PERFORMANCE - AN EVOLVING CONCEPT

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Abstract: The concept of performance is a problematic concept and will remain so as long as the definition of company performance varies depending on the interests of users of information. On this consideration, no consensus was reached regarding the definition, methodology and performance models used. Defining this concept is realized in accordance with its objectives of users of information, while the methodology and models used are influenced by legal regulations and management policies. The approach found in this article is motivated by the fact that research of performance must be placed in the current environment and any entity primarily aims to add value. The ultimate purpose of any economic activity urges performance study.

JEL classification: G00, G30

Keywords: economic performance, global performance, sustainable development, competitiveness, efficiency, effectiveness

1. INTRODUCTION

Reassessment of the concept of performance has been and remains a priority of economic research with finding indicators that better reflect the subtleties of the functioning of economic entities. What indicators would best reflect economic performance? Profit level? Different rates of efficiency? Good-Will? Achieve planned results? The costs? Economic value? Or maybe others? The dimensions of this notion has changed with the growing complexity of the economic environment in which businesses operate.

The concept of performance is a reference both in theoretical approaches and in practice due to the fact that the field of economic performance includes various terms, through the most important we can mention competitiveness, productivity, profitability, business growth.

[1] Investing in people! Ph.D. scholarship, Project co-financed by the SECTORAL OPERATIONAL PROGRAM FOR HUMAN RESOURCES DEVELOPMENT 2007 - 2013

The concept of "performance" is a pluralistic and demonstrates the ability to migrate from one semantic register to another. The fact that this concept is a mobile one is also suggested by the new quantitative dimensions assigned by literature and practice.

At a simple etymological analyze of this term we can find that this is a term with a large use, in a a variety of areas (sports, mechanical, economics) which over time turned into a polysemantic term on a basis of the field activity covered. Yet regardless of domain, the term performance leads us to success, competitiveness, action, effort, progress. Why? Because always performance will refer to the capacity of the subject (individual) to register progress as a result of the efforts aiming to achieve and even overcome the established goals. If we want to give performance a universal definition we must perceive it as a system of complementary parameters, sometimes even contradictory, with draw the results obtained by the analyzed subject and the process of obtaining those results (Bourguignon, 1995).

2.FROM PERFORMANCE IN GENERAL TO ECONOMIC PERFORMANCE

The polysemy of this term leads us within the metaphorical allusions which it contains. The term is used in many areas of which I want to stop at two, namely the mechanical and sports. One can speak of metaphor as mechanical and sports metaphor. This term has been used since the early twentieth century to present numeric indicators that characterize the possibilities of a machine and the machine performance is expressed by reference to the proposed objectives. Regarding the sports metaphor for the mid twentieth century the word performance was used to highlight an option, results in a horse race or a sport / sports teams. Sport was thus perceived as "continuous performance research" and sports competitions as measuring operations that create value.

Gradually, the concept of performance began to be used increasingly in other areas, especially in the economic field. Although it seems a paradox, however, regarding the performance we can achieve a connection between sports and economic entity. I mean, if an athlete in sport performance can be defined as exceeding targets units proposed by him or getting better results than his opponents in competition, for an economic entity performance can be defined by or reported to the objectives and competitive environment. Therefore performance is based on the notion of comparison.

In the economic field are known a variety of definitions given to the concept of performance due to the fact that this concept is defined differently depending on the user of the information about performance. Thus the current and potential investors perceive their performance in terms investment profitability, managers are oriented on the overall performance of the organization they lead, employees perceive performance through profitability and stability of their job and creditors manifest interest towards organization’s stability.

Over the past 30 years there have been several attempts to define performance in general, and apply the concept of performance in economy on different types of organizations. A number of ideas come from literature on organizational performance, namely:

- In all organizations, performance concerns the organization aim.
- Performance should also reflect achievements in relation to resources used by the organization.
- Performance must be taken into account in the environment in which the organization operates.

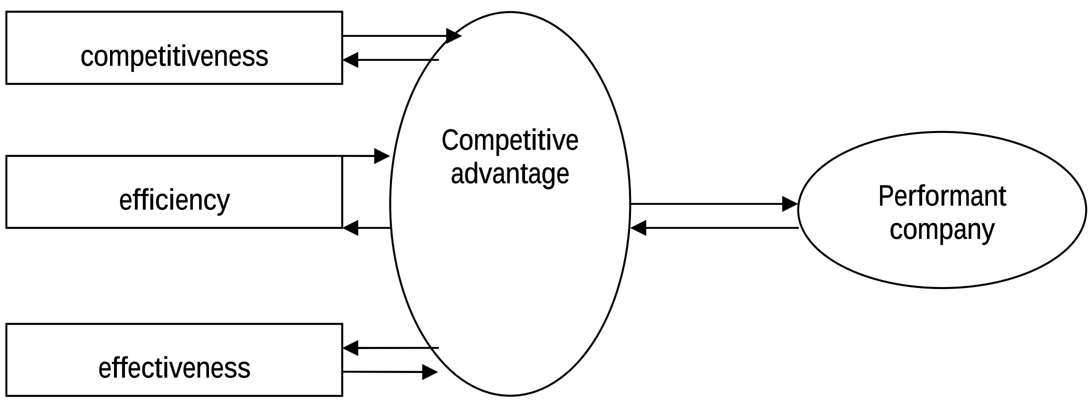
The first component reflects the mission of the organization, the second component reflects how well the organization manages its resources, and the third refers to the adaptability of the organization bet on the context of external factors.

While some authors such as Baird (1986) argue that performance is a directed action (in the sense that it should be expressed by a verb), some consider that the noun performance would be perceived as an event. But most times the word "performance" refers either to action (obtaining performance) or event (results) or in many cases it refers to both cases. So we can agree with the view of many researchers in the field Niculescu (1999), Burgoingnon (1995), Corvellec (1994, 1995) about the fact that the term "performance" implies at the same time three interpretations: action, the result of the action (by comparing its results with a benchmark), success.

Without giving an universal definition of performance, we present below the three accepted approaches of performance mentioned above(Bourguignon, 1995):

- Performance is action. In this sense, performance is a process and not a result that appears at a time. Performance is not a state but a process and its content became almost secondary in relation to its own dynamics.
- Performance is the result of the action. Performance measurement is understood as "ex post assessment the results”.
- Performance means success. Performance does not exist by itself, is in fact a dependent representation of the success of the different categories of users of accounting information.

According to some authors (Verboncu, Zalman, 2005) performance is "a particular result obtained in management, economics, marketing, etc.. that print features of competitiveness, efficiency and effectiveness of the organization and its procedural and structural components. Performance can be regarded as the equivalent of competitiveness.



Source: Verboncu, Zalman, 2005:63

Figure no. 1.Factors that drive performance

The concept of performance lends itself to an almost infinite variety of definitions, many of which relate to specific contexts or functional perspectives. Anthony (1965) gave a general definition and well-crafted definition of performance, sharing the concept of two primary components, efficacy and effectiveness. Efficiency refers to performance in terms of inputs and outputs so that the resulting higher volume for a given amount of inputs, means greater efficiency. Effectiveness refers to the performance by the degree to which planned outcomes are achieved (for example: objective to avoid interruptions of supply over a period of time can be regarded as an efficient outcome).

Many previous definitions of performance tended to focus on the size of efficiency, showing financial results as a primary measure of performance. Subsequently, this concept’s definitions have evolved, especially with the emergence of the Balanced Scorecard (Kaplan, Norton, 1992) which includes not only the financial perspective, but also the internal perspective, customer perspective and innovation and learning perspective.

Performance can be expressed through a balanced set of parameters describing the results and processes to achieve these results. Construction business performance is achieved by balancing and interrelation of at least four forces (Kaplan, Norton, 2001):

- Efficiency of production processes;
- Shareholders' meeting requirements;
- Customer satisfaction;
- Capacity of the growth and development - staff skills (training, satisfaction), the degree of innovation, use of opportunities.

Performance will always be a contested concept and in continuous development. To get to a consensus regarding the definition of performance is difficult at the level of the organization because we need to keep account of all activities that takes place in an organization and of all different interests involved. Often the organizations objectives (programs) tend to be vague, changing, controversial and sometimes contradictory. In these circumstances, performance is a subjective and multifaceted phenomenon. About a company we can say that there are usually many stakeholders who can affect or are affected by the activities of that company, for this reason there may be widely divergent perspectives on what constitutes performance.

For our attempt to define performance is suitable to monitor the evolution of the meaning of this concept so complex, so we identified, through the literature study, four periods in terms of defining performance (Jianu, 2007):

- Defining performance in 1957-1979;
- Defining performance according to level of achievement of objectives;
- Defining performance based on productivity and enterprise efficiency;
- Defining performance based on value creation.

Definitions of performance and criteria for assessing the performance from 1957 till1979 are presented in the following (Jianu, 2007):

Georgopoulos and Tannenbaum (1957) consider performance as equivalent of organizational effectiveness, which represents the degree to which an organization as a social system and taking into account certain resources and limited means, reaches its goals without excessive effort by its members. The criteria used to assess performance are: productivity, flexibility, tensions inter- organizational.

Bennis (1962) highlights the following criteria for assessing performance: adaptability, capacity, sensitivity.

Caplow (1964) estimates performance based on these criteria: stability, integration, implementation.

Katz and Kahn (1966) consider organizational performance as maximizing revenue that the organization can get from its operation through effective and efficient means, economic and technical, but also through political means and propose these criteria for assessing performance: growth, storage, survival, and control environment.

Yachtman and Seashore (1967) define performance as the ability to exploit the enterprise environment and scarce resources to purchase its essential function. They proposed criteria for assessing performance are: turnover production costs, productivity, growth, important management, market penetration.

Friedlander and Pickle (1968) determine profitability, employee satisfaction and value of the company as criteria for assessing performance.

Price (1968) equates performance with organizational effectiveness and remembers as appreciation criteria of performance: productivity, compliance, ethics, suppleness, and institutionalization.

Mahoney and Weitzel (1969) define the performance of an efficient and productive action and establish these criteria for appreciation of performance: productivity, planning, confidence, initiative, development, cooperation, quality of staff.

Schein (1970) considers communication, flexibility, creativity and psychological commitment as performance criteria for appreciation.

Labrousse (1971) defines a company performance through a set of attributes that a characterize it namely: a company that knew how to exploit a loophole and which therefore has known quite a remarkable expansion, a well managed company that knew to measure its productive effort to lowest cost, a company that knew to maintain its own expansion and through its know-how of a true service for community.

KnemaKhem A. (1971) tried to answer the question "What is performance measurement?" he concluded that performance measurement is a corporate control techniques intended: to ensure that the achievements in various centers of enterprise liability are in accordance with rules established for each of them, to apply sanctions if positive or negative achievements deviate significantly from chosen rules. What is not established is the content of standards.

Moh (1972) estimates that the appreciation performance criteria: productivity, flexibility, adaptability.

Duncan (1973) defines performance considering the following criteria: productivity, efficiency, satisfaction, suppleness, development, survival.

Negandhi and Reiman (1973) establish as appreciation criteria for performance: hiring new employees, staff satisfaction, the relationship between services, labor use, increased sales, and net profit.

Child (1974) considers profitability and growth as criteria for appreciation of performance.

Harrisson (1974) find that performance is the outcome of enforcement effort.

Shashi and Goldschmidt (1974) are the first that shows a company's financial performance model with the following criteria: profit margin, return on shares, return on capital, operating capital rate, activity rate. They consider that each of these mentioned indicators is an indicator of the size of company's performance. The first two are indicators of profitability (reflect the performance of the company) and the last three are financial indicators (reflecting the fact that the position of enterprise performance is a function of past and present).

Klein (1976) defines performance as a subjective notion, and retaining enterprise performance highlights six indicators: adding value, return on capital employed, intangible asset growth, the variation of assets, cover the operating needs of working capital, indebtedness at the time compared with self-financing capacity. He also considers that the performance of a company is characterized by:

- Sustained investment policy, but often well adapted to fluctuations in demand;
- Good command of production costs;
- Efficient management of operating funds which translates especially in high efficiency of capital employed;
- Good financial balance.

Dubois (1979) is not concerned with performance definition but its evaluation using the five dimensions of economic and financial performance:

- Increase (value $added_t$ – value $added_{t-1}$) / value $added_{t-1}$;
- Profitability: gross operating surplus / turnover;
- Productivity: value added / gross fixed assets value;
- Debt: financial debt / self-financing capacity;
- Solvency: financial debt / net carrying amount of fixed assets.

The second stage refers to the definition of performance depending on the level of achievement of objectives (Bourguignon, 1995). Through allusion to sports metaphor, to be efficient means to achieve or exceed goals. This definition states that: performance depends on a reference - the object or purpose, performance is multidimensional when goals are multiple, performance is a subset of action, performance is subjective because it is the product of an operation by nature subjective, which is to close desire to reality. It seems that this definition of performance seems incomplete (Lebas, 1995) because it is limited to defining performance characteristics without searching for an operational tool.

In another approach, the performance is "the achievement of organizational objectives regardless of the nature and variety" (Niculescu, 1999). Organizational performance shows the capacity of individual to make progress thanks to the efforts. Performance doesn't exist for itself.

The content of the performance is dependent on strategic objectives, performance is not absolutely independent of its objectives, performance evaluation is dependent on setting goals, what is performing in a given situation, characterized by certain objectives, maybe in another situation characterized by other objectives.

Didier Noyer (2002) considers that performance is to "achieve the goals that you have given in convergence with the company guidelines" and that performance is not simply finding a product but rather is the result of a comparison result and objective.

Another step is one in which performance was defined according to the productivity and effectiveness. So performance can be defined as "a state of competitiveness of the company, reached a level of effectiveness and efficiency (productivity) that it provides a sustainable market presence" (Niculescu, 1999).

Also, performance is an unstable equilibrium between efficiency and productivity. A company registers theoretically performance when it is at once productive and effective. Perfect correspondence is never feasible because of the subjective and unstable external expectations. If efficacy would be identical to productivity, this means that expectations would become the source of endogenous business and not external. In these circumstances, the role of environmental or economic enterprise would disappear. So there is no absolute economic performance. We thank to measure the level of relative performance expressed by the deviation efficiency - productivity.

The last step is one in which performance was defined in terms of creating value. Performance is an unstable level potentiality of a company, reached by all that optimized the "torque" value-cost" and made the company to be competitive in its strategic segments (Lorino, 2001).

At the enterprise level performance is what contributes to improving cost – value torque, and not only what contributes to reducing costs or increasing value. In these circumstances a company can create two types of values: an external and an internal value:

• External value implies that the company has a market value greater or less than the carrying amount of assets they hold. The difference between the market value of an asset and its carrying amount is given by the perception of actors (buyers) from the market. Increase or decrease in value can't be influenced by internal decisions within the enterprise, but the specific market conditions.

• Internal value assumes that the company creates economic value added, so a positive net value after paying all factors of production.

So according to the stakeholders' theory the company needs to create value for all the groups of interest.

3. PERFORMANCE IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

Performance requires a comprehensive vision of interdependence between internal and external parameters, quantitative and qualitative, technical and human, physical and financial management of (Alazard, Separi, 2001). The concept of global performance is used to assess the implementation of sustainable development strategies. For others (Reynaud, 2003), overall performance is the aggregate of economic performance, social performance and environmental performance.

For the sustainable development of a company, the strategy and value creation can't be analyzed strictly using financial terms. Corporations must apply the principle of balanced development, based on various aspects. A notorious example is the concept of multidimensional performance evaluation theory focuses on the Triple Bottom Line. The theory underlies the balanced development of the economic entity, in terms of social and economic environment (Secara, 2006).TBL performance also requires involvement in all three areas of action of reporting: economic performance, social performance and environmental performance.

The concept of Triple Bottom Line (TBL) focuses on entities not only economic value added, but also by social and environmental values that they create, or have them destroyed (Elkington, 1997). The strict sense of the TBL is used as a framework for performance measurement and reporting entity on three dimensions: social, environmental and economic.

Triple Bottom Line (TBL) concept developed by John Elkington, advocates the idea that a company's overall performance should be measured by its contribution to triple economic prosperity, environmental quality and social capital. Subsequently, this idea began to be widely supported by a large mass of writers, recalling only a few outstanding authors: Philip Kotler and Nancy Lee (2005), David Vogel (2005), William B., Werther Jr. and David Chandler (2006), William C. Frederick (2006).

In the current context of sustainable development, the accent regarding the issue of maximizing overall performance of the entity is put on the fact that this should happen only in the conditions in which it maximize (optimize) in the same time the performances for all participants in economic life of a company (stakeholders) and not just those of shareholders. In this sense, the key to driving adoption of company policies should start from the approach "Triple Bottom Line" that is maintaining a balance between the three pillars, namely:

- *Maximize economic performances* meaning maximizing performance for shareholders. This goal can be achieved based on traditional accounting financial criteria, (based on income, profitability, cash flow) or criteria derived from the theory of value creation for shareholders (Economic Value Added, Market Value Added).
- *Maximize social performance* which requires maximizing performance for all participants in economic life (stakeholders) this means from employees to the community, from suppliers to customers and from investors and creditors to state, from managers and corporate governance and maintaining the center attention of the shareholders.
- *Maximize environmental performance* which implies an activity that does not affect the surrounding community and environment, thus developing the best environmental performance in relation to the environment. Following the activities involved, companies may be responsible for a number of residual results, noise, pollutant emissions, soil and water contamination. In this sense it may take an eco behavior through measures of: environmental protection/ natural resource conservation / caution. They can also encourage and support environmental protection procedures through imposing international standards and / or European regarding management and products for the providers of their supply chain.

So when a company registers performance is only when it manages to create value for shareholders, satisfying customers, takes into account the employees' opinion and respects the natural environment. Performance is actually a state of competitiveness of the company that allows its sustainable market presence.

4. CONCLUSIONS

Firm performance is a concept whose dimensions have changed with the growing competitiveness and complexity of the economic environment in which businesses operate. However from the above we can conclude that the term performance has a number of defining features which include (Secara, 2006):

- *Universality.* Term performance is used in all economic fields to characterize the results of a particular type of activity.
- *Concreteness.* Performance at the microeconomic level is a concept measured by various indicators. Abstract character appears only if the general assessment is made at the macroeconomic level without reliance on indicators.
- *Customized measuring for each economic field.* There are a variety of ways with which you can quantify the economic performance, according to the means chosen - physical and / or value - so each economic area corresponds own measurement indicators.
- *Reporting to a referential.* In order to assess the performance of an enterprise is needed to establish a referential value and comparing the result by a predetermined value, which is the target to achieve.
- *Relativity.* Economic performance is expressed in relative size, through the deviation efficiency- productivity.

Analyzing the literature we conclude that there is no uniform view on the concept of performance, so frequently encountered definitions are too general or custom definition of this concept, which capture only some aspects:

- "... the level of attainment of objectives ..." (Alazard, Separi, 2001);
- "... the results obtained by a company over the resources used ..."(Cohen, 1994);
- "... everything that helps to improve torque value- cost ..." (Lorino, 2001);
- only matters concerning the amount and value of money, wealth accumulation, debt and investment. Measurement indicators: economic productivity, economic wellbeing, service debt, trade deficit, unemployment. (the definition of economic performance in American literature specialist);
- "... unstable equilibrium resulting from the development of torque effectiveness-productivity ..." (Niculescu, 1999);
- "... creating wealth, the value in the organization ..." (Albu N., Albu C., 2003).

Interpretation and performance measures appear after an interactive process between individuals and institutions, as Rob Paton writes, "Performance is what those people directly involved in an organization agree, explicitly and implicitly, to be performance." Defining performance in this way, of course, away us from the claim that performance measurement systems provide objective evidence, reliable and scientifically validated about what works and what does not work in an organization.

Performance is not a unitary concept. It is related for some to results, such as financial achievements in a certain period of time, for others focus on the determinants of these results and factors such as quality, accountability, flexibility and innovation while a third category discuss about the increasing relevance of the corporate governance and partnerships. Business bet on the results of these comparisons that can be trigger a decline in the organization or can be the needed catalyst for a new challenge, namely to change these results to higher levels.

In the present context, the performance of any economy in the world involves "ensuring the viability of the firm in terms of domestic and international competition, while respecting the restrictions imposed by sustainable development."(Albu N., Albu C., 2003)

"The problem is that the performance was sought in the wrong places: it comes not only from strategy but also from articulating the business strategy, is not only in business, is not only in the environment and is not purely financial."(Albu N.,Albu C., 2003)

ACKNOWLEDGMENTS

The authors wish to thank for the financial support provided from the program co-financed by THE SECTORAL OPERATIONAL PROGRAM FOR HUMAN RESOURCES DEVELOPMENT, Contract **POSDRU 6/1.5/S/3 –** "DOCTORAL STUDIES, A MAJOR FACTOR IN THE DEVELOPMENT OF SOCIO-ECONOMIC AND HUMANISTIC STUDIES".

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