

# THE ROLE OF MANAGEMENT INSTRUMENTS FOR THE EVALUATION AND MANAGEMENT OF ACTIVITY IN A GLOBAL COMPETITIVE ENVIRONMENT

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**Abstract:** : The management of any economic entity is subject to a pressure related to information in the conditions of a rapidly changing market. It should become a priority the use of instruments that provide relevant information in a timely manner, and the decision making process should rely on them at all hierarchical levels. A viable connection between the forecasts and action plans of managers and the results of real activity is accomplished by the dashboard. Its conception and design require attention to the differences of information it contains and produces, according to the needs of managers and the manner in which they use the data. The management of an organized system, for which the target is to obtain excellent results, must have steering instruments, including the scoreboard that is characterized by the fulfillment of the four functions: information, warning, evaluation and decision-making.

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## 1. INTRODUCTION

In the contemporary economic system, each entity patrimonial feels the pressure to achieve performance, under a more rapid movement of information that determines rapid changes in the social behaviors.

To resist on the market becomes the "touchstone" of any manager, conditioned by its ability to possess useful information, to design instruments for the interpretation of this information and to make decisions accordingly. Thus, the relevance of data analysis methods that characterize the managed system is seen in the light of adaptation to the needs expressed by the manager and the manner in which he uses the data which are accessible to him.

For these reasons, the management control is imposed as an organized support system of managerial decision and it is applicable in all types of structures, especially decentralized ones.

From the perspective of the modern concept of management, management control system is defined as a set of procedures to be undertaken in order to achieve the objectives in an effective and efficient manner. The subsystems that make up an enterprise have autonomy in their evolution, but only through the management control

system the economic entity can achieve the coherence and harmony of its goals at all times. Several conditions must be fulfilled:

- a. each operational manager should have the necessary knowledge and decision-making capacity for the subsystem he is responsible for;
- b. general management should permanently have information on the current state and probable development of each subsystem, necessary for developing synthesis at enterprise level;
- c. periodic review of overall objectives, correlated with the evolution of external conjuncture and the company's situation in relation to the previous objectives.

## 2. MANAGERIAL INSTRUMENTS FOR ACTIVITY EVALUATION

The responsibility of managers at any level requires both the conception and implementation of management control system. They develop instruments for analysis and control used in the three phases involved by the use of a management control system:

- planning - targets, strategies and action programs are established and necessary information are communicated to the others managers;
- management - the action is carried out, the manager monitors and coordinates the compliance with the projections made in the plan, programs, budgets. Provides real-time data collection and transmission in a form processed by the operating system (feedback) and to higher hierarchical level (depending on the information needs);
- control - involves measuring and analyzing performances, according to certain standards and control regulations, and taking corrective action. The next planning cycle is initiated based on the information obtained in this phase.

Development of a management control system able to ensure that the decisions made are effectively and efficiently followed by the desired effect (profitability, yield, productivity) must meet certain requirements:

1. thorough knowledge of the real performances of the company and its various components;
2. knowledge of benchmark performance in the field, so to be able to compare them with the actual performance;
3. availability of means allowing confrontation as well as realization of corrective measures.

One of the instruments used successfully by the management control at any managerial level is the scoreboard, encompassing some relevant information which is the basis of decision-making processes.

The scoreboard "is the information system which focuses the attention of those responsible on the key points to follow to remain masters of action." Based on data contained in the budget, but in addition to them, the scoreboard ensures the connection between planning, control and corrective decisions through the information and indicators, provided constantly and timely to the top manager.

The design of a scoreboard takes into account the specific information needs and the complexity of the effects that a decision made by the user/manager, but it must meet four important functions:

- the information function of the manager on the status of system managed by him;
- warning function on unfavorable situations or deviations from expected norms;
- evaluation function of the results obtained in achieving the objectives and the quality of decisions adopted and actions initiated for making them operational;
- decision function, generated by transmitting the relevant information to managers at the various hierarchical level that allow the foundation and adoption of appropriate decisions.

In conceiving the scoreboard some differences may emerge in terms of content, quantity and quality of information, depending on the management level using it.

Thus, there is a positioning at extreme of the scoreboard for strategic management compared to that of the scoreboard for operational management, in the sense the former has a larger scope, a smaller number of indicators, expecting a greater time of response. The second is smaller scope (only in the specific domain), a large number of indicators (all information characterizing the operative activity), expecting a shorter time of response (almost immediately).

### 3. ORGANIZATIONAL ENVIRONMENT IMPACT ON MANAGERIAL DECISION

Regardless of the version in which is manifested, the scoreboard has the same qualitative requirements, listed below:

Table no. 1

❖ rigorous	It includes rigorous information, focused on highlighting the real economic phenomena and real-time transmission of information necessary to complete it;
❖ consistent	It contains relevant information, synthetic and accurate regarding the domain managed;
❖ synthetic	It holds information with different degree of aggregation, depending on the hierarchical position of the beneficiary;
❖ accessible	It facilitates understanding and timely and complete use of information;
❖ balanced	It highlights the information on the economic, social and managerial phenomena and processes, in proportions that reflect their share in the field under research;
❖ adaptable	It can change according to changes in the company or its management activities;
❖ economic	This particular situation is given by the superiority of effects compared to the efforts necessary for the design and use of a scoreboard.

*Source: author's own projection*

Preparation and presentation of the scoreboard depends on the ability of selecting the relevant information where the priority should be efficiency, more precisely the relevant information which is supporting the action.

A common deficiency in the design of a scoreboard is that managers bring to the fore the amount of information (the effect is calming) and accuracy (which extends the obtaining of information).

In designing the scoreboard is required to identify the level for which it is used, strategic or operational, and to shape the informational content determined by the answers to the following questions:

- Who benefits from the information contained in the instrument panel or generated by it?
- What content should the scoreboard have to be useful in decision plan?
- When is required to obtain output information?
- Where should be transmitted the information from the scoreboard and where are they used?
- How will the output information be used and how many people will use them?

Thus, essential differences can be observed between the content and format of the scoreboard meant for the senior management and the one dedicated to those responsible for operational centers.

Thus, a strategy of the enterprise is formulated in a first phase of the elaboration of a scoreboard, defining its mission, with pointing out the goals, key success factors, action plans and responsibilities. Those are determined based on an analysis of external and internal environment of the enterprise, with its strengths and weaknesses.

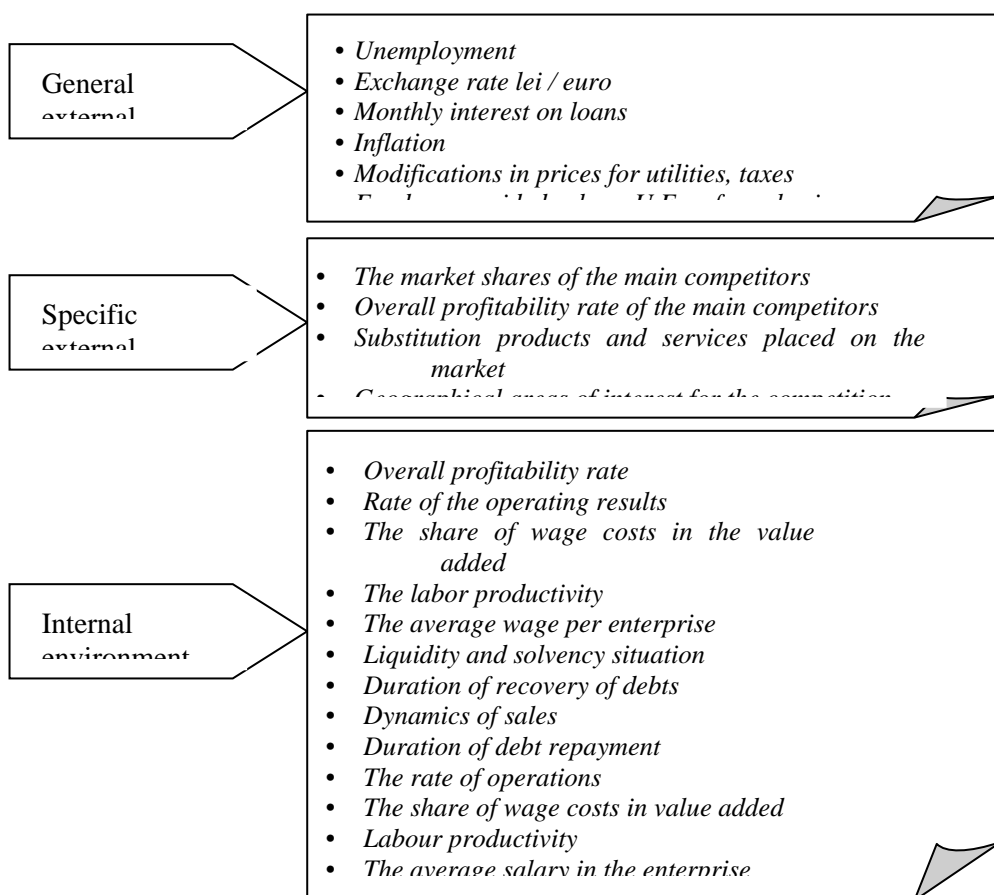
The information requested and processed refers to the three environments of the enterprise for which certain indicators are monitored (Figure no.1).

Given the computerized data processing, the strategic management score board must be able to generate presenting these indicators in graphical form or in the form of reports, which can be:

- Scheduled reports, made at deadlines, required by managers daily, weekly or at limitation periods used in operational decisions;
- Reports on demand, to cover the spontaneous necessities of information;
- Exception reports, which indicate only the cases out of control;
- Periodic reports, useful in decisional planning, which allow simulations of possible situations conducted based on statistical modeling programs.

The second phase, implementation of the scoreboard, is done in conformity with the organizational structure. In each responsibility center is designed a scoreboard, which is connected with the strategies and responsibilities defined upstream concerning the objectives, key factors, action plans and indicators.

Each indicator has a standard with which it is compared, in order to evaluate the deviations between the action performed and the standard action (draft).



Source: author's own projection

Figure no. 1 Information contained on the scoreboard of strategic management

#### 4. CONCLUSIONS

Scoreboards used by managers of the operational centers are organized on the principle of hierarchy:

- each responsible takes into account the scoreboard indicators defined at central level and indicators specific for its level of activity;
- strategic indicators are reporting indicators that ensure the coherence of strategy;
- operational activity indicators are elaborated by the responsible in charge and his team and are intended for its exclusive use.

At the same time, in each responsibility center, the managers aim to determine the performance indicators, which are relevant to those involved, fast obtained, comprehensible and easy to interpret. To obtain a measure of performance for each activity and service of a company in the elaboration of a scoreboard the following steps are compulsory:

- a) exact definition of the minuses of the responsibility center that is managed;

- b) extracting the key factors for which performance is expected;
- c) establishing the parameters in which these key factors are falling;
- d) identification of performance indicators.

Scoreboards developed for the responsibility centers include their entire activity, following a unitary model of analysis through which the results of a work from a period is compared with a benchmark

When using a computerized system for processing the input and output data, the content and presentation of a scoreboard is adapted so that trends and relevant movement indicators will be highlighted.

The frequency of preparation and analysis of a instrument panel should be adapted both to the decision and reaction horizon of the center of responsibility and the possibilities to access and interpret the information necessary for the calculation of indicators. Scoreboard includes two distinct categories of indicators, namely:

A. indicators of activity, defined as static sizes for a given period, characterizing either a level of resource consumption or a quantification of the activity;

B. Indicators of performance, which analyze the activity, calculated as a ratio between two indicators of activity, and show its quality.

The essential role of the scoreboard is to provide information and alerts on constant deviations for the responsible manager and the rapidity of decision and execution are qualities that allow assessing this managerial instrument of control.

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