan, the new owners would like to make major improvements in the Powder 8 Lodge, the resort's on-the-hill cafeteria. The menu at the lodge is very limited – hamburgers, hot dogs, chilli, tuna fish sandwiches, pizzas, French fries, and packaged snacks. With little competition, the previous owners of the resort had felt no urgency to upgrade the food service at the lodge. If skiers want lunch on the mountain, the only alternatives are the Powder 8 Lodge or a brown bag lunch brought from home.

As part of the deal when acquiring Lost Peak, Western Resorts agreed to retain all of the current employees of the resort. The manager of the lodge, while hardworking and enthusiastic, has very little experience in the restaurant business. The manager is responsible for selecting the menu, finding and training employees, and overseeing daily operations. The kitchen staff prepare food and wash dishes. The dining room staff take orders, serve as cashiers, and clean the dining room area.

Shortly after taking over Lost Peak, management of Western Resorts held a day-long meeting with all the employees of the Powder 8 Lodge to discuss the future of the ski resort and the new management's plans for the lodge. At the end of this meeting, management and lodge employees created a balanced scorecard for the lodge that would help guide operations for the coming ski season. Almost everyone who participated in the meeting seemed to be enthusiastic about the scorecard and management's plans for the lodge.

The following performance measures were included on the balanced scorecard for the Powder 8 Lodge:

- a. Weekly Powder Lodge Sales
- b. Weekly Powder Lodge profit
- c. Number of menu items
- d. Dining room cleanliness as rated by a representative from Western Resorts management
- e. Customer satisfaction with menu choices as measured by customer surveys
- f. Customer satisfaction with service as measured by customer surveys
- g. Average time to take an order
- h. Average time to prepare an order
- i. Percentage of kitchen staff completing basic cooking course at the local community college
- j. Percentage of dining room staff completing basic hospitality course at the local community college

Western Resorts will pay for the costs of staff attending courses at the local community college.

REQUIRED:

1. Using the above performance measures, construct a balanced scorecard for the Powder 8 lodge. Refer to the financial/customer/process/learning scheme as a guide. Use arrows to show causal links and indicate with a + or – whether the performance measure should increase or decrease.
2. What hypotheses are built into the balanced scorecard for the Powder 8 Lodge? Which of these hypotheses do you believe are most questionable? Why?
3. How will management know if one of the hypotheses underlying the balanced scorecard is false?

BSCs that support different strategies

Excerpt from Applied Pharmaceuticals' annual report.

The keys to our business are consistent and timely new product introductions and manufacturing process integrity. The new product introduction side of the equation is a function of research and development (R&D) yield (e.g., the number of marketable drug compounds created relative to the total number of potential compounds pursued). We seek to optimize our R&D yield and first-to-market capability by investigating in state-of-the-art technology, hiring the highest possible percentage of the “best and the brightest” engineers that we pursue, and providing world-class training to those engineers. Manufacturing process integrity is all about establishing world-class quality specifications and then relentlessly engaging in prevention and appraisal activities to minimize defect rates. Our customers must have an awareness of and respect for our brand image of being “first to market and first in quality”. If we deliver on this pledge to our customers, then our financial goal of increasing our return on shareholders' equity should take of itself.

Excerpt from Destination Resorts International's annual report.

Our business succeeds or fails based on the quality of the service that our front-line employees provide to customers. Therefore, it is imperative that we strive to maintain high employee morale and minimize employee turnover. In addition, it is critical that we train our employees to use technology to create one seamless worldwide experience for our repeat customers. Once an employee enters a customer preference (e.g., provide two extra pillows in the room, deliver fresh brewed coffee to the room at 8:00 am, etc.) into our database, our worldwide workforce strives to ensure that a customer will never need to repeat it at any of our destination resorts. If we properly train and retain a motivated workforce, we should see continuous improvement in our percentage of error-free repeat customer check-ins, the time taken to resolve customer complaints, and our independently assessed room cleanliness. This in turn should drive improvement in our customer retention, which is the key to meeting our revenue growth goals.

REQUIRED:

1. Based on the excerpts above, compare the strategies of Applied Pharmaceuticals and Destination Resorts International
2. Select BSC measures for each company and link the BSC measures using arrows to show the causal links between the performance measures and show whether the performance measure should increase or decrease over time. Feel free to create measures that may not be specifically mentioned in the chapter, but nonetheless make sense given the strategic goals of each company.
3. What hypotheses are built into each BSC? Why do the hypotheses differ between the two companies?