PERFORMANCE MEASUREMENT THROUGH NON-FINANCIAL INDICATORS

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The information about a company's performance is necessary in order to evaluate the potential modifications of the economic resources that the entity will be able to control in the future, to anticipate the ability to generate treasury fluxes with the available resources, and to establish the efficiency with which it can employ and make use of new resources. In current practice, the information regarding financial performance are mainly given by "the profit and loss account", respectively "the budgetary execution account", but things are not so simple as to reduce them to the synthetic data in a certain periodic report form since it would be a pity to ignore the real - time information given by the account itself.
In our paper we have tried to resume the most important non-financial indicators, through which the performance of a company is measured.

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1. Introduction

Measuring the companies' performance seemed to be until relatively recently the exclusive appanage of the financial analysis and its own criteria, namely: traditional financial-accounting criteria, criteria derived from the theory of creating value for shareholders (Economic Value Added, Market Value Added), cash-flow –based criteria, stock criteria, etc. (Mironiuc, m. Et al, 2007: 1-22).
Financial market pressures have undoubtedly led to the communication privilege in terms of financial value.
But, the many phenomena that have marked the global economy in the past few decades (the internationalization and the delocalisation of business, the crisis and the turmoil in financial markets, the change of the consumer profile through the emergence of consumer segment sensitive to ecological theme, dematerialisation of the economy) have triggered a new outlook on the economic development at planetary level and have exposed the companies to the critical eye of a company more and more attentive to the ethical values.
The communication exigencies occurring amid such changes require that the measurement of the company's performance be carried out in a comprehensive manner, through financial and non-financial criteria (extra-financial).

2. Measuring the company's performance using non-financial criteria

Lately, the companies use multiple non-financial criteria for assessing the company's performance and are closely related to corporate governance practices (V. Robu, C. Vasilescu, 2004: 181, FASB Report, 2001). The FASB report in 2001 on the Financial Reporting in the context of the new economy shows, in Chapter 3, the new non-financial performance measurement indicators. Among the examples cited are the balanced scorecard (Kaplan, 1992), the innovative reports on the intellectual capital of the Swedish company Skandia, the Karl-Erik Sveiby matrix etc.

The balanced scorecard "translates the organization's mission in a complete set of performance measures that creates the framework for a strategic system of measurement and management" (Kaplan, 1996). This type of dashboard takes into account four balanced perspectives (in the sense that it is not given disproportionate importance to any of them, much less to the financial one): the financial perspective, the customer-focused approach, the internal perspective and the innovation and lifelong learning perspective.

These indicators can be grouped according to the purpose for which they are used:

- evaluation indicators of the quality management: the degree of implementation of the company's strategy, the quality of the company's strategy, the managerial experience, the quality of the leadership vision, organiyational style of the management;
- evaluation indicators of corporate culture: the ability to attract and retain talented people, the quality of workforce, the quality of the granting incentives system, the staff training programmes' quality, the social and environmental policies, the use of teamwork;
- evaluation indicators of the effectiveness of the policies for the executive board remuneration: the harmonization of the management enhancement policy and the interests of shareholders, pay policy based on appropriate criteria of performance, the ratio between the executive board remuneration and the workforce remuneration;
- evaluation indicators of the quality of Shareholders Communication System: management credibility, management accessibility, effectiveness of the Shareholder Relations Department, the quality of the published materials;
- evaluation indicators from the clients' perspective: the number of contracts, the number of customers, customer satisfaction index, the accessibility by phone (%), savings/contract, the number of individual policies, points of sale;
- evaluation indicators from the perspective of human resource capital: number of employees in full time employment, the number of women managers, the human capital index, employee rotation, employee/ training costs, average age, average number of employees, the number of days of training, the percentage of employees with secondary and higher education, the percentage of employees with more than three years' experience;
- evaluation indicators from the perspective of the processes: number of contracts/employee, the occupancy rate measured as area (%), the percentage of employees in IT (%), computerization expenditure/ total administrative expenses (%), the result of exploitation per square meter, costs per square metre;
- the evaluation indicators from the perspective of development and innovation: percentage of new customers in 12 months (%), number of contracts per the employee (%), funds accessed through Telelink (%), percentage of the insurance premiums in the new launched products (%), development expenditure/total administrative expenses (%), number of registered ideas documented with Idea IdeaGroup, change and development.

The main criticism of these types of reports are the lack of relevance of some indicators, the opacity of the instruments used (which are not always explained by the authors) and the lack of continuity from one year to another, which may suggest hiding certain bad events.

3. The analysis of and reporting the non-financial information

The sustainable development needs a measurement, evaluation and decision system which intercepts the relationship between the economy, society and the setting, which reveals the "invisible intangible resources" dynamics so that the results recorded in the financial circumstances and the company's value may not be distorted.

Amid changes in the global economy, the analysis methodology evolves. Thus, the financial analysis should integrate in a complementary and progressive manner the nonfinancial component analysis. This is based on a Stakeholders Approach. It quantifies the non-financial (extra-financial) performances derived from the company's social responsibility and from promoting the immaterial capital which concentrates a great deal of of the company's growth and development opportunities. Together these two types of analysis will respond to the financial community regarding: the economic impact of the environmental and social aspects; the risk factors, the social and environmental opportunities; the causes of deviation between the market value and the company's economic value.

The literature discusses several approaches to non-financial analysis, depending on the investors' expectations, namely: the non-financial analysis in an "exclusionary approach" which is based on the use of the exclusion criteria of investments in controversial sectors of activity (tobacco, weapons, alcohol, gambling, nuclear, etc.) or non-responsible sectors (exploit minors, perform tests on animals, use pesticides etc.); the non-financial analysis in a "performance approach" is made starting with defining the positive selection criteria of the investments ("best in class") and has as its objective the identification of the sources of financial superperformance over the medium- to long-term, by developing in companies the best practices regarding: human resources management, ensuring the working conditions, remuneration policy; environmental risks management; product quality compliance; innovative capacity; politics of patronage etc.; the non-financial analysis in a "risk-opportunity approach" is to provide those who manage investment funds with a full view of the risks and non-financial opportunities which the companies who hold titles present. The non-financial performance analysis is very linked to the emergence of the socially responsible investments market ("ethical investment"), a niche market, which has a growing number of international institutional investors, of which a large part are Europeans, convinced that, investing in companies and in the countries that comply with the environmental and social standards, will have an active role in the process of sustainable development and the return on their investments and the volatility of securities will bear positive influences.

In reality, the elaboration of measurement systems of non-financial performance and the guarantee of the information quality of this nature is difficult to accomplish.

The difficulty arises from the fact that the reporting of the sustainable development (stakeholder's report) remains a voluntary approach, the non-financial indicators are very little normalized, the international regulations are missing in socially responsible investments, there is no homogeneous practice/methodology in the domain of non-financial analysis. In addition, the costs involved in the organisation of a recording system of the economic, social and environmental information may represent an obstacle for the companies that would like to communicate the sustainable development performances. At the same time, the communication of the sustainable development performances may prove harmful to the companies when elements of their strategy are disclosed, which are the source of some competitive advantages in relation to competitors. Because of these issues, yet there is no consensus at international level in relation to the contents of the report and the standard indicators for the overall assessment of the progress of the sustainable development. Experts believe that the consensus is difficult to achieve because of the variety of natural conditions, of the different levels of economic, social and cultural development of the countries of the world. The choice of performance indicators for the sustainable development, which must meet the requirements of the external communication and the internal control management, continue to be subjective, consistent with the goals of the companies, with the stakeholders' expectations involved in the design and reception of information relating to the sustainable development performance (Janicot, l., 2007: 49).

The most advanced initiative towards the elaboration of a credible system for reporting on the sustainable development is the Global Reporting Initiative (GRI). The initiative was launched in 1997 by the U.S. non-governmental organization "Coalition for Environmentally Responsible Economies" and the United Nations Environment Programme (Reynaud, 2006, p. 139) and benefited from the support of multi-stakeholders coalition for whom the transparency for the sustainable development of the organisations is of interest.

Its objective is to improve the quality of reporting on sustainable development, to elevate it to a level of rigour, comparability and reliability equivalent to that they have met in their financial reports. Most of the principles specific to the international standards of financial reporting are taken by GRI and adapted to analyze the companies' sustainable development performances. The success enjoyed by GRI, including among the small and medium-sized enterprises, is explained by the fact that it proposes an international, structured and flexible framework of indicators of sustainable development, as opposed to the initiatives promoted by other bodies which relate to a particular sector of activity or to particular social issues.

The performance indicators elaborated by GRI are subdivided into:

- the economic performance indicators reflect the economic dimension of the sustainable development, the company's impact on the economic condition of its own stakeholders and on the economic systems at local, national and global level.

These indicators describe the capital flows between the various stakeholders (the economic value generated and distributed directly, the employees remuneration, the ratio between the average wage and the minimum local wage, the undistributed profit, the donors and the State remuneration, the company's opportunities caused by climate change, the funding received from the public administration, expenditure on local suppliers, ways of making the staff more responsible etc.) and the main implications of the organization on the society (donations and other community investments, investments in infrastructure and public utilities, the analysis and the description of the indirect economic impacts considered externalities generated, the share of the managers with responsibilities in the local community etc.).

- environmental performance indicators refer to the size of the sustainable development ambient and to the organization impact on the natural systems (ecosystem, air and water), via inputs (raw materials, energy, water etc.), outputs (products, services, emissions, waste) and investments in the environment. The information necessary for the assessment of the environmental performances have to be relative to the significant environmental aspects, environmental policy, environmental nonconformities, responsibility of the environmental issues management, training the personnel in the field of the environment, monitoring the environmental issues with significant impact, corrective and preventive actions in the environment, certifying and controlling the ambient management system of the organization, success, deficiencies, environmental risk, environmental strategy, etc.

- social performance indicators reflect the organization's impact on the social systems in which they work and are subdivided into:

  - performance indicators of the practices and working conditions: the occupational aspect, the health and safety at work aspect, training and education aspect; the performance indicators of human rights: non-discriminative aspect, free association aspect, work of minors aspect, the rights of the indigenous population;
  - performance indicators of society: the community aspect, the corruption aspect, the political contributions aspect, the conformity aspect;
  - performance indicators of the product responsibility: consumer's health and safety aspect, products labelling aspect, marketing-communication aspect, the conformity aspect (Mironiuc, m., 2008: 220).

Despite the limited information possibilities for the financial communication, the financial-accounting performance indicators are the most present in the analyzed subjects' practice and the most often communicated in relation to non-financial criteria: the social initiatives (creation of jobs and occupational safety, the involvement in community life, sponsorships, etc.), the company's image, management team prestige which are the least disclosed and used to reflect the performance, mainly in the small and medium-sized enterprises.

4. Conclusions

In order to ensure competitiveness in the long term, today's companies cannot ignore a number of external factors, such as: the changes in regulations, the media pressures, the stakeholders' suggestions, rating agencies' pressures etc. Companies have to integrate into their development strategy responsibilities that cover areas of: ethics in business, reducing the environmental impact, relationships with partners, human resources management, growth and innovation. These issues, which is likely to generate financial risks tend to represent new benchmarks in assessing the company's sustainable performance that are part of a logic that cannot be exclusively financial-accounting.

The multiplication of the extra-financial rating agencies is the expression of the fact that organizations are today exposed to the critical eye of society in terms of their civic behaviour and that they must take account of the views of a public increasingly attentive to the ethical values, which reacts against the excesses, of social and environmental externalities.

The partnership concept of "governance" of the sustainable company makes the ways of analyzing and quantifying the performance incapable of existing as a result of the new realities. Thus, the financial analysis integrates in a complementary and progressive manner the non-financial component analysis.

This is based on a stakeholder approach, it quantifies the non-financial performances (extra-financial) derived from the company's social responsibility and from promoting the immaterial capital that concentrates a great deal of opportunities for company's growth and development. Together these two types of analysis will respond to the financial community: the economic impact of the environmental and social aspects; risk factors, social and environmental opportunities; the causes of deviation between the market value and the company's economic value. The difficulty of making the non-financial analysis derives primarily from the fact that the reporting system of the sustainable development remains a voluntary approach, there is no homogeneous practice/methodology in the non-financial analysis domain and from the lack of practice uniformity in this field. Due to these difficulties, as well as lack of normalization of the non-financial indicators, the practical side of this research will be focused primarily on the financial information and financial indicators respectively.

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