

Report to the management team at Tasman Aquatic Adventures Limited (TAA), advising on profitability analysis, environmental, quality and inventory management and performance measurement.

Executive Summary

- TAA should attempt to retain all profitable customers and increase profitability where possible.
- Unless TAA is operating at full capacity, a client does not contribute to unavoidable cost or provide benefits through referrals/reputation - TAA should still retain unprofitable customers.
- CSPA advantages are more accurate cost, more information about services demanded by customers and a greater understanding of how cost are distributed
- One off cost can distort the reporting of a financial year, multiple years of CSPA should be observed instead of one as to determine the overall lifetime value of a customer.
- TAA should consider adopting a JIT inventory system which relies on more frequent but small orders, this is more compatible with TAA business model as demand is seasonal and unpredictable.
- Increased investment in prevention and detection cost is recommended for TAA as to minimise realised loss (monetary) and unrealised loss (reputation) which occurs when there are external/ internal failures (e.g safety and environmental).
- For an encompassing measurement report TAA should consider analysing measurements in all 4 perspective of performance: Financial, Customer, Internal, Learning and growth perspective.
- Measures should be chosen carefully as to ensure they link to a goal which in turn links to a business strategy and promotes positive behaviour (Only assessing based on ROCE is not enough and detrimental to management mindset).

QUESTION ONE

(a) Prepare an estimate of the likely first-year profitability (including margin %) of the potential new Tour Group customer, Mount Aoraki Tours, as explained by Aria AND make recommendations, stating your reasoning, regarding whether this customer should be pursued.

>Values used for overhead cost are from table 3 - adding 12 customers did not decrease unit cost (values changed in cents [insignificant] thus original values in table 3 were used.

	<u>Corporate First year</u>	<u>Corporate After contract</u>
Revenue	\$2400.00	\$2400.00
Total group revenue	\$2400.00	\$2400.00
Seal tour direct cost	\$200.00	\$200.00
Dolphin tour direct cost	\$250.00	\$250.00
Total direct cost	\$450.00	\$450.00
Contributions	\$1950.00	\$1950.00
Contribution margin	81.25%	81.25%
Equip & Establishment Dolphin tour	\$78.00	\$78.00
Equip & Establishment Seal tour	\$103.20	\$103.20
	\$181.20	\$181.20
Customer relationship management	\$1830.00	\$915.00
Customer administration	\$60.00	\$60.00

Specific marketing	\$0.00	\$0.00
General marketing	\$18.00	\$18.00
Total overhead cost	\$2270.40	\$1355.40
Net profit or loss	-\$320.40	\$594.60
Related cafe cost (free refreshment)	(\$200.00)	(\$200.00)
Customer segment profit or loss	-\$520.40	\$394.60
Customer profit margin	-21.68%	16.44%

TAA should pursue this group of customers, corporate customers will provide an acceptable return of 16.44% every year after the initial year for the contract (-21.68% loss).

Although the corporate group is a loss customer segment in the initial year this would still be acceptable as they will likely create revenue through purchases made at the cafe/GS and through goodwill (recommendation, legitimisation and brand image). These new customer appear to have a strong customer life cycle value potential (long term view suggest new customer will provide profitable and stable relationship).

To maintain this segment TAA should create a contract with the client to ensure that the relationship can be extended - as long as the customer's estimated CLV is significantly larger than the costs of acquisition it will be worthwhile pursuing this customer, even if it makes a loss in the first year.

(b) Based on TAA's Customer Segment Profitability Analysis in Table 2 advise what the managing director should do (if anything) about the following customer segments:

i) School -8.0%

Schools are unprofitable customers however it may still be important to retain this segment. This is because without this segment we would still have to allocated associated fixed cost to other segments (Equip & establishment, General marketing, Managers wages). This may be more costly than the loss incurred by retaining this segment unless TAA is able to fill the available capacity with other customer segments.

Another reason to retain this segment is the customer's ability to influence perception and action of other segments through recommendation, legitimisation and brand image. TAA may lose business from other segments as their brand image centres around supporting communities - deterring schools from using TAA services detracts from this aim and TAA may lose walk in customers as families may be influenced to use TAA services due to their children experiences on school trips.

TAA should find ways to reduce cost to make this segment more profitable - potentially by making a structured application process or package for schools to reduce customer relationship management cost (\$73,200).

ii) Tour Groups 7.9%

Tour Groups are profitable customers, however TAA is likely to be able to improve its return in this segment.

Currently, Tour Group customers are given standard tour packages for a fixed number of participants, sold to the tour agents at fixed prices (on a take it or leave it basis) – there is no customisation of these packages and no discounts are available.

TAA should try to communicate to Tour Groups to see how they can strengthen their relationship to the customer and provide more meaningful offerings. We should attempt to retain these clients through loyalty scheme/contracts (e.g incentive offered for sale of package).

Additionally, TAA may want to offer different types of packages to tour groups as these clients appear to have varying needs or discounts for bulk orders of packages to make it more appealing for the client to purchase from TAA.

iii) Drive-up 22.6%

Drive-up is a profitable customer segment, TAA would want to retain this segment and look for ways to improve its profitability.

There are days where TAA is under-booked resulting in an under utility of resources and unnecessary expenditure of costs. To improve its financial position TAA should improve its relationship with Drive-up segment to ensure that TAA is operating with consistent demand. To do this, on under booked days TAA may offer discounts on family packages for Drive-up customers to ensure that at least unavoidable cost (\$200 or \$250 regardless of number of participant in tour) are covered and resources are maximised.

Alternatively TAA may offer package deals to lock these customers in such annual passes.

(c) Explain at least THREE main advantages of TAA's Customer Segment Profitability Analysis (CSPA) mentioned in Table 2 in comparison to TAA's Service Line Profitability Analysis (SLPA) mentioned in Table 1.

>Selling, general and administration costs are not likely to be incurred in direct proportion to the sales revenue, product/service direct costs or gross profit - TAA has different level of service associated with different groups of customers a high cost customer may tend to prefer purchasing a service which may distort costs often observed in Service Line Profitability Analysis. CSPA allows for a more accurate representation of how cost are distributed and how profit is generated by focusing on reporting on the cost and revenue generated by each customer segment (cost driver based on cause and effect). This allows for TAA to focus on gaining returns on unprofitable customers and retaining profitable customers by implementing targeting strategies based on their activities - directly improving the position of the company unlike when acting upon Service Line Profitability Analysis which had a high likelihood of presenting misleading cost due to traditional allocation methods.

>SLPA Doesn't take into account how a service may be customer sustaining - removing unprofitable services may effect overall profitability of business as lack of offering may effect appeal to customer (decrease in sales and overall revenue). With CSPA we are able to observe the services customers demand allowing us to make more informed decision when considering discontinuing a service.

>CSPA allows us to target cost. For TAA who has multiple customer segments with varying levels of requirements for engagement, resources and care, a SLPA does not allow us to observe where cost are distributed - decisions to reduce cost using this report may be ineffective or negatively impact customer demand. CSPA allows us to observe where cost are distributed in each customer segment, allowing us to find area of potential cost reduction for customers who are not profitable.

(d) Outline TWO weaknesses of TAA's Customer Segment Profitability Analysis AND suggest how to eliminate them.

>The one off marketing expenditure of \$35,000 targeted for tour groups is recorded in the direct marketing expenditure of tour groups in the CSPA. This is potentially misleading for users of CSPA as it does not directly reflect the associated cost of maintaining the client segment over the CLV. A note should be included to make users aware that this is not a cost normally expended on this segment as it is potentially misleading for making decisions about customers (e.g., add or drop a customer decisions).

>Relevance of a single period historical CSPA, making customer decisions based on a singular year of CSPA is not accurate and is not representative of a customer's CLV. CPA information is historical and relates to the last accounting period only - as customers needs change TAA may be able to modify its own or customer's behaviour to produce more positive outcome (increase profitability of client) especially as clients tend to be more profitable over an extended relationship with a supplier.

To eliminate this weakness when making decisions about a client multiple years of CSPA should be observed.

QUESTION TWO

(a) Define the term quality cost, and identify FOUR possible quality costs for TAA's business (one for each cost of quality category).

Quality costs are those associated with inefficient design (not fit for purpose) or deviations from product expectations.

For example for TAA an example of Quality costs would be maintenance of tour equipment - this is to ensure the quality of the tours provided by TAA meet expectations of both the company and client.

These costs can be separated into four Cost of Quality categories: Prevention, Appraisal, Internal failure and External failure.

Prevention Costs - Cost of preventing failures and defects:

>Quality-focused staff training programmes; these are a prevention cost TAA has incurred to train its staff as to ensure they have sufficient skills and knowledge to provide tours.

Appraisal Costs - Cost of the measuring and evaluating materials, products, processes, and services to ensure they conform to their quality standards or requirements

>Cost to inspect tour equipment; these are an appraisal cost TAA has incurred to ensure that tour equipment meets the quality standard required for tours.

Internal Failure Costs - Costs resulting from the detection of defects or inferior goods and/or services prior to shipment or delivery to the customer or client

>Broken or faulty equipment; these are internal failure cost TAA has incurred due to failure of prevention and appraisal which may prevent TAA from performing its services.

External Failure Costs - Costs incurred because defective or inferior goods or services have been detected after shipment or delivery to the customer or client

>Cost of dissatisfied customers (refund, loss of future business, negative word of business etc.); these are external failure cost TAA has incurred due to failure of prevention and appraisal which has occurred during the course of TAA services.

(b) Prepare an environmental (ecological) cost report for TAA using the information in Table 5 on page 11 of the case study. Express each environmental cost category as a percentage of total environmental costs and total operating costs.

Prevention costs:		Environmental cost category	Percentage of total environmental costs%	Percentage of total operating costs.%
Environmental training for TAA staff	23,000			
Testing of safety equipment	45,000			
Planned ISO 14001 implementation	26,000			
Replacement and maintenance of safety equipment	35,000			
Recycling of paper and waste	65,000	194,000	32.50%	4.87%
Detection cost:				
Environmental measures and targets for EMS	35,000			

Inspection for damage to eco-systems	66,000			
Qualmark and Outdoorsmark annual audit	50,000	151,000	25.29%	3.79%
Internal failure cost:				
Compensation to guest's family for accidental death and medical incident	180,000			
Excessive electricity usage charge in the Cafe and Gift Shop	19,000	199,000	33.33%	5.00%
External failure cost:				
Liability regarding environmental non-compliance incidents	53,000	53,000	8.88%	1.33%
Total environmental cost		597,000	100.00%	15.00%

(c) Briefly comment on TAA's environmental performance using the information provided in your answer to part (b) and in the case.

Ecological costs are incurred because poor environmental quality exists or may exist - we conduct an ecological cost report to determine area's of strength and weaknesses - Failure costs can be reduced by investing more in prevention and detection activities.

For TAA, it appears that they have made a moderate investment in prevention and detection (over 8.5% of their total operating cost) as a result they have a relatively low failure cost (under 6.5% of their total operating cost).

However, internal and external failures tend to be avoidable in nature:

>Compensation to guest's family for accidental death and medical incident: increase prevention investment of safety and increase investment of equipment check and maintenance to avoid this cost.

>Excessive electricity usage charge in the Cafe and Gift Shop: set measures to ensure cafe and gift shop managers do not exceed threshold (increase investment in training (prevention) and detection)

>Liability regarding environmental non-compliance incidents: set measures and guidelines on how to prevent reoccurrence and train managers to prevent incident from occurring (division accountability)

TAA should increase their investment in preventative and detective measures relating to these incidents to decrease overall environmental cost and improve their position and image with stakeholders as an environmentally responsible eco-tourism company (competitive advantage).

(d) Compare the four cost of quality categories to the four environmental cost categories AND explain why a quality cost and environmental cost appear to be similar at TAA.

Environmental cost (Ecological prevention costs, Ecological detection costs, Ecological internal failure costs, Ecological external failure costs) are modelled based on quality cost (prevention, appraisal, internal failure and external failure).

The purpose of quality management is to improve customer and organisational outcomes by achieving zero defects or 100% conformance through information collection, performance and risk management. Similarly the purpose of ecological quality management is to achieve an outcome of zero ecological impact thus it centres its cost around information collection, performance and risk management.

Specifically at TAA Quality and Ecology cost are very similar as TAA has a business model surrounding 'environmentally responsible eco-tourism' hence its quality and ecology cost are associated as preventing ecology cost from occurring also prevents quality cost from occurring as any ecology failure detracts from the quality of TAA's services.

Ecological Prevention Costs are Cost to prevent emissions, liquid and solid contaminants, waste and spoilage that have an ecological impact. Whereas quality prevention costs are the costs to prevent failures or defects, and incorporate the design, implementation and maintenance of the organisation's quality management system.

>Environmental and quality prevention costs are both preventatives for occurrence of quality and ecological costs.

Ecological Detection Costs are associated with activities undertaken to identify instances of non-compliance with ecologically related rules, standards, regulations and legislation in terms of products, processes and other activities of the organisation. Whereas quality appraisal costs are all costs associated with the measurement and evaluation of an organisation's materials, products, processes and services to ensure they conform to quality standards or requirements.

>Environmental detection and quality appraisal costs are both detectors of non-conformance or non-compliance.

Ecological Internal Failure Costs are those costs associated with, and driven by activities undertaken to manage, mitigate and/or eliminate internal operating environment systems failures resulting in unacceptable negative internal ecological impacts. Whereas quality internal failure costs are all costs resulting from the detection of defects or inferior goods and/or services prior to shipment or delivery to the customer or client.

>Environmental and quality internal failure costs both represent cost of managing, mitigating or fixing issues prior to it impacting third parties.

Ecological External Failure Costs are those costs associated with, and because of the impact of an organisation's activities on the natural environment. Whereas quality external failure costs are all costs incurred because defective or inferior products or services have been detected after shipment or delivery to the customer or client.

>Environmental and quality external failure both represent cost of the impact of the organisation's failure to detect and correct quality impairment on third parties

(e) Based on the answers provided in (a) to (d) and other relevant information from the case, recommend (with reasons) what TAA could do to improve its environmental and quality performance.

Inventory

Instead of using EOQ, TAA may consider using JIT (Just in time) or Inventory Management & Control especially for fresh/perishable food.

Using JIT, inventory is purchased in small batch size (requires strong relationship with supplier) as goods are purchased so they are delivered immediately prior to use to the areas that require them (minimise storage cost).

This may be a more compatible inventory systems for fresh foods that have varying demand/seasonality. However to make this system work Sophie and Aria will need to be held accountable for communicating demand to James so he can correctly estimate order quantities.

Environmental

The environmental (ecological) cost report above for TAA indicates that ecological costs make up 15% of TAA's annual costs.

However, only 57.73% of its environmental costs are associated with prevention activities. This is concerning as prevention activities reduce failure costs.

The internal failure costs amount to 33.33% of all environment costs. In addition to the financial impact of these failures, the death/incident of clients will have a negative impact on the reputation of TAA and the morale of staff - there could be unrealised costs relating to future sales and profitability.

TAA should increase their investment in preventative and detective measures relating to these incidents to decrease overall environmental cost and improve their position and image with stakeholders as an environmentally responsible and community orientated eco-tourism company. Perhaps by increasing safety training and employing more safety measures within the park.

Quality

To improve concerns about quality it is important that TAA invest in prevention activities to avoid failure costs of low quality of the tour guides and the overall experience. This may be performance reviews, training or certifications - Quality cost and ecological cost are interconnected at TAA hence investing in preventative and detective cost yields a high return in terms of preventing failures.

QUESTION THREE

(a) Describe the key characteristics of a balanced performance measurement system that is suitable for TAA.

A performance management tool that translates strategy into the financial and non-financial measures of an organisation. A balanced performance measurement system relates to customers or clients, internal processes, and organisational learning and growth needs of an organisation.

Key characteristic

- Maintains a balance between financial and non-financial performance measures. To improve the financial position of TAA and meet the company's goals both financial and non financial measures must be considered - non financial measures indirectly influence the financial position of firm by improving customer satisfaction, internal process and staff capabilities.
- Maintains a balance between Internal measures of business processes, innovation and learning) and an external measure on shareholders (or stakeholders) and customers.
- Include results measures and drivers of future performance and outcome of past efforts.
- Objectives must be easily quantifiable and subjective (judgemental driver of outcome measure)
- Measures must be related to the strategy/strategic objectives and indicate level of implementation/achievement. Additionally it should be easy to apply and understand.
- Measures should encourage beneficial behaviour from personnel (Concentrating only on ROCE reduces comprehension of importance of investments and performance in other measures).

(b) Construct a balanced performance measurement model for TAA.

- (i) Suggest EIGHT key performance measures (two for each perspective) that address the issues identified in the case and how they should be measured.

Current ROCE = (net contribution margin * (total contribution/capital employed)) =
(8.6(4356/5000))= 7.49%

The current ROCE is 7.49% but TAA is aiming for a ROCE of 10% - this is higher than likely possible - decreasing morale of staff and is an inaccurate measure to determine TAA's productivity considering TAA has recently made a significant investment which will have a negative effect on this figure (full revenue not yet realised from investment).

TAA should consider both financial and non financial information when measuring performance as non financial factors also contribute to the success of PAA - below are 8 measures TAA could use to measure the performance of its operations distributed over the 4 perspective of performance.

Financial perspective - improved through strengthening financial position of company	
Increase market share	Market share %
Improved profitability	ROCE (Net Margin and Asset Utilisation)
Customer perspective - improved through evaluation of the important aspects of customer satisfaction.	
High Customer Satisfaction	Net promotor score (obtained from survey)
Repeat Business/Acquisition of new customers	% of returned and new customers
Internal business process perspective - improved through efficiency in all key internal business processes to facilitate delivery of the Customer Value Proposition.	
Reduced ecological failure	Café & GS environmental compliance %

Maximise inventory	Inventory management effectiveness (% of wastage and excess)
Learning and growth perspective - develop skills and attitudes needed to deliver efficient Internal business processes and customer satisfaction	
Motivated & dedicated staff	Staff Absenteeism (days) and staff turnover (resignation/year)
Highly competent/skilled staff	levels of competency achieved (hours of training)

(ii) Explain how each of these EIGHT measures relate to the goals TAA wants to achieve.

Goal	Performance measure
Improved profitability - improved through increase in net margins and asset utilisation	Increase in ROCE
Improved profitability - improved through investigation of competitor's processes and creating competitive advantage	Increase in market share %
Customer loyalty/satisfaction/retention- improved through retaining promoters and meeting needs of passive and detractors (survey)	Net promotor score (obtained from survey)
Customer loyalty/satisfaction/retention - improved through assessing rate of returning and new customers and identifying ways to improve this (survey)	% of returned and new customers
Ensure key value 'environmentally responsible eco-tourism business' is upheld - Improved by observing if preventative measures enforced are upheld and acting in accordance to needs	Café & GS environmental compliance %
Ensure maximisation of investment, prevention in stock out loss and reduction in waste - Improved by observing if modification of inventory system is effective and acting in accordance to needs	Inventory management effectiveness (% of wastage/excess)
Ensure positive image of TAA as community employer, efficiency of staff and positive experience of customers - improved through assessing staff morale and acting in accordance to needs	Staff Absenteeism (days) and staff turnover (no of leavers/year)
Ensure efficiency of staff and positive/safe experience of customers - improved through investment in staff training and moderation of skill application	Levels of competency achieved (hours of training)

(iii) Choose any FOUR of the measures recommended in (i) and explain how each can be linked to improved financial performance at TAA.

Performance measure	Application	Result (improve the effectiveness of performance management and to drive improvement in financial performance)
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Levels of competency achieved (hours of training)	<p>From prior discussions TAA has made relatively significant investment in the training of their staff members - levels of competency of staff members should be used to assess a staff member's capabilities and opportunities for growth/retention - if staff are under-performing for their competency levels (measured by customer feedback) this may be an indication of factors decreasing morale (e.g unachievable ROCE target). TAA should then act to remedy this to ensure maximisation of training investment (e.g adjust targets).</p>	<p>Measuring competency achieved by staff member is a reflection of TAA staff member's skill and ability to provide customers with a positive experience. This measurement is a component of Learning and growth perspective which develop skills and attitudes needed to deliver efficient Internal business processes and customer satisfaction. This means that if TAA is performing well in levels of staff competency they should see improvements in internal business processes which increases customer satisfaction (NPS score/repeat business increase) - eventually this will result in higher tour rates and improved asset utilisation (ROCE).</p>
Inventory management effectiveness (% of wastage/excess).	<p>From prior discussion it appears that TAA may be implementing a new inventory system. To ensure this is effectively implemented it is important that % of wastage/excess is being monitored.</p> <p>High % of wastage/excess indicates failure in this process - this would need to be identified and remedy (e.g hold staff/supplier accountable).</p> <p>Low % of wastage/excess indicates success, this process should be maintained and revisited in opportunity for improvements (e.g new supplier)</p>	<p>Measuring % of wastage/excess is a reflection of the effectiveness of TAA internal processes. This measurement is a component of Internal business process perspective improves efficiency in all key internal business processes to facilitate delivery of the Customer Value Proposition. This means that if TAA is able to maintain a low % of wastage/excess of inventory, they should see improvements in customer satisfaction through reliability (e.g demand is always met - no stock out cost) - eventually this will result in higher tour rates and improved asset utilisation (ROCE) as customers have a more positive experience with TAA and inventory cost are minimised.</p>
Café & GS environmental compliance %	<p>Failure to comply with environmental procedure results in failure cost (realised monetary cost) and loss of reputation (unrealised monetary cost). To prevent this its important that TAA monitors Café & GS environmental compliance %.</p> <p>High compliances means a lower likelihood of failure preventing loss to TAA.</p> <p>Low compliance means a higher likelihood of failure creating loss to TAA - it would be important to find source of failure and remedy this to prevent future loss.</p>	<p>Measuring Café & GS environmental compliance % is a reflection of TAA internal processes. This measurement is a component of Internal business process perspective improves efficiency in all key internal business processes to facilitate delivery of the Customer Value Proposition. This means that if TAA is able to maintain a high % of Café & GS environmental compliance, they should see improvements in customer satisfaction through reputation and image of TAA and increased competitive advantage - eventually this will result in higher tour rates, lower and lower failure cost and improved asset utilisation (ROCE) as customers have a more positive experience/perception with TAA and failure cost are minimised.</p>

Net promotor score	<p>Net promotor score is an indicator gained through customer response of their level of satisfaction with TAA services.</p> <p>It is important that TAA retains promotor and work on improving its relationship with passive and detractors to retain a greater number of customers and attract a greater number of new customers through referrals.</p> <p>High net promotor score indicates that a majority of customers are promotor whilst a low net promotor score indicates that a majority of customers are detractors</p>	<p>Net promotor score is a reflection of customers satisfaction with TAA's services. This measurement is a component of customer perspective which improves customer satisfaction by identifying areas of strength and weaknesses in TAA's offerings. A high promotor score means that TAA should see an increase/steady in demand for tours through customer retention and new customers. This is because a high promotor score indicates that a majority of TAA's customer is loyal to the company and will likely generate business through referrals - eventually this will result in higher tour rates and improved asset utilisation (ROCE).</p>
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SUMMARY

PROFITABILITY ANALYSIS

The main disadvantage when analysing Service Line Profitability is that traditional/arbitrary distribution of cost may miscommunicate a service's contribution to TAA as selling, general and administration costs are not likely to be incurred in direct proportion to the sales revenue, product/service direct costs or gross profit resulting in allocations being inaccurate.

CSPA allows for a more accurate representation of how cost are distributed and how profit is generated by focusing on reporting on the cost and revenue generated by each customer segment (cost driver based on cause and effect).

TAA should attempt to retain all profitable customers and increase profitability where possible.

Regardless if a customer is unprofitable - unless TAA is operating at full capacity, they do not contribute to unavoidable cost or provide benefits through referrals/reputation-TAA should still retain these customers and attempt to find ways to make their interactions more profitable.

The new corporate client should be pursue, although the relationship may be costly in the first year - investing in this customer is likely to generate valuable returns through continual business, referrals and perceived image.

An annual CSPA has weaknesses which should be considered before TAA makes any significant decision based on the report as one off cost can distort the reporting of a financial year (notes should be included to make users aware) and multiple years of CSPA should be observed instead of one as to determine the overall lifetime value of a customer.

ENVIRONMENTAL, QUALITY AND INVENTORY MANAGEMENT

EOQ would be a sufficient inventory system for the gift-shop and dry foods however to maximise storage and inventory investment TAA should consider adopting a JIT inventory system which relies on more frequent but small orders - this is more compatible with TAA business model as demand is seasonal and unpredictable.

The four environmental cost categories are prevention, detection, internal and external. These are similar to quality cost as they both aim to reduce loss and as a significant part of TAA's business model is connected to environmental sustainability they are interconnected for TAA. Increased investment in prevention and detection cost is recommended for TAA as to minimise realised loss (monetary) and unrealised loss (reputation) which occurs when there are external/internal failures.

PERFORMANCE MEASUREMENT

A performance management tool that translates strategy into the financial and non-financial measures of an organisation. It is important that TAA considers non financial information when assessing the performance of the company as non financial measures indirectly influence the financial position of firm by improving customer satisfaction, internal process and staff capabilities.

For an encompassing measurement report TAA should consider analysing measurements in all 4 perspective of performance: Financial, Customer, Internal, Learning and growth perspective.

Additionally, measures should be chosen carefully as to ensure they link to a goal which in turn links to a business strategy and promotes positive behaviour (Only assessing based on ROCE is not enough and detrimental to management mindset).