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Chapter 82
Measurement of Company Performance as Part of Its Strategic Management

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ABSTRACT

One assumption of success is definitely strategic thinking, knowledge of methods, practices and recommendations how to achieve success. Performance measurement and management presents subject of constant discussions of academics and practitioners looking for a solution to create management tool that supports continuous improvement of performance evaluation of business processes. It is characterized by two key insights into functioning of the company, i.e. financial view when owner expected appreciation of investments and increasing of company value and viewing business as a socio-economic system, mainly as a complex network of internal and external relations, which should also be managed with balance. The purpose of the chapter is to provide an overview of approaches to management and measurement of business performance according to the experts’ views presented in the literature. Part of the chapter is also selected results of realized researches, orientated to the management and measurement of performance of Slovakian and foreign companies with emphasis to changes of used means.

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INTRODUCTION

Background

The company’s ability to compete in present ever changing business environment requires competent managers who can think strategically. Present global environment requires companies to have a clear vision, mission and direction of business. Knowledge of the theory and practice of strategic management, financial management, and marketing can help managers to achieve mentioned; since they allow estimating and knowing future needs of business and apply processes that are recommended for effective management in competitive environment. Conceptual framework for understanding the literature on contemporary performance measurement systems and the theories is provided by Franco-Santos et al. (2012), Boj et al. (2014) with determination of its consequences: people’s behavior, organizational capabilities and performance consequences.

Present time is characterized by constant changes affecting also the business field. Business organizations must respond to constantly changing market situation and know how to adapt to these changes professionally. Managers have always been most interested in the financial aspects, however, the company’s development depends more and more on the flexible factors and non-financial indicators such as knowledge, the ability of continuous learning, acquired knowledge development, innovation potential, use of the information society achievements, building a knowledge society etc. All this assumes a continuous improvement of relations with employees, customers, suppliers, and other entities. In this context it is appropriate to focus on strategic management and management and measurement of company performance. It is argued operational and support processes deliver performance presently, it is the managerial processes that sustain performance over time. For example Bititci et al. (2011) made basic view to better understanding what the managerial processes are and how they influence organizational performance, finding five managerial processes and activities, having influence to performance.

Aim of the chapter is to provide an overview of approaches to management and measurement of business performance according to the views of individual academics and practitioners, as presented in the literature. The chapter deals with approaches comparing their historical development and content, which in relation to continuous changes in business environment is changing as well. Part of the chapter is orientated to selected results of realized researches, orientated to management and measurement of performance in Slovakian and foreign companies, with emphasis on changes of used tools.

APPROACHES TO THE MANAGEMENT AND MEASUREMENT OF COMPANY PERFORMANCE

Question of performance measurement and management is subject of constant discussions of professionals, looking for solutions to create management tool supporting continuous improvement and performance evaluation of business processes. Performance measurement is currently characterized by two key insights into the functioning of company – first insight is focused on financial side, which means financial investment for owner, when owner expects evaluation of investments and increasing of company’s value. Second insight presents company as a socio-economic system, i.e. as complex network of internal and