

The balanced scorecard for reliability measure

La balanced scorecard per la misura dell'affidabilità

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Riassunto. Il contributo che si è voluto apportare è stato quello di stimare l'utilità delle schede di valutazione bilanciata (BSC) come strumento indiretto per migliorare il rating d'impresa. L'analisi è stata condotta su imprese pugliesi del settore manifatturiero che, a partire dall'anno 2003, hanno deciso di dotarsi di schede di valutazione bilanciata quale mezzo per avviare un continuo processo di miglioramento interno.

Keywords: balanced scorecard, reliability, credit rating.

1. Introduction

The balanced scorecard (BSC) is employed to work up results and to start a process of reorganization and management. Firms can use it indirectly as an instrument for a continuous improvement of commercial reliability and credit rating. It measures balanced indicators between the short-term financial objectives and the long-term performances; it is feasible two years at least. It foresees the definition of a mission and strategy operations to realize by the business management participation (*top down*). Objectives are passed to functional foremen. All members are informed about strategies and they appraise the results obtained. The participation of employees to the business strategy (*bottom up*) leads to communicate the mission and the objectives efficaciously and to turn them into practice. A strategic map is drawn up according to principles and objectives determined on the basis of four perspectives: the economic-financial perspective, the customer one, the internal processes perspective and the learning and growth perspective. This model determines a new way to produce the value for present and future customers. It defines the internal abilities to develop, investments in staff and capital equipment, required to improve the performance.

2. The empirical application

The empirical application studies a database¹ of firms that have decided to provide themselves with balanced evaluation cards as business management tool, since 2003. The statistic analysis has been divided into different phases. The first objective has been to explore their characteristics and the improvements obtained during the whole

¹ Database is composed by 45 firms belonging to the manufacturing sector situated in Puglia a region in the south of Italy: in particular, we examined alimentary, textile, clothing, upholstery furniture, and metallurgical industry.

reorganization process. The second one has been to observe the commercial reliability and their credit rating².

Tab. 2.1 – Classification of firms according to their reliability.

Grades of reliability	Firms			
	2003	2004	2005	Forecasting 2006
Safety	10,0	13,7	16,4	13,1
Reliability	14,6	20,8	23,6	35,7
Uncertainty	17,4	22,3	27,2	26,6
Lower reliability	37,9	31,5	24,2	18,9
No reliability	20,1	11,7	8,6	5,7

Source: classification based on the empirical research.

During the years observed, the 90 % of the firms have notably improved their reliability score; this reorganization process helped firms doomed to fail in gaining again the confidence of their commercial partners, of suppliers and also of banks. An immediately positive influence has been seen on the productivity index and on costs; the long period policy has contributed to the reliability score. Firms have introduced characteristics directed to the efficiency, to the optimization costs and to the continuous improvement. It seems interesting to underline as an increase in the degree of permanent indebtedness has been compensated by a growth of the total liquidity according to the analysis of principal index. During the time a considerable reduction of costs has been obtained and the job productivity has notably grown thanks to the objectives shared.

The main contribution is supplied from the enhancement in the financial perspective and in the internal process of the firm. Firms with more sales have given a great importance to the perspective related to customers while the others with the learning and the growth perspective had a lower importance; in order to underline the real importance of this last one it is necessary to observe the process in a larger period of time. Its effectiveness has permitted to obtain different goals. This can demonstrate that thanks to its use firms have a continuous improvement and they remain competitive on the market.

References

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² The reliability has been measured by the twenty-two balance sheet ratios; the synthetic reliability indicator has been obtained from the application of statistical methodology that considers the distance between the performance of firms and the optimal performance.