PERFORMANCE ANALYSIS METHODS WITHIN MANUFACTURING COMPANIES ANS THEIR ROLE IN MANAGERIAL DECISION

Mihaela Hint (Ștefan)
PhD Student, ”1 Decembrie 1918” University of Alba Iulia

Abstract: Given all-level economic life transformations occurred altogether with the globalization phenomenon, from legal environment to new technology implementation, these have led to market competitiveness increase and had a massive impact upon companies evolution as their performance means past, present and future. Generally speaking, the purpose of any economic activity is to provide advantages to those involved into it, but due to the aforementioned major transformations the very viability of these advantages may sometimes be questionable. Knowing the market, being able to explain the economic phenomena and the changes they bring about to the purpose of profit obtaining and maximizing… Company managers must have full knowledge of the entire activity, thus leading to getting optimal results under the best possible circumstances.
Accounting, as a main economic language, must ensure a responsibility ratio in tight connection with market demands, being considered the main instrument for analysis to the purpose of implementing a business plan.

Keywords:accounting; cost; value; performance; decision.

1.Introduction: The secret to the success of an economic entity means knowing the sources of value creation and its ability to explore them, in order to create added value not only to products but also to its entire activity. "Gradually, the environment forced the enterprise to act starting from marketing, the growth of size pushed organizations to decentralize autonomy, the scarcity of resources demanded rationality in use, and the consolidation of information needs monetary translation”(Albu N., Albu C., *Instrumente de management al performanței, Vol. II., Control de gestiune,* Editura Economică București, 2003,pag. 12).

2.Methodology of research. Scientific research could be defined as "a process of expanding knowledge in a careful and objective observation, investigation and experimentation, aiming at discovering or interpreting new information " (Groșanu A., *Calculația costurilor pe centre de profit*, Editura Irecson, București 2010), thus ensuring the progress of an economic entity. After analysing the literature, we can observe that the research consists of four parts: the consultation of the specialized literature; developing new theories; testing theories and reflecting and integrating existing notions. In this case, the topic we approached through research, focused on a theoretical approach to the problem, explaining certain mechanisms and concepts at the same time. The approach of the research theme in the paper *Performance analysis methods within manufacturing companies and their role in managerial decision* was achieved through a "methodological study with practical application" approach. In order to obtain information on the topic we studied, I studied the literature in the domain. We used both quantitative research and fundamental research, with the main purpose of deepening the theoretical notions.

Revision of the specialized literature. Performance is an ambiguous notion both from the point of view of the theoretical approaches and the practice of economic entities, encompassing various notions, from efficiency and effectiveness, to measuring the performance of activity and increasing competitiveness: profitability, viability, and productivity. The performance of an economic entity cannot be analysed only from the point of view of "operating result" or "increasing net book value", as profit is the result of all the events that led to its obtaining. So if we talk about performance, we have to take into account all the links of this chain of events. (C.Alazard, S.Separi, 1998; A. Burlaud, C. Simon, 1997; M. Niculescu, G.Lavalette, 1999) (M. Niculescu, G. Lavalette, 1999) consider performance as a "state of competitiveness of the enterprise achieved by a level of effectiveness and efficiency" which ensures a sustainable presence on the market ".Jianu I (2007) appreciates that the one who achieves his objectives is performing. The term performance must be reserved for the description of the evolution of the results over a period of time deemed to be long enough for the decision "(Iulia Jianu, Evaluation, Presentation and Analysis of the Performance of the Enterprise, CECCAR Publishing House, Bucharest, 2007, p.13). Performance means the achievement of organizational objectives (Bourguignon, 1997, quoted by Marinescu 2002. In the opinion of the authors (Albu & Albu, 2005), performance is all that leads to the achievement of strategic objectives in an organization and leads to the creation of wealth and value for it. Niculescu (2003) defines performance by productivity and states that "an enterprise is theoretically performing if it is both productive and effective ..." So we can conclude that performance is a very complex notion, and should not be confused with indicators it describes: profitability, efficiency and effectiveness, as financial return is only a primary indicator of performance analysis and is the main goals set by an economic entity, with the main goal of maximizing the results obtained with a minimal amount of resources. Cost identification in real time can have a major impact on the tracking performance. For the management of economic entities we consider it very important to know both costs and prices for a viable analysis of the activity and the decisions to move forward knowing the level of competitiveness in relation to its economic environment, based mainly on benchmarking. Cost is the main thing that gives priority to the notion of activity and the relationship between cost and volume of activity before calculating the cost of production according to consumption of these activities."*(*Louis Debrulle, *Contabilitate de gestiune,* Editura Economică, Bucureşti, 2002, p.94.).

3.Performance and decision. Performance appraisals. Since productivity is the ratio between the result obtained and the means employed, we can appreciate the performance equal to productivity plus efficiency. If we look at the concept of benchmarking, we can deduce that an economic entity can be productive and at the same time not performing in relation to the market. P. Lorino (1995) appreciates the performance as follows: "Performance for an enterprise is what contributes to improving the value-cost couple, and not just what contributes to lowering costs or increasing value." C. Marmuse (2000) appreciates performance as "allowing a long-term distance to competitors, with a strong motivation (based on reward systems) for all members of the organization." And the importance of employees is considered as a determinant factor in the performance of an economic entity R. Danziger (2000). In fact, we believe that an economic entity is performing if it achieves its objectives. Performance management requires all aspects to be taken into account: efficiency, effectiveness and economy.

Performance = Efficiency + Economy + Effectiveness

Efficiency as an economic notion is the difference between spending and results; effectiveness is the degree to which the objectives of economic entities are being achieved, and economicity is the achievement of objectives with the lowest possible level of spending. Although efficacy is often mistaken for efficiency, they are different goals, meaning that effectiveness measures when objectives have been achieved, and efficiency means how well resources have been used.
Management of an economic entity pursues the efficiency of managerial decisions in order to achieve the highest productivity. In order to be able to appreciate the performance, an appropriate value system is needed to help interpret its specific objectives.
Thus, a management to be performing needs an implement of a set of evaluation indicators to analyse the results obtained from several points of view, as follows:

Performance indicators according to results

Managerial performance	is the result of achieving the objectives proposed as a result of the delegation of authority
Financial performance	is the value created by using the financial resources attracted to the management process
Budget performance	for investment and resource costs is the economic way of obtaining income and efficient results; and from the point of view of the political environment is the way in which the results were obtained according to the political factors on the market.
Professional Performance	is characterized by labour as the main strategic resource of service economic entities.

Source: Own systematization

4.Result and performance. Performance measurement indicators. Financial performance is measured by the accounting result and the financing decision is taken by the manager, so the results are influenced by his decision. Financial performance is measured over several financial years so that the entity's evolution over time can be tracked. The accounting result is a way to predict future results, and management's decisions to move on. Because profit is a measure generally accepted by management, because it allows the merging of results, and this way performance can be evaluated. This indicator can have both advantages and disadvantages, depending greatly on the comparisons between different formulations according to the objective of the analysis we are proposing. This can be: controllable profit; divisional profit; net profit; residual controllable profit; net residual profit.
Besides the fact that the financial performance of an economic entity has long been measured by the accounting result, their shareholders consider that it is performing if it crumbles value. Peter Drucker argued that well-run businesses set their goals in eight key areas for performance:

Means of performance development

Position on the market	indicates the rate of the market according to the areas of interest
Innovation	promoting new products on the market
Productivity	efficiency between allocation of resources and obtaining results according to outputs
Physical and financial resources	the way they are purchased and how to use physical and financial resources
Profitability	level of profitability expressed through financial indicators
Developing managerial performance	indicating evaluation criteria for managers, but also programs to improve the professional potential.
Attitude and performance at work	indicating evaluation criteria for executives and setting up programs to maintain a favourable attitude towards their posts and to improve performance
Public responsibility	indicates the role of the economic entity in meeting social needs and improving public image.

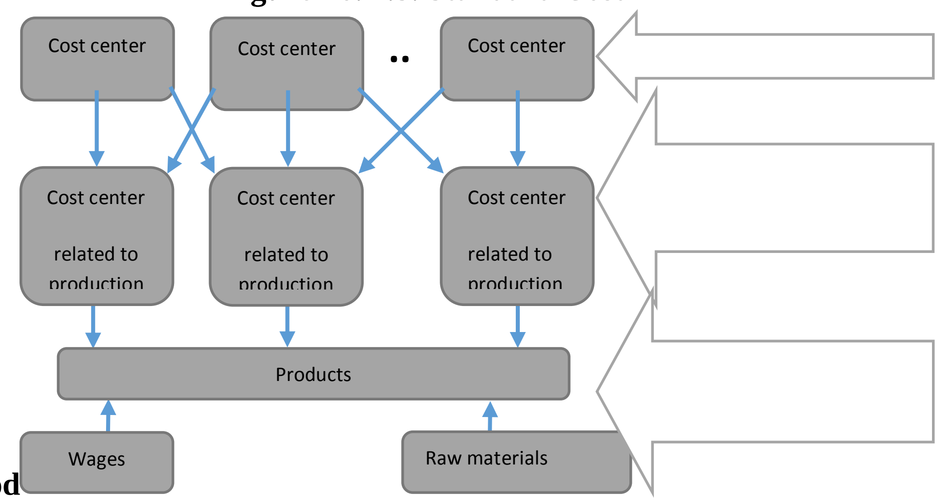
Source: Systematization after C., V., Zefinescu*, Procesul decizional bazat pe performanță, cost și valoare*, Editura Pro Universitaria, 2015, pag.83

5. Methods of calculation and relevant cost analysis to measuring organization performance

5.1. Standard cost method. In the current market economy, the management of an economic entity must be based on a scientific basis, so a program can be predicted so that it can "act on the go", this being a valid argument for any economic entity, because information that is not provided in time is likely to perish and lose its value of use, thus missing an indispensable element in achieving its objectives. Under such circumstances, in order to develop the foreseeable side of managerial accounting, at the beginning of the twentieth century a standard-cost method, also known as the "estimated cost system", emerged in the United States. By means of this method it is possible to obtain information on production costs, both predictive and informational. Depending on the predictions made, the standards become references expressed in predetermined amounts, depending on which indirect costs are allocated, so there is a link between resource consumption and the results obtained. However, the literature shows that there is a link between resource consumption and product unit output, but this hypothesis is invalidated by practice in the field (Plowman B. (1998), Activity Based Management: Improving processes and profitability, Gower, Aldershot). The standard cost method has the advantage of rationalizing costing because costing is simple due to the use of pre-established costs. These costs are considered as actual costs of production, so the cost of the products is obtained, having as main objective the increase of the responsibility of the economic entities, by comparing the actual expenditures with the predetermined ones, considered as necessary for a scientifically founded decision.

As any method of cost calculation, the standard cost method also has its limits that we need to be aware of when we put it into practice. It consists of a fixed standard that is used as a reference for a period of time. If the elaboration of the standards implies a greater effort for the economic entity, it tends to avoid the costs of redefining them, and if the conditions of activity change in a significant manner, the standards may lose their value of information and at the same time their value and the differences between standard and real are no longer relevant to substantiating decisions and exercising management control. Below we will schematically present the standard cost method:

Figure no. 2.5. Standard Cost



Method

Source: Systematization from D., I., Topor (2014), *Noi dimensiuni ale informației de tip cost aferente procesului decizional în industria de vinificație*, pag.50

5.2 Method (AEV) - Added economic value. AEV is a method that emerged from the need to evaluate financial performance in the mid-1990s with Stern Stewart Corporation, and focuses on providing shareholder value. By using the AEV method, a database is available to managers to compare on-going projects, thereby eliminating the use of performance measurement metrics, as well as implementing the method by using data from the BSC-specific economic and financial indicators.

5.3 Cost-Volume-Profit Method (CVP) is a very useful management tool in analysing the performance of an economic entity by setting the break-even point, analysing vulnerability to the risk factors it surrounds, and sensitivity analysis very useful in making decisions. The Cost-Volume-Profit method involves the separation of costs of an economic entity into variable costs and fixed costs, and the variable cost margin is the difference between turnover and variable costs.

CVP analysis is very often used by managers of economic entities because this can answer to a series of questions like: what is the result if they sell another 2,000 units? What if selling prices are reduced by a low percentage? What if we expand our sales product areas to other geographic areas?

The CVP analysis is based on the following assumptions: Regarding the level of production, the total costs can be divided into fixed costs and variable costs; Both the cost and revenue behaviour is linear in relation to the production units at a certain stage; Both sales prices and total costs, both variable and fixed, are known; It is assumed that the turnover remains constant at the level of a product regardless of the changes occurred; Allows revenue and cost comparison without having to be recorded in the accounts at the time and their value in cash. According to some authors, I., Jianu (2007), the CVP method is very useful in managing the performance of an economic entity due to the advantages it has: it allows the calculation of the profitability threshold; measures the vulnerability of the economic entity; defines the pricing policy of the economic entity; allows sensitivity analysis.

Conclusions. Efficient approach to a target market and successful market uptake can only be achieved effectively on the basis of a realistic and well-founded management strategy. For most economic entities, the pricing targets on which they set their strategy are maximizing profits and achieving a higher return on equity to achieve the best possible use of capital and attracting the highest profit. In order to know the cost of a long trench, in addition to knowing the costs, we also need a thinking, to achieve the cost-value torque. The methods presented above, like all costing methods, also have their limits because they deal with the nature of the information and make the link between the information and the decision more difficult. The work presents some of the costing and costing methods relevant to measuring the performance of the economic entities. This presents the standard-cost method that is a budgetary control technique. Standard costs are pre-established real costs, which are based on the analysis of future prices and operating conditions. As a rule, these costs serve as programmed or target levels in product cost determination, but can also be used in the distribution and marketing of products. The standard cost method is useful in analysing the performance of economic entities because it allows the finding of deviations by comparing the standard (the fixed objective) with deviations from it in order to search for the reasons that caused them and to take corrective measures to avoid the occurrence of deviations in the future. The EVA (Value Added Unit) method is an important support in making operational and strategic decisions. It is the source of profit improvement and long life for the economic entity.

The main contribution of the EVA method is that it allows for precision in the cost assessment, without competition among other costing methods, in that it directly accounts for more than 90% of the cost of the economic entity. The EVA method faces the costs and revenues invoiced to calculate the profit. Thus, we find the internal value chain or the added value for the client. Cost-volume-profit analysis is also useful in analysing the performance of economic entities by compiling performance ratios following sensitivity analysis. We can conclude that the use of cost-related information makes it easier to take decisions about the volume and structure of the business in order to increase profits.

Cost-volume-profit analysis also has the disadvantage of not considering inventory variation because it starts from the hypothesis that everything that is produced is also sold, and reality shows that these cases are very rare.

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