MULTIDIMENSIONAL ASSESSMENT OF ORGANIZATIONAL PERFORMANCE

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Abstract

Based on the conception according to which performance of an organization may be represented as that certain degree of attaining the targeted objectives, in terms of efficiency, effectiveness and productiveness, its correlative measuring is required in case they are superior to those achieved by competitors or default standards. In this article, "performance" is a term theoretically assessed from four viewpoints, respectively those forming its fundamental structure: competitiveness, efficiency, effectiveness and social satisfaction.

Key words: *performance management, organization, competitive advantage*

JEL Classification: M14

1. Introduction

Last years are marked by the emergence of an abundance of conceptions regarding the defining, classification and highlighting of organizational performance boosting methods. In specialty literature, various levels of gauging organizational performance are observed, namely: an assessment at the organizational level in regard to coordination quality and decision-making, thus generating the concept of organizational performance, an economic measuring of business productivity or cost-effectiveness from an accounting and financial perspective by means of absolute or relative markers, and consequently, an appreciation of the social effectiveness at its level.

Hence, performances, mainly expressed through indicators and indices, are underlined in the light of certain comparisons, as follows:

- with own accomplishments recorded in the past (a referential period of time);
- with achieved objectives during a certain time frame – the usage of these terms bring consistence to the autorelative performances approach;
- with the results yielded by the other rival organizations (comparative approach), which requires knowledge of other organizations' successes in referential fields for comparisons (volume and quality indices as well as quality or efficiency indicators).

Performance appears only if we can measure or designate it through a category of more or less complex measurement vectors or markers, regardless of the sector they make reference to. Therefore, measuring performance cannot be limited to acknowledging a single result and must not be confused with the markers that define it.

2. Analysis in Specialty Literature

As a company, reaching performances implies direct or indirect reassessment of concepts, such as competitiveness, efficiency, effectiveness and social satisfaction (Longatte and Muller, 1991); moreover performance indices receive a particular diversity.

Competitiveness is, at present, a paramount requirement for businesses, as they must be imperatively competitive to further survive. At an organizational level, competitiveness could be defined as the ability to offer, in relation to competitors, superior value (quality) products of equal price or products of equal value but lower priced (an amalgamation of these advantages) and consequently build advantageous ambitious (competitive) positions, subsequently allowing the rise of long-term superior economic performance.

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In synthetic terms, these two fundamental situations defining competitiveness can be illustrated as (Jaba, O. 2007**)** :

$$Q > Q_c \; ; c = c_c \; ; p > p_c \tag{1}$$

$$Q = Q_c \; ; c < c_c \; ; p < p_c \text{, where:} \tag{2}$$

Q and Q_c are representative for the product quality (use value) within the analysed company, respectively, the quality of the products provided by rivals;

c and c_c - product unit costs of the analysed company and respectively, those applied by competitors;

p and p_c - product unit prices of the analysed company and said rival companies.

Currently, due to competition internationalizing, an organization's competitiveness also expresses its capacity to produce merchandise that can be sold on the international markets, under conditions of free and open competition, allowing said organization to maintain or improve cost-efectiveness.

From a macroeconomic perspective, competitiveness is the capacity to provide products and services that meet international competition's conditions so that inhabitants of a country enjoy an increasing and affordable standard of living. It is necessary to stress the fact that regardless of the assesssment type, competitiveness is related to businesses, and as a result, progress efforts in this field are carried out through commercial enterprises.

The definition of economic efficiency depends on the viewpoint taken and one error surges when the terms "efficiency" and "effectiveness" are thought to be interchangeable in meaning. Actually, these are two essential criteria for assessing the commercial enterprise's activity development. What creates the difference between efficiency and effectiveness is "doing the things right" in the first case and "doing the right things" as per the second case (Rollinson and Broadfield, 2002). In conclusion, it is possible to be efficient excluding being effective and the the other way around.

Economic efficiency consists of the characteristic associated to a resource, action, activity or process to generate positive economic effects per effort unit, capitalized on the market by means of the supply-demand ratio. In other words, efficiency measures the unit for resource use, usually expressed as a ratio between the inputs (in the system) used to yield a certain level of outputs (out of the system, with reference to results).

3. Results and debates

Speaking in terms of quantity, economic efficiency is measured by the relation between effects and efforts or vice versa, that is:

$$\text{Efficiency} = \frac{Effects\,(result\ obtained)}{Effort\,(\exp enditure\ with\ operational.means)} \tag{3}$$

The first fraction shows the number of effects obtained per effort unit or per expenditure unit and needs to reach the highest possible value. The second relation presents the number of effort units (expenses) required to acquire an effect unit, which should reach the lowest possible value for greater efficiency.

Effectiveness is an illustration of the degree linked to achieving objectives and fixed or targeted goals during a fixed time frame, being one of the most used terms in measuring organizational performance. It must be mentioned that there are neither generally accepted theories nor definitions or criteria which can yield the assessment of effectiveness resulted from the activity exhibited by the commercial enterprise.

At a conceptual level, effectiveness assessment is carried out on the basis of the idea that the organization as a whole has a well-balanced behavior. Effectiveness delineation is funded on the relation between the results obtained and those expected, its calculation ratio being the following:

$$\text{Effectiveness} = \frac{\mathrm{Re}\,sult\ obtained}{Level.of\ reviewed\,(objective)\,goal} \tag{4}$$

At the same time, effectiveness aims achieving fixed objectives and results, which fall under the business' defined strategy. Thus, a commercial enterprise becomes effective when it is able to identify, master and control the interactivity of the internal resources and external development resources by meeting to full potential the stakeholders' expectations (Niculescu and Lavalette, 1999). Compared to these results, other experts' opinions entail that effectiveness is the best ratio between customers' satisfaction level and the means engaged to reach it, customer's satisfaction being one aspect that counts immensely for the organizational success (Longeaux D, 1994).

Existing interdependences between performance, on one hand and competitive advantage, competitiveness, efficiency and effectiveness, on the other hand are exemplified in figure 1.

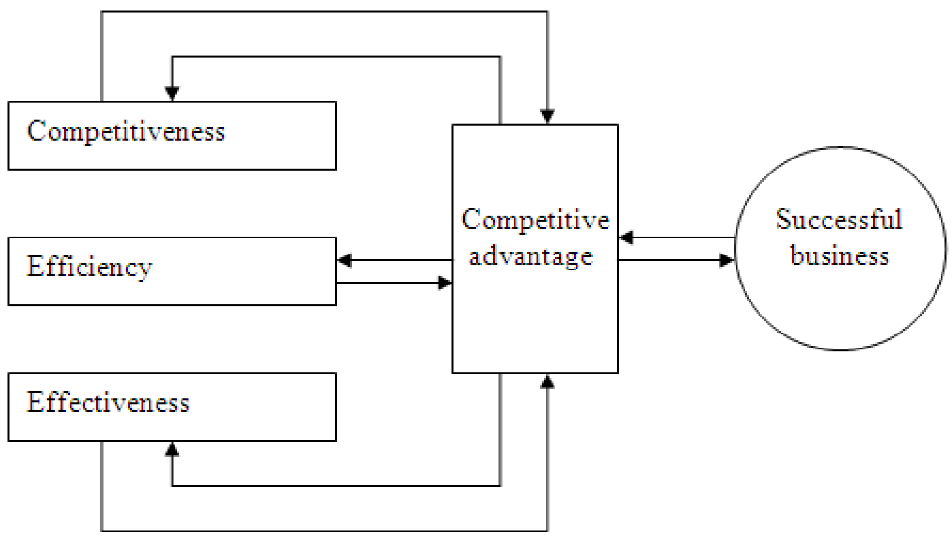

Figure 1. Interdependences between performance and competitive advantage – competitiveness – efficiency – effectiveness

Source: Verboncu, I., Zalman, M., *Management şi performanţe*, Universitară Publishing House, Bucharest, 2005, p. 63.

There is a list of approaches regarding effectiveness:

- The Goal Approach consisting of assessing business effectiveness to the extent to which it meets the economic and/or social objectives.
- The System Resource Approach or resource dependency*,* which refers to the effectiveness evaluation of the extent to which the company maximizes its position built in relation to the environment, with the goal of reaching an optimum level of rare and valuable resources.
- Multiple Constituency Approach according to which effectiveness assessment is shaped to the degree that the enterprise meets the stakeholders' internal and external interests: shareholders (dividend, benefit participation), employees (rewards, labor conditions, work satisfaction, security), clients (price for products and services, quality, post-sale services), providers (prompt emolument, lending possibilities, future sales), governmental authorities

(tax payment, law abiding), nearby community (supporting the community), overall society (offering employment opportunities, social responsibility, environmental preoccupation).

- Competing values model, situation where there is no theory but a highlighting of the manner in which managers influence the criterion used to assess business effectiveness.

From this point of view, a competing values model can be assessed as per 2 aspects: *structure* (by insisting on the stressed control or flexibility) and *focus* (establishing if the manager casts his attention firstly business-inward or externally, towards the environment), as described in table 1.

Table 1. Competing values matrix

		FOCUS	
		Internal	**External**
STRUCTURE	**Control**	*Values:* Primary focus is inwardly directed and "top-down" control is preferred (from pyramid's top to bottom). *Engaged effectiveness criterion*: Effectiveness in relation to productivity and profit	*Values*: Primary focus is outwardly directed and "top-down" control is preferred (from pyramid's top to bottom). *Engaged effectiveness criterion* If business objectives are met.
	Flexible	*Values:* Primary focus is inwardly directed and flexible structure is preferred. *Engaged effectiveness criterion:* Employees' satisfaction and development	**Values**: Primary focus is outwardly directed and flexible structure is preferred. *Engaged effectiveness criterion* Company's competitiveness and its ability to grow and regenerate.

Source: Rollinson, D., Broadfield, A., *Organizational Behaviour and Analysis – An integrated approach*, second edition, Financial Times – Prentice Hall, an imprint of Pearson Education, UK, 2002, pp. 475.

All these effectiveness approaches offer a plethora of possibilities to measure managers' performance, both through the types of objectives they chase and through the eyes of the stakeholders that assess their performance. One example to support this last aspect would be how society appreciates the extent to which the manager takes on social responsibility behaviors (outward focus), establishes objectives (social objectives) in this field and unfolds the specific activities to carry them on (effectiveness which ensures social performance). Another performance measure is conveyed by the social satisfaction that may be evaluated with the help of the equation (Jaba, O., 2007):

$$\text{Social satisfaction} = \frac{Level.of\ satisfaction\ obtained}{\mathrm{Re}\,sult\ obtained} = \frac{Wages\ and\ other\ income\ earned\ by\ employees}{\mathrm{Re}\,sult\ obtained\ (Turnover)} \quad (5)$$

This index expresses the weight of emoluments and other income earned by company's personnel in relation to the turnover attained, as it requires to be the highest possible, considering staff interests. But economic activity efficiency restriction requires that the social satisfaction growth index be lower than work productivity growth index, specifically:

$$I_w > I_{SS} \quad (6)$$

If we consider the logic link between objectives, means and results, as Brynjolfsson and Urban (2001) bring forward, effectiveness and efficiency are positioned as shown in figure 2.

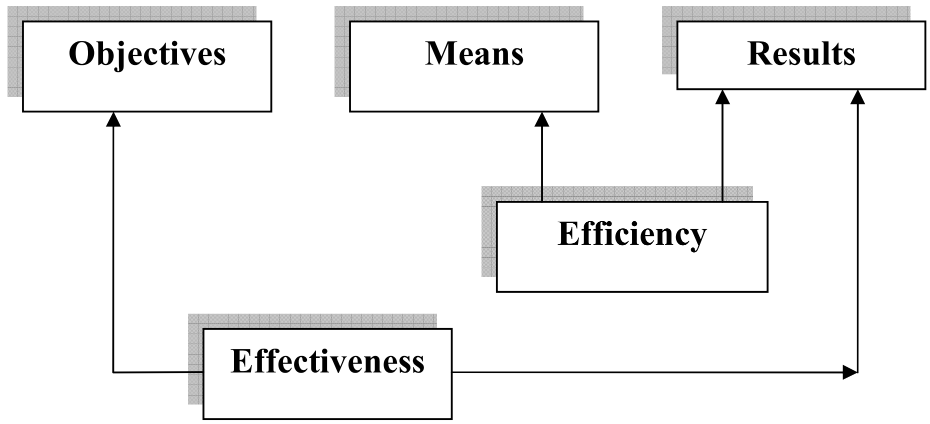

Figure 2. Logic link between objectives, means and results

Effectiveness is determined as a ratio between satisfaction and results, sending a more predominant reference to social performance compared to the economic one, as it represents a source of motivations for business actors and indirectly a source of economic performance.

The information above mentioned entail the possibility to define performance in an integrative style:

$$Performance = Competitiveness + Efficiency + Effectiveness + Social\ \ Satisfaction \quad (7)$$

The prevalence imbued by the term and the performance "practice" led to the introduction of a new concept, that is performance management, debatable per se, but justified by its current and future orientations imparted by the performance grounding in the center of managerial concerns within the business. Likewise, performance may be defined by a distinctive result yielded in the management area, which inculcates competitiveness, efficiency and effectiveness characteristics also infused into its process and structure components (Verboncu and Zalman, 2005). Figure 3 demonstrates that the integration of these 3 dimensions establishes in the end the competitiveness of a corporation.

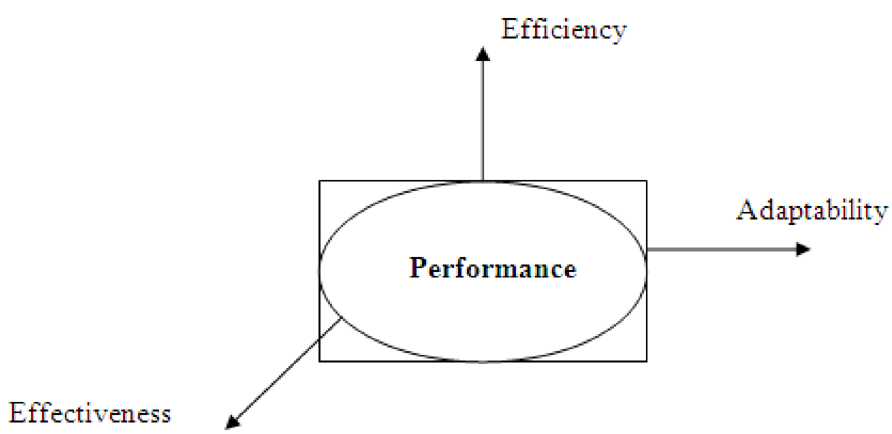

Figure 3. *Performance features*

According to Williams R. (1998), performance management comprises three main processes – planning, improvement and review, whose links are drafted in figure 4.

Performance planning focuses on activities like organizational vision and strategy formation and defining the notion of performance. Performance improvement is a perspective process including activities such as business reengineering processes, continuous business improvement processes, comparative analysis and quality management. One of the reasons why this model rises a special interest is that it incorporates plenty of management ideas born in the last two decades with regard to organizational performance.

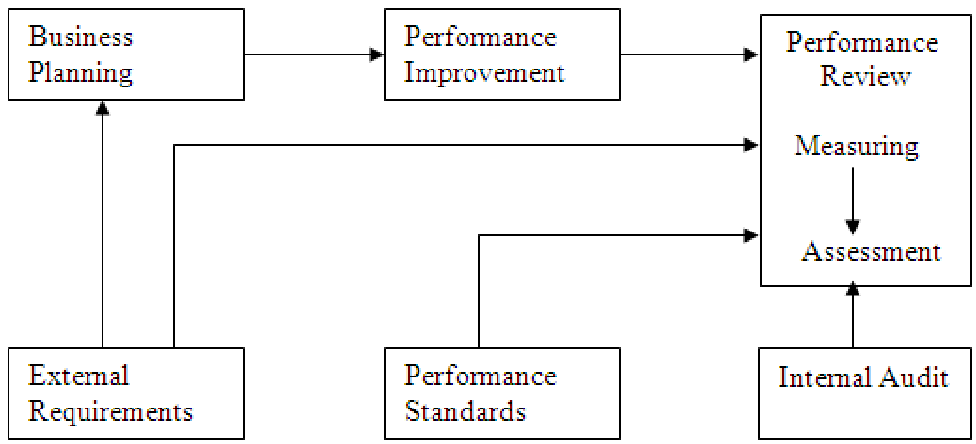

Figure 4. Performance Management

Reference: Williams, R., *Performance Management – Perspective On Employee Performance* – International Thomson Business Press, 1998, p. 12.

Irrespective of the perpective used to grasp performance or calculation methods, more and more concepts emerge as of late:

- Productive management and successful organization;
- Performance criteria;
- Performance management.

Performance management consists of a systematic approach of human resource management, in general, and performance assessment, in particular, using objectives, appreciations and feedback as means of employee motivation for comprehension and maximum use of creative potential.

This means that performance management involves, firstly, setting acknowledgement of development objectives and needs, over performances and the necessity to permanently assess them, and also support through counseling.

4. Conclusions

In any socio-economic system, performance becomes, at present, a reference term for managers and personnel, the manifestation form for objectives and results obtained. A productive business capitalizes better on the opportunities found within the environment, easier "overcomes" the "hurdles" it might bring out, fulfills a certain segment of social need from a quantity and quality standpoint, gains competitive advantage on the specific market where it operates. In fact, from a managerial and economic viewpoint a productive business is capable to completely meet the stakeholders' economic interests – employees, managers, shareholders, state, local authorities, banks, providers, customers – in terms of optimizing the two fundamental tendencies that set off its operation: "value gain for clients" and "value gain for shareholder". The two actions are headed toward operational excellence and this is, as also

Ch. Coates (1999, p.76) states, the essential strategic management coordinate generated through the reevaluation of roles heads of departments have.

Over the last years, management systems focused on performance – namely, the "WHAT" in behavior – the specific financial quantity result, productivity or quality results obtained in the past. Currently, many corporations are more and more interested in management and competition evaluation – the "HOW" in performance, meaning future-oriented quality assessment, and focus on development.

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