J Appl Econ Stat. 2017; 1(1): 46-54
doi: 10.25083/2559.5059.11.4654

Original Article

The notion of performance and economic analysis

Adrian Anica-Popa[1]

[1]Academy of Economic Studies, Bucharest, Romania

Abstract Specialist literature retains at least three "traditional" articles that analyze the term "performance" and its use: Lebas (1995), Wholey (1996) and Folan - Brown (2007). Lebas characterizes performance as forward-looking, designed to reflect peculiarities of each organization or individual, and based on a causal pattern that connects components and products. A "successful" business is one that will achieve its goals set by the management team, and not necessarily some that have already been achieved. Thus, performance holds both capability and future (Lebas, 1995). The self-excoriative behavior could also be regarded as an appeal for help.

Performance management is a concept that has recently emerged in Romania, the understanding of its evolution and its substantiation, influencing the impact and success of its implementation. The applicability of performance management is an aspect that is most needed in the current economic context, where performance is a central concern of organizations. Currently in Romania, performance management has become an imperative concept for organizational, operational and individual efficiency.

Keywords: performance, economic, analysis

Correspondence should be addressed to: Adrian Anica-Popa; e-mail: adrian.anicapopa@gmail.com

Introduction

The concept of performance is found in the literature with different meanings, such as: success, result of an activity, action. Over time, performance has been measured by company size, profitability and profit or treasury. Developing financial markets and financial communication exigencies to anticipate future corporate performance imposed by investors requires performance measurement to a dynamic extent. This dual approach to the outcome aims to provide users with a response to two categories of needs: measuring performance and measuring "wealth."

Therefore, the performance of the enterprise is not merely simplistic about the higher financial accounting results, namely the maximum profitability, stable financial equilibrium, the ability to generate cash necessary for the functioning and the extension in perspective but concerns all the non-financial and financial aspects of its activity . Investors are not only interested in the historical past of the company, which is reflected in the financial indicators, but also in the future development prospects generated by its material, financial, human, informational and organizational resources.

As with performance management, the term performance can be used at different levels (personal performance, individual performance, team performance, organizational performance) to express overall achievements (such as performance in sports) or to reflect a benchmark of colleagues. A current perspective on the term "performance", summarized in Merriam-Webster's English Dictionary, reflects the omnipresent nature of: (1) executing an action; An action accomplished: an act, an accomplice; (2) fulfillment of a requirement, promise or request: implementation; (3) action to represent a character in a play; A public presentation or an exhibition: efficiency; (4) the ability to perform; The way a mechanism works; (5) how to react to stimuli: behavior; (6) the linguistic behavior of an individual: word; Also: the ability to speak a certain language - compared to competence.

Discussion

In the explanatory dictionary of the Romanian language, performance represents "a special achievement in one field of activity". From this definition, which has no economic or managerial connotations, it results that performance can not be associated with any result obtained, but only with a particular one.

In the economic field, the notion of performance is perceived in different forms, such as: growth, profitability, productivity, yield. References to performance, even if we consider it non-business, appear in Sun Tzu's "Art of War". Sun Tzu claims that in order to succeed in the war, you should have full knowledge of your own strengths and weaknesses as well as those of your enemies. The lack of any set of knowledge could lead to defeat. The parallels between business and war challenges include:

- colectare a datelor - atât interne şi externe;
- data collection - both internal and external;
- models of discernment (analysis);
- the response to the resulting information.

Before starting the informational era at the end of the 20th century, companies sometimes encountered problems in collecting data from non-automated sources. Given the lack of automatic computing resources to properly analyze data, managers have often taken decisions based primarily on intuition. Because performance across large organizations often involves collating and reporting large volumes of data, many software vendors, especially business software, offer artificial intelligence tools (decision support tools) that are products to help in decision-making.

Specialist literature retains at least three "traditional" articles that analyze the term "performance" and its use: Lebas (1995), Wholey (1996) and Folan - Brown (2007). Lebas characterizes performance as forward-looking, designed to reflect peculiarities of each organization or individual, and based on a causal pattern that connects components and products. A "successful" business is one that will achieve its goals set by the management team, and not necessarily some that have already been achieved. Thus, performance holds both capability and future (Lebas, 1995).

For Whooley (1996), measurement is necessary, performance not being an objective reality, waiting for somewhere to be measured and evaluated, but a socially built reality that exists in people's minds, if there is anywhere. It has various interpretations and may include: components, products, consequences, impact and may also be related to economy, efficiency, effectiveness, cost effectiveness, or equity.

Both Lebas (1995) and Whooley (1996) consider performance to be subjective and interpretative, not least because it is related to cost lines. The meaning and content of the performance term in business performance research is extensively discussed by Folan (2007) which outlines three priorities or performance targets.

- First of all, performance must be analyzed by each entity within the limits of the environment in which it is decided to operate. For example, a company's performance needs to be analyzed in the markets it operates, and not on those that are not relevant to its operations.

- Second of all, performance is always related to one or more objectives set by the entity whose performance is being analyzed. So a campaign evaluates its performance based on goals and targets set and accepted internally and not on the basis of those used by external entities.
- Third of all, performance is reduced to relevant and recognizable features. For example, features such as "the ability to use office products" are irrelevant and unrecognizable. To create optimal conditions to achieve the desired performance, these priorities must be related.

Over time, a demarcation of the content of the performance and the objectives pursued by it has been attempted. Thus Gosselin (2006) identified four phases in the evolution of performance measurement:

- The 1900-1950 period that delineates Phase I: Measuring financial performance. This is specific to the period of industrialization, in which enterprises rated performance through the cost-benefit couple, especially through return on capital invested.
- The 1950-1980 period that delineates Phase II: Controlling the responsibility centers. Transformations into the world's economies, diversification, and change in the size of enterprises have led to the need for managers and their management to be controlled by a set of financial sizes.
- The 1980-1990 period that delineates Phase III: Improving quality. This period is characterized by an increase in competitiveness and the liberalization of exchanges, oriented towards a strategic management focusing on the clientele and the quality of the products and services offered.
- The period after 1990 that delineates Phase IV: Strategic performance management, considered by industry specialists to be the financial and non-financial measure of the strategy. During this period, the financial and quality indicators as well as indicators on the satisfaction of clients, employees (skills and intellectual capital) and innovation were emphasized.

However, the period after 1990 can be delimited in two parts:

- The period 1990-2000 in which the performance was defined according to the efficiency and effectiveness of the economic entity.
- The period after 2000 to date when performance is defined by value creation.

For the enterprise, performance is what improves the cost-value torque, that is, what contributes to value creation. An enterprise is performing if it has the ability to create added value, that is, a positive value after the remuneration of all factors, including equity.

Barbulescu and Bâgu (2001) show that the performance of the enterprise represents "a certain level of the best results obtained by it". Achieving performance at the firm level implies, either directly or indirectly, the re-evaluation of competitiveness concepts, competitive advantage, efficiency and effectiveness.

Didier Noye, for his part, believes that performance consists in "achieving the goals that have been given to you in terms of convergence with enterprise guidelines". It also believes that performance is not simply a finding of a result, but rather a comparison of a result and an objective. The magnitude of the term and the "practice" of performance has led to the emergence of a new concept, that of performance management, questionable in itself, but justified by the guidelines that the performance statute in the center of managerial preoccupations of the organization gives to present approaches, above all, its future.

The multitude of concepts of performance notion reveals that it is defined in different ways by users of financial information according to their interests. So, managers are geared to the overall performance of their own company, current and potential investors perceive performance in terms of their return on investment, employees show interest in the company's stability and profitability, creditors for its solvency, and customers for company stability. However, it is desirable to identify that definition of performance to satisfy all these users.

In order to quantify the performance of a company, it is imperative not only to use financial results, but rather a global picture of the correlations between internal and external parameters, quantitative and qualitative, technical and human, physical and financial management. Therefore, users have to focus on the overall performance of the company and not just the financial performance.

Performance is the achievement of the proposed objectives. The evaluation of past results should be accompanied by their analysis to anticipate future performance. In order to achieve business performance, it is necessary to balance and interpolate four elements: the efficiency of production processes, the satisfaction of shareholders, customer satisfaction and the growth and development capacity of the enterprise.

Overall, performance measurement is a system of control techniques designed to ensure that the achievements of the various accountability centers in the enterprise are in line with the rules established for each of them and to apply measures under the conditions that the achievements deviate significantly from the proposed standards.

Bruden (2010) considers that applied at the organizational or individual level, one of the key functions of management is performance measurement and management. Ideas, actions and results should be viewed as a whole of a fundamental process that exists at the enterprise level. The element that can best represent the progress of the idea to its outcomes is "performance".

Selecting an appropriate measure to assess performance is a challenge for different users of financial statements. For example, shareholders want to estimate the value of the business as well as the ability of managers to create value. Board members want to assess the quality of management and implement the company's strategic goals. Managers need to translate the company's mission and strategy into concrete and measurable indicators. Lenders want indicators to demonstrate the company's ability to generate future cash flows. Mission and strategic goals are the backbone and brain of any company. The indicator system is needed to track the achievements of the strategic strategy and objectives. Building a suitable company-level indicator system is a matter of detail and depth of understanding the company's mission and strategy.

In a company, managers are responsible for the efficiency of exploitation, for the proper use of resources and for current and long-term results, all viewed from the perspective of a coherent strategy. Consequently, the analysis of the profitability of the current activity and the evaluation of the efficiency of using the company's resources is the most useful set of indicators from the managerial perspective.

The second relevant perspective is that of the shareholders, who are directly interested in the return on capital invested. Shareholders are also interested in how their profits are distributed, ie the reinvested earnings share and the share of distributed profit as dividends. The third relevant perspective is that of shareholders, who are interested in profitable financing of the company's needs, in the conditions of a performing activity.

Conclusions

So the concept of performance refers to the outcome and the manner in which it is attained. Measurement of performance goes beyond mere finding, with the objective of making decisions that can improve performance.

Because performance management activities in organizations often involve reporting collation that includes a huge amount of data, and as a result of the efforts required to support and develop a business, the Business Performance Management (BPM) concept has emerged. Business performance management is a set of technology-driven analytical and leadership tools that enable businesses to define their strategic objectives and then measure and manage their performance against these goals. BPM includes planning of financial and operational processes, consolidation and reporting, business modeling, analysis, monitoring of key performance indicators related to the strategy.

Since 1992, business performance management has been strongly influenced by the growing importance of the "Balanced Scorecard" concept. It is a common tool for managers to clarify the goals of an organization to identify how to track them, and to identify the mechanisms through which the necessary interventions will be triggered.

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