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The Assessment as a Measurement Instrument of Public Company Quality Management

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Abstract

The specialty studies describe the basic methods of performance assessment, the ones concerning the equation between characters-behaviors-results and separately it presents a category of other methods that rely mainly on indicators and key evaluation. However, on our opinion, the assessment of management performance in a holistic but criticizable way requires an approach connected to both methods described above. The management performance covers two basic areas of study, namely that of potential assessment as well as the results assessment for the general manager and the management team. The rating of public enterprise management potential distinguishes single features and behaviors for general manager and these focus basically on personality, skills, physical and intellectual capacity and not least on his patterned leadership methods, while the team management is rated by the trust, homogeneity, freedom of expression, consensitiveness and they are unlimited.

Key words

Assessment, public enterprise, management performance, corporative governance, output assessment, the rating of ability

JEL Codes: M41

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1. Introduction

The state of knowledge regarding the honesty of the performance assessment of the public undertaking

The literature has developed in time a range of definitions and approaches more or less detailed about the concept of performance, thus creating an uncertainty during the process of performance evaluation regarding the accuracy and reliability of the enterprise performance presentation. In 1995, Bourguignon portrays performance as "the achievement of the enterprise objectives" (Bourguignon, 1995), without showing any possibility of its processing, appreciating it as being multidimensional in relation to the multitude of purposes. At the same time, the paradigm of efficiency assimilated to efficiency is promoted by highlighting the possibility of measuring performance as compared with a "monetary indicator expressing the output of the enterprise and a monetary indicator relative to the employee means" (Jianu, 2007). Another approach of performance is that promoted by P. Lorino in 1995, when he states that performance is closely linked to the creation of value for the enterprise.

In 2003, Niculescu presents a new concept of performance, which exists only "if the enterprise is simultaneously effective and productive" (Niculescu, 2003). However, Jianu in the paper "Evaluating, Presenting and Analyzing the Performance of the Enterprise" carries out a critical analysis of this statement, considering that performance cannot be limited only to the elements of efficiency and productivity, arguing that "if efficiency can express performance when the ratio is supraunitary, productivity and efficiency have nothing to do with performance" (Jianu, 2007), thus giving rise to diverse assumptions about the *performance-effectiveness-productivity relationship*. Marmuse notes in his work "Encyclopédie de Comptabilité, Contrôle de Gestion et Audit" that the performance is directly linked to the employees' motivation system, a context which is favorable to the long-term maintenance of the enterprise at an appreciable distance from competition, without having the need for an enterprise to build its own performance indicators associated with the set objectives.

Starting from the definition of the financial-accounting information relevance considered as predictive and useful in improving the management decision that guides the public enterprise towards performance and continuation with the circumstances in which performance is assessed based on financial-accounting information as well as on indicators built with the financial information provided by the financial statements, we appreciate that the reality presented by the results of the evaluation is distinct from each user in relation to its interests. This assertion sustains that there is a greater flexibility for moving into a wide range of methods, assessment techniques and its selection in any analysis, diagnosis and evaluation.

Therefore, the sincerity of performance assessment is questionable and does not provide certainty through the results it provides to interested users as the approach of evaluation is directly connected to a range of influent factors, considering

them as depended on the object, method, purpose, beneficiary and last but not least on the obtained values. Moreover, even the financial statements can present distinct facts in accordance either with the expectations of those interested or with the professional judgment of decision-makers in the financial-accounting field from the perspective of the multitude options in the financial-accounting and fiscal activity, most often being: permissive accounting policies, alternative accounting treatments, selection of evaluation and reassessment methods etc.

2. Methodology of research

In his work, the author proposed a deductive approach from general to particular as well as from international to national, focusing especially on the approach of *performance* and moreover on its connection to the public enterprise management. For the objectives achievement, there have been used various research methodologies, such as the fundamental, interpretative, empirical and positivist types. There have also been included the deductive and inductive research mechanisms. The used research methods have resulted in qualitative (empirical) methods, and the research support included: study of bibliographic references, specific corporate governance papers, specialized articles and books, analyses and studies in reference areas.

1. Visions and methods of assessing the management performance

An acceptance of the assessment is that through which the performance of public enterprise management is determined in its management and the correct implementation of the mechanisms suitable for good governance. The approach of public enterprise management performance starts from a general conceptual perspective on performance which can be pragmatically analyzed through a multitude of visions and these are the most useful ones:

- the correlation between efficiency and effectiveness, a vector for increasing the value of the public enterprise, but in this context managerial efficiency and effectiveness can be distinctly treated by developing two directions as follows:

- a) manageable effectiveness defined as meeting the objectives and associated indicators;
- b) manageable efficiency through which value added earnings are measured;

- manageable performance assessment as referred to performance standards through an objective analysis of facts and outcomes, excluding assumptions or value judgments. At the same time, opinions (http://www.revistadestatistica.ro/wp-content/uploads/2014/02/RRS_4_2012_A3_ro.pdf) and conclusions should highlight the successes achieved and for partial or unrealized objectives, it is imperative to expose the causes that prevented success;

- management performance assessment by highlighting the performance skills of public enterprise;

- the output measurement by reporting the achievements to tasks.

The specialty studies describe the basic methods of performance assessment, the ones concerning the equation between *characters-behaviors-results* and separately it presents a category of other methods mainly relying on indicators and key evaluation. However, on our opinion, the assessment of management performance in a holistic but criticizable way requires an approach connected to the described above methods. The management performance covers two basic areas of study, namely that of potential assessment as well as the results assessment for the general manager and the management team.

The rating of public enterprise management potential distinguishes single features and behaviors for general manager and these focuses basically on personality, skills, physical and intellectual capacity and not least on his patterned leadership methods, while the team management is rated by the trust, homogeneity, freedom of expression, sensitiveness and they are unlimited. The management assessment of public enterprise usually rely on *output*, thus dissociating distinct criteria such as for general manager and management team.

The general management performance can be assessed by setting a wide range of criteria and indicators such as: the evolution of turnover, the share of results in exploiting new markets related to the whole exploitation activities, the profit generated by the exploitation activity, the market share increase, the investment indicators' fulfillment, the increase of debts collection rate, the increase of the leverage etc. while the evaluation of the management team performance mainly implies the use of the rate method such as growth rates, profitability, market score, credit management and business analysis as well.

2. The assessment of management performance in transport public enterprises

The management performance in public enterprises is carried out as a straightforward coordination and monitorization by the Ministry of Public Finance in full cooperation with the tutorial public authorities who have the competence to approve the methodology that regulates the way of determining both the financial and non-financial indicators and the variable remuneration component.

According to Governance Emergency Decree no. 109 of 30th of November 2011 regarding the updated corporate governance of public enterprises, the variable component is directly granted under the terms of managerial performance for the rate of objectives achievement and the performance criteria contained in the warrant agreement. According to art. 29, point (11) (O.U.G. nr. 109 din 30 noiembrie 2011) the remuneration of the public enterprise directors is made up of a fixed remuneration which is approved by the General Meeting of the Shareholders and by an addendum to warrant agreement of the variable remuneration, the objectives and the performance of financial and non-financial indicators.

At the same time, a part of the settled objectives are related to the arrears cut off, debt management, cash-flow insurance, implementation of the investment program etc, thus creating the favorable circumstances for the determination of the variable remuneration component both for the managers and the managerial team of the public enterprise. The variable component is usually granted in accordance with the rate of performance key achievements and the article 55, paragraph 3 of Government Emergency Decree, no 109 which establishes the content of the "Annual Report on Payments and Other Advantages of Managers and Team Leaders" stipulating the following, as related to the subject of scientific research:

a) *The payment structure, explaining the share of variable and constant components*

b) *The performance criteria as a key factor of variable component and the relation between outcome and payment;* (O.U.G. nr. 109 din 30 noiembrie 2011).

Since we have selected public enterprises in the transport sector for the empirical study, we consider that the relevance of the study is increased by approaching this sector from several perspectives, therefore we have visited the official website of the Ministry of Transport (<http://mt.gov.ro/web14/documente/privatizare-si-management/Nota001.pdf>) in order to consult the reference document that sets both the criteria and remuneration policy of managers and team leaders and attempting an objective analysis of its content. Under this circumstances, we found that, at the level of the public undertakings where the provisions of Government Emergency Decree no. 109 of 30 November 2011 regarding Corporate Governance are applied, there are also recommendations made by a consultant in the field and these propose a series of criteria and performance indicators specific to each public enterprise structured in annual performance indicators and performance indicators per project. Hence, the criteria are meant to find five public enterprises in the studied sample, whose performance indicators are reflected in the following tables:

Table 1. Main performance indicators in the public enterprise

No.	Indicators of staff development	Process indicators	Customer indicators	Financial indicators
Bucharest National Airlines Company				
1.	-professional training hours - costs of the staff professional training/ employee	-delays - luggage transfer efficiency - luggage security check efficiency - passport control time - check-in time - time of security check; - airport capacity - service capacity - luggage delivering time - taxi-in; - taxi-out; - transfer duration - number of passengers - aircraft movement - accidents	- number of complaints - time for complaints handling - risks	- current spending - financial operations - financial income - operating income - operations spending - financial spending - profit - turnover - arrears cut - financial flow
"Telecomunicații CFR" Trading Company				
2.	- professional training hours - costs of the staff professional training/employee	- network traffic - coverage - utilisation - customer services availability - telecommunication.	- number of complaints - time for complaints handling - risks	- current spending - financial operations - financial income - operating income - operations spending - financial spending - profit - turnover - arrears cut - financial flow

National Airlines Company TAROM SA				
3.	- professional training hours - costs of the professional training/employee	- number of carried passengers - ware shipping volume - passengers' loading rate - ware loading rate - number of flights - availability of seats per km -delays - canceled flights - lost luggage - fleet usage grade; - pilots distribution -presence in the top of the race; - accidents; - energy consumption; - fuel consumption; - carbon dioxide emissions.	- number of complaints - time for complaints handling; - menu - risks.	- current spending - financial operations - financial income - operating income - operations spending - financial spending - profit - turnover - arrears cut - financial flow
National Railway Company CFR SA				
4.	- professional training hours - costs of the professional training/employee	- railways modernization; - fixing railways -broken train tracks; - restrictions; - accidents; - technical maintenance of railways - device check; - fixing cables; - fixing train switcher - the insurance of autostop inductors; - current fixes; - disturbances; - theft / ravage; -providing traction energy; - infrastructure charge	- number of complaints - time for complaints handling;	- current spending - financial operations - financial income - operating income - operations spending - financial spending - profit - stock input - arrears cut - turnover - financial flow

Source:<http://mt.gov.ro/web14/documente/privatizare-si-management/Nota001.pdf> January 2018;

Table 2. The main performance indicators for projects

No.	Project/ Performance indicators associated with the project
Bucharest National Airlines Company	
1.	- financial balancing/ operational rentability; - human capital return / human capital productivity/ talent management/ human capital cost; - terminal refurbishment / terminal reconstruction; - environmental development
"Telecomunicatii CFR" Trading Company	
2.	- redefining the trade policy / trade agreements viability; - human capital return / human capital productivity/ talent management/ human capital cost; - outsourced services/ the efficiency of outsourced services costs.
National Airlines Company TAROM SA	
3.	- financial balancing/operational rentability; - human capital return/human capital productivity/ talent management/ human capital cost; - image enhancement/market rate/complaints/perception of public enterprise image.
National Railway Company CFR SA	
4.	- rentability of railway stations/ number of reconstructed stations/number of rehabilitated railways kilometers; - volumetric revision of workforce / human resources costs efficiency/technical equipment/TESA staff; - the outsourcing of additional services/ security outsourcing/sanitation and maintenance outsourcing.

Source:<http://mt.gov.ro/web14/documente/privatizare-si-management/Nota001.pdf> January 2018;

Comparing the performance indicators focused on assessment of public enterprises that are studied from the financial, non-financial and project management point of view, we can notice the unitarily approach of specialists' recommended indicators, being slightly adjusted to the specifics of each public enterprise activity. However the investment indicators are not stipulated among them, although the entire transport sector is hampered by serious investments for serving the society

and getting the customers' satisfaction. At the same time, the consultancy did not use scientific approaches in drawing up the Annual Report on Payments and Other Advantages of Managers and Team Leaders because there were no indicators to allow the appreciation of the general manager and management team skills mainly based on results.

Moreover, we can only emphasize that this document does not meet the requirements of the corporate governance legislation but of article 55, paragraph 3 of Government Emergency Decree no 109 of 30th November 2011 regarding the corporate governance. We also note that the approached document was accepted and appropriated by the tutorial authority of public enterprises itself by being signed on behalf of Ministry of Transport, although it does not fully comply with the legal provisions and the title does not match the content.

Observations:

The quality of public enterprise management is limited to assessing its performance by determining the value of the public enterprise at relevant time intervals, thus pursuing the evolution of that value, so if it is positive, the governance is positioned in satisfactory parameters and if it records negative values, the management has not adopted the adequate decisions to lead public enterprises to performance and progress.

Taking into account the relevance of financial accounting information, it is noted that it directly influences the results of the performance evaluation of the executive and non-executive management in public enterprises as well as its remuneration in a context where is needed an increase of financial-accounting information relevance.

The assessment of studied managerial performances at the level of public enterprises is neither carried out in accordance with the legal provisions nor by scientific criteria, although the guardianship authority has been advised to draw up the "Policy and remuneration criteria for administrators and directors". Our statement is based on two main elements, as follows:

(a) From the legal point of view, the document does not contain the mandatory elements provided by the specific legislation in force, it does not present the structure of the remuneration and the share of the fixed and variable components, although the document title reveals that they are the purpose of its elaboration; it does not contain performance criteria which substantiate the variable remuneration component, the ratio between performance and remuneration; [...] (O.U.G. nr. 109 din 30 noiembrie 2011);

(b) From the scientific perspective we observe that the content of the approached document does not contain indicators that will allow the appreciation of the general manager potential as well as of the managerial team, based mainly on result indicators but they are not complete, characterized by relevance, the lack of investment indicators, although the entire transport sector is hampered by serious investments that serve society as the public enterprises themselves are aiming at satisfying the public interest.

3. The performance assessment- an instrument for public enterprises governance appreciation

The performance assessment is the operation which provides one of the most realistic images of the public enterprise government with a management role. From Henry Mintzberg's point of view, there are ten types of assessments structured in three main fields: informative, decision making, interpersonal, as it can be seen in the table 3:

Table 3. The roles and areas of corporate governance (Pugh *et al.*, 1989)

Management Field	Management Role	Management Activities
INFORMATIVE ¹⁾	MONITOR	The manager of the public enterprise ensures its monitoring through the flows and information that have improved the internal decisions.
	SPEAKER	As speaker, the manager disseminates any kind of information such as factual, valuable, economic-financial and others.
	SPOKESMAN	Regardless the type of information that the public enterprise has to provide to the internal users (in the decision-making process) and to the external ones (general public), it assigns the spokesman role to the manager.
DECISION-MAKING ²⁾	ENTREPREUNER	The entrepreneurial role of the manager lies on his skill of making decisions on a large scale for the good work of the public enterprise.
	KEY FACTOR OF SOLVING PERTURBATION KEY FACTOR OF RESOURCES ALLOCATION	The manager's action and reaction on the events settlement are not anticipated and are not previously controlled As a factor for allocating the financial, material, human and other resources, the manager makes decisions in the context of work planning and at the same time he has the power to authorize the actions that will be on charge.
	NEGOCIATOR	The manager's role as negotiator obliges him to verify the resources available to the

Management Field	Management Role	Management Activities
		public in real time.
INTERPERSONAL ³⁾	REPRESENTATIVE/ OFFICIAL CONTACT	The manager is the representative of the public enterprise by authority and job description he was employed for The leadership role is highlighted by the manager's attitude regarding the needs of the public enterprises based on the individual needs of employees. The manager must continuously maintain relationships both vertically and horizontally within the public enterprise. At the same time, the manager has a mediator role between the internal environment of public enterprise and the external one.
Note: 1) collection and information dissemination and broadcasting; 2) decisions improving represents the most important part of management activity; 3) It refers to the relational system created between the management and the actors involved both within and outside the public enterprise.		

Source: Henry Mintzberg

Corporate governance orientation to corporate governance performance requires the management's implementation of a rigorous business control from all its meanings and a continuous monitoring of the activity, with the statement that they all intertwine and flutter on the basis of effective risk management. For a steady monitoring of a public enterprise activity, the corporate management should create a monitoring instrument similar to an instrument panel, which it constantly carries about the evolution or the physical and economic progress of each specific and general objective. The monitoring instrument must concretely broadcast a range of technical, financial and last but not least objective information, as well as measurable indicators and its format may take the form of the one presented below (table 4), but this is not limitative.

Table 4. Managerial tool for analysis, reporting and monitoring performance on intermediate steps

General Target	Responsible Structure	Deadline	Responsible	Indicators of intermediate performance			Calculation formula	Output indicators		
				Critical <40%	Average <70%	Good >70%		Critical <40%	Average <70%	Good >70%
0	1	2	3	4	5	6	7	8	9	10
Specific target no. 1 Activities: 1. 2. 3.										
Specific target no. "n" Activities: 1. 2. 3.										

Source: own work

The above-mentioned managerial tool aimed at creating a complete analysis, reporting and monitoring system built in such a way that the results are monitored on intermediate steps. The novelty in the construction of this tool is that of intermediate progress monitoring indicators, to which we have associated a three-stage appreciation grid, considering as an example that if the level of achievement of the indicator is less than 40% - the stage is critically, if the indicator is between 40% and 70% - the stage will be medium and if the degree of achievement of the indicator is above 70% - the stage will be accepted as satisfactory on intermediate stages and it is possible to recover all delays, resource redeployment or managerial intervention to address dysfunctions.

Since the intermediate and output indicators are the control key of performance, the management has the responsibility of setting the margin value for satisfaction based on the activity of the public company it manages, thus creating the possibility of targeting the public enterprise in the desired direction.

Moreover, the managerial tool proposed by us allows the presentation of a unitary image and at the same time during the processes it facilitates the identification of the specific objectives whose connection is interfering with disturbing factors, this is the reason for a necessary and obligatory analysis and resize of these even during the assessments and not only by the final assessment of the objectives fulfillment.

6. Conclusions

The economic dynamics, the current social, economic, institutional conditions, the complexity of the activities of public enterprises in competitive economic circumstances with major influences on managerial decisions require routine renunciation and force the identification of new possibilities to increase the relevance of financial-accounting information in the context of performance appraisal based on methods and techniques of scientific nature in order to know the economic reality of the respective public enterprises and to determine the causal links between the economic phenomena and their financial situation. The financial-accounting information represents the basic material of any form of valuation used to establish the realistic, objective and useful economic and financial situation of a public enterprise at a given moment, and moreover, the relevant financial-accounting information has a major impact on the results evaluation. Regarding the quality of the public enterprise's performance assessment, this is in a direct connection with the performance assessments at the level of the sectors or the activity segments

The performance assessment is in a bidirectional relationship with the relevant financial and accounting information. e, a relevant financial and accounting information is actively involved in making an assessment of the public enterprise performance as realistic, objective and, last but not least, useful, while, depending on the valuation method used, we can achieve a superior capitalization of the financial- accounting by assigning to it the relevance expected by the user of that assessment. *The quality of public enterprise management* focuses on its performance assessment by determining the value of the public enterprise at relevant time intervals, thus pursuing the evolution of that value, so if it is positive, the governance is positioned in satisfactory parameters and if it records negative values it results that management has not made timely decisions to drive the public enterprise towards performance and progress.

With regard to empirical research on the *assessment of management performance* in the public enterprise, there is noticed that this assessment has been achieved neither in accordance with the legal provisions nor with scientific criteria and as a conclusion: Regarding the legal perspective, the justification of the management payment does not meet the mandatory elements provided by the specific legislation in force, and it does not present the structure of the payment and the share of the fixed and variable components, although it results from the document that they are the purpose of its elaboration; there are no performance criteria that underpin the variable remuneration component as well as the ratio between performance and remuneration. Scientifically speaking, we can see that there are no indicators for allowing the appreciation of the general manager's potential as well as of the management team, based mainly on output indicators and they are not complete as characterized by relevance, resulting in a lack of indicators for investment nature, although the entire transport sector, the one that has been subjected to empirical research, is hampered by serious investments to serve society once the public enterprises themselves are aiming to satisfy the public interest.

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