FINANCIAL PERFORMANCE VERSUS NON FINANCIAL PERFORMANCE CASE STUDY AT ANTIBIOTICE TRADING COMPANY IASI

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The actual economical conditions, the effect of global crisis and the efforts to pass this turning point, does force trading companies toward an extremely balanced management of performance. Now, when financial indicators are neither so spectacular nor so relevant, and when the principles of a durable development are mentioned over and over, the exigencies of companies' external environment are higher and higher. This reality does force the companies to pay more attention to social responsibilities' assuming and investment into green innovation, as well as to the field of information's communication in a relevant way, which should gather financial, social and environment information. The absence of a normalized balance of financial and non-financial indicators used in measuring companies' global performance, does allow them selecting of "agreed" indicators which should reflect the company under the light of high performance. But, the same reason urges the searcher for some research studies of the most adequate diagnostic model of global performance, which should faithfully reflect company's current status. The purpose of this study is to measure the global performance of ANTIBIOTICE Trading Company, taking into account, both financial and non-financial indicators for a period of 5 years. For the financial years 2006 and 2008 company's global performance is an acceptable one, while for the financial years 2007, 2009 and 2010 the global performance is a medium one. It should be highlighted the lack of involvement or transparency regarding social and environment responsibility in 2006 and weak financial performance in 2008, indicators which positioned the company to an acceptable level.
Key words: performance, financial indicators, non-financial indicators, global diagnostic, ANTIBIOTICE Trading Company.
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1. Introduction

A performing company is the one which creates values for its shareholders, satisfies the clients, takes in consideration its employees opinions and respects the environment. Thus, the shareholder is satisfied as the company remunerates his invested capital, the clients do trust into company's future and into the quality of its products and services, the employees are proud of the company they are work in, and the society does benefit by the company's policy regarding environment protection (Jianu 2007: 24). Accepting this statement, we notice the importance of measuring companies' performance, in order to classify them from economic point of view and of all implied actors. Even the international legislator, by the spirit of International Standards of Accountancy (IAS 1), does encourage the companies to publish, beside financial situations, also analyzes regarding their financial performance.

Moreover, within current developing level of global economy, the stress is moving from financial performance to the global performance. Nowadays, economic environment is severely punishing the companies which do not pay the same importance to social and environment aspects as to the economic-financial one. For the sake of steadfast development, we consider necessary that

company's performance should be given not only by financial indicator's results, but also by those which are measuring social and environment performance.

Hence these reasons, the purpose of this study is to treat and to analyze the performance of economic entities, both conceptual and practical point of view.

The main objective is measuring of global performance of ANTIBIOTICE Trading Company, taking into account both financial and non-financial indicators. The analyzed periods are last 5 years, respectively from 2006 until 2010. Financial results published for this period are available on company's official website.

The secondary objectives of this research are deriving from the main one and are focusing on the reevaluation of performance concept. The steadfast development is based on the concept of global performance, which we intend to treat it together with its all three valances: financial performance, social performance and environment performance. At the final of this study we are analyzing the procedure of performance measuring, presenting two empirical cases realized with the purpose to identify the most relevant financial and non-financial indicators in order to diagnose companies' health. The applicative part of the study, does present the global performance of analyzed company, putting into application the diagnostic model of global performance exposed within one of above mentioned cases.

2. Research methodology

Mainly, the research is treating the two sides of same issue: both establishing a connection at conceptual level between performance, global performance, financial, social and environment performance, and their reflection through a case study.

International literature is materializing through a theoretical contribution of some researchers like Bourguignon, Debiens, Lebas, Burlaud, Anthony etc. On national level, researchers like Niculescu, Mărgulescu, Jianu, Pintea, Mironiuc, Robu and others, do bring an important theoretical and empirical contribution into this field.

This study's purpose is to sustain the hypothesis that within an economy where steadfast development is the keyword, the performance of a company cannot be analyzed at economic-financial level only. When we are measuring a company's performance, we should take into account also the social responsibility it is developing and its quality.

The study is presenting a trading company quoted on Bucharest Stock Exchange, being chosen upon following criteria: to be a quoted trading company, to be a representative trading company from pharmaceutical field and to publish detailed annual reports. The analyzed period is last five consecutive years. Primary data are taken over from published financial reports and from Monthly Bulletins issued by Bucharest Stock Exchange during those five years, without sampling. The data are taken over electronically from the website of studied trading company, from official website of Bucharest Stock Exchange and of National Bank of Romania. As of the law, these data are mandatory to be published on these websites.

In this case data collection is a simple procedure, consisting in accessing these websites through an informatics program installed an o personal computer which allows files' downloading into an intelligible format. Data presented in these downloaded files are retained and are processed through simple arithmetical calculations.

Data's processing is made upon tabular calculation. For each five analyzed years, we'll take into account the size of those 10 financial indicators measured within the model of global diagnostic; then, we'll quantify the size of non-financial indicators based upon available data, using presented conceptual domain and financial information from annual reports.

After collecting and processing primary data, the obtained results are analyzed quantitatively both as absolute and relative sizes and as evolution in time, through their graphical presentation. Then, comparing the sizes and evolutions we'll conclude the results through a qualitative analyze.

3. The performance and its valences

We start this scientific intercession by investigating "performance" term from conceptual point of view and of evolution in time. According to Explanatory Dictionary of Romanian Language, the term of performance is originate from French word "performance" which means "The result (an extraordinary good one) obtained into a competition by somebody; extremely good achievement into a field of activity. The best result obtained by a technical system, by a machine, by a tool, etc." As we can notice, "performance" concept could have almost an infinite number of definitions, many of them referring to specific contexts or functional perspectives.

For instance, from '50 to '80, when there weren't known homogeneity in defining this concept, there were used several appreciation criteria of the performance, out of them we are mentioning: *productivity, flexibility, adaptability, capability, environment control, turnover, production costs, etc.*

Defining performance in terms of achieved level of objectives do characterize the period of years '90. On inventory field, A. Bourguignon (1995) is defining the performance as being: *achievement of organizational objectives.* Same opinion is shared also by authors like Debiens, 1988; Lebas, 1995; Burlaud, 1999. This definition could be translated also into another way: the performance into a company represents everything which contributes to reach strategic objectives.

Defining performance in terms of company's productivity and efficiency is supported by M. Niculescu (2003), who states that *"theoretically, a company is performing if in the meantime it is both productive and efficient";* the idea is shared also by authors like Niculescu & Lavalette, 1999; Mărgulescu, 1994; Burlaund & Simion, 1999; Anthony et al., 2003.

As productivity represents the ratio between obtained results and the means engaged for their achieving and, as the efficiency represents the ration between the obtained results and expected results, into the view of these authors: performance = productivity + efficiency.

Defining performance in terms of value creation is supported by P. Lorino (1995) who states that "performance for company represents everything which contributes to ameliorate value-cost couple, and not only which contributes to cost decrease or value increase.

Nowadays, **performance is seen holistic,** getting a global vision. Authors like Alazard and Separi (quoted by Pintea, 2011), Reynaud (2003), Robu and Vasilescu (2004), Mironiuc (2009) think that *global performance represents aggregation of economic, social and environment performance* (fig. 1).

Fig. 1. **Global performance of an entity**
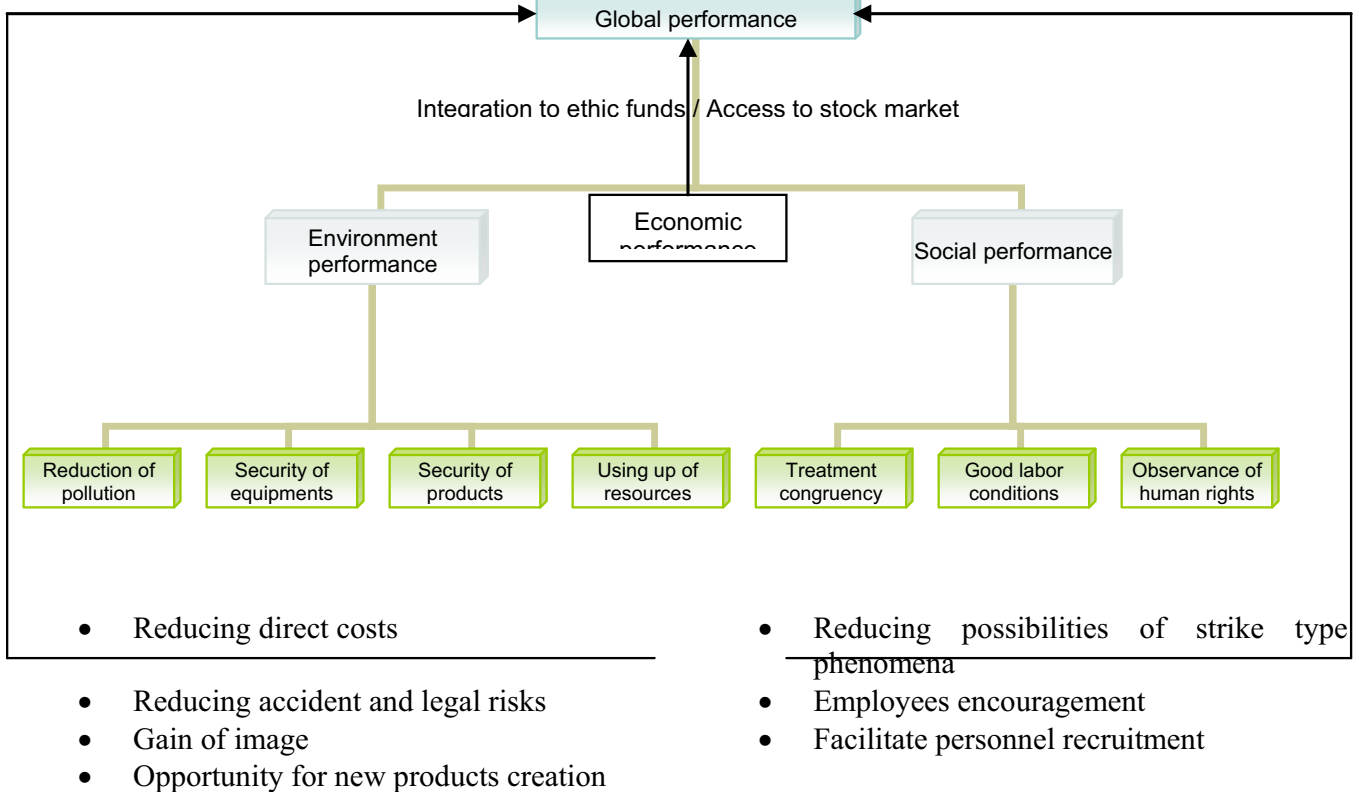
(Source: Pintea after Reynauld, 2011)

As it was showed, performance concept has known a remarkable evolution. If within last century financial performance was on first place, nowadays, economic entities have realized that under the frame of a steadfast developing company, the global performance of an entity (economic, social and environment performance) gains more ground.

4. Measuring financial and non-financial performance

Measuring global performance of a trading company means elaboration of a set of relevant financial and non-financial indicators fated to offer a pertinent image over its performance. Non-financial indicators should contain social performance indicators, as well as environment performance indicators (see performance indicators issued by Global Reporting Initiative – GRI).

A survey achieved in Romania between July 2010 and February 2011 which seemed very inventive, has taken into account realizing and testing the structure of an evaluation system of global performance of economic entities. By the distributed questionnaires, it were tested *opinions of analysts from academic centers* (Cluj-Napoca, Bucharest, Timişoara, Iaşi, Craiova, Sibiu, Piteşti, Galaţi), and the opinions of financial analysts from analyze department of Companies of Financial Investment Services (Broker S.A, BT Securities, Target Capital, Tradeville, Estinvest, Intercapital, KBC Securities, etc.) regarding the structure of a system for global performance appreciation. Analyzing received answers, there were selected 20 indicators (10 financial, 10 non-financial ones), the two categories holding equal share in structure of the system for global performance appreciation, namely 50% each. Within non-financial indicators' structure, the ratio of social indicators is equal with the one of environment indicators, namely 25% each.

Regarding financial indicators, these have weights of different importance; three indicators considered as relevant ones by the information they are bearing (added economic value, net profit and indebtness grade) have a share of 7%. Remaining indicators (left 7) has a total share of 29%, and individually the weight of each indicator is about 4.14%.

Non-financial indicators have received weights of equal importance within model structure and, namely each non-financial indicator has received a share of 5%. Financial and non-financial indicators taken into account when constructing the system of appreciation indicators of global performance, as well as the weight of performance indicators within diagnostic model, are presented in table 1.

Table 1. **Financial and non-financial indicators taken into account when constructing the system of appreciation indicators of global performance,** as well as **the share of performance indicators within diagnostic model**

Financial indicators	Share	Non-financial indicators	Share
Added economic value	7.00%	Grade of clients' satisfaction	5.00%
Grade of indebtness	7.00%	Labor satisfaction	5.00%
Net profit	7.00%	Labor encouragement	5.00%
Total profitability obtained by shareholders	4.14%	Number of claims	5.00%
Net ptofit per share	4.14%	Organizational climate	5.00%
Immediate liquidity	4.14%	Grade of pollution	5.00%
Operational cash-flow	4.14%	Observance of environment standards	5.00%
Investment profitability	4.14%	Emissions	5.00%
Financial profitability	4.14%	Recyclable materials	5.00%
Turnover	4.14%	Initiatives for emissions' reduction	5.00%
TOTAL	**50.00%**	**TOTAL**	**50%**

(Source: Pintea, 2011)

Evaluation of global performance of an economic entity through the help of diagnostic model does have on its basis a score granted to each analyzed aspect and which finally leads to obtain the total score upon following formula (Pintea, 2011:33):

Total score = 0.50* Quantitative aspects + 0.50* Qualitative aspects
Each indicator (criterion, aspect) gets a final score from 1 to 5, 1 being the lower grade and, 5 being the highest grade. The total score is calculating as above mentioned formula, by combining qualitative and quantitative criteria, and for determining final score it is used the balanced average in a way that economic entities under evaluation could get under the frame of following performance categories (Pintea, 2011:34).
Depending on the points obtained after application of this model, economic entities could be framed under the following performance categories:

G1 – weak global performance, not observing either financial criteria, nor
    non-financial ones (final balanced score between **1.00-2.00**);

G2 – acceptable global performance, with worsening tendency either of financial
    criteria, or of non-financial ones (final balanced score between **2.00-3.00**);

G3 – medium global performance, with stagnation tendency of both categories of
    criteria (final balanced score between **3.00-4.00**);

G4 – good global performance with improving tendency of most of financial and
    non-financial criteria (final balanced score between **4.01-4.50**);

G5 – high global performance, by observing both financial and non-financial criteria (final
    balanced score between **4.51-5.00**);

5. Case study at ANTIBIOTICE Trading Company

The study is viewing performance estimation by putting into application the above presented diagnostic model of global performance. The analyzed company is ANTIBIOTICE Joint Venture Company, with a social capital of 56.800.710 lei, quoted on Bucharest Stock Exchange (BSE) in first category under ATB symbol. The company is quoted on Bucharest Stock Exchange since 16.04.1997 and in the present there are trading 568.007.100 shares. Stock exchange data are taken over from monthly Bulletins issued by BSE, and financial and non-financial data from annual financial reports available on company's official website, together with annual reports. After calculations, we got following financial indicators taken into diagnostic model:

Table 2. **Financial indicators' size**

| INDICATORS	FINANCIAL YEAR				
	2006	**2007**	**2008**	**2009**	**2010**
Added economic value	6.383.576	6.982.890	-11.841.171	-16.123.590	-6.538.707
Grade of indebtness	40%	36%	46%	47%	42%
Net profit	23.839.146	32.456.007	10.572.756	11.916.807	12.539.100
Total profitability obtained by shareholders	17.996	11.809	0.1793	17.397	10.206
Net ptofit per share	0.0524	0.0713	0.0232	0.0262	0.0263
Immediate liquidity	0.4176	0.4353	0.3782	0.0313	0.0336
Operational cash-flow	-1.693.784	12.642.099	13.719.189	5.260.657	25.024.115
Investment profitability	11,55%	10,70%	3,64%	4,16%	4,71%
Financial profitability	13,46%	13,18%	4,28%	4,92%	4,77%
Turnover	195.677.945	229.415.602	215.805.947	219.754.104	243.626.062

According to used diagnostic model of global performance, we granted scores from 1 to 5 (1 being the lower grade and 5 being the highest grade) for each calculated financial indicator depending on its maximum or minimum value presented during those five analyzed years.

The same procedure was used also with non-financial indicators, highlighting the regret that the company does not make a presentation in time of the evolution of non-financial indicators fated to quantify its social and environment responsibility. Thus, we had to qualify them depending on

the available information in this meaning. From this point of view, we qualified on the lower level the year when, the company hasn't published into the annual report its social and environment activity, considering either the company hasn't performing such activities, or these kind of activities haven't been publicly presented. The years when the company has intensely manifested his interest regarding social and environment responsibility and made them public, these years have been qualified with highest grade.

Accordingly, for 2006, the company received the worse qualification concerning non-financial indicators (see chart 1) due to lack of transparency or to slight implication into social and environment issues.

Chart 1. **The evolution of scores granted to non-financial indicators**
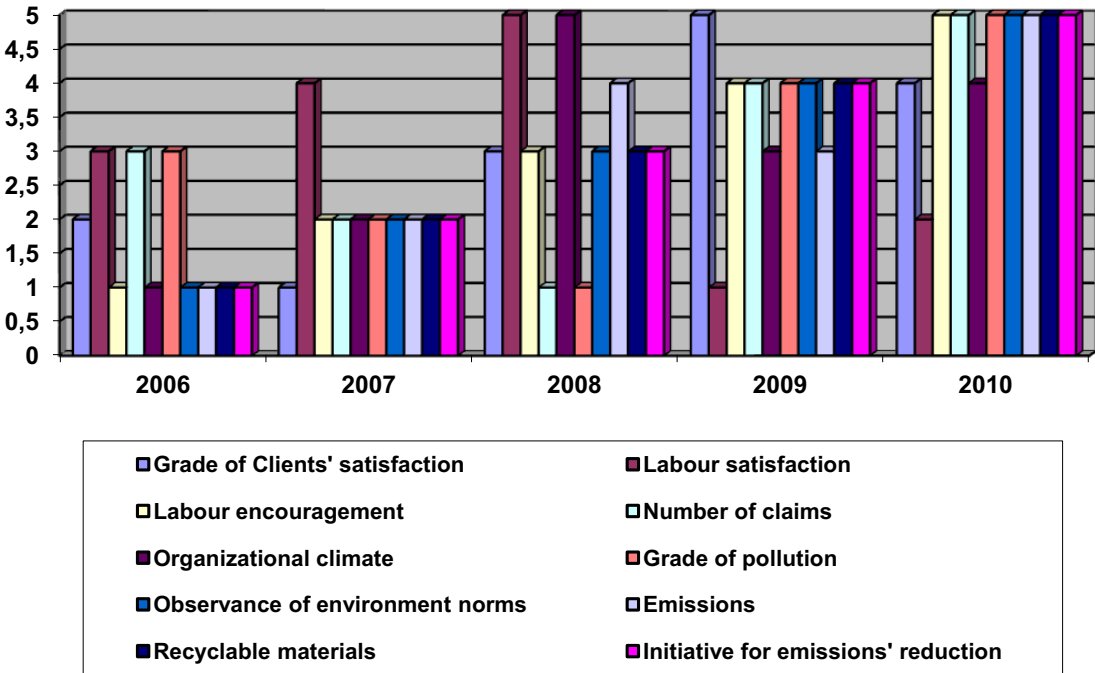
(Source: authors calculations & estimations)

Regarding criteria of financial estimation, the company obtained a minimum score in 2008, when global economic crisis has started and which has left his print on it, the recovering procedure being rather slow.

Applying formula presented within previous chapter, the total score was obtained and company has been framed to one of those 5 existing categories in each year (see table 3).

Table 3. **Final score and afferent performance category**

	2006	**2007**	**2008**	**2009**	**2010**
Total obtained score	2.60	3.00	2.55	3.05	3.80
Performance category	G2	G3	G2	G3	G3

(Source: authors calculations)

For financial years 2006 and 2008, company's global performance is an acceptable one, with worsening tendency either of most financial criteria, or of most non-financial criteria (final score 2.6, respectively 2.55). For financial years 2007, 2009 and 2010, the global performance is a medium one, with stagnation tendency of both criteria categories (final score 3, 3.05, respectively 3.8).

6. Conclusion and suggestions

An steadfast development does assess new performance standards to economic entities which are exceeding economic area; these entities should integrate into entities' developing strategy in order to assure sustainability to performing activities through harmonization of economic, social and ecological objectives, and thus, to achieve "sustainable" performances. The steadfast development concept presumes needs' balancing regarding economic development, social equity and efficiently use and conservation of environment.

In this meaning, the systems which are evaluating financial performance, are proved to have a reduced efficiency regarding performance management, as they are based on financial indicators calculated upon historical data, does not intercept the connection between respective entity' strategy and its performing activities and, does not offer information regarding quality, innovation, services offered to clients, pollution, labor satisfaction, etc. For a relevant estimation of global performance there is necessary using a system of indicators which should catch both financial and non-financial aspects of the activity.

The above mentioned aspects have been concluded following our scientific study, both theoretically and practically. A considerable part of the study has focused on presenting the concept of performance and those three dimensions of global performance, namely: economic (financial), social and ecological dimension; also, it has focused on the knowledge level regarding measuring instruments of performance, namely, performance indicators. In the final part has been achieved an applicative study for measuring the performance at ANTIBIOTICE trading company. We applied a diagnostic model of global performance, which result does frame the company among those with acceptable global performance level (2006 and 2008), and for 2007, 2009 and 20120 among those with medium performance level.

Regretfully found out that at the beginning of analyzed period, gathering information regarding non-financial indicators has been hard to achieve, because the company either wasn't involved in social and environment activities, or these activities haven't been presented into the annual reports. At the end of the period, namely in 2010, the company makes clear statements concerning social and environment responsibility it assumed, but without presenting an evolution in time of his preoccupation regarding these aspects, as it was presenting the evolution in time of economic and financial profitability.

In our view, the used diagnostic model does closely reflect the global performance of the company, with the notice that application of this model is based on information which depends on company's transparency, thus, could be influenced the global performance by the publishing or non-publishing some information regarding involvement into social and environment issues, unlike financial information which are mandatory to be published, as of the law.

In the future, we desire to develop our study by spreading analyze over more companies from different fields (energetic, chemical, financial), quoted also to other stock exchange, like the ones of Polish, Czech or Hungarian State.

Conclusively, the performance is a permanent preoccupation of all economic actors, its perception being different depending on each specific interest. Performance measuring is a necessary condition for assuring one's entity's progress, but not enough. It is saying that a progress that is not measured does not exist. But measuring cannot be a goal, but the impulse to react and to act for a steadfast developing.

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