NAUKI O FINANSACH FINANCIAL SCIENCES 2(15) • 2013
ISSN 2080-5993

Helena Jáčová
Technical University of Liberec

ENTERPRISE PERFORMANCE MEASUREMENT AND MANAGEMENT

Abstract: In recent years the question of measurement of the financial performance of an enterprise has been frequently asked. The current economic environment is characterized by constant change. The development of the business environment has bought a completely new approach to the measurement of the financial performance of enterprises. In a market-oriented economy, enterprises are especially focused on the growth of their market value, based on their corporate strategies. The evaluation of enterprise success in a simple and quick way is one of the most important requirements set by owners and investors. The latest findings from the area of company management clearly show that for the long-term success of enterprises it is not enough to evaluate the history using the financial indicators. Enterprises must be watched and evaluated systematically, whereas the main task of management should be to employ new methodologies and management tools. One of the models used for the management of company performance is the Balanced Scorecard model, also taking into account – besides the traditional financial criteria – non-financial criteria.

Keywords: Balanced Scorecard, goals, financial indicators, non-financial indicators, strategy, value management, owner, company performance.

1. Introduction

Under current economic conditions, enterprise managements must quite often deal with the question of how to set the criteria of success, i.e. how to set the required goals. The basic goal of the vast majority of enterprises is the long-term growth or market value maximization through corporate strategies. Constant change, bringing new obstacles on the one hand and new opportunities on the other, are quite characteristic for current economic development. Significant changes in the business environment are notably related to the phenomenon called "globalization". Under these conditions the enterprises realize their activities without any protection against their competitors. In order to grow even further – or at least to survive – they must flexibly respond and adapt their activities to the tough conditions of the competitive environment. The faster the enterprise registers, analyzes and reacts to the change, the more successful it is in the market. Flexible strategy and the measurement of future strategic performance have become more important for the effective

management of companies. A correctly set strategy for the survival of a company in the contemporary competitive environment is essential.

Capital market consolidation leads to an increase of the influence of shareholders who call for the constant growth of the profitability of their investments. Thus the shareholders emerge from behind the scenes and the maximization of shareholder value is promoted more loudly. These changes also mean a new approach to the evaluation of company success and have evoked a reaction from economists about which metrics and methods should be used to determine and measure company performance.

The financial performance of an enterprise is one of the most important indicators to measure the enterprise's competitive position and to determine how attractive it actually is in the eyes of potential investors. Therefore the company's performance/efficiency shall not only be measured from the quantitative point of view, but also with regard to quality. Therefore the conventional financial measurement of company performance based on past results is no longer efficient enough and must be completed by non-financial performance measures. The question is how to measure company performance and what methods should be applied. Economists from all over the world have been dealing with this question on a daily basis. There are many approaches and methodologies for business performance measurement. We can perceive business performance measurement from both financial or non-financial perspectives [14].

The basic presumption for the successful development of a company in the present globalized environment is a correctly defined vision and strategy further broken down to particular strategic goals. One of the methods that helps to implement the corporate strategy in this way is the Balanced Scorecard (BSC) methodology. The aim of this methodology is to transform vision and strategy into specific goals, metrics and actions. Their realization will then facilitate the effective implementation of the strategy into the company management and the orientation of the company not only on the results of past activities, but also on the securing of success in the future. BSC methodology is not a static tool as it allows for the continuous updating of goals and metrics and their subsequent adaptation to the newly emerging conditions.

2. Stimulations behind the development of value-based management theories

In the 1980s the economic theories dealing with the issues associated with financial management were focused on the management of enterprise value. The amount of improvement of company equity is considered as the key criterion of success under the concept of value-based management.

The value-based management concept has its roots in American business schools. The main reason for the more extensive application of the value-based management concept was – as stated by Neumaierová [10, p. 15] – the boom in the field of business

consolidations and acquisitions realized in the USA, especially in the late eighties and at the beginning of the 1990s. The aim of these consolidations and acquisitions was to come up with such strategies, the realization of which would improve the value of the company in order to avoid consolidation/merger with other businesses. This new management concept was quickly applied in business practice and gradually spread to Europe [10].

The primary goal of an enterprise is to maximize the wealth of shareholders, which means that financial managers must strive after the maximization of the enterprise market value. This goes hand in hand with the commitment of management to duly consider the positive as well as negative (risk) factors connected with all individual decisions to be made. But how can financial managers recognize that their decisions are either good or bad? This is assured by the market itself – it sends the required signal. Shareholders who are not satisfied with the management actions may sell their shares. If this is the case with multiple shareholders, the stock's value will go down. This would be a clear signal for the management, pointing to inadequate decision-making and a kind of remainder of the main purpose of their employment. The enterprise is considered as a kind of coalition, and therefore value-based management is perceived as a tool for the improvement of value for all parties concerned. This means that if the company maximizes its value for owners (shareholder value), it also improves its value for other parties concerned (stakeholder value).

2.1. Enterprise performance definition

The term "enterprise performance" has been used quite frequently in recent times, however some clear definition is missing. The term is mainly used to describe the key essence of the enterprise's existence – its success and ability to survive. The purpose of enterprise performance measurement is to evaluate the state of the enterprise, which is considered as important for later decision-making by owners and management. Moreover it is a necessary presumption for the further successful management of the enterprise. Performance is often equated to efficiency, which is the ability of an enterprise to achieve certain results. In this regard it is possible to define company performance as the ability to make the best of its resources and to increase its value on a permanent basis. Another possible definition is offered by Solař and Bartoš [13, p. 19] "enterprise performance is defined as the level of achievement of predefined results by individuals, groups, organization and its processes". Another definition by Neumaierová and Neumaier [9, p. 24] may be applied as well, saying that "enterprise performance is generally connected with the growth of market value, i.e. the effort for the most efficient use of own as well as foreign capital aimed at the maximization of market value in the long-term. This is closely connected with profit generation or at least the creation of conditions for the generation of profit in the future". From these definitions it is obvious that each

enterprise should strive after the most efficient utilization of its own as well as foreign resources. There is no conflict between the definitions mentioned above, however each of them sees company performance and efficiency from a different perspective.

While measuring business performance, the purpose must be clearly defined – this means it must be clear who will make use of the results measured. Different requirements will be set by owners, managers, creditors, banks, investment companies, financial authorities and rating companies. Also the time factor is very important (the period the measured results relate to). We can measure the business performance in the past, assess the current performance or focus on the expected future development of the company. Another question, as mentioned by Neumaierová [10, p. 13], is "for whom the value is created (maximized) by the company" – whether for owners of capital (shareholders) or other parties concerned (stakeholders). The stakeholder group includes internal stakeholders represented by providers of capital – owners, creditors, employees and managers, and external stakeholders represented by suppliers, customers, municipality, government etc. The answer to this question can be found in what was said by Brealey [1, p. 13] "imagine company net income as a cake with many people claiming their stake (piece of cake). These people are managers, employees, creditors as well as other shareholders who provided their money to the company. All these entities, claiming their piece of cake, are mutually interconnected by various contracts, stipulations as well as gentleman's agreements". Another question would be "who is concerned in the results of the company performance?" The group of evaluating entities is quite wide. Internal entities cover owners, management, employees or trade unions. Entities from outside the company are investors, customers, banks, business partners, government as well as the general public. Each of these entities judges the results on the basis of their own criteria so the views of individual economic entities may differ significantly. Owners and investors, for instance, strive after the appreciation of their capital invested in the company. From the investment point of view it is necessary for them to know that their investments are treated in their interest. On the other hand for the management it is important that the company prospers, has a stable stake in the market as well as a liquid and profitable operation. Employees are especially concerned about optimum salaries, keeping their jobs in the company as well as about the social benefits the company offers. For customers it is important that the company estimates their needs and requirements correctly, offers them a premium product on time and for a reasonable price. Suppliers require the company to pay their receivables on time and therefore they especially check the level of indebtedness, liquidity and solvency. Business partners require the company to meet its obligations towards them on time as their existence depends on the company's vitality. And finally the government is mainly concerned in the information regarding payments of taxes and the proper utilization of subsidies, if any [3; 4; 8; 9; 10].

2.2. Requirements for enterprise business performance

The contemporary fast development of the business environment evoked many questions that subsequently led to the creation of new methods and management systems, often based on completely different principles than we were used to in the past.

With regard to the measurement of company performance the purpose must be defined – who will make use of the information collected The effort of the decision-making subject aimed at the maximization of the company value may be further limited by community interests. Such a community comprises of the company management, company employees (including their families); local citizens, government, institutions, creditors, suppliers, customers, competitors, etc. Each of these parties may have different requirements but all of them are concerned with the long-term existence and the good health of the company [14; 18].

Another quite important aspect is the period the evaluation refers to. Company performance may be measured in the short-term, using such methods as EVA (Economic Value Added), CFROI (Cash Flow Return on Investment), CVA (Cash Value Added) and other financial metrics. On the other hand, company performance must be closely monitored in the long-term – which is based on corporate strategy – as well. A well-known methodology for the measurement of company performance in the long-term is the Balanced Scorecard methodology that combines both financial and non-financial metrics and measures.

A basic requirement imposed on the metrics showing company performance is to provide for the correct estimation of the company's situation and to clearly interpret (on the basis of the results of such metrics) the actual level of performance of the company. Company performance is usually assessed for a longer period such as a year or six months, and therefore there must be some space for the company's performance management that supports operational, tactical and strategic management. Nowadays the metrics should be designed in a way so that they support the long-term performance of the company, i.e. they must facilitate the realization of the overall strategy. It is therefore obvious that the metrics should not only measure, i.e. evaluate past results, but also create the conditions for the effective management of the company and work upon (affect) the future development. Therefore no conflict between company strategy and the performance metrics is allowed, as it could lead to antagonistic pressures in the company and probably also to a decrease of performance.

Specific performance metrics and measures have their positive and negative aspects and each company has its specific conditions that must be considered carefully when choosing the relevant metric. Should these specifics not be considered during the selection of metrics, it could lead to the incorrect interpretation of results and poor decisions. Such a failure could be one of the reasons for the future decline in the company's performance [14].

3. History of methods used for enterprise performance measurement

The importance of the value-based management concept has been recently growing, especially because of worldwide globalization and the related interconnection of markets. Value-based management may be easily labeled as the new managerial paradigm. From the accounting assessment point of view, only those companies that generate profit are considered as being successful. This perspective is however – from the value-based management point of view – quite deficient, as it is important to earn such profit so that – according to Neumaierová [10, p. 12] – the following statement applies: return on capital invested by owners > alternative costs of own capital.

Until now many criteria have been developed to express the level of business performance/efficiency. These criteria are based not only on theoretic knowledge, but also on practical experience. While looking at the history of business performance measurement indicators, we can see a clear development and changes of opinions in individual generations. This development of opinions is clearly shown in Table 1 below [1; 10].

Table 1. Development of an enterprise's financial performance indicators by generations

Generation	Gen 1	Gen 2	Gen 3	Gen 4	Gen 5
Target	Profit margin	Profit growth	Return on capital employed	Creation of value for owners	Long-term strategic management
Indicators used	Profit/ sales	Profit maximization	ROA, ROE, ROI	EVA, MVA, CFROI, SVA	Market value maximization

ROA – return on assets; ROE – return on equity; ROI – return on investment; EVA – economic value added; MVA – market value added; CFROI – cash flow return on investment; SVA – shareholder value added.

Source: [11].

From the table it is obvious that the first and second generations are only aimed at the evaluation of profit, sales and margin of profit. The next two generations are slightly more focused on indicators such as return on capital employed, investment or the currently preferred indicator referred to as EVA (economic value added). The move from the traditional financial indicators to modern indicators used for business performance measurement is obvious. The latest fifth generation is focused on the strategic system of business performance measurement that does not assess company efficiency using the financial indicators only, but uses some non-financial indicators as well.

The methods used for enterprise performance measurement can be divided into three basic groups:

a) traditional approaches to enterprise performance measurement,
b) modern approaches to enterprise performance measurement,
c) complex management models.

3.1. Traditional approaches to enterprise performance measurement

Traditional managerial approaches to company performance are mostly based on the financial analysis of the company as an important analytic tool. The essence of the financial analysis is a comparison of the data collected. The resulting information is used for the assessment of the general financial situation of the company, helping to reveal the company's strengths and weaknesses. In the literature and in practice we can see multiple methods and approaches to financial analysis. The disadvantage is that neither the procedures nor the terminology of financial analysis are legislatively stipulated and therefore it may be quite difficult in some cases to compare not only different companies, but sometimes even the individual stages in the history of a single company. Most of the traditional indicators make use of the information from financial statements as input data for financial analysis. This is often criticized as these data are not adjusted by risk and inflation factors, thus ignoring the current value of money as well as the opportunity costs. Another disadvantage is the fact that the resulting information is only focused on the economic situation of the company. The results of the evaluation do not talk about market position, do not consider the influence of competition, image of products and innovations. They also do not reflect the quality of employees and the level of fulfillment of the company mission. Another problem of traditional indicators used for business performance measurement is that they cannot do without additional information. This information relates to the development of liquidity, solvency, indebtedness, structure of assets or financial structure. These additional information is also taken from the financial analysis of the company.

Financial analysis metrics do not allow to discover all the financial problems the company may suffer from. On the other hand, financial measuring is considered to be easily comprehensible and data are readily available from the financial statements of the company.

Amongst the traditional indicators of the company's financial performance are the indicators of the absolute value of profit which may be expressed in multiple ways. Other traditional indicators are the indicators of the rate of return, expressing the efficiency of the resources spent, as well as the cash flow indicators.

Despite there being many critical comments against the financial analysis, it is still considered as one of the most important tools of financial management. Financial analysis evaluates the past and current development of the company's operation from various points of view, thus giving some solid resource data for future decision-making [1; 4; 9; 11].

3.2. Modern approaches to enterprise performance measurement

Based on the criticism of the traditional indicators, new approaches to business performance measurement were developed. Traditional indicators measure the business performance on the basis of accounting data. This is the reason why recently

companies prefer to measure their performance from the perspective of market value growth. As stated by Mařík and Maříková [8, p. 12], modern indicators for business performance measurement should meet the following four criteria. The should have as a close relation to shareholder value as possible, where this relation should be demonstrable by statistical calculations. Another criterion is the widest possible use of information and data from the company's accounting system, including indicators from the financial statements of the company. The purpose of this requirement is to reduce the labor input needed for the calculations and also to improve the level of communicativeness in practice. The third criterion is the ability of indicators to overcome the existing objections against the accounting indicators of financial efficiency. It is particularly necessary to include the calculation of risks and consider the amount of locked-up capital. Finally the fourth criterion is to allow for business performance measurement together with company valuation. The above mentioned requirements for modern indicators used for business performance measurement should be completed by two more important aspects. As stated by Pavelková and Knápková [11, p. 43], the indicators should facilitate the clear and transparent identification of their links to all levels of management and also they should support value-based management.

It is quite difficult to find business performance measurement indicators that would meet all the above mentioned requirements. The modern financial indicators used for business performance measurement cover the economic value added, market value added, shareholder value added and cash flow return on investment [8; 11].

3.3. Complex management models

The task for management is to make use of new management methods and tools. In the last few years, performance measurements were preferentially realized on the basis of market value. To be able to estimate the future success of companies more reliably, new indicators are being searched for that will not be exclusively based on financial statements. Financial indicators on their own are not good enough as they usually provide historical information only and almost nothing for instance about the value for customers, satisfaction of employees, attractiveness of products, satisfaction of customers, potential for technical innovations, qualification growth of employees etc. Non-financial indicators and measures have been started to be used more widely to help companies to better compete with their competitors and also to meet the individual needs of all stakeholders. These methods and models are aimed at history, present time and especially at the future. The individual methods and models may be used independently or combined, as deemed necessary. A company that wants to be successful and have some competitive advantage must include in the performance measurement both financial and non-financial criteria, in consonance with corporate strategy [9; 17].

For practical use there are many complex approaches available. One of them is TQM (Total Quality Management) developed in the 1960s in Japanese companies. This model is aimed at quality management. In order to implement TQM successfully, it is important to determine and understand customer requirements and to implement such measures so that production will run without any defects. Also the stimulation program must be implemented to motivate the employees for the achievement of the quality goals. Model Excellence was developed by the European Foundation for Quality Management (EFQM). This model is widely used in Europe. It applies the principles of TQM and is suitable for all types of organizations no matter what their size and function. From complex approaches to business performance measurement, we can mention the fundamental managerial conception MBO (Management by Objectives) developed by P.D. Drucker. This method is based on the setting and the mutual acknowledgement of goals and the subsequent assessment of the level of their achievement. The goals must be set in all areas of activities and each decision made must be in full compliance with the overall goal. Another well-known method is BSC (Balanced Scorecard) developed in 1992 by R.S. Kaplan and D.P. Norton. The main essence of BSC is the setting of goals, indicators and intentions on the basis of the company's vision and strategy. The indicators are then viewed from four basic perspectives: financial, customer, internal business processes and learning & growth. In theory as well as in practice, we can find even more methods and models used for business performance management and measurement. Because of limited space we can neither mention nor briefly characterize all of them.

4. Balanced Scorecard methodology

Until the 1980s the success of enterprises depended mainly on the utilization of the economy of scale, i.e. how efficiently the enterprises were able to apply new technologies, allowing them to realize the mass production of standard products. Since the end of the twentieth century, with the so called information age, managers at all levels have had to be able to assess the business performance of their companies. For this purpose they need to have a set of tools allowing them to assess the individual activities of the company and also to monitor the fulfillment of the set goals.

The most widely known representative of the complex performance measures is the Balanced Scorecard method. Its authors, Robert S. Kaplan and David P. Norton, pointed to the insufficiency and limitations which were typical for financial indicators and presented a brand new methodology. This methodology supplements the originally preferred financial indicators of past company performance with brand new measures of future company performance [2; 5].

During the period of preparation of the new model for the management and measurement of company performance, it was suggested to the project team to enhance the model (scorecard) by non-financial criteria (as well as the standard financial criteria). Thus the scorecard was extended to a multidimensional scorecard

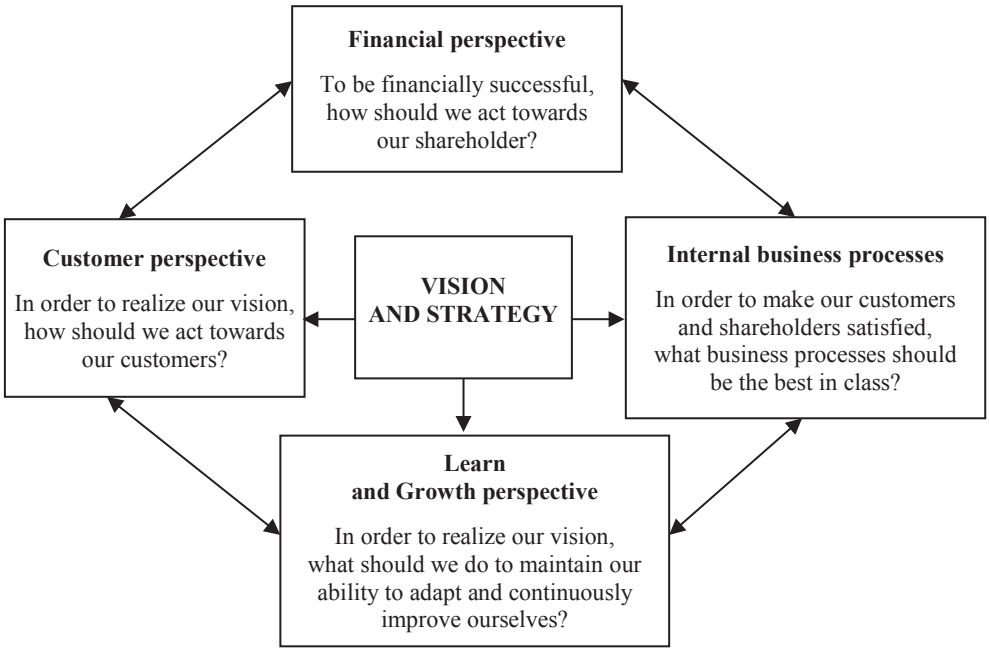

Figure 1. BSC framework – four perspectives

Source: [11, p. 195].

referred to as the "Balanced Scorecard". This new model measures the performance of the company using four balanced areas: value (financial), customer, internal company processes and employees (learning and growth). These four basic areas are referred to as "perspectives" as they significantly affect the future development of the company and are therefore significant not only for the evaluation of the company as a single unit but also for the evaluation of particular internal departments and sections of the company. Their mutual interconnection is the basis for the BSC framework allowing to establish a balance between short-term and long-term goals, financial and non-financial metrics, internal and external performance factors, hard and soft metrics and causes and consequences, as shown in Figure 1. Company mission and strategy are, using the BSC model, converted into specific goals, plans and measures [5; 11].

4.1. BSC development and implementation

What are the reasons that motivate companies to implement BSC? As the first reason we can mention the transfer of strategy into common practice. The success of each company is based on the selected strategy. The lifetime of strategies has been diminishing recently and therefore each strategy must be realized as quickly and as

effectively as possible. With any strategy we may have, BSC provides us with a mechanism for the conversion of the strategy into specific procedures, metrics and goals as well as allowing us to monitor their realization. One of the most important tasks for managers is to set such goals that will be based on the overall strategy of the company. Another reason for BSC implementation is to make reporting more transparent. Clearly set metrics demonstrating the performance of the company give clear and transparent information about the results achieved. Until now many companies used so called operational controlling (internal accounting) for information management, but managers were not satisfied with this method as it produced plenty of non-transparent data without any reporting value which was hardly utilizable for decision-making and management. The BSC system makes not only the internal reporting, but also the external reporting, more transparent. The third reason for BSC implementation is the fact that this system also affects the development of plans. Companies are often trying to speed up and simplify the process of planning. BSC is a part of strategic planning and despite it possibly extending the long-term planning time, operational planning time is considerably reduced – which means the total time dedicated to planning is reduced too. The last reason for BSC implementation is the criticism of the system of metrics which are mainly based on financial data. Excellent management also requires non-financial information, which is hard to get without BSC being implemented.

The implementation of the BSC method is not a one-shot action, but rather an extensive and constantly developing process that is changing and improving over time. The implementation of the management system with BSC support does not only mean the application of the four basic BSC elements to the relevant production (business) unit, but also the total reorganization of the management system. BSC implementation may be divided into five steps: a) establishment of organizational presumptions b) strategy clarification c) BSC creation d) deployment process management – BSC implementation in the whole company and assurance of quality/ documenting results e) provision for continuous use of BSC, i.e. its integration into the existing managerial and control systems, into the planning and reporting systems as well as supporting BSC by suitable computing resources.

As stated by Malíková and Horák [7, p. 58], “at the present time most multinational companies and large corporations use ERP systems for their own use, but this trend tends to include middle sized and small companies too. On the other hand a segment of middle sized and small companies use other ERP systems than SAP in the Czech Republic that are cheaper regarding the purchase and maintenance of the system” [7].

Before BSC is implemented in a company, a SWOT analysis should be made in order to find out the strengths to be further promoted and developed. It should also focus on the opportunities that could be used for the benefit of the company. Of course weaknesses and threats should not be forgotten as they can easily become a barrier to setting the proper strategy.

Another step is the setting of strategically important goals. The company must determine the strategic goals for each perspective. Strategic goals are not mutually separated and independent, but interconnected and interacting. When goals are set, metrics must be determined to measure the level of fulfillment of each particular strategic goal, making it more precisely set and limited. Each goal represents the state we want to achieve in future and there must be a metric (indicator) to be used for the monitoring of the goal's achievement history. Of course there are also goals we cannot measure – this is usually not a matter of theory, but rather the problem of practical realization – the determination of the metric may fail due to a lack of the necessary knowledge or an unwillingness to experiment. While determining financial metrics we can rely on long-term experience. As for non-financial metrics and measures, we must rely on other disciplines such as statistics, psychology, etc (as we are dealing with a rather new approach here). Also with an incorrectly set goal (unclear or too general) it is very hard to determine the appropriate metric. In an optimal case we would have one metric for each goal, but in practice this is hardly achievable. We can, however, use BSC methodology even in cases where we could not determine the metrics for all strategic goals. The metrics should be oriented on the future and be clear. They should never ask for the creation of new jobs. Metrics should also be linked to a rewarding and recognition system. Their number should be reasonable and the metrics should also be well balanced, i.e. financial metrics should not predominate.

On the basis of such goals it is necessary to determine the main (key) goal or a few goals, if appropriate. Relations and linkages must be determined amongst the key goal and all the other goals, as well as the directions of interaction. Relations and linkages amongst goals are indicated in the strategic map. An important step for the preparation of a strategic map is the determination of so called "key success factors" as a basis for future success when treated properly by the company. The key success factors are determined for each BSC perspective independently, but the linkages amongst particular key factors are determined as well. On the other hand there are so called "critical success factors" that may jeopardize the future prosperity of the company. The creation of the strategic map is quite important as it has multiple functions. The most important functions cover the communication function that helps to bring the strategy to all employees. It also has an explanatory function that determines the relationships amongst goals, their causes and consequences. The visualization function illustrates the goals of the company, including the relationships and linkages amongst the goals [2; 5; 12].

Despite BSC implementation looking like an easy task at first glance, considerable costs are required for the system's maintenance. Another problem of these manual or semiautomatic systems is the processing of a huge amount of data. For each metric in each particular perspective not only a target value must be determined but also an alarm value. The visualization of values achieved may be assured by a "traffic light" where green c indicates satisfaction with the value achieved. On the other hand

orange or red indicate the insufficient value of the metric. In such a case it is necessary to suggest an action or measure to improve the situation – a simple justification of the unsatisfactory values is not enough.

As already mentioned above, specific metric must be determined for each strategic goal in order to be able to verify whether strategic goals are being fulfilled. Each company determines the various goals and various metrics for such goals. The value measured must be compliant with the content of the related strategic goal. The following Table 2 shows only some suggestions of the metrics and indicators to be assigned to individual strategic goals within the scope of BSC implementation.

Table 2. Suggestion of metrics/indicators for the measurement of strategic goals by individual perspectives

Perspective	Strategic goal	Metric/indicator
Financial	Business value improvement	Annual EVA
		Pretax earnings
		Increase of sales
	Reduction of costs for capital	WACC
		Capital structure (equity vs. total capital)
Customer	Acquisition of new markets	Number of new markets (customers)
		Sales from new markets
	Flexible response to customer requirements	Required time (its reduction) for meeting the customer requirements
		Number of complaints admitted
Internal processes	Improvement of production efficiency	Productivity of machinery
		Usage of materials
	Extension of product portfolio	Number of products offered compared to the previous period
Learning and growth	Improvement of educational/ training system	Individual training plan
		The amount of expenses for education
	Corporate culture improvement	Employee satisfaction
	Improvement of teamwork	Number of training sessions

Source: author's own suggestions.

The individual indicators must be monitored on a regular basis and a person assigned to each indicator responsible for its planning. Most of the indicators are monitored on a monthly or quarterly basis. The monitoring and assessment of measures and indicators on a short-term basis helps to provide a sufficient amount of up-to-date information for the proper management and fulfillment of strategic goals.

Strategic goals, as shown in Table 2, by particular perspectives, may be visualized. For this purpose it is necessary to determine the mutual relations amongst particular goals – which goal affects other goals as well as where there are links amongst the goals. This is shown in the strategic map.

The proposal of the set of measures and indicators is quite a demanding task. In big companies it may even take more than a year. This task should be assigned to qualified staff from all key areas of the company. These people are usually quite busy and therefore big companies outsource this task in cooperation with external consulting companies.

Each company is a specific entity and therefore it is impossible to determine all the factors affecting the successful implementation of the enterprise's performance management system. Even so, here are a few basic requirements and preconditions for the successful implementation of the performance management system in an enterprise:

- The company must clearly and transparently formulate its visions and strategies, in accordance with the value-based management principles.
- The key performance indicator must be linked to the strategic vision. The generation of the value for the owner shall be the utmost goal of the company.
- Financial and non-financial indicators must be determined, quantifying the outcomes of company activities and actions. There must be clear rules for the interpretation of results.
- A person must be appointed as the one responsible for the fulfillment of the relevant indicator.
- The rewarding (and incentive) system must be linked to the fulfillment of indicators (meeting goals).
- Conditions must be created for any change of indicators and priorities based on the changes in business.
- Plans must be prepared for the generation of value, both at corporate level and at the level of individual operating units.
- The relevant information system must be used for planning, management and control of processes.

The whole process of the performance management system implementation must be implemented/managed on a project basis. The idea must be supported at all levels of the organization. Getting support from all employees is never easy, as the performance management system's implementation always creates a certain pressure on the transformation of corporate culture. It always calls for the reinforcement of responsibilities and cooperation based on mutual trust. The implementation of direct responsibility for the outcomes of individual activities is not always considered as a good step, especially at lower levels of the organization [11; 16].

5. Conclusion

The concept of value management has recently become more and more important as all economic subjects have to face worldwide globalization and the interconnection of markets which leads to the development of conditions suitable for the increase of shareholder value. Also in Europe we are witnessing the gradual establishment of an integrated market with a unified currency. Therefore value management becomes more topical even for this area of the world economy.

One of the clear advantages of the BSC model is the analytic nature of this tool and the balance between financial and non-financial indicators, between the past and future, between causes and consequences. The financial and non-financial indicators must be retrievable from the company's information system and available to employees at all levels of the organization. Each and every employee must understand the financial consequences of their decisions and actions. The top management must understand the driving forces ensuring long-term financial success.

Evaluation of company performance using financial metrics is quite common in practice and well justified, but it does not allow for a clear analysis of casual relations. The company must be monitored and evaluated in a systemic way. Financial metrics are not sufficient enough as they do not cover the qualitative aspects of elements and relations in the company's system. The conflict between the need of the company to be competitive on a long-term basis and the rigid model of financial accounting unblocked some space for a new methodology – the Balanced Scorecard. Financial metrics are no longer sufficient for the determination of strategy of companies in the contemporary information age. Companies must come up with such a strategy so that their investment into customers, suppliers, processes, technologies and innovations create some added value.

The BSC model is one of the most complex systems for the strategic management of a company, allowing to measure the level of performance achieved. The main importance and strength of this model can be seen in a well-balanced selection of financial and non-financial indicators, and moreover it improves communication amongst various levels of management and employees. The model is however not uniform for all companies and therefore each company must come up with its own set of indicators and measures, based on its specific conditions and strategic goals.

The BSC model however does not only bring positives, it has its negative sides as well. The BSC model is only focused on strategic goals, it does not illustrate the general goals of the company. Therefore the fulfillment of such general goals must be monitored using a system of operational controlling, not by means of BSC. While implementing the BSC model, a certain deflection from the company's overall policy may be experienced. It may be also difficult to provide a real interconnection between the strategies and operational activities so the strategies can be implemented at all levels of the company. It is recommended to select a limited number of indicators in order to implement the BSC model efficiently. However the complex image of

company performance may be distorted by omitting some of the indicators. The issue of non-financial indicators is also rather complicated, as they are often not perceived as a reliable source of information by future investors.

In conclusion we can only add that the application of suitable metrics and the selected strategy leads to an improvement of company performance and also its competitiveness in the market. The improvement of competitiveness not only brings benefits to the shareholders, but also to employees, customers, suppliers and government.

Literature

[1] Brealey R.A., Myers S.C., *Teorie a praxe firemních financí*, Victoria Publishing, Praha 1991. ISBN 80-85605-24-4.

[2] Horvát & Partners, *Balanced Scorecard v praxi*, Profess Consulting, Praha 2002. ISBN 80-7259-018-9.

[3] Jáčová H., *Aplikace Balanced Scorecardu v praxi podnikatelských subjektů*, "Vědecká pojednání", roč. XIV, Technická univerzita v Liberci, Liberec 2008, pp. 111-117. ISSN 1801-1128.

[4] Jáčová H.*, Improvement of the Company Performance by Means of Successful Implementation of the Balanced Scorecard Model*, [in:] *Finance and the Performance of Firms in Science, Education, and Practice*, 1. vyd, Univerzita Tomáše Bati ve Zlíně, Zlín 2011, pp. 204-215. ISBN 978-80-7454-020-2.

[5] Kaplan R.S., Norton D., *Balanced Scorecard – Strategický systém měření výkonnosti podniku*, 2. vyd., Management Press, Praha 2001. ISBN 80-7261-037-6.

[6] Kislingerová E., Nový, I., *Chování podniku v globalizujícím se prostředí*, C.H. Beck, Praha 2005. ISBN 80-7179-847-9.

[7] Malíková O., Horák J., *Technika provádění účetních záznamů včera a dnes*, 1. vyd., Technická univerzita v Liberci, Liberec 2011, 79 p. ISBN978-80-7372-799-4.

[8] Mařík M., Maříková P., *Moderní metody hodnocení výkonnosti a oceňování podniku*, 1. vyd., Ekopress, Praha 2001. ISBN 80-86119-26-X.

[9] Neumaierová I., Neumaier I., *Výkonnost a tržní hodnota firmy*, Grada Publishing, Praha 2002. ISBN 80-247-0215-1.

[10] Neumaierová I., *Řízení hodnoty*, VŠE, fakulta podnikohospodářská, Praha 1998. ISBN 80-7079-921-8.

[11] Pavelková D., Knápková A., *Výkonnost podniku z pohledu finančního manažera*, 2. aktualizované a doplněné vydání, Linde, Praha 2009. ISBN 978-80-86131-85-6.

[12] Schusterová L., *Balanced Scorecard – moderní metoda řízení*, [in:] *Finance a výkonnost firem ve vědě, výuce a praxi*, Univerzita Tomáše Bati ve Zlíně, Zlín 2007. ISBN 978-80-7318-536-7.

[13] Solař J., Bartoš V., *Rozbor výkonnosti firmy*, 3 přepracované vyd., Akademické nakladatelství CERm, Brno 2006. ISBN 80-214-3325-6.

[14] Synek M. aj., *Podniková ekonomika*, 5. vyd., C.H. Beck, Praha 2010. ISBN 80-7400-336-3.

[15] Šulak M, Vacík E., *Měření výkonnosti fire*, Ekopress, Praha 2005. ISBN 80-86754-33-2.

[16] Vysušil J., *Metoda Balanced Scorecard v souvislostech. Implementace a úspěšná realizace v řízení podniku.* Profess Consulting, Praha 2001, 120 p. ISBN 80-7259-005-7.

[17] Wagner J., Šoljaková L., *Metody měření a řízení výkonnosti podniku*, VŠE, Oeconomica, Praha 2003, ISBN 80-245-0602-5.

[18] Wöhe G., *Úvod do podnikového hospodářství*, C.H. Beck, Praha 1995. ISBN 80-7179-014-1.

POMIAR I ZARZĄDZANIE EFEKTYWNOŚCIĄ PRZEDSIĘBIORSTWA

Streszczenie: Na przestrzeni ostatnich lat coraz więcej uwagi poświęca się kwestii oceny efektywności finansowej przedsiębiorstwa. Cechą charakterystyczną współczesnego środowiska ekonomicznego są nieustanne zmiany. Rozwój środowiska biznesowego umożliwia nowe spojrzenie na ocenę efektywności finansowej przedsiębiorstwa. Przedsiębiorstwa w gospodarce zorientowanej rynkowo dążą przede wszystkim do wzrostu wartości firmy, co wynika ze strategii przedsiębiorstwa. Prosta i szybka ocena efektywności przedsiębiorstwa jest jednym z najważniejszych wymagań stawianych przez właścicieli i inwestorów. Wiedza z zakresu zarządzania wskazuje na to, że jeżeli przedsiębiorstwo chce odnosić sukcesy w perspektywie długoterminowej, sama ocena minionego rozwoju przy wykorzystaniu wskaźników finansowych jest niewystarczająca. Przedsiębiorstwo należy monitorować i oceniać systemowo, a zadaniem zarządzających jest wykorzystywanie nowych metod i narzędzi zarządzania. Jednym z modeli stosowanych w zarządzaniu efektywnością przedsiębiorstwa jest model Balanced Scorecard (Zrównoważona Karta Wyników). Model ten obejmuje, oprócz kryteriów finansowych, także kryteria niefinansowe.

Słowa kluczowe: Balanced Scorecard, cele, finansowe kryteria pomiaru, niefinansowe kryteria pomiaru, strategia, zarządzanie wartością, właściciel, efektywność przedsiębiorstwa.