BNA FOOTWEAR

BUSINESS SIMULATION

STRATEGIC MANAGEMENT

JHT2: Task 2

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Resource Weaknesses

Within the first four years a resource weakness that BNA Footwear faced was intellectual capital, specifically knowledge of production quantities to demand and how to keep production costs low while maintaining a solid sellable product. In year 11, BNA had one of its worst years in net revenue because of one reason; the management team did not know that extra capacity needed to be assigned to a market segment for it to be produced. Such an oversight caused huge losses of income due to stock outs. Figure 1 below shows that BNA (Company B) had a negative 625 loss in Europe-Africa because of insufficient stock. A similar loss also took place in Asia. Product in Europe- Africa was being sold for $46.99 and in Asia it was being sold for $39.49. All together the mistake cost BNA $55,156 and put

Industry 84 — **MARKET SNAPSHOT – Europe-Africa** — **Year 11**

Europe-Africa Year 11	Competitive Efforts by Company												Ind. Avg.	Co. B vs.Ind. Avg.
	A	B	C	D	E	F	G	H	I	J	K	L		
INTERNET SEGMENT														
Price ($/pair at retail)	70.00	72.49	75.00	80.00	80.00	75.00	85.00	75.00	74.00	0.00	75.50	75.00	76.09	–4.7%
S/Q Rating (number of stars)	6	6	4	5	4	4	4	4	5	0	4	7	4.8	+1.2 star
Models Offered	192	200	180	200	150	180	180	180	200	0	230	53	177	+13.0%
Free Shipping	Yes	No	No	No	No	No	Yes	No	No	No	Yes	No	Some	Avg.
Advertising ($000s)	8000	7500	7000	7000	7000	7000	7000	7000	7000	0	6000	7000	7045	+6.5%
Celebrity Appeal	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Online Orders (000s)	180	126	80	78	54	80	62	80	98	0	115	78	94	+34.0%
Pairs Sold (000s)	180	126	80	78	54	80	62	80	98	0	115	78	94	+34.0%
Market Share	17.5%	12.2%	7.8%	7.6%	5.2%	7.8%	6.0%	7.8%	9.5%	0.0%	11.2%	7.6%	9.1%	+3.1pts.
WHOLESALE SEGMENT														
Price ($/pair at wholesale)	49.00	46.99	48.00	48.00	48.00	48.00	48.00	48.00	47.00	60.00	48.50	49.00	49.04	–4.2%
S/Q Rating (number of stars)	6	6	4	5	4	4	4	4	5	4	4	7	4.8	+1.2 star
Model Availability	200	200	200	200	151	200	200	200	200	151	249	53	184	+8.7%
Advertising ($000s)	8000	7500	7000	7000	7000	7000	7000	7000	7000	7000	6000	7000	7042	+6.5%
Rebate Offer ($/pair)	2	3	3	3	3	3	3	3	3	4	3	0	2.75	+9.1%
Retail Outlets Utilized	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	0.0%
Retailer Support ($/outlet)	450	500	400	400	400	400	400	400	400	400	400	400	413	+21.1%
Delivery Time (weeks)	3	3	3	3	3	3	3	3	3	3	2	2	2.8	+7.1%
Celebrity Appeal	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Retailer Demand (000s)	1543	1691	1381	1455	1150	1381	1381	1381	1510	601	1476	1205	1346	+25.6%
Sales Gains/Losses (due to out-of-stock conditions)	-90	-625	-89	-160	171	-89	-70	-89	-127	164	55	-59	-84	
Pairs Sold (000s)	1453	1066	1292	1295	1321	1292	1311	1292	1383	765	1531	1146	1262	–15.5%
Market Share	9.6%	7.0%	8.5%	8.6%	8.7%	8.5%	8.7%	8.5%	9.1%	5.1%	10.1%	7.6%	8.3%	–1.3pts.

Figure 1

BNA in seventh place in the ranking of the largest revenue for year 11. To compensate and strengthen the weakness BNA management went through a rigorous training program to understand how BNA can produce products, assign those products to market segments and accurately meet consumer demand.

BNA management struggled at first to know how to keep its costs low compared to competitors. Figure 1 shoes that BNA was towards the top of costs needed to produce its shoes. BNA Footwear was able to achieve its low costs by

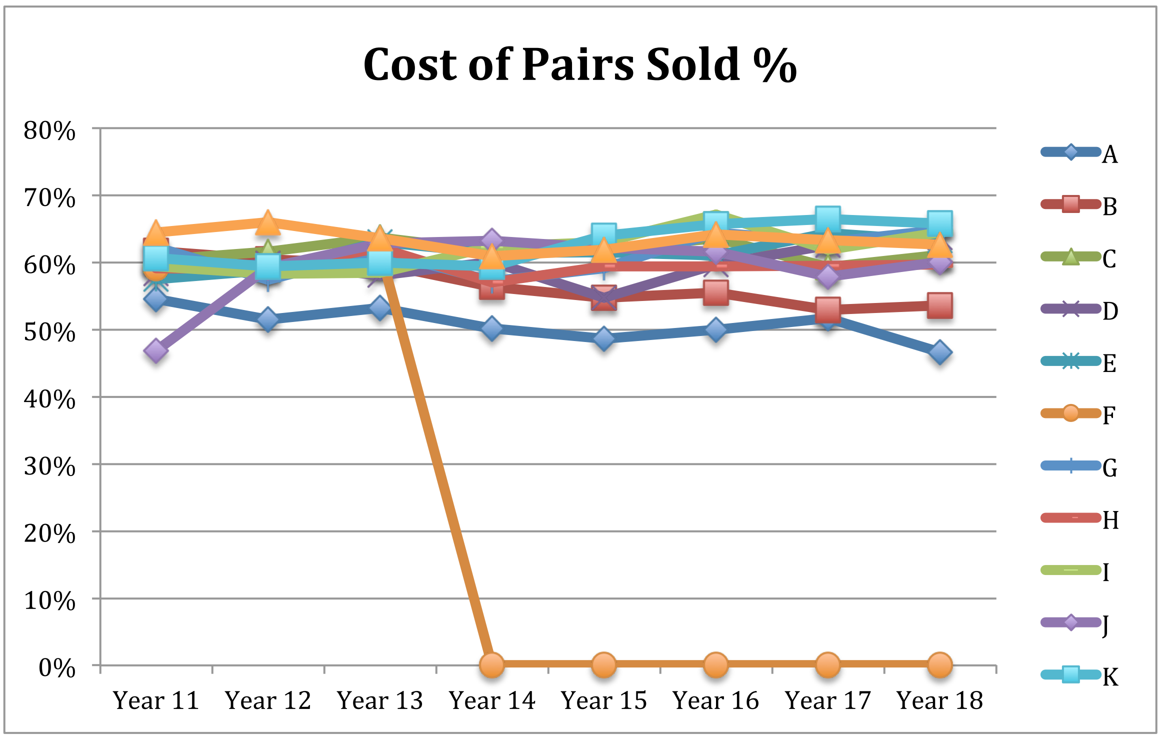


Figure 2

first decreasing the amount of superior materials used and increasing the in amount of money that was spent on enhanced styling/features. In the simulation, when 50 percent or more of a shoe used superior materials the cost of superior materials went up. Half of all the industry was using more than 50 percent of superior materials to achieve a 7 start rating or higher. Therefore, it was cheaper to max out the amount of money BNA could spend on styling/features and decrease the amount of superior materials used and still reach a 7-star rating.

Another way that BNA was able to decrease the cost of its products was to decrease TQM/Six Sigma training to 40 cents in America and 10 cents in Asia while at the same time increasing best practices training to maintain the 7-star S/Q rating. The best practices training was cheaper and it increased the value of our employees.

A third way BNA decreased costs was by being aware of exchange rate changes. Often in the simulation, shipping and selling to Latin America was extra profitable one year then the next it was mediocre to an option that lost the company money. If an exchange rate was unfavorable, BNA decreased its marketing costs in Latin America (i.e. advertising) and sold increased marketing efforts in another market segment that generated a better net profit. The same was done in the private label sector.

Fourthly, BNA wanted to have optimal demand but did not want to pay a ton for celebrity appeal. The strategy was set forth to pay at the max 1.5 million for every year that a contract was viable with a celebrity. For example, if contract with Opera Winfrey lasted for 2 years the most that BNA would pay was 3 million. BNA would add on an extra 6 dollars to win the bid if someone else also bided the same amount. Priorities were set for all bids with a maximum bid allowance so BNA did not spend to much on celebrity contracts and thus increase the cost of each shoe sold. On average BNA was able to keep an over 100 appeal in all markets and spend under $1.00 per a pair of shoes to maintain the over 100 appeal.

Figure 3 shows that BNA was successful in decreasing its costs throughout the simulation.

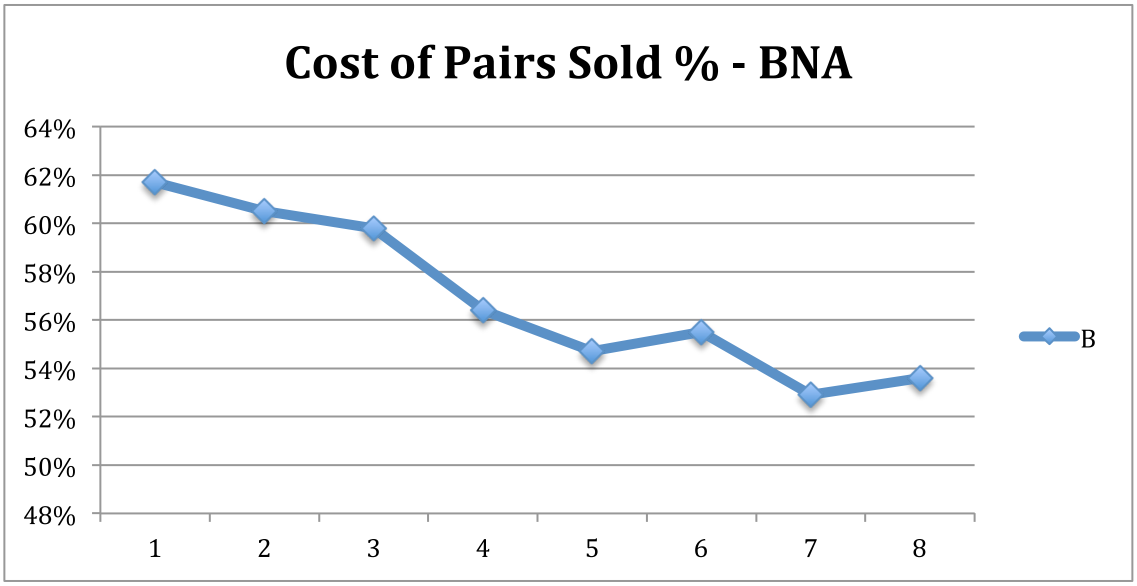


Figure 3

Resource Strengths

A resource strength that BNA had during the last four years of the simulation

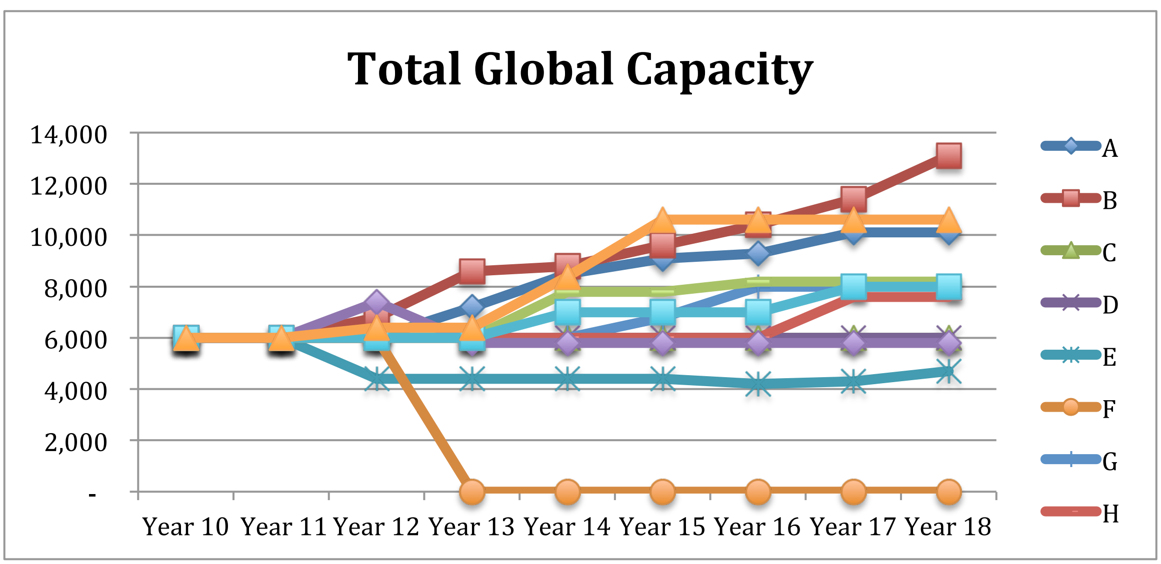


Figure 4

was a large amount of capacity compared to competitors (See figure 4). Having the largest production capacity allowed BNA to easily meet wholesale demand and capitalize on private label sales (Year 8 Capacity: BNA – 13,100 units; Closest competitor – 10,600 units. BNA was always able to make more revenue & profit, whether it sold at a high or low price, in the private label sector because it had more capacity available to sell. Where other competitors were selling 200 to 400 units in the private sector BNA was selling 1,000 to 1,500 units per a market in the private sector. A large manufacturing capacity allowed BNA to produce many units and sell at a lower than average price while still making an excellent profit. Also, the extra capacity allowed BNA to capitalize in the Internet market (See figure 5).

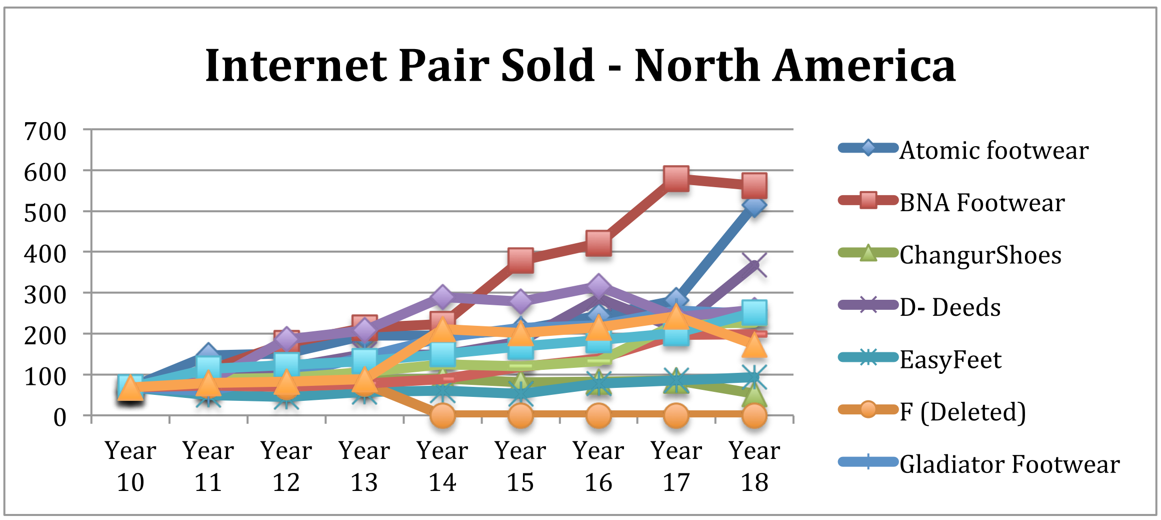
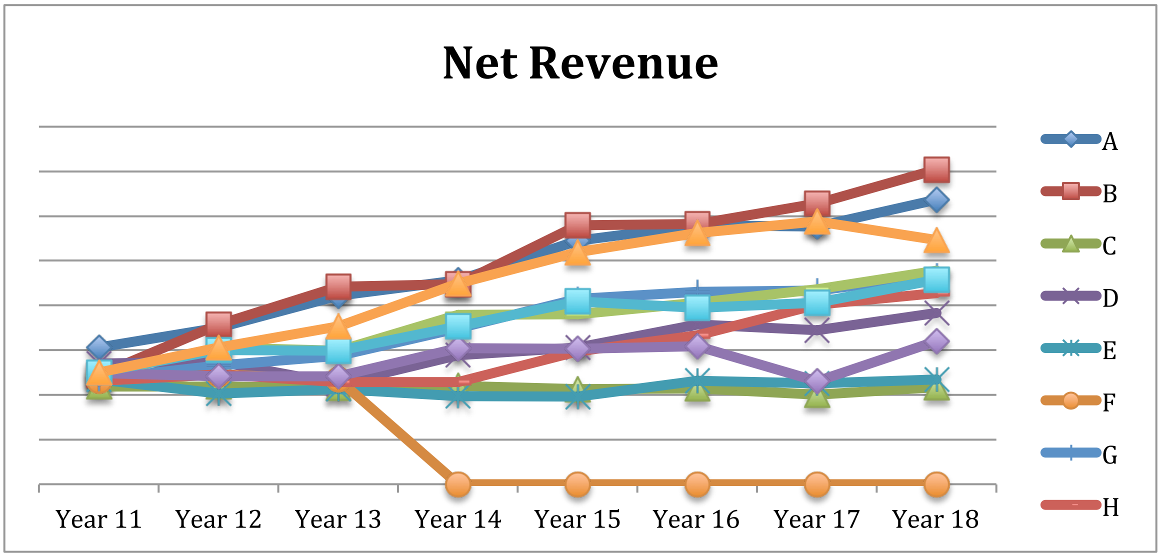


Figure 5

Competitive Power

The competitive power of the large capacity allowed BNA to surpass the leading company in sales and net profit starting in year 17 (See figure 6). Also the ability to sell all the capacity, because of the low prices, allowed BNA to reduce costs dramatically. Having the highest net revenue and profit as well as holding the send to the lowest cost of pairs sold gave BNA superior strength in the footwear industry. However to prove the point further please refer to the four tests of a resources competitive power section below.



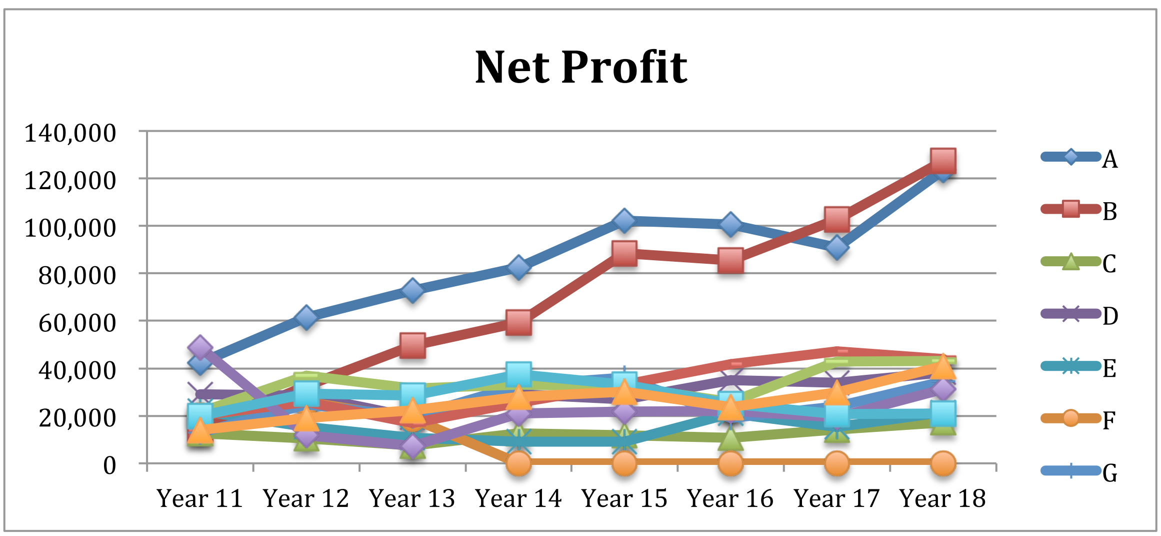


Figure 6

The Four Tests of a Resource's Competitive Power

The four tests of a resource's competitive power states that to have a competitive advantage the resource must be valuable and rare. To be valuable the resource must follow the strategy of company and be able to "exploit market opportunities and ward off external threats" (Thompson, 2011). To be rare the resource needs to be something that you have and the competitor lacks and/or is only held by only a few competitors within the industry.

If you look at figure 4 again you will notice that only BNA had 13,100 units of capacity. The next closest competitor was 10,600 units. Certainly, the large capacity was rare.

Again the large capacity allowed BNA to exploit opportunities in the private label and internet markets. When other companies in the footwear industry were merely meeting their wholesale demand BNA was meeting their wholesale demand and dominating in the private label and Internet markets. Buy meeting the whole sale demand in all markets and selling extremely large amounts of footwear to the private and Internet sectors, BNA fulfilled its strategic plan of broad differentiation. Clearly, the large capacity that BNA held was a valuable resource.

Being rare and valuable are not the only attributes a company needs to maintain a competitive resource. The resource must also be hard to copy and hard to trump by different types of resources/capabilities to be sustainable (Thompson, 2011). BNA's large capacity was not impossible to copy, however, it would have required a very large a risky capital investment for any one competitor to catch up. The investment was large because the closest competitor company L would have need to purchase 2,500 units of capacity to catch up. The investment would be risky because it would nearly cost $115,625. When company "L" only produced a $40,936 net profit compared to BNA's $127,439, company "L" would have to take on a large amount of debt that could mean financial ruin if company "L" could not sell the its new units of capacity. Company "A" on the other hand also made an over $100,000 net profit and could potentially expand its capacity rapidly. However, you have to keep in mind BNA would also continue to expand its capacity year over year meaning that competitors would have to purchase more than the 2,500 units to catch.

It would be difficult to trump BNA's capacity resource because with out selling the large amount of units it is difficult to make any money at all when you are selling at such a low price. BNA's large capacity, though possible to duplicate and trump, it is not likely to happen unless BNA management severely screws up in its pricing/forecasting. Therefore, BNA's large capacity is not only an advantage but also sustainable.

Organizational Culture

A company culture is the company's values, traditions, beliefs it finds most valuable, its code of conduct. In essence, a company's culture will define how a company will operate within its industry and within its own organization. Arthur Thompson said, “A company’s culture is important because it influences the organization’s actions and approaches to conducting business—in a very real sense, the culture is the company’s automatic, self-replicating “operating system”—it can be thought of as the organizational DNA” (Thompson, 2011).

There are four main types of culture: Clan, Adhocracy, Market, and Hierarchy. Each culture comes with varying beliefs. For example, a clan culture believes that its internal assets, employees, and its ability to be flexible are most important. A clan culture e spends a large amount of money ensure that their employees have job satisfaction through employee involvement through all decisions. Conversely, a market culture believes that their focus needs to be set more heavily on external factors (productivity, profits, customer satisfaction). Employee development and satisfaction come second to the bottom line. If an employee cannot reach certain predetermined sales goals he/she is replaced with someone that can. Often, a market culture environment has been described as militaristic or aggressive (Thompson, 2011). We can think of the differing cultures as X and Y cultures. X cultures believe that employees are cogs in a machine and the machine tells them what to do. In contrast, Y cultures see employees as people in the machine and want to receive feedback on how to run the machine better. It is important to note that to much focus on a X culture can create dissatisfied employees, which in turn can create dissatisfied customers. On the other hand, to much focus on a Y culture can slow down reactions to market trends and can grossly increase costs. Therefore a successful company needs to be an XY culture, taking a piece from each philosophy. For BNA this means that we want to take care of our employees and insure that they have job satisfaction. However, we need to ensure excellent revenue, market performance, quality of products and service and profit. The only culture that can give BNA both is a market culture. Figure 7 demonstrates the relationship between the four cultures and organizational outcomes. Note that only a market share creates a moderate (M) relation between the culture and Growth in revenue, customer satisfaction and market performance. It is also important, though a weak relationship; only a market culture has a positive relationship for profit and also a strong relationship for innovation.

ORGANIZATIONAL OUTCOMES	TYPE OF ORGANIZATIONAL CULTURE							
	CLAN		ADHOCRACY		MARKET		HIERARCHY	
	DIRECTION	STRENGTH	DIRECTION	STRENGTH	DIRECTION	STRENGTH	DIRECTION	STRENGTH
Job satisfaction	+	S	+	M	+	M	*	*
Organizational commitment	+	S	+	M	+	M	*	*
Quality of products and services	+	M	+	M	+	M	*	*
Growth in revenue	+	W	+	W	+	M	*	*
Innovation	+	M	+	M	+	S	–	NS
Profit	+	NS	+	W	+	W	–	NS
Customer satisfaction	+	W	*	*	+	M	*	*
Market performance (e.g., market share)	+	W	+	M	+	M	–	NS
Overall subjective performance	+	M	+	M	+	M	–	M

Figure 7

Before we talk about implementing or changing an organizational culture it is important to note that it is one of the most difficult leadership challenges that management will encounter. It is difficult because in essence you are changing people (i.e. values, communication practices, attitudes, assumptions).

Changing or implementing culture starts with a vision. A vision is a "long-term goal that describes what and organization wants to become" (Thompson, 2011). For example, BNA Footwear had the vision to be the global supplier of quality low-cost footwear. The vision must come from the top and trickle down (i.e. top management to the customer). The vision must be accompanied by clear roles. New systems should be put into place that supports the new vision and metrics should be developed to measure the new systems and vision. Often the first thing an organization wants to do is to effect change by replacing all the top management. However, Forbes magazine says that you should not start by reorganizing but, "first clarify the vision and put in place the management roles and systems that will reinforce the vision" (Denning, 2011). This does not mean that reorganization may happen in the future. But it does mean that it should start with original management and should be accompanied and reinforced with values that support the vision of the founder.

Figure 8 shows Forbes "most fruitful 'cultural change' success strategy". According to Forbes cultural change starts with leadership tools, which are back by

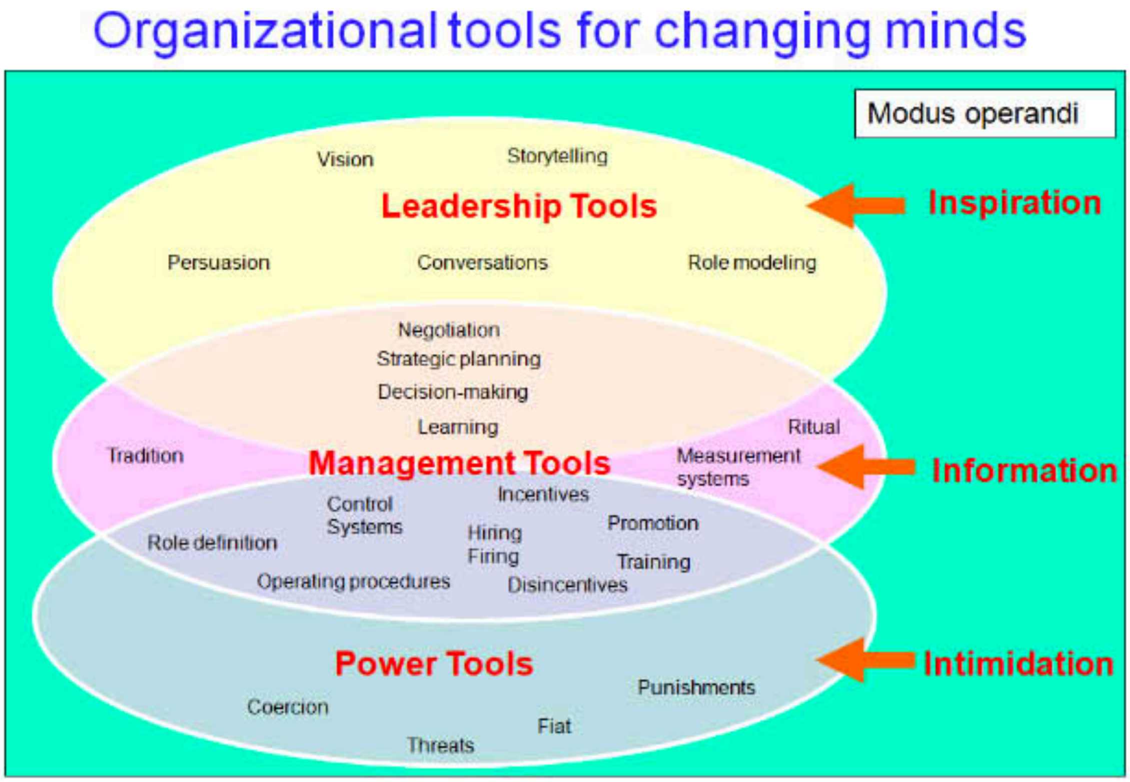


Figure 8

management tools, and power tools are only used as a last resort (Denning, 2011).

Reinforcement of the values that support the culture include formal statements, slogans, trainings or mentoring, rewards, stories, leader actions, and organization structure or procedures, and/or goals. It is important to note that integration of cultural norms is a process and is often quite a big adjustment for new employees. Figure 9 describes some of the tactics that organizations use to help employees through the adjustment process (Thompson, 2011).

TACTIC	DESCRIPTION
Collective vs. individual	Collective socialization consists of grouping newcomers and exposing them to a common set of experiences rather than treating each newcomer individually and exposing him or her to more or less unique experiences.
Formal vs. informal	Formal socialization is the practice of segregating a newcomer from regular organization members during a defined socialization period versus not clearly distinguishing a newcomer from more experienced members. Army recruits must attend boot camp before they are allowed to work alongside established soldiers.
Sequential vs. random	Sequential socialization refers to a fixed progression of steps that culminate in the new role, compared to an ambiguous or dynamic progression. The socialization of doctors involves a lock-step sequence from medical school, to internship, to residency before they are allowed to practice on their own.
Fixed vs. variable	Fixed socialization provides a timetable for the assumption of the role, whereas a variable process does not. American university students typically spend one year apiece as freshmen, sophomores, juniors, and seniors.
Serial vs. disjunctive	A serial process is one in which the newcomer is socialized by an experienced member, whereas a disjunctive process does not use a role model.
Investiture vs. divestiture	Investiture refers to the affirmation of a newcomer's incoming global and specific role identities and attributes. Divestiture is the denial and stripping away of the newcomer's existing sense of self and the reconstruction of self in the organization's image. During police training, cadets are required to wear uniforms and maintain an immaculate appearance; they are addressed as "officer" and told they are no longer ordinary citizens but representatives of the police force.

Figure 9

It is important to remember that implementation of a new culture takes time, clear goals, roles, expectations, follow up and most important support. Aligning an strategic plan/vision to the appropriate culture can mean great success for a company, its employees and all its stakeholders. Remember implementation of a market culture at BNA starts with the founder and his vision. A market culture will not be successfully implemented unless it is fully embraced by him.

Approach Comparison

The following ten principal managerial components can be used in the strategy process to support the culture.

	Manegerial Component	How it Supports Marketing Culture
1	Staff the organization with managers and employees capable of executing the strategy well.	Aligns vision with the intellectual resources necessary to implment the long-term strategic plan
2	Build the organizational capabilities required for successful strategy execution.	Helps to form the internal processes and sytems to meet customer needs, adds competiive advantage, and ensures employee skills and effots are directed toward achieving organizational goals and strategies.
3	Create a strategy-supportive organizational structure.	Eliminates aspects of the company that might be detrimental to the emerging culture. Also, it alows the new culure to be long lasting.
4	Allocate sufficient budgetary (and other) resources to the strategy execution effort.	Confirms that enough funds are availble to promote and support the new culutre and the vision of the company. Ex. Recgonition program to reward employees that are striving to implent and support the company's vision.
5	Institute policies and procedures that facilitate strategy execution.	With out goals and guide lines on how to achieve those goals employees will revert back to old cultural habits. Sustainabliity for company vision and culture.
6	Adopt best practices and business processes that drive continuous improvement in strategy execution activities.	Continually strives to be better. There is good, better and best practices and busnessnes practices. BNA wants to achieve the best and it will take a continuous process and change.
7	Install information and operating systems that enable company personnel to carry out their strategic roles proficiently.	The more proffcient information and operating systems are within a business the lower costs will be (i.e. faster results, streamlined operations, JIT, etc)
8	Tie rewards and incentives directly to the achievement of strategic and financial targets.	Puts motivation to achieving the overall company vision not just departamental or regional.
9	Instill a corporate culture that promotes good strategy execution.	Promotes optimization stragtegies (maximum profit, least cost, maximum revenue)
10	Exercise the internal leadership needed to propel strategy implementation forward.	Supports company vision and supports those that are trying to fullfill. Directs affermation reward to fullfilling company vision.

Creativity & Innovation

A market culture was chosen by BNA because it has a strong positive relation produce innovation with in the organization. Innovation "is the creation of something new that makes money" (Thompson, 2011). At BNA we want our employees to be innovative because the more innovative products that are created the more profitable BNA becomes. A market culture supports innovation because employees are rewarded on performance metrics like, increased revenue and decreased costs.

The question for most companies is how do you create a culture that supports innovation. First, to create an innovative culture the incentives and the understand of how innovation takes place must be understood. Innovation usually does not happen in a ah-ha moment. Innovation takes long-hard work. Also, it is important to understand that innovation cannot be systematized. Often , innovation is the result of a financial need i.e. think of something new or else we go bankrupt. Also, often innovation is the result of curiosity. However, more often than not innovation is the result of many seeds and a lot of hard work. In other words, innovation is the in result of long hours put forth by a team or teams. To support and encourage innovation at BNA, management needs to create a culture of continuous improvement. A culture of continuous improvement requires avoiding, organization decline that, happens after a great success, satisfying customer demands while innovation is taking place and creating an understanding that innovation "relies on invention, creativity and integration. Invention is simply the creation of something new and creativity is the process of developing something new or unique. Integration involves actions associated with getting multiple people, units, departments, functions, or sites to work together in pursuit of a goal, idea, or project" (Thompson, 2011).

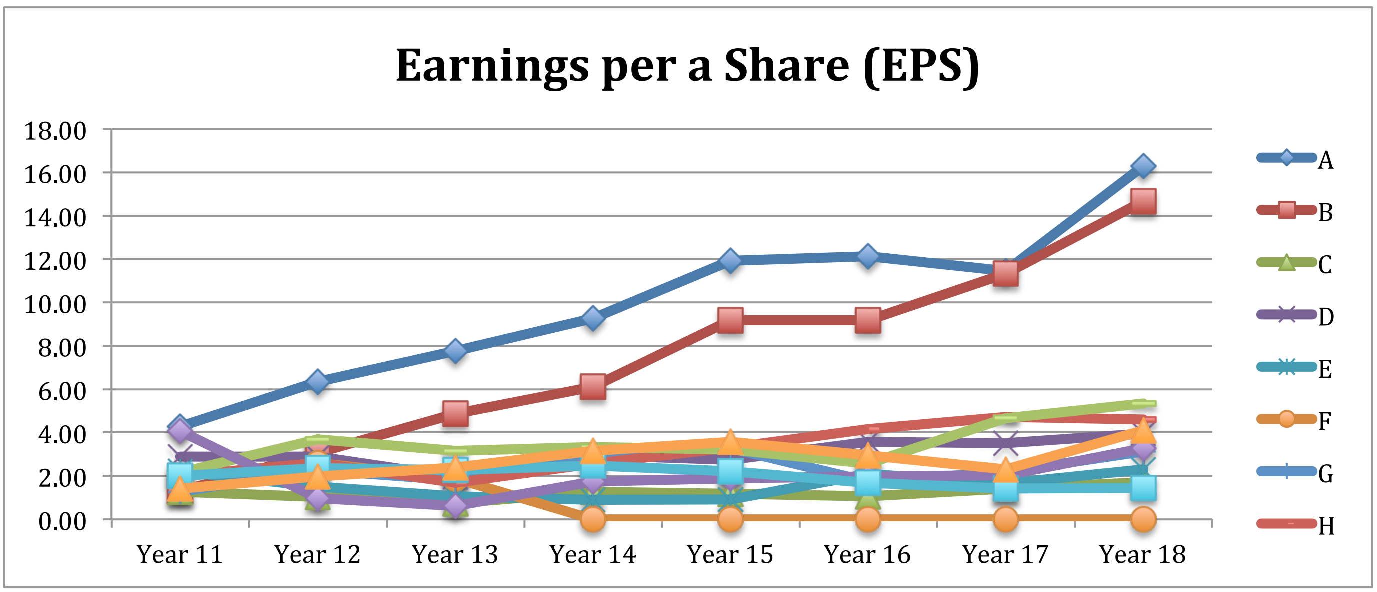
By taking care of current customer needs BNA can remove the financial barrier that often hinders innovation. If employees are worried if they are going to have a job tomorrow, they will be less likely to be inventive, creative or willing to work with other employees. When potential layoffs are afoot most employees just put their head down and hope to not be noticed to make it through the transition.

Through avoiding organizational decline BNA will avoid complacency and organization narcissism. Complacency is the top threat that organizations experience before and during a decline. Usually complacency happens when the company is on top or when they just experience great success. The key to avoiding complacency is for management to get everyone back into the game by setting new goals and aspirations for employees that align with the company vision (i.e. new product lines, R&D products, reducing cost projects, expansions, etc.). "Narcissism leads companies to deny facts about itself and to use rationalizations and justifications to defend its actions. Organizations can stave off the tendency to become narcissistic by trying to remain fact-based and by realistically considering both supportive and negative evidence about the company's status" (Thompson, 2011).

To get multiple people, units, departments, functions, or sites to work together, BNA needs to ensure that company goals are clear and concise. Also, the approach to accomplish the goal must also be clear. When employees are united to fulfill the company vision great innovation can take place at BNA.

Balance Scorecard Effectiveness

The balanced scorecard in the simulation allowed BNA management to look at its company holistically. Meaning instead of looking at individual departments a balance scorecard breaks down the business into four areas; financial, customers, internal, and people. Financial scorecard result let management know BNA was looking to our shareholders in relation to our competitors.   Customers on the balanced scorecard allowed management to understand what value BNA needed to provide to its consumers to achieve its financial goals. The internal section showed BNA what internal processes they needed to excel at to achieve the financial goals. The people section gave BNA an idea of how satisfied the consumers were with the products and what we might due to achieve a more satisfied customer. For example, the Earnings per a share and return on equity ratios allowed BNA to understand how well it was creating a return for its shareholders and what the industry average was. BNA was able to purchase treasury stock and seek ways to



decrease costs to increase both of these ratios and exceed investor expectations, which greatly increased BNA's stock price (See figure 10). Metrics were also developed from the balanced scorecard. For

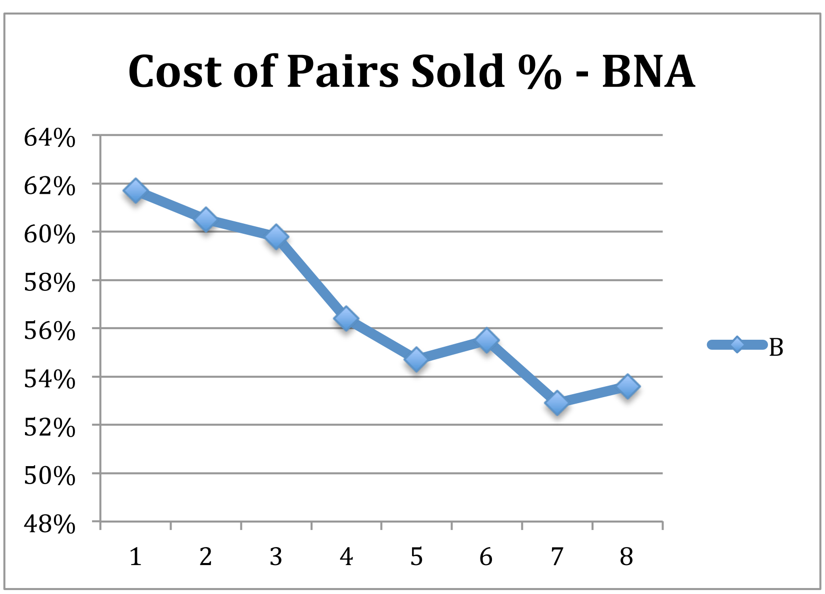


Figure 10

example, a credit rating of no less than a B+ was desired by BNA starting on the first round. To achieve, a B+ credit rating BNA had to cut back its costs, manage its debt, and produce a substantial profit. The goal was difficult to reach, however, it helped BNA to become more innovative in its approach to distribution and pricing strategies. Not only did BNA achieve a B+ rating but it improved its net revenue and profit as well (See figure 11).

Industry 84 — **COMPANY PERFORMANCE REVIEW** (concluded) — **Year 18**

Credit Rating

Credit rating scores are based on a 20% or 20-point weighting. Bolded credit ratings indicate meeting or beating the B+ investor expectation shown below each column head. For the Best-In-Industry scoring, companies with an A+ credit rating earn a score of 20 points, and lesser credit ratings earn lower scores. Game-To-Date scores are based solely on the most recent year's credit rating.

	Y11 (B+)	Y12 (B+)	Y13 (B+)	Y14 (B+)	Y15 (B+)	Y16 (B+)	Y17 (B+)	Y18 (B+)	Y19 (B+)	Y20 (B+)	Y18 Score I. E.	Y18 Score B-I-I	G-T-D Score I. E.	G-T-D Score B-I-I	
A	A	A+	A+	A	A	A+	A+	A+			24	20	24	20	A
B	B–	B	B+	B+	A–	A–	A	A			23	19	23	19	B
C	B	B	B	A–	A	A+	A+	A+			24	20	24	20	C
D	A–	A	B+	A+	A+	A+	A+	B+			20	17	20	17	D
E	B	B	B+	A–	A–	A+	A+	A+			24	20	24	20	E
F											0	0	0	0	F
G	B	A–	A–	A–	B+	B+	A+	A+			24	20	24	20	G
H	B	A–	B+	A	A+	A+	A+	A+			24	20	24	20	H
I	B+	A	A–	A	A+	A+	A+	A+			24	20	24	20	I
J	B+	C	C+	A	A	A+	A+	A+			24	20	24	20	J
K	B	B+	B	A	A+	A+	A+	A+			24	20	24	20	K
L	C+	C+	C+	C	C	C–	B–	B+			20	17	20	17	L

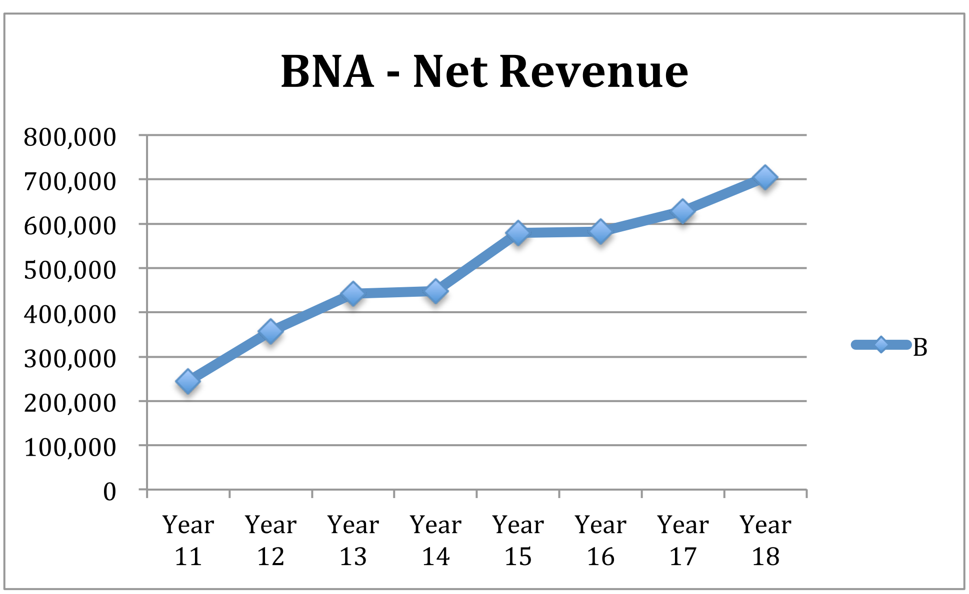


Figure 11

Development

A balanced scorecard is actually made of lagging indicators or results from things that have already happened. For example, figure 12 shows the ROE for each year in the simulation. However, the ROE for year 18 came out on December 31, 2018. Therefore, the ROE is for past or lagging results performed by the BNA

Return on Equity (%)

ROE scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor-expected ROE shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading ROE performance. Game-To-Date scores are based on a weighted average of the annual ROE performances.

	Y11 (15.0)	Y12 (15.0)	Y13 (15.0)	Y14 (15.0)	Y15 (15.0)	Y16 (15.0)	Y17 (15.0)	Y18 (15.0)	Y19 (15.0)	Y20 (15.0)	Wgt Avg. (15.0)	Y18 Score I. E.	Y18 Score B-I-I	G-T-D Score I. E.	G-T-D Score B-I-I	
A	**25.4**	**31.3**	**33.2**	**36.9**	**43.3**	**38.5**	**33.3**	**44.7**			**36.5**	24	20	24	20	A
B	8.3	**16.1**	**21.7**	**23.6**	**29.8**	**24.8**	**27.0**	**30.5**			**24.4**	24	14	24	13	B
C	8.0	6.2	4.2	6.7	5.8	5.2	6.6	7.5			6.3	10	3	8	3	C
D	**17.4**	**15.2**	9.4	12.7	10.7	12.7	11.6	14.2			12.8	19	6	17	7	D
E	13.6	8.4	5.5	4.5	4.4	9.4	6.8	9.3			7.6	12	4	10	4	E
F	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0	0	0	0	F
G	8.1	13.5	9.2	13.6	13.1	6.3	7.4	9.8			9.9	13	4	13	5	G
H	12.9	**15.2**	9.3	13.0	14.6	**15.8**	**15.3**	14.0			14.0	19	6	19	8	H
I	13.2	**19.3**	13.9	12.9	11.1	8.0	12.5	13.1			12.6	17	6	17	7	I
J	**24.2**	4.7	2.9	8.4	8.4	8.1	7.3	12.0			9.1	16	5	12	5	J
K	12.8	**15.4**	12.5	13.6	10.1	7.2	5.6	5.6			9.5	7	3	13	5	K
L	8.9	11.2	12.1	14.1	14.8	11.8	11.2	13.4			12.3	18	6	16	7	L

Figure 12

Footwear Company. Past or lagging indicators are often have poor reliability for future results (however, trends over many past years can give you an indication on where the company will be headed in the future). Leading indicators or strategic objectives the company wishes to achieve are much better indicators of the financial future of the company. For instance, suppose the year 13 strategic objective for BNA was to have 1,000 units of capacity over the demanded units in wholesale and internet so it could move into the private label sector. If BNA met this strategic objective, as an investor you could rightfully assume that the financial performance of BNA would improve because it met its strategic objective. On the other hand, if

BNA did not meet its strategic objective for year 12 then the financial well being of BNA would be in question.

The balanced scorecard could be improved if companies strategic objectives were also present with its financial indicators. With strategic objectives present you could easily see if companies met their objectives and combine that with their financial ratios. This would give management and investors a more true indication to where the company will be heading in the future. A company's annual report and news reports indicate what strategic objectives a company is trying to accomplish; usually found in the notes sections. A balanced scorecard can be enhanced when it is looked at holistically. Also, a balanced scorecard can "help a company achieve its *financial objectives* by linking them to specific *strategic objectives* derived from the company's business model" (Thompson, 2011).

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