

**NEW PRODUCT DEVELOPMENT AND
FLAWED CAUSE-AND-EFFECT RELATIONS IN STRATEGY MAPS**
- study case -

Rainer Lueg, Leuphana University, Germany and University of Southern Denmark, Denmark

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ABSTRACT

The case study deals with a division in an electronics-manufacturing corporation. The division follows a low-cost high quality strategy and uses target costing for new product development (NPD). The case illustrates how the division makes some mistakes in translating its insights from target costing into picking the right measures in the BSC. As a result, the BSC does not demonstrate the cause-and-effect relationships sought out in NPD. Several remedies relating to strategic alignment, a stricter customer focus as well as stronger application of people-related measures are suggestions how to deal with current problems. The case study offers the opportunity to discuss how the implemented strategy can be reflected by a code of conduct. The case study has been designed for teaching purposes and does not illustrate commendable or problematic corporate practices.

Keywords: Target costing; Balanced Scorecard; code of conduct; instructional case study.

1. INTRODUCTION

SLATE is a division of a large producer of electronics from Japan. Specifically, SLATE develops, manufactures and sells electronic trimmers. It is very successful and well-known for male products. It has just prototyped the new trimmer “RZR” that is specific to women’s needs that is based on its existing blockbuster.

SLATE has built a new production facility for RZR that contains four production lines. The production lines are highly automated with the latest technology of robotics, and so specific to RZR that they cannot be redeployed in an economically meaningful way.

This facility incurs high fixed costs that are much larger than the costs of direct materials, or of the salaries of the highly trained employees who operate the facility. SLATE follows a low-cost and high-quality strategy for RZR, so sales prices are determined by the market, and there is little room for differentiation through branding. One of the reasons is that RZR and its competitor products all face the threat from substitute products, such as epilators, textiles, or chemicals. So it is crucial that SLATE finds out exactly what the customer is willing to pay for, and design, produce and distribute RZR accordingly.

2. TARGET COSTING (approx. 40 minutes)

The division manager Sakura is supposed to get RZR ready for the market launch. She has been using a target costing approach with a cross-functional team to customize RZR to the relevant market. She has been using a focus group of users that tried the prototype. The results from her marketing team just came back. The marketing team leader Yui reports:

“We conducted interviews and surveys where customers ranked their requirements on a scale from 1 to 7. We have used factor analysis to condense the data into three relevant factors that would influence the customer’s choice when buying a trimmer. These factors are: First, the trimmer must fit into smaller hands – ours is too large, by the way. This factor scored, on average, 6 points. Second, the trimmer needs to be soft on the skin (average: 7 points). And third, the trimmer must be easy to clean (average: 4 points).”