

# DASHBOARD - TOOL FOR IMPROVING FINANCIAL PERFORMANCE FOR ENTITIES IN THE ROMANIAN CLOTHING INDUSTRY

PH.D. Teodora Maria SUCIU (AVRAM)<sup>1</sup>

## **Abstract**

*This article aims to emphasize the importance of the dashboard on the financial performance for the entities in the clothing industry in Romania. The analysis presented by the Dashboard is based on those results that can be used by the decision makers in the clothing industry for the elaboration and implementation of the necessary measures for improving the financial position and the economic performance by using modern tools for managing the organization's activity with perspectives. clear and solid for the future. The results of the research carried out show an upward evolution of the majority of the volume indicators of the presented dashboard, which can be used by the decision makers in the clothing industry.*

**Keywords:** financial performance, dashboard, clothing industry, accounting results, managerial decisions

**JEL classification:** M41, L67

## **1. Introduction**

The economic-financial environment is influenced by uncertainty and information asymmetry. Starting from this idea, we consider the economic and social transfigurations to be imposed by the change of the way of thinking and of the business undertaken. The present state plays a fundamental role in the economic entities, namely the one of the increase of the performance, although the competition for each division of the market, it has been found that it has become more and more tight, and the mechanisms of globalization remove from the horizon the few competitors. According to this principle, the chances of surviving in this competition are greatly diminished by the companies concerned.

By this, it is deduced the importance of the utilization of the accounting information that is imperatively needed, through the continuous study of the economic-financial performance, to establish the performance problem in a global manner and to highlight the performance evaluation within an industry. For this we propose highlighting them through the dashboard as an instrument for piloting responsibility centers within companies, which proves its usefulness due to the conditions under which its users use it to understand the economic reality of the company, in order to make appropriate decisions.

The difficulty of achieving the performance and the necessary continuous transformations, of economic and social level, at global level, which are the basis of the needs of renewal and improvement, according to the requirements of those involved in the flow of activities and for the correct management of future actions, are only two of those more important reasons underlying the choice of investigating the topic addressed.

We believe that the current socio-economic development imposes a continuous improvement of the accounting information, through modern methods of studying the financial performance, so that it can respond both to the requirements of the company, through the fundamental decisions implemented, but also to the informal needs of the clients and business partners. Therefore, we consider that the quality of the information that the company provides through the financial statements that add value to the financial reporting framework is important first and foremost.

In the national economy, the clothing industry presents through an extensive analysis (Adriana Gîrneată, Marius Potcovaru, 2015) an important segment due to the considerable share in the gross domestic product, the number of exports and the number of employees in

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<sup>1</sup> "1 Decembrie 1918" University, Alba Iulia, Faculty of Economic Sciences, România, E-mail: teodora.avram@uab.ro

these companies. However, from the specialized statistics (Adriana Gîrneacă, Adriana Giurgiu, Cosmin Octavian Dobrin, Ion Popa, Doina Popescu, Sunhilde Cuc, Laura Voicu, 2015, pp. 108 - 113) we can see that the socio-economic and political changes that have held in Romania during the last two decades, they have affected this industry, which has been forced to constantly adapt to the changes that have taken place, and which has made the market a continuous change.

## 2. Literature review

Over time, the dashboard has been developed continuously to meet the needs of users, especially - managers. The various researchers in the economic field (Sorinel Căpușneanu, Ileana Sorina Boca (Rakos), Cristian Marian Barbu, 2012, p. 3) consider that regardless of the form of presentation of the dashboard, as a graph, table or modular - it is part of those more useful tools for making the best decisions, the basics and the vials by a manager.

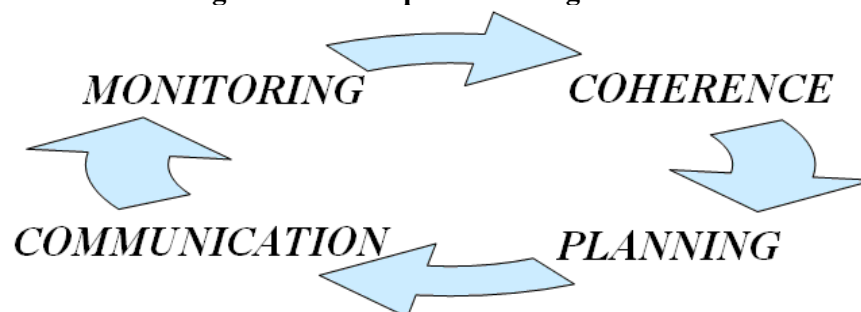
The evolution of the dashboard with the aim of improving the financial performance of companies is still on the rise, which, as Ogan Yigitbasioglu also states, Oana Velcu (2012, p. 49) believes that in the future it will be integrated into the systemic workflow management.

The dashboard according to Ion Verboncu (2001, p. 23) is "a set of relevant information regarding the results obtained in the field conducted, presented in a synthetic form, predetermined and transmitted operatively to the beneficiaries" and also meant to synthesize. the information necessary for the management (Niculai Tabără, Gabriela Chetrariu, 2002, p. 2).

David Arnott, Graham Pervan (2005, pp. 67-87) points out that the dashboard is considered to be a particular type of decision support system and a visual and interactive performance management tool that displays the most on one screen. important information about one or more companies, in an objective way that allows the user to identify, explore and communicate the problem areas that need corrective and immediate action.

Multiple international researchers (Koen Pauwels, Tim Ambler, Bruce Clark, et al., 2009, p. 180; Oana Velcu, Ogan Yigitbasioglu, 2012, p. 42) according to figure no. 1, considers that there are 4 purposes for which the dashboard would be used.

**Figure no. 1. Purposes of using the dashboard**



Source: Own processing by Oana Velcu, Ogan Yigitbasioglu, 2012, p. 42

1. *Monitoring* refers to the daily evaluation of the values that should lead to corrective actions. This could be considered the most fundamental function of the dashboard.

2. *Coherence* refers to aligning and measuring procedures used in departments or for the whole company.

3. Dashboards can also be used for *planning*, given that scenario analysis is present among its features.

4. *Communicates* information to both financial performance managers and stakeholders for choosing company values.

Claudia Guni (2011, p. 555) shows that the dashboard represents a suitable way for framing, selecting, arranging and presenting the indicators that form an overview of the general trends of evolution. From here we can deduce that the dashboard has the following functions: (1) the function of informing the manager about the factual status of the managed work; (2) the warning function on the unfavorable situations or on any deviations from the norm that might occur; (3) the function of evaluating the results that must be in accordance with the decisions and actions taken; (4) the decision function on the basis of its foundation and its proper accomplishment.

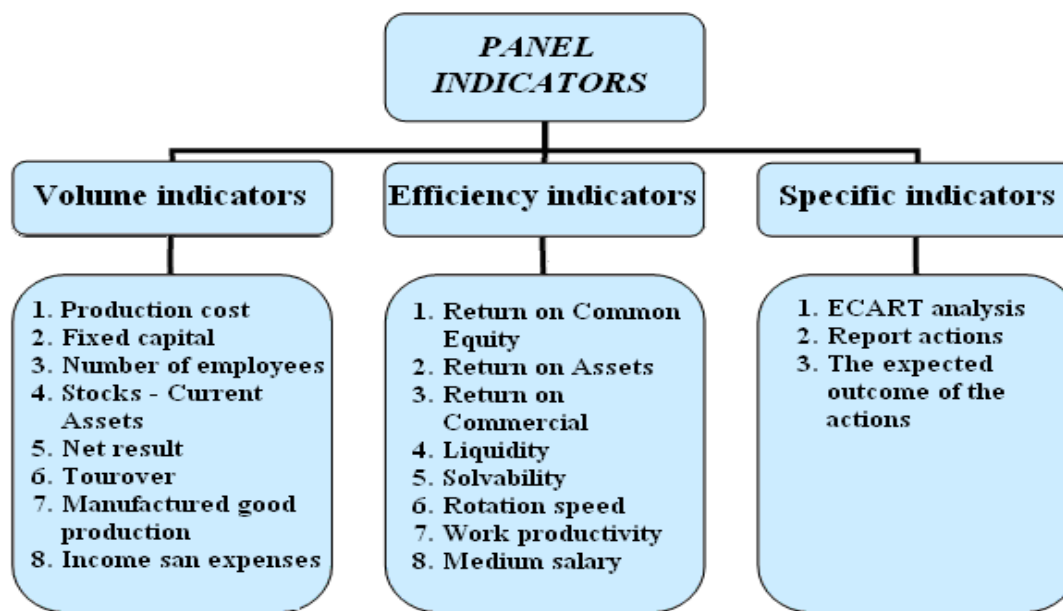
We agree with those stated by Simona Elena Dragomirescu and Daniela Cristina Solomon (2013, p. 175) who believe that an effective dashboard should allow the evaluation and management of performance using the progress modalities established in the strategy and it should also be a useful tool for performance management that can constantly adapt to changes and challenges in the context of today's economy. Therefore, we can say that its outline and development offers the possibility of satisfying a wide range of requirements that may arise at the level of companies from a microeconomic perspective, or at the industry level from a macroeconomic perspective.

### 3. Research methodology

The implementation of the financial dashboard in companies in the clothing industry as a technological solution (Ivo Damyanov, Nikolay Tsankov, 2019, pp. 428-429) makes it possible to quickly create, maintain, retrieve and provide updated accounting information at the right time, in order to making the most optimal managerial decisions, as well as their use in various procedures related to quality evaluation or publicity of accounting information.

After researching the specialized literature, we found that there are no universal indicators for the composition of the dashboard applicable in all fields of activity. We believe that in order to ensure the coherence and visibility of the scoreboard in the clothing industry, the indicators that can be used are divided into the following types (figure no. 2).

**Figure no. 2 The system of specific indicators of the dashboard in the clothing industry**



Source: Own processing by Nicolai Tabără, 2004, pp. 199-208

In order to design and use the dashboard to improve the financial performance of the confectionery industry entities in Romania, we believe that the following steps are necessary (Ion Lead, Andreea Zamfir, Ion Popa, Cosmin Dobrin, Sofia Colesca, Oana Sabie, Răzvan Corboș, Irina Popescu, Vasile Deac, 2011, pp. 252-255):

#### *Stage I - Outline of the dashboard*

This stage is preparatory, but fundamental in ensuring the success of using the dashboard as a decisive tool for improving the financial performance of the clothing industry. The main aspects that this stage deals with refer to:

- setting the objectives of the company, as well as those regarding the design, completion and use of the dashboard;
- specifying the ways of visualizing the information and designing the information methods that can be used by the dashboard;
- fixing the circuits related to the information situations and determining the procedures for processing the information;
- prioritizing completing and submitting the layouts used for the dashboard.

#### *Stage II - Diagnosis of the information system specific to the clothing industry*

In this stage, the primary components of the information system are analyzed - the data, information, procedures, flows and information circuits, in order to:

- framing from a typological perspective the information, flows and information circuits;
- establishing the quality of the information in the system and adapting it to the beneficiary information requirements;
- analyzing through the deficiencies of the information system and identifying the causes that cause these deficiencies;
- analyzing from the perspective of some principles of functioning of the information system (the principle of correlation, the principle of methodological unity, the principle of flexibility of the information system, the principle of focusing on deviations).

#### *Stage III - Redesigning the information system needed to make managerial decisions*

We consider that when the information system fails to provide qualitative information in the first phase, it is necessary to redesign it, taking into account the following methodological aspects:

- reconceiving some components specific to the information system (information, information flows and circuits);
- increasing the degree of information on the execution and management processes;
- re-creation of some informational documents, by modifying their content;
- diminishing the causes that cause malfunctions of the information system;
- promoting the image of the information system in the clothing industry.

#### *Stage IV - Drawing up the dashboard*

This stage involves the realization of the dashboard from a structural-organizational point of view, by completing the informational models and transmitting them to managers in order to make the most optimal decisions in order to increase the financial performance of the companies.

#### *Step V - Use the dashboard and continually improve it*

This stage can be discussed in three ways:

- the decisional use of information, which we consider to be the most important task within the dashboard;
- operational intensification in the garment industry according to the information transmitted and the application of the decisions already adopted;
- informing the decision-making forum about the achievements in the company, or at the industry level (degree of achievement of objectives, manner of allocating resources).

The dashboard found that it uses accounting information from the financial, management and budgetary accounting systems. We believe that this dashboard can be shaped on the accounting structure in companies by applying the principle of deviation analysis. Therefore, the dashboard presents a set of universally accepted indicators that can be used according to needs and which the management of companies must regularly analyze in order to evaluate the activity carried out.

#### 4. Results and Discussion

The research continues with the systematization of the volume indicators of the financial performance and the drawing up of the dashboard for a representative company in the Romanian clothing industry, entitled CONF Ltd. for privacy reasons. Although at national level the activity of garment manufacturing is attributed to a large number of similar companies as object of activity with CONF Ltd. in the following we will focus our attention only on it in order to identify punctually the implementation of managerial decisions in correlation with economic-financial results obtained.

In order to analyze the current assets, we highlight in table no. 1 indicators the component indicators of the stocks for the final analysis and preparation of the General Dashboard.

**Table no. 1 The size of stocks of current assets during the period January-December 2017**

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Month	Raw materials		Consumable materials		Packaging		Accessories	
	Planned	Accomplished	Planned	Accomplished	Planned	Accomplished	Planned	Accomplished
January	780,850	787,977	315,000	322,799	110,500	124,781	35,000	34,139
February	705,000	709,438	270,950	295,410	100,350	118,476	33,550	32,349
March	730,500	688,915	140,000	141,789	90,000	75,490	29,500	28,442
April	700,340	691,753	205,500	219,391	101,000	108,567	30,100	29,567
May	690,000	679,878	280,300	292,741	99,000	104,451	32,500	31,471
June	697,300	664,213	260,000	158,263	70,550	76,438	25,050	23,521
July	560,000	554,725	134,500	148,335	48,000	52,501	22,450	21,432
August	580,800	523,572	135,550	138,674	45,000	45,889	19,450	18,454
September	550,000	525,094	125,500	139,728	41,500	45,939	20,090	19,096
October	715,500	682,370	130,000	156,967	65,000	71,622	24,050	22,673
November	750,380	745,417	135,500	152,140	55,500	67,890	24,500	23,838
December	780,500	775,699	215,500	218,371	100,450	111,436	31,000	29,065

Source: Own processing

According to those observed in table no. 1, we can say that CONF Ltd. it failed to realize its activity plan proposed for the months of 2017, due to the small size of the goods held and intended for sale following their processing in the production process. We hope that the focus of the company has been on long-term assets in the company - fixed assets, and this is why the company has a low and even unrealized stock volume compared to its own forecast. In the general context, we observe a reduction of stocks in the summer months, and this is due to the leave granted to the employees, so that the workload and consequently the necessary stocks are reduced.

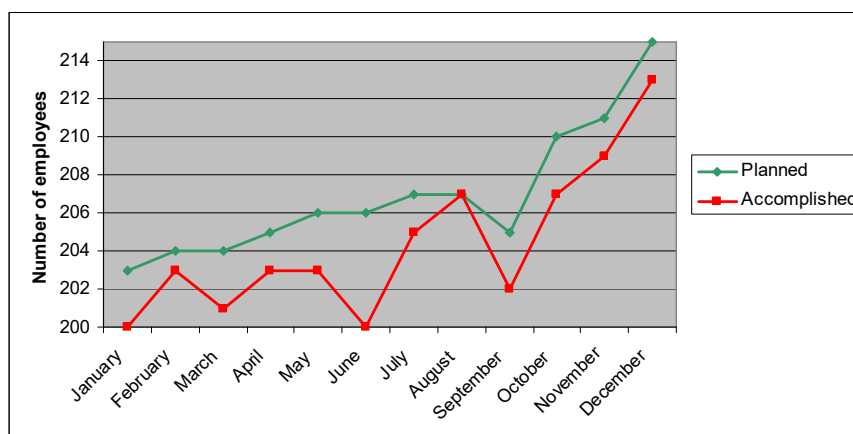
We find that the raw materials occupy a significant place in the total of these stocks, failing to fulfill the plan due to the difficulties arising in the production of certain articles of manufactured clothing and which was not taken into account in the planning made at the beginning of the year. By analyzing the technical documentation held by the company, we found that most of the raw material held by it is found in the finished products as it was consumed.

Consumable materials we find that they participate in the manufacturing process of garments made and that exceeds in most months the action plan. Also an oversupply of the plan is observed also among the packages intended for the sale of products that come as a result of a higher level of raw materials than the one foreseen. Because the raw materials

made by CONF Ltd. they were bigger than planned, they increased - consumables and auxiliary materials (sewing threads, linings, protections, reinforcements), but also the packaging used for storage and transport (cardboard boxes, separators, biodegradable foils). An inverse situation is observed in the case of the accessories that as values expressed in lei according to the takeover from the annual financial statements are smaller than the forecast ones and this is due to the renunciation of some accessories (buttons, zippers, staples, embroidery) from the realized series production.

The evolution of the number of employees according to months for 2017 is presented in figure no. 3:

Figure no. 3 **Evolution of the number of employees during the period January-December 2017**

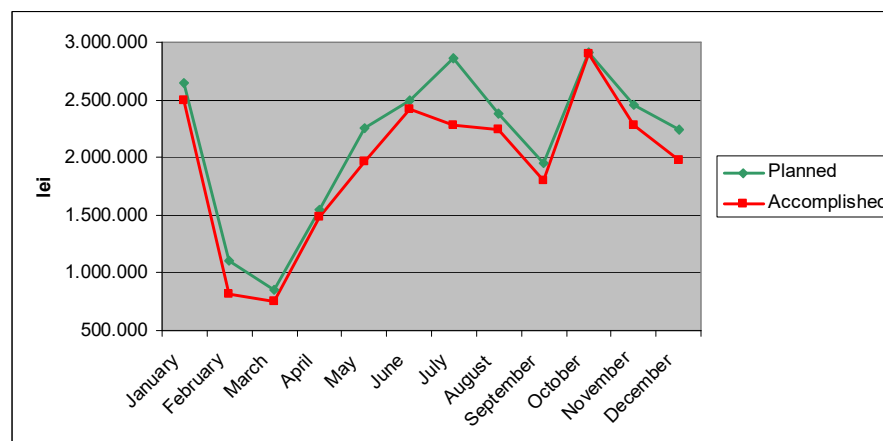


Source: Own processing

We observe from the figure no. 3 an increase in the number of employees as a result of the recruitment and employment plan elaborated by the company management. The average number of employees in the 12 months analyzed is equal to 204 employees, and after a wave of departures by resignation in September, the situation is worsening in the last months of the year, when CONF Ltd. almost manages (213 employees) to reach the forecast level (215 employees).

Manufactured merchandise for the volume of garments from CONF Ltd. from 2017 it represents the production (the value of the finished products) obtained and destined for sale. According to months, this is divided as follows (figure no. 4):

Figure no. 4 **Evolution of the production of goods manufactured during January-December 2017**



Source: Own processing

The data presented in figure no. 4 shows that the goods produced at CONF Ltd. is in 2017 below the planned level. However, we consider that in some months the forecast values are close to those achieved, which is encouraging because the competition on this type of market is increased, the clients referring in most cases to the value for money.

In addition to the indicators present at CONF Ltd. presented above, in the following we build the general scorecard of the company analyzed for December 2017 (table no. 2), which if desired can help in the elaboration of the business plan for the following year.

Table no. 2 **Dashboard at CONF Ltd. for December 2017**

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Indicators	U.M.	MONTHLY VALUES			ACCUMULATED VALUES			CUMULATION n-1	TREND n;n-1
		ACCOMPLISHED	PLANNED	%	ACCOMPLISHED	PLANNED	%	ACCOMPLISHED	
<i>Raw materials</i>	lei	775,699	780,500	99.38	8,029,051	8,241,170	97.43	7,723,147	▲
<i>Consumable materials</i>	lei	218,371	215,500	101.33	2,394,608	2,348,300	101.97	2,031,950	▲
<i>Packaging</i>	lei	111,436	100,450	110.94	1,003,480	926,850	108.27	943,238	▲
<i>Accessories</i>	lei	29,065	31,000	93.75	314,047	327,240	95.97	279,526	▲
<i>Number of employees</i>	employees	213	215	99.07	213	215	99.07	123	▲
<i>Manufactured goods production</i>	lei	1,980,000	2,240,500	88.37	23,405,890	25,800,000	90.72	19,354,871	▲
<i>Turnover</i>	lei	2,350,805	2,500,000	94.03	35,041,010	37,855,000	92.57	32,670,478	▲
<i>Total income</i>	lei	3,482,244	4,645,000	74.97	38,774,696	50,480,000	76.81	39,100,328	▼
<i>Total expenses</i>	lei	4,553,924	2,800,500	162.61	38,392,970	24,700,000	155.43	38,237,055	▲
<i>The net result</i>	lei	20,752	58,000	35.78	381,726	500,000	42.64	863,273	▼

Source: Own processing

Following the analysis of the data in the General Dashboard of the CONF Ltd. we can say that the activity carried out from the perspective of financial analysis presents an upward trend, except making 2 of the most important indicators Total income and Net result of the financial year, profit that we observed that decreased from December 2016 to the same month of 2017 with 481,547 lei . We note an increase in the number of employees as a result of taking measures to increase the wage benefits as a result of a high number of dismissals of employees. We believe that the financial decision makers have a delicate mission to follow, namely - increasing the production and reducing the costs involved, which as we see in table no. 2 seems to have an upward path. A possible plan elaborated to increase the profit of the financial year will help the company management to determine which are the ways in which the revenues can be increased and the expenses reduced.

## 5. Conclusions

Through the above, we believe that through our research we have provided a modern perspective for measuring and tracking the ways in which financial performance can be improved through the dashboard as an instrument of the centers of responsibility within the analyzed companies.

The obtained results offered the possibility to identify the indicators used to construct the dashboard of the analyzed company in the Romanian clothing industry - CONF Ltd. For each described indicator, data were presented according to months for 2017, both from the perspective realized and planned by the management of the company.

Using the volume indicators the general dashboard for CONF Ltd. was built in December 2017 compared to the same month of 2016, which led to the establishment of the trend, with the purpose of observing which are the financial indicators of the scoreboard that need to be improved in order to increase the financial performance. The construction of the dashboard in the clothing industry is of the opinion that it is useful to the managers who make the financial decisions, the heads of corporations, as well as the business partners - customers, suppliers. This tool is a modern variant of financial performance evaluation that increases its influence due to the double perspective in which it was analyzed: planned results and achieved results.

Finally, we can say in other words that the dashboard offers the possibility to view the accounting information in a simplified way in order to evaluate the performance of the activity undertaken by the analyzed company with the help of representative indicators that help in making the best managerial decisions, as well as detecting the actions. and taking the necessary measures to correct the incompatibilities. We appreciate that the dashboard plays an essential role in improving the management of companies in the Romanian clothing industry, offering a complex and up-to-date model for evaluating financial performance.

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