International Journal of Engineering & Technology, 8 (1.11) (2019) 131-136

International Journal of Engineering & Technology

Website: www.sciencepubco.com/index.php/IJET

Research paper

Scoreboard Indicators That Should Be Installed in Order To Pilot the Performance

A. El figha1*, M. Benhrimida[1]

[1]*Faculty of Economic and Social Legal Sciences of Mohammedia, Hassan II University of Casablanca, BP 5366 Maarif, Casablanca, Morocco*

**Corresponding authorse-mail: nacer.elfigha@gmail.com*

Abstract

According to a US study, 70% of the strategic failures aren't due to a lack of vision, but a poor implementation of it. In other words, a strategy needs steering, which needs indicators.

However, the battery of indicators that exist and their diversity poses a problem of their relevance for piloting.

In other words, a performance must lead in terms of strategy to the identification of a key success factor, guaranteeing the competitive advantage in the sense of Michael PORTER. This amounts to evaluating the performance not as an analysis of the result, but rather as a result of the action of the decision-maker (the manager).

Key words: *Strategy, indicator, performance, competitiveness.*

1. Introduction

As an opened and finalized system, each organization, particularly the company, seeks to ensure its legitimacy through the achievement of the target set when it was created. In other words, each company tries to be more effective.

Indeed in the last few years, the assessment and monitoring of the performance of companies have grown substantially (Medori and Steeple, 2000), and have become vitally important, given the significantly reduced latitude the leaders have. The new world economic order forces the companies more and more to do 'more' objectives, and with 'less' resources. To assess the quality of their decisions as well, leaders must monitor, measure and manage the performance of their business.

However, performance is not understood by everyone in thesame way. The performance is a polysemic or multifaceted concept that may have several meanings depending on its author or the evaluator. Otley (1999) believes that the 'performance' is itself an ambiguous term that has several definition. We acknowledge also that they are used interchangeably the terms of 'success', of 'results', of 'success' and 'performance', without additional precision.

In parlance language, performance is precisely to maximize results. From an academic point of view, performance can be defined as the fulfilment of targets while saving the implemented means. In other words, the performance for an entity is to be effective and efficient. Indeed efficiency refers to the achievement of the objectives, however the efficiency means the rationalization of resources.

Any performance could be subdivided into three essential components summarized as follows:

- Efficacy concerns the relationship between the obtained result and the goal.
- Efficiency connects the results achieved and the means used
- The economy brings resources and objectives together.

Therefore economy, means the conditions in which it acquires human and material resources. For an operation to be economic, the acquisition of resources must be made of an acceptable quality and at the lowest cost possible.

According to the scale and nature of the objectives, we can distinguish between financial performance and global performance:

- Financial performance seeks to achieve the objectives of the shareholders (the achievement of economic objectives)
- The global performance is the satisfaction of the needs of the various stakeholders.

The measure of performance is a major concern for all the enterprises. For this reason, an overview of indicators has been available for managers, the most important one is the dashboard.

The dashboard can be defined as “a set of few indicators (five to ten) designed to allow to allow managers to be knowledgeable about the state and the evolution of the systems they are piloting and identify trends that will influence them on a horizon that is consistent with their functions. The dashboard is a set of indicators but not any indicators « H.Bouquin (2001)»

We should distinguish between two main types of dashboards: the traditional management dashboard and the strategic dashboard.

The following diagram shows the different steps to follow while constructing dashboard:

The stages of a dashboard construction:

Clarification of the mission and objectives definition
Clarification of the mission and objectives definition

⇩

Identification of key success factors

⇩

Choice of indicators

⇩

Implementation of standards and indicators

Talking about the dashboard as a performance management tool is a great topical and everyone talking. Considering the following issue: What types of indicators set in the dashboard to make it more efficient in terms of performance piloting?
To address this issue, we will divide our communication into two parts:
- The first part we will focus on the traditional dashboard that prefers the shareholder approach.
-In the second part, we will look at the analysis of the strategic dashboard which provides a global vision of the measurement of performance.

2. The traditional dashboard and performance assessment.

The traditional dashboard focuses on measuring the performance for shareholders (shareholder approach). Priority is given to purely financial indicators aiming at the appreciation and the performance of management towards a single objective the creation of value for shareholders (financial performance). These indicators include:

- ✓ *Indicators of activities*: It traces the growth of the company's activity and the amount of work provided. In general, it is concerned with the monitoring of turnover and its evolution in a given period, in pheasant compare actual sales with forecasts in order to detect any slippage and implement corrective actions (to increase revenue or decrease the expenses).
- ✓ *Productivity indicators:* It is the set of indicators for the evaluation of the productivity of the company by measuring the evolution of payroll compared to the turnover.

  Indicators of costs: It is the follow-up of all the positions of loads essential to the operation of the business. As for the activity, the ideal is to follow their variation over the previous year and bring them closer to the budget of the year.

  The profitability indicators: These indicators allow the observation of the evolution of classic intermediate balances of the General Ledger: marge brute, value added, operating income, net income and cash flow. If the leader has an interest to follow monthly revenues and expenses, he can settle for a quarterly rate to the fine analysis of profitability.

- ✓*Financial indicators:* they are based on a set of financial ratios that are especially focused on cash and working capital needs, to avoid default. The need for cash is obvious: you need sufficient amounts for expenses as they become due: rent, electricity bills, invoices, treated of borrowing, tax notice. Anticipate to not be in this situation. The following table summarizes all the possible indicators for each type of activity:

	Indicators
Activities	-Evolution of the turnover and comparison with the previous year -Evolution of the turnover and comparison with forecasts -Finished product inventory and % compared to turnover -Manufacturing program and advancement of outstanding -Stock goods and % compared to purchasing...
Productivity	-Evolution of the turnover per employee -Overall production time -Consumption materials -Cost of returns one hour of production -Service rates –working hours- hours sold -Turnover by seller...
Cost	-Evolution payroll -Costs related to production (raw materials, dampingmachines) -Costs related to marketing (promotion, administration, sales,distribution) -Other expenses (maintenance, structure) -Development of costs and comparison with the previous year -Evolution of costs and in % of turnover with comparisons withthe forecast...
Profitability	-Gross margin (overall, by product family, by customer segment, by geographic area) -Added value -Gross operating surplus (GOS) -Operating result, -Profit from operations...
Financial	- Agreed payment -Rotation of the finished products inventory -Forecast of WCR

	-Balance and cash flow forecasts -Debt equity -Financial result... -Rotation of the finished products inventory -Forecast of WCR -Balance and cash flow forecasts -Debt equity -Financial result...
Spécifiques	-Market share (total, by family, by sector) -Number of customers -Customer loyalty / satisfaction index -Number of suppliers -Number of competitors -Stock-outs -Quality indicators production (scrap, customer returns) -Rate of touch-ups, waste, technical stops -HR (staffing, hiring, departures, job openings, absenteeism, turnover,occupancy rate of the machines.) -Changing price of raw a -Stock-outs...

These financial performance indicators have brought many things to businesses in their performance assessment. However, they are not exempt from a certain boundaries:

3. Contributions of the traditional dashboard

The dashboard is an aid to decision-making and the implementation of the strategy, the dashboard is an action-oriented, that is to say the anticipation of the results. And its main roles are:

3.1. An instrument of control and comparison:

The dashboard allows you to control permanently accomplishments against the targets set in the budget process. It must diagnose the weak points and to show what is abnormal and that has an impact on the profits of the company. The knowledge of weaknesses must be complemented by an analysis of the causes of these phenomena and the implementation of corrective actions taken and completed. The quality of this comparison and diagnostic function is obviously depends on the relevance of the indicators.

2 - A diagnostic and communication tool:

It must allow dialogue between the various hierarchical levels. It must allow subordinates to comment on the results of his action, weaknesses and strengths. It allows requests for additional or more specific guidelines. The superior hierarchical coordinate corrective actions with a focus on the search for a global optimum rather than partial optimizations. 9(*)

3.2 A decision support:

As a decision tool support, the dashboard was first intended to provide a set of information to a Manager to guide its decisions and actions to achieve its objectives. The information must be reliable, intelligible, synthetic and produced often. They can be used either in respect of the monitoring of the delegations (that are reporting data for the management of the company or those responsible for higher levels), either in terms of self-control (in this case, all officials of the company may be concerned).

In addition to these benefits, the traditional dashboard has also helped the companies:

• Success strategies, including strategies of cost leadership through the monitoring of the evolution of financial indicators.
• Create value, especially for the shareholder and so easily collect financing resources.

But the traditional dashboard is obverse unable to meet the needs of managers in terms of overall performance dictated by the current management.

4. The limits of traditional performance measurement indicators.

At the beginning of the 1980s, a number of authors have criticized the accounting models to measure the performance of organizations, in a turbulent and highly competitive business environment (Gomes and al., 2004; Kennerley and Neely, 2003; Said, HassabElnaby et Wier, 2003; Medori et Steeple, 2000). Cumby and Conrod (2001) added that the limits of accounting measures or financial are still more important or gross for innovative companies, whose value is strongly related to intangible assets and to intellectual capital (Amir and Lev, (1996). We thus criticize measures from financial statements that they are historical and offer little indication on future performance, do not take into account the intangible elements of a company's value and are not related to the strategy pursued by the leaders (Kennerley and Neely, 2003; Ittner et al. 2003; Kaplan and Norton, 2001). As Eccles points out (1999, p. 40) « we cannot find the key performance indicators of enterprises in financial data only. Quality, customer satisfaction, innovation, market share: quantities of this type better reflect economic conditions and growth prospects of a company that published its profits». Also, Cumby and Conrod (2001) remind us that 'sustainable' long-term financial performance is attributable to non-financial factors such as the loyalty of the clients, satisfaction of employees, internal processes and the degree of innovation of the company. Ittner and Swanson (1999) abound in the same sense by stating that the accounting data are not able to take into account the investment in intangible assets such as customer satisfaction.

Current accounting practices require posting in charge of the majority of the intangible business investment to increase, including the satisfaction of their customers. Therefore, a company who decides to invest in its development of market strategies and which focuses on the quality of the relationship with its customers, could see its accounting net income reduced, in the hope that this investment intangible translates in the medium term by improved profitability. Still anticipating higher profits in the long term through investment in intangible business practices or activities, a high percentage of companies listed in various studies attach significant importance performance indicators are not derived from the financial statements and associated «non-financial» performance (Fernandez, 2000). Ittner and Swanson's conclusions (1999) confirm that customer satisfaction is an indicator of economic performance associated with the stock market performance, while she is not reflected in traditional accounting performance indices. Banker and al. (2000) get similar results and concluded that the non-financial measures of customer satisfaction are significantly associated with future financial performance and that they contain additional information that don't have found in the historical financial measures. Said and al. (2003) adds to this that companies that use systems to measure their performance from non-financial data display a stock market performance that is superior to others, confirming that non-financial measurements show content information appropriate for performance management. The results of the authors confirm also that the use of non-financial measures is linked to the degree of innovation of the company and its strategic direction in terms of quality.

5. The non-financial indicator (the modern measure of performance)

In recent years, performance is only limited to the single financial dimension of the company, it extends beyond affecting other non-financial dimensions. Indeed, the sustainability of companies depends on how they behave and the responsibility that they committed to different parties stakeholders (shareholders, associations, NGOs, customers, suppliers...). It is in this context that the concept of overall performance appears. This concept is born in Europe with the emergence of sustainable development, it takes into consideration the social responsibility of the company to its stakeholders. As a result, the authors have distinguished three types of overall performance: Environmental Performance, Economic Performance and Social Performance

Regarding the measurement of the performance, we went from performance models Expositions (financial performance) using only financial indicators in order to create value for the shareholder by neglecting that of stakeholders towards a model Multicriteria which integrates the expectations of different stakeholders. Thus, since the early 1990s, companies have sought to improve the measurement of their performance, either using new assessment tools of financial performance (EVA, MVA...), either by expanding the performance of measures not financial.

Historically, performance was measured for a long time with financial indicators (Return On Investment (King), turnover, result...). The goal is to give a picture of the company which is reflected in the wealth of shareholders. However, as we have already noted at the level of the first part, the traditional financial indicators have been several criticized forming reasons and incentives to search for another type of indicators that will drive and improve the performance of the companies. These are non-financial called indicators leading indicators that took place to drive performance.
1 - Non-financial indicators and their use.
The past-oriented financial indicators being subject to criticism and little actionable, a large number of authors have proposed to replace and supplement them with indicators non-financial considered more in line with the realities of the current competition.
Reflections on the place of non-financial indicators was relaunched with the balanced scorecard (BSC) called table of balanced scorecard (BSC), but the trend is deeper and had already been initiated by several considerations. Passing to the non-financial performance financial performance, we evolve a performance measured for the shareholders (shareholders) to performance measured for stakeholders (stakeholders). Indeed according to Ittner and Larker (1998), three reasons may explain the rise of non-financial indicators: the limits of accounting and financial indicators which it has referred in the previous game. competitive pressure and the uncertainty of the environment; and the development of competing systems for example TQM (Total Quality Management or TQM) programs, the supply chain (supply chain management),the CRM (Customer Relationship Management) or customer relationship management) are systems that led to competitive performance of the system of financial performance measures.

Unlike indicators of résultat(les indicateurs comptables et financiers), supporters of the BSC consider non-financial indicators are leading indicators.
In addition, from literature, the use of non-financial indicators is quite systematically associated with total quality (TQM) practices, of the just in time (JIT). Thus many authors consider that the use of this type of indicators depends on contingency factors including the strategy.
Non-financial indicators have found a framework in which they can express themselves: the balanced scorecard (BSC)
2 - The BSC: a system of performance management
Kaplan and Norton (1998, 2001) proposed in the first half of the 1990s to build strategic dashboards:
• Taking into account different aspects of the performance, notonly financial performance.
• Highlighting indicators of result and leading indicators, the latter being more or less predictive of the future situation of the company.
One of the main problems for authors is taken into account and the management of intangibles more important today. However, to Kaplan and Norton, you can't manage what you cannot describe or measure. Measure intangibles requires then to base the evaluation of performance on other financial indicators.
The *balanced scorecard* (BSC) allows you to decline the mission and strategy into objectives and measures that fit on four axes: axis financial performance with customers, internal processes and learning organizational.

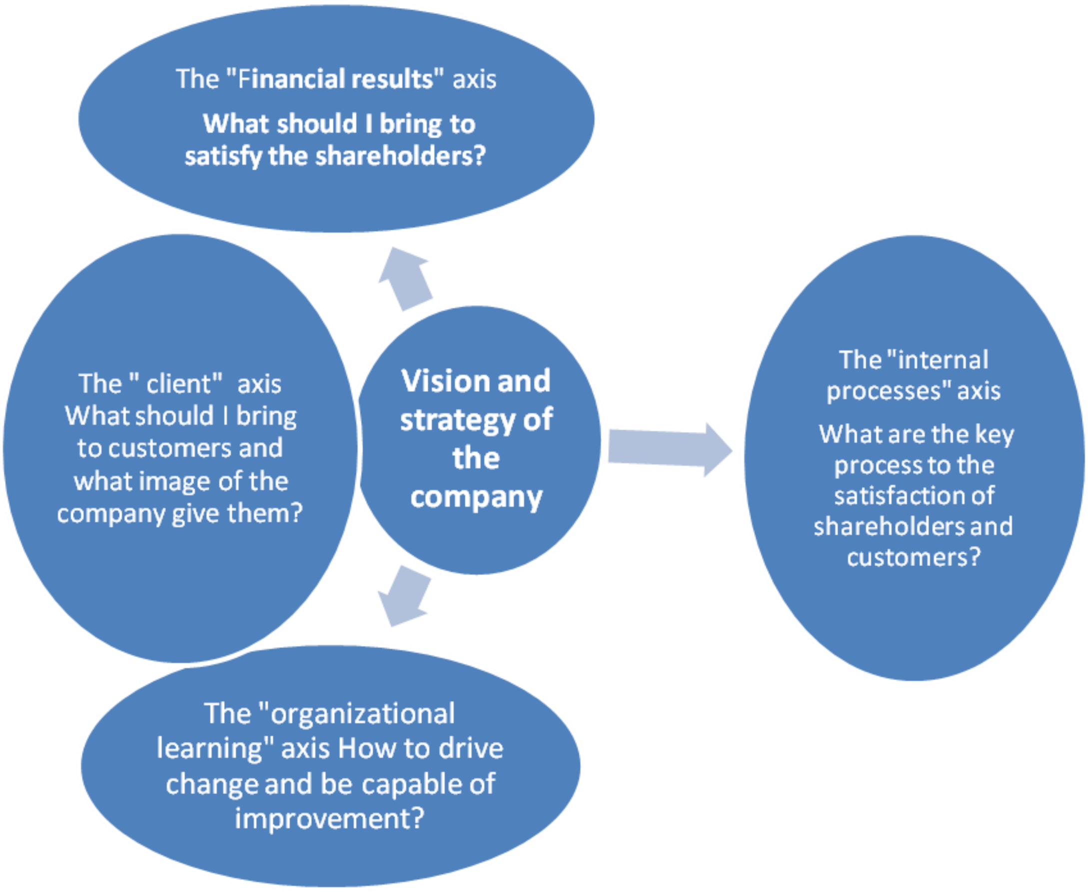
These four dimensions define four levels of additional performance in which managers have a number of levers on which they can rely on their strategy:
• The good financial results by clients satisfaction increased.
• Customers will be satisfied if the company processes are functioning properly.
• And finally, the process will work better labor responsible for their implementation will be efficient.
Concerning four dimensions, we can remember the explanation below:

- ✓ The «financial» axis: this is to ensure that the increase in shareholder value. This axis usually includes financial indicators such as: economic profitability, financial profitability, EVA, MVA...

- ✓ The «customers» axis: this axis includes several key indicators of results on the satisfaction and loyalty of customers. (for example: by class of customer profitability, market on targeted segments, deadlines and punctuality of deliveries share...)
- ✓ The «internal processes» axis: this axis enables managers to identify key processes in the company, those where it needs to Excel. The TBP highlights the process entirely new (innovation) to create value for the customer axis.
- ✓ The «organizational learning» axis: this axis is infrastructure that the company must implement to improve performance and generate long-term growth. Organizational learning has three components: the men, the systems, the procedures. It includes generic results indicators such as: satisfaction, loyalty, training and competence of the employees.

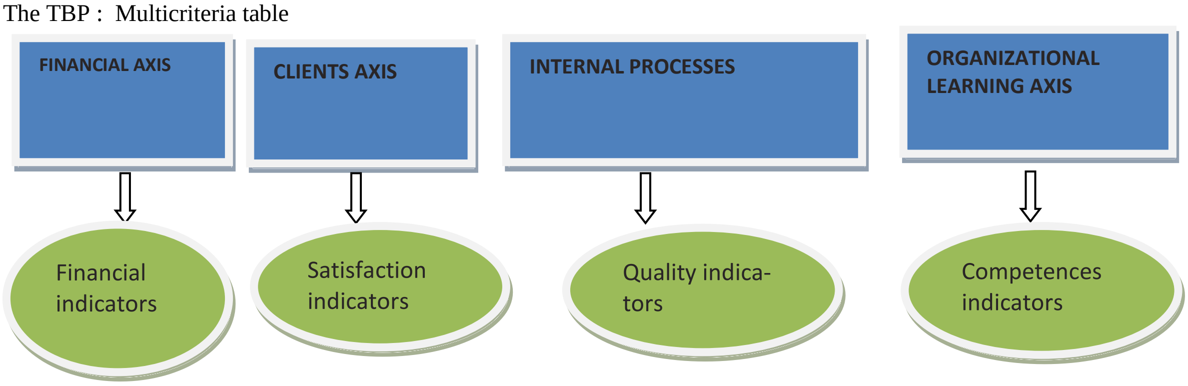
For more illustration Bessire (2000) considers the table of balanced scorecard (BSC) as a tool for stimulation of collective learning. He recalled the relevance of this tool lies in the ownership of the strategic objectives and its contribution to the process of organizational learning. Therefore, to establish a map of relationships of cause and effect in the company and to explain the overall performance of the company, as expressed in the schema described above after:

The dashboard of balanced scorecard (BSC) of Robert S. Kaplan and David P. Norton



Source :Robert S. Kaplan and David P. Norton, The prospective dashboard, Editions of organization, 2003.

The TBP : Multicriteria table



6- Conclusion

One of the novelties of the BSC has been to highlight the importance of non-financial indicators. However, studies show that most companies continue to give most of their attention to financial indicators (56% of indicators), followed by customer indicators (19%), process indicators (12%), the indicators innovation and learning (5%) and other indicators (9%). In addition, the BSC are mainly used at corporate and division levels and significantly less in the subsidiaries and departments. 70% of companies surveyed use the BSC to determine

bonuses, including 17% of fairly intensive way. Although the BSC should be used to obtain consensus and to communicate better, only 37% of companies seem to have improved the understanding of the strategy by the employees after the implementation of a BSC. Is that what this is related to the setting up of false BSC? Or to a lack of managerial relations intense around the BSC? Here, we find one of the criticisms of the DPO. It does not give targets or even information if the strategy is known.
According to a study conducted by Lingle and Schiemann (1996), financial indicators are by far the most important for managers, despite the rhetoric.

References

[1] Bartoli, A."Le management dans les organisations publiques", Dunod, collection Management Public,2ème édition, pp.14-19
[2] Jean Paul BAILLY, (2004)."How to increase performance by a better, Management", Pangloss, No. 35, May 2004, www.fnep.org.date accessed: 15/02/18.
[3] Robert S. Kaplan and David P. Norton, The Balanced Scorecard, Éditions d'Organization, 2003. Berland, N.(2009). "Mesurer et piloter la performance", E-book, pp.113-177, 188p.
[4] Lingle J. H., Schieman W. A. (1996) "From Balanced scorecard to strategic Gauges : Is measurement worth it ?" Management Review, vol. 85, n°3,March. pp. 56-61.
[5] Lorino P.(2003). "Méthodes et pratiques de la performance: le pilotage par les processus et les compétences.", Paris, Edition d'organisation, 3ème édition, pp. 129-137, 519p.
[6] Louis H. (2004) "Earning management and the market performance of acquiring firms", journal of financial Economics, Vol.74, pp.121-148.