GLOBAL PERFORMANCE AND THE COMPANY

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Abstract

Global performance represents a major objective of any company as they are a consequence of both the influence of economic, cultural, political, judiciary factors, and of the human agent, of human resources in general and of human resources with creative potential in particular. Hence, the need to conceive and approach the global performance of the company as a system.

Keywords: performance, productive model, global performance, emerging production systems.

1. Fundamental mutations

Since the start of the industrial revolutions, the enterprise has had a single goal: creating wealth. Up to the end of the 1970s, the principles of Fordism have governed the whole of the industrialized world: mass production in the context of a powerful market; relative passiveness on the part of the customer; the high degree of rationalization of production processes; the stability of the company's environment. This harmonious scenery was disturbed by two lines of events. On the one hand, the revolution of information technologies which have reached internal hierarchies and inaugurated a new art of production. On the other hand, the toughness of the competitive play on the totality of markets, which has transferred part of the power possessed by the providers to the client. Hence two consequences of these radical changes: firstly, instruments, instrument panels and conduct codes generated by Taylorism and Fordism are about to be abolished, and, secondly, the creation of wealth has in view the new role of the human element in the company. As to performance, it is assessed in innovative terms, those of service qualities and initiative, which brings about the notion of *the company's global performance.*

Economies have gone through a crisis. In fact, now, at the start of the 21st century, they are subject to rapid mutations: every field is oriented to change, thus creating numerous interactions in the field of production organization, company environment and strategies applied by companies.

From the start of the industrial revolution and up to the first years of the 20th century, the modifications of the production system were generated by the totality of enhancements and experiences. Gradually, to reflect the extraordinary complexity of technologies and out of the need to foresee their development, to ensure their performances, production organization "professionalizes" and imposes itself as an autonomous function (Giarini, O., Stahel, W. R., 1990). It becomes a key element for understanding the structure and functioning of the productive apparatus. In fact, this organization of production has to be examined in a broader context: during its development, industrial economy becomes increasingly complex, with *a double approach to specialization*:

- the increase in stages for the process of conversion of raw materials into finished products;
- the development of servicing functions that accompany or prolong the manufacturing process in the strict sense, to enhance the effectiveness of the factors involved.

For a long period of time, this organization focused on the rationalization of supply, manufacturing and cost management through a chiefly sequential organization and the research of optimum efficiency in production combinations (intermediate consumption, work, capital).

After the Second World War, in an environment whose main features were a steadfast growth and a realistic predictability of consumption standards, the evolution of manufacturing technologies and the opening of the markets favored the development of the mass production standard. In this way the serial production model came into prominence, being based upon high decision centralization and a strictly hierarchical control. The approach to information is also centralized, with a limitation of initiative in terms of management.

In terms of performance, this *productive model* displays an efficiency based on the following features:

- the reduction of costs per unit obtained by an increase in the quantity of products in relation to constant global fixed costs;
- a level of increase of the global production cost inferior to that of the quantity of products in the case of the increase of production capacities.

On the basis of this concept of efficiency, the technical and organizational rationality can be constructed.

In parallel to mass production, job order production continues to develop and prosper, on a small scale. The performance of this productive model responds to other efficiency and organization criteria, different from those peculiar to mass production: its efficiency is largely based on the company's capacity to react in a flexible and rapid manner to the demands of the market. As fundamental principles we shall note: product quality and reliability, variability and adaptability, reduction of delivery expenses, innovation, communication and cooperation.

During the 1980s, the two methods went through a crisis. The client became more demanding of the use value, refusing to pay a superior price per unit (conversion value).

To comply with these competiveness standards, the organization of manufacturing the instruments and the productive apparatus must become more flexible and more responsive. The changes of some forms of competition represent a driving element in the "innovation" of organization. In addition to sequential organization which already possesses a rigid functional framework, "dialog" organisms (Neville, J. P., 1995) appear, constituted in accordance with the logic of stakeholders, which resort to communication and direct multiple exchanges between functions and agents. In these new functional models, the chiefly descending and hierarchical circuits are replaced by interactive information which allows the self-regulation of the system thus becoming a central instrument of competiveness and performance. In fact, *managerial discourses of this kind refer to*:

- the systemic integration and approach to production cycles;
- the cross-analysis of procedures and communications;
- decentralization of structures and decision-making;
- cooperation between functions and interactivity between participants.

As of 1983, stress was laid on the necessity of approaching use value for a client, on competiveness outside prices and on intellectual investments (Bonnaud, J., 1983). In this way the structural transformations that resulted in the field of management and managerial instruments are emphasized.

The genuine rift in the field of information and communication technologies started in the 1990s along with the large-scale expansion of their use as a means of communication and exchange of global information between the company and its environment. The new management techniques (long-distance communication, Internet and Intranet inter-network communications) allow the company that possesses them and consequently uses them in its organization, to position itself inside networks and to sensibly improve the use value of its products and services.

With high-end communication and information technologies, use value becomes a central field of company organization and, therefore, a variable for new productivity and performance. The organization of the company according to the specific rationality of information and communication technologies in order to improve the quality of communication between and within companies constitutes a condition for the effective management of the "cost management / value improvement" pair (Reineke, H., 1988).

Effective industrial enterprises are as of now part of the intelligent information network which allows it to adapt to the influences of its environment in all sensible fields. It can be asserted that, in the field of organization, a shift has been made from the logistic stage to the rational stage (reticular enterprise). In the stage of relational economy, the auxiliary value does not chiefly originate in the achievement of the production process, but especially in the achievement of relations between economic agents. This process of creation and exchange between a number of independent industrial agents leads to the formation of auxiliary value networks.

Inside companies, three *different production methods* intertwine, situated within the context of technical and organizational rationality:

- *the standardized production model* is known under the name Taylorism, or Fordism, and is characterized by mass production, homogenously achieved within a sequential process of production. In this productive universe, performance and productivity sources can be found in the intertwining of manufacturing procedures, the increase in the volumes of production, the standardization of tasks and information;
- *the varied production model*, corresponding to some extent to the heterogeneity movement of the demanded and suggested production increase, partly due to the fact that products tend to incorporate increasingly more servicing or support activities;
- *the flexible production model,* characterized by its connections to the uncertain nature of information regarding the environment, which leads to the shift in company operation logic, which is why the need for simultaneously reconfiguring the organization and offer to cope with consumer demands.

To survive and develop, the company needs secure positioning on the market, before achieving the required level of competiveness. In a context of mutations and turmoil, a company could not orient its strategy in accordance with a collective evolution progress, based on cooperation and resorting to new alliances.

According to R. Coase (1990) a company is merely a relation to the market in its capacity of reducing transaction costs. These costs are undoubtedly connected to relevant information and to uncertainty. To minimize these costs, the company tends to create externalities. Thus, to respond to the needs of the market, companies have to find in their immediate environment advantages under the form of strategic entries such as information regarding markets and technologies, commercial prospecting, consultations regarding management, technology transfers, through prior notice to partners or by creating own networks.

Nowadays, by combining economic, scientific and political factors, managers become the agents of a genuine reestablishment of the company. We are not dealing with a mere popular phenomenon, here. Managers and consultants witness the changes taking place, without possessing means of interpreting the events that beset them. It is a time for pragmatism and adjustments that await the effective integration into the company's environment.

There are *four forces* simultaneously troubling the world of economic stakeholders. The first is the globalization of economy, with a tendency to homogenize managerial methods. The second consists of the argument surrounding power in the company and the managerial methods involved. The third generated by the information and networking revolution, accompanied by the pulverizing effect of traditional organization. The forth consists of the exhaustion of old productivity and performance networks, the debate surrounding the creation of value and the tragedy of employee lack of motivation.

After the start of the industrial revolution, companies retained a strong national character. In every country the mark of history and culture, the peculiarities of fiscal, social and commercial law combined to ensure and maintain profound differences in managerial practices. The development of the 20^{th} century multinational societies has not opened up the mosaic. There was still talk of an Anglo-Saxon model of a company, of a Renan model, of a Latin model etc. The flaws and virtues of every system were compared. Numerous controversies were losing their practical interest.

The globalization of markets and financial circuits were seen by company managers as irreversible threats to the national foundations of organizations. Certainly these were only the beginnings of the movement. Now managers know they have to comply with a certain number of criteria, if they want to survive. There already is a minimal performance grid which is articulated around a few precise elements: economic and financial profitability, research – development, vocational training, the approach to quality, financial informing of shareholders. Additionally, a common business language is starting to take shape, and managerial behaviors are starting to normalize. The homogenization of managerial practices gains momentum, but the insufficiency generated by the legislative and regulative peculiarities can still be felt. Managers necessarily plead for the harmonization of social and fiscal rules.

Opinions are still frequently divided as to who should control, who should appoint and who should relieve managers and managerial teams of their functions. The multiplication of businesses, as well as the conflicts generated by the succession of leadership in great corporations shows that a crisis point has been reached, affecting chiefly the great structures in direct contact with the state and the management staff recruitment customs. The expansion of the field of privatizations and the chronic shortage of capital offer the prospect of a long period of turmoil.

Only partially taking inspiration in the Anglo-Saxon model, which protects the effectiveness of the shareholders, and ignoring the principles of collegiality in the German model, French enterprises suffered from an excessive concentration of power in the hands of a single person – the manager. There were no preoccupations regarding the quality of relations with the agents holding the majority of shares. There was a need for the revision of company management models.

Two phenomena precipitated the fall of Taylorist organization. On the one hand, information and network technologies render the physical organization of the company obsolete. On the other hand, the explosion of immaterial activities, both in industrial enterprises and in service enterprises brings about the obsolescence of the old principles of work distribution and hierarchy articulation.

The workshop, the conference room, the traditional work places make way for increasingly "virtual" places. A significant part of the employees start to work under the daily supervision of their bosses. In both ways, companies multiply the direct connections to their suppliers and clients. Every company has to get used to exploiting to categories of values: the first, physical, deals with the resources that managers can see and direct; the second, virtual, deals exclusively with information. None of the traditional managerial instruments can help create this double value system, neither in terms of human resource management, nor in terms of performance control.

The old debate between achieving short-term profit and long-term strategy is about to change its nature. The contemporaneousness of the 1980s offers arguments for the confrontation of these two opinions. We can foresee a radicalization of the American capitalist model, as opposed to the European model, more respectful of the individual, more adaptable to the exchange performance, less obsessed with results. A book published at the beginning of 1986 significantly marked the managerial population (Reichheld, Fr., 1996). According to the author, there are two models of capitalism but they are not geographically distributed. In all countries there are companies that orient themselves to a "virtuous" profit, based on the notion of loyalty, and others that content themselves with a "distinctive process". Concerning this, Peter Drucker (1989) asserts: "Yesterday, you had to buy cheaply and sell expensively; from now on value must be added to the process".

Three requirements are apparent:

- performance assessment instruments have to be reinvented;

- after disposing of the old strategic planning instruments of the 1960s and 1970s, companies are in search of new lines of management that should guide them to the future, on a medium-term basis;
- securing a contract of trust between company and staff becomes necessary, considering the fact that after the first oil crisis in the mid-1970s, the climate among western companies significantly degraded (Ducatte, J. C., 1994).

In this new situation, managers are aware that they are faced with mutations that affect all companies, and that require them to orient themselves to the following directions: making use of material capital, preoccupation for amplifying added value and information management, defining a new relation based on trust between employees and the company.

2. Methods of assessment

The considerable technological developments in the dealing with and communicating information during the last three decades and a half have profoundly modified economical systems at their very structure.

The works of economists regarding companies have stressed the emergence of a service sector as opposed to the industrial sector. However, this type of analysis raises numerous questions. Recent investigations in this field show that the productive element in its entirety shifts from a so-called industrial economy to an economy where services are at the forefront in a network-based logic. That is why the foundations of auxiliary value should be rethought. In this context, we find it necessary and possible to approach the instruments that allow the assessment of the global performance of a collectivity.

Performance indicators, instrument panels, the global productivity of agents, the direct auxiliary value, management by objectives and processes, management by projects, immaterial investments are all expressions for designating instruments or materials characteristic of what may be called the new managerial instrument set which can be found in the framework of industrial enterprises. These are always accompanied by the notion of *global performance*.

The managerial regulations of the company are immutable. The tendencies of *emerging production systems* can be described as follows:

- the relation to the market;
- an integrated, flexible and not overly specialized technology;
- a matrix-like and reticular organization that is not overly hierarchical and functional;

• mobilization of the human agent, focusing on the development of competencies and to a lesser extent on the time allocated;

• a managerial instrument set which should envisage the leadership of collective action and to a lesser extent the control of individual behaviors.

With their aid a new evaluation of the new production systems is to be sought.

Naturally the “physical” level should not be approached *per se*, as the assessors do not necessarily have to resort to indicators for the socio-technical and socio-organizational dimensions. It can thus be inferred that investigating effectiveness, considering the optimum use of resources for a given production, begins in the workshops.

In economic terms we can speak of the approach to productivity as an input/output ratio.

In the future, the novelty will be not to exclusively take into consideration the apparent productivity of work, but also to aim at discovering effects in their entirety.

The new production systems require shifting from the notion of efficiency in the use of facilities (“physical” level) to that of production efficiency (“market” level), before considering that of effectiveness (“financial” level).

This means that in the future, at a “market” level, and not at an exclusively “technical” (or “productive”) level, performance will have to be assessed in a manner that is less extrinsic and more intrinsic to the company. In other words, at this level, we leave behind the environment of workshops and services, so as to situate ourselves at the level of the company as a whole, after the analysis of industrial economy, entirely “incorporated” in the market, upstream from factors and downstream from products.

To the same extent, we shift from the notion of productivity, or the capacity to produce well, to that of *competiveness,* or the capacity to engage in market competition well, which is not measured as an input/output ratio, but rather from the perspective of a value/cost difference. The sensible question of the articulations between management by objectives (or by processes) and the multiplication of the physical indicators of performance is also connected to concrete company practice (Mévelec, P., 1991).

Shifting from a management instrument of the profit margin or “product profitability” type, to a management instrument of the profit percentage or “capital profitability” is not a mere change of denomination.

Profitability evolves in the sense of competiveness (profit margin) and, by reciprocity, according to its basic equation:

$$\frac{\mathrm{Pr}\,ofit}{Capital} = \frac{\mathrm{Pr}\,ofit}{Auxiliary\ value} \times \frac{Auxiliary\ value}{Capital}$$

This process adheres to a taxonomy of industrial enterprise performance assessment.

The assessment of industrial performance is essentially social. Without developing this viewpoint too much, we shall present three external dimensions that should be taken into consideration to ensure a proper evaluation of company performance. These *dimensions are as follows:*

- the public dimension relating to the whole enterprise, the goods and services it delivers having a collective character; this is the case of all enterprises in material and immaterial networks;
- the ecologic dimension that positions the productive activity in relation to nature;
- the social dimension concerning the activity of effective enterprises on a microeconomic level, should it involve the rise of unemployment with consequences at a macroeconomic level.

Naturally, taking into account various "externalities" cannot be spontaneous for all companies, as, by definition, when the satisfaction or profits of one agent are affected by the decisions of other agents, without the assessed market remunerating this interaction, external effects occur (Gandois, J., 1992).

In its superior form and type, the strategy of change has, among other things, the objective of developing global performance. This type of change is different from the accidental or routine changes as strategic changes are planned and continuous and are the results of the combined and synergic effects of personal leadership processes of decision-making and communication processes, with organizational results in terms of global performance.

The interrelation between the strategy of change and global performance is based upon the use of a set of methods and techniques with good articulation between one another, and customization to suit the individuality of the company. These methods are complex in character, and feature the application of total quality management in order to continually improve the quality of products or services, the use of reengineering based on the radical redesign of organizational processes to greatly improve global performance.

3. Methodologies of approach

Global performance represents a major objective of any company as they are a consequence of both the influence of economic, cultural, political, judiciary factors, and of the human agent, of human resources in general and of human resources with creative potential in particular. Hence the need to conceive and approach the global performance of the company as a system.

When addressing the systemic approach to global performance we must start from the fact that their effects are predominantly indirect and propagated, difficult to outline, delimitate, and assess, and that the level of development of the methodological set of instruments available for identifying results is still modest and does not allow for a rigorous and complete measurement. Thus, we can outline *two possible ways of approaching the global performance* of the company:

• in the narrowest sense of the word, in connection to the immediate efforts involved in the functioning and development of the global performance management system and to the direct effects generated by its level;

• in the broadest sense of the word, in connection to the efforts and results resulting from the operation of the company, in its entirety. Here, management is approached as one of the most important methods for the increase of the company's global performance.

Another key issue is that, in essence, global performance is a human attribute. And as human resources have a well determined role within the company, it can be asserted that, in global management processes, the members of the company, be they managers or performers, are more or less effective. Thus, generated performance is the sum of the staff's personal contributions to productivity, profitability, development and creativity. It is the result of the whole staff's way of thinking and acting to achieve the proposed goal, the expected objectives.

In a cybernetic approach, the system of the company's general performance appears in the form of the interaction between the two subsystems:

• the subsystem of production performance which includes procuring supplies, manufacturing, retailing and collecting the equivalent value for the products;

• the system of the performance of the company's market which includes demand, offer, price and other elements such as the consumers' incomes, the influence of inflation etc.

The process of global performance generation has to be aimed at the avoidance of so called losses or gaps. By definition, a loss or gap is the difference between the achieved performance level and the performance level anticipated through the global performance strategy.

In the diagram, the abbreviations have the following meaning:

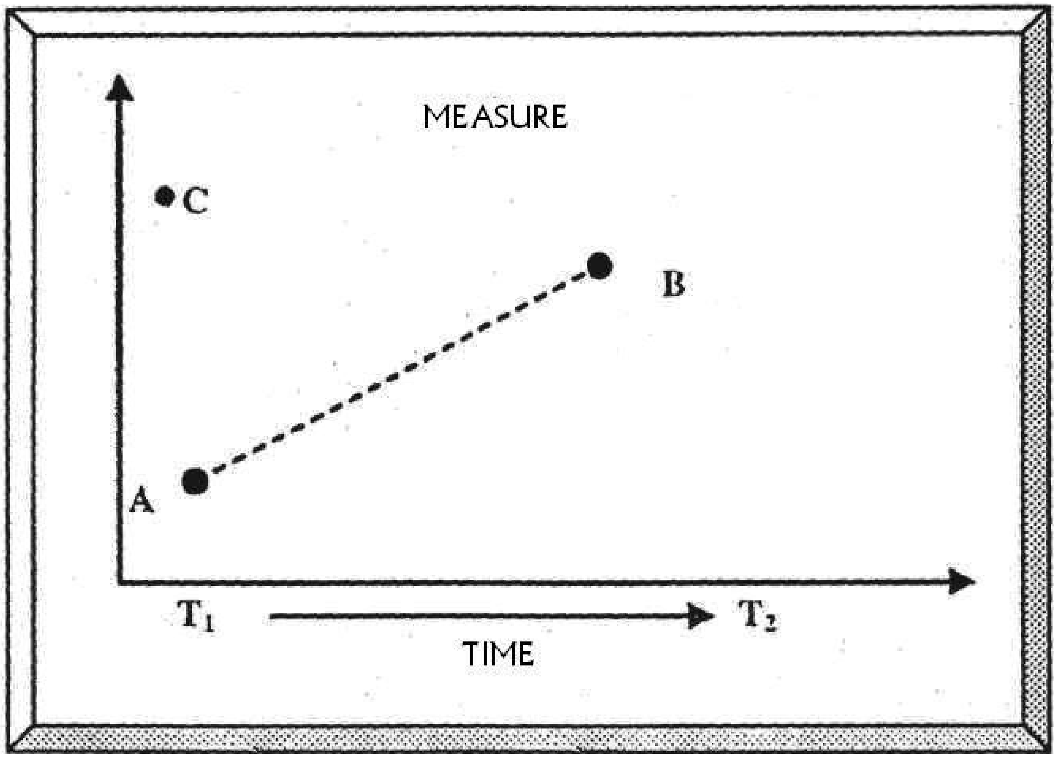

Fig. 1. A graphical representation of a global performance gap

• **AB** – the trajectory of performance over the T1 – T2 time period according to the current strategy deployed in an anticipated environment;

• **C** – the performance level that had to be achieved in accordance to the adopted situation;

• **CB** – the global performance gap or loss, which reflects the unaccomplished performance level.

In managerial practice, to eliminate such global performance gaps or losses different alternatives have to be adopted, as shown in figure 1.

The analysis of this diagram draws the attention to the following imperatives:

⇒ the demands of global performance require the attainment of the critical point as soon as possible, by applying strategies of revenue growth and cost reduction;

⇒ should global performance gaps (losses) appear, appropriate action should be taken in the sense of better use of available resources, by better exploitation of the existing production capacity and cost reduction, as well as in the sense of elevating the competitive position by expanding the market share the company holds.

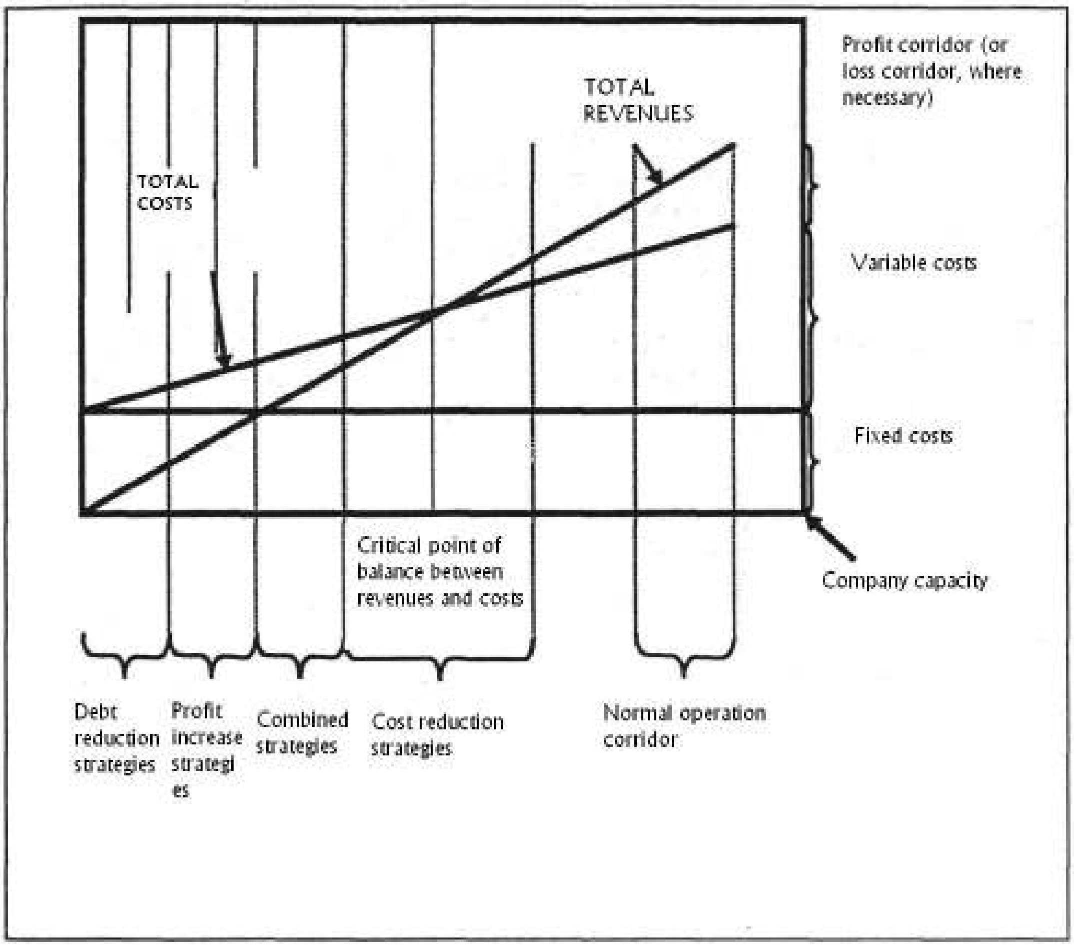

Fig. 2. Managerial alternatives for global company performance gap elimination
(according to Bărbulescu, C., 2000)

4. Directions of influence

The process of influencing the global performance of any company depends on the economic and socio-political system within which operations are performed. Additionally, the severity and promptitude of the judgment of the options for global performance vary greatly according to their dependence upon the effective functioning of three distinct markets:

- the market of products or services delivered by the company;
- the capital market the company has resorted to or is forced to resort to in order to finance its growth;

• the market of product, service and technology providers, as well as the human resource market it has to address in order to acquire the qualified and specialized personnel it needs.

The performance of these markets depends however on the free variations in terms of competition, demand, and offer. Consumer goods and services markets are subject to significant competition, while equipment markets and state infrastructure are usually in the form of a cartel. Additionally, capital markets are directed either by state organisms, or by large private business banks. In the case of human resources, the situation varies from state to state.

Depending on the managerial model, the state tends to play the part of a regulator, rewarding the companies that direct their actions towards fulfilling its objectives. Obviously, under these circumstances, the assessment of the company's global performance will acquire a completely new meaning.

The company's global performance creating factors can be of strategic, financial and corporate nature. Corporate factors include the factors available to the management and to the registered office executives that have a general strategic responsibility, as well as the responsibility to control and supervise the company's operations.

Every factor operates through a large number of actions capable of favorably influencing some parameters of global company performance.

Companies and their organizational subunits have to use all these factors so as to ensure global performance. The totality of performances created by the operational subunits is complemented by the performance of financing and running the company from the registered office, implying among other things: the performance of implementing systems of planning, control and remuneration that are applied to the main production facilities, inciting them to influence global performance.

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