UTILIZATION OF „BALANCED SCORECARD" MODEL FOR BUSINESS PERFORMANCES ANALYSE OF AGRICULTURAL EXPLOITATIONS
MODELUL „BALANCED SCORECARD" INSTRUMENT PENTRU ÎMBUNĂTĂȚIREA PERFORMANȚEI ÎN AFACERI A EXPLOATAȚIILOR AGRICOLE

S. BREZULEANU[1], CARMEN OLGUȚA BREZULEANU[1]

[1]University of Agricultural Sciences and Veterinary Medicine of Iaşi, Romania; stejarel@uaiasi.ro

Abstract: *Concept „Balanced Scorecard" (BSC) is based on mainly economic aims and proposed a series of targets grouped on four categories: finance, customers, internal processes, and development/potential. All the gathered data, all the measurements and analyses effectuated are presented from these four perspectives. In other words, this approach of strategic management will help the agricultural exploitations to fulfil the targets, being focused not only on financial results but also on customers and employees. The great advantage provided by BSC face to the business classical concepts is the one that together with recognition of the problems which could appear at agricultural exploitations, the system permit also the identifications of some solutions or an action plan to cover more non-financial performance indicators. Model Balanced Scorecard applied at S.C. Agrocomplex S.A. Bîrlad, Vaslui County, present, after the done analyse, the structural stability of the income, in the way of concentration of a great part of incomes in the exploitation ones. This competitive advantage of the firm leads to a decrease of the instability of selling, nowadays the firm controlling a great part of the market at the level of Vaslui County.*

Keywords*: performance, management, Balanced Scorecard, S.C. Agrocomplex S.A. Bîrlad*

INTRODUCTION

BSC model offer the possibility to discuss the strategy from the stage of its development. The realisation degree of the strategy will be increased function of targets, measuring units and action measures. It is avoided the disproportionate emphasis put only on the financial perspective. Measure units and targets will be quantified with strategy controlling, so the BSC

model will have a strong implication on indicators system. Performance indicators are created to support the identification of targets and to measure the results in the critical areas to achieve the strategy. Concept Balanced Scorecard supports the strategic planning and implementation through coordination of the activities of the all parts of exploitation on a mutual objective and through creation of an evaluation instrument and also by improving the strategy.

Nowadays the largest agricultural exploitations faced with an environment where emphasis is on information, use modern technology and quality in serving the consumer. So, in an increasing competition, agricultural exploitations are looking for new resources and methods to reaffirms its own market position. There is a growing receptivity to higher new management tools, and the method of obtaining profit is as important as the profit itself.

MATERIAL AND METHOD

To achieve the papers' aim was called the case study as a major research strategy and in analyzing the performance level of the company to use the Balanced Scorecard model. For data collection and analysis were used qualitative research techniques and specific tools, analysis of internal documents, published articles and unstructured interviews with employees of the company S.C. Agrocomplex S.A. Bîrlad.

RESULTS AND DISCUSSION

Current performance.

S.C. Agrocomplex S.A. Bîrlad is situated in the S-V part of Vaslui County, in Bîrlad Plateau, with the headquarters in Bîrlad city, 7 Tecuciului Street, an area with favourable climatic and soil conditions for most crop plants.

S.C. Agrocomplex S.A. Bîrlad is part of RACOVA COM-AGRO-PAN Vaslui holding, company which occupies an impressive position in the business environment in Romania, and included eleven privately owned companies that carries out diverse activities in the following areas: agriculture, food industry, trade, tourisms and services industries. Agricultural production is done in 11 vegetable farms operated almost 9200 hectares of agricultural land and in one vineyard farm which stretches over an area of 100 ha vineyard. Livestock sector is the card of the company by

two livestock farms, Badeana and Pogonesti, with 1000 cattle heads where 495 heads of dairy cattle, Badeana farm being recognized as one of the most modern farms in the country. Following the implementation of a comprehensive infrastructure investment program in both farm and acquisition of higher genetic material, Badeana farm corresponds fully to EU standards.

Currently, the company has lease contracts on 99% of cultivated area, which is currently 9175 ha of the farm distribution according to Fig. 1.

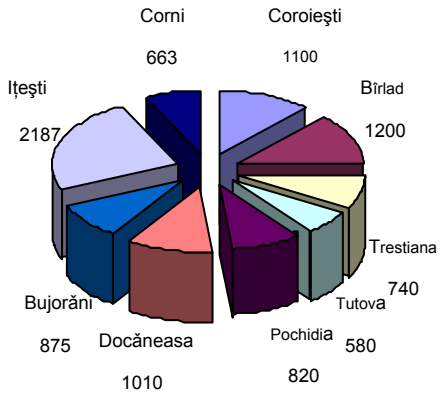


Figure 1. The structure of cultivated land in the S.C. Agrocomplex S.A. Birlad

Development and economic status of the holding is conditional on the degree of attraction of the economic cycle, their quality and efficiency with which mainly attracted exploit resources, i.e. inputs. Economic efficiency is a complex category that touches on all aspects of social and economic life.

Management system involves combining the functions of forecasting, organization, coordination, training and monitoring-evaluation, so the farm to obtain the best economic and financial results and to operate in terms of efficiency.

Outlook is a somewhat neglected component in case of S.C. Agrocomplex S.A. This has produced forecasts and plans and has established a mission or a different strategy with objectives and goals.

Staff resources from S.C. Agrocomplex S.A. are professional staff and the total number of employees is 360.

In search of success, performance management using a variety of models, techniques and methods, some taken from other systems and improved and some original ones more focused on strategy and differentiating elements that provide a strong competitive advantage (**1**). A major concern of managers and specialists from SC Agrocomplex SA over time was to obtain clarity on organizational and strategic alignment to a direction so as to regain the business vision translated into action. This can be achieved by using a model of excellence in business called the Balanced Scorecard. This model was introduced in modern management science by Robert Kaplan and David Norton (**2**) as "concept designed to measure an organization's activities in relation to its vision and strategies". Translated into Romanian as the **balanced score sheet** or **balanced scoreboard**, this concept provides managers a comprehensive picture of performance of a business. Balanced Scorecard offers a number of objectives grouped into four categories: financial, customer, internal processes and development/potential. According to the methodology developed from S.C. Agrocomplex S.A. strategy was identified strategic goals for each situation, and degree objectives is measured using selected indicators. To ensure accuracy of the information on achievements in the fields of vital activity S.C. Agrocomplex S.A. indicators are defined as monetary and non-monetary, e.g. concern is customer satisfaction, functionality of internal processes or innovation. From this perspective, the BSC is a management approach, which can be run from S.C. Agrocomplex S.A. definition and monitoring of strategic indicators, flexible and effective. BSC objective is to provide leadership of S.C. Agrocomplex S.A. and employees of a firm picture of the development and main areas of responsibility. Determine such indicators are not the only one size set, but a complex system of mutual dependence. Underlying indicators of Balanced Scorecard model can be separated in a first stage in **early indicators** and **later indicators**. Early indicators are used at the beginning or at an early stage of a process. They measure those processes, which today must determine with certainty the profit or cash flow that the company will have over five years. Late indicators are calculated at the end of a process and show a retrospective approach in which the process was far better or less well managed. Examples of such indicators are: turnover, "Cash flow", profit, and production cycle, return on investment, staff satisfaction.

In the second stage of analysis BSC indicators are delimited according to management priorities S.C. Agrocomplex S.A. in four categories corresponding to the four dimensions of the classic model: a **customer perspective**, the **perspective of business processes**, **employee perspective** and **financial perspective**.

The four perspectives of BSC classic model applied to the S.C. Agrocomplex S.A. are listed below.

Customer perspective: What expectations can create their customers if the strategy is implemented successfully?

In the centre of S.C. Agrocomplex S.A. customer perspective is the fulfilment of desires and expectations. Among the major factors affecting the future success of S.C. Agrocomplex S.A. include customer satisfaction, their loyalty and conquest new customers. In the context of intensifying competition among organizations, intangible values (image, customer satisfaction, customer loyalty) have become essential for all companies in the wine sector. Indicators for clients perspective should reflect the client's point of view on S.C. Agrocomplex S.A. Above mentioned indicators can be supplemented by a number of other indicators: win new customers assigned to interest groups, the percentage of deliveries at term, the amount of total deliveries, waiting time at the conclusion of the contract, listing the name of S.C. Agrocomplex S.A. frequency in the press, radio and television, the number of articles in the press, the number of visitors to special exhibitions, the number of sponsorship.

Perspective of processes: In this regard, the question is formulated as: What processes should be improved to satisfy customers? Processes in S.C. Agrocomplex S.A. is considered to begin work in the vineyards technology, and end once with obtain and delivery of different types of wine to customers by submitting to the provisions of company strategy. The production is made mechanically on compact surfaces, disposing of the high-performance machines together with all due power range of agricultural machinery: sloppy, fertilizing, tillage, sowing, pest and disease control, etc. The design requires a scorecard to identify those critical processes that influence customer satisfaction and financial targets permanent S.C. Agrocomplex S.A. Relevant indicators of this dimension may be: the production cycle, production costs, raw material costs, the number of hierarchical levels every 100 employees, the prevalence of external periodic report of the company.

Employee perspective. Appropriate indicators give a perspective on employee skills and potential employees and the use of information technology. They generally have long term significance and for this reason are very important. Example of late indicators relevant for perspectives employees are: employee satisfaction employee loyalty, employee productivity, and early indicators are: employee training, proposals for improvement from employees, setting and reaching goals with employees, team effectiveness, informal infrastructure (information and communication flows).

Financial perspective. What financial results can be presented to shareholders in circumstances in which the strategy is implemented successfully? The financial perspective is the most important perspective of BSC. A feature of the BSC approach (**3**) taking into accounts both the current data and the future, to identify problems early. It describes the long-term objectives S.C. Agrocomplex S.A. in terms of profitability, increased turnover, increased productivity, reduced costs, etc. For Balanced Scorecard should be chosen only those indicators that provide a strategic significance. Financial indicators refer specifically to: liquidity, profitability and stability but can be supplemented by income, return on equity, return on turnover, "cash flow", increased turnover, the percentage of new products in turnover (**4**).Financial analysis shows how to achieve financial balance and short-term objective analysis based on the balance sheet (Table 1, Table 2).

Indicators of profit and loss account

Table 1.

Indicators	2006	2007	2008	2009
Turnover	31.950.029	30.404.427	45.730.217	39.892.881
Total income	38.617.868	40.987.136	62.550.775	58.281.483
Total expenses	38.187.648	39.999.345	56.144.475	54.316.371
Gross profit	430.220	987.791	6.406.300	3.965.112
Net profit	321.695	817.613	5.424.064	3.270.920
Number of employees	380	380	336	275
Turnover	31.950.029	30.404.427	45.730.217	39.892.881
Total income	38.617.868	40.987.136	62.550.775	58.281.483
Total expenses	38.187.648	39.999.345	56.144.475	54.316.371

Indicators of profitability

Table 2.

Indicators	2006	2007	2008	2009
Gross profit margin (%)	1.3465	3.2488	14.0089	9.9394
Net profit margin (%)	1.0069	2.6891	11.8610	8.1993
Return on equity before tax	3.5762	7.5850	36.7425	18.2300
Return of own capital before tax	2.6741	6.2783	31.1090	15.0383

So, during the agricultural society had investigated a positive development in terms of money compared to previous years. Financial management of agricultural society tends to maintain a financial balance and good liquidity. This positively affects the production activity and investment program. Technical equipment made in recent years is one of the key elements of the obtained results.

Although gives to managers of S.C. Agrocomplex S.A. information from four different viewpoints, BSC model minimizing the laden with information, limiting the number of performance measures used. It forces managers to focus on a set of measures which prove to be ethical.

Indicators of profitability

Table 3.

Customer perspective C1 Developing mass of customers C2 Customer loyalty C3 Image development	**INDICATORS** % of new customers Turnover from new customers Lost customer
Perspective of processes P1 Developing strategic segments P2 Developing innovative processes P3 Quality P4 Compliance with EU legislation in wine and environment preservation	Hectares planted with vines, valuable varieties Market share Litigation Claims
Employee perspective A1 Skills development A2 Company stability A3 Employee satisfaction	Increased employee turnover Knowledge of foreign languages at sales department Degree of resolution of complaints number of improving proposals
Financial perspective F1 Increased activity F2 Increase in operating profit F3 Compliance with capital recovery rate F4 Reduction of financial expenses F5 Improving operational performance F6 Reduction of indirect expense	Increased turnover Change in operating profit Change in financial expenses Resources/turnover under its own Indirect expenses/net turnover

Analysing of Table 3 is apparent that the BSC model brings together in one report, many seemingly disparate elements of a competitive level of S.C. Agrocomplex S.A: customer orientation, reducing response time, promoting teamwork, reducing launch new products to develop long-term management, etc.

CONCLUSIONS

Some of the major benefits that come with a successful implementation of a strategic performance management system based on Balanced Scorecard at S.C. Agrocomplex S.A. are: improves management by reducing costs and increasing productivity, allow the alignment of operational activities to the strategic plan, the visibility provided by the Balanced Scorecard supports decision making better and faster at the budget and control processes in the S.C. Agrocomplex S.A. This model offers individual and team merit recognition by facilitating the link between learning, performance and reward. Once the strategic planning process based on the Balanced Scorecard is completed, it must be constantly revised and updated to ensure relevance of the strategy in relation to all changes in internal or external environment. To achieve the desired results, it is necessary to identify specific initiatives and placing them in the strategic process. Initiatives are activities or projects with start and end dates defined, designed to translate organizational strategy into action.

REFERENCES

1. **ANDONE I.** (2009) - Measuring the performance of corporate knowledge management systems, Informatica Economica, Vol. 13, No. 4, pp 24-31.
2. **KAPLAN R. S. & NORTON D. P.** (1996) - The Balanced Scorecard: Translating Strategy into Action, Boston, Harvard Business School Press.
3. **KAPLAN R. S.** (2005) - How the balanced scorecard complements the McKinsey 7-s model, Strategy and Leadership, Vol. 33, Issue 3, pp.41-46.
4. **KAPLAN, R. S.** (2006) - Alignment: Using the Balanced Scorecard to Create Corporate Synergies, Boston, Harvard Business School Press.
5. Data from the balance of S.C. Agrocomplex S.A.