FINANCIAL AND NON-FINANCIAL INDICATORS FOR ORGANIZATIONAL PERFORMANCE MEASUREMENT

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Abstract: The organizational performance is reflected in the results that the organization obtains, those one being measured by key performance indicators. In the last years, the acerbity competition from the business world, aroused the desire and the interest of companies to improve their performance and to experience ways of measuring the level of performance achieved. The measurement is a condition “sine qua non” of performance assessment, but does not represent a finality by itself. Knowing and understanding a company’s financial data is done in order to predict the future and to improve the performance level of this.

JEL classification: M41, M49

Key words: critical; performance; performance measurement; financial indicators; non-financial indicators; profitability

1. INTRODUCTION

Generally, the performance is associated with its measurement but also with the performance management. The performance measurement is a sub-process of performance management, oriented towards to identifying, to tracking and to reporting the performance results by using performance indicators.

The economic and social transformations over time led to significant changes on organizations level, respectively in the thinking and operating way of those. Currently, the highest quality that an organization must have in order to be performant, is the ability to adapt.

The rate of economical evolution and also the global impact of the economic crisis started in year 2007, had a significant influence on the thinking and acting way of organizations. Those will most have the capacity of measure all the organization movements, and especially the market movements, in a short period of time and with less data at its disposal.

The measurement of the organizational performance represents a laborious process, which takes place over several stages, and the final result of the process is represented by the performance measurement indicators. According to Marr Bernard (2006), the trail crossed for the performance measurement involves the erection of a performance model for each company, data collection, analysis and data interpretation, drawing out and sharing the information.

Analysis and evaluation of organizational performance should be carried out with sufficient regularity, thus to know in any moment the actual position of the organization in relation to competition, customers, suppliers, and also to the other market players. Only in this
way, the companies will ensure a careful monitoring of the process of continuous performance growth by attracting new investments but also by improving their competitiveness.

2. ANALYSES
2.1. FINANCIAL INDICATORS FOR MEASURING ORGANIZATIONAL PERFORMANCE

The financial indicators, called and classic indicators (traditional) represent the fundamental management tool by which performance it can be measured the financial performance of organization and who show the way to lead in a certain perspective.

In specialty literature is a large number of classifications of financial indicators, since indicators systems don’t have a standard structure, this varying depending on the domain, author, country, etc. Thus, each manager can calculate its indicators that he considers relevant to the activity that he carried out and on their base to identify the necessary actions to improve the performance of the economic entity.

Authors such as Paul Halpern, J. Fred Weston, Eugene F. Brigham, in the paper work “Canadian managerial finance”, group the financial indicators in six types as it follows: liquidity indicators, indicators regarding debt management, indicators regarding assets management, profitability indicators, growth indicators, indicators of market values. According to International Bank of Reconstruction and Development, financial indicators are divided into: indicators of liquidity, solvency indicators, management indicators, profitability indicators.

Considering the constant concerns of economic entities to maximize the value of shareholders’ perspective, without neglecting the social side of business, it were identified several types of financial indicators to measure performance. These types of financial indicators appeared as a response to increasingly demanding requirements of information users, which are in constant evolution.

The usual financial indicators are expressed in the form of some significant reports between two sizes of balance sheet or the profit or loss account of society. For the calculation and interpretation of the financial indicators, the managers use as a starting point the financial statements which are like a “scorecard” for business. With the help of financial statements, the company activities are transposed into a set of numbers that provide valuable information about the organization’s performance, which play an important role in managerial decisions substantiation.

Since there is an unlimited number of financial indicators by which it can measure the organizational performance, there are financial indicators widely accepted, which have proved their worth in financial analysis. Depending on aspects of performance that it detects, these indicators are grouped in three main categories:

- Cash position (refers to the property of patrimonial elements to change into money)
- equity structure (entail the leverage degree of company)
- return (indicator that measures the company’s earning power)

Below are presented the main financial indicators related to the three main categories enumerated anterior (cash position, equity structure and returns)

a) Cash position- reflects the company’s ability to pay the obligations on short term by converting current assets into cash. In other words, the cash position company is that who generate sufficient cash from business, paying the current demandable payments. Cash position includes: general cash position (current) and immediate cash position (rapid). The indicator of current cash position is determined as a report between current assets and liabilities ones.

\[
\text{Current cash position} = \text{current assets/current liabilities}
\]

The value of this indicator must be supra unitary to be considered a good value, but in case of services firms (which have no significant volumes of stocks and debts) a sub unitary
value of the indicator can be justified. Theoretical the higher the value of bank statement is, so much protected is the position of the company’s creditors.

The immediate cash has the same significance as a current cash position, but has in view only those assets that can be converted easiest into cash, excluding stocks, which sometimes can be difficult purchasable.

\[ \text{Immediate cash} = (\text{current assets} - \text{Stocks}) \frac{\text{Current liabilities}}{\text{Current liabilities}} \]

The high rate of immediate cash reflects a big capacity of payment, but also an unused potential to increase the company’s activity.

A big difference between the two types of cash indicators emphasizes the existence of large stocks within the company.

b) Solvency – measures the company’s capacity to fulfill its obligations on long and medium term and depends on the size of these debts and on the leverage cost. Solvency include: the indicator of leverage degree and the solvability general rate.

The leverage degree reflects the report between debts and stockholders’ equity in making of funding sources.

\[ \text{Leverage degree} = \frac{\text{Total debts}}{\text{Equities}} \]

The higher the value of this indicator is the lower the solvency it is.

The general solvency reflects the company’s obligations signal range on short, medium and long term from its patrimonial assets. The higher the leverage degree is, the higher also are the pressure on profitability and the cash position of company.

The general solvency is determined as a report between total assets and total debts, expressing the percentage from total assets financed by debts.

\[ \text{General solvency} = \frac{\text{total assets}}{\text{total debts}} \]

Generally, a bigger debt assumes a bigger financial risk and therefore a lower solvency.

c) The profitableness – reflects a company’s ability to realize income. In the market economy conditions, the income constitutes the primary objective of any company. By using profitableness, the analyst gets an image related to the company’s ability to generate incomes from the invested income and from the values of emitted bonds. At the same time, reflects the competitiveness degree of the company on market and the quality of its management.

The profitableness rate represents a report between an indicator of results and an indicator that reflects a workflow or a stock.

Among the indicators that measure the company’s profitableness is noted: the commercial profitableness rate, the economic profitableness rate and the financial profitableness rate.

The commercial profitableness rate is expressed as a report between rough profit (resulted from operating) and the business turnover. The value of this report significantly varies depending on the activity sector, so that it cannot determine an optimum value.

\[ \text{Commercial profitableness} = \frac{\text{rough income}}{\text{business turnover}} \]

The factors that influence the level of profitableness rate are: the structure of business turnover produced, the selling price on products (without VAT), the complete unitary cost. A rough profit margin indicates a high level of the product sales level and a lower cost production.

The economic profitableness rate is a relevant indicator of competitiveness and expresses the report between an economic result and the economical resources committed to achieve it. There are several formulas for calculating this indicator, below being presented one of these:

\[ \text{Economic profitableness} = \frac{\text{rough income}}{\text{total assets}} \]
The more the indicator value has a bigger value, the more income is generated by a certain level of assets.

The financial profitableness rate, known in international theory as “return on equity” is calculated as a report between the net income of the financial budgetary year and the equity capital.

\[ \text{Financial profitableness} = \frac{\text{net income}}{\text{equities}} \]

This indicator measures the efficiency achieved by a company based on equity or on the capital investments efficiency of stockholders and on their continued appropriateness. A higher value of indicator means that a small investment of stockholders was converted into a big income.

For an easier understanding of the calculation manner of financial classic indicators, is presented a study case based on the performance measurement based on the financial indicators on a company with the business field in constructions.

The evolution study of the financial indicators was conducted over a period of 3 fiscal years (2011-2013) and for this indicators calculation it has been collected data from the annual financial statements published on the website of the Ministry of Public Finance (table 1)

Table no. 1 Indicators of the annual financial statements (period 2011-2013)

<table>
<thead>
<tr>
<th>No. crt.</th>
<th>Indicator name</th>
<th>U.M.</th>
<th>Analysis period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Current assets</td>
<td>RON</td>
<td>2,414,908</td>
</tr>
<tr>
<td>2</td>
<td>Current debts</td>
<td>RON</td>
<td>1,453,580</td>
</tr>
<tr>
<td>3</td>
<td>Stocks</td>
<td>RON</td>
<td>103,810</td>
</tr>
<tr>
<td>5</td>
<td>Total assets</td>
<td>RON</td>
<td>4,734,511</td>
</tr>
<tr>
<td>6</td>
<td>Total debts</td>
<td>RON</td>
<td>2,345,794</td>
</tr>
<tr>
<td>7</td>
<td>Equities</td>
<td>RON</td>
<td>1,159,777</td>
</tr>
<tr>
<td>8</td>
<td>Cifra de afaceri</td>
<td>RON</td>
<td>2,631,177</td>
</tr>
<tr>
<td>9</td>
<td>Rough income</td>
<td>RON</td>
<td>120,415</td>
</tr>
<tr>
<td>10</td>
<td>Net income</td>
<td>RON</td>
<td>71,667</td>
</tr>
</tbody>
</table>

Source: the author processing, based on the information provided by the annual financial statement published in the period 2011-2013 of a company with the business field in constructions, available on www.mfinante.ro.

Based on the information from the Table 1 the indicators of the annual financial statements for the period 2011-2013, corresponding to the activity of a company with the business field in constructions, it reflects a favorable situation of the company throughout the analyzed period, especially the existence of earning as well as the downturn evolution of the constructions national market from the same analyzed period.

In year 2013, total assets, total debts, turnover and the company earning, registered a slight decrease, which requires carrying out a financial analysis of the main indicators of cash position, profitableness and equity structure. This analysis will aim to identify the causes that determined the financial performance diminution in year 2013, and also the determination of improvement measures for the financial performance on long term.

The financial indicators of organizational performance measurement calculated on the basis of information provided by the annual financial statements in the period 2011-2013 are presented in Table no 2:
Table no. 2 The development of the financial indicators of performance measurement in period 2011-2013

<table>
<thead>
<tr>
<th>No. crt.</th>
<th>Financial indicators of performance measurement in</th>
<th>Optimal value</th>
<th>The value in the analyzed period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>1.</td>
<td>Lichiditatea curentă</td>
<td>&gt;1,3</td>
<td>1,66</td>
</tr>
<tr>
<td>2.</td>
<td>Lichiditatea imediată</td>
<td>&gt;1</td>
<td>1,59</td>
</tr>
<tr>
<td>3.</td>
<td>Gradul de îndatorare</td>
<td>≤1</td>
<td>2,02</td>
</tr>
<tr>
<td>4.</td>
<td>Solvabilitatea generală</td>
<td>&gt;1</td>
<td>2,02</td>
</tr>
<tr>
<td>5.</td>
<td>Rentabilitatea comercială</td>
<td>&gt;1,8</td>
<td>0,05</td>
</tr>
<tr>
<td>6.</td>
<td>Rentabilitatea economică</td>
<td>&gt;0,05</td>
<td>0,03</td>
</tr>
<tr>
<td>7.</td>
<td>Rentabilitatea financiară</td>
<td>&gt;0,05</td>
<td>0,06</td>
</tr>
</tbody>
</table>

Source: the author processing, based on the information provided by the annual financial statement published in the period 2011-2013 of a company with the business field in constructions, available on www.mfinante.ro.

The interpretation of the obtained results by each financial indicator from Table no2, offers to the analyzed economic entities the possibility of finding optimal solutions to achieve the financial improvement of performance on long term. Also, by using financial calculated indicators, the company will get an overview of the results of previous financial activity, in period 2011-2013. Analysis and interpretation of financial indicators related to the analyzed period (2011-2013) is presented in table no 3:

Table no. 3 Analysis and interpretation of financial indicators related to the 2011-2013

<table>
<thead>
<tr>
<th>No. crt.</th>
<th>Financial indicators</th>
<th>Interpretation of calculated financial indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Current cash position</td>
<td>■ The supra unitary value of the current cash position indicator recorded during the three years of analysis, represent a high protection against potential losses, that would be due to the business bankruptcy. Since the value of this indicator is rising from a year to another, is noted that the economic entity is able to cover in any moment its current debts using the current assets.</td>
</tr>
<tr>
<td>2.</td>
<td>Quickly cash position</td>
<td>■ <em>The quickly cash position</em> measures the economic entity’s ability to pay its current debts by using the assets with the biggest cash position degree. In this study the supra unitary value of this indicator registered during the period 2011-2013, shows that the assets with high cash position are sufficient to cover short-term obligations. This is a favorable aspect on short term, ensuring to the company a high degree of protection against the risk of inability to pay.</td>
</tr>
<tr>
<td>3.</td>
<td>Indebtedness degree</td>
<td>■ In the first two years, the supra unitary value of indebtedness degree of equity shows that the company total assets are funded in high proportion from other sources that their own. Thus, the assumed risk of the company’s creditors is high. In year 2013, the indebtedness degree is very closed to the normal limit (0,5) the risk assumed by the creditors decreasing considerably.</td>
</tr>
<tr>
<td>4.</td>
<td>General solvency</td>
<td>■ The supra unitary value of the general solvency rate in the analyzed period, corresponds to a net positive situation because the total debts are covered by the company’s total assets throughout the analyzed period.</td>
</tr>
<tr>
<td>5.</td>
<td>Commercial</td>
<td>■ The sub unitary value of the commercial profitableness</td>
</tr>
<tr>
<td>No. crt.</td>
<td>Financial indicators</td>
<td>Interpretation of calculated financial indicators</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>profitableness</td>
<td>demonstrates that the company’s activity was not profitable in period 2011-2013, taking into account that recommended value for this indicator is &gt;1.8 . The company will be pursuing an increase of the profit margin so that its activity.</td>
</tr>
<tr>
<td>6.</td>
<td>Economical profitableness</td>
<td>■ <em>Economical profitableness</em> recorded by the company on three years period is of 0.03, which shows that the total assets are used inefficiently, as it is under the limit of 0.05 afferent to an efficient activity.</td>
</tr>
<tr>
<td>7.</td>
<td>Financial profitableness</td>
<td>■ <em>Financial profitableness</em> recorded in the first two years a greater value than 0.05, which shows that the activity carried out in the economical entity was efficient from the point of view of the own equities valorization. In year 2013, it can see a slight lowering of the own equities benefit, having a negative impact on the investments made by the company’s shareholders.</td>
</tr>
</tbody>
</table>

*Source: the author processing*

Taking into account the interpretation method of the analyzed indicators value during three years, is noted that the company’s performance is in a slight decrease in year 2013. One of the causes of reducing the financial performance of company could be the existence of a defective management of available funds (given the rate in growth of the immediate cash position indicator) or practicing a small profit margins that determine activities less profitable (taking into account the diminution of the financial and commercial profitableness value rate).

To obtain the most complete and conclusive results, the obtained results interpretation during the three years will be placed in the context of national development of companies with the business field in constructions, in period 2011-2013. According to the study “The analysis of the constructions sector of residential buildings and non residential ones”, published by Coface Romania in January 2016, the companies with the business field in constructions recorded an increase of short-term debts but also a diminution of net outcome. This study conducted by Coface Romania took into account the evolution of the construction sector in period 2011-2014 considering the company’s report that operates in the business field in constructions at the Ministry of Public Finance.

The evolution of financial indicators in the period 2011-2014, of companies with the business field in constructions is not very encouraging. Coface Romania argues that in the context of aggressive competitive construction market and alongside the deteriorating working equity, the company’s debts are oriented preponderant on short term. Thus, extending the terms of debt collection and allocation of resources attracted on short term toward long term investments, determined an increased the indebtedness degree of the companies with the business field in constructions.

Synthesizing the analysis conducted by Coface Romania is observed that in the period 2011-2013, the financial performance indicators of the companies with the business field in constructions can be interpreted as it follows:
- Fragile cash position rate due to the debt claim un-cashing or to decline in sells;
- Debts coverage degree on short term growing due to late payment of suppliers;
- Low profitableness due to low profit margin.

Taking into account the evolution of national level of the companies with the business field in constructions carried out by Coface Romania, it is observed that the values of financial indicators registered by the company that was our study case, are in normal limits. Thus, the
financial indicators analyzed describe accurately the company’s performance and allow mapping of some future development directions at national level.

Taking into account the results of the study carried out by Coface Romania, according to which 8 out of 10 companies recorded an above-average risk of insolvency in year 2014, it is estimated that the financial indicators of the companies with the business field in constructions, shows a corresponding evolution.

Also, according to the Romanian Association of Construction Entrepreneurs (ARACO) the construction sector does not have any contribution to the economical growth of Romania in year 2013, reaching in 2014 to the minimum of the last seven years, to only 8,9 billion euro. The information provided by ARACO shows that the economic entity from the construction sector which is the subject of the study case, has a normal and natural evolution, taking into account the performances registered by the companies with same type of activity, in the same period.

The Romanian Association of Construction Entrepreneurs (ARACO) and the Building Materials Producers Association of Romania affirm that the after a collapse of the construction sector from 15,3 billion Euro in year 2008 to 9,7 billion Euro in 2010 year, the period between 2011-2012 brought a stabilization at around 9,33 billion Euro. In the first semester of year 2013, the construction sector registered only 3,73 billion Euro, marking a defective evolution for the 2014 year. Thus, the slight decrease of the company financial performance which is the subject of this study case, in year 2013 compared to 2011 and 2012, is in concordance with the overall evolution of the construction market on national level.

Since the profitableness of a company, its cash position and the structure of its equity are interrelated, in measuring of the financial performance, it must take into account the relationship between financial indicators. Providing an equilibrium state in relation of profitableness-cash position- solvency, creates the conditions of displaying an activity for a long time in conditions of economic-financial conditions. At the same time, the financial indicators calculated based on the annual financial statements will be placed and analyzed in the sector level that they belong the analyzed company. Only in this way, the company can get a complete and accurate image of the financial performance recorded and it can draw new development directions on long term.

According to the model of performance analysis of the economic entity, shown above, it is noted that the annual financial statements are real source of information to measure financial performance. Based on indicators from the annual financial statements, the economical entities can obtain an overview on good operation of its activity. At the same time, the economical entities may choose for calculating certain financial indicators depending on the purpose aimed but also by their activity domain.

Summarizing the above aspects, it is estimated that for a true determination of the organizational performance based on financial indicators, the companies must run through a sequence of stages, as it shown in figure no 1.

To measure the organizational performance, the financial indicators presented above are frequently used by the companies from Romania, because most of Romanian companies draw up and submit annual financial statements according to Order no. 1802/2014. This type of reporting allows companies to easily calculate financial indicators on the basis of balance sheet and of income statement as an integrated part of annual financial statements.

The companies that draw up and submit financial statements in accordance with The International Financial Reporting Standards can measure their performance by using both financial indicators listed above (cash position, profitableness, solvency) and financial indicators determined based on total outcome.
Identifying the sector of activity of the analyzed company
(for example: constructions sector)

The financial indicators calculating
gather the necessary information to calculating the financial indicators that the economical entity wants to know;

The individual interpretation of financial indicators
analyzing the appropriate financial indicators calculated in previous stage, referring to the optimal limits associated with each financial indicator;

Analyze of the relation between financial indicators
interpreting the relation between the calculated financial indicators, identifying the existence or not of a financial balance state;

The analysis of financial indicators in the sector level of activity
Placing the financial indicators analysis in national context, according to the evolution of the field activity to it belong the company under review;

The determination of organizational performance
Determining the level of performance taking into account the value of the calculated financial indicators, for relations between financial indicators and by the evolution of the field of activity to it belong to the analyzed company.

Source: the author processing

Figure no. 1 – The stages of determination of organizational performance based on financial indicators

In Europe, the companies continue the alignment process to IFRS, based on which the annual financial statements are prepared and reported according to the International Accounting Standard IAS1 “Presentation of Financial Statements”. Since 2002, the European Union makes efforts to align the member states to International Financial Reporting Standards, in order to use a common language between European accounting and that of member states. This type of financial reporting allows the calculation and the analysis of the total outcome, as an instrument for measuring the organizational performance at international level.

The total result is determined as a difference between total incomes and total expenses, including returns and waste of moneys, that result from events or circumstances related to the external environment. This provides a precise image of the effective use of resources but also on the company’s total effectiveness.

With the help of total result, the companies can calculate the indicator of value creation, respectively E.V.A (Economic Value Added) according to the calculation formula (Niculescu M., 2005):

\[
E.V.A. = \text{Net operational result} - \text{the cost of invested equity}
\]
In the financial performance measurement, E.V.A indicator reflects the real created value, taking into account the cost of invested equity. This indicator allows an easier determination of the factors that influence the company’s financial performance, taking into account the risks, the inflation and cash flows.

Unlike other financial indicators of financial performance measurement, E.V.A provides information about the company’s results taking into account the cost of invested equity. Thus, in addition to information provided about the historical performance of the company, E.V.A presents several advantages: convince the investors to invest into the company, helps on strategic planning, provide a good motivation for the company’s managers and employees. The main disadvantages of E.V.A are: the cumbersome calculation method compared to other financial indicators; the weight of understanding of this indicator due to the lack of financial education of information users.

Considering the increasingly demanding requirements both of managers as well as of the economic entities shareholders, it is imperative necessary to design an optimal system of performance evaluation, according to which the financial indicators are intertwined with the non financial ones. Such an optimal system will ensure the economic entity performance measurement from the point of view of wealth creation for investors and for the satisfaction level of the manager interest.

The financial indicators are often the only instrument used in performances evaluation since they transpose the entire activity of a company in profitable terms. This indicator provides a holistic image of the company, constituting starting points, in knowing this financial performance, along with non financial indicators.

2.2. Non financial indicators for organizational performance measurement

For the provision of some complete information regarding the organizational performance measurement, the managers should analyze the nonfinancial indicators alongside the financial ones. Obviously, the nonfinancial indicators are less used by the Romanian entities, this being in general oriented through financial performance, measured by using financial indicators.

To provide to decision markers, indicators exclusively financial it means to provide an incomplete set of management tools The viability on long term of the organization could be threatened if managers place too much emphasis on numbers and neglect the nonfinancial character of information.

In the last years, more and more analysts appeal to nonfinancial indicators when they want to measure the organization’s performance, because they think that this one reach directly the sensitive points of organization, such as the management quality and the quality of intellectual capital in generally.

Regarding the key performance indicators, OMFP no. 1802/2014 provide in section 491, paragraph 1: “In so far as it is necessary to understand the development, the performance or the entity position, the analysis include key financial performance indicators and where is appropriate, nonfinancial indicators relevant for specific activities, including information on environmental and staff issues.” These disposals correspond to European requirements on the proposal for a general framework for indicators reporting.

The nonfinancial indicators provide important information concerning the future performance of the organization and credibility to management team to successfully fulfill the expectations of stakeholders (investors, customers, suppliers, employees, public authorities). The needs that stakeholders wish to satisfy with the organization help, may be expressed by: profitableness, reward, trust, loyalty, integrity, care, profit, etc. Thus, stakeholders want to see
financial and nonfinancial numbers that reflect both the past performance of company, and its perspectives for future, that guarantee the satisfaction of own interests.

Some analysts claim that nonfinancial indicators, of activity or qualitative, characterize better the company’s performances because they directly touch the sensitive points of the organization. With the help of the nonfinancial indicator we measure the organization’s performance, regarding the social and ecological issues, unlike financial indicator that measure the economical(financial) performance of organization. Thus, it can be appreciated the analysis based on nonfinancial indicators comes to complete the analysis made based on financial indicators.

In the specialty literature exist an unlimited number of nonfinancial indicators, making it impossible to identify a complete set of nonfinancial indicators, which ensures a standard system for organizational performance measurement, with universal applicability. Due to the increasing complexity of company’s activity, the experts recommend to use some multiples nonfinancial indicators that are well tested and that produce signals apparently unambiguous.

The authors Poincelot and Wegmann (2004) define the nonfinancial indicators in contrast with the financial one, defining them as being those indicators that does not express directly the financial objective of economical entity, as it does financial indicators. In the authors conception, the nonfinancial indicators can be expressed qualitative and quantitative, but also in monetary and nonmonetary values.

Measuring the organizational performance using nonfinancial indicators provides a holistic image of the company’s activity oriented to the future, compared with financial measures that are oriented towards the past.

Since there is an infinity of nonfinancial indicators used in organizational performance measuring, we anticipate an indicative model of nonfinancial indicators to manage and orientate the company’s activity taking into account the market conditions offered by the market in which is operating the company (table no.4).

Many theoretical methods of performance measurement propose that as well as nonfinancial indicators for measuring the customer and employee satisfaction, indicators related to the quality level of products and/or rate of refuses, indicators related to research and invention aspects, indicators regarding retail market position reported to competition, indicators of intellectual equites, etc.

Table no. 4 Nonfinancial indicators for organizational performance measurement

<table>
<thead>
<tr>
<th>Social indicators</th>
<th>Ecological indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicators directed to customers</strong></td>
<td><strong>Indicators oriented to environment</strong></td>
</tr>
<tr>
<td>- customer satisfaction degree</td>
<td>- pollution degree</td>
</tr>
<tr>
<td>- number of complaints</td>
<td>- compliance with environmental standards</td>
</tr>
<tr>
<td>- number of new customers</td>
<td>- recyclable materials</td>
</tr>
<tr>
<td><strong>Indicators oriented on Human Resources</strong></td>
<td><strong>Indicators oriented on development</strong></td>
</tr>
<tr>
<td>- quality and fluctuation of labour force</td>
<td>- initiatives to reduce pollution</td>
</tr>
<tr>
<td>- satisfaction and work motivation</td>
<td>- innovative methods of recycling</td>
</tr>
<tr>
<td>- use of teamwork</td>
<td>- sustainable development and innovation</td>
</tr>
</tbody>
</table>

*Source: the author processing*

At present, it is absolutely necessary to integrate social and environmental requirements in a management system for a global approach of performance through indicator for measurement of social and ecological performance, along with financial indicators.

Any economic entity must use nonfinancial indicators of performance measurement at least for two reasons: first of all, not all aspects of an activity can be expressed in monetary
The main advantage of using nonfinancial indicators is that it provides a complex image on the economical entity performance on long term. Also, an improvement of those indicators involves a concomitant improvement of financial indicators.

The disadvantage of using nonfinancial indicators for organizational performance measurement is that they do not allow the value expression or in mathematical terms of the value creation process.

The approach of a qualitative point of view of the organizational performance, leads to evaluation of the implementing methods of the various components of leadership. With the help of nonfinancial indicators is determined the profitableness of territorial units of the company, its products and services profitableness, as well as the profitableness of the company’s customers. Also, the nonfinancial indicators expel the limitations caused by the exclusive use of financial indicators.

The nonfinancial indicators for measuring the organizational performance are orientated to the future unlike the financial one who are oriented to the past. For a relevant assessment of organizational performance will should be used both financial and nonfinancial indicators.

In the past, the financial indicators for measuring the organizational performance were enough, but at present, taking into account the macroeconomics evolution and the social partners requirements, these are considered as being outdated. The nonfinancial indicators provide a reliable assessment of the actual performances of economical entities (performances that aimed an evolution on long term) unlike the financial indicators who appreciate the performances on short term.

3. Conclusions

The organization’s policy regarding the indicators for measuring the organizational performance must be permanently modified and adapted according to the market requirements. The enhancement of the performances achieved by the organization, as well as its development up to date with current requirements of the economy, needs a permanently improvement of the measurement indicators of organizational performance.

The organizational performance measurement should be carried out in close connection with environmental appropriation in which it operates but also with its activity sector of this. Financial and nonfinancial indicators for performance measurement ensures the achievement of the most comprehensive and conclusive information in this respect, and the identification of their limits and sensitive points.

As a result of the increasing complexity of the company’s activities, it is necessary to simultaneously analyze the financial and nonfinancial indicators for a better precision of organizational performance measurement. The most theoretical models of performance measurement suggest that the performances measurement should be performed, along with financial performance indicators, and by nonfinancial performance indicators. At the same time, the organizations must manifest continuously an increased interest in finding new indicators for organizational performance measurement, to better respond to their needs.

The studying of the organizational performance in absolute sizes, by using financial indicators, does not represent only a preliminary stage of analysis, for the reasoning relevance being necessary the reference to nonfinancial indicators. Thus, designing a system for measuring the organizational performance, by using financial and nonfinancial indicators, will ensure information attainment with complex economic-financial significances, as well as...
achieving a balance between stability, flexibility and dynamism. The information provided by these indicators should provide to managers the possibility of taking correct decisions at the right time.

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