

# SUSTAINABLE PERFORMANCE MANAGEMENT MODEL OF MANUFACTURING COMPANIES ACCORDING TO SAMPLED METHODS FROM PERFORMANCE MANAGEMENT SYSTEM

Veronika Burešová<sup>(a)</sup>, Lilia Dvořáková<sup>(b)</sup>

<sup>(a),(b)</sup>University of West Bohemia, Faculty of Economics, Department of Finance and Accounting

<sup>(a)</sup>[buresovv@kfu.zcu.cz](mailto:buresovv@kfu.zcu.cz), <sup>(b)</sup>[ldvorako@kfu.zcu.cz](mailto:ldvorako@kfu.zcu.cz)

## ABSTRACT

The paper focuses on the topic of research and development of a complex sustainable performance management model for medium-sized manufacturing companies operating in the Central Europe economies. The form of the model is determined by the most significant tendencies and phenomena with a worldwide reach influencing manufacturing companies (sustainable entrepreneurship, environment protection, social responsibility of a company, gender equality, national non-discrimination etc.) and by the results acquired by the performed primary research in the area of sustainable performance of manufacturing companies. The model is designed as a four-element one. The reason is that the competitive level of an enterprise in a long-term period is the reflection of the management ability to manage the company successfully, to guide its performance in the right direction and at a needed speed and to evaluate the intercompany results effectively by controlling methods and tools – a system of feedback and mutual causalities and dependencies.

**Keywords:** Sustainable entrepreneurship, performance management model, manufacturing company, empirical research

## 1. INTRODUCTION

Since the 20th century the behaviour and reactions of companies have dramatically changed in the area of industrial production and in the context of the world economy development. In the Central European countries the major part of the 20th century was marked by the protectionist policies, communication and geographic barriers which was connected to the fact that there was no significant pressure on the increase of productivity, economization and business activity efficiency, there was low pressure on improvement of managerial methods and processes or generally enterprise costs minimization (including manufacturing companies), to the contrary of what happens now. The increasing production costs were transferred to the customer as a result of the excess of production demand over production supply.

The continuing internationalization of environment and the progressing integration tendencies lead to blurring of boundaries, removing of barriers and therefore to the growing dynamism of information, capital, raw materials and workforce flow. As a result of increasing dependence of markets and national economies caused by high dynamics of trade with goods, capital, services and by transfer of technologies and know-how, the competition significantly increases, sometimes to such an extent that we often speak of so-called super- or hyper-competition (Drucker 1980 and 2011). In the second half of the 20th century (e.g. in the Czech Republic) these were the main reasons which caused the restructuring wave of production companies which were learning to do business in much larger and more intensive competitive environment than which they had been a part of so far. Technical and technological development, boom of information technologies and communication means (informatization) lead to processes acceleration. In the paper by Aziri, Zeqiri and Ibraimi (2014) Gary Dessler, Professor of Business at Florida International University's College of Business Administration in Miami, Florida (2013) summarizes the tendencies which the companies are forced to face over the framework of economic and financial crisis (Koshovets and Frolov 2014) and the areas which they mainly have to focus on in business management – see Figure 1.

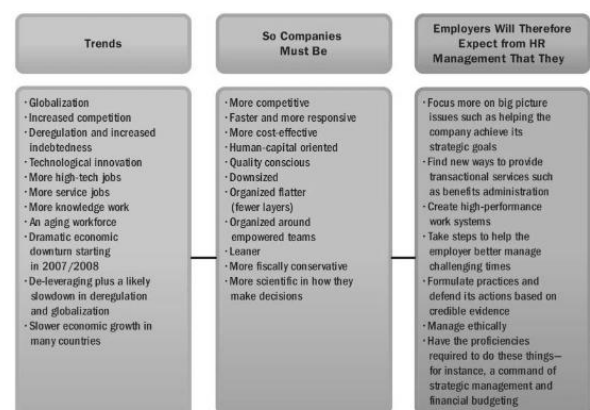


Figure 1: Reflection of tendencies and phenomena with a worldwide reach in company's targets and in

management of the most valuable capital of a company – human sources

Source: Aziri, Zeqiri and Ibraimi (2014), adapted from Dessler (2013)

Also the performed operations have registered some changes. The work share of labourers and other company workers (and also the level of direct staff costs) has generally shown a decreasing trend in a long-term period. On the contrary the share of automated ongoing processes grows which leads to the growth of indirectly attributable (overhead) costs at the expense of directly attributable costs in the overall scale. A major part of the overhead costs is formed by the fixed costs. Compared to the past the costs of service, assistance, information, planning, inspection and strategically oriented activities are growing (e.g. research and development costs, production planning, organization and management costs, costs connected to quality checking, purchase, sale and advertising – marketing activities costs, accompanying services and after-sales service costs, ecological destruction of production after its lifetime expiration costs, costs of environment revitalization, area after mining etc.).

The customers' behaviour is also changing – not only the final consumers but also the buyers of intermediate products in the whole complex value-creating chain. The company's customers as a result of their higher awareness, thanks to the easier availability of information and communication technologies, as e.g. Poláková and Petrová (2013), Rolínek, Holátová, Březinová and Kantnerová (2011), Vollman, Berry and Whybark (1988) and others emphasize, „dictate“ to the company what, for whom and when to produce. The customers (purchasers) still more often assume that the goods will be delivered to them in the right (required) quality, for the best price, at the shortest delivery time, with a maximal after-sales service... Brychta, Benda, Knápková (2010) summarize the mentioned customers' expectations in three letters – C – Q – T (illustrating three crucial parameters of success – Costs – Quality – Time). Customers expect and require quality from their suppliers. This term no more means only the quality product or service, thus such product which is non-defective, working the whole lifetime period. Currently the terms quality and quality product are perceived in a much wider and more complex way. As Šoljaková (2009) states, „*quality is the ability to satisfy customers' expectations and requirements and is not related only to technical parameters but also to safety, health and environment friendliness.*“ The product which takes into account the quality requirements in the early 21st century should achieve following features beyond respecting the product character:

- ability to be „tailor-made“ to the wishes, needs, requirements and preferences of customers – The operations are still more individualized.;
- wide range (variety in offer) – It leads to a gradual expansion of structures of performed operations,

or higher specialization. The importance of outsourcing grows.;

- reliability, durability – probability that the product will be functional and will keep its declared features for all the guaranteed lifetime/use period;
- high quality grade including user friendliness, customer service, post-warranty services;
- quick response – Products, which enable it, are gradually started to be realized in still smaller but more often delivered quantities. The faster satisfying of customers' needs is reflected and leads to still clearer trends to shorten the lifetime period of offered products (Rudzki 2004).;
- practicality – easy operation and maintenance, or repairs, easy communication in a case of accompanying services necessity;
- perfect after-sales service;
- safety – damage risk which the product or its use can cause including negative health effects on the user and the environment (Veber 2002); (the fact whether during the production/providing there are no children employed – generally the issue of responsible behaviour to employees);
- correct pricing;
- aesthetic look of the production and the space where the business is done.

The following Table 1 summarizes the changes in behaviour of business entities towards customers as results of extensive changes which resulted in the change of the economic development paradigm itself.

Table 1: Comparison of companies' behaviour to customers in the 20th and the 21st century

20th century	21st century
The target of the business activities is to make the customer buy the offered product. The target is a single satisfaction of a customer.	The target of the business activities is to make the customer buy the offered product repeatedly. The target is a repeated satisfaction of a customer.
The contact with a customer is limited only to the time when the customer decides to buy the product. By making the sale the relationship business-customer ends.	The contact with a customer is direct and repeated. The relation with a customer continues even after the sale is made. The after-sale service is available to the customer and after-warranty services are offered to the customer.
During the product presentation the most attention is devoted to the advantages of the product – price, technical parameters, useful properties etc.	During the product presentation the most attention is devoted not only to the advantages of the product – price, technical parameters, useful properties etc. but

20th century	21st century
	especially to the value which the offered product can bring to the customer.
The level of customer services is limited.	The level of customer services is developed.
The production section is responsible for the quality grade.	All company is responsible for the quality grade.

Source: own processing, 2015

The changes of the market environment induce changes in the structure of business costs, influence business processes. Therefore it is necessary to adjust the whole complex system of business activities management and to modify the methods and tools of companies' performance measurement and management. Every company wants to achieve and keep long-term competitiveness, tries to stabilize its performance on an acceptable level and to stay attractive for investors, generally stakeholders. These targets can be achieved by innovations in the settings of company performance measurement and management system.

Although it can still be said that globalization is today's phenomenon, there are already authors who question the validity and the effect of this phenomenon and of the events accompanying it or caused by it. For example prof. Zelený (2014) states that *„the movement for which it was typical to substitute local companies by national, international and global political units has reached its limit and is transforming into the reverse movement. After globalization a long-term process of re-localization follows, we witness its acceleration today.“* As Odkladal (2014) or prof. Zelený (2014) state, there were thousands of re-localization technologies till 2015. It will not be necessary any more to transport material goods globally but only to transfer/flow digital information for local knowledge creation. The main motto of re-localization is: *„Think globally, act locally.“* The re-localization process is based on three pillars:

1. Self-service (outsourcing to customer). Self-service can take place only locally, individually and in a personalized way.
2. Disintermediation (removing useless interlinks) which means direct contact and communication between the provider and the user (producer and consumer). It is retreated from traditional dealers, agents, middlemen etc. The consumers merge with the producers.
3. Massive customization (individualization, personalization). Each product and service is „tailor-made“, using the internet in the local context: at first sell, then produce – not conversely. Customization is not related only to style, material, colour and quality but also to price (so-called Customized pricing).“

## 2. RESEARCH FOCUS, TARGETS AND METHODOLOGY OF THE PAPER PROCESSING

On the level of companies the adequate response and certainly the necessary reaction to the macroeconomic changes is to adjust the style – the settings (priorities) of business management. It is current and still more needed to deal with the topic of enterprise performance measurement and management. No progressive management systems can work without systems for enterprise performance measurement and feedback and efficient evaluation. The same old „what I do not measure – I do not manage“ is still true.

The business practice results of production companies e.g. in the Czech Republic instead of this usually show that they are partial problems of a less serious character which are often solved, solutions of a more non-strategic areas are searched which are not important for long-term success of a company. The company managements of successful companies seem to differ from those managements which did not survive the economic crisis of the last few years in a few areas. They digress from monitoring and tools for measurement (management) of short-term performance which were preferred to strategic development and were the easier solutions with short-term impact and lower efficiency in the financial management area, and now they prefer implementation of „just a few“ financial management methods and tools in the company performance measurement and management system. The result and the effect of this approach and these preferences is a more sensitive implementation of methods and tools of financial (economic) performance measurement and management system often with the target to fulfil the long-term ideas of the stakeholders, expectations of the owners (shareholders) of the company.

In the enterprise performance management context on one hand it is necessary to adjust the known and developed theoretical apparatus to the new conditions but on the other hand it is appropriate to enrich the used methods and implemented tools by brand new approaches. This is confirmed by e.g. prof. Zelený or by the original form of Carl Gustav Jung who wrote: „a man keeps forgetting that what used to be good once, does not stay good forever. He takes the old paths which proved themselves good a long time after they became bad ways; only with the highest sacrifices and with immeasurable efforts he manages to accept that what used to be good has got old and it is not good any more. It happens to him in small and large scale too.“ In other words: Let's do what is necessary and not what we have always done so far.

Only individual persons entrepreneurs, business corporations, public institutions – subjects of the profit and non-profit sector with a well stated, implemented and regularly corrected vision and thence derived targets, strategies and system of company performance management supported by human capital and information system, will not weaken their market

position, will keep their prosperity and will still be successful with their core business. And they will also be competitive in comparison with their local and international competitors (Souček 2010) „in the period of the fastest and the deepest transformation of production, consumption, values and behaviour – lifestyle of individuals, groups and nations – the age of entrepreneurship“ (Zelený 2015).

The so far known concepts, methods and tools of company performance measurement and management get a new form, also new ones are developed. Generally there is the need to create a new complex model of company performance management. Although there has been an intensive demand for a new company performance management model for medium-sized production companies in financial theory and also company practice for several years, the beginnings of efforts to create it are of a much later date. Therefore the target of this paper is to present a system solution of sustainable development in the form of a sustainable performance management business model proposal for medium-sized production companies operating in open economies of the Central Europe which would integrate the three basic pillars – economic, environmental (ecological) and social dimension of entrepreneurship performance. And to define its assumptions.

### 2.1. Methodology of the paper processing

The authors' work is based on critical literary search, especially scientific studies and papers to the topics associated with sustainable performance management of a company, social responsibility of firms which were published in professional magazines, monographs and in international scientific conferences proceedings. The theoretical approaches evaluation within the qualitative research by the desk research method in the area of enterprise performance management systems models is enriched by the results of the empirical – quantitative research.

The questionnaire survey method was used for the data collection within the quantitative research. The data were collected in the period autumn – winter 2014. The key criteria for business entities, their sorting, consequent selection, addressing and starting of cooperation at the research were:

- size in terms of employees number (according to European Commission, 2005 and Commission Recommendation 2003/361/EC),
- headquarters and place of their operation – running the business (production),
- object of operation and
- legal form of business.

The specifically targeted enterprises were those of medium size (enterprises of 50 to 250 employees including), with place of operating in the Czech Republic (specifically in two regions - Plzeň and Karlovy Vary region), focused on production and the legal form of business in the form of a limited liability

company or a joint stock company. The data of thoroughly completed questionnaires were collected in total from 128 business entities in the Czech Republic, the country which is one of the countries in the Central Europe which is intensively pro-export oriented and has so far less liquid capital markets in comparison with the West European countries. Considering the manner of the researched issue in the area of the business sector in the Czech Republic, the financial department workers were questioned. The questionnaires were filled in by mainly controlling section workers, higher management (financial directors), executive managers or financial accountants.

### 3. SUMMARY OF THE QUALITATIVE RESEARCH RESULTS IN THE AREA OF COMPANY PERFORMANCE MANAGEMENT SYSTEM MODELLING

For the production companies in the Central Europe it is critical to manage to create such environment with convenient conditions for dynamic reaction to the market environment changes, starting a high speed of company growth and achieving stable competitiveness. It is necessary for the business entities to manage not only their economic side of business (although it still remains essential) but also to perform their social function and to implement the principles of environmentally responsible behaviour (environmental friendly production) – not just formally. The social and environmental dimension of entrepreneurship (social and environmental aspect of performance and sustainable entrepreneurship) becomes still more important for keeping and strengthening performance, prosperity, success or in other terms also the competitiveness of a company.

Although company performance and competitiveness are common topics of discussions and debates on or out of the academic ground, it is not possible to find their unified, generally respected definition. The reason for the variety of the company performance and competitiveness concept can be found in the different perception of different groups of interest which comes from their expectations, existing experience, set targets etc. Furthermore these terms are not usually defined by the authors; they just implicitly assume that the meaning of these terms is generally known. This is one of the reasons for misunderstanding, errors and mistakes in a case that the same terms are used at different understanding of their meaning, which however is not a unique phenomenon. Often, but not completely correctly the terms performance and competitiveness of a company are interchanged with the terms like efficiency, success, competitiveness, economy, stability, prosperity, productivity etc. In this paper competitiveness is perceived as Jirásek (2001) states, as „*market potential of a company in the clash about the market position with other companies – the ability to make offensive pressure on the competitors and at the same time to face the competitors onslaught.*“ The result of such clash is considered to be

*„the ability to achieve good market position and to ensure corresponding prosperity on that level for at least a short or medium period“.* Competitiveness is understood as a wider concept which covers the term for company success and short-term performance of a company. The company performance is then one of the basic assumptions for company's long-term existence. (Jirásek 2001). The level of company's success is the reflection of the ability to react to external influences; the company's performance reflects the potential and economic results of the company's internal environment. Competitive ability and advantage are changing in character, they have no static characteristics which premiums that they, as a «consequence» of numerous relations and correlations of internal and external factors, have to be approached in a highly responsible manner, with a lot of forethought and necessity to balance economic, as well as social, ethical, and ecological dimensions, which undoubtedly affects the increase in competitiveness (Kutnjak 2014).

The company's performance will further be understood as the ability of a company to use the available sources at the best so as the clearly defined targets are achieved in a short period. These can be the maximal valorisation of input sources, the maximization of produced profit, company's values – generally building firm basis of the company's success on the market and ensuring the ability to survive in the future in view of global competition. An interesting concept which emphasizes the significance of human capital is presented by e.g. Pitra (2001) who defines the company's performance as „the result of the organized activity of specific people who joined their strength and means to achieve clearly defined targets“. Further on he adds: „Business performance is not only an economic demand but it is a demand of all society, and the people who make decisions about its level – employees, managers, owners, are personally responsible for its achieving.“ According to the authors of the paper, the main target of a company should be the maximization of the company's goodwill. The company's goodwill is seen here not as an often stated sum which is the difference between the accounting valuation of a company and the market valuation of a company, but as an overall result of the company's long-term operation on the market. It reflects the position of the company on the market, the tradition and reputation in the eyes of the main customers of the company. The company's goodwill is determined by these factors:

- the quality of created production (the products are expected to have a perfect quality grade, appropriate technical and artistic level, external look and other qualities which lead to gaining the popularity with the customers on the market – HPCG 2015),
- the quality of workforce of the company,
- convenient location of the company or the sales network of the company,

- level of relations with public, with stakeholders, (given by long-term social responsibility, environmental friendly production, enforcing equal opportunities – in gender, nationality areas),
- level of marketing activities.

Since the second half of the 20th century the principles of sustainable development and sustainable entrepreneurship have been enforced especially by international organizations measures of which the loudest sound the interventions of the United Nations, Organisation for Economic Co-Operation and Development, European Union and World Bank. As Isada F. and Y. (2014) state, sustainability is (according to Hart 2007) a key word „in shareholder value, which leads to a sustainable society.“ The problem is that nor this term is sufficiently firmly anchored in the financial theory. „The umbrella term sustainability covers many different ways of thinking, issues and concepts, and modes of practice.“ For the purpose of this study the term sustainability is defined as „the long term capability of well being by encompassing the responsible management of all resources, which results in meeting the needs of the present without compromising the ability of future generations to meet their own needs.“ The companies in their own interest should use the tools of sustainable development. For now most of them are on a voluntary basis. One of the ways how not to lose, or even get the trust of customers, is for the companies (especially production companies) to have a responsible approach to sustainable development (corporate social responsibility, further just CSR). This concept includes environmental, social and economic areas, by accepting this concept the company can increase its credibility. There so-called 3Ps, three spheres – profit (economic sphere), people (social sphere) and planet (environmental sphere). In practice it means that companies set high ethic standards, look after their employees and minimize negative impacts on the environment. „According to the Meadows<sup>4</sup> and Randers (1995, p. 211–212) there are three ways how the human world can react to the signals that exploiting resources and harmful emissions have crossed their permanently sustainable limits. The first reaction is to hide these signals, refuse or obfuscate. The second reaction is to ease the pressures from the limits by technical or economic measures. The third possibility is to step back and realize that the human socioeconomic system is beyond control, that it crossed its limits, that it is going to collapse and therefore it is necessary to change the system's structure.“ (Loužek 2013, p. 395) In the corporate practice of the Central Europe economies reaction number 2 prevails. The problems associated with the impacts of industrial production on the environment are not taboo any more, they are spoken of more and possible solutions are searched, which would help to „ensure the needs of current generations without threatening to meet the needs of future generations and

without acting at the expense of other nations.“  
(Ministry of the Environment 2014).

#### 4. RESULTS OF THE QUANTITATIVE RESEARCH IN THE COMPANY SUSTAINABLE PERFORMANCE MANAGEMENT SYSTEMS AREA

The target of the performed empirical research was to find out about the awareness and level of use of the financial theories known concepts, methods and tools for company sustainable performance management. The data acquired by the empirical research and associated results reflect the positive attitude of the researched sample to company sustainable performance management. As a substantial component of company performance management they perceive the methods, tools and indicators which can be used for environmental and social performance management. But still the medium-sized production companies in the Czech Republic use the most the approaches based on financial scales which indicate the level of financial performance of a company. The aspects of sustainable entrepreneurship and sustainable performance are not systematically monitored and evaluated. It was found out that medium-sized production companies in the Czech Republic use the most the traditional methods for evaluation of the company's financial health – i.e. financial analysis in its narrower concept (in structure – see Table 1) which includes especially horizontal and vertical analysis and quantification of ratio indicators. It happens although the companies are aware, at least partly, of the limitations, pitfalls and disadvantages of this approach to company performance measurement.

Table 1: Summary of answers to the question: „In the context of company's financial performance measurement do you use:

(It was possible to cross more than one item.)

Item	Number of respondents in a sample
Traditional indicators of financial analysis (indicators like profitability, activity, liquidity etc.)	128
Traditional indicators (ratios) based on determinants of working capital and cash flows (e.g. net working capital)	79
Horizontal and vertical analysis of reports, especially of balance sheet and profit and loss financial statement of a company	59
Pyramidal analysis of profitability indicators (DuPont analysis of ROE or ROA indicator)	43
Pyramidal analysis of Economic Value Added indicator (EVA)	10
Indicator like Economic Value Added and Market Value Added	48
Economic Value Added	44

Item	Number of respondents in a sample
(EVA)	
Market Value Added (MVA)	4
Profitability based on cash flows (e.g. CF ROI)	5
Bankruptcy and credibility models quantifying the probability of decline/termination of entrepreneurship	55

Source: own processing, 2015

A large contradiction between financial theory and corporate practice in the Czech Republic can be observed e.g. in the case of the pyramidal decomposition of Return on Equity (or Return on Assets) ratio or the Economic Value Added indicator. Pyramidal system belonging to the modern methods of analysis comes from the retrospective point of view. Nevertheless it also provides management staff with the information allowing to the prospective view. In sum approximately in only one third of companies from the research sample it finds its use as a tool for managers in the field of internal business analysis within comparison between the actual and the desired values of the parameters. Nevertheless in the Czech Republic there e.g. Neumaier's (2008) believe that "the concept of a system of indicators with the character of the pyramid is just the most convenient for the present, which is as a result of globalisation characterised by a high degree of dynamic complexity."

The research results prove the general awareness of the possibilities which the modern (advanced) approaches to the company performance management bring, such as Balanced Scorecard (BSC), Economic Value Added (EVA), Market Value Added (MVA), Cash Flow Return on Investment (CFROI), Activity Based Management (ABM/ABC) etc. However they are perceived as too complicated and demanding for implementation into the company environment and processes.

Table 2: Summary of answers to the question: Do you use the below listed concepts for the measurement and management of performance of your company? (It was possible to choose more than one item.)

Item	Number of respondents in a sample
Value Based Management (VBM)	59
Total Quality Management (TQM)	76
Management based on activities, operations and (ABM/ABC)	43
Investment management	88
Strategic controlling	41
Operative controlling	99
Environmental managerial accounting	89

Item	Number of respondents in a sample
Balanced Scorecard (BSC)	59
Strategic maps	11
European Foundation Excellence Model (EFQM)	44
Six Sigma	9
Performance prism	1
Continuous improvement	47
Lean management	41
Tableau de Bord	0
Others (please specify.....)	0

Source: own processing, 2015

## 5. PROPOSAL OF SUSTAINABLE PERFORMANCE MANAGEMENT MODEL OF MANUFACTURING COMPANIES IN SMALL OPEN ECONOMY ENVIRONMENT

Considering the great interest in new performance management systems, especially because the traditional systems for company performance measurement and management often focus just on financial indicators which however fail as a result of the highly dynamic and turbulent environment, the target of the paper is to propose a model for management of sustainable performance of a company. In terms of the theory and practice needs it seems needed to research the issue of performance measurement and management systems development (Kennerley and Neely 2003) and to propose a model for company performance management which would be easily implemented, efficient and effective for medium-sized companies operating in the environment of a small, open, pro-export oriented economy. Companies defined by European Commission as large (according to European Commission 2005; Commission Recommendation 2003/361/EC) already have their efficient methodology, whereas innovation introduction in the area of company performance measurement and management (new methodologies of implementation, new model) would further burden small and micro companies in terms of the range of activities.

There have been lots of discussions (Henri 2003, Behn 2003) and a few attempts to create a suitable performance model (e.g. Carroll 1979; Bartoš). Bartoš states, based on purposes identification which is necessary for measurement (management) of performance and ideal qualities of integrated system for performance measurement, that „none of the existing models or approaches completely meets the requirements“.

The model presented in this paper (it will be improved within authors' further research and its functionality will be verified in Czech enterprise praxis by a case study research form) was proposed based on the synthesis of knowledge acquired by studying and analysis of secondary sources and data and also of the performed primary research results. The target of the proposed model of sustainable performance

management of a company is to direct a medium-sized company towards strengthening and consequent keeping of sustainable performance and therefore its long-term competitiveness by the model's implementation in the company practice.

The model proposal was inspired by the strategic maps of authors Kaplan and Norton (2000), by the proposal of integrated model for company performance measurement and management by authors Knápková, Pavelková and Chodúr (2011) and by Pollak's methodology, who based it on the experience with unhealthy companies rehabilitation in West Europe and proposed a new method of companies' viability evaluation based on evaluation of the ten following significant parameters:

- cash flow sufficient for adequate coverage of interests for invested capital,
- sufficient satisfaction of customers, shareholders, creditors, employees, suppliers and the area where the company operates,
- stable base of satisfied customers,
- products/services corresponding to the market requirements,
- continuous market research whose results the company implements into new products/services corresponding to the changing requirements,
- training of its qualified and motivated staff,
- optimal capital structure,
- capable, reliable and innovative suppliers of raw materials, products and services,
- operate at a convenient place,
- positive attitude to the environment.

Pollak noted that "the future viability of an enterprise is determined by mainly exogenous (non-firm) factors which in the company accounts do not come into account". Referring to the monograph of Measuring Performance in the Organisation of the Future, Nolan Institute, USA, 1990, Pollak with monograph's authors argues that "the corporate accounting rather obscures than supports the future of the company." That's why the authors' model proposal (within model's assumptions) was inspired by mentioned Pollak's significant parameters.

The proposed reference model of sustainable performance management of a medium-sized production company is built on four main components. These are:

- management built on the idea of Sustainable Balanced Scorecard (SBSC),
- controlling activities based on so-called sustainable controlling,
- sustainable performance management of a company,
- benchmarking.

The model is based on the idea that the level of competitiveness of a company in long term is the reflection of the management's ability to manage the company successfully, to guide its performance in the right direction and at an appropriate speed and to evaluate effectively the company's internal results by controlling methods and tools – feedback and mutual causalities and dependencies system.

It is generally known that what cannot be measured, cannot be managed. This managerial axiom is sometimes used in a modified version, i.e. „What we do not measure, we cannot improve.“ The meaning is still the same. A significant part of the future success of a company is the human capital and innovative abilities of the workers, the level of management – managerial processes and the manager's personality in the company's performance management model. The main tasks of the company management are primarily to create such environment where individuals together carry on the effectively defined targets – to achieve maximal outputs and use with optimal structure and composition of sources. Šilha (2006) adds to this that „company management had to start looking for methods ensuring that company's survival and profit will not be a matter of chance or one person's skill but it will be possible to control it“.

Figge, Hahn et al point out that „environmental and social aspects can be subsumed under the four existing BSC perspectives like all other potential strategically relevant aspects (Deegen 2001; Epstein 1996; Figge et al 2002). This means that environmental and social aspects are integrated in the four perspectives through respective strategic core elements or performance drivers for which lagging and leading indicators as well as targets and measures are formulated (Kaplan and Norton 2000)

### 5.1. Model assumptions

The model of sustainable performance of a medium-sized production company is based on the following assumptions:

- Assumption of continuous lasting of the accounting unit (going concern).
- The company representatives are aware of the costs associated with respecting environmental and social perspectives of entrepreneurship. They act systematically not randomly in the environmental and social areas. They expect that the revenues of such activities will be taken into account by the company stakeholders to such extent that the benefits outweigh the costs connected to the environmental protection and activities in the social area.
- The corporate culture reflects in everyday reality the company activities associated with environment protection and activities in the social area, which assumes that the company workers were introduced to the sustainable entrepreneurship rules and behave according to

them. (Sustainable entrepreneurship is a journey, not a goal. (Pascual et al 2011))

- The company climate is pro-active to the changes in the sustainable entrepreneurship area.
- If there are possibilities of new activities or improvement of the current ones in the area of sustainable entrepreneurship of a company, a senior worker deals with the presented proposal, checks the possibilities to apply it and the benefits to improve the company's results and finally he rejects the proposal, suggests its completing or reworking or its approval.
- The systems of environmental protection and social area activities are included and based on the strategic documents of a company.
- The company's target is maximalisation of long-term economic result (so-called sustainable profit).
- A company can offer something useful to the others and to fill them with enthusiasm about it. (It's true that no core endures forever (Zook 2007).)

Based on the study of professional sources and knowledge from production companies' practice, it can be proposed the following composition of steps which can be used for implementation of the model in a production company practice (Bartoš 2006):

1. Evaluation of the company's readiness, formulation and approval of changes.
2. Creation of organization framework, personnel shield and information providing of changes.
3. Analysis and completing the basic strategy documentation.
4. Deriving the key strategic targets and proposing the measurement quantities - indicators.
5. Setting the target indicators values and proposing of strategic operations set.
6. Unification of system measurements for ISO standards and BSC.
7. Extending BSC implementation to all organization units and management levels – creating a consistent and internally interconnected system of criteria for company performance measurement and management.
8. Ensuring fluent integration of BSC into the company's management system.

### 6. CONCLUSION

If a company wants to „keep up with“ the high dynamics of the economy, an essential assumption is to continuously work on making the company's performance management system more effective. It means the right setting of priorities, functionalities and respecting the causal dependencies in the whole system, precise checking, regulating in the desired direction. For business entities at the beginning of the 21st century it is not enough to be a unit whose only target is to satisfy the needs of the entrepreneur/its owners by maximalisation of the short-term accounting profit. To



make a company successful in the growing competition fight, it has to fulfil more or less also its social function and follow the environmental rules of responsible behaviour which must be evaluated in terms of effectiveness, efficiency and economy. In spite of all the displeasure and protests brought by the environmental summits, conferences, aroused by published news and government recommendations and directives on environmental topics, the social and environmental dimensions of entrepreneurship play a still more significant role in company management in the early 21st century, still more significance is laid on them for keeping and strengthening of company's performance, success and long-term competitiveness in the global context.

The paper reacts to the need of financial theory and business practice to propose a model of sustainable performance management of a company.

„People don't need big cars, they just need respect. They don't need closets full of clothes, they need to feel attractive and they need excitement, variety and beauty. People don't need electronic entertainment, they need to do something worthwhile with their lives...People need identity, society, motivation, appreciation, love and joy. Trying to meet these needs by material things means to develop an unquenchable appetite for false solutions of real and never consolable problems“ (Meadows et al 1995, p. 234).

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## AUTHORS BIOGRAPHY

**Veronika Burešová** has worked as an assistant at the Department of Finance and Accounting of the Faculty of Economics at the University of West Bohemia in Pilsen since 2014. Since 2012 she has actively published the results of her research activity for the national and international professional community. The author's main research area is the problems associated with sustainable performance management of companies.

**Líla Dvořáková** works as the Head of the Department of Finance and Accounting at the University of West Bohemia in Pilsen in the Czech Republic. She works as a tutor of students of the doctoral studies in the Company economy and management area. Her research activity is focused on the area of measurement and management of the financial position and performance of a company.