

BALANCED SCORECARD - SYNTHETIC MODEL FOR ANALYZING THE ECONOMIC-FINANCIAL PERFORMANCE IN THE ROMANIAN CLOTHING INDUSTRY

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Abstract.

The present study undertaken is assigned to the Balanced Scorecard tool, an innovative concept that allows management to first identify the vision and strategy of the company which is subsequently transposed into performance indicators. We appreciate that the Balanced Scorecard contributes to facilitating and improving the management process by providing the company management with an innovative and integrated performance evaluation model. The result of the research highlights the construction of a Balanced Scorecard in the Romanian industry of the clothings that offers to the management bodies a new model of evaluation and diagnosis of the activities carried out by the companies. The creation of the Balanced Scorecard is considered useful to all stakeholders who have contacted the Romanian clothing industry because it offers an integrated view on the activities carried out by the company regarding the application perspective, the strategic objectives pursued and the indicators necessary for the analysis.

Keywords: *Balanced Scorecard, economic-financial performance, clothing industry, perspectives*

JEL: *M41, L67*

1. INTRODUCTION

The challenges of globalization in the current economic context, reflect the need for stakeholders to adopt strategies for reorganizing the clothing industry in Romania based on the principles of economic competitiveness, in order to increase the performance in a competitive environment, where the Business Standards are rising in order to meet the demands of the clients - members of the European Union.

The clothing industry in Romania, as a branch of tradition and of major interest in the national economy, was transitioned by the global economic crisis, started at the end of 2007 and which continues to be affected by the crisis of the skilled workforce that the sector of activity faces. The two crises found in the analysis of the industry, affect the economic progress of Romania due to the negative consequences installed in the system, which require its improvement in order to respond to the requirements proposed by the customers and at the same time opening up to the challenges for attracting new customers, through the recovery mechanism that involves the identification. an action plan to solve the difficulties that diminish the cash flows of the companies.

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I think that the clothing industry in Romania needs to be studied, through modern methods of financial performance analysis, through which new horizons can be opened to stakeholders interested in the economic growth in the analyzed sector. In this context, we propose the use of the Balanced Scorecard, as a strategic system of performance planning and management, useful to the stakeholders in the activity of tracking the execution, control and monitoring of the activities. Therefore, the scientific approach of high importance is considered appropriate in the analysis of the economic performance in the Romanian clothing industry due to the relevance of the accounting information.

2. LITERATURE REVIEW

In the study undertaken by Christophe Germain (2003: 262), the term Balanced Scorecard represents one of the most important managerial concepts of this century. Etymologically, the term "scorecard" implies the measurement of performances that can be quantified, while "balanced" illustrates that the system must have a balance, since it must take into account the following: medium and long-term objectives, financial and non-financial measures. financial, a set of specific indices, as well as internal and external performance.

For the analysis of the performance at the sector level we propose to study it through the strategic planning tool - Balanced Scorecard (BSC), developed by Robert Kaplan and David Norton (1-15) in 1992. This is defined as a management system that allows companies to establish their own visions and strategies. Its application helps to form an opinion on internal business processes and external results, in order to continuously improve the performance and results of the company. (Margarita Ișoraitè, 2008: 19)

According to another opinion, the Balanced Scorecard (Meena Chavan, 2009: 393-396) is viewed as a description of a company's activities through a series of measures that relate to the current performance of the business or its objectives for the next period.

Raul Leon-Soriano, Maria Jesus Munoz-Torres and Ricardo Chalmeta-Rosalen (2010: 249-268) found that the Balanced Scorecard has a high potential to integrate environmental and social aspects into the general management system. Following this finding, these authors concluded that the Balanced Scorecard is not only a tool for formulating strategies, but also serves to describe a consistently existing strategy in order to improve its execution.

The purpose of the Balanced Scorecard, according to the authors of the Slovak Republic (Lubica Lesáková, Katarína Dubcová, 2016: 40), is to direct and assist management and change in support of the long-term performance strategy. Therefore, the Scorecard reflects the company's strategies and acts as a catalyst for bringing the "change" element into the business.

To analyze the meaning of the BSC, as a measurement system, we present how it is organized through its four different perspectives (Ricardo Corrêa Gomes, Joyce Liddle, 2009: 355) which provide the answer to the following questions (George Giannopoulos, Andrew Holt, Ehsan Khansalar, Stephanie Cleanthous, 2013: 5-6):

How do we see our stakeholders?

The financial perspective measures revenue growth, return on investment and cost reduction by collecting financial data and reviewing the company's performance based on financial performance (Zolfani Sarfaraz Hashemkhani,

Abdolhamid Safaei Ghadikolaei, 2013: 696-714). In addition, it also refers to the financial point of view of a company as it is presented to the stakeholders and whether the strategy, implementation and execution within the company contribute to the improvement of the basic process;

How do we see our customers?

The customer perspective focuses on the customers' opinion about the company and how it wants to be seen by its customers. Customer satisfaction is a priority for many companies today, when the business environment is competitive and can also act as an important indicator of performance. Customers usually have four main concerns about the product or service offered by a business: time, quality, performance, services and costs. Therefore, the company must align its objectives with these four elements and subsequently transform these objectives into specific measures;

What you need to excel?

The internal processes perspective generally identifies the most efficient processes, so that the company achieves high efficiency of its objectives. These can include both short-term, long-term goals and the inclusion of process development and innovation to stimulate improvement (Zeynep Tuğçe Kalendera, Özalp Vayvay, 2016: 78). This process focuses, for the most part, on the activities that the company performs for the satisfaction of the clients;

Can we continue to improve and create value?

The learning and development perspective focuses on the capabilities and abilities to which the company must excel in order to achieve superior internal business processes that create value for stakeholders. Some of the performance enhancement measures that could be used to measure learning and development include employee education, skill level, employee satisfaction and retention rate.

By analyzing the benefits of the Balanced Scorecard, we find that researchers' opinions have been deepened with the passage of time. In the initial conception of BSC (Robert Kaplan, David Norton, 1992: 1-15), the main benefits are to help companies develop and implement efficient business strategies. In 2004, William Casey and Wendi Peck (2-3) consider that through Balanced Scorecard companies offer managers a deeper perspective on business operations and different ways of creating value. On the other hand, Dag Øivind Madsen and Tonny Stenheim (2014: 81-90) argue that BSC has an overall positive effect on the company's performance, but notes that not all aspects of the model are beneficial, as there are situations where it hinders the performance. Following the investigations, the researchers observed different results of the Balanced Scorecard due to the fact that this model is still under development. Therefore, I found that some problems appear on the model. In addition to the one presented, in the critical analysis of the BSC, there were also some disadvantages of the model that refer to its rigor and that it is a difficult instrument to implement (Dag Øivind Madsen, 2016: 77-78).

3. BALANCED SCORECARD OF THE CLOTHING INDUSTRY IN ROMANIA

Constructing a strategic map is essential for achieving the proposed goal. Therefore, in table no. 1, we present according to the 4 specific perspectives: financial, clients, internal processes and learning-development, the cause-effect relationships between them. For the 4 perspectives within the limits of the

knowledge and research conducted in the field, we select the most representative indicators for the clothing industry in our country that we group according to the four aspects of the Balanced Scorecard. We also choose the factors that significantly affect the competitive performance, and finally we establish the recommendations.

Table 1 Balanced Scorecard on the clothing industry in Romania

Perspectives	Objectives	Measures / Performance indicators	Target (T) / Coefficient of importance	Action plan (PA)
Financial (F)	F1. Increase in turnover F2. Utilization of assets and increasing profitability F3. Creating values F4. Cost reduction and productivity improvement F5. Risk reduction	F1.1. Increased sales F2.1. Return on invested capital F2.2. Earnings before interest, taxes, depreciation and amortization - EBITDA F2.3. Earnings before interest and taxes - EBIT F3.1. Return on investments F3.2. Return on equity F3.3. Net cash flows F4.1. Profit from sales F5.1. Unit costs	TF1. 15% TF2.1. 10% TF2.2. 5% TF2.3. 10% TF3.1. 8% TF3.2. 7% TF3.3. 10% TF4. 25% TF5. 10%	PAF1. Introducing a financial optimization plan
Customers (C)	C1. Increasing market share C2. Contracting new customers C3. Loyalty of current customers C4. Satisfying customer needs C5. Increasing customer profitability	C1.1. Income C1.2. Market share C2.1. Customer portfolio C2.2. Sales to new customers C3.1. Customer loyalty C4.1. The degree of customer satisfaction C5.1. Productivity or profitability of customers	TC1.1. 20% TC1.2. 15% TC2.1. 15% TC2.2. 15% TC3. 10% TC4. 15% TC5. 10%	PAC1. Introducing a program to establish customer loyalty
Internal processes (PI)	PI1.1. Increasing the diversity of models and mass customization PI1.2. High quality production PI2. Processes to improve efficiency PI3. Receiving timely deliveries PI4.1. Productivity PI4.2. Flexible	PI1.1. Number of different and complex models PI1.2. The number of new models PI1.3. Orders for new clothing collections PI2.1. Purchase time PI3.1. Timely delivery report PI4.1. Sales of manufactured clothing products PI5.1. Response time for service calls	TPI1. 20% TPI2. 20% TPI3. 10% TPI4. 35% TPI5. 15%	PAPII. Increase the portfolio of manufactured products PAPI2. Introducing new quality specific indicators

	production <i>PI4.3.</i> Efficient planning <i>PI5.</i> Sales and marketing activities	<i>PI5.2.</i> Standard costs <i>PI5.3.</i> Number of visits to current customers <i>PI5.4.</i> Participation in fairs and fashion exhibitions		
Learning and development (<i>ÎD</i>)	<i>ÎD1.</i> Innovation <i>ÎD2.1.</i> Employee skills development <i>ÎD2.2.</i> Efficient communication <i>ÎD2.3.</i> Satisfying the requirements of the employees <i>ÎD3.</i> Technology improvement <i>ÎD4.</i> Establishing and improving relationships with suppliers	<i>ÎD1.1.</i> Investments in research and development <i>ÎD2.1.</i> Training for employees <i>ÎD2.2.</i> Management meetings and meetings <i>ÎD2.3.</i> Number of employees able to work at several workstations <i>ÎD3.1.</i> Expenditure on new technologies <i>ÎD4.1.</i> Supplier's report of specific materials for clothings	<i>TÎD1.</i> 20% <i>TÎD2.1.</i> 15% <i>TÎD2.2.</i> 10% <i>TÎD2.3.</i> 12% <i>TÎD3.1.</i> 28% <i>TÎD4.1.</i> 15%	<i>PAÎD1.</i> Optimization of research and development <i>PAÎD2.</i> Staff motivation

(Source: Own processing based on the research carried out)

The presentation of the Balanced Scorecard in the clothing industry in Romania was achieved on the basis of 24 objectives which correspond to 32 performance indicators specific to the 4 perspectives. We interpret the table no. 1. as a picture that presents the management system for the clothing industry in Romania, in its own order of prioritization. The financial axis presents objectives that are based on increasing and improving productivity on the one hand, and on the other hand reducing spending. We consider these objectives to be the most representative for the study of the financial performance of the Romanian companies in the clothing industry. The indicators that the financial objectives are focused on increase the turnover for the increase of sales, the use of assets for the most efficient use of stocks, receivables and money availability, to reduce the financial risk by ensuring the sustainability of the companies in the industry.

The second perspective in the BSC analysis is the one called clients. In the Romanian clothing industry, the capacity of the companies is limited due to their relatively small size, which leads to a low production with a limited number of customers. Romania is among the largest textile-producing countries in the world, having important clients due to the cheap labor force it has. In this way, Romanian clothing companies often refuse local customers to the detriment of external ones. The strategic map of the clients presents the optimal ordering which is based on maintaining the clients and contracting the new clients in order to establish the financial balance. With the advent of new customers, companies will be able to develop their market share, sales revenue and profitability. On the other hand, it is necessary to satisfy and maintain current customers, objectives that we believe can be achieved by diversifying the production area. The specific indicators of the clients from the Romanian environment of the analyzed industry aim to increase the profitability through the sales of manufactured products, keeping the customers and adapting to the market needs.

If we refer to the perspective of internal processes, which is specific to the Balanced Scorecard in the Romanian clothing industry, we can say that productivity is the key word for success. The objectives of this perspective together with the indicators on which they are based include the optimization of the production processes, the diversification of the fabrics made in relation to the needs and needs of the customers, the verification of the garments so that they comply with the standards imposed by the customers, the delivery on time and in the best conditions. of the goods. These are just some of the important points that need to be reached in the internal process. Sales activities and marketing through promotion help in contracting new customers, in order to increase the market share and sales. Therefore, we believe that the strategies of the internal processes of the garments in Romania can improve the performances of the companies, even internationally, by presenting the manufacturing offer at the fairs.

Adaptability to market and customer conditions is a condition to which the Romanian clothing industry must be subject. Thus, the objectives of the learning and development perspective, present the development needs, for which the companies in the analyzed industry put the need for innovation on the first line, which is directly related to the manufacture and the quality of the products. In the innovation, it is necessary that the managers in the clothing industry do not neglect the importance of staff development through periodic training and refurbishment of work equipment. The well-developed IT systems that together with all the personnel, management, suppliers, technology contribute to the objectives proposed by the company are also contributing to the performance analysis, in order to avoid unnecessary leakage of resources.

In order to establish a complex framework of the Balanced Scorecard model for the Romanian clothing industry, we unanimously accepted, we compose the strategic picture in figure no. 1 based on the table no. 1, for a BSC presentation in a systematic, simple and easy to understand approach.

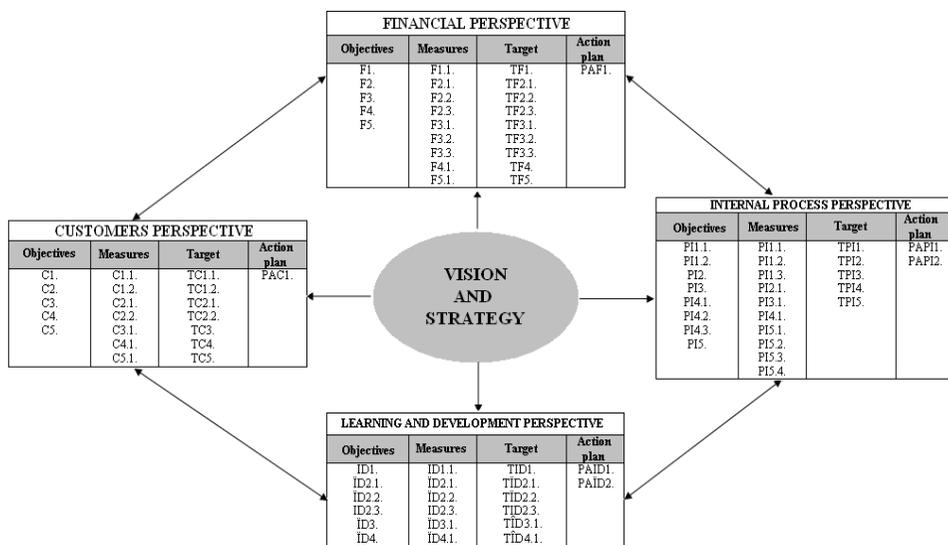


Figure 1 - BSC dashboard of the Romanian clothing industry
 (Source: Own processing based on Table no. 1)

As can be seen in table no. 1, the 4 cumulative perspectives have the same weight of the coefficients of importance, namely 100%. We deduced the need to establish them according to the objectives and the performance indicators proposed to establish their priority, in order to improve performances in companies in the Romanian clothing industry. We note that the score is one of its own, depending on the importance of the exposed indicators that have been adapted to the conditions of the Romanian market and the clothing industry. We believe that the higher the score, the better the company. It is preferable for companies to adapt their needs according to their own interests or, if they do not want to develop only a part of the factors presented in the Balanced Scorecard analysis, in the end they will reach a lower performance than those obtained. taking into account all the factors involved. In addition to the target of each perspective, the framework for Balanced Scorecard presents the initiatives that can be taken to increase the performance of the analyzed industry. The precise purpose of the action plan proposed in table no. 1 is based on the quantification, monitoring of the application and the fulfillment of the described objectives. It is preferable that when the management chooses to apply certain strategies, they should consult the proposed general action plan in advance or even draw up the BSC for the company concerned, so the company could establish its own development strategies.

4. CONCLUSIONS

The considerations of this analysis by applying the Balanced Scorecard method in the clothing industry in our country are useful, because of the concise picture that presents several advantages for substantiating the decisions of the stakeholders.

The analysis of the economic-financial performance offered by the synthetic model Balanced Scorecard was made on the basis of the 4 perspectives: financial, clients, internal processes and learning - development. For these perspectives I surprised about the clothing industry in Romania - the main objectives, the current situation and the action plan. Finally, based on the findings, we consider that companies in the clothing industry need to develop strategies that will be easy to implement in order to survive in the competitive market. The sector analyzed as we have seen from the various evolutions presented in the paper is subject to the competitive pressure, therefore the analysis "quality-price" proved more important than the analysis "cost-price".

We consider that, in implementing the strategic objectives at the company level, it is necessary to respect common principles - transposing the strategy through the operational management, making the strategy a continuous process, making the strategy become the object of the work of each employee, aligning the organization with the strategy , the transposition of the strategy into functional terms. Therefore, the company can define its mission according to the objectives pursued and awaits the expected results in order to obtain the information necessary for the future management.

Finally, we can say that the clothing industry represents for Romania one of the key sectors of the national economy, which presents a need for permanent review and adaptation to the changes in the financial market.

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