

# Performances Evaluation

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## Abstract

*Performances evaluation signifies the comparison between the outcomes generated by the implementation of the model of strategic management and the objectives and performance standards established at the beginning of strategic management process.*

**Key words:** *performance standards, benchmarking, quantitative criteria of evaluation*

## Performance Standards

Standards represent the element of comparison used in plans and performances evaluation. Therefore, standards refer both to plans and performances.

Standards permit prominence of the performance gaps, which are generating themselves when the outcomes engineered after the model of strategic management which applies, are situated under the level of the desired outcomes.

Objectives, policies, budgets, all of them can constitute standards at which achieved or desired performances can retrospect to. Standards used in the applied activity are of more types:

- *physical standards*, used, mainly, at the procedures level, which express, as a general rule, in quantitative measures – material, work and energy consumption, and achieved outcomes (number of hours on one product unit, combustible consumption on one electric energy product, number of products made by hour – functioning machine, number of clients served on one time unit etc.). Physical standards can also reflect qualitative aspects such as an intertexture durability, a dye intensity etc.;
- *costs standards*, which are monetary measures which are also used at the level of operations, reflect the value size of consumptions of funds for different operations. Taking into account the easiness of their utilization and the fact that is expressed in a unique unit measure, the monetary one, the cost standards are broadly used in the likeness of material costs and income costs on the unit product or the duty unit, of unitary direct or indirect costs, of unitary total costs etc.;
- *capital standards*, which are referring to the capital of investments, are presented in the likeness of some ratio of the investments income gender, of the efficiency of immobilized assets utilization, of current assets related to current liabilities, of the balance of the investments in immobilized assets of the totals, of the size and the rotation of stocks etc.;

- *income standards*, carried out from the expression in monetary values of the sales volume; the standards range of this gender is very large, comprising, for instance, the receipts value on one ton of sold product, or on ton-kilometer transported merchandise, the average value of sales per customer, generally, or on customer at the level of a certain geographic area, the average value of sales per worker from the sale compartment etc.;
- *standards relating to the programs realization*, which refer to the expenditures ceilings that can be used for the achievement of some ample and complex programs of entering new products/services and technologies, of modernizing the existing equipments, of improving the qualitative level of products/services etc., and to the intermediate and final terms fixed for the development and finishing of the respective programs;
- *intangible standards*, which are not expressed in physical or monetary units, therefore in quantitative terms, hence resulting appreciable difficulties of their use and expression. Amongst these standards enrolls, for instance, the ones referring to the firms market image improvement, the measure in which an intense promotion campaign answers both to the desired objectives on short term and to those on long term, and to the breed of the faithfulness degree of buyers for the firms products/services etc. Appealing to these standards, expressed in general terms, and, therefore, moderately vague for relating some performances to them, explains through the fact that, when for the realization of these performances, the human relations have a determinate importance, is difficult to establish and to measure what is truly good and efficient. In such situations, the use of elaborate studies, tests, of the technique of the sampling etc, permit the effectuation of some assumptions objective enough considering the quality of human existing relations in the firm setting and practiced by it in its exterior intercourses.

Organization performances evaluation can be realized with help of the benchmarking method.

## Benchmarking

Organizations performances evaluation through this so-called benchmarking method, initiated by Rank Xerox two decades, took amplex after 1990s.

In fact, benchmarking consists in a systematic comparison of two or more organizations or areas through the analysis of some indicators precisely rated in the sight of the settlement of the performances that must be equaled or overdosed and the managerial and economic practices that can be taken and adopted.

According to specialist R. Camp, benchmarking involves a succession of 10 stages presented in the Table 1:

**Table 1.** Benchmarking stages

Phases	Stages
<b>0</b>	<b>1</b>
<b>THE PLANNING</b>	1. The identification of the “target” (of the reached point) 2. The identification of the firms for comparison 3. The settlement of the methods of composing data for the comparison
<b>THE ANALYSE</b>	4. The determination of the shifting of performance 5. The projection of the level of future performances

Table 1. (Cont.)

<b>THE INTEGRATION</b>	6. The communications of the solutions 7. The settlement of the functional objectives or those on the domains
<b>THE ACTION</b>	8. The development of the action programs 9. The implementation of specific actions and monitoring of the progress 10. Checking the calibration of organisation and management

Therefore, the essence of benchmarking consists in discovering best pragmatic managerial approaches, in analyzing them and adapting them to the needs of the organization.

Managerial practice, especially from USA and Great Britain, demonstrates that benchmarking is extremely valuable in what regards the comparative evaluation of the firms.

For example, in Great Britain, a special service named INAX was created. It uses the benchmarking method especially for the comparative measuring of firms' performances. An index of 80 criteria of performances grouped in the following areas was established:

- profitability;
- financial management;
- productivity;
- firms investments;
- clients satisfaction;
- innovation;
- bidders - suppliers;
- work force management;
- business of excellence.

Out of these areas, for all 80 criteria, information is obtained from the firms from certain areas with help of special questionnaires. This information is integrated in the database.

The management of the firms which have input information can require and obtain information about other firms from expert alike. Further on, a special technique of information comparative analysis was regularized, it allows:

- firm clamping in report with other firms on certain areas or at global level;
- actions detach, necessary to be achieved so that the respective firm could arrive at the level of performance of best similar companies – if is leader – for maintaining and consolidating this position.

Benchmarking facilitates a comparative evaluation, relative significant, of economic and managerial firm performances with those of the firms alike and outlines directions of strategic and tactic action for the growth of competitive capacity of involved organizations.

The evaluation of the model of strategic management is an operation which throws a favorable or unfavorable light on the strategic option previously chosen, disclosing aspects which are sometimes delicate, central to the criteria tenability in comparison wherewith were analyzed the strategic variants, to the objectivity of valuable given judgments and to the reliable ness of choosing the model which is applied.

Another argument, for which the evaluation of the strategic management model must be made, holds on to the measure in which the remuneration of the managers is related to their performances. When the principles according to which the level of their remuneration is established, favors the vision of some high objectives and the realization of the performances to their level, the managers will be deeply interested in making the strategic model evaluation, because they see in this an efficacious way to achieve the proposed objectives (as a base for comparing the results of the model practice with these objectives) and emphasize, thus, the registered performances. But, in practice, the connection between the managers' remuneration and their performances is deafly, as a rule, existing various cases of promotions and enlargements of actually emolument even when the level of the registered performances was modest; the explanation consists in the fact that the managers are the ones who, usually, make recommendations considering their remuneration and, therefore, they are little interested in the realized performances and in the strategy evaluation.

But when the managers have the responsibility of a certain realization of some strategic performances before nominating the level of remuneration, they will be virtually motivated to do the periodic evaluation of the strategy.

A third reason to make a strategic evaluation is that this calls for an informational system for proper management, which could deliver to the managers complete, relevantly and opportune information considering the outputs of the strategy implementation.

In taking over and using of this information, the managers are, though, selective, giving special attention to the favorable ones and taking lesser in consideration the ones who point out the existence of certain deficiencies.

When the flux of unfavorable information is intensified, reflecting the appearance and the development of certain shifting of alarming performance, the managers are bound to react and to take the corrective measures imposed for bringing the course of actions development on the stipulated track.

Therewith, the settlement of the limits, inside of which the shifting of positive or negative performance is due to alert the managers placed on these levels, so that they can react proper, is necessary for each hierarchical level of management.

## **Quantitative Criteria of Evaluation**

The evaluation of the strategic model signifies, as previously mentioned, the comparison of the results generated by the applied strategy with the established objectives at the beginning of the strategic management process. The most relevant long-term evaluation is, certainly, the quantitative one, which makes the capacity of the chosen strategy generate results which point out the improvement of embitterment of the firms' economical-financial situation and its competitive aspect.

Quantitatively, the evaluation of the model of strategic management efficaciousness it can be achieved by comparing the results registered from the implementation of the model with the one

obtained by the firm before its engagement in the implementation process, as well as with the results of other competitor firms. The comparison can be done considering the level of the following relevant indicators:

- clear profit;
- rate of profit;
- rate of growth for the sales volume;
- the segment of covered market;
- the costs of production and its efficiency;
- the costs of the casting and its efficiency;
- rate of products/ services instauration;
- a share's price;
- gain on share;
- rate of equity;
- income from capital;
- liquidity (globally, immediately);
- the degree of liability;
- the productivity;
- the efficiency of assets utilization;
- the average level of remuneration, rate of the wage earner fluctuation, the level of the absenteeism etc.

The last decade has generalized the discussion about the so-called "key-factors of success" and their control. *The key factors of success* represent that category of elements of the internal environment which specializes the competences and strategically capabilities of the organization against the ones of the alike organizations and have the decisive weight in creating the competitive advantage. Each organization has a set of significant factors. Statistical studies point out the most important key-factors of success. Among these are counted:

- attracting and maintaining the performant managers;
- the managerial motivation for the procurement of the profit;
- the perception of the newest needs and timeliness for new products;
- the development of a better planning on long-term.

The control of these key-factors is based on the answers to the following questions:

1. Which are the three-four major premises on which are based the organizations strategy?
2. Which are the three-four "key-factors of success" for the organization (for each product or area of interest)?
3. Which are the distinctive forces of the organization?
4. Which are the priorities and the important performances?

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## Evaluarea performanțelor

### Rezumat

*Evaluarea performanțelor desemnează compararea ieșirilor generate de implementarea modelului de management strategic cu obiectivele și standardele de performanță stabilite la începutul procesului managementului strategic.*