ASSESSMENT OF THE BUSINESS PROCESSES EFFECTIVENESS IN THE CORPORATE COMPANY

Yuliyan Velkov
International Business School, Botevgrad, Bulgaria, yuvelkov@ibsedu.bg

Abstract: "Business processes" is a summarized term for all innovative, operational and focused towards client's activities in the corporate company. Innovations are about exploring the real and future necessities of customers as well as developing the appropriate products after sales service. They are involved in building the extended value chain in the corporate company and determine the long-term financial effectiveness of the business. The criteria and indicators for effectiveness of innovations generalize in four groups: a) Identifying opportunities for creating new products; b) Management of the portfolio for operation and development; c) Operation and development of new products; d) Release of new products on the market. Key measures of the financial effects of innovative activities are the profitability of the investments in innovations, revenue growth from existing customers, revenue growth from new customers and the cost management of the product life cycle.
The operations include a variety of activities for the acquisition of raw materials and materials, processing and recasting, as well as producing the resulting product into an exchangeable state. The operational activities compose the shortened chain of value in the corporate company. They condition the effectively, timely and rapidly delivery of already existing products to existing customers. The criteria and indicators for effectiveness of the operations can be classified into groups: a) Developing and maintaining relationships with suppliers; b) Production of products; c) Distribution of products to customers; d) Risk management. Traditional guidelines for evaluation of financial effects of operational activities are the level of costs, the degree of asset utilization, the success of expanding the proportion of customer purchases, and the increase in revenue from new customers.
Customer relationships present a variety of activities aimed at maintaining and developing a consumer's base. In them the loyalty and affection are reinforced of existing customers and attracting new ones. The criteria and indicators of effectiveness of the client relationships can be summarized in the following groups: a) Customer selection; b) Attracting new customers; c) Keeping the customer base; d) Development of customer relationships.
Key measures of the financial effects of customer relationships are the creation of new sources of revenue, the increase in revenue from one customer, the growth of customer profitability, the increase in effectiveness of sales and others.
Among the diversity of business processes a small number determine the specifics of the management strategy in the corporate company and form strategic topics.
Keywords: Management, corporate company, business assessment, analysis, value chain

1. INTRODUCTION

The concentration of capital in condition in a digital economy changes the management of business processes in a corporate company. The models of creation and exchange of value are becoming complicated. Project activities, operational processes, customer relationships are internationalized. The management focuses on cost, product features and after sales services is not a sufficient source of market success.
The current report represents a methodology for evaluation of the financial effectiveness of business processes in the corporate company. It consistently reveals criteria for the success of innovations, operations and customer relationships. Indicators for evaluation and analysis are suggested.

2. ESSENCE OF BUSINESS PROCESSES IN THE CORPORATE COMPANY

"Business processes" is a generic term for all innovative, operational and customer-focused activities in the corporate firm. They cover the whole creation of value chain – from identifying consumer needs, through design, production and delivery of finished products to after sales services. They ensure the satisfaction of customer's requirements as well as implementation of corporate plans for financial profit and profitability (Kaplan, R. & Norton, D. (2004), p. 124).They form unique causal relationship.
The diversity of business processes in a modern corporation can be classified into three groups: Innovations, Operations and Customer Relations (Kaplan, R. & Norton, D. (2004), p. 128).
Innovations are "exploring of emerging or latent customer needs with subsequent development of products or services to satisfy them" (Kaplan, R. & Norton, D. (2004), p. 128). Although according to archaic considerations for them to have an ancillary role in product creation, today innovative activities have proven significance especially in

businesses with long cycles of research and development (pharmaceuticals, high-tech electronics, and agrochemical protection). Innovations are part of the creation of the expanded value chain. Their results determine the long-term financial effectiveness.

Operations "start from the moment of receiving the customer's order and end with the delivery of the goods or service to the consumer" (Kaplan, R & Norton, D. (2004), p. 138). Operational processes ensure effective, timely and rapid delivery of already existing products to existing customers. They form a short value chain in the corporate company and are characterized by persistence and repeatability.

Customer's relationships reflect the advanced tendencies in the modern economy. Even though innovations and operations are crucial for the financial success, the progress of information and communication technologies is displaceing the emphasis in the corporate management from manufacturer to customer. "Consumers today rather alone lead the evolution of business instead of simply responding to market conditions or sales needs" (Kaplan, R. & Norton, D. (2006), p. 109). The importance of geographical proximity between supply and demand diminishes. There is a need of striving for long-term mutually beneficial relationships with consumers.

Business processes – innovations, operations and customer relationships – establish a key contribution for the strategic results of the corporate company. They provide the design, production and delivery of customers' products; they form the level of cost and productivity. Balanced management of all business processes generates a series of financial benefits over time. Effective synthesis of short-term and long-term management goals is achieved; conditions for sustainable satisfaction of consumer requirements are created, financial profit is steadily growing.

Among the hundreds of business processes today a small number determines the specificity of governance in the corporate company. They are combined in strategic topics and "require special attention and concentration of strengths" (Kaplan, R. & Norton, D. (2006), p. 52). The strategically crucial business processes focus management analyses and evaluations.

3. CRITERIA AND INDICATORS FOR THE EFFECTIVENESS OF INNOVATIONS IN THE CORPORATE COMPANY

Innovative processes provide the sustainability of the effectiveness of business processes in the corporate firm. They create conditions for attraction of new customers, enlargement of the customer base, increase of financial profits and preservation of customer loyalty. They generate extraordinary product offers as well as economic profitability in a long-term plan. The criteria and indicators for effectiveness of the innovations can be divided in four groups (Kaplan, R. & Norton, D. (2006), p. 141):

a) Identifying opportunities for creating new products. Traditionally, it is done by design departments but on condition of co-creation of value, "companies should not restrict the search for new ideas solely within their own areas of resources" (Kaplan, R. & Norton, D. (2004), p. 144). It is necessary to use the capabilities of other manufacturers, external research laboratories, universities, suppliers and customers. Identifying opportunities for forming new products reflects the success of *forecasting future customer needs as well as the result of developing new products and services.*

b) Management of portfolio for development and growth. The next stage in generating ideas for new products includes choosing products that are subject to funding and implementation. This process also includes how each project should be developed – individually or jointly with other companies as well as determining the sources of the needed resources, the need to purchase a license for some project activities, the possibility of full or partial outsourcing. A criterion for the success of the governance of the portfolio for development and growth are *the realization of perspective innovations, the expansion of market positions and activation of business cooperation.* (Kaplan, R. & Norton, D. (2006), p. 147-148).

c) Development and growth of new products. It is a complicated complex of activities that results in the creation of a product with the required functionality designed for a specific targeted market and able to produce with constant quality and cost price. It covers the development of concept, product planning and technical and technological design. Key guidelines in the evaluation of the development and growth of new products are *shortening the time cycle, optimizing costs and managing the whole process.*

d) Placing new product on the market. This is a final process of investing in a corporate company and is revealed from problematic batches to mass production. During it is recommended to use the technical conditions of all people, to create prototypes for equipment, to assemble the finished product. The beginning of production and sale of a small volume of production started. The success of launching new products reflects *time (from pilot production to full capacity), production effectiveness and marketing results* (Kaplan, R. & Norton, D. (2006), p. 154-155).

The financial effectiveness of the innovative processes in the corporate company finds application in the increase of revenues and profits of new products. This way conditions are created for the manufacturers to receive a price "premium" or faster sales growth (Kaplan, R. & Norton, D. (2004), p. 157). Innovative processes are rarely associated with cost savings.

An exemplary model for evaluating the financial effectiveness of innovations is shown in Table 1.

Table 1

Indicators	Rel. weight	Plan	Actual	Rel. performance
Profitability of investments in innovations				
1. Profitability of technologies influence.	k_1	A_0	A_1	$(A_1 – A_0): A_0$
2. Deadline to cover the cost of innovations.	k_2	B_0	B_1	$(B_1 – B_0): B_0$
3. Revenue from licensed patent activity.	k_3	C_0	C_1	$(C_1 – C_0): C_0$
Sum $Z_1 = k_1[(A_1 - A_0): A_0] + k_2[(B_1 - B_0): B_0]+ k_3([C_1 - C_0): C_0]$				
Revenue growth of existing customers				
1. Revenue from new products.	k_1	D_0	D_1	$(D_1 – D_0): D_0$
2. Profits from new products.	k_2	E_0	E_1	$(E_1 – E_0): E_0$
3. Sales growth of old customers.	k_3	F_0	F_1	$(F_1 – F_0): F_0$
Sum $Z_2 = k_1[(D_1 - D_0): D_0] + k_2[(E_1 - E_0): E_0] + k_3[(F_1 - F_0): F_0]$				
Revenue growth from new customers				
1. Revenue from new customers with new products.	k_1	G_0	G_1	$(G_1 – G_0): G_0$
2. Profits from new customers with new products.	k_2	H_0	H_1	$(H_1 – H_0): H_0$
Sum $Z_3 = k_1[(G_1 - G_0): G_0] + k_2[(H_1 - H_0): H_0]$				
Management of costs during the life cycle of the product				
1. Maintenance costs to total expenses.	k_1	I_0	I_1	$(I_1 – I_0): I_0$
2. Utilization costs to total expenses.	k_2	J_0	J_1	$(J_1 – J_0): J_0$
Sum $Z_4 = k_1[(I_1 - I_0): I_0] + k_2[(J_1 - J_0): J_0]$				

The complex assessment of the financial effectiveness of innovations in the corporate company is a sum of the summarized grades Z1 ÷ Z4, weighted by their respective relative weights.

4. CRITERIA AND INDICATORS FOR THE EFFECTIVENESS OF OPERATIONS IN THE CORPORATE COMPANY

Operational processes create and deliver products to customers. Their importance manifests especially at the end of the 20th century when Japanese manufacturers of electronics, optics and cars achieve impressive results based on cost management, reengineering and economies of scale. The operations in the corporate company are critical to the consumer's satisfaction and financial profits. Although long-term sustainability is not guaranteed, they play a key role in any control strategy. The criteria and indicators for the effectiveness of operations can be classified in the groups (Kaplan, R. & Norton, D. (2006), p. 69):

a) Development and maintenance of relationships with suppliers. This is the first activity in the shortened value chain in the corporate company. It demonstrates the effectiveness of all operational and client processes. There is a variety of criteria for the effectiveness of relationships with suppliers – *low cost of materials ownership, delivery "right on-time", quality of the delivered materials, use of ideas of suppliers, partnership and outsourcing.*

b) Manufacturing of products. It is a multitude of technological activities of converting materials in a finished product. Traditionally, they are aimed at decreasing costs, shortening time cycles and improving quality. A criterion for the effectiveness of manufacturing of products are usually *the refinement of technologies, the improvement of processes flexibility, the optimization of asset utilization and the results of financial engineering.*

c) Distribution of products to customers. It presents the physical delivery of products to consumers. The management of these activities has a lot of similarities to the solutions in working with supplier's materials. The typical goals of product distribution to customers equals the overall aims of business processes – *reducing costs, increasing the quality and shortening the duration* (Kaplan, R. & Norton, D. (2006), p. 77).

d) Risk management. It upgrades the striving to eliminate revenue fluctuations and financial profits. It minimizes the disadvantageous influences of external and internal effects as factors for creating added value in the corporate company. The success indicators of risk management are the made decisions concerning *the financial risk and the danger of losing creditworthiness, operational risk and technological risk*.

An exemplary model for evaluating the financial effectiveness of operations is shown in Table 2.

Table 2

Indicators	Rel. weight	Plan	Actual	Rel. performance
Lowest costs in the industry				
1. Costs of a unit product compared to competitors.	k_1	K_0	K_1	$(K_1 – K_0): K_0$
2. Annual decline in cost price of production.	k_2	L_0	L_1	$(L_1 – L_0): L_0$
3. Budget deviation.	k_3	M_0	M_1	$(M_1 – M_0):M_0$
Sum $Z_1 = k_1[(K_1 - K_0): K_0] + k_2[(L_1 - L_0): L_0]+ k_3([M_1 - M_0): M_0]$				
Maximum assets loads				
1. Volume of sales to total assets.	k_1	N_0	N_1	$(N_1 – N_0): N_0$
2. Reversibility of Math stocks.	k_2	O_0	O_1	$(O_1 – O_0): O_0$
3. Net cash flow.	k_3	P_0	P_1	$(P_1 – P_0): P_0$
4. Investment effectiveness.	k_4	Q_0	Q_1	$(Q_1 – Q_0): Q_0$
Sum $Z_2 = k_1[(N_1 - N_0): N_0] + k_2[(O_1 - O_0): O_0] +$ $+ k_3[(P_1 - P_0): P_0] + k_3[(P_1 - P_0): P_0]$				
Expanding customer purchase share				
1. Increase in share in customer purchases (%)	1.00	R_0	R_1	$(R_1 – R_0): R_0$
Sum $Z_3 = 1.00[(R_1 - R_0): R_0]$				
Increase in revenue from new customers				
1. Revenue from new customers (lv)	1.00	S_0	S_1	$(S_1 – S_0): S_0$
Sum $Z_4 = 1.00[(S_1 - S_0): S_0]$				

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5. CRITERIA AND INDICATORS FOR THE EFFECTIVENESS OF CUSTOMER RELATIONSHIPS IN THE CORPORATE COMPANY

Customer relationships show the shift of emphasis from producer to customer in the economy. This does not deny the importance of the innovations and operations among the business processes in the corporate company “Today, consumers would rather decide for themselves the development of the business instead of simply responding to market conditions of sales needs” (Kaplan, R. & Norton, D. (2006), p. 108). Customer relationships are quite crucial for businesses that produce complicated equipment and need to offer a wide range of after sales services. The criteria and indicators of the effectiveness of customer relationships can be combined in four groups (Kaplan, R. & Norton, D. (2006), p. 110):

a) Customer choice. Customer selection involves market segmentation, defining target segments and creating a product image of the corporate company. The market is divided in niches with their own distinctive characteristics and customer preferences. It is established the group of customers for whom the product is intended. An appropriate market orientation is executed and “higher costs for developing and maintaining relationships that can last in the long term (Kaplan, R. & Norton, D. (2006), p. 113). Main criteria for the success of customer selection are the *knowledge of the target segments, the forming of especially valuable customers and brand management*.

b) Attraction of new customers. Attracting new customers is “the most difficult and expensively worthy process of customer management” (Kaplan, R. & Norton, D. (2006), p. 119). In him the corporate company presents its products to the new customers in the target segments (that are assigned in the previous stage – customer choice). Customer relationships are initiated by suggesting an entry-level product. As a criterion for the effectiveness of attracting new customers can be determined *the awareness of customers about the new product of the corporate company, the result of adapting on the market to the needs of new customers and the development of relationships with distributors*.

c) Saving of the customer base. Keeping a customer base reflects the commonly opinion that for one corporate company is significantly cheaper to keep its existing customers instead of constantly attracting new ones to the lost old ones – loyal customers appreciate their already familiar products, often they are willing to pay a higher price and are reluctant to look for another seller. Efforts for preservation of customer base are focused on *providing excellent and "premium" services, creating partnerships with added value and building highly loyal customers.* All this involves "providing top-class services, actively consulting and receiving information from customers as well as forming such relationships that destroying them would be more expensive for customers than retaining them (Kaplan, R. & Norton, D. (2006), p. 122).

d) Development of customer relationships. The development of customer relationships increases the consumer value of products of the corporate company and also increases the customer switch to another provider. The deepening and expanding of customer relationships leads to an enlargement of the company-manufacturer share of a given product in the basket of consumers in the respective category. As a criterion for the effective development of customer relationships are *performing cross-selling, selling solutions and partnering with customers* (Kaplan, R. & Norton, D. (2006), p. 124-125).

The financial effectiveness of customer relationships manifests in larger volumes of sales, extended product range, customer tendency for increased prices. In addition, productivity growth can be expected (Kaplan, R. & Norton, D. (2006), p. 126).

An exemplary model for evaluating the customer relationships is shown in Table 3.

Table 3

Indicators	**Rel. weight**	**Plan**	**Actual**	**Rel. performance**
Creating new sources of revenue				
1. Revenue from new customers.	k_1	T_0	T_1	$(T_1 – T_0): T_0$
2. Revenue from new products.	k_2	U_0	U_1	$(U_1 – U_0): U_0$
Sum $Z_1 = k_1[(T_1 - T_0): T_0] + k_2[(U_1 - U_0): U_0]$				
Increase of revenue per customer				
1. Share of customer's portfolio	1.00	V_0	V_1	$(V_1 – V_0): V_0$
Sum $Z_2 = 1.00[(V_1 - V_0): V_0]$				
Increasing customer income				
1. Customer income.	k_1	W_0	W_1	$(W_1 – W_0): W_0$
2. Percentage of unprofitable customers	k_2	X_0	X_1	$(X_1 – X_0): X_0$
Sum $Z_3 = k_1[(W_1 - W_0): W_0] + k_2[(X_1 - X_0): X_0]$				
Increasing sales effectiveness				
1. Sales expenses compared to Total revenue	k_1	Y_0	Y_1	$(Y_1 – Y_0): Y_0$
2. Cost of sales (by channels)	k_2	A_0	A_1	$(A_1 – A_0): A_0$
3. Percentage of electronic customer transactions	k_3	B_0	B_1	$(B_1 – B_0): B_0$
Sum $Z_4 = k_1[(Y_1 - Y_0): Y_0] + k_2[(A_1 - A_0): A_0]+ k_3([B_1 - B_0): B_0]$				

The complex assessment of the financial effectiveness of innovations in the corporate company is a sum of the summarized grades Z1 ÷ Z4, weighted by their respective relative weights.

6. CONCLUSION

The assessment of the effectiveness of business processes in the corporate company offers a complex knowledge of innovations, operations and customer relationships. It reflects the efficiency of the development, production and marketing of finished products. It measures the fulfillment of plans regarding customer satisfaction and financial profits. In this way, they learn about the strengths and weaknesses of the corporate functioning. Current and long-term opportunities and threats are indicated. The evaluation of the effectiveness creates an idea of the potential for business development, adaptability to changes in the environment, competitiveness. Refinement is necessary through individualization of evaluation criteria and indicators according to the specifics of every management strategy.

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