Chapter 11


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ABSTRACT

The digital era has brought along the exponential growth of the economic and technological opportunities that entities can access and implement in the development of their own activities, along with a series of threats with strategic impact. Being a global, multinational, sustainable, profitable, and credible concept, it also involves a leadership connected to market threats for the entity. Moreover, this leadership must be adaptable, identifying with the vision of the entity and conveying it to its members through the organizational culture it cultivates, but above all a leader who understands and is aware of the functioning of the entity, both managerially and economically. And in order to achieve this, a permanent assessment and re-evaluation of the entity’s performance is imperative. This chapter seeks to understand the economic and managerial mechanisms of operation to base the making of pertinent, real, and especially timely decisions in counteracting the threats of a turbulent environment while increasing the potential of the entity.

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INTRODUCTION

Every entrepreneur is even now facing the influences of the megatrend and scenario; thus, it is vital for the future of the business to take prudent decision in order to assure its stability and growth (Leyer, Stumpf-Wollersheim & Kronsbein, 2017). The first step in using planning and using megatrend and scenario analysis for the longer-term business strategy development is to determine its relevance to the business. Comparing megatrends with the current business to create a collision with it and therefore revealing the point where the megatrend would intersect the business (Paton & McCalman, 2008). At that point, the megatrend forces the business to change its development course and the entrepreneurs are also forced to consider three possibilities: intersection with their business which implies “leaving the business in the dust”, providing acceleration for the business, and a parallel position of the megatrends in the business with no direct impact on it. All these future challenges can be avoided when entrepreneurs/decision-makers assess the projected value of innovation against a range of scenarios using a full set of strategic key performance indicators (KPIs).

KPIs are the vital navigation instruments used by entrepreneurs to understand whether their business is having an increasing trend or whether it needs a change of direction. The right set of the indicators will shine light on performance and highlight areas that need attention. Without the right KPIs the entrepreneurs/decisions-makers are just sailing blindly. They understand the performance of all the key dimensions of their business by distilling them down in to critical KPIs who will equip them with the skills to understand, measure and interpret the most important aspects of the business.

However, the question that is on the wall of each entrepreneur is how are they going to build a strong KPIs system? Defining the strategy and the objectives that the business is aiming to achieve represents the first step in building the KPIs strength (Olson, Slater, Tomas & Hult, 2005). The key indicator must be related to the most critical aspects of the business. If the KPI is linked to the strategy and strategic priorities, then it must be meaningful and relevant. They become meaningful if they help decisions-makers answer to a key business question (KPQs). For this reason, it is recommended to develop between one and three key performance questions for each of the strategic objectives. Those questions help the entrepreneurs identify the real information needed and guide it to the right indicators. Because every company has a different strategy and strategic priorities, every company requires a unique set of KPIs (Lin, Peng & Kao, 2008).

KPIs have to be owned and understood by everyone in the organization (Guo, Chen, Long, Lu & Long, 2017). People must understand the rationality of measuring the performance and have some level of ownership of the metric. In that way, the KPI become the critical decision support tools. For entrepreneurs, it is important to explain to the company the way in which the KPI is linked to the strategic objectives and how KPI respond at strategic questions.

Same authors consider the KPIs be the “measures that help decision makers define and measure progress toward business goals. KPI metrics translate complex measures into a simple indicator that allows decision makers to assess the current situation and act quickly” (Meuer, 2017; Hurley, 2002).

The KPIs are the result of Druker development idea “A strategy without metrics is just a wish. And metrics that are not aligned with strategic objectives are a waste of time” (Guo, Chen, Long, Lu & Long, 2017). Despite the availability of enabling technologies, dashboard use didn’t become popular until the late 1990s, with the rise of key performance indicators (KPIs), and the introduction of Kaplan and Norton’s Balanced Scorecard (Hartnell, Ou & Kinicki, 2011). Today, the use of dashboards forms an important part of Management by Objectives (MBO), a management model that aims to improve