“Mircea cel Batran” Naval Academy Scientific Bulletin, Volume XIV – 2011 – Issue 2
Published by “Mircea cel Batran” Naval Academy Press, Constanta, Romania

THE METHODOLOGY OF THE ASSESSMENT OF THE PERFORMANCE OF THE MANAGEMENT AT THE LEVEL OF THE ECONOMY ORGANIZATION

Mihaela – Lavinia CIOBĂNICĂ [1]
[1]Spiru Haret University, Faculty of Accounting and Financial Management, Constantza

Abstract: The performance of the management is looked upon with great interest at the level of any organization, the determination of which being a standing objective on both long and short terms.
The conditionings unanimously recognized by experts in the field of scientific concerns are obvoious, namely only a performing management practised by profesional managers, is capable of performances of the management which give birth to economico-financial and social performances.

1. MANAGERIAL PERFORMANCE EVALUATION METHODOLOGY IN THE ECONOMIC ORGANIZATION

Regarding performance evaluation, an important aspect highlighted by the practice management proves that it still is one of the weak links of organizations. 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 indicators which reflect management (IP) will be divided into four major categories.

1.1 Performance management methodological

IP_1 – Science degree business management

$$IP_1 = \frac{Scientific\ methods\ used\ in\ business\ management}{Empirical\ methods\ used\ in\ business\ management} \times 100$$

If IP1> 20%, state enterprise in terms of degree of science will be favorable.

$$IP_{1\ 2007} = \frac{0,45}{0,25} \times 100 = 1,8 \times 100 = 180\%$$

$$IP_{1\ 2008} = \frac{0,30}{0,20} \times 100 = 1,5 \times 100 = 150\%$$

$$IP_{1\ 2009} = \frac{0,45}{0,55} \times 100 = 0,82 \times 100 = 82\%$$

Since IP1> 20%, state enterprise in terms of degree of scientizare management is considered favorable for the three financial years under review, puctajul obtained according to the weight scale on general indicators of performance used in the evaluation of an organization's management presented in Annex will be up.

IP_2 – Involvement of management tools in the performance management process

$$IP_2 = \frac{number\ of\ systems, methods, techniques\ used\ in\ performance\ management}{all\ systems, methods, techniques} \times 100$$

The optimum level of this indicator of managerial performance is achieved when the record is more than four systems, methods or management techniques.

$$IP_{2\ 2007} = \frac{6}{10} \rightarrow 4 \text{ points}$$

$$IP_{2\ 2008} = \frac{8}{10} \rightarrow 4 \text{ points}$$

$$IP_{2\ 2009} = \frac{7}{12} \rightarrow 4 \text{ points}$$

Because each of the three financial analysis company uses more than four management methods and techniques in the business of management, the situation is considered favorable in terms of the degree of involvement of management tools used and the maximum score is.

IP_3 – Jurisdiction managers

$$IP_3 = \frac{score\ obtained\ in\ the\ periodic\ evaluation\ of\ managers}{minimum\ level\ of\ management\ theory\ and\ practice} \times 100$$

$$IP_{3\ 2007} = \frac{9}{8} \rightarrow 3 \text{ points}$$

$IP_{3\ 2008} = \frac{10}{8} \rightarrow$ 4 points

$IP_{3\ 2009} = \frac{10}{8} \rightarrow$ 4 points

In financial year 2007 indicator on the power manager is assigned 3 points, according to the hierarchy of the grid presented in Annex 8 on share performance indicators used to assess general management activity of an organization and in the following financial score obtained will be max.

1.2 Performance of decision

IP_4 - The degree to solve business decision problems

$$IP_4 = \frac{number\ of\ decisions\ taken}{number\ of\ decision\ problems} \times 100$$

The optimum level of this indicator of managerial performance is achieved when the IP4> 50%.

$IP_{4\ 2007} = \frac{24}{55} \times 100$ = 0,4663 $\times$ 100 = 46,63%

$IP_{4\ 2008} = \frac{26}{47} \times 100$ = 0,5532 $\times$ 100 = 55,32%

$IP_{4\ 2009} = \frac{41}{45} \times 100$ = 0,9111 $\times$ 100 = 91,11%

Since 2007 the management performance indicator IP4 <50%, score it is 3 points.

In the following two financial years, state enterprise in terms of decision-making level to resolve the problems the company is considered favorable, puctajul obtained under the weight scale on general indicators of performance used in the evaluation of an organization's management presented in Annex is up.

IP_5 - Degree of operationalization of the decisions

$$IP_5 = \frac{number\ of\ decisions\ applied}{number\ of\ decisions\ taken} \times 100$$

If IP5> 80%, state enterprise in terms of degree of operationalization of the decision will be favorable.

$IP_{5\ 2007} = \frac{33}{34} \times 100$ = 0,9705 $\times$ 100 = 97,05%

$IP_{5\ 2008} = \frac{17}{26} \times 100$ = 0,6538 $\times$ 100 = 65,38%

$IP_{5\ 2007} = \frac{38}{41} \times 100$ = 0,9268 $\times$ 100 = 92,68%

In financial year 2007 and 2009, the performance management IP5 scored according to the evaluation grid, while in 2008 falls below the maximum performance management, and this indicator is allocated only 3 points.

1.3 Performance information

IP_6 – Degree of satisfaction of information needs of managers

$$IP_6 = \frac{\inf ormations\ provided\ to\ managers}{useful\ \inf ormations\ managers} \times 100$$

If IP6> 70%, state enterprise in terms of the degree of meeting the information needs of managers will be favorable.

$IP_{6\ 2007} = \frac{58}{86} \times 100$ = 0,6744 $\times$ 100 = 67,44%

$IP_{6\ 2008} = \frac{97}{120} \times 100$ = 0,8083 $\times$ 100 = 80,83%

$IP_{6\ 2009} = \frac{93}{139} \times 100$ = 0,6690 $\times$ 100 = 66,9%

The degree of satisfaction of information needs of managers recorded a maximum level in year 2008 when IP6> 70% and the other two periods analyzed indicator recorded values below the maximum possible and allocated only 3 points.

IP₇ - Degree of satisfaction of information needs of contractors

$$IP_7 = \frac{\inf ormations\ provided\ to\ execu\tan ts}{Useful \inf ormations\ managers} \times 100$$

If IP7> 20%, state enterprise in terms of the degree of meeting the information needs of managers will be favorable.

$$IP_{7\ 2007} = \frac{25}{39} \times 100 = 0{,}641 \times 100 = 64{,}1\%$$

$$IP_{7\ 2008} = \frac{27}{35} \times 100 = 0{,}7714 \times 100 = 77{,}14\%$$

$$IP_{7\ 2009} = \frac{55}{62} \times 100 = 0{,}8871 \times 100 = 88{,}71\%$$

In financial year 2007, the degree of satisfaction of informational needs of performers is below the maximum possible, while the next two periods analyzed managerial achieve maximum performance from this point of view.

1.4 Organizational Performance

IP₈ – The degree of assurance procedural objectives

$$IP_8 = \frac{number\ of\ objectives\ achieved}{number\ of\ objectives\ pursued} \times 100$$

The optimum level of this indicator of managerial performance is achieved when the IP8> 90%.

$$IP_{8\ 2007} = \frac{21}{27} \times 100 = 0{,}7778 \times 100 = 77{,}78\%$$

$$IP_{8\ 2008} = \frac{19}{25} \times 100 = 0{,}76 \times 100 = 76\%$$

$$IP_{8\ 2009} = \frac{30}{33} \times 100 = 0{,}9091 \times 100 = 90{,}91\%$$

From the point of view of insurance goals in the first trial of two financial years IP8 <90%, while in 2009 it reached a maximum of managerial performance evaluation grid and is assigned 4 points.

IP₉ – Coverage structural-organizational work processes involved in achieving

$$IP_9 = \frac{work\ processes\ involved\ in\ achieving\ the\ objectives}{developed\ work\ processes\ throughout\ the\ company} \times 100$$

The optimum level of this indicator of managerial performance is achieved when the IP9> 25%.

$$IP_{9\ 2007} = \frac{15}{31} \times 100 = 0{,}4838 \times 100 = 48{,}38\%$$

$$IP_{9\ 2008} = \frac{9}{38} \times 100 = 0{,}6842 \times 100 = 23{,}68\%$$

$$IP_{9\ 2009} = \frac{22}{29} \times 100 = 0{,}7586 \times 100 = 75{,}86\%$$

Coverage on structural and organizational work processes involved in achieving the company reviewed the situation is bad in 2008 when IP9 <25%, while the other two financial years this indicator reaches the maximum level of performance management.

After calculating the values of all general indicators used in evaluation of performance management, proceed to determine the score for each group of performance indicators, according to information given in Annex - Share performance indicators used to assess general management activity of an organization.

Table 1 shows the score for the first group of indicators of managerial performance "methodological and managerial performance."

Table no. 1 - *The score for the group of indicators "Methodological and managerial performance"*

	General indicators of management performance	**I. Methodological and managerial performance**			**TOTAL SCORE I**
	The share of general indicators	**20%**			
	Indicators of performance management analytics	IP_1	IP_2	IP_3	
	Share performance indicators analytical group	40%	35%	25%	
	Share analytical performance indicators in total	8,00	7,00	5,00	
Financial year	2007	4	4	3	75
	2008	4	4	4	80
	2009	4	4	4	80

Total punctaj 2007 = 8 * 4 + 7 * 4 + 5 * 3 = 32 + 28 + 15 = 75
Total punctaj 2008 = 8 * 4 + 7 * 4 + 5 * 4 = 32 + 28 + 20 = 80
Total punctaj 2009 = 8 * 4 + 7 * 4 + 5 * 4 = 32 + 28 + 20 = 80

Table 2 shows the corresponding score of the two groups of performance indicators managerial "decision-making performance."

Table no. 2 - *The score for the group of indicators „performance decision”*

	General indicators of management performance	**II. Performance decision**		**TOTAL SCORE II**
	The share of general indicators	**40%**		
	Indicators of performance management analytics	IP_4	IP_5	
	Share performance indicators analytical group	40%	60%	
	Share analytical performance indicators in total	16,00	24,00	
Financial year	2007	3	4	144
	2008	4	3	136
	2009	4	4	160

Total score 2007 = 16 * 3 + 24 * 4 = 48 + 96 = 144
Total score 2008 = 16 * 4 + 24 * 3 = 64 + 72 = 136
Total score 2009 = 16 * 4 + 24 * 4 = 64 + 96 = 160

Table 3 shows the corresponding score of the three groups of indicators of managerial performance "Performance Information".

Table no. 3 - *The score for the group of indicators „Performance Information”*

	General indicators of management performance	**III. Performance information**		**TOTAL SCORE III**
	The share of general indicators	**15%**		
	Indicators of performance management analytics	IP_6	IP_7	
	Share performance indicators analytical group	60%	40%	
	Share analytical performance indicators in total	9,00	6,00	
Financial year	2007	3	3	45
	2008	4	4	60
	2009	3	4	51

Total score 2007 = 9 * 3 + 6 * 3 = 27 + 18 = 45
Total score 2008 = 9 * 4 + 6 * 4 = 36 + 24 = 60
Total score 2009 = 9 * 3 + 6 * 4 = 27 + 24 = 51

Table 4 presents the score for the last group of indicators of managerial performance „Organizational performance”.

Table no. 4 - *The score for the group of indicators „Organizational performance”*

	General indicators of management performance	IV. Organizational performance		TOTAL SCORE IV
	The share of general indicators	15%		
	Indicators of performance management analytics	IP_8	IP_9	
	Share performance indicators analytical group	70%	30%	
	Share analytical performance indicators in total	10,5	4,5	
Financial year	2007	2	4	39
	2008	2	3	34,5
	2009	4	4	60

Total score 2007 = 10,5 * 2 + 4,5 * 4 = 21 + 18 = 39
Total score 2008 = 10,5 * 2 + 4,5 * 3 = 21 + 13,5 = 34,5
Total score 2009 = 10,5 * 4 + 4,5 * 4 = 42 + 18 = 60

Further, based on managerial performance evaluation scale can be achieved a ranking of them for the three financial years studied groups of indicators.

1. Methodological and managerial performance

Ranking	Financial Year	Score
1	2007	75
2	2008	80
3	2009	80

2. Performace decision

Ranking	Financial Year	Score
1	2007	144
2	2008	136
3	2009	160

3. Performance information

Ranking	Financial Year	Score
1	2007	45
2	2008	60
3	2009	51

4. Organizational performance

Ranking	Financial Year	Score
1	2007	39
2	2008	34,5
3	2009	60

The maximum score possible to get in a financial year is determined by adding the maximum scores for each group of management performance indicators as follows:

$P_{MAX} = P_{max\ I} + P_{max\ II} + P_{max\ III} + P_{max\ IV}$, where:

P_{MAX} = maximum possible score to achieve in a year

$P_{max\ I}$ = maximum score possible for groups of indicators „methodological and managerial performance”

$P_{max\ II}$ = maximum possible score for the second group of indicators „decision performance”

$P_{max\ III}$ = maximum possible score for the third group of indicators „performance information”

$P_{max\ IV}$ = maximum score possible fourth group of indicators „organizational performance”

$P_{MAX} = 80 + 160 + 60 + 60 = 360$ points

Table no. 5, the scores obtained will be presented in terms of managerial performance, each year, in descending order.
In column 4 percentage score is given each year obtained from the maximum score possible for management performance indicators considered (Pmax = 360).

Table no. 5 - *Hierarchy of the three financial years depending on performance management review*

Ranking	**Financial year**	**Total score**	**Weight to the maximum possible score for the indicators considered (P_{MAX} = 360)**
1.	2009	351	97,5%
2.	2008	310,5	86,25%
3.	2007	303	84,16%

TOTAL SCORE = TP1 + TP2 + TP3 + TP4
Total score 2007 = 75 + 144 + 45 + 39 = 303
Total score 2008 = 80 + 136 + 60 + 34,5 = 310,5
Total score 2009 = 80 + 160 + 51 + 60 = 351

CONCLUSIONS:

It follows from the table that none of the three financial years has not been analyzed in terms posted net performance achieved in all indicators considered.

The maximum score obtained corresponds to the year 2009, being 351 points, representing 97,5% of the maximum score possible. Obtaining the maximum possible score (360 points) in one of the three financial years would mean that one peak between all indicators of performance management review.

ANNEX - Statement of the elements necessary to determine the management performance indicators in SC Petrom S.A.

Nr. crt.	**Indicator**	***Financial level***		
		2007	***2008***	***2009***
1.	The number of systems, methods, techniques used in the performance management process	6	8	7
2.	The number of systems, methods, management techniques available	10	10	12
3.	The degree of empiricism used in the performance management	25	20	55
4.	Scientific degree of performance management used	45	30	45
5.	Score to the regular assessment of managers	9	10	10
6.	Minimum score required level of management theory and practice	8	8	8
7.	Number of decisions taken at company level	34	26	41
8.	Number of decision problems faced by the company	55	47	45
9.	Number of decisions implemented at company level	33	24	38
10.	The information provided managers	78	97	125
11.	Information managers need	86	120	139
12.	Information provided to contractors	36	27	55
13.	Information required contractors	39	35	62
14.	The number of objectives	27	25	33
15.	The number of goals met	21	19	30
16.	Work processes involved in achieving	15	26	22
17.	The number of work processes set out across the organization	31	38	29

References

[1] Caraiani, C., Dumitrana, M., 2005, *Management Accounting and Management Control*, University Publishing House, Bucharest, p 136.
[2]. Gosselin, M., 2006, *Le Controle de Gestion strategique*, Alpha Tech Ed, cited by Laman, J., *In the performance Mesure hospitaliere: attempts d'approch*, Rabat, Morocco: Centre for Documentation en Santa. (CSD), p. 21.
[3]. Ittner, CD, Larcker, DF, Rajan, MV, 1997, *The Choice of Performance Measures in Annual Bonus Contracts*, The Accounting Review, p. 36.
[4]. Jaba, O., 2007, *Production management and operations*, Sedcom Libris Publishing House, Iasi, 117.
[5]. Jaba, O., 1999, *The company's strategic review*, Ed Sedcom Libris, Iaşi, p. 42.
[6]. Kubiak, T., 2003, *An Integrated Approach System*, Quality Progress, Milwaukee, July, p. 21.
[7]. Lorino, P., Demeestère, R., 2001, *Contrôle de Gestion et pilotage de l'enterprise*, DUNOD, Paris, p. 85.
[8]. Manole, C., 2006, *Human resource management in public administration*, ASE Publishing House, Bucharest, p. 74.
[9]. Paunescu, C., 2006, *Continuous quality improvement*. *Performance indicators*, Quality and Management Magazine, no. 1, p. 7.
[10]. Paraschivescu, AO, 2009, *Management Excellence*, Ed Tehnopress, Science, p. 110.
[11]. ISO 9000:2005.