Profitability of research and development

Percentage of passes in quality checks

2c

A possible target value for the percentage of passes in quality checks would be for every team to achieve at least 85% pass in quality checks for their products. Below are some considerations when setting up this target value.

Easily understood and communicated

The target value is straightforward and can be easily disseminated to the team. To ensure that everyone is aware,, the managers can include this as an agenda item in team meetings.

Clear in established expectations

The target value set is clear in terms of what is to be expected. Example, for every 100 products being sampled for quality checks, there should be less than 15 products that are defects from the sample.

Encouragements given to stretch performance

The target value is standardized across the function used to measure performance. To encourage employees, managers can reward the team that exceeds targets such that they feel motivated.

2d

The following are considerations when designing the two business performance measures.

Impact to organization’s strategic objective

Both measures have a direct impact to Nintendo’s objective of “producing and marketing the best products and support services available”. Research and development is an indication of the products’ customer value while the quality checks ensure that products meet the standards.

Measurability of the business performance measures

Both measures are quantitative in nature hence measureable. Profitability of research and development can be measured by calculating the net profit from revenue generated from the products and amount send on research and development. Percentage passes in quality checks can be measured by taking the ratio of passes to the total sample.

Availability and accessibility of data required to derive the measure

Data required to measure profitability of research and development can be extracted from the Nintendo’s accounting system or from the annual cash flow statement. Data required to measure percentage passes in quality checks can be extracted from the Operations information system where the data on production workflow is available. In terms of accessibility, it is dependent on the role and job scope of the analyst as some data may be classified as restricted.

Frequency of measurement

Frequency of measuring the profitability of research and development can be done quarterly or yearly, depending on business needs. This allows the management to review the budget and cost effectiveness. Frequency of measuring percentage passes in quality checks can be done more regularly, for instance monthly or in sync with production cycle. As quality checks are conducted periodically, it is necessary to ensure that percentage passes are being tracked.

2e

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