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MANUFACTURING

# Competitive benchmark report

prepared for

**James Bolton and Sons Ltd**

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# Benchmark information

## Company details

Company name	<b>James Bolton and Sons Ltd</b>
Our reference No.	<b>55697</b>
Contact name	<b>Mr Mark Bolton</b>
Contact job title	<b>Production Director</b>
Address	<b>Factory Road Oldgate Middleton-Upon-Trent United Kingdom CV21 5TH</b>
Telephone	<b>01234-78965</b>
Fax	<b>01234-78966</b>

## Profile

Turnover (GBP K)	<b>2724</b>
No. of employees (FTEs)	<b>55</b>
SIC code (2003)	<b>28.63</b>
SIC description	<b>Manufacturer of locks and hinges</b>
Business description	<b>Lockmakers</b>

# Benchmark information

## Benchmark Criteria

Employees	<b>Between 10 and 250</b>
Turnover (K)	<b>Not specified</b>
Business area	<b>Other manufacturing</b>
SIC code(s)	<b>28.63, 28.40</b>
Country (s)	<b>United Kingdom</b>
Region (s)	<b>All regions</b>
Maximum sample size*	<b>329 companies</b>

\* Indicates total number of companies in your selected peer group

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## About this report

This report shows the results of the benchmark you have recently undertaken. It compares your performance with that of a chosen sample of companies agreed with the adviser who performed this review. The results are presented graphically and cover the financial, customer, learning & growth and internal process aspects of your business, to provide a view of your performance based on the Balanced Scorecard approach (as described in the following section).

If you did not complete any questions within the benchmark Questionnaire, i.e. you did not provide data for a required measure, then no ratio results that require that particular measure will be shown on the relevant graph, although the ratio label itself will still be shown.

Your results for each ratio show the relative position of your company - against the chosen sample - indicating areas of relative strength or weakness.

This report will provide the basis for you and your adviser to complete a strategic review of your company and should be used to support the setting of business goals, developing and validating business strategies, and prioritising actions. This should be considered as a continual process of improvement that provides the catalyst for strategic development and improved performance, and should therefore be completed on an annual basis.

This report was generated using the winning measures benchmarking system, which has been enhanced by the Benchmark index.

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# The balanced scorecard

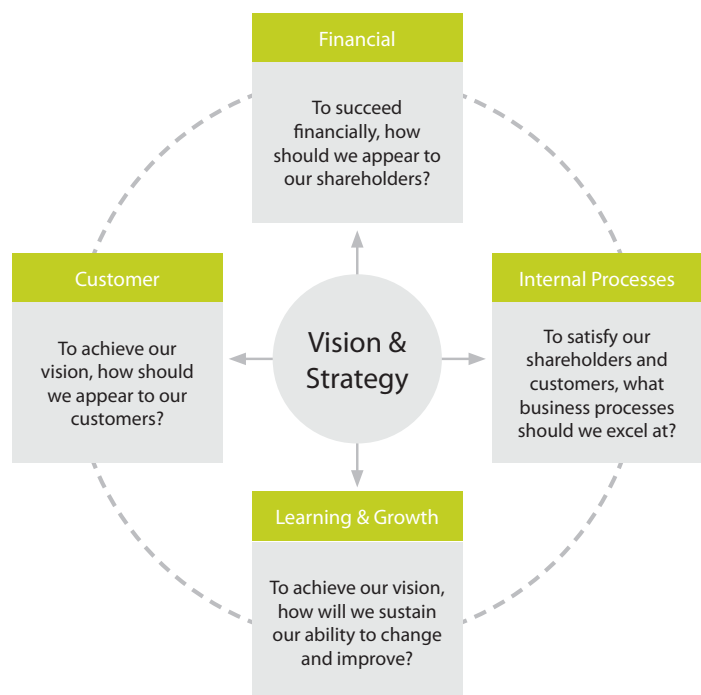
## *You can't manage what you don't measure*

The Balanced Scorecard is an approach to strategic management that was developed in the early 1990s by Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton (Balanced Scorecard Collaborative). Recognising some of the weakness and vagueness of previous management approaches, the Balanced Scorecard provides a clear indication as to what companies should measure in order to 'balance' the financial perspective (which was already comprehensively measured), with other aspects of business performance.

The Balanced Scorecard is a management system that enables organisations to clarify their vision and strategy, and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the Balanced Scorecard transforms strategic planning from an academic exercise into a powerful and pragmatic approach to improve performance.

This benchmark uses measures within, that have been carefully selected to provide a balanced view of your performance and to link cause-and-effect issues to help determine those practices that are contributing to superior performance and those that are not.

You can't improve what you don't measure. It is essential, therefore, that a framework exists to enable you to collect the data for each of the measures identified in each of the four key areas of your business. Once this has been done, you will have the opportunity to assess the performance of your organisation in a comprehensive and objective way. Through this assessment, you will be able to judge not only those areas where you are relatively strong or weak, but you will also be able to make connections between 'cause' and 'effect', e.g. it will help answer questions such as 'does our R&D expenditure result in higher levels of innovation?'



# Ratio graphs

The headline ratio graphs contain both graphical and statistical representation of your benchmarking results. The results are shown in percentiles and the length of the horizontal bar graph indicates your performance against the chosen sample size. Each of the ratios is listed in the main column to the left, with their corresponding values being £ (GBP), # (number) or % (percentage), as appropriate.

## Relative

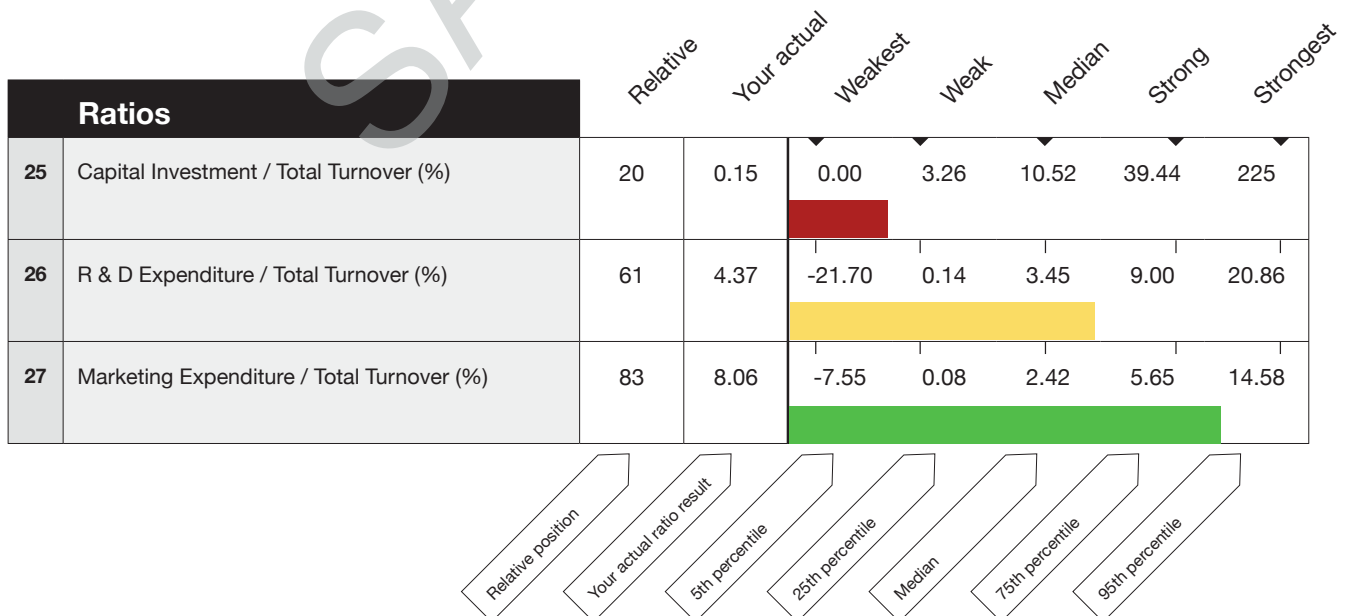
The 'relative' figure expresses your performance against the selected sample, i.e. your relative is calculated as a percentage score given your position in the database. If this column returns a null result, it indicates that the sample size is too small to generate a result.

## Your actual

This is the actual calculation resulting from the input data provided for each of the measures. If this column returns a null result, it indicates that either one or more of the required fields to calculate this ratio were not completed. Consequently, the 'relative' column will also return a null result.

## Statistical results

The figures that appear in the 'weakest' and 'strongest' columns represent the 5th and 95th percentile results achieved by businesses within the sample group size. The 'weak' and 'strong' values represent the results achieved by the 25th and 75th percentile businesses respectively. The 'average' result represents the median point of scores within the group.



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## Results & definitions

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# Financial perspective

The financial perspective indicates the key performance results of your company. The results show how effective your choice of strategy has been at impacting your business's performance and provides the backdrop against which the other perspectives should be considered. When looking at these results, it is important to remember that they are outcomes or effects of something else. You can't influence these things directly. This report will lead you to consider what practices exist within your business – the causes – that are either contributing to or detracting from your performance.

## Is the company making enough money?

Ratios		Relative	Your actual	Weakest	Weak	Median	Strong	Strongest
1	Net Profit Margin (%)	25	0.07	-7.8	0.09	2.56	5.64	14.4
2	Return on Capital Employed (ROCE) (%)	23	0.27	-27.77	0.32	8.74	20.58	116.43
3	Return on Net Assets (RONA) (%)	31	0.25	-25.40	-0.91	7.92	17.27	103.03
4	Return on Total Assets (ROTA) (%)	25	0.13	-11.86	0.13	4.46	10.02	30.95
5	Fixed Costs as a Percentage of Sales (%)	41	35.87	20.06	31.11	36.78	64.33	78.12
6	Staff Costs as a Percentage of Sales (%)	5	56.73	56.73	38.45	30.00	23.00	10.00
7	Value Added as a Percentage of Sales (%)	93	72.83	24.12	51.04	59.19	70.72	78.12

Notes:



## Ratios explained

- 1 Net Profit Margin (%)**  
*(Profit Before Tax / Total Turnover) x 100 (Q7 / Q3) x 100*  
This indicates the amount of net profit per £1 of turnover a business has earned. That is, after taking account of the cost of sales, administration costs, the selling and distribution costs and all other costs.
- 2 Return on Capital Employed (ROCE) (%)**  
*[Profit Before Tax / (Long-term Loans + Other Long-term Liabilities + Shareholders Funds)] x 100 [Q7 / (Q17 + Q18 + Q19)] x 100*  
This indicates the percentage return generated on the total capital invested in the business, a good overall measure of management effectiveness.
- 3 Return on Net Assets (RONA) (%)**  
*[Profit Before Tax / (Total Assets - Trade Creditors - Other Current Liabilities)] x 100 [Q7 / (Q9 - Q14 - Q15)] x 100*  
This indicates the return being generated on equity shareholders investment in your business, taking into consideration all costs, including interest and other financial costs.
- 4 Return on Total Assets (ROTA) (%)**  
*(Profit Before Tax / Total Assets) x 100 (Q7 / Q9) x 100*  
This indicates the business's ability to generate a return on the total assets (fixed or current) held within your business. This shows operating efficiency.
- 5 Fixed Costs as a Percentage of Sales (%)**  
*[(Total Turnover - Cost of Sales - Operating Profit) / Total Turnover] x 100 [(Q3 - Q4 - Q5) / Q3] x 100*  
This indicates operational gearing. Businesses, which have high fixed costs relative to variable costs, are said to have high operational gearing. Operational gearing matters because it highlights potential volatility in future profits, when activity levels change. Businesses with high operational gearing will have profits which rise disproportionately from a given increase in turnover, and conversely, which fall disproportionately when turnover declines.
- 6 Staff Costs as a Percentage of Sales (%)**  
*(Staff Costs / Total Turnover) x 100 (Q8 / Q3) x 100*  
This indicates the amount that is spent on staff costs as a proportion of turnover.
- 7 Value Added as a Percentage of Sales (%)**  
*[(Total Turnover - Cost of Bought-in Materials and Services) / Total Turnover] x 100 [(Q3 - Q20) / Q3] x 100*  
This indicates the business's efficiency to add value to bought-in materials and services. It is the difference between the cost of bought-in materials and services and the sales price.

## Is the company financially stable?

Ratios		Relative	Your actual	Weakest	Weak	Median	Strong	Strongest
8	Current Ratio (#)	52	1.19	0.57	0.95	1.19	1.60	3.97
9	Acid Test (#)	45	0.72	0.15	0.54	0.80	1.15	3.26
10	Creditor Days (#)	80	355.14	17.17	92.86	125.53	191.62	858.93
11	Debtor Days (#)	59	77.31	126.10	92.14	78.25	65.03	37.51
12	Working Capital Turnover (#)	89	13.57	-51.53	-4.43	3.62	8.74	46.27
13	Cash in Bank to Turnover (%)	0	0.00	0.00	0.01	1.17	6.88	28.38
14	Interest Cover (#)	23	0.08	-8.95	0.10	2.10	8.73	122.80
15	Gross Gearing (%)	36	52.74	640.85	87.96	32.03	2.69	0.00

Notes:

## Ratios explained

- 8 Current Ratio (#)**  
*(Trade Debtors + Stock + Cash at Bank and in Hand + Other Current Assets) / (Trade Creditors + Other Current Liabilities + Short-term Loans) (Q10 + Q11 + Q12 + Q13) / (Q14 + Q15 + Q16)*  
This indicates the business's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables).
- 9 Acid Test (#)**  
*(Trade Debtors + Cash at Bank and in Hand + Other Current Assets) / (Trade Creditors + Other Current Liabilities + Short-term Loans) (Q10 + Q12 + Q13) / (Q14 + Q15 + Q16)*  
This indicates the business's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). Stock is taken away from current assets as it can take too long to get rid of.
- 10 Creditor Days (#)**  
*(Trade Creditors / Cost of Bought-in Materials and Services) x 365 (Q14 / Q20) x 365*  
This indicates how many days on average it takes a business to pay its bills. It measures the reliance on creditors, supplier relationships and may be a measure of solvency.
- 11 Debtor Days (#)**  
*(Trade Debtors / Total Turnover) x 365 (Q10 / Q3) x 365*  
This indicates how many days on average it takes a business to get paid for what it sells. It measures how the business manages its debtors, i.e. credit and bad debt control, and could impact upon customer relationships.
- 12 Working Capital Turnover (#)**  
*Total Turnover / [(Trade Debtors + Stock + Cash at Bank and in Hand) - (Trade Creditors + Other Current Liabilities)] Q3 / [(Q10 + Q11 + Q12) - (Q14 + Q15)]*  
This indicates how effectively working capital is being used in terms of the turnover it can help to generate. The higher the figure the better.
- 13 Cash in Bank to Turnover (%)**  
*Cash in Bank and in Hand / Total Turnover x 100 (Q12 / Q3) x 100*  
This indicates the business's accessibility of cash. However, companies that hold too much cash may not be investing their funds to the best advantage of their business.
- 14 Interest Cover (#)**  
*Profit Before Tax / Interest Payable Q7 / Q6*  
This indicates the safety margin that the business has in terms of being able to meet its interest obligations. That is, a high interest cover means that the business is easily able to meet its interest obligations from profits.
- 15 Gross Gearing (%)**  
*[(Short-term Loans + Long-term Loans) / Shareholders Funds] x 100 [(Q16 + Q17) / Q19] x 100*  
This indicates the extent to which a business uses debt versus equity to finance its working capital and is a measure of business risk.

# Customer perspective

This section allows you to consider your performance in terms of customer loyalty and satisfaction and will help you to determine how your customer service practises are either helping of hindering company’s performance.

## Is the company managing its customer relationships effectively?

Ratios		Relative	Your actual	Weakest	Weak	Median	Strong	Strongest
23	Average Order Value (£)	8	543.35	442.59	1,132	2,071	4,278	50,919
24	Customer Growth (%)	15	4.37	0.00	5.00	8.76	13.81	33.33
25	Complaints Per Customer (#)	39	0.69	6.40	1.24	0.57	0.14	0.00
26	Complaints Per Order (%)	26	3.15	28.10	3.76	1.38	0.56	0.01
27	Delivery Schedule Deviation (%)	21	19.90	44.99	15.42	7.00	2.64	0.00
28	Percentage of Orders Rejected During Warranty Period (%)	7	3.15	5.20	0.83	0.14	0.00	0.00

Notes:



## Ratios explained

**23 Average Order Value (£)**

*Total Turnover / Number of Orders Received (Q3 / Q27) x 1000*

This indicates the average order value expressed as pounds (£) per order.

**24 Customer Growth (%)**

*(Number of New Customers / Number of Customers) x 100 (Q23 / Q22) x 100*

This indicates how the business is expanding, in terms of its customer base.

**25 Complaints Per Customer (#)**

*Number of Recorded Customer Complaints Received / Number of Customers Q28 / Q22*

This indicates the average number of complaints per customer, independent of the number of orders.

**26 Complaints Per Order (%)**

*(Number of Recorded Customer Complaints Received / Number of Orders Received) x 100 (Q28 / Q27) x 100*

This indicates customer satisfaction with the products and services supplied. The trend for this ratio can be useful to measure improvements in performance, and is also a method of assessing lost business.

**27 Delivery Schedule Deviation (%)**

*(Number of Customer Orders Which Were Not Delivered When Promised / Number of Orders Received) x 100 (Q29 / Q27) x 100*

This indicates how well a business is meeting its commitment for delivery promises. A lower figure shows better performance.

**28 Percentage of Orders Rejected During Warranty Period (%)**

*(Number of Orders Rejected by the Customer During the Specified Warranty Period / Number of Orders Received) x 100 (Q56 / Q27) x 100*

This indicates the percentage of orders that have failed during the warranty period. The lower the percentage, in general, the better, as it means that more orders are supplied where the product or service was of satisfactory quality.

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# Input data

Finance		2006/07 accounting year	2005/06 accounting year
1	Local Turnover (GBP K)	2,501.523	2,623.143
2	Export Turnover (GBP K)	222.056	22.078
3	Total Turnover (GBP K)	2,723.579	2,645.221
4	Cost of Sales (GBP K)	1,722.638	1,583.766
5	Operating Profit (GBP K)	23.864	13.009
6	Interest Payable (GBP K)	22.025	
7	Profit Before Tax (GBP K)	1.839	2.009
8	Staff Costs (GBP K)	1,545.056	1,445.244
9	Total Assets (GBP K)	1,470.944	
10	Trade Debtors (GBP K)	577.123	
11	Stock (GBP K)	370.078	
12	Cash in Bank and in Hand (GBP K)	0	
13	Other Current Assets (GBP K)	0	
14	Trade Creditors (GBP K)	720.132	
15	Other Current Liabilities (GBP K)	26.432	
16	Short-term Loans (GBP K)	50.058	
17	Long-term Loans (GBP K)	200.000	
18	Other long-term Liabilities (GBP K)	0	
19	Shareholders' Funds (GBP K)	474.322	472.718
20	Cost of Bought in Materials and Services (GBP K)	740.111	
21	Capital Investments	35.150	

# Input data

## Customer

		2006/07 accounting year	2005/06 accounting year
22	Number of Customers (#)	229	
23	Number of New Customers (#)	10	
24	Marketing Expenditure (GBP K)	10.111	
25	Sales Expenditure (GBP K)	7.234	
26	Turnover from On-line Sales (GBP K)	0	
27	Number of Orders Received (#)	4,985	
28	Number of Recorded Customer Complaints Received (#)	157	
29	Number of Customer Orders Which Were Not Delivered When Promised (#)	992	

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## Winning measures data protection declarations

Winning Moves Ltd is primarily responsible for the delivery of the Winning Measures system and will process your personal data in accordance with the Data Protection Act 1998 ('DPA') as the data controller. The information you provide will be used for the following purposes:

1. Processing and assessing the data contained in the questionnaire.
2. Submission to the database, which allows the data to be processed and a benchmark derived.
3. The ratio results (but not your personal details) may be used for statistical, performance reporting, benchmarking and evaluation purposes.

The database refers to all businesses that have used Winning Measures for the purpose of benchmarking themselves against a comparison group of similar businesses.

You have a right to request a copy of any personal data held by Winning Moves Ltd at any time, so that you can check the accuracy of the information held.

If you wish to do this, please write (explaining that your interest is in personal data maintained by Winning Moves Ltd) to: Winning Moves Ltd, 3 St Mary's Mews, Stafford, ST16 2AP