



How can Balanced Scorecards benefit from Mystery Shopping

António José Valente

Berlin, 23th May 2008

Chapters

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 2

- **Objectives**
- **Theoretical approach**
- **Balanced Scorecard in practice**
- **Conclusions**
- **Other aspects to consider**

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 3

Objectives



António Valente – Portugal

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 4

Objectives of the Masters Thesis

The objectives of this presentation include:

- Briefly characterize the Balanced Scorecard concept
- Explore how Balanced Scorecards can benefit from Mystery Shopping programs
- Consider other methodologies that can be included in a Balanced Scorecard exercise
- Show some results of data collected in Portugal, regarding the use of Balanced Scorecards in regular assessments

António Valente – Portugal

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 5

Theoretical approach



António Valente – Portugal

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 6

Theoretical approach

What might happen if we evaluate managers only on a Financial perspective?

↓

- ROI will tend to be maximized in the short run, but...

What about...

- Customer satisfaction? Customer Loyalty?
- Innovation? Investment?
- Internal processes?



António Valente – Portugal

Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 7

- How can we align the interests of shareholders and managers?



António Valente – Portugal

Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 8

- **Balanced Scorecard** (Kaplan and Norton (1992))

The **balanced scorecard** is a **strategic planning and management system** that is used extensively in business and industry, government, and nonprofit organizations worldwide, to **align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance** against strategic goals



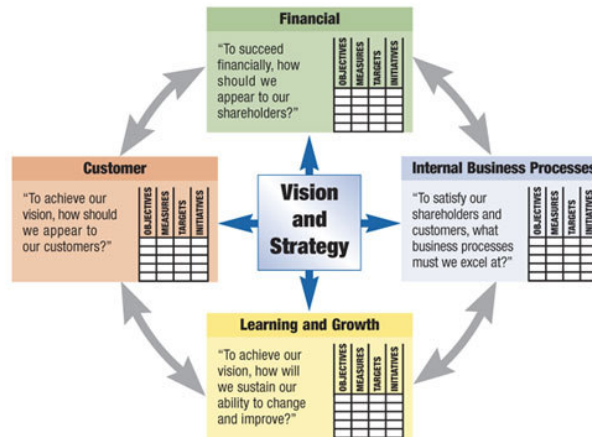
António Valente – Portugal

Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 9

- **Balanced Scorecard** (Kaplan and Norton (1992))

It is based in four main pillars:



Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 10

- **Balanced Scorecard** (Kaplan and Norton (1992))

Financial

- Sales
- ROI
- Stock rotation
- Days Receivables Outstanding
- Market share
- Other



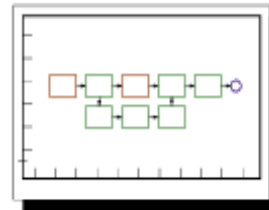
Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 11

- **Balanced Scorecard** (Kaplan and Norton (1992))

Internal Business Processes

- **Delivery times**
- **Conformity with client demands**
- **Number of returned products**
- **Productivity**
- ...



António Valente – Portugal

Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 12

- **Balanced Scorecard** (Kaplan and Norton (1992))

Learning and Growth

- **Number of training hours**
- **Quality of training**
- **Number of relevant improvement suggestions**
- ...



António Valente – Portugal

Theoretical approach

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 13

- **Balanced Scorecard** (Kaplan and Norton (1992))

Customer

- **Customer satisfaction**
- **Customer loyalty (attitudinal and behavioural)**
- **Number of complaints**
- **Brand awareness (spontaneous, assisted)**
- **Mystery Shopping evaluations**
- **Merchandising audits**

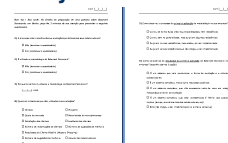


António Valente – Portugal

Methodology – Survey in PT

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 14

- **Balanced Scorecard in practice**
 - **Non-probabilistic research conducted in Portugal, April/May 2008**
 - **Small questionnaire with 2 pages**
 - **Universe: managing directors of companies operating in Lisbon**
 - **Judgement sample: 30 managing directors**
 - **Methodology: Internet based**
 - **Purpose: briefly characterise the application of the BSC system in PT**



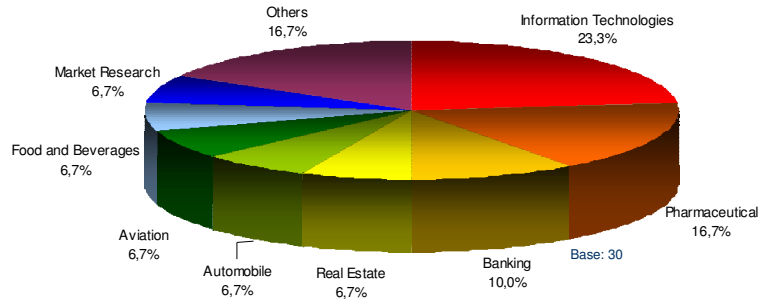
António Valente – Portugal

Methodology – Survey in PT

OBJECTIVES THEOR. APPROACH **METHODOLOGY** RESULTS CONCLUSIONS OTH. A. Slide 15

- Sample characterisation

Sample characterisation - Sector



Information technologies (23,3%) and Pharmaceutical (16,7%) are the most represented sectors

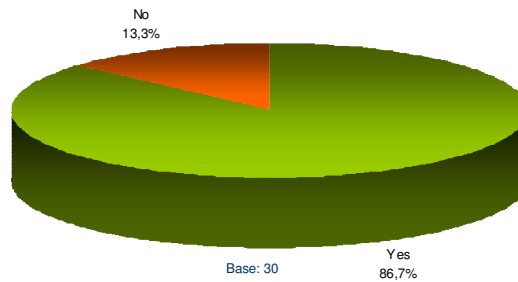
António Valente – Portugal

Survey results

OBJECTIVES THEOR. APPROACH METHODOLOGY **RESULTS** CONCLUSIONS OTH. A. Slide 16

- P1

P1 - The company where you work evaluates its employees in a regular basis?



Almost 90% of the interviewed managers allege being regularly evaluated at their companies

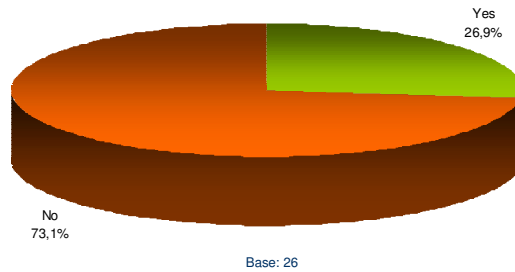
António Valente – Portugal

Survey results

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 17

- P2

P2 - Does your company apply the Balanced Scorecard methodology?



Of those who are regularly evaluated, only 26,9% confirm that their company uses the Balanced Scorecard approach

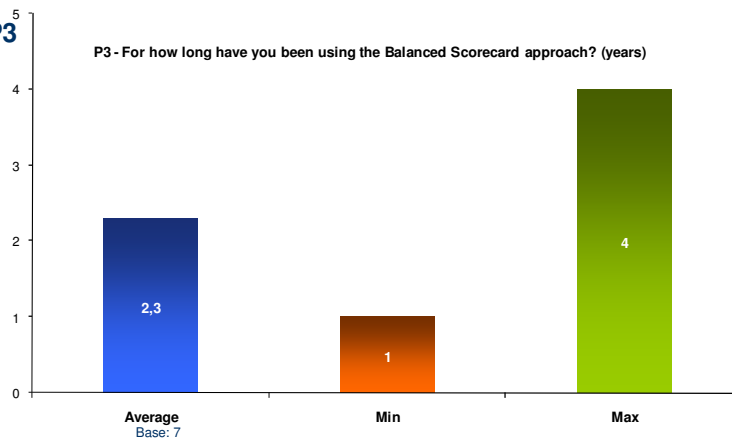
António Valente – Portugal

Survey results

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 18

- P3

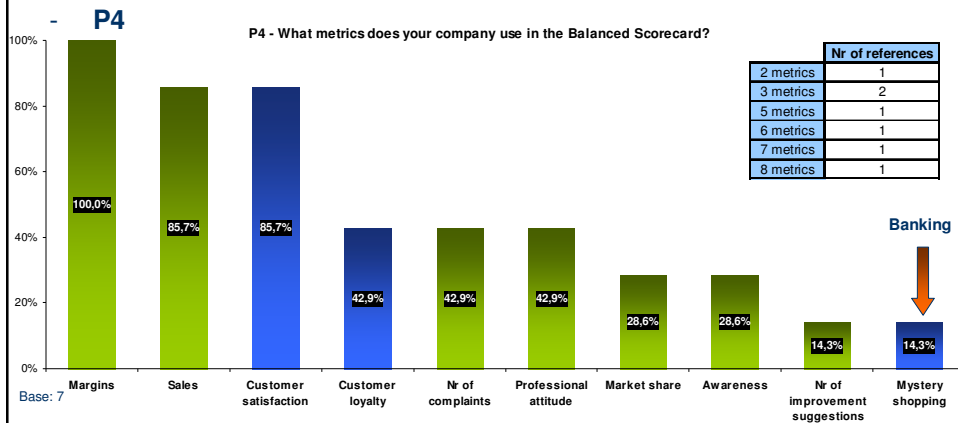
P3 - For how long have you been using the Balanced Scorecard approach? (years)



The average is 2,3 years

António Valente – Portugal

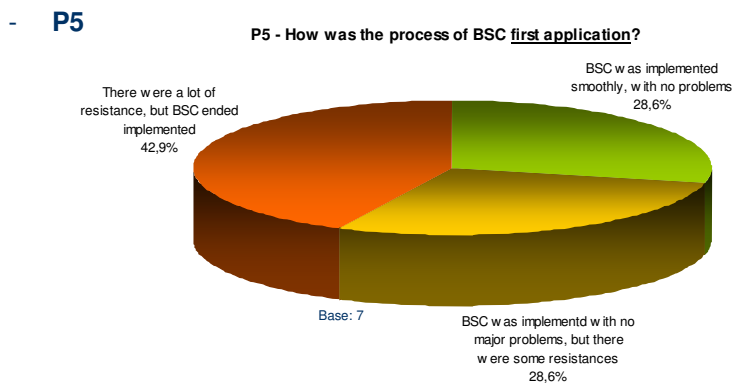
Survey results



Margins (100%), Sales (85,7%) and Customer Satisfaction (85,7%) are the most referred metrics. Mystery Shopping was referred by only one manager (Banking industry)

António Valente – Portugal

Survey results



BSC processes ended implemented, but in some cases there were some resistance

António Valente – Portugal

Example of Mystery Shopping in BSC - TELCO

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 23

The next 4 slides show a real example of a company that uses **Mystery Shopping, Customer Satisfaction and other regular studies** as part of the BSC system

For confidentiality reasons, let us call it **TELCO**

António Valente – Portugal

An Application of Mystery Shopping

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 24

- **Brief characterisation of “TELCO”**
 - Telecommunications company
 - Leader in its market
 - Number of customers in the million range
 - Strong network of owned stores
 - Dynamic department of Market Research (4 waves / year for main studies)
 - Uses a Balanced Scorecard system
 - Store personnel variable retribution (bonuses, prizes) is linked to major research studies results
 - Data collected in the first trimester of 2005 (Masters Thesis dissertation)

António Valente – Portugal

Methodology

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 25

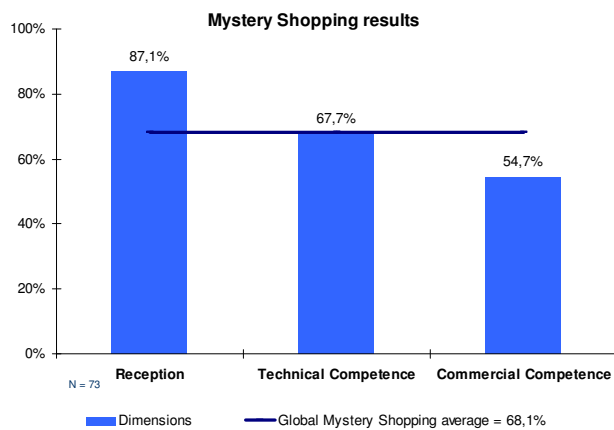
- **Market Research at TELCO**
 - **Mystery Shopping**
 - Questionnaire with 3 main dimensions, totalling approx. 40 questions
 - Reception (30%) - Technical competence (30%) - Commercial compet. (40%)
 - **Merchandising Audits**
 - Questionnaire with 4 main dimensions, totalling approx. 40 questions
 - Store window (25%) - Interior (30%) - Products (20%) - Posters and Pamphlets (25%)
 - **Store Satisfaction**
 - Questionnaire with 13 questions – main questions (store satisfaction regarding):
 - Environment - Time waited - Competence - Kindness - Understanding of the problem
 - Clarity of the answer - Information available
 - **Store Attitudinal Loyalty**
 - 1 question inside Store Satisfaction questionnaire:
 - “Would you recommend this store to a friend or to a family member?”

António Valente – Portugal

Results – Mystery Shopping

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 26

- **Example of Mystery Shopping results**



António Valente – Portugal

Methodology

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 27

- **Appraisals**
 - Store personnel are given objectives in each of the studies
 - If results fall below a certain percentage in each study, no bonuses are given
 - The system is designed to expand evaluation to a level where not only financial data is important
 - Store personnel are now used to the methodology and understand the importance of aligning shareholders interests with their own interests
 - Balanced Scorecard contributes positively to Telco's strategy

António Valente – Portugal

Conclusions



António Valente – Portugal

Conclusions

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 29

- Despite the fact that BSC is a concept with +15 years old, it's only applied by a minority of medium-large companies (PT)

- Off-the-record comments from some managers, during research, included:
 - "BSC is too complicated"
 - "It's so complex that the cost of implementing it is higher than the benefits obtained"

However...

- BSC can help to align interests in the companies, demanding a broader perspective of management

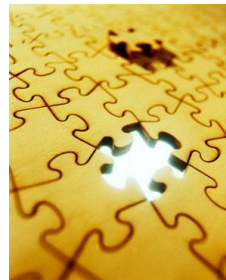
And so...

- There's a **clear opportunity to develop and sell** Mystery Shopping projects to companies that are preparing BSC systems

António Valente – Portugal

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 30

Other aspects to consider



António Valente – Portugal

Other aspects to consider

OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 31

- It's very important to involve employees in the process of implementing a BSC
- If it's a complex system, it could originate disbelief
- The metrics must be clear, and have quantitative and qualitative goals
- Goals should be updated after every evaluation

António Valente – Portugal

Questions and answers



António Valente – Portugal




OBJECTIVES THEOR. APPROACH METHODOLOGY RESULTS CONCLUSIONS OTH. A. Slide 33


Thank you for your attention

www.antoniovalente.com
www.linkedin.com/in/antoniovalentept

Business Analyst Manager



**Business Consultancy, Market Research
and CRM – pharmaceutical industry,
Portugal**



António Valente – Portugal

