

## IN SEARCHING OF SUSTAINABLE PERFORMANCE... THE ART OF BEING PERFORMANT

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### **Rezumat**

*The improvement of managerial decisions, the identification and the implementation of strategic niches allow the achievement of some performance higher levels, thus ensuring the stability of the organization and the consolidation of the position on the market, which is occupied.*

*The analysis of a company evolution can demonstrate the importance of the integration of the performance measurement system within the objectives of the enterprise on long term, in order to use it as a warning system when the results obtained diverge from the established trajectory.*

*As shown in the synthesis of the selected company evolution, the performance of the company isn't resumed, in a simplistic way, to superior financial-accounting results, to the stable financial equilibrium, to the capacity to generate the cash-flow needed in order to function and to be extended in perspective, but it aims all the non-financial and financial aspects of its activity. In-depth, understanding the performance term, the criteria which have to fulfil a company in order to be efficient, open new opportunities for managers, challenge them to improve new strategies of action. Each criterion shall submit to management a new area of interest, whose good management depend the marketing and development of the company. Given our aim/goal to demonstrate through a practical case how achieving and maintaining performance may be associated with a state of equilibrium, we can summarize the performance stability of a company in two words "remanent performance".*

*The remanence quality distinguishes a short-term strategy from a long term strategy, between performance achievement and maintenance of a company's performance.*

*Remanence expresses that side of performance, consequence of a strategic, continuous, adaptive and proactive process.*

**Cuvinte cheie:** *remanent performance, induced performance, resonant performance, sustainable performance, strategy, benchmarking, balanced scorecard*

**Clasificare JEL:** *M10, M21, M51*

### **1. Introduction**

In searching of sustainable performance we start from next conditioning: in order that a company perform on a long-term, it must **promote and maintain a proactive attitude on all functional levels**, attitude that will reliably provide a competitive advantage, which we call the resilient or resilience degree.

The degree of integration in the present, everyday economic life, and the ability to answer to economic impulses create the foundation for a proactive company. National and international economic shocks must be countered by a globalization of managerial act. By a managerial action we understand action, proaction, responsibility and accountability, execution, prediction, pro development, diversification, all understood by their meaning broadly applicable.

These qualities will enable the company to reinvent itself and this feature gives sustainability on the market and hence sustainable performance [1].

If we analyse a company purely financial, we see that the employment in certain indicators doesn't always give positive premises in the future. So, the success (sustainability) of a company within a changing economic environment (context) depends on how "resilient"it is.

### **2. The motivational and strategic context of shaping the sustainable performance for an architecture, urbanism and design company**

Economic vortex in which companies are driven requires some strategic skills to exit from the turmoil of events, respectively **resilience skills**.

Achieving resilient or sustainable performance requires the development of a new profile. It represents all the levels required to convert a dependent business company, conditioned and responsible of its internal and external environmental actions – in a renewable independent company, capable to cooperate in equitable conditions with its internal and external environment.

Considering that maintaining the performance should be associated with the future sphere of interest of any company and also to be part of the basis of every decision, our purpose is to identify the strategic algorithm that allows the manifestation of this subject.

Based on the theory that “the capital used in the business is productive”, resilience skills that are used in business are producing sustainable and resilient performance.

**In our opinion the development plan of resilience in business, based on the remanent quality of performance must be one in which sustainable and resilient performance is the effect of maintaining the balance between induced performance and resonant performance, as shown in Figure 1 [2].**

We believe that we can speak of the remanent performance when, on long-term, resonant performance tends to be equal to the induced performance.

**The resonant performance** represents the measurable reaction in tangible and intangible results as an answer to the steps taken by a company to achieve the state of performance.

By **induced performance** we understand the quality of material and immaterial processes undertaken to obtain resonant performance.

To understand the mechanism of formation and development of the concept of remanent performance, we chose to analyze the performance approach for the design firm, whose name I kept anonymous, given the intense competition in the field in which it operates.

The information about the company ARCHY URB DESIGN S.A. (symbolic name based on the nature of the work performed by the firm: architecture, urbanism, design), with an experience in the specialized market of about 20 years, we have obtained from an interview from the company's manager; it was aimed to identify the strategic and motivational context of shaping the sustainable performance of the company, given its market leadership quality. We structure the information from the interview in underlying assumptions.

We subordinate the leitmotif of our pragmatic research to the assertion made by J. Welch, CEO at General Electric, which in 2001 stated that "the figures are not a product, but a vision" and we structured the research on ARCHY URB DESIGN S.A. company, identifying the vision that led to the figures in the financial statements and detailing the transposition of vision in strategy that led to the achievement of these figures.

*Established in 1994 at the initiative of a family of architects, ARCHY URB DESIGN S.A. company initially not held his own material base (tangible assets: building space, office supplies, furniture, equipment, vehicles) or intangible assets (software specialist); only pillar on which the development and activity plan was built was human capital (specialists - architects). Good name and personal reputation of architects who have established the company gave it a positive start-up; the professionalism and seriousness of their leading specialists shape in a relatively short time a consolidated portfolio of work and with it the expansion of business.*

*Hypothesis no. 1.*

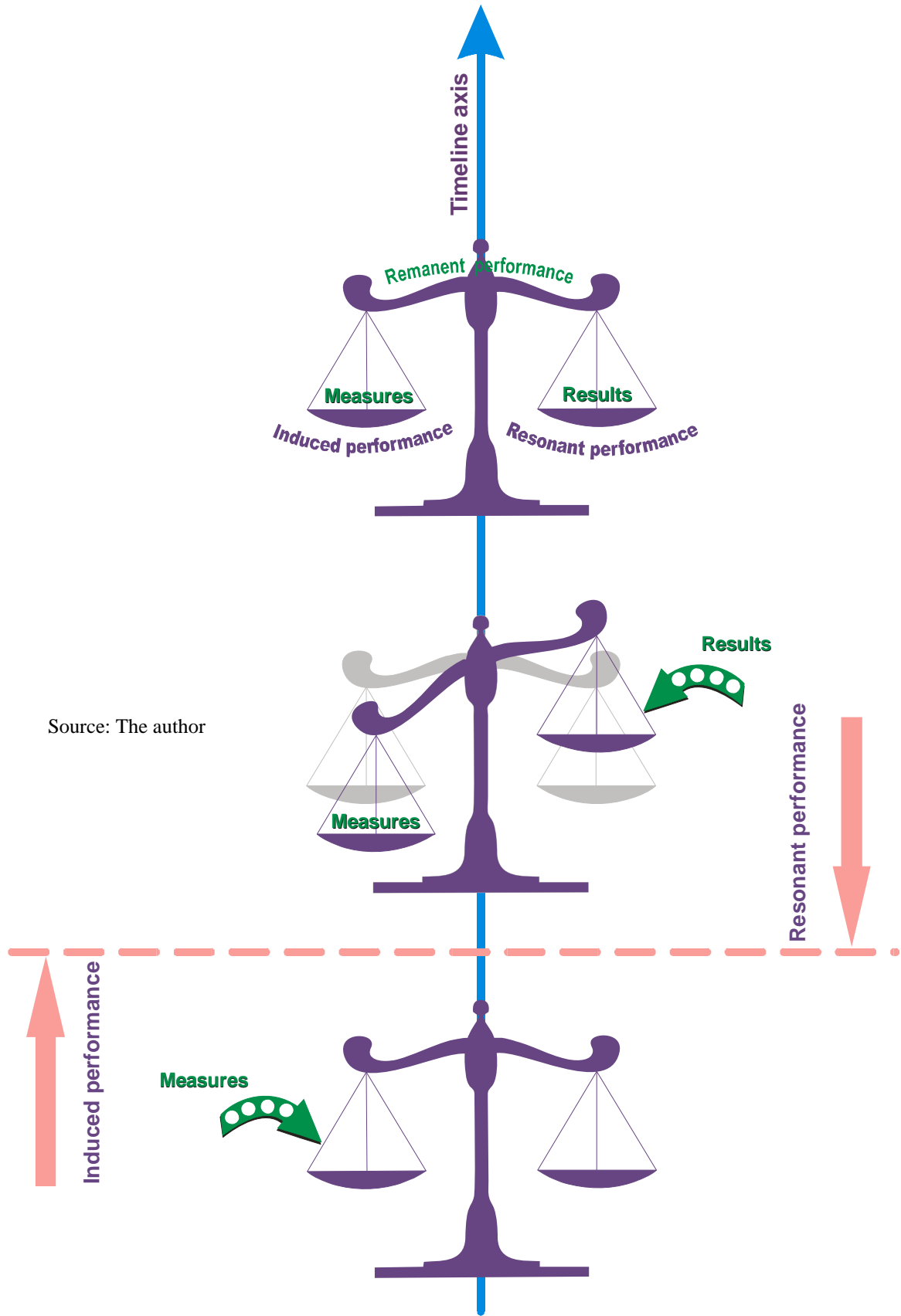
Translating in terms of performance the information relating to the company's professional debut, we see that the induced performance focused primarily on non - value items associated with operating lever, so-called "non -cost services."

"Non-cost" elements which ensured a positive feedback (resulted in reasonable performance) were "good name and personal reputation of architects who have established the company ..." customer confidence in "specialist's professionalism and their reliability...", embodied in consulting and design flexibility in defining theme, quality of service, while providing adequate technical assistance during the execution of contract works.

On the other hand, resonant performance was based on how customers cataloged the firm services, the indicator of resonant performance being the turnover.

As appears from figure 1., the performance begins with a swing in the results, which comes in compensation of the efforts made, leading to the entry into the steady state specific to remaining performance balance.

Fig. no. 1 The balance of remanent performance



*Portfolio of works of the company, from pioneering period, included small projects, less complex (mostly investment objectives managed by individuals), which generated low incomes. At that time, the costs of performance were the main indicator which tip the balance, in terms of financial results of the company. Those incomes should cover the costs with staff, rent, utilities and supplies that needed a big attention, given the volatility of turnover. It was the moment when the company's management decided that should make every effort to access works better priced. Prioritizing the productivity indicator in the company strategy was made together with the first large jobs. This required a very short delivery time that has exceeded the availability of staff and directs their attention to a new approach to business activity. Then the management of the company realized that to grow and especially to be effective, it was necessary to ensure high technical equipment designed, to respond to high professional aspirations and to provide increased productivity.*

*Hypothesis no. 2.*

We note the existence of a permanent inter-linkages **between cost, productivity and efficiency.**

The creation of premises for the achievement of induced performance starts from the investment measure. The value expression of the investment is the purchase cost of goods. The nature of costs (materials, human resources and technical equipment) indicates the strategic levers "grounding" induced performance (summarized in profit and loss account).

The Manager of the analyzed company notified the importance of increasing staff productivity by providing appropriate technical equipment in order to increase competitiveness and accessing complex projects. In economic and financial translation to increase productivity, using the same staff, it is necessary to increase investment spending. Positive financial results (for profit) assume that income to be greater than expenses.

In order that the resonant performance balance the induced performance, the operational decisions must be based on a scenario deeply rooted in reality, which can quantify the performance cost that is made internally and externally.

The measuring of the internal performance of cost is one through productivity indicator. It indicates increased consumption relative to the results reflected in the financial statements through profit and its intrinsic quality assessment is made by the CFO.

Instead, the cost of external performance measurement is done by efficiency indicator. It shows the external feedback from clients, reflected in profit and loss account by turnover.

Investment in technical equipment ensured increased competitiveness through sustainable future major projects.

It is observed that under these conditions, the resonant performance balanced the induced performance, ensuring remanent performance for the company.

However, validation of induced performance by obtaining resonant performance is achieved in a scenario in which the main protagonists are the company and the client.

*Moving on the timeline axis we capture the specific of investment boom during 1996-2008, which required a full team of specialists who respond in real time to market expansion. The main feature of the company's services, translated into results, is the fluctuating nature of cash flow. If on the beginning, the gap between the delivering of technical documentation and collecting their payment was acceptable, with the increasing of the complexity of projects addressed, many of them for investments managed by public authorities, was imposed the accessing of a credit line to finance the current activity during the period between the delivering of technical documentation and the collecting of their payment.*

*Hypothesis no. 3.*

We notice the extending of resonant performance by presenting a new script and changing the direction of interest of the company, respectively the relationship with banks. Accessing a credit line targets the company evaluation by the financial and non-financial criteria.

According to the Romania's Regulation no. 11 of 2011 on "Classification of loans and investments and determining and applying prudential value adjustments" financial performance reflects the potential economic

and financial soundness of a company, valued on the basis of a set of subordinate quantitative and qualitative factors.

The regulation includes as quantitative factors the main financial indicators: liquidity indicators, risk indicators, debt indicators (solvency), profitability indicators, indicators that express in our view the sustainability of past strategies addressed by the company, respectively achieved performance.

Qualitative factors described by Regulation express the intangible, unquantifiable part-namely the administration of the company and its shareholders quality, received guarantees, market conditions - of the industry in which it operates.

Qualitative factors underline an analysis of perspective, assess the economical-managerial personnel (management decisions), expressing the analytical performance, the "target" performance.

For resonant performance to balance induced performance, it is necessary to integrate all these factors in evaluating the strengths and weaknesses, assessment who should lie at the basis of all strategic decisions of a company.

*The desire for involvement in increasingly more projects with short delivery deadlines and simultaneously, defined a new strategic plan for the company. To take advantage in the most effective way of the company management market opportunities, it attracted freelancers for various design specialties, for large projects, based on the financial analysis made by the economic manager certifying favorable net results obtained by this strategy, in prejudice of the staff number supplementing.*

*Hypothesis no.4.*

We remain in the same sphere of interest, respectively costs indicator, and broaden the analysis to new horizons by integrating it into an organizational, operational analysis, respectively the analysis of the role of responsibility centers [3].

A responsibility center brings together a set of activities that depend on the same executive, and for his identification we must analyse the following technical and economic issues [4]:

- the nature of undertaken activities: a center brings together homogenous activities;
- control holding: a responsibility center must have an well identified executive;
- the capacity of real decision for the executive;

- the resources situation: a responsibility center must have its own tools, which should be convergent with the objectives that have been set.

The projection of an organizational structure implies a complex reasoning, founded on a logic subordinate to functional and relational conditionings.

In order that a manager find the ideal structure for the responsibility centers he must projects them in such a way to assure the functional, operational and managing unitary frame that allow him their highest development during the strategy application process.

The estimations of implications of outsourcing decision, *in prejudice of the staff number supplementing*. are rooted in structural and analytical analysis, related to financial information, of the responsibility centers, which are in this case induced performance tools that have materialized in the form of reasonable performance: higher turnover, increased portfolio of works, strengthening the company's image.

*With the global economic crisis, with nationally repercussions, there were some major changes impacting the on the large providers of design service. Their main customers and of the company are considered the public authorities, investors of large targets. If before the crisis, the primary endpoint of evaluation in actions was technical proposal and secondary the financial proposal, with the generalization of the lack of liquidity, we opted for the criterion "lowest price", which practically eliminated the quality criterion validated by technique offer. Reduction of investments, on the other hand had the effect of increasing market competition and with it, the increase of compromises "non - values " assumed by beneficiaries. Remaining supporters of high quality services and not accepting their decline in conjunction with very low tariffs, imposed by exacerbated competition, managers have opted to study carefully the competition in the design market, especially in terms of hourly rate charged and were associated with the best companies in the region to become more competitive extending theirs services to the national regional level.*

*Hypothesis no.5.*

Translating the strategic options of analyzed company we see how the financial factor becomes not only an informational standard but a decisional one (factor). In order to be able to "scan" and to relate to as a company to the standard of the best competitors in the market segment, in practice is used benchmarking as a tool. The way this tool makes the process of obtaining data and turning them into reliable information, make it a manifestation element of the current, induced performance.

If the result of these measures on the market and feed-back immediately manifested in auctions is positive, we can talk about resonant performance as an answer to induced performance by the associated companies.

*The current economic situation has created an extremely demanding filter for companies providing design services, so, basically, keeping at this moment a company on the market expresses performance. The players on the market design have turned in two categories: individual designers, which by their structure cannot access large projects and enhanced design companies, that by their teams of specialists they can respond to complex projects with high levels of investment, but of course with a great responsibility in management. According to analyzed company management, only companies that have based the work on quality at all levels of understanding of the meaning, remained on the market and managed to overcome the obstacles induced by disorientation of economic life. These companies scan under the banner of performance that allowed and allow them to remain on the market.*

*Hypothesis no.6.*

Understanding and integration of managerial decisions of overall performance dimensions translates into balance, remanent performance respectively.

Induced performance is based on three dimensions: economic-financial, social and environmental. We consider the balanced scorecard a tool that can express the executive branch of induced performance.

The balanced scorecard is a strategic management tool system [5]. Although initially was launched purely theoretical, his development was achieved through companies practice that have integrated in their policy and operational management. In terms of evolution, used as a tool for aligning short-term actions with strategy, balanced scorecard concept provides the necessary means transforming these barriers to start-ups generating strategic unit.

We name this capacity of re-design the dialogue between the key elements of the strategy, **balanced scorecard spiral**.

The proposed balanced scorecard spiral is based on the causality relation "if ... then ....". It transforms the barriers, enclosing them in the ascent elements of the existential company process. The vision regarding a purpose gets density when it is converted into strategy. A vision becomes strategy when it is viable for managers. If managers believe in their vision, they will take the time it takes to materialize it in strategy. To ensure the operationality of strategy then it must become the vision of the individual. Once every employee understands how his each daily work contributes to achieving the strategy, the elements of the strategy will acquire a common language of action and the networking (horizontal or vertical) will be made in a common informational base. If after the review of strategy application, the results have not the desired shape, then the reasoning and spiral analysis resumes its cure, rewriting the route.

We note that the specificity of this tool is that it allows direct connection between induced performance and resonant performance. Making this connection comes primarily from flexible principles to which balanced scorecard reports. It starts from what is desired, respectively from resonant performance to induced performance. Clarifying objectives and keeping them in the decisional and operational timeliness maintains the balance in a short film script [6].

### 3. Conclusions

The identification of the impact of society evolution on conceptual consolidation of the term performance reveals us new contextual aspects for it. Only the awareness of the competitive advantages sources and the success key-factors with their intelligent use creates the generating road of performance.

We consider that the creation of a prognosis for the impact of induced performance into resonant performance is a useful tool for every company that is aware of the resilience importance on the market. The maintenance and integration in the strategic reasoning of the analyzed company managers for the proposed co-ordinates allows the shaping of a few levers whose application assured its equilibrium and stability on a long term.

The validation on time axis of the two states of performance, the induced and the resonant one, allows the rationalization of the management decisions and folding of strategies on business tortuosity. The comparison of the effort with the effect becomes the informational support in shaping their approaches to ensure their balance and also the remanent performance.

The pursuit of this balance of excellence, because performance is associated to superlative, allows management to foresee the strategy adapted to the specific area in which the company operates.

So, no matter how well justified is the induced performance, this must have the expected impact, to generate resonant performance, because this is the only way that a company can enjoy maximum benefits and the most important, it can enjoy resilience.

Eventually, what is remanent performance?

**Starting from the assumption that we have shown how the strategic vision offers the vision of results, we conclude that the remanent performance is the excellence of vision!**

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