

From Vision to Performance through Balanced Scorecard “Effect”

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Abstract: *Understanding of changes and “release” of strategies through the process of adjustment became utopian pathways difficult to express by action and to be materialized within outcomes. Although flexibility seems to be the answer of the theoreticians to the “wave” of change, reaching this condition placed into difficulties the companies that encountered the turbulences of the market. In order for a company to be flexible, at least in theory, it needs to be carried, consciously, by the wave of change, thereby it will have vision of what will come and will be able to adapt. If vision is the launch point of the strategy, and performance is the purpose of debut, the form of browsing the way between them determines the quality of the trajectory. In order to achieve performance, the route covered from vision to performance, should be supported by a cultural instrument omnipresent in action (through a multilevel strategy – which would take into account the trio: lever-team, lever-internal processes, lever-customer) and in manifestation (by reaching the financial and image objectives), called balanced scorecard.*

Keywords: balanced scorecard, performance, learning and growth perspective, internal process perspective, customer perspective, financial perspective

1. Introduction

The ability to create value for stakeholders, is one of the conditions imposed on companies aspirant for the title of “PERFORMANCE”. In order to fulfill this condition, the managerial and executive approach of each company must be based on a project type, called strategy. The question: “Do the companies have the ability to execute the strategy?” craved the practitioners, and the answer to the question was placed in the sphere of understanding the significance and the level of impact of the strategy throughout the entire organizational and procedural structure of the company. “To contaminate” each cell of a company with the formulated strategy creates the vision’ prerequisites. Implementing each materialized view creates the ability to make application strategy. Strategy capacity to encounter the purpose is given by the balanced scorecard phenomenon. The strategy’materialization into the anticipated objectives is a conditioning given by the way in which balanced scorecard is intertwined with managerial and visionary executive.

2. Study and Method

2.1. From vision to performance through balanced scorecard “effect”

Promoters recognized Balanced Scorecard in the beginning of its implementation in economic practice that the Balanced Scorecard gives a response to the need to always keep connected formulating and developing a strategy for its implementation.

We consider particularly important the remark made by the authors, as formulation based on vision and the development of a strategy always keeping the big picture is the need to maintain a firm performance. By appellation “necessity” we want to emphasize that the state has become the barometer of performance results (financial, economic, picture, professional, etc..) certification sine qua non for any company. Balanced Scorecard (BSC) is the instrumentation

that highlights the way in which it is invested in these results at the level of a firm. Balanced scorecard extends the analysis focused only on the use of financial ratios to new three perspectives (customer, internal process, learning and growth) creating a vision of all the levers that can contribute to the implementation of strategies to achieve the goal, turning vision into mission. Companies with a sound strategic conduct invest in the key man, the one who has the idea, the one that has vision. Given that any team member can help with an idea for company growth, we believe logic to point out that within a group can find a greater or lesser number of key individuals. A team member becomes key man when involved in business strategy and for this mission company must include the interests of the macro and micro level, respectively global vision to become a synergy of individual visions (employees, managers, shareholders).

However, the company's mission has to be conditioned and interconnected to the clients and investors vision. To highlight how vision becomes performance under the guidance of BSC concept (referring to learning and growth perspective, internal process perspective, customer perspective, financial perspective) suggests these **cause-effect hypotheses**:

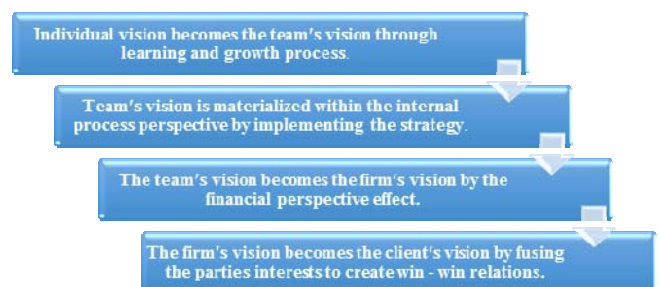


Figure 1: Cause-effect hypotheses road from vision to performance by BSC

2.2. Implications of a road map design company from vision to performance through balanced scorecard "effect"

The analyzed company enjoys over 20 years experience in the market. Over time, the company's strategy has kept intact "primordial beliefs" that followed the structure, enhancing, maintaining and improving its image and service quality. Considering the criteria of a qualitative nature that guide clients services of design, specify that competition followed the same kind of strategic approach. Increases macroeconomic difficulties, tariff design has experienced a dramatic drop in aggressive pressure to reduce investment and increased competition.

Thus, following the monthly meeting and activity analysis results, the company's CFO, learning about the increasingly unstable financial and economic situation that have impact on the results, proposed a plan to "refresh" them by diversifying services - providing cost-benefit analysis to the design objectives. The proposal made was based on the premise that the company could improve its economic staff for the development of cost-benefit analysis. The need for a cost-benefit analysis (options' analysis, financial analysis, sensitivity analysis and risk analysis) is required by law as part of the framework of the technical content-related economic investment and development structure as well as a part of the elaboration of the estimate for construction work methodology for investments and intervention work.

In this sense, the CFO proposed the following plan of action, exemplified in the "strategic map" based on the concept of balanced scorecard (figure 2). Before reading the proposed strategic map, let's stop to the significance of the term "performance" in the case of a service company. To do this, we call into question one of the initial conditions formulated in delivering a strategy - the development of a strategy is made by always keeping the big picture. Extrapolating the above idea, we consider it necessary that contextual performance is highlighted. Reaching a certain level, improving and maintaining any kind of performance - financial, economic, social, environmental - requires **contextual integration as a materialized view that for a firm can create performance to another firm can not generate performance.**

In this context, the integration of generating performance strategy in the case of a service company, involves

identifying the context of its manifestation. By the **context of a strategy manifestation we mean all** tangible and intangible factors and their influence in the management of a strategy, respectively the framework on which the success or the failure of this one depends. Tangible or intangible factors influence weight should not be estimated, but concretely analyzed. When trying to identify the potential of a service organization, its surprise nature immaterial visions that spring, noting human resources held. They provide the lifeblood of the image generating potential value creation of a service organization. The human resources of a service organization are the answer to the client's vision. The way professional qualities - imagination, pragmatism and design - of an employee meets its ability to sell them in the operational context of the firm, determines the quality of services, subject to customer appreciation.

We consider essential in shaping the way from vision to performance, the existence of this dual purpose represented by one tangible and one intangible value, including connection to always maintain strategic and pragmatic manifestation (factual). In developing a strategy, however, it is necessary to assess the risk associated goal. If taken as an example, the macro manifestation of the strategy provides an advantage essentially about risk facing the company. New services may favorably impact the company's results serve the same customers who use the services of design and targeting the same market share, and in terms of information does not require additional effort from those made by the whole team for the design. For this reason, the company management has estimated that the risk associated goals is low. Once we understand the context in which the CFO's vision starts to go through the strategic map, in order to estimate (in results) the trail strategy from vision to performance. From the "architectural" point of view, the strategic map is "crossed" by the objectives of the financial perspective, being always considered at every level of implementation.

The **financial perspective** we consider the main motive of BSC, given its role in maintaining the "fuel" of the activity. It is the purpose, vision incentive. Identification of target financial objectives required a detailed analysis on different levels, generating results as certain. In this respect, we considered the following strategic themes - **increasing revenue and productivity.**

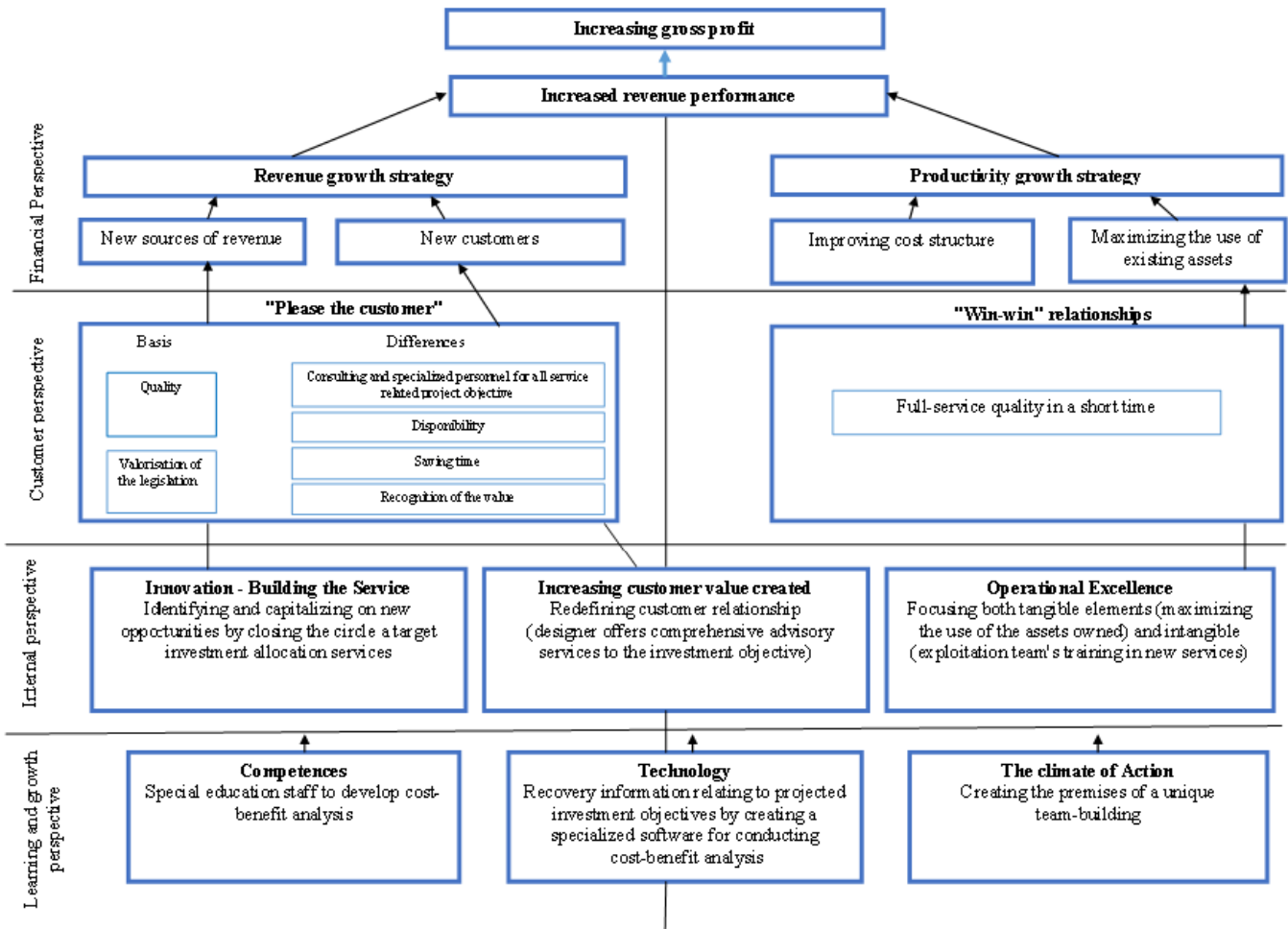


Figure 2: Strategic Map for a service organization design

Revenues respectively **turnovers** are an indicator that we consider it worth all the attention. Most authors consider that small and medium category falling and the company taken as an example, is characterized by a weaker presence in a highly competitive market, which is why they have the means of increasing indicators of results, only the reduction costs, turnover of not being able to enjoy significant growth.

The CFO proposed strategy analyzed the diversification of services in order to increase economic performance, combat the idea of diluting the role of turnover in strategic options. In this sense, it is necessary to try to give the indicator, turnover, place it deserves the attention of analysts, namely to *mobilizing indicator*.

The challenge of the analyzed company - revenue growth - requires to explore the origins, their sources. The main source of revenue for the firm's investment activities in the public and private domains. Although the main investor is the public system, over time, the private system has successfully applied in the investment process supported by European funds. Based on this analysis and expanding the range of features and services specificity generated a new source of revenue, namely cost-benefit analyzes to the investment objectives designed. By law, the viability investment objectives financed from European funds demonstrated specialized expertise - cost-benefit analysis. Information underlying the formulation of a cost-benefit analysis comes from the designer, who offers the best technical solution developed feasibility study.

To predict the impact of strategic decisions on company results, we comparatively analyze a performance indicator designed to assess the variation in profitability, respectively the rate of return of income. Focusing specifically on our operating activities, we have in mind the structure of Return on Sales (ROS) as follows:

$$ROS = \frac{RE}{CA} \times 100, \text{ where}$$

RE = operating profit

CA = turnover

Using data from the financial statements for the year 2012 show the following rates of profitability:

$$ROS = \frac{53098}{1292894} \times 100 = 4,11\% \quad (1)$$

where:

- turnover = 1.292.894 RON
- operating expenses = 1.239.796 RON
- operating result = 53.098 RON

It is found that the rate of return on sales recorded a small percentage, given that turnover exceeds very little expenses. We specify that the operating expenses are well controlled by the firm and the level can be reduced by a significant percentage of impact than if the company would take radical decisions to reduce staff, as 71.47% of operating costs is the

human factor costs - the main generator of value in the company. Consider the situation in which the company would have opted in 2012 for staff training for the development of economic cost-benefit analysis of investment projects were contracted and the rate of return on sales. Practice allows us to estimate the cost-benefit analysis services, as a percentage of 1% of the investment objective of the project. A detailed analysis of the structure of turnover on the main service has allowed us to develop the following graph:

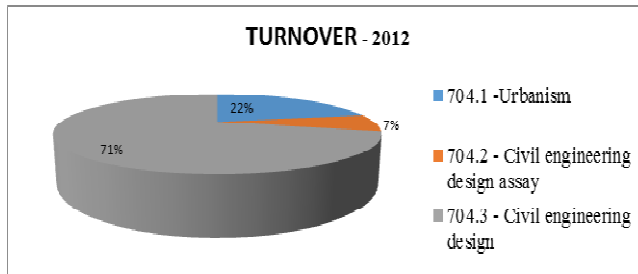


Figure 3: Structure of turnover for design firm analyzed

Analyzing the structure of turnover, in terms of categories of achieved design services, it appears that a 71% (917.955 RON) of these are civil engineering design of which about 78.90% comes from the category of projects financed from European funds checked after a predefined grid legislative criteria and structurally imposed. Considering that revenues that come from civil engineering design (724.327 RON - value obtained by summing EU funded projects contracted for the year 2012) represents an average of 5% of the investment value of the project objectives, results:

Estimated investment value of projects contracted in 2012:
724.327 RON : 5% = 14.486.540 RON

The value of cost-benefit analyzes related to it was:
14.486.540 RON x 1% = 144.865 RON

Starting from the assumption that these services could be provided by its own staff let's see what effect it could have on the return on Sales:

- hypothetical turnover increases:

$$CA_i = 1.292.894 \text{ RON} + 144.865 \text{ RON} \\ = 1.437.759 \text{ RON}$$

- operating expenses = 1.239.796 RON (do not change)
- operating result = 197.963 RON

$$ROS = \frac{197963}{1437759} \times 100 = 13,77\%$$

Notice how those revenues profitability increase, from the turnover structure, with the greatest potential in the results, respectively civil engineering design revenues funded by European Union determines a growth of 3,35 times the rate of return of sales.

Productivity growth, the second financial goal, underlines its evolution on the human factor increase operational efficiency, existing, using two levers of different nature:

- Improved cost structure of human factor - involving economic department in developing cost-benefit analyzes,

has as impact salaries transformation related to this section from indirect to direct expenses (see figures: 4-6);

- Improving owned assets (tangible and intangible) - their involvement in a wide range of services (also implying the development of cost-benefit analysis) will allow them to generate higher recovery results.

Schematically, structure of the firm's staff is as:

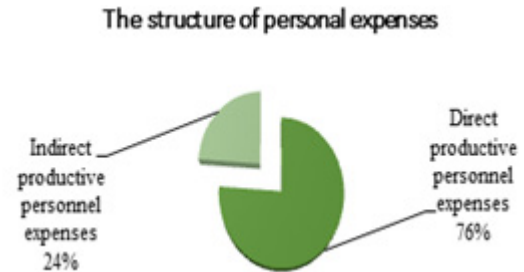


Figure 4: The structure of personal expenses for design firm analyzed



Figure 5: Structure direct productive personnel expenses design firm analyzed

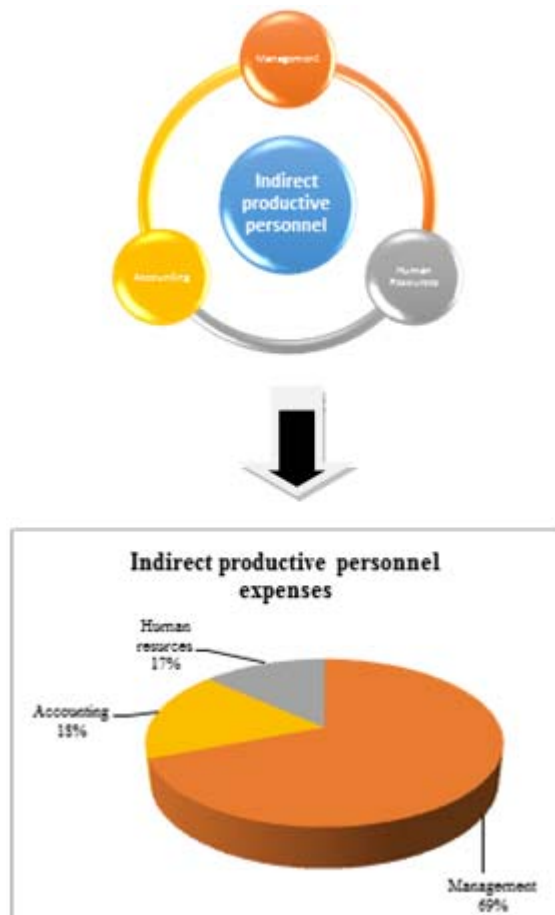


Figure 6: The structure of indirect productive personnel expenses design firm analyzed

If the economic compartment is specialized also to provide services having direct impact on revenue growth, the ratio of direct and indirect expenses, in human resources are as follows:

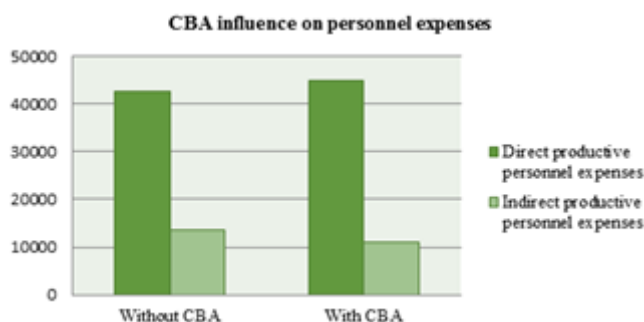


Figure 7: Influence comparative cost-benefit analysis of staff expenses

Customer Perspective, aimed at providing a complete customer service in a shorter execution time, given that the experts involved, on the one hand in developing technical documentation and on the other hand in developing cost-benefit analysis, are part of the same team. Providing a plurality of services for the investments generate a substantially diminishing benefit of the time allocated to technical documentation. This is basically the premises of a contractual relationship a **win-win** between the design firm and the client.

Once the objective has been clearly defined, **internal process perspective** becomes the focus strategy. Identifying the action requires pragmatic managerial and operational level. In the case taken as an example, the main internal processes are:

- Development of a new type of service provided;
- Developing a win-win relationship with the client.

In design services client relationship develops naturally and much easier than in other sectors, given that the service is based on a design theme formulated by the client, which presents the customers preferences on target investments that are about to be designed.

In this context, providing a complete service creates an excellent team-building, the foundation of **learning and growth perspective**. By the nature of the service, designing an investment objective is coordination and collaboration between all specialties involved in drafting (architecture, resistance, installations, and edition). Direct involvement of economic department in managing investment objective value, establishes a close collaboration on collective level, developing team building premises. In this context, we believe it is the perspective **we learn** (to communicate, to assume that the joint effort has resulted common vision to be closer to the customer) and **evolve** (acquiring new knowledge in professional areas and to always refresh congruent collegial relationships).

3. Conclusions

We note that the applicability of the balanced scorecard over time made it an important tool for managers and extrapolating the case presented for the entire firm. Balanced scorecard became instruments visions and goals of the whole team, whether managers, executive, shareholders or customers. Balanced scorecard allows understanding the strategic network; it is the process and the effect of global ownership strategy.

Road from vision to performance balanced scorecard highlights the following effects:

- Opportunity - every idea is taken into account;
- Integration - any idea individual potential can become the vision of the entire;
- Synergy – the members of the team, together, capitalize vision into results;
- Value - key man understands his mission makes an emulation creative business activity, gives value to the whole team he is part of and to the firm;
- Image - a company with a declared culture of performance creates a brand.

Panoramic image on balanced scorecard effects highlights its main qualities - **balanced scorecard is a continuous process, a flexible instrument that is able to fold in different situations offering, through its global approach, reliable solutions. Balanced scorecard is an immaterial long-term investment!**

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