

MODERN INSTRUMENTS FOR FINANCIAL PERFORMANCE MONITORING

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Abstract:

The construction of a system for performances' analysis helps the solving of many enterprises' problems. This goal can be achieved through the use of the situations for performance monitoring.

Key words: *performance, measurement instrument, reporting, dashboard*

JEL classification: *M49*

The dashboard is a set of monitoring indicators, built on a periodic basis, dedicated to a person in charge, with the purpose to guide his decisions and actions to achieve performance targets.

The dashboard:

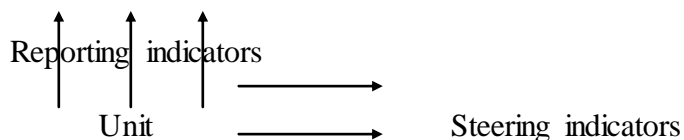
- allows for the control of management by highlighting the actual and potential performance and the malfunctions;
- is a medium of communication between those responsible;
- promotes decision making, after analyzing the significant values, and the implementation of corrective actions;
- can be an instrument monitoring to detect new opportunities and risks.

The structure and content of the dashboard depends on:

- the company, its business, its size;
- environment: market, competition, market conditions;
- the responsible employee to whom it is addressed: its field of responsibility and intervention.

The reporting is a set of performance indicators, manufactured a posteriori, periodically, to inform the hierarchy of the performance of a company. In the context of decentralized management, the reporting allows for verifying whether the centres of responsibility comply with their contractual obligations.

Hierarchical authority



Dashboard is a performance management tool, while **reporting** is a control tool.

Although there is not, by definition, a standard dashboard, there are rules concerning its structure and the quality of the information it contains that are applicable to all dashboards.

A. Development of the dashboard

The company develops a set of dashboards in line with the organizational chart:

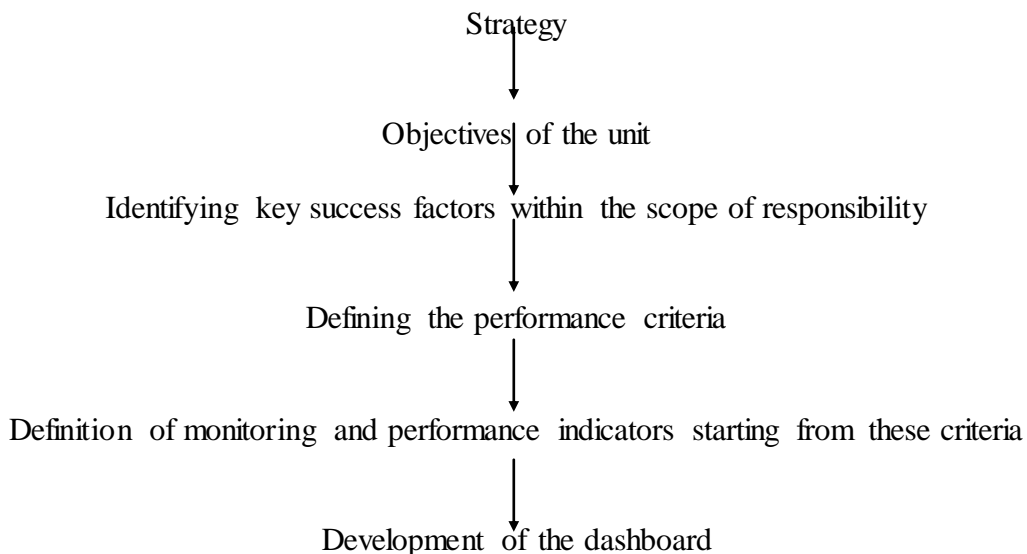
- the information contained in each dashboard refers to the scope of the responsible person;

- the dashboard of a hierarchical level includes a summarized the dashboard of a lower level.

B. Periodicity of the dashboard

The dashboard must be established with sufficient frequency to allow the person in charge to react in time. However, its frequency should not be too high, taking into account the reaction time (inertia) of the system in order to measure by indicators the impact of measures taken before any other reaction.

C. Methodology for developing a dashboard



D. Choosing the indicators

The difficulty of developing a dashboard is the selection of indicators from the mass of information provided by the accounting and management control systems. The dashboard consists of management indicators, in other words, a set of monitoring and performance indicators.

Example: The performance of a profit centre is assessed by a margin, a performance indicator; the indicators measuring the level of activity, the costs of the means used, the client satisfaction are monitoring indicators.

The indicators must be:

- pertinent: they must meet the needs of the person in charge to whom the dashboard is dedicated
- obtained quickly, in order to allow for taking corrective actions in due time. The fastness of obtaining the information is preferred over the accuracy of information;
- synthetic: the set of indicators must provide an overall and complete image of the company or of the area of activity of the responsible person.
- contingent: they must be suitable for the situation and expectations of the moment. Therefore, the dashboards do not have a uniform content, from one service to another, or from one moment to another, even if they must present a certain stability in order to allow for comparisons in time.

E. The dashboard form

The dashboard must provide a clear and significant structure.

The indicators can take the form of deviations (comparison between the results and the objectives), ratios, charts, or warning signals (values below or above which the responsible employee must intervene).

Analysis of a the dashboard- Applications

The company MODEM has a long experience in electronics. This company is particularly interested in telephony, which has an important place in its activity. The rather tough competition in this sector determines the management control service to monitor in particular the criteria related to time, cost of intervention and meeting the time limits stipulated in the contracts concluded with the clients .

At the beginning of 2011, many complaints filed by the clients who used the brand Philips referred to the failure to comply with the period of intervention stipulated in the contract. The company tries to detect the possible causes of this situation.

The timesheet and dashboard from December 2010 are the following:

Annex 1: timesheet from December 2010

Brand Philips		
Number of days worked		17 hours
Average presence time per day		8 hours
Workstations	Quantity of mobile phones repaired	Total time in minutes
Reception	2210	4 376
Initial inspection	2210	54 855
Repair (1)	2100	52 731
Final inspection	2100	6 235
Dispatch (2)	1890	3 840
Total		118 197

Annex 2: Excerpt from the monthly the dashboard

Monthly dashboard	December 2010	
Telephony activity	Interventions	
	SAMSUNG	PHILIPS
Client Relations		
Rate of return – client	3%	6%
Rate of compliance with the time limit	99%	60%
Measure of the activity		
Average intervention time in minutes	50	57
Number of interventions of the troubleshooting workstation	1800	2100
% of mobile phones rejected at the final inspection	7%	10%
Productivity		
Hours of presence	1720	2300
Productive hours	1600	2000
Hourly productivity rate	93%	87%
Profitability		
Average intervention cost	68	75

With the purpose of verifying the values indicated in the dashboard presented in Annex 2 for the elements related to the Philips brand, the following will be monitored:

- average intervention time for a mobile phone
- percentage of mobile phones rejected at the final inspection
- hourly productivity rate. Moreover, among the indicators in Annex 2 an effectiveness indicator and an efficiency indicator that can be used to assess the performance of the activity in the telephony sector.

A note addressed to the management controller will point out the internal causes that seem to explain the clients' dissatisfaction. Use the results preceding Annex 2 for this purpose.

- (1) a certain number of mobile phones cannot make the object of an immediate intervention insofar as the components are not available
- (2) certain number of mobile phones did not pass the final operation test and were returned to the intervention chain

Solution

Verification of the values of the dashboard

Average intervention time for a mobile phone:

Workstations	Quantity of mobile phones repaired	Total time in minutes	Average time in minutes
Reception	2 210	4 376	1,98
Initial inspection	2 210	54 855	24,82
Repair	2 100	52 731	25,11
Final inspection	2 100	6 235	2,97
Dispatch	1 890	3 840	2,03
Total			56,91

The percentage of mobile phones rejected at the final inspection:

$$(2\ 210 - 1\ 890) / 2\ 100 = 0,15 = 15\%$$

Hourly productivity rate:

$$\text{Hourly productivity rate} = \text{Productive hours} / \text{Hours of presence} = 2\ 000 / 2\ 300 = 0,87 = 87\%$$

Efficacy and efficiency indicators

Efficacy: a performance criterion that translates the achievement of the objectives.

Indicators: rate of return at the client, rate of compliance with the time limit, average intervention time, % of mobile phones rejected.

Efficiency: performance criterion that translates the capacity to be effective in relation to the means used. **Efficiency indicator:** hourly productivity rate.

Note concerning the internal causes of the clients' dissatisfaction

By Mr. (or Mme)...

Assistant

Date: January 2011

Subject: Client complains for failure to comply with the period of intervention

Annex: Dashboard from December 2011

To Mr...

Management controller

The company has received, from the beginning of this year, many complaints from the clients who use the brand Philips, concerning the failure to comply with the period of intervention stipulated in the contract. An actual failure to comply with the intervention period in 10% of the cases (1% for Samsung) is found.

Dashboard from last December (2011) shows, for Philips mobile phones, disappointing indicators compared to Samsung: a longer average intervention time, leading to the assumption that the repairs or troubleshooting are more complex in the case of serious troubles. The higher return rate for this brand would confirm that the quality of these mobile phones is lower.

However, the higher rate of mobile phones rejected at the final inspection raises questions concerning our interventions. This conclusion is confirmed by a poorer hourly productivity rate.

In addition to the poor performance, the 10% higher intervention cost for the Philips mobile phones compromises the efficiency of the service.

In conclusion, it is necessary to identify the internal causes that explain the disappointing efficiency of the interventions and jeopardise the relations with our clients. Moreover, the problem of the quality and apparent complexity of the Philips mobile phones must be notified to the design and manufacturing services.

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