THE COMPANY PERFORMANCE FROM THE POINT OF VIEW OF THE CUSTOMERS IN THE CONTEXT OF THE COMPANY PERFORMANCE

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Abstract

The current changes in the market environment have a significant influence on the companies’ behaviour. That is why performance management on the basis of an analysis of financial results is no longer sufficient. The present approaches put stress on a complex, strategic concept of performance, whose typical feature is not only that they are results oriented, but also that they are process oriented. They require investigating the future success and risk factors and their mutual relations, they emphasize the necessity of interconnecting individual components of performance and, last but not least, ensuring feedback. That is why monitoring the company performance from the point of view of the customers must be an important part of the performance measurement and management system. This performance monitoring system part provides the company with information about perception of individual components of the value given to the customers, and so it makes it possible for the managers to react to their needs and wishes quickly and effectively, strengthen the customer relations, and increase the customers’ loyalty. The paper aims to define performance from the point of view of customers in the context of the company performance and the basic approaches to its measurement and management.

Key words: company performance; supplier performance; company performance measurement.

1. INTRODUCTION

The current business environment requires significant changes in companies’ behaviour. A competitive firm must be able to satisfy all those who are connected with it in some way [1]. The road to wealth of the owners goes through the provision of an appropriate amount to the stakeholders, among whom the customers have the key role. They are the primary source for creating the value for the shareholders, they basically activate either directly or indirectly all business processes, enabling to target them, bringing income to the company, but they also raise consumption of its resources (financial, material, human).

Surplus of supply, persisting economic problems, the globalization of the market environment, the development of information and communication technologies, these are only selected factors that strengthen the position of customers in current markets, increase their demands on the one hand and reduce loyalty on the other. Firms respond with differentiated, even personalized service to customers, which significantly affects the corporate value creation process and business efficiency. They have found themselves in a new and complex competitive environment, in which customers are increasingly demanding the creation of customer value [2].

To provide customers with value for which customers remain business means to meet their individual requirements and needs in the long term better than the competition does. Given that the value is subjectively perceived by individual customers depending on the situation, conditions and context (product), it is relative (compared with alternatives - known, presented, expected) and dynamic (changing over time) [3], to deeper understand customer needs and anticipate their future needs and requirements and to deepen relations with them it is necessary to constantly monitor the perceived value from the customer perspective [3]. Superior customer value is considered to be the key driver of
satisfaction, loyalty and retention [4]. The aim is to deliver the right value (value proposition) to the right customer (customer valued) in the right way (using the value network), so that not only his/her satisfaction grows, but also his/her loyalty and retention [5, 6]. Developing relationships with customers is an important strategic element in terms of business because relationship specific advantages factors have a significant positive direct effect on the competitive performance/strengths of the firm [7]. The basic prerequisite for maintaining and strengthening relations between the firm and its customers is therefore the balance of customer value and value of the customer to the firm. It is still true that only if the relationship is balanced, both sides have an interest in long-term cooperation and its development.

In business, what matters is economical provision of the right value to the right customer, in the right way, at a reasonable price - reasonable from the point of view of both the customer and the firm, so that the growth of customer value is in relation to the growth of the value for the firm. Customer value is thus directly linked to the fundamental objective of business – a long-term, continuous growth of the firm value.

The dependence of achieving the primary business objectives on a subjectively perceived value - the value for the customer - has a significant impact on performance measurement and management of the company. While commonly used financial indicators are able to comprehensively display the result of the business activities, analyses thereof cannot adequately quantify the causes of this trend and driving forces of future successes.

Due to the fact that customers are the primary source of value creation for the shareholders, an up-to-date system for measuring and managing business performance must feature, as its inherent part, customer performance monitoring and evaluation (i.e. how individual customers/groups of customers/ customer portfolio contribute to the growth of the firm value) and business performance measuring and management from the point of view of customers (i.e. how the firm meets its customers’ requirements and expectations - whether they provide an adequate value and what ways can be used to increase this value).

The aim of this paper is to define the possible ways to approach the performance and efficiency in relation to customers and, with a concrete example, to present ways to measure the performance of the firms in terms of customers. The aim will be achieved based on the literature research, and also results of the primary qualitative research in a selected industrial enterprise will be presented.

2. COMPANY PERFORMANCE

Planning, measuring, evaluating and controlling enterprise performance is a prerequisite for achieving the basic business objectives.

2.1 The Concept of Enterprise Performance and its Measurement

In general, the performance in relation to the business is understood as the results of activities of an organization or investment over a given period of time [8]. It refers to the accomplishment of a given task measured against pre-set known standards of accuracy, completeness, cost, and speed [9].

Enterprise performance is a characteristic of the degree to which the enterprise is able to achieve for a certain period positive results compared with the results of others. An efficient enterprise, therefore, is better in fulfilling long-term business objectives (it achieves better business results) than comparable entities. Performance reflects the degree to which a feat is being or has been accomplished [10]. Measuring the overall enterprise performance often coincides with its financial performance. This is due to the focus on overall results and value objectives, another reason is the fact that traditional methods of financial analysis, based on measurement of profitability, are in practice often the only tool used to analyse enterprise performance.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues, but it is also used as a general measure of a firm's overall financial
health over a given period of time [8]. Measuring financial performance understood as measuring performance based on the data available from accounting is common in firms. If traditional profitability indicators in the financial analysis are replaced with future-oriented value indicators, financial performance measures the degree of fulfilling the superior goal, i.e. the degree of value creation. Measuring financial performance must be a part of any enterprise performance management system. The problem is that the tools for the analysis of value creation are often inadequate and even modern financial measures describe only the symptoms of corporate activities, but it is also necessary for management to evaluate each process and element leading to success; moreover, the analysis cannot cover non-financial factors of value creation, though it is often them what is directly influenced by activities within the company. To be able to perform an adequate assessment of value creation, one should therefore relativize and extend one-sided financial measures to produce a balanced set of financial and non-financial measures. The measures must be used for a clear statement of objectives and they must also allow monitoring the level of their achievement [11].

To measure the performance of the enterprise it is therefore appropriate to use such systems:

- that are, in addition to quantitative financial indicators, based on qualitative criteria,
- that, in addition to objective measures, use also subjective ones,
- in addition to the results, they also record the course of processes,
- in addition to the overall results, they also record partial results and their causalities,
- they do not monitor not only the past, but they focus on the future as well,
- allow evaluating the performance not only in the short term but also in the long term,
- in addition to the internal performance, they also monitor external (market) performance.

These requirements are met by modern, comprehensive methods for measuring and managing enterprise performance. One of the most elaborate and well-known approaches in terms of performance is the Balanced Scorecard focusing not only on the very issue of performance measurement, but also on its position in the corporate performance management system [12]. Unlike traditional performance measurement systems, “it supplements financial measures of the past performance with new measures of the driving forces of the future performance” [11]. The BSC perspectives (their goals, measures, values) are logically connected, but not developed into algorithms. The BSC takes into account only the strategic objectives, without substituting operational systems of controlling [11]. The basic difference from the traditional systems of performance measurement is, in addition to the use of both financial and non-financial measures in the same system, especially in that the BSC measures do not result from available data, but from the strategic objectives that must be measured using appropriate measures.

2.2 Performance in Relation to Customers

Growth in the value of the customer portfolio (as a significant factor in the growth of the enterprise value) depends on the size of the value that customers obtain according to the subjective evaluation of cooperation with the firm. Performance measurement and evaluation in relation to customers can be seen at several levels:

- Measuring the performance of customers in the context of measuring and managing the overall enterprise performance.

According to the BSC, the customer perspective identifies appropriate customer and market segments and measures of the enterprise performance in these segments [13]. The firm must clarify which customers it wants to serve, what benefits it wants to offer to them and how it wants to be perceived [11]. The performance measures are divided on key output measures (customer satisfaction and loyalty, customer acquisition, share in target markets, customer profitability), and measures of customer value advantages. The BSC system is not primarily designed to measure
performance, but it allows monitoring enterprise performance from the customers' point of view and with regard to the interdependence of perspectives also its impact in the final results of the firm.

- Measuring the market (external) performance of the firm.
  According to Best [14] customer performance metrics track customer performance. They are one of the groups of market performance indicators and measure the subjectively perceived size of the value provided (customer satisfaction, customer value) and its reflection in the customer behaviour towards the firm (customer retention, loyalty, popularity with customers) and business results (revenue per customer). The market performance metrics include also the overall market situation indicators and competitive performance indicators.

- Measuring the performance of customers/suppliers and measuring performance by customers.
  In the supply chain, the performance of contractors is commonly measured. Performance is measured both by the supplier (measuring the level of their internal processes in terms of adaptation to the customers’ requirements), and the customer who provides feedback to the supplier (evaluating satisfaction with supplier). Analogously, the performance of customers focuses on the level of internal customer processes and feedback from the supplier. Measuring the performance of customers means appreciating the customer's ability to meet the internal standards (supplier service) and external expectations (supplier satisfaction) of the supplier [15]. In the context of the article, measuring supplier performance is important, i.e. measuring the level of customer service (customer service, customer value of product and services) and feedbacks from customers (customer satisfaction, customer retention and customer loyalty) [15, 16]. Comprehensive supplier performance evaluation must also cover other performance components, such as image and company reputation, brand recognition, purchase intentions, etc.

3. MEASURING THE ENTERPRISE PERFORMANCE IN TERMS OF CUSTOMERS - EMPIRICAL RESEARCH RESULTS

In the first half of 2012, a qualitative research was conducted focusing on the performance in terms of customer. The aim was to determine whether and how the firm gets feedback from its customers, what indicators are used to measure it and how this information is used to increase their satisfaction. The research was based on a prepared survey scenario in a firm that mainly deals with the sale of chemical products from renowned manufacturers in B2toB markets. The wide range of products is divided into trade groups according to their commercial use. These are mostly products where sales success strongly depends on the quality of technical support and expert advice. The research was conducted in a small company with a large number of customers.

Feedback from customers is collected in the company through multiple channels [17]:

- In accordance with the ISO 9001 requirements, the firm inquires into customer satisfaction in ordinary supplier-customer relationships. Sales representatives find out about customer satisfaction through personal inquiries in the following areas: quality of the delivered product, compliance with required delivery dates and quality of commercial and technical service. The evaluation also includes information on the quantity of goods sold in tones (current quarter/quarter of the last year), the customer's intentions and the trend of sales of products processed by the customer. The outputs also include a proposal to address the comments, discussed by the firm's management. Results of the evaluation of customer satisfaction, especially the negative findings, are an important stimulus for establishing corrective, possibly preventive measures to improve the situation. A repeated survey with dissatisfied customers verifies the effectiveness of the implementation of remedial measures. The evaluation is done quarterly with 10% of the customers of each sales representative.
- Customers who have a quality management system certified according to ISO 9001 evaluate their suppliers.
The firm gets more feedback from some of their customers who, in accordance with the requirements of the ISO 9001 standards, usually semi-annually evaluate their suppliers following these basic criteria: valid certification supplier in the ISO system and the quality of products, reliability of supplies and transportation options, price and terms of payment. Each criterion has a different weight according to its significance for the customer. In evaluation, standard objectively measurable criteria are primarily used. Other criteria for supplier evaluation may relate to the environment, the overall quality of service, logistics, supplies, etc. The evaluation resulted in the inclusion of the supplier in a group (A - satisfactory, B - satisfactory with reservation, or C - inadequate). The evaluation is the basis for the so called action plan for improving customer performance and discussing further cooperation. Not only the overall result, but also the selection of criteria and their weight is a valuable source of information to the company about what is important for each customer and what would increase his satisfaction. In addition to the criteria of the met/failed to meet type, the evaluation also includes suggestions to improve cooperation and to improve supplier perception in the customer's eyes (more certifications, better payment terms, etc.)

- Sales representatives assess customer satisfaction subjectively.

The third level of customer performance monitoring is based on the subjective evaluation of customer satisfaction by sales representatives that they carry out within the evaluation of the results of business trips. The frequency of visits corresponds with the importance and potential of a particular customer. As part of these negotiations, among other things satisfaction is also assessed with the existing cooperation in normal supplier-customer relationships. The knowledge gained is used mainly for the evaluation and analysis of the current situation, to monitor the implementation of the planned objectives and considerations on the further development of business activities.

All methods of getting feedback from customers are primarily focused on assessing the level of normal customer-supplier relationships, i.e. logistics performance. Evaluation within the ISO 9001 is carried out through the score of objectively measurable criteria (e.g. number of complaints over the last 6 months). Assessing the importance of evaluated factors to the customer and assessing his/her overall satisfaction in this way can be performed only indirectly. Personal communication between sales representatives and customers is used to survey customer satisfaction, but the firm does not perform any formalized measurements of, for example, degree of satisfaction, perceived product quality and overall supply, degree of preferences, etc.

In addition to the characteristics of products/services (functionality, quality, price, terms), the value for the customer is also created by values resulting from the quality of customer relations and overall image of the company [14]. In negotiations, sales representatives inquire into the product brand awareness, product preference over competing products, loyalty manifested in the degree of customers’ purchase intentions to buy the firm’s products against a purchase of product with a competitor, the perceived quality of the product compared to the competition, the perceived level of prices and quality of services provided, manufacturer’s experiences and image (reputation) of the company, understood as flexibility, trustworthiness, reliability, responsiveness, progressiveness, etc. But again, measurements are not objectified or formalized. Through the assessment of the overall status, the firm monitors awareness and reputation, preferences of its products with the customers, actively monitors trends of development and intentions of customers. The reflection of success of the work with customers in economic outcomes is measured using revenues by individual customers, margin attained for individual customers and products, for individual sales representatives the modified margin is also monitored where attributable costs are subtracted from the business margin.

4. CONCLUSION

A satisfied customer is the basis of a long term success. Customer dissatisfaction signals impending economic problems much earlier than they actually occur. In current market conditions, however,
customer satisfaction is not ensured only by satisfaction with one's own delivery. The subjective category of customer satisfaction is strongly dependent on the quality of mutual relations as well as the overall company reputation, brand recognition, etc., which are factors significantly more difficult to measure and evaluate (on the other hand, however, they also difficult for the competition to copy). But they have a significant impact on customer loyalty and retention. Although the customer satisfaction is essential to the management, paying special attention to it, evaluation of the enterprise performance in terms of customers does not exceed the evaluation of common cooperation. Regular contacts with customers allow the company to respond in time and in the required quality to their changing needs, requirements and wishes. Evaluation of enterprise performance in terms of customers, however, can bring much more – it shows how to increase their satisfaction, loyalty and retention.

REFERENCES