

EVALUATING AND ASSESSING BUSINESS PERFORMANCE

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ABSTRACT: *Business excellence or company excellence are subjects that are increasingly being addressed in specialized economics literature and university degree courses in quality management and business management. Much debated and commented, both by the general public and by the academic circles, business excellence gains new content and different meaning, depending on context and on the subjective interpretation of those who approach the subject. In this paper I will present the situation in Romania regarding: how the Romanian firms are evaluated for the title / prize of excellence in business, the competent bodies performing the awarding events. Also, in the beginning, I will present some of the best-known approaches to business excellence developed by the above-mentioned specialists, as well as the link between these approaches and business excellence models, models that belong to Total Quality Management (TQM).*

KEY WORDS: *performance, business, quality, management, principles.*

JEL CLASSIFICATIONS: *M10, M11*

1. INTRODUCTION

According to most of the opinions expressed by experts and professionals in management and business management (Heller, 1997; Collins, 2010; Peters, Waterman, 2011) "being excellent in business" is more than being good or very good in a certain area of activity. Excellence in business means having exceptional long-term results on a range of indicators that measure economic and financial performance and irreproachable behavior on: attitude towards customers, market behavior, attitude and relationships with their employees, relationships with collaborators, etc. By default, these results are achieved /driven by professional people and performant management processes. I consider that it's important that if a company is ranked as having excellence in its field of business, to maintain that title and improve it

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continuously. It happens that after some companies either receive a prize of excellence in business or get a top position in business excellence start to deviate from these values and behaviors, and then managers ask questions like, "Why are our customers not loyal to us anymore?", "Why suppliers choose other clients/collaborators?" and "Why are we no longer in the top companies in business excellence?". The answer to those questions is simple: because customers and the market in general, sense these differences and because they have a choice. I say these things as a mere observer and maybe even from the position of the client who has noticed these differences.

Therefore, in order to be excellent in business, a company or an enterprise must keep meeting the criteria and principles of excellence throughout its life. So we can say that it is similar to the title with which a person can be honoured and for which he receives the appellation of "excellence".

2. METHODOLOGY OF THE RESEARCH

Research methodology is the study of work and research in business management belonging to some authors or institutions in the field, as well as the comparative analysis by: Thomas Peters and Robert Waterman with "Search for Excellence"; Robert Heller, with the work "Looking for European Excellence"; Jim Collins with the work "Excellence in Business", the publications of the European Foundation for Quality Management EFQM - European Foundation for Quality Management from our country: Cătuneanu V., Drăgulănescu M., and the information published by The National Council of Small and Medium Sized Private Enterprises in Romania - CNIPMMR.

3. OPINIONS ON BUSINESS PERFORMANCE AND EXCELLENCE

In this chapter, I will briefly outline the most important approaches to performance and business excellence and those which I consider most appropriate. I have presented another paper about these approaches in which I have dealt with this issue more extensively and I have analysed the criteria and models of business excellence in different regions of the world.

So the most representative contributions to the study of how business excellence is attained are those of Peters and Waterman; Heller; Jim Collins. These authors have been studying on a representative sample of companies in America and Europe for several years, looking at several issues such as: the way in which activities are carried out; the evolution of economic and financial indicators registered over the years; strategic management processes (top management).; the company-level approach to product and / or service quality; attitude and relations with customers, market, collaborators; human resource management issues: motivation and relationship with the employees; aspects of values, ethics and organizational culture.

3.1. Studies by Thomas J. Peters and Robert H. Waterman

The results of a first study, conducted by Thomas J. Peters and Robert H. Waterman, were published in the reference paper "In Search of Excellence: Lessons from America's Best-Run Companies (1982)". They studied for two decades (1960-1980), on a sample of 62 American companies, in general terms, the issues stated above. These authors have identified, analysed and commented in their paper the principles through which excellence in business is achieved. In summary these are (Peters and Waterman, 2011, p.8-10):

- *The availability to make something* - to be always active, as the authors said something like "go there and try to do something".
- *Customer closeness* - to be interested and to seek to find out what customers want, to satisfy those desires with a formidable predisposition towards innovation.
- *Productivity through people*: workers are the main engine in obtaining productivity gains and quality in production, and new methods of motivation must therefore always be applied.
- *Autonomy and Entrepreneurship*: always opening up to new ideas, supporting new ideas and entrepreneurs - promoting and supporting innovation, creativity in the company.
- *Practice and motivation of value* - in the sense that excellent firms have a deep-rooted philosophy such as "respect for the individual," "make people winners," "let them stand out".
- *Concentrating on known things* - setting a strategy with clear objects, persist in that long-term strategy; focusing on a particular business strategy.
- *A simple organizational structure and a minimum staff* - simple structures that allow for flexibility and fewer managers at the corporate level.
- *Simultaneous functioning of decentralization and authority* - depending on the decisional situation.

The main conclusion of the paper is that management systems, corporate leadership need to understand that certain components such as: people, employees, customers (in a word - the human factor) are complex in thinking, perception, attitude and behavior. As a result, these components are the most sensitive factors and with the strongest and most powerful influence in the success or failure of a long-term business. That is why the attitude of top management needs to be changed in order to better manage these sensory-emotional factors.

3.2. Studies by Robert Heller

Robert Heller is another author who analysed and presented the criteria of excellence in the paper: *In Search of European Excellence. The 10 Key Strategies of Europe's Top Companies* (1997). In his book he identifies the so-called ten ways that firms, if they apply them, can achieve excellence in business. Heller, in describing the ten ways that a company can achieve excellence, emphasizes radical change and permanent renewal of business, which makes us think about the basic principles of reengineering, addressed by specialists such as Michael Hammer and James Champy, Tomas Davenport, H. Johansson. These can be formulated as follows (Heller, 1997): wide or extended delegation of authority; practical application of the existing values

from the organizational culture of the company; predisposition to radically change projects; creating subdivisions within the company - subsidiaries, representative offices, local business centers at local level; capitalizing with the highest possible internal potential of the company; preserving the company's favorable position on the market; applying redesign and renewal processes; promoting participatory management; establishing functional and efficient working teams; implementing the principles of total quality management.

Heller believes that a company must combine two or more strategic guidelines. Contrary to this view, Peter Drucker is of the opinion that you need to be consistent with a single strategy, as we also find the opinion of Jim Collins.

3.3. Studies by Jim Collins

Collins reveals totally other values and principles through which a company reaches excellence (Collins, 2010) in his book "GOOD THE GREAT: Why Some Companies Make the Lap ... and Others Don't" appeared in 2001.

In the table below, I compared the criteria of these authors with those criteria after which companies are assessed in practice to be awarded prizes and distinctions of excellence in quality management (table 1).

Table 1. Comparison of Principles and Criteria of Excellence in Business

| Principles formulated by T. Peters and R. Waterman | Principles formulated by R. Heller | Principles formulated by Jim Collins |
|---|---|---|
| <ul style="list-style-type: none"> - Predisposition towards business (initiative, courage, risk) - <i>Staying connected with the client</i> - Productivity through people - Autonomy and entrepreneurship (innovation and creativity) - Practice and motivation of value - principles, values, culture - Stability of the strategy (focus on a particular business strategy) - Simple and flexible organizational structure - Balance in business leadership (between centralized and decentralized management) | <ul style="list-style-type: none"> - Transmitting authority (strong authority delegation) - Turning the enterprise culture into the secret of success - Starting radical changes - Dividing the company in order to achieve success <ul style="list-style-type: none"> - Exploiting the organization's potential through new leadership methods - Keeping the company at the forefront of the competition <ul style="list-style-type: none"> - Implementing constant renewal - Driving those who motivate - Making the working teams <ul style="list-style-type: none"> - Achieving total quality management | <ul style="list-style-type: none"> - Excellent leaders - First, choose the people. Then act - Managers must have the strength to confront real issues and reality as a whole - Focusing on a single strategy, like the „hedgehog concept“- meaning the one thing you do best to produce a profitable market value - A culture of discipline practiced by disciplined people - Using the latest technology |

The study and conclusions are more profound and complex, but in short, these are Jim Collins' main ideas of excellence in business. The determinants identified by this author in his study are:

- *They had the highest level leaders* - of the excellent type. Leaders of the excellent type are leaders of level 5, as Collins calls them, with the following attributes: "silent, humble, kind, modest, reserved, shy, undervalued." Its basic features are: Irresistible personal modesty; Professional will; Ambition for the company firstly and concern for its success more than for wealth or personal reputation; An firm decision to do what needs to be done; Strict but not ruthless.
- *First, they pick people and then they act.* First, "who" and then "what" refers to choosing the right people for the right places for them, that is "who" and then determining "what" each has to accomplish individually.
- *Managers must have the strength to deal with real issues and reality as a whole.* Confronting the real problems of reality consists of reactions, attitudes and actions that are based on the belief that it can succeed, regardless of difficulties.
- *Focusing on a single strategy through the so-called "hedgehog concept".* The hedgehog concept states that you can attain excellence in the business or any field if you intersect the following three aspects: What you are passionate about; If you can be the best in this passion; If this passion produces added value and can be redeemed on the market.
- *Have a culture of discipline within the company.* All companies have their own organizational culture, some have discipline, but very few have a culture of discipline. Having a culture of discipline means to find disciplined people who engage in disciplined thinking and then go do a disciplined action.
- *Owning and continuously updating of the latest technologies and information technology in the company.* Excellent organizations avoid technological flaws and bargains, becoming pioneers in the application of carefully selected technologies.

4. AWARDS IN QUALITY MANAGEMENT

In practice, in order to win excellence prizes for quality management in companies, they are rated according to a set of criteria that correspond to quality models in Total Quality Management (American Baldrige, Japanese Deming or European EFQM, or their own national models).

The principles of these models have become criteria and indicators for measuring performance and excellence in quality management when awarding prizes to companies from various business environments that compete to win this title. Model criteria in the TQM practice and Peters and Waterman's principles of excellence in business have several common points. And then, we ask ourselves: Who has influenced whom? or simply, there are common elements that have been formulated independently.

These excellence models summarize in Total Quality Management practice contain the following measurement principles and criteria for:

Management and leadership; Strategy and strategic planning, vision.

- Interaction with the market and customers.

- Employees - motivation, development of the human resources and the learning environment.
- Continuous improvement processes of the quality of products and services.
- Business results - its performance.

5. ABOUT PERFORMANCE AND EXCELLENCE IN BUSINESS IN ROMANIA

There is no relevant study in our country to highlight companies that meet the conditions outlined above, that is to be excellent in business with the meaning of exemplary long-term conduct. Among the institutions that are involved in evaluating business performance and success at national level are: (<http://www.cnipmmr.ro>):

- *The National Council of Small and Medium Sized Private Enterprises in Romania - CNIPMMR* - which was established in 1992 in order to represent the interests of SMEs in Romania at national and international level, and to support the growth and development of their performances.
- *Business Excellence College - CEA* operating within CNIPMMR. In our country, the College of Business Excellence (CEA) was created in 1997, following the Belgian and Spanish model, with the objective of facilitating: the access of SMEs members of CNIPMMR to specific information; participation in the actions of the organization both internally and internationally; expressing the point of view on legislative initiatives.
- *The National Trade Office and Chamber of Commerce.*

These institutions at national level collaborate and have as partners international organizations such as: European Union of Crafts and Small and Medium-Sized Enterprises, World Association of Small and Medium Enterprises - WASME, European Commission Directorate-General for Enterprise and Industry.

In our country the prizes for excellence in business are organized by CNIPMMR in partnership with (www.cnipmmr.ro): the Ministry of Environment, Commerce and Entrepreneurship, and in collaboration with the National Trade Office and the Trade Chamber. CNIPMMR organizes the contest each year designating the best companies in Romania. The first edition was organized in 1993 and since 2005 it has been registered as a trademark at OSIM –State Office for Investments and Trademarks, due to the size and the large number of participants. Among the criteria on which the ranking is based are the following (Table 2):

Table 2. Hierarchy of business excellence awards and evaluation criteria

| The category of business excellence awards | | Evaluation criteria |
|--|---|--|
| Ranking | Types of enterprises: | |
| General at national level | - <i>Microenterprise</i> | - Global business performance- - Income Received - Number of employees - Productivity - Gross profit |
| At national level and by field of activity | - <i>Small enterprise</i> | |
| At regional level and by counties | - <i>Medium enterprise</i> - <i>Big enterprise</i> | |

6. RESULTS

These prizes, as observed, do not have analysis criteria such as those in the above-described models of excellence such as: client orientation, innovation, leadership, management processes, product and service quality, organizational culture, social responsibility, etc. In order to be judged by these criteria, the companies in our country have the possibility to join the European Business Awards or the Global Business Excellence Awards.

The European Business Awards is the best-known business excellence organization in Europe. The European Business Awards Competition aims to identify the best European companies selected on the basis of core criteria involving: innovation, excellence and business sustainability.

Table 3. The principles and criteria in business excellence Romania and Europe

| In European level | In Romania |
|---|---|
| <ul style="list-style-type: none"> - Innovation and leadership; Business strategy - Orientation towards the client and market - The quality of products and services proven by international certifications – The innovation chart - Promoting an efficient management - Organizational culture - Flexible services and structures; Technological innovation - Involvement in social - educational activities (social responsibility). Involvement of the organization in environmental, economic and social development projects | <ul style="list-style-type: none"> - IPGA – Global business performance indicator (GBPI) - Productivity - Fiscal value - The number of employees - Gross profit - Total of assets |

A jury composed of business leaders, academics, business people, and journalists will award prizes to selected and judged companies. Companies can compete in several categories such as:

- *Applied Management Systems.* These systems are evaluated in terms of credibility, transparency and performance;
- Finalised products and services. They are evaluated in term of innovation and the value that matters to the client and market; merging in a whole with the principles of sustainable development;
- *Manufacturing processes.* They are also valued based on their innovation and technological novelty and, of course, integrated with the principles of sustainable and sustainable development;
- *Social Responsibility Projects.* This concept of social responsibility has been extended to new meanings, so it is currently appreciated by criteria involving cooperation projects on the sustainable development of the environment, prosperous economic and social development of a region or area, quality improvement projects life.

7. DISCUSSION

The information and opinions presented in this paper are formulated only on the basis of the research in the bibliographic references presented. My personal views may be limited in this regard, and I think it is useful that research continues or is complemented with other studies on this topic.

8. CONCLUSION

In practice, awarding business excellence awards (titles) to companies is based on models of excellence based on a number of criteria and sub-criteria of appreciation. Companies that enroll in a competition are evaluated on the basis of such criteria. These criteria are somewhat similar to those identified by some well-known authors such as Thomas Peters and Robert H. Waterman, Robert Heller or Jim Collins, but they also differ in terms of the prize type. Quality Awards are considered prizes of excellence in business, and companies are assessed through TQM (Total Quality Management) models - the Deming Japanese Model, the American Baldrige Model, the European Foundation for Quality Management (EFQM) Model.

In Romania, performance assessment and business excellence analysis of enterprises are in the concern of organizations and institutions such as: CNIPMMR, the College of Business Excellence (CEA), the Chamber of Commerce.

The evaluation is based on criteria that measure mainly the results and performance in business and secondly the processes that led to these results (the efforts), namely: applied management processes; strategy and strategic planning; customer and market attitude; the quality of products and services; human resources management, social responsibility projects.

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