

## Brief Analysis on the Inter-Firm Cooperative Performance Under BSC Framework

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### Abstract

In the 21<sup>st</sup> century, with the globalization and integration of market economy, market competition becomes increasingly fierce and more and more requirements have been raised by the customers to make the enterprises face great challenges in every aspect. In order to cater for the demand of times and to satisfy the customers' requirements, the inter-firm cooperation now becomes increasingly important. Since the assessment methods for the enterprise cooperative performance have been the key problems that have been discussed all the time, this paper will make a brief analysis on the enterprise cooperative performance under the BSC framework.

**Key words:** BSC framework; Enterprise; Cooperation; Performance

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### INTRODUCTION

The trend of competition globalization and the integrated development of economy has contributed to such a trend that the enterprises would seek for development through cooperation. However ever since the exploration made by

the enterprises on the cooperation in the 1980s, although there have been some successful cooperation cases, the treatment results about the enterprise cooperative performance are still not so satisfactory, which makes it become a focus of attention paid by the enterprises in recent years about how to have a better management over the inter-firm cooperative performance, and makes the inter-firm cooperative performance and its influential factors become the topic discussed by more and more people. In view of this, this paper tries to have a brief discussion on the management over the inter-firm cooperative performance under the BSC framework.

### 1. NECESSITY OF ENTERPRISE COOPERATION

With the continuous development of science and technology and the constant innovation of production, knowledge-based economy is replacing gradually the industrial economy with the continuously shortened PLC (product life cycle) and the more intensive competition on a global scale to make the enterprises suffer great changes in the business environment. For the enterprises, the development of intangible assets and the application abilities weigh the same with the investment and management on the entities and the tangible assets. Therefore in accordance with the requirement of times, the enterprises must improve their management as well to serve further the formation of their competitive advantages and the enhancement of the services. It's inevitable that the enterprises will suffer a failure if they should fail to change the idea of management to cater for the requirement of such a competitive environment.

The globalization and integration of market economy requires that the enterprises must integrate all of the resources to satisfy the uncertain and excessive demands from the customers. However as they specialize only

in their own field, the enterprises have to satisfy their customers through business cooperation in any field that they're not familiar with. But as to the fields that they're specialized in, the enterprises might create superior products through powerful combination to enhance further the product competitiveness. In essence, the mutual correlation in the industrial value chain involves not only an individual enterprise. Instead, it involves a series of relevant companies to require that the enterprises have to combine perfectly the upstream & downstream node firms to build a win-win cooperative relationship between the upstream & downstream firms based on mutual benefits to reduce the cost and improve their own market competitiveness in such an era when division of labor based on specialization becomes increasingly refined. Therefore mutual cooperation is of great significance to the enterprises:

First, enterprise cooperation will achieve complementary advantages through the agreements to realize resource sharing between the enterprises. For example, all of the following resources such as information resource, market resource and energy resource etc. will be developed and utilized completely in the cooperation. Actually through the so-call enterprise cooperation and resource sharing, costs will be saved and energy consumption will be reduced to the maximum to improve the business efficiency.

Second, the following ways of cooperation including powerful combination and alliance etc. will contribute to the enhancement of enterprise competitiveness, as competition is implied in the cooperation, while cooperation is another form of competition. Meanwhile the "importing" promotes the self development, while the "exporting" strengthens the sense of competition. Therefore it's only through the cooperation, can the enterprise potentials be aroused to the maximum to stimulate the enterprise development.

Finally, enterprise cooperation will achieve mutual benefits on a win-win basis to push forward the ultimate realization of the business goals developed by each company.

Anyway, in the 21st century, all of the companies are encountering great changes in the operation and management environment. If the enterprises should focus on the significance of mutual competition just from the perspective of competition, ignoring the necessity of enterprise cooperation, then it's inevitable that they will be at a disadvantage in the development. Actually win-win development based on mutual benefits won't be realized unless an orderly and harmonious cooperation would be established in a united way to prevent the enterprises from price war in the low-end market and the malicious competition. Then it would be a compulsory course that the enterprises must attend about how to

construct a horizontal value chain, the success in which will bring great benefits to every party including the other companies in the industry, the society and the consumers. Of course, the enterprise itself will be the biggest beneficiary eventually.

## 2. ENTERPRISE COOPERATIVE PERFORMANCE

We are able to figure out the cooperation relationship between the enterprises according to the enterprise organization theory, which holds that the agreement relationship implied in the market and the hierarchical organization will be constructed by the enterprises that are involved in the cooperation based on the mutual benefits. The establishment of such a relationship is always followed by the transaction activities conducted by two or more cooperative enterprises. Moreover enterprise cooperation is generally the interaction between two parties under the promise of reciprocity and mutual benefit, focusing on the stability and persistence of the cooperation to make it similar to the emphasis on the similar history and the shared corporation vision between the cooperative partners, who are characterized with the common expectations on the future development.

Enterprise cooperation, which brings development space to the enterprises, guarantees a mutual benefit on a win-win base in the cooperation and competition. However it brings not only the opportunity but also the challenge, making how to implement performance assessment and distribution become a focus of attention that must be paid by the enterprises in the face of enterprise cooperation. Actually with the development of society, business administration gets improvement as well with the increasingly mature enterprise management strategy. However in order to secure the existence and the further development of enterprise cooperation in the society, a reasonable management mode must be established for the efficient assessment and the distribution of benefits. In view of this, the enterprise must consider the current situation with a long-term vision to develop a suitable planning for the enterprise cooperative performance with the combination of its own features according to the characteristics of times.

Generally, cooperative performance is evaluated by the enterprises from the following subjective indicators including the realization of cooperative targets, the satisfaction with the cooperation felt by both parties, the enhancement of profitability and the strong cooperative intentions. But at present, all of the enterprises adopt CBSC, which has been widely applied and recognized as the enterprise cooperative performance management under the BSC framework.

### 3. INTER-FIRM COOPERATIVE PERFORMANCE UNDER THE BSC FRAMEWORK

Due to the numerous defects in the traditional unidimensional performance indicators for enterprise cooperation, the enterprise cooperative performance hasn't been characterized with scientificity and predictability, making more and more enterprises turn to introduce the non-financial indicators into the enterprise cooperative performance assessment system, where BSC (Balance Score Card) mode will become a referable framework for the practical operation of the enterprise cooperative performance.

The emergence of the BSC performance indicator system has solved the problem faced by the enterprises on the cooperative performance very well. The research on the enterprise cooperative performance proves that based on the financial indicators, the BSC framework indeed is a feasible strategy implementation tool that can perfectly implement the strategy for enterprise cooperative performance into some operable targets, measurable indicators and target values. Actually CBSC has been defined as a multidimensional performance assessment system due to the following reasons: First, CBSC facilitates the enterprises to manage, implement and develop the corporate strategy with the focus on the coordination of the multiple strategic departments in the enterprise. Therefore CBSC is centered on the management of the senior managers and the managers of the operating departments instead of the enterprise itself, focusing on the creation of competitive advantages in the commercial environment to realize strategic coordination (Kaplan & Norton, 1996, 2006). Second, the manager is responsible for the management over the internal and external expectations at the enterprise level (Roberts, et al., 2006). With this dual role, the manager has to perform internal control over the business unit and at the same time assume the responsibility for the external reports and communicate with the participants in the capital market. According to the opinions made by Kaplan and Norton, the following four aspects including finance, customers, internal process and learning & innovation will be assessed and controlled comprehensively under the BSC framework from the perspective of the strategic target of enterprise cooperation. Then we might come to a conclusion that: the investment in the capability for learning and growth will contribute not only to the improvement in the efficiency of internal process but also to the provision of customer value and the success in the finance.

Besides the management over the finance, the enterprise cooperative performance system also introduces the indicators for the following three dimensions, including customer, internal process and learning & growth, where the financial index is able to reflect completely the benefits gained through the

enterprise cooperation, while the index for the customer dimension further reinforces the development direction of the enterprise cooperation. Moreover, BSC is able to provide a perfect solution for the ways to strengthen the cooperation between the enterprises, enabling the enterprises to reflect fully on the problems that have occurred through the internal communication and mutual cooperation, while the cooperation and planning on the corporation vision will achieve mutual benefits. In addition to these, enterprise cooperation is characterized with incomparable development space under the BSC framework. The enterprise cooperative performance will facilitate the enterprises to understand the market, making an accurate judgment on the customer demand so as to have an efficient planning on the grabbing of market shares through learning and innovation.

Actually from the perspective of strategic management, the building of the corporate value theory is the theoretical support to the enterprise cooperative performance. Therefore only having a deep understanding of the fact that BSC framework is the combination of the support to the financial theory and the non-financial theory, can it be possible that the enterprise cooperation will be applied and integrated from a global perspective. As a matter of fact, the BSC framework, which is not new to the enterprise cooperative performance, focuses on taking "strategy" as the core with the full utilization of the "balance" concept, compared with the general enterprise cooperative performance assessment system.

Through the reasonable analysis and the construction of the enterprise cooperative performance system, it reveals that the BSC framework is able to identify successfully the chain of causality between the non-financial indicators and the financial indexes to make it different from the traditional performance assessment system. The reason to construct finally a BSC framework for the performance assessment indicators is because that BSC can not only be used for the assessment on the enterprise cooperative performance but also be utilized for the illustration and promotion of the enterprise strategy.

The BSC framework regulates the actions taken for the establishment of the enterprise cooperative performance system, illustrating the results caused by such actions. However as the assessment on the enterprise cooperative performance, the BSC framework acting as the further supplementation for the non-financial indicators is the driving force of the future financial performance in the enterprise cooperation. Through the BSC framework, all of these four dimensions have been integrated perfectly to achieve the comprehensive balance between the internal and the external, the long term and the short term as well as the result and the process in the enterprise cooperative performance system. Of course, the assessment on the enterprise cooperative performance is under the application management of the BSC framework. The introduction of

the non-financial indicators for the enterprise cooperation into the enterprise cooperative performance assessment logically provides the feasibility for the system, enabling the enterprises to conduct a precise and rapid performance assessment on the mutual cooperation.

## CONCLUSIONS AND EXPECTATIONS

Although the BSC framework has provided a favorable and referable application platform for the enterprise cooperative performance system, however in the case of enterprise cooperation in Zhenjiang City, the assessment and management on the enterprise cooperative performance has still been affected to some extent due to the influence of some uncertain factors, such as the difference in the cooperative targets developed by the enterprises and the limitation on the human factor in the enterprise cooperation. Therefore we must know very well that there are still problems in the objective reality to have a better application of the BSC framework for the flexible management on the enterprise cooperative performance. Meanwhile in the face of the problems found in the enterprise cooperation, each of the parties must have a self-reflection and improvement to enhance the cooperative performance from the root.

In short, the continuous development of productivity has promoted the development of science and technology, leading to the increasingly fierce competition in the enterprise modernization. Then how to achieve the mutual benefit on a win-win base has been the enterprises' tireless pursuit in this age when they are trying to maximize the profits. However in this era with economic integration and globalization in the world, it would be too weak if any of the enterprises should try to march on all by itself. Then powerful combination emerges to make the enterprise cooperation become a trend of development nowadays. In a word, the reasonable application of the BSC framework will be of extraordinary significance to the enterprise cooperative performance assessment system. We shall explore and take full advantage of the numerous effects brought by the CBSC to the enterprise cooperative performance so as to support the enterprise development.

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