

The analysis of performance control management system within Romanian IT companies

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Abstract: - The organizational performance is determined by the way in which the companies adapt their strategies to the new game rules in the context of e-business. Our paper emphasizes the results of a research focused on the analysis of the performance control management system within Romanian IT companies, which allows a quick and flexible response of the strategies by the increase of the changes predictability degree in the competitive environment. Romanian business environment requires a flexible adjustment of companies' strategies from knowledge retaining to knowledge sharing culture. Based on massive software and services exports by means of SME's specialized clusters, Romanian IT market must go further on positioning strategy on sustainable value.

Key-Words: performance, Balanced Scorecard, IT industry, competitive intelligence, organizational culture

1 General considerations regarding the main features of performance control management system related to Romanian IT industry

Globalization and competitiveness constrain the organizations to find more efficient solutions to implement receptive cultures based on competitive intelligence, in view to gain market share and to improve the performances.

While the new business model associate to the knowledge based economy develops, more and more companies are looking for high qualified human resources outside their countries; the most famous IT companies from the developed countries focused their attention on the IT firms from Eastern Europe and Asia and transfer offshore a part of their software development operations. Far from being a simple trend of the moment, the “offshore programming” model determines new opportunities for the IT companies from the developed countries, which are confronted with the constant pressure associated to the cost cut strategies. [1]

Many companies frequently outsource their IT departments, due to the high level of costs associated to the technologies and expertise necessary to manage the strategic information; in this way, they can focus the efforts on the human

resource training in the spirit of a corporate culture based on competitive intelligence. [2]

Increased competition in certain sectors of the market makes the adoption of Business Intelligence solutions to become critical also in Romania. IT companies, faced with a real competition, are interested to know what the best product on the market is, or the most profitable customer, or what new products could lead to the performance. [3]

E-assessment, as a form of competence development, can be used to increase firm performance. Usually, many IT firms use assessment applications for recruiting purposes, but e-assessment is also used in periodic evaluation. The results are the entry points for establishing performance criteria in wages. [4]

Romania has a good reputation of the educational system in the IT domain, but we consider that the creation of a partnership between the academic and private sector is appropriate. As well, Romania has a tradition in higher education institutions specialized in IT. According to the Brain bench Global IT IQ Report from 2009, Romania provides more than 19.000 certified IT specialists. The report also emphasizes that Romania is placed on the 6th place in the world and on the 2nd position in Europe in what concerns the professional skills in IT domain.

Although, Romania has still a long way to go to catch up with other European Union Member States

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in terms of access to IT at the workplace. According to EUROSTAT data, in 2009, the proportion of companies using Internet connections was 93% on average in the EU27 and 67% in Romania. [5]

Another feature of the Romanian IT industry is represented by the presence of the greatest multinational IT companies, like Microsoft, IBM, Hewlett Packard, Siemens, SAP, Oracle etc. which provides the opportunity to stay connected with the latest technologies. This fact is also due to the fact that in the academic institutions there are research excellence centers that invited the multinational companies to open subsidiaries.

Romanian IT companies which have outsourcing capabilities achieved an unbeatable balance between the quality of services and price levels. If we take into account the access to the latest programming technologies and the flexibility of our IT market from the recruitment perspective, the offer becomes extremely attractive. In the same time, a great number of IT specialists are available for the development of competitive high-tech products and services.

The elimination by the Government of the exemption related to the revenue tax accorded to IT specialists is considered a wrong decision. Our country will become less attractive from the fiscal point of view for the foreign companies which could invest in this domain and will be confronted with a high churn rate of the best employees.

After a period of business satisfaction of foreign investors on Romanian IT market now some difficulties relies upon : Increase in salaries and additional costs for outsourcing project for both local companies and international players interested in coming to Romania, in an environment with poor attraction and absorption of necessary specialists.

2 Research concerning the application of the performance control system in the Romanian IT companies

The research that we undertaken was based on a questionnaire applied to a representative sample of 30 Romanian IT companies and was focused on the assessment of the strategic orientation adopted by these firms, as well as their possibilities to value the competitive intelligence resources which assure the performances in this sector.

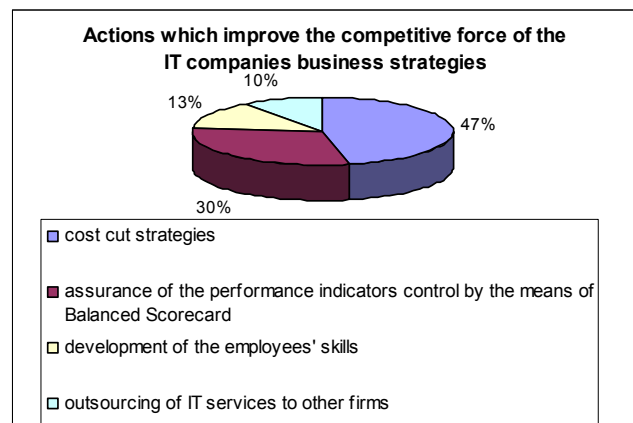
The performances of the companies from IT sector are conditioned by the way they apply the techniques which allow the conversion of the

information provided by the interactions with stakeholders into valuable knowledge.

In what concerns the possible actions which improve the competitive force of the IT companies business strategies (fig. 1), we remark that, first of all, the managers focus their attention to the cost-cut strategies.

The assurance of periodical control of performance indicators by the means of Balanced Scorecards is placed on the second position in the opinion of the managers which participated to the research (30%), emphasizing the dual role of the Balanced Scorecard: information and forecast tool.

Due to the financial constraints caused by the global crisis, the Romanian IT companies' managers allocated small budgets for the training programs which are concentrated to the development of the employees' skills (13%); the outsourcing of IT services to other firms doesn't represent a priority (10%), as the majority of Romanian firms are



looking for outsourcing partnerships with notorious IT companies from worldwide.

Fig. 1 – Main strategies focused on the competitive force increase within the IT companies

To the questions concerning the implications of the organizational culture on the implementation of a performance control system within IT companies, the majority of respondents placed on the first position the development of lasting relationships between the firms and their stakeholders in view to build cultures oriented towards performance and innovation (52%), followed by the performances assessment linked to the goals and standards in order to provide to the managers and employees the feedback of their activities (30%) and the creation of a framework for the planning of an objectives system translated by performance standards. (18%) (fig. 2)

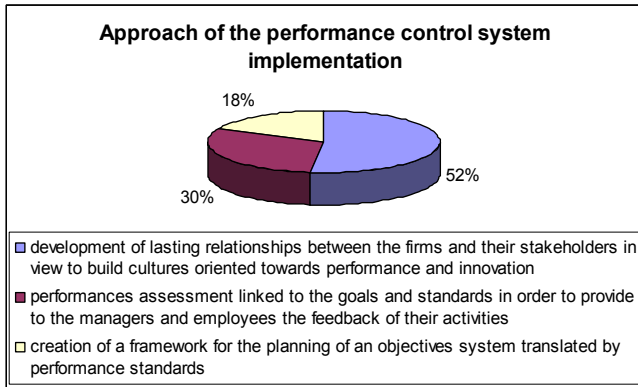


Fig. 2 – The implications of the organizational culture on the implementation of a performance control system within IT companies

The IT companies' organizational culture focused on performance is built as a result of the interactions of the four perspectives of the Balanced Scorecard, even if there are factors which customize it, as the leadership, decision making process, organizational structure that influence the employees' behaviors.

In the last years, the concept RAD (Rapid Application Development) allowed the improvement of IT companies' performances. This trend was determined by the high demands from the global software market, corresponding to the shortening of projects development periods.

The performance control provides to the top management information referring to the business status and helps to the strategic and tactic decision making. The function of performance control creates the necessary framework for the IT companies' top management in order to plan, budget and assess the organizational performances in all its major departments (marketing, production, research-development, human resources, and finance). In the same time, it assures the adequate use and resources' traceability, providing transparency in decisions and contributing to profitability growth.

A new concept that evolves in the IT domain is the organizational culture based on competitive intelligence, which supposes a tailoring of the IT firms to e-business by the efficient use of Business Intelligence solutions. One of the major objectives of the research in IT domain is represented by the implementation of an intelligence receptive organizational culture, which allows a quick and flexible response of the companies' strategies by the increase of the changes predictability degree in the competitive environment.

While a performance control system is approved, the managers of IT companies which participated in our survey give the highest weight to the strategies

related to employees reward for the achievement of the performances standards (43%). The design and implementation of performances management information system obtained 27% of the answers referring to this question, while the setting of realistic plans for the individual performance and the critical factors which assure the business strategies success registered 17%, respectively 13% from the IT companies' managers options. (fig. 3)

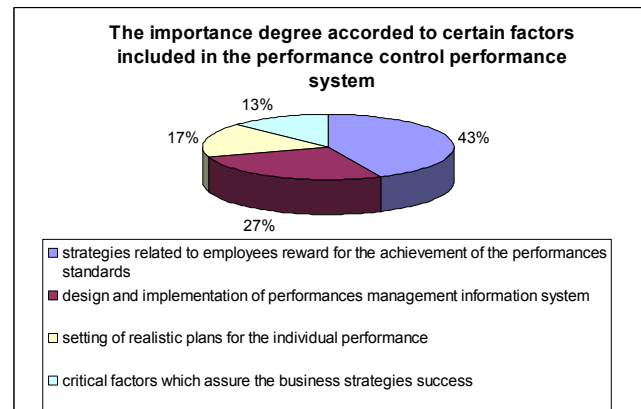


Fig. 3 – The importance of key factors in the planning of performance control system in the IT firms

The employees' performances assessment provides them the feedback to their activities. The managers must reward the highest performances and to motivate the employees in view to develop their skills. The Romanian IT specialists are characterized by discipline and creativity; they are always looking for alternative solutions in order to develop their software applications.

The top of the strengths which assure the competitive advantage in IT industry reveals the first position related to the quality-price ratio of the software (30%), followed by the innovation capacity (27%), the differentiation of the software offer by the means of its customization capacity (23%) and the frequent use of the web-based technologies (20%). (fig. 4)

We remark the fact that the differences between the answers are low, as the IT companies' managers allocate significant budgets to all the activities focused on these strengths. In the same time, we must emphasize some particularities of the Romanian IT industry which argue the answers to this question: most of the IT companies included in our sample research are still working in outsourcing projects for the companies from the developed countries, even if we observe a trend concerning the launch and promotion of their own software brands; the favorable price-quality report represents the

main advantage for the famous IT companies which outsource the software production in Romania; the innovation capacity is high only to the companies which value their “brainware” intelligence, launch their own brands under license and promote them by investing in marketing activities; the use of the web-based technologies represents a trend of the IT market, in the conditions in which the concentration of the data applications on servers and intensive use of the web browser by the client lead to a high level of availability and accessibility for the information systems – support for decision-making in e-business.

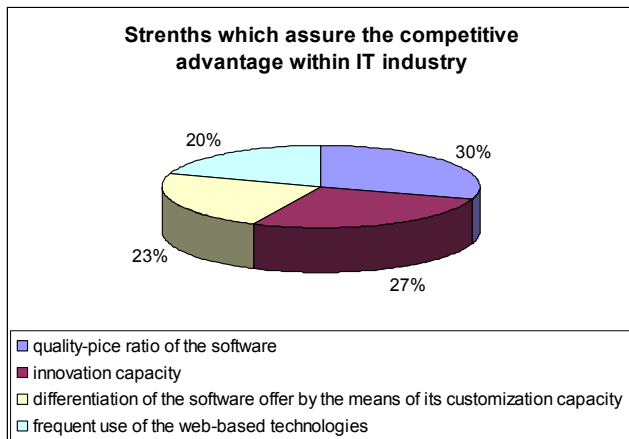


Fig. 4 - The top of the strengths which assure the competitive advantage within IT industry

Another question included in our questionnaire is focused on the main goals followed by the IT companies’ managers by the means of the performance control system implementation. The results reveal that, first of all, the managers consider as the prior goal the setting of individual and departmental performance levels linked directly to the fundamental objectives (37%). The derived objectives associated to the implementation of the performance control refer to the assessment of the activities developed in all the departments in view to their improvement (30%), the setting of performance criteria in order to define the training and reward needs of the human resources (20%) and the communication of the top management vision on the performance indicators to all the employees (13%). (fig. 5)

Being very dynamic on core technology or on business solution offers, the Romanian IT companies still keep the difference between technological or innovational base from one side and organizational culture from another side.

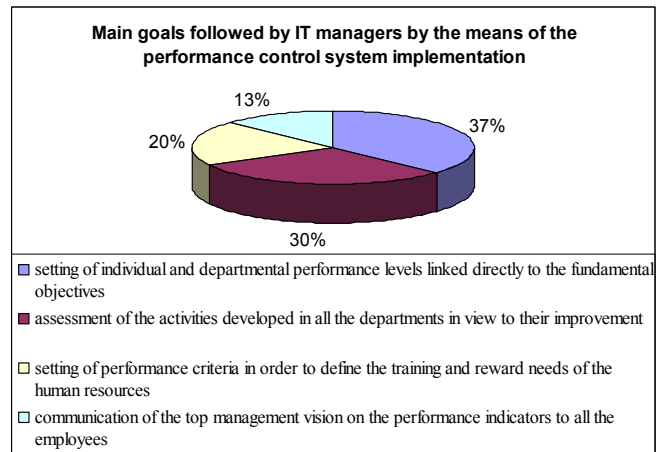


Fig. 5 - The main goals followed by the IT companies’ managers by the means of the performance control system implementation

In view to assure the efficiency of the performance control system in the IT industry, we must take into account a sequential approach of the goals, as we consider that in the first instance it is necessary the control of the strategic position of the IT company in the e-business environment, followed by the communication of the strategic position to the stakeholders, the design of the performance indicators system and finally the confirmation of the organizational priorities in view to achieve the performance criteria.

A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for competitive intelligence revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself. On industry level information, an IT company is concerning about trends, government regulation and geopolitical issues. The company also must monitor companies’ major suppliers and strategic partners. A detailed monitoring and analysis of key competitors, high level scanning and ongoing identification of new entrants is also part of competitive advantage. From customer point of view the company must determine and monitor: key internal influences, marketing budget and key customers behaviors. As regards technical intelligence a company must monitor, as possible, the advances and trends of technology development.

4 Conclusions

The evolution of the Romanian IT market demonstrates that the management is not only still far from understanding the necessity of knowledge sharing but is not capable to implement the most effective organizational learning, first of all due to the prevalence of self-sufficient attitude of management staff, which is leading to poor relevance of organizational response. Shortly, we assist not to a lack of capabilities or professional competence, but to a confused attitude of middle and top management as regard culture-competitiveness relationship.

Our research intends to offer a sustainable solution of implementation of a competitive intelligence program; additionally we suggest some short-run initiatives which will provide an efficient visibility of Romanian IT companies at the international level:

1. Audit of the information degree of the IT companies with competitive potential in order to build the relevant offer;
2. Evaluation of the image capital of Romanian IT companies (their perception on the global level);
3. Creation and promotion of a website in order to increase the visibility of outsourcing projects having as a target Romanian IT companies;
4. Implementation of knowledge sharing culture system which will promote the „competitive intelligence” resources identified on Romanian IT companies;
5. Focused actions which are capable to signaling any IT Market crisis or dramatic trend shift
6. Increasing predictive power of strategy design in order to adjust the firm-specific factors upon the market evolution;
7. Promotion of a receptive culture within the managers of Romanian IT companies.

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