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THE STRATEGIC IMPORTANCE OF MEASURING AND MONITORING THE ECONOMIC AND MANAGERIAL PERFORMANCE

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Abstract: *A performing organization better renders profitable the opportunities of the surrounding environment, easily gets over the obstacles of this environment, it is up to the marks both qualitatively and quantitatively as far as a certain segment of the social need is concerned, gets a competitive advantage over the specific market where it operates.*
As far as the assessment of the performances is concerned, an important aspect underlied by the practice of the management proves that this is still one of the weak chains of an organization. The performance has to be assessed by an ensamble of indicators with fewer or larger degrees of complexity and it does not have to limit itself to the knowledge of a single result.

1. THE ROLE OF MEASUREMENT AND MONITORING OF ECONOMIC AND MANAGERIAL PERFORMANCE WITHIN THE ORGANIZATION

Performance measurement is found to be particularly efficient on economic activity and social climate within an organization oganizațional, with repercussions on growth in general efficiency and productivity in particular. Measuring and monitoring system performance is an important and intrinsic organization's management system.

A performance measurement system a company must meet the following requirements:

- To monitor and evaluate on an ongoing basis, improving the company;
- To provide the manager the opportunity, as the measurement can take decisions on where, when and how to intervene, for the enterprise to improve performance;
- The system design must take into account the fact that the enterprise is a complex and open system;
- Measurement system must operate at the interface with the external environment company, so we can compare with the competition;
- Every manager must establish a system of normative values or parameters (indicators) of performance to decide if the track performance indicators are too big or too small to take such appropriate action.

An important aspect is highlighted by the practice assessment of proving that performance management is still one of the weak links in the organization. Some specialists consider unprofessional performance evaluation as having a negative influence when there is erroneous perception that performance variations are due to employees, while reality shows that these variations are a result of evaluation systems created and controlled by managers. Also according to the same international quality standards (ISO 9000:2005) is emphasizing the concept of "continuous improvement" defined as a repeated activity to increase the ability to meet requirements. Evaluating and improving performance should be seen as a reflection of culture. This all the more so as a new element of strategic importance is the consistency of performance evaluation with organizational culture.

With an appropriate performance measurement system, employees know that their priorities are, to be current actions, their goals and how they contribute to the team or organization performance. According to the literature and managerial practice in the field of human resources and evaluating their performance involves several distinct activities:

- Assessing the potential and capacity development and development of a person;
- Evaluation of behavior;
- Performance Evaluation.

In assessing the results and performance activities, organizations must consider the following requirements:

- Developing a set of performance evaluation indicators include internal and external customer requirements and other factors generating organization successful;
- The use of comparative data and improve the overall performance of the organization and maintaining Feedback;
- Identify new sources of information continues on the parties involved in achieving the organization and their use within the organization;
- Involve every employee in the assessment of results and visibility and transparency of information on performance throughout the organization;
- Data collection and information fair, accurate, repeatable, reliable results and mnținerea on their degree of secrecy;
- Ensuring accessibility and availability of information and resources for their use to all stakeholders;
- Identify knowledge derived from this information, dissemination and publication of results.

2. PERFORMANCE MEASUREMENT CRITERIA

Performance is a relative term, so that a performance appraisal process should know the criteria against which this assessment is done and on what basis can also make a comparison. Under these conditions, an important part of performance evaluation process is to determine the most appropriate evaluation criteria, specific elements or attributes that you define performance. Also be necessary to establish performance standards, namely its desired or expected level.

To establish performance criteria can be considered and criteria developed models of excellence, but simple models such as for example „spider's web" (Fig. 1).

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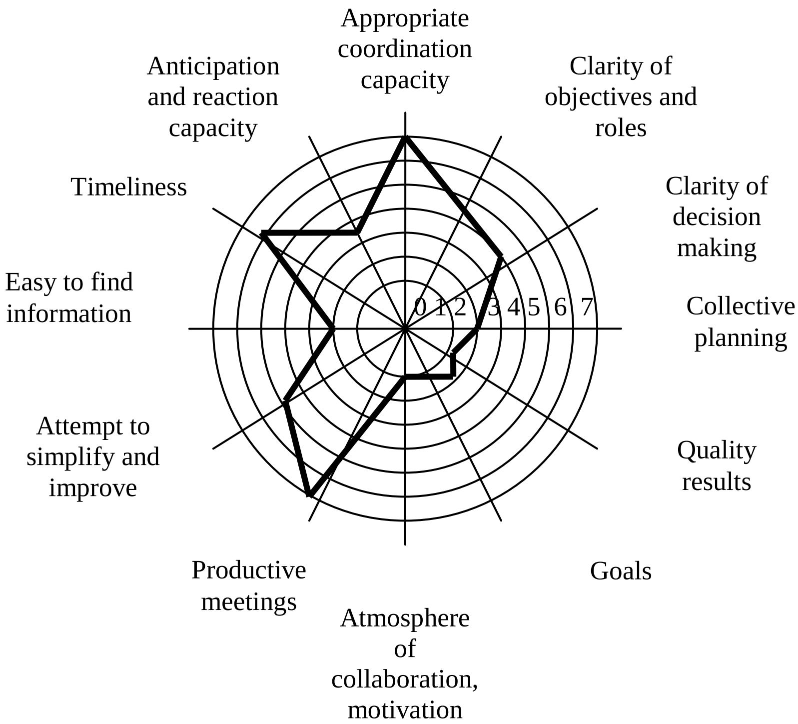

Fig. 1 „A spider's web" of a team evaluation
Source: Paraschivescu, A. O., Excellent Management, Ed. Tehnopress, Iaşi, 2009, p. 185.

In order to obtain meaningful results, performance criteria must meet the following conditions:

- To be precisely formulated, simple and clear;
- Their number is limited, using several criteria leads to smoothing results to obtain average values, which will have a much lower relevance;
- To be measurable, easy to see, so that disputes over the results to be avoided;
- Be applicable to all subjects, and comparable operating conditions and have the same or similar functions.

For measuring and evaluating performance of the organization, the company needs accurate data and the criteria that usually are part of the information.

Information System consists of a set of methods for collection, storage, analysis and data presentation to facilitate decision making at all levels of the organization.

Information on the organization's performance should be used constructively to improve performance and not to determine guilt in cases of poor performance.

Performance results should give rise to a dialogue about the performance achieved on the objectivity and efficiency indicators used. This information should have a targeted and easy to apply, with a clear, concise and precise.

Complex and accurate evaluation of the results of work performed within an organization, oeră important information on the extent to which planned objectives have been achieved and the need for implementation of corrective actions, preventive or improvement, and especially information on the progress.

Over time, performance was measured using different indicators: firm size, profit, profitability.

Performance is measured through a set of indicators with lower degrees of complexity or higher and must not be limited to knowledge of a result.

Performance measurement raises several basic questions:

- Management structure and information;
- Report mission-vision;
- Objectives and responsibilities;
- Measuring performance through indicators;
- Alternatives to measure performance

3. INDICATORS FOR MEASURING PERFORMANCE CHARACTERISTICS

On the characteristics of performance measurement indicators, Gosselin has identified four phases in the evolution of performance measurement, namely:

I. (1900 - 1950) - measurement of financial performance - during the industrialization business performance appreciated by the couple in particular cost-benefit return on capital employed (ROCE).

II. (1950 - 1980) - control of responsibility centers - through diversification size enterprises need to control managers resulted in a set of sizes of a financial nature.

III. (1980 - 1990) - Improving quality - a period characterized by increased competitiveness and free trade, focused on a strategic management with a focus on customer and product quality.

IV. (beginning in the late 90's) - Strategic performance management - financial and nonfinancial measures was related to strategy. At this stage the indicators used are financial, quality, customer satisfaction, wages and innovation.

For Lorino, a performance indicator goal is to help an actor for "driving" course of action to achieve an objective or to assess an outcome. Indicator should not necessarily be a number, can take any form of information that meets either of the two features outlined in the definition: management action and evaluate results.

The author presents the following considerations regarding the appropriateness and effectiveness of performance indicators:

- ✓ indicator must have operational relevance (must be built according to the actions) and strategic relevance (must meet a certain goal). The latest conditions distinguish result indicators, which measure the achievement of that objective indicators of flight or that inform the proper conduct of actions to achieve that objective.
- ✓ indicator must have a cognitive efficiency in the sense that must be understood and interpreted by the author that it is intended. In other words, the indicator must have a special destination to refer to actors precise nature collective (team), which should help in guiding action and understanding of success factors.

Also, a performance indicator is a measuring point related to critical success factors and strategic objectives of the organization, which can assess the functioning of a process. Performance indicators provide timely signals that are based on management guidance has focused organization in accordance with the measurement of change and a comparison of results measured by standards.

Grouping inficatorilor performance measurement can be made according to several criteria.

Kubiak proposed in 2003 following categories of indicators:

- Indicators customer relationship;
- Indicators relating to quality of products and services;
- Financial indicators;
- Indicators of market performance;
- Indicators relating to human resources;
- overall performance indicators;
- Indicators for social responsibility and ethical behavior.

This suggests that evaluation and performance results achieved in an organization should be done taking into account the interests of all parties involved, namely: customers, suppliers, investors, society at large.

In the literature, performance indicators are presented as indicators of financial and non financial indicators.

Financial indicators can be grouped into three categories:

• accounting result and derived indicators - refer to the result that appears in the financial statements is a crucial indicator that can be exploited by a certain structure to account for results, ie through intermediate management balances.

Presents performance indicators derived accountants absolute undertaking. For comparison is shown using different type rate indicators: the share of staff costs in turnover, profitability ratio, the share of trade in turnover margin.

These indicators provide a picture of profitability.

• Traditional indicators of profitability - this indicator provides information on effectiveness, ie reporting the amount of capital invested is made. The best known indicator of this kind is ROI (return on investment) determined as the ratio between output and value invested.

A traditional indicator of profitability is Return on equity determined as the ratio between net income and equity of the company (known in the literature as ROE - return on equity).

It provides information that allows comparisons with expected return of shareholders and therefore to assess the financial activity of the company.

Another indicator used to assess profitability is Return capitalutilor committed, determined as the ratio between the result of exploitation and capital invested.

• New category of financial indicators - a representative indicator is EVA (Economic Value Added - The economic value added) which suggests that the positive value of the company managed to create value in strictly financial terms, after all aportorilor remuneration of capital, and particular shareholder remuneration.

Economic value added is determined based on the relationship:

Operating result = Operating result - (weighted average cost of capital + capitals employed adjusted)

EVA is a better indicator of stock market linked rate than other financial quantities. From the perspective of the local performance indicator used to assess the performance of divisions in the group.

Financial indicators provide a short term performance, which is one of the frequency expressed. Information provided they do not allow good reactivity of the managers.

Another limitation is the fact that ratios are indicators of results rather than processes, the effect of decisions are manifold, and in relation to time of varying duration.

3.1 How to define non-financial indicators?

Poincelot and Wegmann presents them as opposed to financial indicators:

Are considered non-financial direct because it expresses the firm's financial objective as indicators of profitability do you create the outcome su turnover and can be qualitative and quantitative, as the authors points out, sometimes expressed in monetary values (eg costs training programs on the client or customer marketing costs). Given the nature of non-financial indicators, they can not lead to an overall assessment in terms of arithmetic in terms of enterprise value creation. For evaluation and pilot performance, non-financial indicators Poincelot and Wegmann call generic, non-financial criteria.

Regarding the contractual approach, the two authors show the benefits of introducing non-financial criteria in performance measurement system:

- Non-financial performance evaluation criteria facilitates consistency between strategy and the allocation of decision rights be judging the role of incentive mechanism, either as an essential component of the control system or both simultaneously above or as a
better way to assess the performance achieved (it it is an incentive mechanism, control and performance evaluation, being more adaptable than financial criteria). Wegmann Poincelot and found that these non-financial criteria prevail when decision-making function is decentralized.

- Use of non-financial criteria can favorizacoernța internal organizational architecture, studying various representative works, the authors concluded that the contractual relationship between architecture organizational literature and non-financial criteria are not clearly established.

- Presence of non-financial indicators in incentive contracts (contracts with bonus) of executives as a means of reducing conflict. For Ittner, managerial incentives Larker and Rajan contracts based solely on financial size is not the most effective way to motivate managers to act in accordance with the interests of shareholders. In this respect, the three indicators suggest supplementing them with non-financial, which provides additional and faster information to shareholders regarding the efforts of directors to create organization-wide value. Thus, the presence of non-financial indicators are a means of reducing conflict between managers and shareholders at the organization level.

Non-financial indicators the need for piloting and evaluation of enterprise performance was supported by Norton and Kaplan believe that financial indicators may not reflect overall performance of the company. Any performance measurement system includes a subjective part. It is highly recommended to use various indicators assessed by some stakeholders, the company benefited from different points of view in terms of performance.

CONCLUSIONS:

Information provided by these indicators are often difficult to understand by managers. Financial indicators are often the result of complex calculations, and even questionable, requiring numerous economic and financial knowledge. In general, the information decision makers must be obtained quickly, be understandable to make decisions in a short time.

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