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KÜÇÜK VE ORTA ÖLÇEKLİ İŞLETMELERDE BAŞARI KRİTERLERİ VE FİNANSAL OLMAYAN PERFORMANS ÖLÇÜMÜ[1]

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ÖZET

Performans bir işletmenin başarısını başka bir ifadeyle, işletmenin amaçlarına ulaşma düzeyini belirleyen çok yönlü bir kavramdır. İşletmelerin başarısı ve sürekliliği performans ölçümü ile değerlendirilir. Geleneksel bakış açıları, girişimciyi işe girmek için motive eden faktörleri ve elde etmeye çalıştığı hedefleri göz ardı ederek kar, ciro gibi finansal performans ölçütleri kullanmaktadır. Bu yöntemler, kar ve ciro gibi finansal rakamların artışını yeterli başarı ölçüsü olarak kabul etmiştir. Bu ölçütler, kolayca ölçülebildiği ve büyüme düzeyini yeterince gösterebildikleri için tercih edilmiştir. Ancak büyüme tüm işletmelerin temel amacı olmayabilir. Bu işletmelerin başarısının ölçütü finansal ölçütler olmayabilir. Finansal olmayan faktörler çoğunlukla, bireyi işe başlatmaya yönlendiren faktörlere bağlıdır. Bir işletme finansal olarak başarılı olmayabilir, ancak oluşturulduğu hedeflere ulaştığı sürece, sahibi yine de başarılı olduğunu düşünebilir. Bu faktörlerden bazıları kişisel özgürlüğü, kişinin kendi patronu olmasından elde edilen bağımsızlığı, kişisel memnuniyeti, daha az katı, daha esnek bir yaşam tarzı ve daha yüksek iş tatmini içerebilir. Bu nedenler dikkate alınarak, çalışmada özellikle küçük ve orta ölçekli işletmelerde finansal olmayan ölçütlere göre performans değerleme konusu irdelenmeye çalışılmıştır.

Anahtar Kelimeler: Küçük Ve Orta Ölçekli İşletmeler, Finansal Olmayan Ölçütler, Performans Ölçümü

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SUCCESS CRITERIA AND THE USE OF NON-FINANCIAL PERFORMANCE MEASURES IN SMALL AND MEDIUM SIZED ENTERPRISES

ABSTRACT

Performance is a multifaceted concept that is used to determine the success of a business, or the level to which it achieves its objectives. Performance measurements are useful in evaluating the success and sustainability of the enterprises. Traditional methods often use financial performance criteria such as profit and turnover in the determination of success while ignoring the factors that motivate the entrepreneur to enter the business and the goals they are trying to achieve. These methods have accepted the increase in financial figures such as profit and turnover as a measure of success. These measures are preferred because they are easily measurable and adequately show the level of growth. However, growth may not be the main objective of all businesses. The criterion of the success of these enterprises may not be financial in nature. Non-financial factors often depend on the factors that lead the individual to start the business. A business may not be financially successful, but as long as it reaches its goals, the owner may still look at it as successful. Some of these factors may include personal freedom, independence resulting from being an own boss, personal satisfaction, less rigidity, more flexible lifestyle and higher job satisfaction. Taking these into consideration, this study aimed to examine the subject of performance measurement, especially in small and medium-sized enterprises using to non-financial criteria.

Keywords: Small And Medium-Sized Enterprises, Non-Financial Criteria, Performance Measurement

1. PERFORMANCE AND PERFORMANCE MEASUREMENT

Performance measurement is a method of objectively measuring the extent to which the generation of products, service delivery or the operations pf an enterprise are carried out. Nelly et al. (1995) defined performance measurement as the process of determining the extent of effectiveness and effectiveness of an activity.

Performance measurement and management system is an approach or method that is used to manage the performance of individuals and teams in order to maintain all business processes as well as achieve sustainable high profitability in all processes of the enterprise (Akal, 2003).

With performance measurements, standards against which the actual performance will be compared are established, the areas or processes that need improvement are determined and the reasons and cost of the existing inefficiencies ascertained (Çoşkun, 2005).

Performance measurement helps managers determine how successful their businesses is in performing its operations and thus make the right decisions regarding the future of the businesses.

Due to increasing competition conditions, the success of most businesses depends on the engagement of an effective performance appraisal system.

When the overall historical development of performance measurement and performance management is considered, methodologically, there has been a shift to a system approach from the singular examination of processes, as well as development towards the use of non-financial criteria as opposed to financial methods (Yüreğir and Nakiboğlu, 2007).

2. THE SHORTCOMINGS OF TRADITIONAL PERFORMANCE APPRAISAL METHODS

The success of an enterprise in today's increasingly competitive environment is closely related to having an effective performance appraisal system. In order to maintain their assets and to outperform their competitors, businesses need to translate their strategies into achievable objectives and these changes need to be measurable. In this sense, the systematic measurement of organizational performance started to become the main competitive factor since the 1990s, when continuous changes and developments occurred.

In traditional performance appraisal methods, quantitative financial indicators such as profitability and growth are used to evaluate the performance of enterprises. If the business is profitable and there is an increase in its sales compared to the previous periods, the perception is often that there is not much of a problem inside. This approach may be regarded as one of the most important obstacles to performance measurement today.

Performance measurement should not only show the current status of the company, it should be in a position to provide information about its future. Therefore, besides the financial performance indicators, the non-financial performance indicators should be determined, and the performance of the firm measured using both approaches. The results obtained from both indicators should then be compared to the targets. Otherwise, every point reached, or every result obtained is in danger of being perceived as success.

In the traditional methods, performance appraisal is one dimensional and financial criteria are predominantly used. In the traditional performance management system, the evaluation is limited to departments and employees, and customers are often not taken into consideration.

In the traditional measurement systems all the sections are evaluated using a predetermined standard format and hence allows no room for flexibility and eliminates the priorities of each section. The large number of financial measures available is one of the main challenges in their use. The decision on which criteria to use is by itself a difficult decision to make.

3. MULTIDIMENSIONAL PERFORMANCE MEASUREMENT METHODS

While traditional performance tools focus only on financial indicators such as sales volume, profitability and productivity, the institutional scorecard developed by Kaplan and Norton and which has since been gained a foothold in the strategic control function of the management provides a wider perspective by allowing for the evaluation of internal processes besides the financial indicators (Arıkan and Enginoğlu, 2016).

Performance valuation models, which aim to evaluate all aspects of business success, should take into account both the financial and the non-financial dimension. Multidimensional models have been developed to address the inadequacies and deficiencies of traditional performance evaluation systems. By enabling the overall evaluation of the enterprise, multidimensional performance appraisal models have significant time and resource repercussions with regards to managers evaluation processes. Multi-dimensional performance appraisal models use a wide range of performance indicators that support priority management values such as strategy, customers, quality, profitability, human resources, innovation and flexibility. Some of the most developed models include; The Balanced Scorecard Model, The Stakeholder-Based Performance Appraisal Model and the Lynch – Cross Performance Pyramid Model (Ağca and Tunçer, 2006).

3.1. Balanced Scorecard

The word *balanced* implies that both the financial and non-financial measures within the performance dimensions are weighted in a balanced manner. The Balanced scorecard indicator does not only depend on the financial performance indicators to measure the performance of the business, it also takes into consideration the non-financial performance measures which have the potential to affect the long-term performance of the business such as customer satisfaction, quality and functionality.

The Balanced Scorecard takes the historical data in the form of the financial figures of the enterprise as well as the future oriented non-financial data which may be customer-focused, in the framework of ensuring future customer satisfaction; internal processes-oriented which implies the drive to develop and perfect internal activities to improve service delivery to customer. In other words, Balance Scorecard presents a dynamic measurement system that measures the different dimensions using indicators that are not entirely financial, and which provide strategic feedback to ensure the balance between the dimensions and integration in order to achieve the strategy (Uygur, 2009).

The Balanced Scorecard examines business performance in four dimensions. These are; financial, customer, internal process, and learning and development dimensions (Walker and McDonald, 2001). Whereas some enterprises will only tend to use two or three of these dimensions, some others may opt to add one or more dimensions to these, depending on the conditions of their industries and their chosen strategies (Güner, 2008).

- Financial Perspective; The financial perspective of the Balanced Scorecard is concerned with how the business appears to its shareholders and how it could achieve financial success. The financial perspective may be used as a basis for the other

perspectives in terms of their objectives and measures. In other words, the financial impact of developments in the other three perspectives should be clearly defined.
The objectives and criteria of the financial perspective aim to reflect the importance of each activity in for-profit enterprises (Kuğu & Karlı, 2013).

- Customer Perspective; The customer perspective identifies the customers and market segments in which the entity intends to compete and the criteria or measures of performance the business seeks to pursue in these target segments. Some of the measures in the customer perspective are customer satisfaction, customer loyalty, customer acquisition, customer profitability and market share. The customer perspective seeks to answer the question of "how does the customer see the business?" within the firm's strategies (Kaplan and Norton, 2003).
- Internal Process Perspective; This perspective is concerned with the techniques, methods and programs that aid in the provision and distribution of goods and services. It also examines whether the business uses effective methods in operations. Internal processes perspective looks at the tools and systems that accelerate the flow of information within the organization as well as processes that will improve the investment efficiency and operationality of the enterprise. In this process, managers identify the important internal processes which need to be developed and perfected. These methods ensure that while the highest level of shareholder return is being realized there is a continued effort to continue attracting and maintaining the targeted customer segment (Gürol, 2004).
- Learning and Development Perspective; Due to evolving technological conditions and competitive environment, the long-term strategic plans of the business can only be realized by placing the necessary emphasis on learning and development. The learning and development perspective, like the others, is a critical factor in the long-term development and growth of the business (Uygur, 2009).

3.2. Stakeholder Based Performance Appraisal Model

This method focuses on measuring how an organization thoroughly integrates and meets the needs and expectations of its stakeholders. It also reveals the relationship between the business and its key stakeholder groups. According to this method, many businesses, whether for profit or not, are considered as a network of relationships among various stakeholder groups. According to this method, the long-term success of any business depends on the degree of meeting the needs and expectations of its various stakeholders in a balanced and integrated manner without favoring one over the other. This situation is defined as a multilateral arrangement and is discussed through mutual interaction and responsibility. Some examples of the various stakeholders' expectations from the enterprise can be given as follows: Investors; equity capital, low risk ratio, and stable earnings. Customers; profitability, constancy, attention, feedback. Employees; flexibility, versatility, trust, wishes to be taken into account. While suppliers expect general solutions, the community seeks employment, donations and support. Partners expect joint development, budget sharing and profitability. This method increases the level of knowledge of all parties in the enterprises, facilitates systematic study and provides effective decision-making (Özgür and Aktürk, 2001).

3.3. Lynch-Cross Performance Pyramid

The performance Pyramid is one of the first approaches developed from multidimensional performance appraisal approaches. The Pyramid Approach developed by Lynch-Cross (1991) defines the general indicators at the enterprise, operation system and business unit levels. According to this approach, the performance results and processes in the company are determined under two perspectives. The questions of ‘what the organization will achieve’ and ‘how it will be obtained’ can be answered within this framework. In the Performance Pyramid, the left-hand side shows the external customer-oriented perspective, while the right side of the pyramid shows the internal dimensions of the enterprise (Elitaş and Ağca, 2006).

4. RESULTS

For many years, financial performance indicators have been used as the important indicators in corporate performance evaluation. Traditional performance evaluation methods are mainly based on financial criteria (Güner and Memiş, 2007).

Today, the evaluation of the intangible resources and the institutional skills have been determined to be quite beneficial. This is because immaterial resources have been determined to be more important than traditional physical and material sources in the determination of the success of enterprises.

On the other hand, businesses have also seen the need to monitor and evaluate their performance in areas that have gained prominence in recent years such as the environment and social responsibility. For this reason, they should strive to design performance measurement systems that allows them to continuously evaluate their position in such areas as environmental performance and social responsibility.

Performance evaluation methods based on financial criteria cannot keep up with these corporate changes and developments. Consequently, it is argued that traditional financial measures have various constraints in providing information that institutions need in the new initiatives.

Financial measures should be used as an important element in corporate performance evaluation. However, besides the financial criteria, non-financial performance measures should also be used as items supporting the reliability and accuracy of financial criteria. In this context, new methods using non-financial criteria eliminate the constraints of traditional methods in corporate performance evaluation.

Non-financial criteria are defined as preliminary indicators. With their predictive nature the non-financial criteria provide information that will ensure that healthier predictions are made about the future of the enterprise.

New methods in corporate performance evaluation use both the financial and the non-financial criteria to assess the past performance of the enterprise as well as provide reliable information about the future of the enterprise. Modern corporate performance evaluation methods use non-financial measures effectively in career development and evaluation of corporate success and include non-financial measures in contracts with managers. In addition, the benefits and challenges of including non-financial measures in the financial statements and their application principles have become a topic of discussion in most performance evaluation studies.

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