2nd World Conference On Business, Economics And Management - WCBEM 2013

Measuring the performance of innovation processes: A Balanced Scorecard perspective

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Abstract

In a continuous changing world, a company can achieve a competitive advantage by improving its talent to exploit intangible assets, focusing less on financial results. The most adequate performance measurement method used to identify and illustrate the main drivers of the business, and which offers also an important view on organization's strategy is the Balanced Scorecard model that aligns and focuses every part of the organisation on improving and implementing the strategy. This paper aims to identify the proper key indicators within the organisation that are used to measure the innovation processes. In order to obtain a clear view on the results after measuring the innovation process, the most appropriate research method will be an exploratory research based on case study. The main result of the paper is the analytical framework created by exploiting the key indicators of the organisation used to measure the performance of innovation processes.

Keywords: organisational performance, innovation process, Balanced Scorecard;

1. Introduction

Drucker (2006) defines innovation as a specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and apply the principles of successful innovation. One of the most important conditions for any organization to become innovative is to develop its innovation capability. The measurement of innovation has been always a challenge for most of the organizations because most of time it has to track intangible assets.

This study presents a framework for performance measurement of innovation processes. The paper is based on a cross-sectional analysis of three case studies applied on organizations that used the Balanced Scorecard to measure the performance of their innovation processes.

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2. Theoretical framework

Kaplan and Norton (1996) present the Balanced Scorecard as a model that provides executives with a comprehensive framework that can translate a company's vision and strategy into a coherent and linked set of performance measures.

The model views the organizational performance from four perspectives: customer, financial, internal processes and learning and growth.

a. Customer perspective

Chuck Hannabarger, Frederick Buchman, Peter Economy (2007) agreed that all four Balanced Scorecard's perspectives have the same importance, but the customers are the main reason of existence for any organization. They think that employees from many organizations do not know what customers need and in which extent their activity affects them.

The main concerns of the customers can be classified in four categories: time, quality, performance and service.

b. Internal business perspective

This perspective focuses on all activities and processes that are critical for the organization in providing the expected value for the customers.

The main condition in obtaining the desired results from process improvements is to assess the organization performance, to identify the possible problems that affect the quality of the products.

c. Financial perspective

It is very important to know from where to get your money and how to invest them to become profitable. The financial indicators that are analyzed differ from company to company. The most common mistake that most of the organizations do is to focus too much on the financial indicators ignoring totally or partially the other perspectives.

d. Learning and growth perspective

Organizations must learn that employees are very important not only for their specific tasks, but also for their creativity and ability of developing new ideas.

The need for employee knowledge, skills and abilities can be very important especially when new technologies and processes come to the market.

3. Research methodology

This research is based on a cross-sectional analysis of three case studies. The cross-sectional design is the most appropriate method because it allows the researcher to analyze more variables and the possibility to identify the hypothesis for future research.

As Yin (2012) states, the multiple cases provide a broader array of evidence then do single cases. Depending on how the multiple cases have been chosen, the broadened array permits you to cover either the same issues more intensely or a wider range of issues. The result is a stronger case study.