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PERFORMANCE MANAGEMENT CONCEPT IN SERBIA: THE TRADITIONAL OR THE CONTEMPORARY ONE?

Throughout its history, performance measurement and management evolved through many models, some of which are mutually dependent and some are independent. Each new model is grounded on the previous one and tries to remove some its disadvantages. The paper presents which model is applied at enterprises in Serbia. The question is if Serbian managers are aware of the necessities for introduction management innovations as balanced scorecard and activity-based costing. The research includes the companies that are different from the standpoint of industry, market share and ownership. The conclusions show that companies in Serbia implement balanced scorecard and activity-based costing insufficiently.

Keywords: performance measurement, performance management, balanced scorecard, activity-based costing.

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КОНЦЕПЦІЯ УПРАВЛІННЯ ПРОДУКТИВНІСТЮ В СЕРБІЇ: ТРАДИЦІЙНА АБО СУЧАСНА?

У статті показано, що впродовж всієї своєї історії, вимірювання і управління продуктивністю розвивалися за багатьма моделями, деякі з них взаємозалежні, а деякі - незалежні. Кожна нова модель заснована на попередній і намагається усунути її недоліки. Представлено моделі, застосовані на підприємствах Сербії. Питання в тому, чи усвідомлюють сербські керівники необхідність впровадження інновацій управління, таких як збалансована система показників і управління витратами за видами діяльності. Дослідження включає компанії, які відрізняються з точки зору виробництва, частки ринку і форми власності. Доведено, що компанії в Сербії впроваджують збалансовану систему показників і управління витратами за видами діяльності недостатньо ефективно.

Ключові слова: вимірювання продуктивності; управління продуктивністю; збалансована система показників; управління витратами за видами діяльності.

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КОНЦЕПЦИЯ УПРАВЛЕНИЯ ПРОИЗВОДИТЕЛЬНОСТЬЮ В СЕРБИИ: ТРАДИЦИОННАЯ ИЛИ СОВРЕМЕННАЯ?

В статье показано, что на протяжении всей своей истории, измерение и управление производительностью развивались согласно многим моделям, некоторые из них взаимозависимы, а некоторые - независимы. Каждая новая модель основана на предыдущей и пытается устранить ее недостатки. Представлены модели, применяемые на предприятиях Сербии. Вопрос в том, отдают ли сербские руководители себе отчет в необходимости внедрения инноваций управления, таких как сбалансированная система показателей и управление расходами по видам деятельности. Исследование включает компании, которые отличаются с точки зрения производства, доли рынка и формы собственности. Обосновано, что компании в Сербии внедряют сбалансированную систему показателей и управление расходами по видам деятельности недостаточно эффективно.

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Ключевые слова: измерение производительности; управление производительностью; сбалансированная система показателей; управление расходами по видам деятельности.

Introduction. Business success is not a coincidence, but the result of persistent application of basic principles of efficiency, with the alignment of resources, skills and competence of a company to the changing market and environment. Truly, the consistent application of the principle of partial efficiency with the flexibility attributes of companies in today's business environment is the prerequisite for maintaining growth and development of companies in the long term. The flexibility of a company in modern economy is becoming an increasingly important determinant of corporate business success. It implies the possibility of physical and intellectual reorientation of companies on those activities that are market-viable.

It is crucial to understand how performance measurement systems have to evolve and be integrated into the management models of organizations. The most prominent model in the last decade is balanced scorecard model (BSC) (Kaplan and Norton, 1992; Kaplan and Norton, 1996; Kaplan and Norton, 2000; Nils-Goran et al., 1999; Butler et al., 1997; Epstein and Manzoni, 1998; Norreklit, 2000; Heinz, 2001; Kennerly and Neely, 2002; Olson and Slater, 2002). The success and the excellence of an enterprise is the result of not only performance management in the four-balance scorecard's perspectives, but by measuring and managing intangible resources. Recognizing that intellectual capital, as a set of organizational intangible and knowledge assets, affects enterprise's value creation processes, it is necessary to find the way to measure intellectual assets. This is especially the case when two enterprises merge into a new one or one enterprise acquires an other one. Activity-based costing (ABC) serves as an information basis for a BSC model and activity-based management (ABM) is derived from ABC. Hence, this paper attempts to detect and examine how much these models have been implemented in Serbia. The conclusions and the results will be derived upon a research at Serbian companies, which the authors considered as being able to implement such models.

1. Literature review. Modern business environment simply forces management to introduce new models and frameworks for performance measurement and management. The effort of modern management, along the XXth century, has been aimed to develop a wide range of models to allow managers control, understand and coordinate functions of a company's value chain as well as their integration in accordance to a strategic perspective (Simons, 2000; Stewart, 2007; Cooper and Kaplan, 1988; Cross and Lynch, 1988; Keegan et al., 1989; Customer Value Inc., 2007; Dixon et al., 1990; Fitzgerald et al., 1991; Kaplan and Norton, 1992; Heskett et al., 1994; Rust et al., 1995; Neely et al., 1996; Flapper et al., 1996; Bititci et al., 1997; Kanji, 1998; Meodori and Steeple, 2000; EFQM, 2007; Bititci et al., 2000; Epstein and Westbrook, 2001; Cochran et al., 2001; Neely et al., 2001; Ratnatunga et al., 2004; St-Pierre and Delisle, 2006; Balachandran et al., 2007). Companies adopt performance measurement systems for various reasons, but mainly to increase control in the way that traditional accounting systems do not allow. More than 75% of the average market value of a company is derived from intangible assets that traditional metrics cannot display (Domanovic, 2006, p. 94). All these models might be classified into 3 groups: traditional, multidimensional, fully integrated (Tangen, 2005).

The problem of performance measurement has for more than two decades been actual in academic domestic and foreign literature, and the subject of numerous discussions among researchers and scientists at the scientific meetings. Pun and White (2005) accentuated the opinions of several authors about the performance measurement process. Zari (1994) defines performance measurement as a systematic determination of numerous activities and points out that the aim of the measurement is to get information useful for numerous problems and situations. Neely et al. (1995) accentuates that performance measurement is a process of quantifying efficiency and effectiveness of actions that lead to performance. According to Sinclair and Zair (1995), performance measurement is directed at determination how many enterprises are successful in achieving their aims, while performance measures are numerical or quantitative indicators which show at what extent each aim is realised. Performance measurement encompasses different measures which are connected with performance management through setting the aims, standards, and targets for enterprise performance improvement (Buxton and Ward, 1998).

Performance measurement is necessary so as the mission and the vision of an enterprise could be clarified and the strategy could be translated into measurable aims, which enables enterprise not just to measure the progress in the aim realisation, but also to understand what leads to the results improvement. Other benefits involve fortifying the responsibilities and making decision improvement, fitting operation activities and resources with strategic aims, understanding planned activities and clear communication of expectations at all organisational levels (Babic, Nikolic and Eric, 2011).

2. Performance management in Serbia.

Research Methodology. Comparative case study has been used, in which selected firms were from different industry settings, with large market share and different ownership characteristics. The data received from the primary sources (one-to-one interviews with financial and control managers of the observed companies) and from the secondary sources (analysis of the companies documents) were used for the case studies. Scores obtained from these cases are analysed in a qualitative manner. Specifically, the intention is to determine whether these companies actually introduced these concepts, how far they went in their implementation and what the effects, i.e. the consequences of their introduction on the companies' efficiency are.

Hypotheses Setting. In the research on implications of the introduction and use of BSC and ABC at the companies in Serbia we start from the following hypotheses:

1. If a company has a greater economic force at the market, it is more likely to have introduced BSC and ABC;
2. If a company has a foreign owner, it is more likely to have introduced and implemented BSC and ABC;
3. If a company introduced BSC and ABC, it operates more efficiently.

General findings. The general finding is that very little or no company implemented the BSC and activity-based management in the way the literature explains and the way they are implemented in other countries.

Food industry, with large market share and privately owned by foreign stakeholders - the process of introduction and implementation of ABC is in progress. It is extremely difficult to determine the valid keys for allocation of overhead costs. It is

not possible to determine a special key for each activity like ABC predicts. The accounting law has not defined precisely the method of allocation of cost of sales to holders. It is therefore necessary to determine the key for allocation like sales, especially in a situation when products are in different measurement units or expressed in the same measuring units, but there is a number of different products.

As to BSC, the company does not have the BSC in the way it was discussed in literature. Instead, it monitors the efficiency and quality control by particular sectors: purchasing, production, sales and so on. It defines the goals and objectives of each sector, individual sector performance indicators, target values plan for each performance indicator and monitors the implementation of the plan, identifies deviations from the plan, presents to the authorities, which shall identify the corrective measures to eliminate them and improve the quality of the enterprise economy as a whole.

Water production, with large market share, is privately owned by foreign stakeholders. As for cost accounting, the same is done at the cost of places. Keys for allocation of overhead costs shall be determined by the experiential method. The mere costing method by organizational units of a company indicates the causes and the necessity of their creation, and allows costs analysis, determining the causes of their increase and therefore the guidelines are given for undertaking the measures to reduce them where it is possible and where the subjective factor is in question. The existing system should continue to refine and apply since this is a production company and is exposed to fierce price competition. It has made more operational rather than strategic decisions and its goal is to develop in the long term, and therefore has no strategy for growth and development. Thus, BSC has not been introduced and implemented yet.

Cookware production, with large market share, privately owned by domestic stakeholders. As for cost accounting, it could be said that a company identifies all business activities in details and controls costs by particular activities and for each item separately. As a key to allocation of overhead costs it uses a normative hours of work. It does not apply different keys for different activities, i.e. ABC concept is not implemented in its entirety, but is adapted to specific business conditions of heterogeneous production, a huge number of different products, in one part highly automated, and in another part manual production, price competition. As regards to BSC, the company has set it but not implemented yet.

Chemical industry, with large market share, privately owned by foreign stakeholders - is fully aware of the ABC concept, it is being implemented at the corporate level as a whole. SAP software is applied. It may be noted that this company consistently implemented activity-based costing, i.e. for each cost there is a special key for allocation (see Table 1). The issue of ABC implementation was not raised because it is a standard.

What is certain is that this company implemented BSC in a way that is theoretically intended. This means that BSC contains all perspectives, all components (strategic tasks and strategic measures, target values or plans of actions and causal relations). Unfortunately, chief financial officer was unable to comment on the effects of implementation on the company as a whole, i.e. at the corporate level because BSC is made in Vienna. At the level of business units, BSC makes easier to track costs and implement strategies, and facilitates the work of individuals.

Pharmaceutical industry, with large market share, privately owned by foreign stakeholders - introduced ABC, where it serves as an information base for creating BSC in part of performance indicators in financial perspective. ABC is done in SAP. It implements a distributed planning at cost placing costs as well as activities that are directed toward strategic business units.

The desire to introduce BSC as soon as possible in order to use it as a strategic tool and, at the period when the company is entering the acquisition process, has led to the fact that the company started with Excel tables still using them for monthly reporting. Firstly, all indicators are defined that are necessary for management, as well as their mutual dependence. The idea of management was to implement BSC in order to motivate and punish those responsible. In addition, the variable part of salaries depends on actual performance. What should be stressed is the fact that BSC in this company is not a tool for strategic management, but also serves as an alarm clock to solve operational problems. The effect on company strategy cannot be seen.

Specific findings. When asked about the expected benefits from implementation of BSC, the managers responded (see Table 2). The most important cost drivers are (see Table 3). Generally, the attitude of the managers towards the effects of ABC implementation on company efficiency, with special emphasis on company's characteristics that affect the company's success is the following (see Table 4).

Conclusion. The general conclusion is that in Serbia, very few companies have implemented the concept of BSC and activity-based management in the way that literature explains and the way they are implemented in other countries. The companies that are under the influence of foreign capital and forced to report to foreign owners in line with current trends in performance measurement and management they have implemented these concepts.

The possibility for, introduction and implementation of ABC and BSC and achieving positive effects on the efficiency of enterprises significantly depends on the characteristics of production process at enterprises. The study shows that if production is more massive and more automated; if overhead costs have a larger share in the total costs; if there is greater technical and technological dependence of organizational units of a company; the greater degree of capacity utilization; more flexible production capacity; more complex products with significant variations in production volume; the stronger price competition in the industry; and if cost accounting system has a greater impact on the price strategy, then it is more possible to implement ABC and BSC.

Generally, management of the surveyed companies is not very well acquainted with the essence of the BSC concept, so that in the future it is necessary to conduct the research that would help companies to implement BSC and ABC and adapt them to specific requirements of certain industries. In addition, by longitudinal analysis it is necessary to monitor the effects of implementing new performance management concepts over a long period.

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Table 1. Cost allocation keys in chemical industry in Serbia

Allocation Keys	Key
HYU Common costs in HME books	forecast
Country Manager W/K	forecast
Customer Service W/K	forecast
Finance in HYU	No. of doc. BU
Admin in HYU	FTE HYU
Legal HYU	plan NTS by BU
Gen. Management HME	FTE HME I HYU
Finance Manager	No. of doc. by BU
Accounting	No. of doc. by BU
Finance	No. of doc. by BU
Controlling	No. of doc. by BU
HR Manager	plan NTS by BU
HR	FTE W/A
Courier and photocopy	FTE W/A
Salary & Income	FTE W/A
Law	plan NTS by BU
Union	FTE W/A
Security	FTE W/A
Green Brigade	FTE W/A
Cleaning	FTE W/A
Drivers	FTE W/A
Internal PR	plan NTS by BU
Purchasing	7 FTE W 1 FTE A
Administration of Common services	plan NTS by BU
Logistics Admin HME	Actual dispatch of goods by UB
Villa Jastrebac	plan NTS by BU
IT	no. of PC/ OSCAR allocation

Table 2. Expected benefits of BSC implementation in Serbia

Expected benefits	Companies				
	Water production	Food production	Cookware production	Chemical industry	Pharmaceutical industry
Thorough consideration of non-financial performance causes	*	*		*	
Improving performance in the long term				*	*
Alignment of strategic initiatives				*	
Improving strategic learning (control and feedback)				*	
Supporting the management system based on shareholder value	*			*	
Building a foundation for a system of incentives	*			*	*
Better consideration of stakeholders				*	
Better focus on customer	*			*	

The End of Table 2

Expected benefits	Companies				
	Water production	Food production	Cookware production	Chemical industry	Pharmaceutical industry
Identifying possibilities for business process reengineering	*			*	*
Supporting growth strategy				*	*
Increasing intangible assets investment	*			*	
Others					

Table 3. Cost drivers at companies in Serbia

Companies	Cost drivers
WATER PRODUCTION	Increasing raw material prices, increasing utility prices (a major consumer of water used for cleaning lines and glass containers), marketing expenses, losses and waste in the production of finished products and failure in the storage and transportation, loan interest rates and exchange rates
FOOD PRODUCTION	Material consumptions, input prices, salary, depreciation, marketing
COOKWARE PRODUCTION	Spoilage, processing, consumption of electricity.
PHARMACEUTICAL PRODUCTION	Salaries, depreciation, energy, spare parts.
CHEMICAL INDUSTRY	Raw materials, marketing, salaries, transport and energy.

Table 4. Managers' attitude to ABC effects in Serbia

Companies	
WATER PRODUCTION	The mere costing at organizational units of the company indicates the causes and the necessity of their appearance, allows the possibility of cost analysis, determining the causes of their increase, and thus receives the guidelines for taking measures for their reduction where it is possible and where the subjective factor is in issue. Monitoring costs in this way contributes to greater discipline of all employees, control function is given even greater importance, and therefore no business results on that basis are negligible. The existing system should be continuously refined and implemented, since the company is exposed to fierce price competition.
FOOD PRODUCTION	The introduction of ABC provides valuable information on product profitability. Monitoring costs by cost places enables significant savings in material consumption (deviations of the actual from standard consumption are reduced); obtains valuable information about profitability of profit centres; creates favourable conditions for making decisions about introducing new products and elimination of the existing from product range (optimal production program).
COOKWARE PRODUCTION	In terms of heterogeneous conditions of production, a huge number of different items, different degrees of production automation - in one part of a highly automated, in another part of manual production, and price competition, ABC makes the possibility to build a clear idea of what or how much it costs if goods are offered at inadequate prices, protects from the effects of inflation and makes conditions for cost reduction, and therefore the sale price is helpful in deciding whether to work for this or that customer.

The end of Table 4

PHARMACEUTICAL INDUSTRY	Cost accounting system is implemented well, the company is disciplined and organized, ABC information is an important basis for defining financial performance indicators in BSC, positive effects are achieved for production cost, net profit and the like.
CHEMICAL INDUSTRY	Activity-based costing enables tracking, rather than reducing costs, and is suitable for strategic planning; goals and objectives are defined globally and in accordance with this the company acts at the local level, the sector is in a saturated industry where there is no margin as in banking, software is expensive, but simply this is the standard that must be implemented.

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