

PERFORMANCE MEASUREMENT INDICATORS USED IN CZECH ORGANISATIONS

(PARTIAL RESULTS OF PROJECT CZ.3.01.2012.221.002 "PERFORMANCE MEASUREMENT SYSTEMS IN CZECH ORGANISATIONS", 2013)

ABOUT THE INSTITUTE

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The topics that INESAN focuses on include ethical behaviour, managerial studies, ICT, environment and social topics.

Thanks to its background in the methodology of applied social research, INESAN also processes surveys and methodological analyses. INESAN also provides expert services in creating methodological tools for evaluation, undertakes evaluations, participates in the preparation of tender documents, provides peer reviews of the individual documents related to evaluation and social research methodology. Publications, expert reports and opinions issued by INESAN are not biased by the attitudes of donors and clients; they present

ABOUT THE PROJECT

The chief objective of Project CZ.3.01.2012.221.002 "PERFORMANCE MEASUREMENT SYSTEMS IN CZECH ORGANISATIONS" is to analyse the current systems, methods and approaches to the measurement of performance in organisations in the Czech Republic.

The project's individual objectives include determining the rate of achievement of the goals set by the organisations; determining the areas of performance measurement; analysis of the performance indicators used; analysis of problematic aspects of performance monitoring and metering; summary of the perceived benefits of monitoring performance and the identification of the methods for using organisations' performance data.

The purpose of this partial output is to provide insights into performance indicators that organisations use in measuring the achievement of their set goals.

SUMMARY OF RESULTS

Organisations typically measure a set of indicators that reflect their performance in various fields (finance, marketing, HR management, etc.). This confirms that performance is a multi-dimensional matter that cannot be reduced to and expressed by a single summary indicator. The most frequently measured indicators in general (regardless of the specific areas of management) are profitability, customer satisfaction, cost reduction rate, sales growth and productivity.

By contrast, innovation indicators are not cited as the common and most frequently used performance indicators. The reviewed organisations do not have their goals defined in this respect and they do not use any specific method to incorporate innovation in their performance measurement algorithms. Similarly, most entities do not include the impact on their social environment in performance measurement

METHODOLOGY

The information contained in this overview comes from the research conducted by the Institute of Evaluations and Social Analyses (INESAN) as part of Project No. CZ.3.01.2012.221.002.

The data was collected in the Czech Republic in May 2012. The organisations were chosen using a stratified random selection method. The selective pool consists of Czech business entities.

The research involved conducting and analysing a total of 331 interviews with the managerial staff of the individual organisations (directors, CEO, CFO).

SAMPLE DESCRIPTION

Structure by segment:

Industrial companies account for 48% of the organisations, utilities and telecommunications firms account for 20% and the remaining 32% is attributable to other organisations (e.g., construction, commerce and services).

Structure by size of organisation:

One half of the pool (50%) is small entities, i.e., ones with fewer than 100 employees, medium-sized organisations with 100 to 249 employees account for 32% and 18% is attributable to large organisations with 250 or more employees.

Structure by existence of branches:

56% of the organisations have no branches, 34% have branches only in the Czech Republic, 8% have branches home and abroad and 2% of organisations only have branches abroad.

Structure by turnover:

The last known turnover figure (i.e., for 2011) did not exceed CZK 50 M with 25% of the organisations, 17% of the organisations posted a turnover of CZK 50–99 M, 41% posted a turnover of CZK 100–499 M and 17% posted turnover in excess of CZK 500 M.

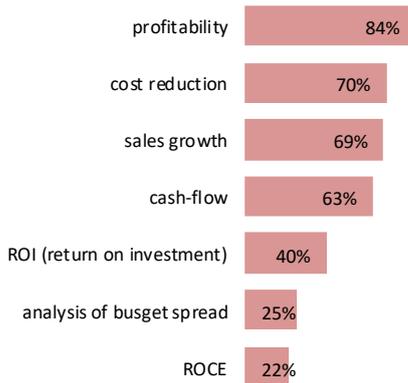
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PARTIAL RESEARCH RESULTS

The research work focused on determining which specific indicators organisations use. In this respect, the research mapped seven areas, specifically: financial indicators; indicators related to customers, employees, operation processes and innovation; product or service quality indicators; and social responsibility indicators.

Out of financial indicators, the respondent organisations mostly measure their profitability, cost reduction rate, sales growth rate and cash-flow. More than three-fifths of organisations measure such indicators.

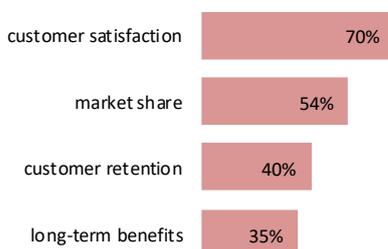
Graph 1: Financial indicators



The other reviewed indicators (ROI, ROCE and budget spread) are measured by fewer than a half of the entities.

The most frequently used customer-related indicator is customer satisfaction, measured by seven out of ten organisations. More than one half of the organisations also measure their market share (54%). Fewer than one half of the entities measure customer retention rate and long-term benefits.

Graph 2: Customer-related indicators



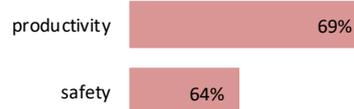
For employee performance indicators, attendance is the most frequently measured indicator, used by three-fifths of the entities. About one half of the entities measure employee satisfaction and abilities; two-fifths of the entities also focus on measuring fluctuation rate.

Graph 3: Employee-related indicators



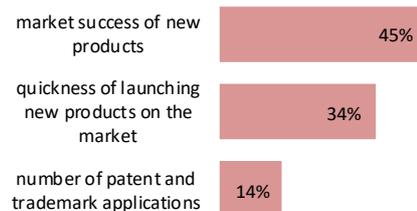
The indicators of operational process performance primarily include productivity and safety; two-thirds of the reviewed companies use these indicators.

Graph 4: Operational process indicators



The next category of performance indicators covers the field of innovation. This means primarily measuring the market success of new products, measured by almost one-half of the entities. One-third measure the quickness of launching new products on the market, and the lowest percentage record the number of patent and trademark applications.

Graph 5: Innovation indicators



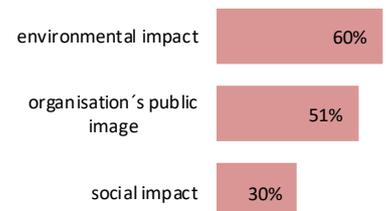
In terms of product/service quality indicators, organisations mostly measure the quality as perceived by the customers; two-thirds of the entities do this. Almost one-half of the organisations measure product scrap rate.

Graph 6: Product/service quality indicators



The last category of performance indicators is social responsibility. The most frequently measured indicator in this respect is the environmental impact of the organisation, measured by three-fifths of the entities. A half of the organisations also monitor their image and less than one-third monitor the social impact of their operation (e.g., how much they contribute to increasing the employment rate in their area).

Graph 7: Social responsibility indicators



i The most frequently measured financial indicator is the rate of profitability. The most frequently cited indicators in other areas include customer satisfaction, employee attendance, productivity, market success of new products, quality perceived by the employees and environmental impact.