

# **Instruction Manual**

## **The RosettaNet Benefits Scorecard**

This instruction manual is intended for use with the RosettaNet Benefits Scorecard. In this manual, detailed explanations are given regarding the model structure as well as various model components such as terminology, potential benefits importance weight, current company performance metrics, etc. The purpose of this manual is to give the user of the model a comprehensive understanding of the model structure and guide the user through the information inputs. This model will permit the user to assess how many of the potential benefits possible with RosettaNet (RN) implementation align with your company's strategic goals.

### **An overview of the Benefit Scorecard**

The RosettaNet Benefits Scorecard is used in association with the RosettaNet Cost Efficiency Model to understand the overall benefits associated with RN implementation.

The RosettaNet Benefits Scorecard is a variation of the Balanced Scorecard model. The Balanced Scorecard was introduced in 1997 in the Harvard Business Review as a strategic management system that translates an organization's mission and strategy into a balanced set of integrated performance measures. The model complements the traditional financial perspective with other non-financial perspectives. Appropriate performance drivers and outcome measures are selected to form a chain of cause and effect relationships, which provides organizations with a better idea of how to achieve their strategic goals.

Our RosettaNet Benefits Scorecard follows the general logic of the traditional Balanced Scorecard and has some modifications based on our project. The RosettaNet Benefits Scorecard uses three of the four original dimensions of strategic direction: financial perspective, customer perspective, and internal business process. Based on our research on companies that are currently using RosettaNet, we have added two additional perspectives -- system (technical) perspective and supply chain perspective.

RosettaNet Benefit Scorecard contains 7 worksheets. The first sheet (Step 1) provides an overview of all 5 dimensions of objectives and leave the place for the user to weight importance. The following five sheets provide industrial benchmarking information for potential benefits in each perspective for company to have a self-evaluation. A summary sheet shows the company's importance weighting and current performance rating.

### **How to use the RosettaNet Benefits Scorecard**

#### General procedure

This tool will allow the user to assess how important different functional objectives are to their company's strategic goals by assigning weights (Step 1). This step will help users

to better understand their strategic goal and further identify their functional objectives. Then users will have the opportunity to assess their company's current performance to determine the greatest areas of potential performance benefit. These current performance metrics are input in STEP 2 – 6 of the model. The performance metric follows a 5-point scale. The user should look at the scale contents and put a self-evaluated rate.

### Model Instructions

- The area highlighted with orange contains the instructions that users need to read carefully. They will inform you what actions to take.
- The cells highlighted with yellow contain titles for each column that needs users input. The cells with the red outline need data input by the user, based on the instructions in the orange section.

### Step by Step Instructions

The model contains seven worksheets and the use can take the steps as following:

#### Step 1 Worksheet – Company Strategy and Goals

- In the first worksheet (Step 1), users need to assess how important different potential benefits are to the user company's missions and objectives by assigning weights (in percentage) to the measures. The total weights of each category (perspective) should add up to 100%.

**Perspective** - a perspective (in this case, financial) has several potential benefits listed for the category.

**Drivers** – what possible improvements are associated with the potential benefit.

**Importance Weight** –please enter (as a percentage) how important to your company strategy each Potential Benefit is compared with others listed.

**Total for Category** - all of your percentages for each perspective should total 100%

Worksheet tabs for each area for potential benefit

Potential Benefits	Drivers	How important is it to your company to improve this metric?
<b>Financial perspective</b> <span style="float: right;">should total 100%</span>		
Reduced operating costs (acquisition & possession)	Reduced costs including paperwork costs, cost of making mistakes, cost of expediting, cost of quality control, and reduction of inventory costs coming from decreased inventory levels and increased inventory turns (storage, shrinkage & obsolescence)	
Improved efficiency gains -- value-added productivity	Workload savings/man-hours reduction/headcount reduction	
Reduced Inventory days on hand	Streamlined information flow and expedited process	
Increased cash to cash cycle	Expedited process (transaction, invoice/payment, delivery) coming from reduced cycle time and lead time	
<b>Total for Financial perspective category</b>		0%
<b>Customer perspective</b> <span style="float: right;">should total 100%</span>		
Increased responsiveness to customers	Streamlined information flow, expedited process	
Increased on-time delivery to request	Streamlined information flow, expedited process	
Increased flexibility (capability) to meet end customer's up/downside and other changing requests	Streamlined information flow	

- For each perspective in Step 1, list how important the potential benefit is compared with the others in the same category. In this example, the company feels that reduced operating costs and increased cash-to-cash cycle are substantially more important to strategic goals than improved efficiency gains and reduced inventory days. When you complete this worksheet, go to Step 2.
- The next five worksheets (Step 2,3,4,5,6) are designed to evaluate your company's current performance on a 5-point metrics scale. Users need to read the description of the 5 levels of performance and assess where their companies are and put the corresponding rate on the rightmost column. The 5-point scale indicates the following:
  - Level 5 indicate the best in class performance
  - Level 4 reflects that the company has an performance advantage in the operational area;
  - Level 3 represents the average performance level in the industry;
  - Level 2 indicates that the company has some disadvantageous performance in the area and might think about improvement
  - Level 1 represents major disadvantage and indicates the area for best improvement opportunities

### *STEP 2 Worksheet – Company Current Performance (Areas for Greatest Benefit)*

Microsoft Excel - Final scorecard

File Edit View Insert Format Tools Data Window Help

B2 Enter your company's score - from 1 to 5 in the box on the rightmost column of the spreadsheet

Financial Perspective							
Enter your company's score - from 1 to 5 in the box on the rightmost column of the spreadsheet							
Areas for potential benefits	Description	Your company's current performance status					Your Company's Score
		1 Major Disadvantage	2 Disadvantage	3 Median	4 Advantage	5 Best-in Class	
Operating costs as a percent of revenue	Operating costs as defined as: <u>Order Management Costs + Material Acquisition Costs + Inventory Carrying Costs + Finance, Planning, and MIS Costs.</u>	Operating costs for acquisition and possession are more than 15% of revenue	Operating costs for acquisition and possession are between 14.9% and 12% of revenue.	Operating costs for acquisition and possession are between 11.9% and 9% of revenue.	Operating costs for acquisition and possession are between 8.9% and 6% of revenue.	Operating costs for acquisition and possession are less than 6% of revenue.	
Efficiency gains (value-added productivity)	Eliminate manual activities, such as rekeying of POs, order shipment confirmations, order status, and checking data entry accuracy. Customer service personnel can use time freed up by elimination of non-value-added activities to work more strategic issues	On average, the dollar value created by every employee is less than \$100,000	On average, the dollar value created by every employee is between \$100,000 to \$150,000	On average, the dollar value created by every employee is between \$150,000 to \$250,000	On average, the dollar value created by every employee is between \$250,000 to \$330,000	On average, every employee creates more than \$330,000 annually	
Days of inventory on hand	Inventory reduction comes from the expedited process and reduced lead-time and cycle time. A reduction in lead-time results in a proportionate decrease in inventory tied to both demand and throughput time decreases. It also leads to the ability to quick	More than 80 Days of Inventory on hand.	Between 79 and 60 Days of Inventory on hand.	Between 59 and 40 Days of Inventory on hand.	Between 39 and 20 Days of Inventory on hand.	Less than 19 Days of Inventory on hand.	

STEP 1STEP 2STEP 3STEP 4STEP 5STEP 6Summary

**Areas for Potential Benefit** - current performance that relates to Potential Benefit in STEP 1

**Description** - how to measure current performance status

**Current Performance Status** - what possible improvements are associated with a potential benefit.

**Performance Status Metric** - determine your company's current performance and areas for greatest potential achievement

**Your Company's Score** - enter your company's current performance measurement

- For each STEP 2 – 6 enter your company's current performance on each metric. This will help you to identify the areas of greatest potential benefit to your implementation of RosettaNet. When you complete each worksheet, go to the next STEP. When you complete all worksheets, go to the Summary sheet.

- Users do not need to input anything onto the 7th worksheet (Summary). The Excel formula automatically fills out the summary page as you work through the previous worksheets. This page provides a summary of your inputs (both importance weights and performance level) after you finish the previous steps.

## **References**

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