Dimensions of the New Performance Standard in the Context of Digital Economy

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Abstract: The entity perspective to achieve and maintain sustainability performance imposes and forces the entity's leadership to synchronize managerial decisions with financial-accounting statements as well as industry predictability reports. This is about increasing the global level of an individual to increasing competitiveness by integrating sustainable innovation and defining by each economic entity what practitioners call the 2030 Purpose. The aim of the present study is to explore new approaches to performance emerging at the strategic level resulting from the interrelation of the economic plan with the managerial plan required to occur at the most profound level: core of the business. The results of this study show the need of framework to integrate an entity's sustainability and economic and financial analysis into strategy, governance and risk assessment, performance management and organizational culture.

Keywords: performance; competitiveness; benchmarking; sustainable economic model.

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1. Introduction

The performance of the economic entity has exceeded its profitability boundaries and any development strategy involves taking into account, in addition to the KPI’s performance indicators and predictability and sustainability indicators (Yadav & Sagar, 2013). The fourth industrial revolution underway today develops technology, talent and new innovation ecosystems - resulting in greater complexity in the final offers of economic entities. Intelligent technology is fueled by this new industrial revolution (Chen, Li & Xin, 2017).

In this context, the division of the concept of performance takes place in 3 pillars of action: Pillar One “Sustainable Performance”, Pillar 2 “Finding and Retaining Talents”, as a source of added value in a global competitive market, and Pillar 3 “Research & Innovation” (Davila, 2012). High performance organizations that record exceptional financial results, have satisfactory customers and staff, high productivity, encourage innovation and leadership, open up a vast amount of research space for theoreticians and practitioners in the field (Meuer, 2017). The only certainty is that the economic

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performance is directly influenced by the evolution of the entity in a Digital Economy, and the increase in competitiveness can only be achieved by integrating sustainable innovation.

On the other hand, the pressure of emerging markets, competition in gaining competitive advantage, increasing the quality of consumers’ expectations contribute to boosting technology and market innovation (Cameron & Quinn, 2011). They lead the leadership to adapt the Vision and Entity Strategy towards achieving new performance standards under the continual and hard-to-controlling influence of endogenous and exogenous factors on entities. The Concept of Performance in the context of the challenges of 2030 has new approaches in which the economic and financial performance is complemented by new valences: client orientation, emerging markets, sustainability, digitization, alignment of the existing economic model to the 2030 Purpose (Schwab, 2019).

These new approaches to the concept of performance outweigh the barriers to profitability, and the sustainability factor becomes paramount (Alstete & Beutell, 2018). For the leadership of new economic entities, performance is directly related to Resource Scarcity - resource reduction and Stewardship with a capital S - the new Stewardship concept that includes understanding the cost opportunity. Adaptability to the influence of these trends may not be possible without the direct involvement of theoreticians and practitioners whose concerns are directed towards clarifying the concept of performance in all its aspects, starting from economic, legal, technical and continuing social and environmental issues, thus supporting a multidisciplinary approach by modern entities under the conditions of an “Interconnected Global Economy” (Arsenault & Faerman, 2014).

The whole process of sustainable economic intelligence translates into actions that integrate into the following coordinates (Agha, Alrubaiee & Jamhour, 2012): defining the information needs according to the strategy of the economic entity concerned, in order to identify the priorities and to fix, consequently, guidance on information gathering; classifying the “wealth” of the information available in the enterprise, which it is not always aware of; collecting open information using appropriate research tools that will allow only the relevant information to be retained; taking into account informal information, which often offers the greatest added value for the enterprise; ranking and processing of information gathered, using information processing tools and consulting experts in the field; disseminating the information to the right people at the right time and in an appropriate form, putting into operation an information flow and implementing an exchange culture within the economic entity that allows for loss prevention and isolation of information; protecting sensitive data, knowledge and all strategic assets, using appropriate IT, organizational, human and legal measures. By achieving all the adhesion and putting into operation of the devices that allow the sharing of information inside the economic entity, according to a vertical hierarchical axis but also transversal, the sustainable economic intelligence represents from this point of view a vector of the organizational culture (Rowland & Hall, 2014).

The purpose of this scientific research is to achieve a systematization of the explore new approaches to performance emerging at the strategic level resulting from the interrelation of the economic plan with the managerial plan required to occur at the most profound level: core of the business. The results of this article show that the sustainability of an economic entity as desideratum in the context of the 2030 challenges can be determined by applying a dual-role research methodology: on the one hand to develop and reconcile its position in a global market and industry the economic entity being analyzed and, on the other hand, to provide leadership with pertinent information of a current context in order to justify and implement the best decisions needed to increase economic and financial performance.
2. Aligning the Performance Standard with Digital Economy Requirements

2.1. Performance Standard in Digital Economy

The business objective set by the companies, namely maximizing shareholder value, was replaced by a strategic change in the financial dimension by taking into account the environmental dimension and the stakeholders directly involved: stakeholders (Olson, Slater, Tomas & Hult, 2005).

Economic performance indicators present the entity’s impact on the local, national and global economic system (Koksal & Orman, 2015). Economic indicators illustrate the flow of capital between different categories of users and the entity's economic impact on the company in which they operate (Zenner, McInnes, Chivukula & Le, 2017). The economic analysis allows managers of economic entities, but also internal and external partners to deepen and appreciate aspects such as: the degree of consistency between the level of activity, the result obtained and the means allocated; the ability of the economic entity to deliver results and to self-finance; the capacity to ensure financial equilibrium and to create economic value (Behery, Jabeen & Parakandi, 2014). At the same time, in order to be consistent with the alert evolution of the need of information of the various partners of the entity, the analysis should provide pertinent conclusions regarding: the performances achieved and their perspective; the financial situation and its evolution; resource management and management results, the ability of the entity to generate cash or cash equivalents (Tong & Arvey, 2015).

This new global context and entity perspective to achieve and maintain sustainability performance imposes and forces the entity’s leadership to synchronize managerial decisions with the financial and accounting situations as well as the industry's predictability reports (Andriole, 2010). In this way, it is envisaged the escalation from the global level to the individual level towards increasing the competitive advantage, the global development, the counteraction of the threats of the external environment and the capitalization of the opportunities through the adoption of pertinent managerial decisions based on economic-financial indicators. The development of a set of industry-specific KPIs that provide a true picture of economic performance and add value in the future along with the implementation of a Performance Management System become “key elements” for new leaders whose management decisions must respect “The Vision of Entity - the Art of seeing what is invisible to others” (Weining & Qingduo, 2018).

In the digital economy context, KPI’s is the tool that “provides visibility to the performance of entities as a whole, departments, teams” (Alhyari et al., 2013) and, last but not least, to individuals, and can be strategic, operational and managerial: strategic KPIs (are those who provide the entity’s leadership with accounting information on: return on invested capital; profit on assets used; turnover, market share, price/shares; risk vs. opportunity; customer satisfaction and employee satisfaction); KPI's managerial (addresses the management to which they provide accounting information such as: planning, cost vs. income, availability of resources); operational KPIs (they are related to processes, activities, products, procedures and provide information on individual performance).

Practicing such an approach only has the role of highlighting sensitive areas with high risk potential, which, under the influence of fluctuations in the turbulent environment, may lead to economic imbalances. And here I mention the liquidity, the profitability, the solvency, the degree of indebtedness. Deepening these areas by leadership serves to prepare countermeasures and results can later serve to compare with similar entities in the same industry in the Benchmarking process.
2.2. Sustainable Business Models in Digital Economy Requirements

The business model has received from the specialists other interpretations such as: (1) the business model consists of interlocking the four elements together (proposal of customer value, profit formula, key resources, key processes); (2) the business model is defined as a revenue-generating approach at reasonable cost and incorporating assumptions about how both could create and capture value; (3) the business model is defined as the way a company processes its own activities to determine the concentration, location and way of doing business; (4) the essence of the business model lies in the way the company delivers value to customers, attracting customers to pay value and convert it into profit (Leyer, Stumpf-Wollersheim & Kronsbein, 2017).

In the new economy, in the case of insecure jobs, more and more people are opening their own business, to survive in the new, booming, small business market, they need to stand out, have their own luminous signal, and to be unique (Taticchi, Tonelli & Cagnazzo, 2010). Having an instant marketing relationship, you can grow quickly and easily by adopting a unique style. It gives you space to learn more about consumer needs, and to develop confidence with your own techniques, you do not have to match the model of someone else's business, you just have to be yourself and respond with confidence to your customers. Faces have changed since the media appeared, businesses have to change how they acted until that time, and have to focus on building relationships with people to enable them to improve their brand and create relationships lasting, which will lead to long-term profits.

Under these circumstances, managerial decisions need to be adjusted and strongly substantiated, considering the information required by internal and external stakeholders, including financial reporting (Henczel, 2002). The information requirements of customers and other stakeholders (shareholders, investors, population, various regulatory organisms, etc.) are steadily increasing, and some companies face certain problems in implementing the concept of sustainability and environmental reporting. Due to the differences between performance management systems and their users, it can be considered as a current challenge.

It is true that the most used are the financial indicators, but if we personalize the set of indicators for each entity, then we notice that besides the economic ones the specific indicators of the industry (trade, retail) and indicators related to functions (production, sales, purchases, HR).

As well, establishing KPI’s is required at each level: Company (turnover, market share, profitability, stock price, customer satisfaction); department (sales share, staff turnover, budget execution); working process (product development vs. time to product launch, customer satisfaction, stocks and acquisitions on stock turnover), individual (average number of processed items per day, training sessions per year).

In order for performance indicators to base management decisions, the sine qua non condition is to reflect as accurately as possible the current state of the entity, to be anchored in the entity’s dynamics and specificity, reflecting as accurately as possible the objectives of the company up to the core of the business (Davila, 2012).

Although even modern entities resort to the classic set of financial indicators in determining performance, the current trend highlights two guidelines (Rowland & Hall, 2014). The first refers to identifying by each entity the specific set of performance indicators that is able to reflect as effectively as possible the entity's strategy, objectives, mission, values and vision, and of his leadership. The second guideline promotes taking into account the measurement of performance and non-financial indicators by making a balance.
As these practitioners refer to as “value creation indicators” (Agha, Alrubaiee & Jamhour, 2012). Value creation indicators reflect “the entity’s management orientation towards adding value to shareholders, with a direct impact on the development of new methods and pilots” (Cameron & Quinn, 2011).

Business today has evolved a lot, and companies are forced to adapt if they want to survive on the market (Yadav & Sagar, 2013). Using and interpreting information has become an essential one, and small organizations have begun to focus their attention on the business intelligence system in order to have an edge over competition. A business intelligence system is quite expensive, but due to the evolution of technology, prices have begun to decline, so those who have small businesses can afford to acquire this system and benefit from the benefits of business intelligence software (Andriole, 2010). It simplifies the working method and employees will no longer be stressed by managing the reports and everything will be at your fingertips, and with time you will be able to find solutions and plans for the future.

3. Performance Indicators - Support for Building a Sustainable Business Model

The concept of business model and its application was widely debated and explained by specialists (Zott & Amit, 2010; Sawy & Pereira, 2013), but the most widely used approach and recognition (Lewandowski, 2016) where an organization creates, offers and captures value (Osterwalder & Pigneur, 2010).

The performance pyramid is a tool for stakeholders to identify the strengths and weaknesses of the economic entity and make informed decisions (Leyer, Stumpf-Wollersheim & Kronsbein, 2017). The evolution of some indicators such as the rate of economic profitability, the equity analyzed from the point of view of the general financial autonomy rate, the rotational speed of the current assets, the stock, reflects different financial evolutions of the entity in different time frames and implicitly the economic and financial dimension of the performance with focus on sustainability, as the long-term objective of the economic entity.

The sustainability of an entity is based on the stakeholders’ belief that it should generate value for those with a focus on achieving both long-term and non-financial performance objectives across all stakeholders, suppliers, creditors, human resources, and environment (Weining & Qingduo, 2018).

The main purpose of an entity is to maximize its value. This goal of maximizing the value of the entity in terms of sustainability can only be achieved if the interests of all stakeholders are taken into account (Tong & Arvey, 2015). Adding stakeholder value is not equivalent to short-term profit maximization because it would generate stakeholder risk growth and jeopardize long-term goals. Achieving the long-term goal of maximizing the value of an entity by creating value added for stakeholders is only by harmonizing their requirements and achieving a balance between shale performance and long-term performance with a focus on long-term performance. Achieving short-term profit maximization goals may affect the long-term outlook. And in this case, taking into account sustainability can intervene as a balancing element (Guo, Chen, Long, Lu & Long, 2017).

The multiple dimension of an entity’s sustainability has generated the intersection of five interlinked economic, governmental, social, ethical and environmental dimensions. The power exerted by the 5 dimensions of the sustainability of an economic entity is reflected in their ability to collaborate, compete, or contradict each other (Alstete & Beutell, 2018).

Economic, governmental, social, ethical and environmental dimensions are complementary because an entity wishing to be effectively governed is required to adhere to ethical principles, carry out its work
based on the principles of social and environmental responsibility and also be able to generate long-term financial performance (Schwab, 2019).

Scope of performance research, performance and measurement methodologies target multiple, interdisciplinary and interrelated approaches. In order to generate a relevant framework for stakeholder decisions in relation to core of the business, focus on the two dimensions of the performance of an economic entity: the non-financial dimension and the financial dimension. This approach is intended to be inter-correlated, and in my opinion there can be no one without the other, and the decisions of the Stakeholders governing modern economic entities in the spirit and under the laws of Stewardship are based only on extensive financial analyzes, financial rate dynamics, specific performance indicators, quantification of endogenous and exogenous factors (Weining & Qingduo, 2018).

In practice, apart from the professional judgement, it could be pressures from the company’s management over the evaluators, errors of statistic data used to determine the yield, temptation to put on the market studies showing a growing trend of real estate sector, as this will stimulate the investments and the consumption (if an increase of residential prices is expected, people will feel urged to purchase houses). All the above – including the professional judgement - could create a cascade effect and a growth on paper until the moment when the increase is not any more sustainable and the “bubble” explodes. The impact of the explosion could be small – a simple economic cycle of industry- or can trigger a global crisis – depending on how conservative the whole mechanism was. Again it is possible to discuss different approaches from stakeholders, this time the employees of real estate company, the evaluators, the state having similar interest that do not match the safety interest of shareholders – as they will be the ultimate stakeholders loosing from the above cycle if they maintained the investment for a long period based on market analysts opinion.

4. Conclusion

Most economic entities are aware of the need for accurate analysis of the potential for long-term value creation, backed by a relevant analysis of intangible assets management, risks and opportunities related to CSR policies and their potential environmental impact (Behery, Jabeen & Parakandi, 2014). Business model should provide greater consistency in their appreciation of the value of a company. Identifying the risks and opportunities arising from social and social responsibility and the clear vision of investments made for the preservation and development of intangible assets prove to be the structural elements of trust that a business plan can give. Thus, combining financial and non-financial aspects within the same analysis can be fruitful to better assess the viability of a company. The difference between the two analyzes should gradually fade in favor of a more global vision of the determinants of performance. In the same way that integrated reporting aims at understanding the value-creation process in all its dimensions to the best, it is hoped that in the long run, the assessment of an economic entity will also be based on an integrated analysis.

Theoreticians and practitioners in particular have understood that the external factors of the entity have a great impact on the accuracy of the quality of the transmitted new performance standard, especially since the economic environment in which the entities operate is governed by volatility, complexity, uncertainty and ambiguity. Current technologies have given the smaller players a better opportunity at being able to process data and collect it, but at the moment it is not providing the full landscape required to use data and big data in its most efficient or insightful form.

The results that economic indicators make available to leadership through financial statements and reports can facilitate access to the entity’s current state, possible upward or downward trends that may
influence positively or negatively its evolution. A liquidity entity that generates cash from its activities to honor its current payments has a potential for confidence in the industry it is part of, being a threat to competitors precisely because it is performing.

5. References


