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**Old and New Configurations Regarding the  
 Concept of Economic Performance**

Ovidia Doinea

*University of Craiova, Faculty of Economy and Business Administration Drobeta Turnu Severin,  
 ovidia.doinea@yahoo.com*

**Abstract:** The performance is generally known to be a special achievement in a field of activity. The measurement of performances represents a system of control techniques meant to make sure that the achievements from various centers of responsibility within the enterprise are in conformity with the norms established for each of them and to apply positive or negative sanctions if the achievements are sensitively off track from the selected norms. In the economic specialized literature, the performance is perceived in three different ways, respectively: - performance – the strategic objectives' achievement level; defining performance depending on the creation of value; - efficiency versus efficacy in defining the performance. The performance of the enterprise is known nowadays under the name of sustainable development, a concept targeting the achievement of three objectives: - the growth of the enterprise's financial performance; -the development of its surrounding environment's efficacy; - the favoring of the social development.

**Keywords:** performance; internal value; external value; sustainable development; enterprise

## 1. Introduction

In the attempt to define the term of performance, we consider it is necessary to monitor the meaning of the word performance and its evolution in time, the starting point for this being the origin and signification of this notion and only afterwards we will try to give our own definition for performance.

We notice that in spite of the abundance of its use in various cases, performance is very rarely defined, even in the papers that have it as the central object of study. It is like the sense of this notion is so obvious but its definition is completely unimportant.

## 2. Problem Statement

The origin of word performance is Latin, but its main signification from the English language. The words more related to it are *performare* in Latin and *to perform and performance* in English.

*Performare* in Latin means to give shape to a thing.

The generally accepted signification of *performance* is: "*a special achievement in a domain of activity*". (The Romanian Language's Explicative Dictionary).

The general performance, defined as a system aggregating the economic, social and environment performances, is a multidimensional concept difficult to measure from the technical point of view. In most of the cases performance is associated *with the positive result of an action or with an action*

*leading to success.* In other words, we can say success can be appreciated only from the perspective of the results obtained a posteriori. *“It is built up during the entire period of a process’s manifestation, from the moment of defining the action plan until the moment of finalization, when the strategic objectives are achieved.”*(Lorino, 1995)

This definition leads to the conclusion, also supported by A. Bourguignon, that *performance is not a thing that can be noticed at a certain moment, it is built up gradually.*

### **3. Concept and Terms**

The economic performance has been defined in various manners during time.

In 1971, L. Labrousse defines the economic performance starting from a set of characteristics specific for it: *„ an enterprise that knew to place itself on the market and exploit a certain peak and consequently has known and knows a really remarkable expansion; a well administrated enterprise that knew how to measure its productive effort at the lowest costs; a enterprise that knew how to preserve its own expansion”.* F. Harisson defines performance like *„the final result of making efforts”* while M. Klein affirms that performance *„is a subjective and relative notion.”*

At the same time, performance can not be defined without mentioning the modalities for measuring the performance of the enterprise, fact achieved by A.Knemakhem: *“the measurement of the performances represents a system of control techniques meant to make sure the achievements from the enterprise’s different responsibility centers are in conformity with the norms established for each of them and to apply positive or negative sanctions if the achievements are sensibly off track compared to the pre-established norms”.*

If we search through the specialized literature, we notice that, along time, many criterions, both qualitative and quantitative, have been used to measure the enterprise’s performance, but very few authors succeed to give a clear definition to the concept *„performance of enterprise”*. This might explain why some researchers considered more practical to evaluate the enterprise’s performance using measures based on the *enterprise manager’s opinion.*

The etymological analysis of the notion performance shows it is frequently used in the domains of mechanics and sport.

The notion of performance is known from the beginning of the 20th century and used to designate the numerical indicators that characterized a car’s technical qualities. The performance of cars is explained by making reference to objectives. In the domain of sport, performance signifies the results obtained by an athlete in a race or by a sportive team.

If a comparison is made with the economic domain, it can be noticed that in sport the performance is referring to the qualification of the sportive at high level competition; and in the enterprise, it refers to holding a higher percent of the business market in comparison with the percent hold by the competitors; in sport it is about a better position within the elites while in the enterprise we talk about a better position within the companies’ hierarchy; in sport it is about a personal record broken while in the enterprise it is about the higher than the ones gained in the previous years.

So, the word result but also that of the word success varies depending on their number. Success dominates result when the signification of terms is used at singular. As a plural, success is less frequent, the accent being put on the result in order to determine its size.

It can be observed that the *performances* are multiple considering the archaic senses of the term, but the performance become singular in the present senses of the term.

At singular, the notion is used especially in the innovative sense of management that lead the enterprises to a much more efficient success than by the traditional methods, but its imprecision answers better to the multidimensional strategies from nowadays, within which success often surpasses the traditional economic-financial dimension.

At plural, the neutral term is associated in general with the classical management instruments which consisted of the measurement of evaluation of the performances.

It is obvious therefore the sense of the notion performance has evolved and changed during time. It has become a term with multiple senses, having various significations depending on the domains in which are used.

In the economic specialized literature performance is perceived in three distinct manners, as follows:

### 3.1. The performance – the strategic objectives' achievement level

The performance is a notion frequently used because of the metaphorical allusions it contains. The performance represents the achievement of the organizational objectives (Bourguignon, 1995). This definition can be translated by something equivalent: the performance in the enterprise represents all the factors that contribute to the strategic objectives' achievement. We can not affirm a performance is not good or is bad by itself. The same result can be considered a good performance if the objective is modest and bad performance if the objective is really ambitious. The organizational performance depends on the enterprise's objectives but also on its internal or external reference points in the same manner in which the sportive performance can be appreciated in report with the goal the athlete fixed for himself, by *external reference point* (it competitors, a worldwide record) or *internal one* (a previous performance).

Therefore, the performance is always the *result of a comparison*. ***Achieving performance means to achieve or surpass the objectives.***

This definition indicates that:

- “*performance depends on a reference point – objective or goal;*
- *Performance is multidimensional when there are multiple goals;*
- *Performance is a subassembly of action;*
- *Performance is subjective because it represents the result of an operation, which is subjective by its nature, and consists in bringing a desire closer to become a reality”.*

But it seems this definition of performance is incomplete since it refers only to the performance's characteristics without researching for an operational method (Lebas, 1995).

From another perspective, the performance represents: „*the achievement of the organizational objectives no matter their nature and variety*” (Lavalette&Niculescu, 1999). The organizational performance proves the capacity of an individual to progress due to its efforts.

*Performance does not exist by its own. It always represents the result of a comparison.* But to what kind of base we report the comparison? This base of comparison can be an internal variable (an

objective for progress or a result of a past period) or an external variable. *But the base for comparison has a dynamic character, which makes the performance seem a transitory state.*

Taking into account all the above mentioned, the conclusions are the following: *“the actual concrete content of performance is dependent on the strategic objectives; there is no absolute performance, independent from its objective; the evaluation of the performances depends on the objectives that have been established, so what is considered to represent performance in a certain situation, characterized by certain objectives can be considered a non performance in another situation characterized by other objectives.”*

### **3.2. Defining the Performance by Considering the Creation of Value**

This perspective is supported by P. Lorino, who affirms: *“the performance of an enterprise represents what is contributing to the amelioration of the couple value – cost, and not only the creation of the couple value-cost; or, as we put it, it explains the manner in which the enterprise creates and will create value”*. But when is an enterprise creating value?

In order to answer to this question it must be made clear that an enterprise can create two types of values: *an external value and an internal value* (Bogliolo, 2000).

To create external value implies that the enterprise has a higher market value than the accounting value of its assets. We refer to it as the external value since the difference between an asset's market value and its accounting value is given by the growth of respective asset's market price, and this can not be influenced by the internal decisions taken by the enterprise but only by the specific conditions of the market.

To create internal value means the enterprise creates economic added value, so a positive net value after the remuneration of all the factors of production, including here also the costs of owner's equity.

The primordial role in assuring, maintaining and developing performance is held by the client. Though the large majority of the enterprises recognize the principles determining a better performance, they do not always succeed to line up their competences to the clients' exigencies. A reason for this difficulty seems to be the acceptance of the notion of performance.

To support this opinion, we mention M. Porter's point of view, expressed by him in some specialized literature, who considers that the enterprise's performance depends on its capacity to create value for its clients.

We extend the area of value creation further more not only for clients, but also for shareholders, employees and natural environment, giving a new nuance to the definition above.

Another author, C.Marmuse considers performance to be that something that allows to keep the distance from the competitors on long term, by a strong motivation (based on reward systems) of all the members of the organization. But the nature of the competitive systems is the one determining the manner in which the performance can be achieved. The market share hold by the enterprise is an essential factor reflecting the performance of an enterprise, but this performance can be achieved only by respecting employees like members of the organization. The importance of the employees in assuring the enterprise's performance is supported by R. Danziger as well, who considers human relations the determining factor of performance within the enterprise.

Therefore, the creation of value results not only from a product's intrinsic qualities, but also from the structure of the immaterial services that are accompanying it. The ways in which the people communicate and work together determine the performance of any organization.

So, we believe *the education of the 21st century must answer to four objectives: learning to know, learning to make, learning to be and learning to live together*, and the enterprise must take into consideration this new approach to obtain performance for its employees as well.

In this context, we consider that one of the four objectives enumerated above, which we have underlined to point out the importance we are giving it, is that of *learning to live together*.

In order to be able to live together, we must respect the environment, we as physical persons, but the enterprises too, as juridical persons. The enterprise's commitment towards the environment must be perceived nowadays not like an option but like a common sense obligation from the following perspectives:

- *commercial*, because the clients have new expectations; they are demanding, for example, the recycle of used household appliances;
- *moral*, because we are all citizens with children and we must act in such a manner so to live the future generations a world that will offer them better conditions;
- *economic*, under the shape of diminishing the consume of materials, eliminating the waste, diminishing the accidents' number.

This new approach of performance is known in the present under the name of sustainable/lasting development, concept targeting the achievement of three objectives:

- the growth of the enterprise's financial performance;
- the development of the surrounding environment efficacy;
- the favoring of the social development.

This concept appeared officially at the beginning of the '80 at the same time with the creation of the "Commission for Environment and Development" under the ONU auspices, its leader being Gro Harlem Brundtland. In 1987, this commission *had defined sustainable development* like "the development that satisfies the needs of the present without compromising the future generations' possibility to satisfy their own needs". Though this definition is the most frequently used, it has far too general character, leaving the possibility for many interpretations, and even further more, it is referring to a dimension that belongs to the macroeconomic policy debate, and is difficult to apply in the case of the enterprises (at microeconomic level). In conformity with the opinion of the European Commission, the principles of sustainable development at the enterprises' level should become applicable by the mean of social responsibility. This commission defines the notion of enterprise's *social responsibility* to be "the volunteer integration of the social and environmental preoccupations in the economic activity and in the relationship with the interested parties by the enterprise" (Livre vert, 2001).

This thing *essentially* implies the enterprises should become responsible from their own initiative in order to contribute to a better society and the best manner possible for the protection of the environment, in collaboration with the interested parties. These parties interested in this aspect or the «shareholders» were defined by Freeman (1984) as being any group or person that can influence or can be influenced by the activity of enterprises.

The concept of performance is used in this context to evaluate the manner in which the firms put in practice the sustainable development strategies (Capron&Quairel-Lanoizelee, 2005).

In the American vision and in biblical sense, the social responsibility of the enterprise puts the stress on the term of charity like a corollary of the individual responsibility principle with the aim of correcting the deficiencies of the system and anticipating the diminishment of the pollution and environmental damages caused by the enterprise's activity (Capron&Quairel-Lanoizelee, 2007).

The practical sense of social responsibility in enterprises is concretized nowadays in the concept of "Triple Bottom Line" respectively economic prosperity, respecting the environment, respecting and ameliorating the social cohesion (Pesqueux, 2002). The concept reflects the recognition at the enterprise level of the sustainable development's three dimensions. The sustainable development in the enterprises is often represented by a triangle so to underline the three objectives targeted: the first one is economic, the second objective is referring to the environmental protection and the last one has a social character. The principle of sustainable development consists in balancing these three dimensions in disfavor of other objectives.

The importance of the social performance in assuring the performance of the enterprise is also supported by M. Porter, who assimilates the performance with the concept of excellence that is based on four determinants: the efficiency of the organization, the social identity, the achievement of the objectives and the reputation of the organization.

Analyzing the opinions presented above, we can consider an enterprise characterized by performance is the enterprise which conciliate the expectations of all its partners: *creates value for its shareholders and clients, makes the place of work enjoyable and preserve a clean environment for the collectivity.* So, the enterprise that achieves performance is the one creating value for its shareholders, answering its clients' expectations, taking into account the opinions of the employees and respecting the environment. *The consequences are: the shareholder is satisfied because the enterprise has obtained the targeted profitability, the clients are confident, the employees are proud of the enterprise they work in, and the society is pleased by the enterprise's environmental protection policy.*

### 3.3. Efficiency versus Efficacy in Defining Performance

In order to properly define performance, we consider is necessary to clarify first the signification of two other concepts, respectively efficiency and efficacy. The term of efficiency has many senses in the specialized literature. Some authors affirm an activity is efficient when it achieves the targeted aim with minimum effort. The problem raised in this case is to delimit the degree of concordance between the results obtained and the objective that has been established from where the activity is considered to be efficient.

The most general meaning of efficiency is that of the direct or indirect report between the useful effects obtained and the effort made for them:  $Efficiency = \frac{effort}{effect} \text{ or } \frac{effect}{effort}$ .

From the managerial point of view, we understand by efficiency the degree in which the desired goals and objectives were achieved. The managerial performance is obtained in this situation at the crossroad between the quality of the managerial results, decisions and actions and the quality of the managerial system's aims.

Efficacy can be defined as the degree in which the enterprise succeeds in satisfying its own exigencies or the external expectations (the clients, state, retailers, employees, shareholders). The efficacy of an enterprise is obvious when it succeeds in optimizing the manner in which its internal and external

development resources are used, as well as the correlation between the two of them, answering as good as possible to the expectations of the third parties or of the external partners. Therefore *an enterprise has economic and social performance when it is simultaneously characterized by efficiency and efficacy*. It results that *performance is a function with two variables, efficiency and efficacy, their combination reflecting an enterprise's level of performances*.

#### 4. Conclusions

Consequently to our incursion in the specialized literature to identify the definitions of performance along time, priority having the economic oriented ones, we can affirm that the performance represents the degree in which an enterprise succeeds to satisfy the requirements of the internal environment, as well as those of the external environment by an optimal combination between efficacy and efficiency. Performance is a state of competitiveness for the enterprise which grants a lasting presence on the market; is an indicator of a potential of future results that emerges due to the satisfying of the strategic objectives. So, the performance does not characterized only a temporary situation, it is always referring to the future. Performance is multiple, it is different depending on the person evaluating it, because each of us perceives performance from his own point of view and in report with the degree in which the objectives established have been achieved.

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