

Financial Performance Management

Summative Assessment (Report)

Vanguard-Life strategy funds – Company A

Blackrock Inc. - company B



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Introduction

The report is about Financial performance management. As the name shows , the report is about analyzing performance of one company and comparison of the same with its competitors. The selected company or this report is Vanguard group company and Blackrock Inc. the report provided Vanguard as main firm, its performance has been analyzed on financial and non-financial basis. Financial ratios are going to be calculated from the data taken from annual report. It will be comparative presentation with Blackrock. Vanguard is rated 205out of 1000brands at global level. The report also contains discussion on performance of company during COVID 19. Pandemic affects market of investment companies as absence of employment and money circulation of funds got stopped throughout the world and business of financial institution got affected. Balance score card approach is also helpful in analyzing non- financial performance of company in for different areas of concerns. Thus, the analysis of financial and non-financial basis will be made in this report.

Part 1



For this report Vanguard Group Inc and BlackRock Inc are operating in banking and financial service sector. Both the companies are operating in multiple nations, United Nation is one of the common business places. As per the news article Vanguard and Blackrock are top owners of *Time Warner, Comcast, Disney and News Corp* (Vaughan, 2022). Vanguard and Black rock offer similar services like investment services to their customers that is why for this report, they are considered as competitors of each other.

Assess the financial statements of both the companies for ratio analysis, following figures have been extracting. The annual report of Vanguard group is including separate financial information for multiple equity funds. For comparative study with Blackrock, 100%equity fund has been considered and information regarding financial terms has been taken from the annual report of Vanguard.

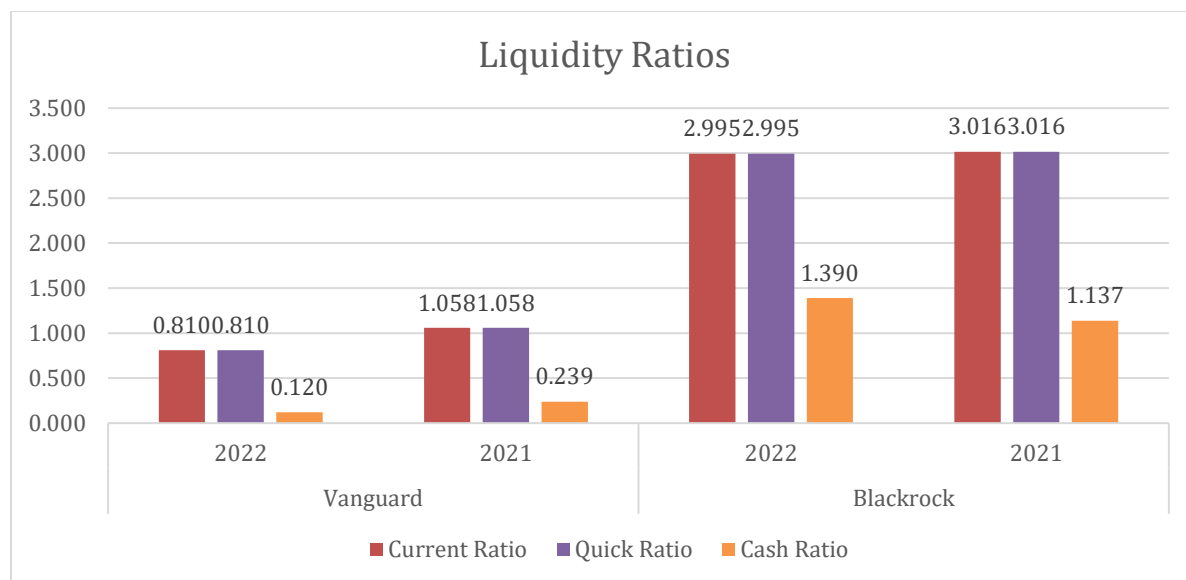
Comparative Financial Ratio Analysis

In the word of Bansal (2014), financial statements are considered to be gold mine for investors as they provide multiple information to the shareholders and stakeholders of the company. Financial ratios are used to analyze profitability, liquidity, leverage and Market value of the company. Here is the comparative study of both the companies:

Liquidity Ratio

	Vanguard		Blackrock	
	2022	2021	2022	2021
Current Asset	15715578	18954639	10680	13112
Current Liabilities	19391976	17914517	3566	4348
Quick Asset	15715578	18954639	10680	13112
Cash flow	2320094	4275749	4956	4944

Liquidity Ratio	Vanguard		Blackrock	
	2022	2021	2022	2021
Current Ratio	0.810	1.058	2.995	3.016
Quick Ratio	0.810	1.058	2.995	3.016
Cash Ratio	0.120	0.239	1.390	1.137



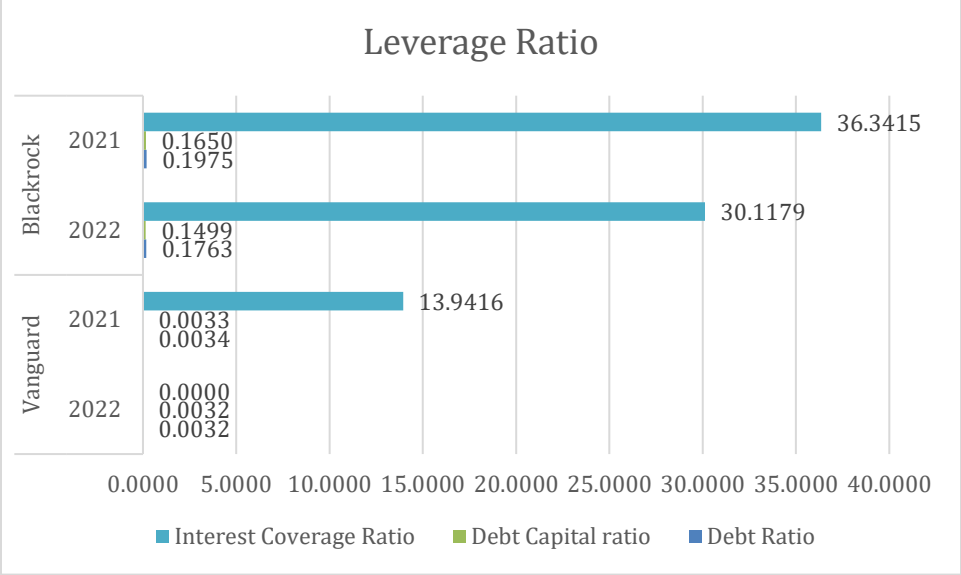
Liquidity ratio is used to determine the level of liquid asset available in the organization to meet operational needs. Blackrock is in better state than Vanguard. Liquid ratio of Vanguard is between 0-1 in both the years 2021 and 2022, whereas in Blackrock liquidity ratio is between 1-3 points. High liquidity means company has more than enough funds to meet day to day liabilities. The operations are inflow in Blackrock that is why its liquidity level is higher than Vanguard. Quick ratio and liquid ratio both are equal because there is no inventory available with company, companies are providing financial services only.

Leverage Ratio

	Vanguard		Blackrock	
	2022	2021	2022	2021
Total Debt	13490484	14278152	6654	7446
Total equity	4261737746	4261737746	37744	37693
Total equity Total Debt	4275228230	4276015898	44398	45139
EBIT	70799946	36248128	6385	7450
Interest Expenses	NA	2600000	212	205

	Vanguard	Blackrock
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Leverage Ratio	2022	2021	2022	2021
Debt Ratio	0.0032	0.0034	0.1763	0.1975
Debt Capital ratio	0.0032	0.0033	0.1499	0.1650
Interest Coverage Ratio	#VALUE!	13.9416	30.1179	36.3415

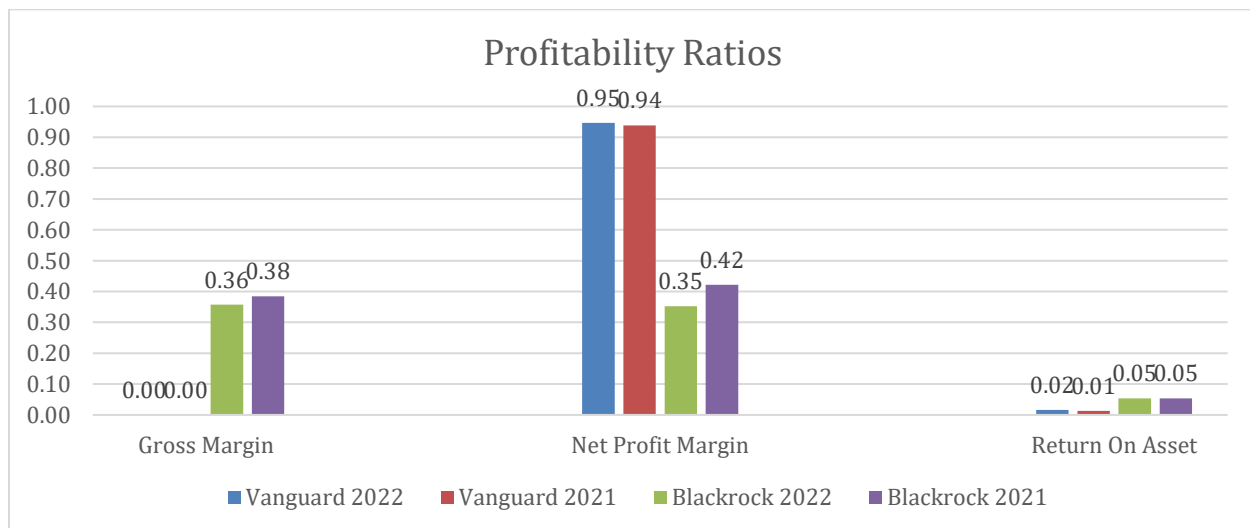


Leverage ratio explains the ability of company to meet debts liabilities and remains insolvent in the industry. Debt to equity ratios is below than 1 that means companies are having enough capital funds to meet long term liabilities. In case of interest expenses, both organizations are able to meet expenses. Debt to equity capital of Vanguard group is 0.0031 & 0.0033 in 2022 and 2021 and Blackrock group is 0.176 and 0.197. Equity capital of both the companies are more than debt funds.

Profitability Ratios:

	Vanguard		Blackrock	
	2022	2021	2022	2021
Gross Profit	NA	NA	6385	7450
Net Profit	70799946	36248128	6290	8173
Sales	74766599	38617443	17873	19374
Net Income	70768096	36200607	6290	8173
Total Asset	4281129722	2828201557	117628	152648

Profitability Ratios	Vanguard		Blackrock	
	2022	2021	2022	2021
Gross Margin	#VALUE!	#VALUE!	0.36	0.38
Net Profit Margin	0.95	0.94	0.35	0.42
Return On Asset	0.02	0.01	0.05	0.05



Profitability ratios are used to identify net profit and gross profit margin of firm. It also analyzes the ability of assets for generating return on it. There is no gross profit in Vanguard , it only discloses Net profit figure . For comparison net profit margin of Vanguard is batter than Black

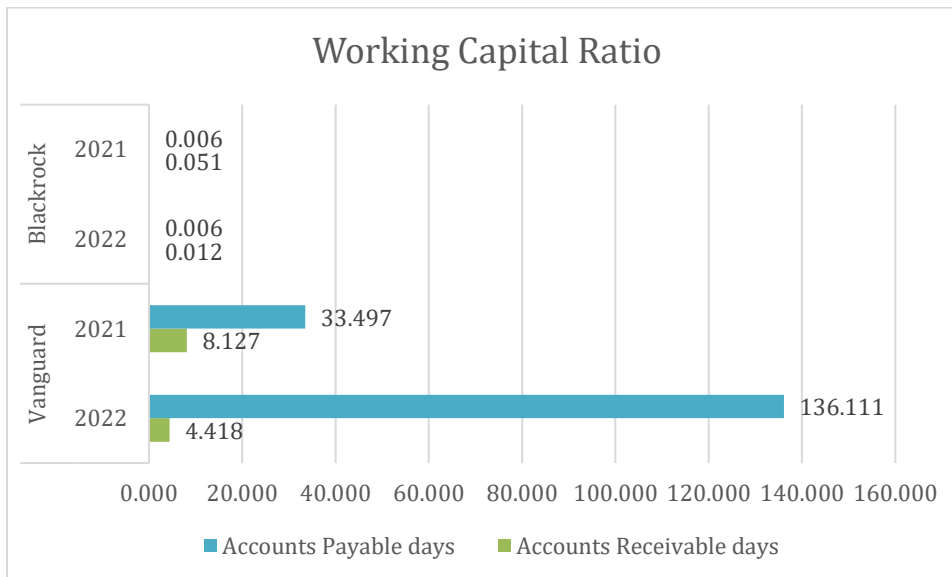
rock that is 0.95 in Vanguard and 0.35 of Black rock in 2022. But return on asset is 0.05 in Black rock group and 0.02 in Vanguard.



Working Capital Ratio

	Vanguard		Blackrock	
	2022	2021	2022	2021
Sales	1091646645	650231237	95000000	27000000
Purchases	15608803	39081417	79000000	89000000
Account receivables	13395484	14678890	3264	3789
Account Payables	5901492	3636365	1294	1397

Working Capital Ratios	Vanguard		Blackrock	
	2022	2021	2022	2021
Accounts Receivable days	4.418	8.127	0.012	0.051
Accounts Payable days	136.111	33.497	0.006	0.006



Working capital Ratios are used to analyze the duration of account receivable and account payable. Account receivable arises due to credit sales made by company. Account payable arises due to credit purchase made by company. Account payable of vanguard is 136.11times which is

high than previous year and it is also greater than Black rock inc. While Black rock has account receivable and account payable 0.012 times and 0.006 times respectively in 2022. Vanguard should take care of the payment cycle because it could affect the goodwill of the company also.

Valuation Ratio

	Vanguard		Blackrock	
	2022	2021	2022	2021
Earnings	31.73	70.62	5178	5901
Shares Outstanding	13293952	9684139	14980	15170
Market Price	306.01	266.4	913.92	721.54

Valuation Ratio	Vanguard		Blackrock	
	2022	2021	2022	2021
Earnings Per Share	0.000	0.000	0.346	0.389

Earning per share of Blackrock is 0.34 in 2022 which is more than Vanguard. That means BlackRock is operating well and able to provide return on investment to their shareholders. Shareholders have better opportunity of investment in Blackrock as compared to Vanguard.

Market Share Fluctuations



Source:

<https://www.google.com/finance/quote/BLK:NYSE?sa=X&ved=2ahUKEwj02ovAqa7-AhVuTGwGHVH9Du8Q3ecFegQILxAg>

Vanguard Total Stock Market ETF



Source: <https://www.marketwatch.com/investing/fund/vti>

The current market price of shares of Blackrock Inc is \$691.33 and current market price of vanguard is \$205.76. if the comparison made than Blackrock share price is better than Vanguard and it indicates interest of investors towards shares of the company.

It can be concluded that Blackrock is better performing firm as compared to Vanguard in the market. Financial ratios also depict strong position of Blackrock as compared to Vanguard. It is possible due to contribution of companies in the industry on regular basis and active client base. The internal work culture is of Blackrock is strong than Vanguard, it is good tha Vanguard should improvise its performance and increase investors too in the market. The competition for both the companies is going to be more complex as number of financial institution and interest of customer also increases day by day. Vanguard is also largest shareholder of Blackrock so there is also chance of improvisation and business development.

Part 2

Background of the organization- Vanguard

Vanguard, a renowned investment management company, has been providing investment products and services to individual investors, institutional customers, and financial advisors for more than 45 years. The company is dedicated to assisting its clients in achieving their financial goals by offering a selection of high-quality, low-cost investment alternatives.

Balanced Scorecard

In order to ensure that it is fulfilling its mission and realizing its vision, Vanguard needs a solid framework for tracking performance and encouraging continuous development. Here, the Balanced Scorecard comes into play. By using the Balanced Scorecard, a strategic management tool, businesses may align their goals and objectives with their vision and strategy. To provide a complete picture of performance, four perspectives are offered: financial, customer, internal process, and learning and development (Zhang, Zohren and Roberts, 2020). This project proposes a balanced scorecard for Vanguard in this scenario, with the aim of providing a framework to assess performance across the four views and aligning with the company's mission and vision. Vanguard recommends a balanced scorecard with goals, targets, indicators, and actions for each perspective in order to maximize shareholder value, customer satisfaction, operational efficiency, and employee performance and development.

Vanguard would be helped by the proposed Balanced Scorecard to make sure it is upholding its goal to provide its clients high-quality, affordable investment products and services while maintaining operational efficiency and fostering employee development and innovation.

Importance of Balance Score card for Vanguard

Leading investment management firm Vanguard offers financial advisers, institutional investors,

and private clients investment guidance and services. The purpose of the business is to assist investors in achieving their financial objectives by offering them high-quality, affordable investment products and services (Atrill, McLaney, 2018). The goal of Vanguard is to become the most reputable and dependable investment management firm worldwide. A Balanced Scorecard may be created to monitor the success of the firm from four perspectives: financial, customer, internal process, and learning and development, all of which are in line with Vanguard's goal and vision.

Balanced Scorecard Perspective	Objective	Goals	Indicators	Initiatives
Financial	Maximize shareholder value	Increase assets under management	AUM growth rate	Develop new investment products
		Increase profitability	Net income margin	Expand into new markets (Busco <i>et al.</i> , 2019)
		Maintain strong financial	Return on equity	Streamline operations to reduce

		performance		costs
Customer	Maximize customer satisfaction	Increase customer retention	Customer retention rate	Enhance customer service capabilities
		Improve customer experience	Net promoter score	Develop new investment products that meet customer needs
		Expand customer base	Market share	Expand marketing efforts to reach new customers
Internal Process	Maximize operational efficiency	Improve process efficiency	Cost per transaction	Implement process improvements to streamline operations (IIRC, 2021).

		Enhance product quality	Error rate	Develop and implement quality assurance programs
		Ensure compliance with regulatory requirements	Regulatory compliance score	Enhance compliance training and monitoring
Learning and Growth	Maximize employee performance and development	Attract and retain top talent	Employee retention rate	Develop and implement employee training and development programs
		Develop and train employees (Malafronte, Pereira, Busco, 2020)	Employee engagement score	Offer competitive compensation and benefits packages

		Foster a culture of innovation	Number of patents filed	Encourage and reward innovation and creativity
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Justification and Analysis

The Vanguard suggested Balanced Scorecard is created to evaluate performance from four main perspectives: financial, customer, internal process, and learning and development. It is intended to be in line with the company's goal and vision.

The financial viewpoint emphasizes increasing shareholder value, which is compatible with Vanguard's objective of offering its customers high-quality, affordable investment products and services. Increasing assets under management, improving profitability, and maintaining solid financial performance are the goals of this viewpoint (Barker, 2020). An array of metrics, such as the AUM growth rate, net income margin, and return on equity, help to support these objectives. Vanguard may create new investment products, enter new markets, and simplify operations to save expenses in order to accomplish these aims and ambitions.

The customer's point of view is consistent with Vanguard's purpose, which is to assist customers in reaching their financial objectives. This viewpoint's purpose is to optimize customer happiness, which is backed by objectives to boost customer retention, enhance the customer experience, and broaden the clientele (Vanguard, 2023). The market share, net promoter score, and customer retention rate are some of the markers supporting this viewpoint. Vanguard may create new investment products that address client demands, increase its marketing efforts to attract more customers, and improve its customer service skills in order to attain these objectives.

For Vanguard to keep its competitive edge in the investment management sector, it is essential to maximize operational efficiency from the internal process standpoint. The goals of this viewpoint

are to increase product quality, streamline processes, and guarantee regulatory compliance (Kaplan, 2010). Cost per transaction, mistake rate, and regulatory compliance score are indications for this viewpoint. Vanguard may accomplish these goals through streamlining operations via process improvements, creating and executing quality assurance processes, and improving compliance training and monitoring.

In order for Vanguard to recruit and retain top people and promote an innovative culture, it is critical that the learning and growth perspective be focused on optimizing employee performance and development. This viewpoint aims to develop and train staff members, recruit and retain top talent, and promote an innovative culture. The number of patents filed, the staff engagement score, and the employee retention rate are the markers supporting this viewpoint. Vanguard may accomplish these goals by creating and executing training and development programs for its employees, providing competitive pay and benefits, and fostering and rewarding innovation and creativity.

The suggested Balanced Scorecard for Vanguard offers a thorough framework for monitoring performance and promoting continual improvement, to sum up (Busco, Granà, Quattrone, 2017). The objectives, goals, indicators, and initiatives are created to support Vanguard's strategy of offering its clients high-quality, reasonably priced investment products and services while maintaining operational efficiency and encouraging employee growth and innovation. Each perspective is in line with the company's mission and vision (Pinto, 2021). Vanguard can make sure it is providing value to its shareholders, customers, workers, and other stakeholders by monitoring performance from these four viewpoints.

Summary

Regard to four major perspectives—financial, customer, internal process, and learning and growth—the proposed Balanced Scorecard for Vanguard offers a thorough framework for monitoring performance and promoting continuous development. Each perspective has objectives, goals, indicators, and initiatives that are in line with Vanguard's mission and vision and are intended to help the business meet its strategic objectives of maximizing shareholder value, client satisfaction, operational efficiency, and employee performance and development (Cardinaels, van

Veen-Dirks, 2010). Vanguard can make sure it is providing value to its stakeholders and consistently enhancing its goods and services to satisfy their demands by monitoring performance across these four viewpoints.



Part 3

As it has on the larger economy and financial markets, the coronavirus pandemic has had a substantial impact on Vanguard's financial and non-financial performance. The following is a review of these effects:

Financial Performances

The pandemic originally caused a considerable decrease in asset values and financial markets, which had a detrimental effect on Vanguard's financial results. The firm was able to weather the storm because of its concentration on offering diverse, low-cost investment products and services. Increased trading activity as a consequence of the market turbulence enhanced the company's brokerage services' earnings (Barth *et al.*, 2017). In the second half of 2020, Vanguard's financial performance improved, and its assets under management (AUM) hit new highs of \$7.2 trillion. In spite of the performance evaluation of Vanguard and Blackrock through ratios, it has been analyzed that Blackrock is showing improvement as compared to Vanguard, but Vanguard has also adopted changes and improvised its earning and participation in the market during these two years. The global pandemic affects the market performance of company, the expected return was 6.4% in February 2020 which was fallen to 1.3% during Pandemic. Change in investment habits of investors also affects the performance figures of company.

Non- Financial Performances

Besides financial effects, the pandemic also had non-financial effects on Vanguard. The epidemic has made it more difficult for the business to concentrate on customer satisfaction since customers have had to adapt to a new social and economic climate. In response, Vanguard has improved its customer service skills and provided consumers with more assistance and resources. With many workers working remotely, the epidemic has also emphasized the significance of internal protocols. To maintain operational effectiveness and guarantee regulatory compliance, Vanguard has had to adapt by using new technology and communication tools. The epidemic has also highlighted the need for employee training, growth, and support for their mental health and wellbeing (Busco *et al.*, 2013). In response, Vanguard has expanded its training materials,

employee perks, and wellness initiatives.

Ultimately, even though the pandemic initially had a negative effect on Vanguard's financial performance, the business was able to bounce back and even flourish in the face of market turbulence because of its agility and resilience (Vanguard, 2020). The epidemic has also brought attention to the significance of internal procedures, staff development, and well-being; Vanguard has reacted by providing more resources and assistance in these areas (Pinto, 2021). In order to continue providing value to its stakeholders, Vanguard will need to keep an eye on how the pandemic is affecting the economy and financial markets and adjust its plans and operations appropriately.

The epidemic has not only had an influence on financial and nonfinancial performance (Busco *et al.*, 2013). However, it has also caused larger social shifts that might have long-term repercussions for Vanguard and the investment management sector as a whole. The trend toward remote work and digital communication has brought attention to how crucial innovation and technology are to providing investment goods and services and maintaining operational efficiency (Busco, Quattrone, 2015). The epidemic has also raised public awareness of social and environmental problems, increasing the need for sustainable investment solutions and socially responsible investing. In response to these developments, Vanguard has created new investing services and solutions that address these evolving demands as well as incorporated environmental, social, and governance (ESG) considerations into its investment strategies.

Conclusion

The report has described the performance of Vanguard in the market and the same has been compared with one of its competitor firm Blackrock. The findings identify that Blackrock is not a major competitor of Vanguard, but they are providing similar services in same market makes them competitor. Competitive analysis proves that Vanguard need improvisation in its performance because till now it performing satisfactorily. Balance score card approach is also fruitful for organization because it provided the weak points of company and the area of concerns too. Vanguard is continuously working for improvising its performance and introducing new services through innovative manner especially after Pandemic. By using the Balanced Scorecard, a strategic management tool, businesses may align their goals and objectives with their vision and strategy. Vanguard's position in market is strong and the performance management provides that the firm is doing well year by year and its acts are aligned with its aims and objectives.



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