

A Work Project, presented as part of the requirements for the Award of a Master's Degree in Management from the NOVA – School of Business and Economics.

SUPPLEMENTARY APPENDICES

Management Accounting Change in BSH Group Slovenia- BSH Hišni aparati d.o.o.

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June of 2016

Appendix 1: Interviews performed

Figure 1: Interviews performed

Interviewee	Management Level	Channel	Duration (min)	Date
1	Top-Manager (HR)	Orally (Not recorded)	105	14.1.2016
2	Top-Manager (Special projects)	Orally (Not recorded), Emails	120	14.1.2016
3	Middle- Manager	Orally (Not recorded)	20	14.1.2016
4	Top- Manager (Special pojects)	Emails	75	24.2.-24.3.2016
5	Top- Manager (Special projects)	Orally (Recorded)	90	22.4.2016
6	Top- Manager (HR)	Orally (Recorded)	90 + 45	22.4.2016
7	Production Worker	Orally (Not recorded)	15	22.4.2016
8	Top- Manager (Special projects)	Emails	45	24.4.-18.5.2016

Source: Author of the Work Project

Appendix 2: Interviews Questionnaire

PART I: Performance Pyramid (PP)

1. When did you started creating the Performance Pyramid strategy measure?
2. Who was working on the development and creation of the Performance Pyramid?
3. Did you follow any specific implementation procedure? Measurement design process?
4. What were your expectations when implementing Performance Pyramid?
5. When was the Performance Pyramid finally implemented?
6. What was your main goal with the implementation of Performance Pyramid? Where was the need for the program?
7. How did you set your performance goals/standards? Did you use any theoretical concept?
8. What were the criteria's that performance goals had to possess?
9. Which informatics system was helping you with the implementation and usage of Performance Pyramid? Was the program technically efficient?

10. Was Performance Pyramid presented to all of the employees and executives of the company?
11. How was the PP accepted by the employees? How was the Performance Pyramid accepted by the executives, besides the team working on the development of the Performance Pyramid?
12. What were the weak point of the Performance Pyramid?
13. What were the strong points of the Performance Pyramid? Was the program responsible for the outcomes that actually occurred?
14. Was the Performance Pyramid program implemented as intended? Did the program achieve its intended objectives?
15. How did you analyse/report actual performance?
16. Were any corrective actions necessary?
17. Do you have an idea of how much did the creation of Performance Pyramid measurement system cost?
18. Was the program cost effective?
19. Was the program cost- beneficial?

PART II: Balanced Scorecard (BSC)

1. What are your expectations about the new performance measurement system Balanced Scorecard?
2. Why do you think Balanced Scorecard will be better than Performance Pyramid? Why did you decide to change the Performance Measurement System?
3. When did you start the process of Balanced Scorecard adoption?
4. What has been the process of the Balanced Scorecard implementation from the start till now?

5. Who have been the main actors (position, department, responsibilities) in the Balanced Scorecard implementation?
6. Did you have any external consultants working with you on the Balanced Scorecard Implementation?
7. Are all of the employees aware of the Balanced Scorecard implementation?
8. How did you include/integrate employees in the Balanced Scorecard creation?
9. At what point of the Balanced Scorecard implementation are you now?
10. Do you already know what kind of information system will you use after the Balanced Scorecard adoption?
11. What IT system are you using to implement the Balanced Scorecard?
12. Is there any alignment of KPIs and evaluation system of employee performance?
13. Did you already develop some of your KPIs?
14. Did you/Will you use any of the KPIs you were using before in the Performance Pyramid?
15. How many KPIs you have/want to have for each of the perspectives of the Balanced Scorecard?
16. Did you already find any KPIs for the Learning and Growth perspective?

Source: Author of the Work Project

Appendix 3: Interviews Summary

The whole procedure of PP history and the transformation to BSC was explained in detail with two managers that work in the BSH Hišni aparati. Some managers are new in the company and have not participated from the very beginning and do not know in detail this information.

The first PP was created in year 2000. In the beginning the PP was created just by the top managers. Employees were not involved in the PMS creation. For the framework top managers used initial, Cross and Lynch concept for the PP implementation. The PP served as a tool to gather all of the relevant information and to set the desired goals in that year. And it gave the

company a possibility of combining financial and non-financial indicators with operational and strategic indicators. Shortly after the first PP was created, managers began to realise that it is in vain to set the goals, if others in the company do not perceive company's goals as their own, personal goals. With an attempt to increase identification with company goals, top managers started gradually involving also middle managers to the PP creation process. The middle managers, responsible for supervising more employees, discussed certain issues with members of their organisational units hence the goals were more recognized in the company. But the communication between the divisions and between hierarchy levels in the company was still weak. Also employees were mostly perceived just as a workforce and not as value makers. It was also not used as a long term strategic measure or to determine the vision, there was no link to continuous improvement.

In 2014 there was an acquisition. The ownership structure has changed and new strategies were created for the whole BSH Group. In Nazarje came a new director whom managers in the BSH Hišni aparati perceive as a game changer. His philosophy with strong focus on employees was different from the culture that was at that time in the company. Company managers focused rather on technical aspects than on people and did not see the employees as an asset that adds value and they did not want to deal with the employees and their issues. As one of the managers from the HR stated: *"They did not see people management as one of their core tasks as a manager. Every time there was a problem with an employee, does not matter what was the issue, it was a HR problem."* With introduction of new leadership programs and management workshops based upon philosophy of the director, company culture started changing. In 2015, as a part of the change in the BSH Group strategy BSH Hišni aparati decided to improve the PMS in the company. They were looking for PMS that would (i) improve the communication between the divisions and between the hierarchy levels in the company, (ii) increase employees motivation to fulfil the required goals (iii) involve the employees in the PMS creation), (iv) have the ability to create a clear vision and strategy, (v) concentrate on strategic business objectives, (vi) have a balanced view of performance (cause and effect relationships identified) and (vii) identify KPIs. Managers identified that most of the above mentioned requirements could be satisfied if the company started using BSC. To just go straight from PP to BSC was not an option for them, they decided for gradual change instead. Therefore, managers created a PMS that would be still based on the PP, but would take some strong points out of BSC. The first RPP was created in year 2015. The founding leaders were a group of top managers coming from different departments within the company. To advice the leading managers on the

management accounting change and the creation of the RPP, external consultant was engaged. The consultant first presented what the BSC is and how the BSC framework works and later advised them how to set up and implement the BSC. The task of an organizer and facilitator took over the HR department supervised by the group of company's top managers responsible for preparation and implementation of the new PMS. In the creation process of the RPP all departments in the company were involved. For the implementation and development procedure they developed a new framework. Firstly they received from the BSH Group directors goals that they want to achieve. Based on these goals top managers with directors set the 4 top goals for the BSH Hišni aparati. Those 4 top goals were communicated to the departmental managers within the company. Departmental managers task was to create divisional PP of which main goal is to create goals and actions to satisfy those top 4 goals set by the BSH group leaders. When PP were created, every goal needed to satisfy the SMART criteria. Managers main expectations when creating the RPP was to improve the involvement of employees in the PMS creation, to advance the communication between different departments and hierarchy levels in the company. As a consequence, more people would be aware of company's strategy and goals and employees would be more motivated and determined to fulfil those goals. The first RPP was implemented in 2015. There was no information system used to implement the RPP nor to use it. The RPP was presented firstly by top managers to department managers and after that, department managers presented the RPP to their departments. As so, the RPP should be known to everyone. During the interview we have gathered information, that this is not true. Some employees in the factory do not know the goals and the strategy in the company. During the observation, it was possible to see that RPP is presented in the walls of the company. The RPP was accepted by more employees as the previous PP because people were more involved, their ideas meant more and as so, the RPP was accepted better. The weak points of RPP was that it still did not fulfil some desired PMS characteristics that managers wanted in the PMS. RPP did not offer a framework to create strategy maps, to identify the KPIs nor to have balanced overview the performance. Managers knew that the RPP does not offer these features but as a middle step to the BSC adoption, it was a success. The strong points of RPP were that more employees got involved in the creation and implementation process, strategy and vision was more clear and accepted by more people and employees were more motivated. Managers agree that the RPP together with the director philosophy and training programs they perform were the main reasons for the successful PMS. The program was implemented as intended and also intended objectives were fulfilled. The actual performance was evaluated in each division and overall in the employee satisfaction

survey. The cost of RPP creation was never calculated. But an estimation has been made by the managers that 450-500 days were used to create the RPP. Managers perceived the RPP as cost efficient and cost beneficial.

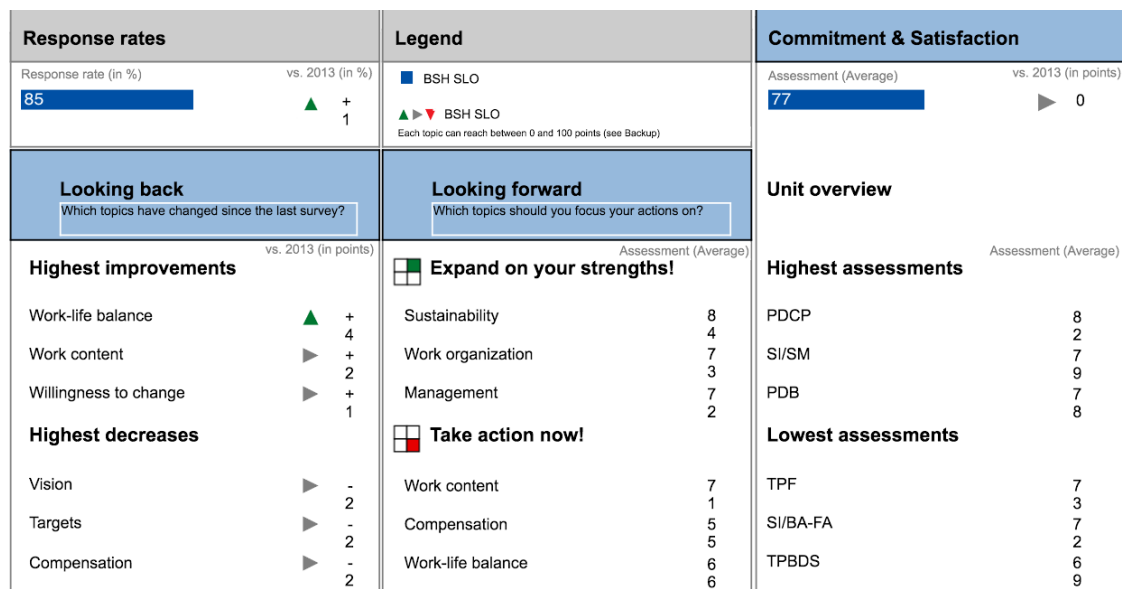
In order to fulfil all of the requirements a PMS of BSH Hišni aparati should have; (i) improve the communication between the divisions and between the hierarchy levels in the company, (ii) increase employees motivation to fulfil the required goals (iii) involve the employees in the PMS creation), (iv) have the ability to create a clear vision and strategy, (v) concentrate on strategically business objectives, (vi) have a balanced view of performance (cause and effect relationships identified) and (vii) identify KPIs, the final change to BSC is needed. The managers expect the change to BSC will give them better idea of how one goal effects another and the known linkages will give them a better idea on which are strategically important business objectives. With KPI identification company would set measurable value that would demonstrate how well is the company achieving key business objectives. As so KPI identification would improve the understanding of what is important to the organization and what are the areas that need to be improved. The BSC would be a monitoring tool to track the indicators in real-time. The process of BSC creation has started in year 2016. Some ideas were already communicated to the top managers in year 2015. The RPP was just a middle step in the BSC transformation as so, it could be stated that the BSC transformation has started already in year 2015. In following year, BSC will be created by 3rd generation framework. In the BSC creation the same group of organizers was present than in the middle step, RPP creation. Since the managers decided that management accounting change is needed, external consultant was present. The consultant helped with the RPP creation and now the transformation to BSC, creation of strategy maps and identification of KPIs. At this point of BSC creation not all of the employees are aware that a BSC is being created. The employees will be used in the same way as they were in the RPP creation. Managers found that way effective and it will be used also in the BSC creation. Company has already created a 3rd generation BSC for HR department. HR department has created a destination statement. Successful future is segmented into perspectives (financial and stakeholder expectations, customer and external relationships, processes and activities and organisation and culture). In some way even BSH Hišni aparati has already most of the parts for the destination statement of the company. For the HR department also a strategic linkage model was already created. It is in form of a strategy map that contains 12-20 strategic objectives segmented into two perspectives, activities and outcomes. The linkages indicate possible causal relationships between strategic objectives.

Company will not use any IT system. The next step company has to take is to redefine KPI. Some kind of KPIs were already used in the RPP, but new KPIs will be set for the BSC. The company has developed some KPIs for the HR department, to see how the procedures goes. Now KPIs will be identified for other departments in the company. Managers expect that there will not be more than 20 KPIs.

Source: Author of the Work Project

Appendix 4: Results from 2015 Employee Survey

Figure 2: Employee Satisfaction Survey 2015

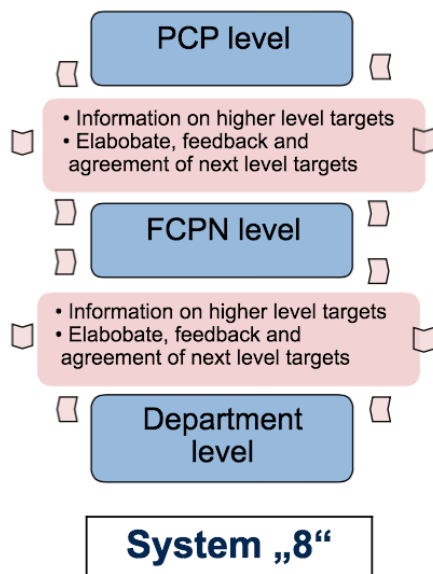


BSH HOME APPLIANCES GROUP
Source: BSH Hišni aparati, d.o.o.

BSH Employee Survey 2015 | Slide: 48

Appendix 5: System “8”

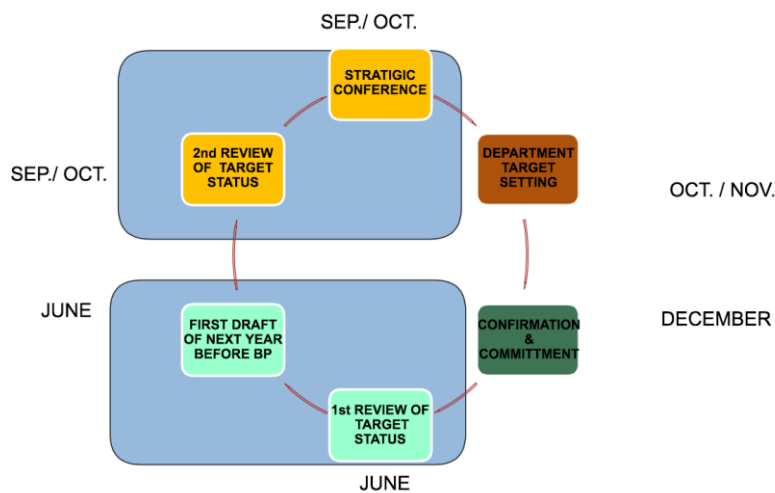
Figure 3: System “8”



Source: BSH Hišni aparati, d.o.o.

Appendix 6: Cycle of RPP Creation

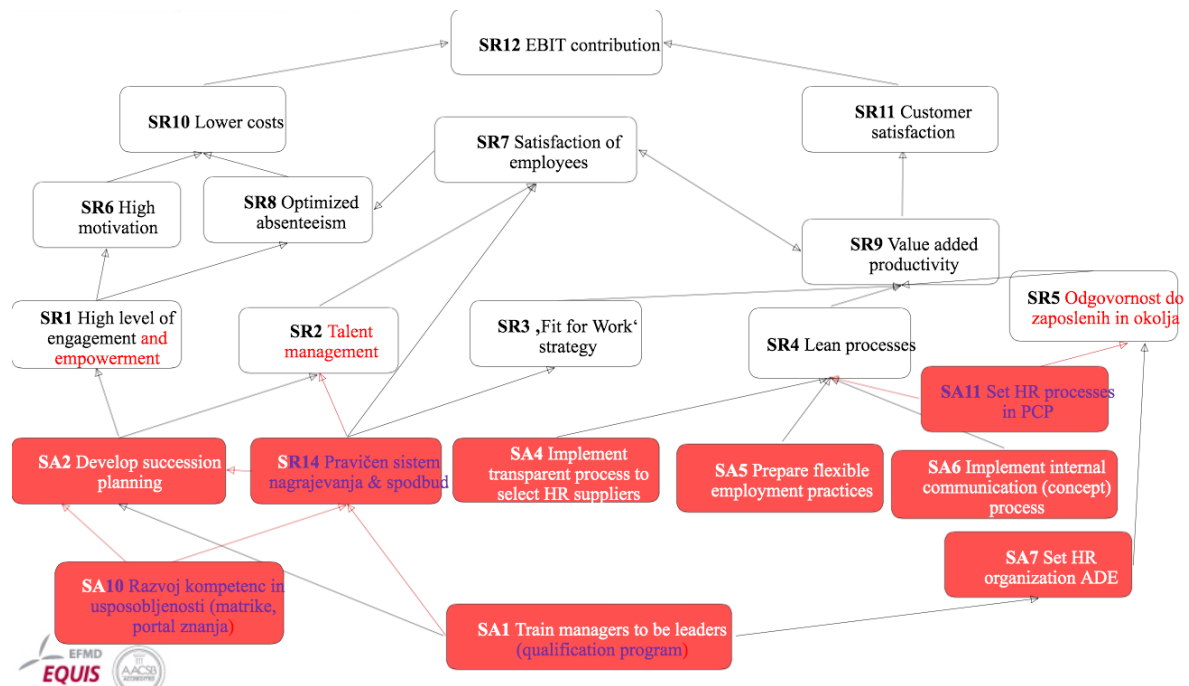
Figure 4: RPP creation cycle



Source: BSH Hišni aparati, d.o.o.

Appendix 7: First strategy map for HR Department

Figure 5: Strategy map, HR department



Source: BSH Hišni aparati, d.o.o.

Appendix 8: Cost of Management Accounting Change

Before the start of the management accounting change, responsible did not think about the cost effectiveness. Into the BSC transformation, managers, external consultant, employees and organizers (heads of HR division) were involved. For the creation of Company's RPP it takes at least 6 days and around 40 people are involved. Furthermore, every department needs at least 1 day to establish the divisional PP and at least 15 people are involved in the creation. Interviewed have made a rough estimate, that it takes 450-500 days to create a RPP with an aim to change in next year to BSC. In 2014 the labour cost was 31.099.084€, there was 1140 employees and in there was 261 working days (BSH Hišni aparati, Annual report, 2014). Based

on this available information, we could estimate that the cost of RPP creation and procedure of management accounting change to BSC was 49.647€. The number is a rough estimate as there are more costs involved than just the labour cost (e.g. consultant costs, opportunity costs, etc.). Secondly, BSH company is a manufacturing company of which 66% of the employees have finished elementary or high school level of education (BSH Hišni aparati, Annual report, 2014) whereas the participants of the RPP creation were mostly middle to top managers for which we can assume that they have a higher level of education (e.g. finished university, specialization, professional degree, professional master degree, master of science or PhD) and consequently fall into a higher salary class.

Figure 6: Cost of management accounting change, calculation

		2014
Labour costs	€	31,099,084.00
Wage costs	€	24,807,807.00
Social security costs	€	3,811,836.00
Other labor costs	€	2,479,441.00
Number of employees		1140
Number of working days		261
Labour cost/employee	€	27,279.90
Labour cost/employee, per day	€	104.52
Estimated number of days for RPP creation		475
Cost of RPP creation	€	49,647.32

Source: Author of the Work Project