THE IMPORTANCE OF ORGANIZATIONS PERFORMANCE ON ORGANIZATIONAL GROWTH

Prepared by Dr Gabriel Alier Riak* (PhD) & Dut Bol Ayuel Bill
Upper Nile University, South Sudan

*Corresponding Author: -

THE IMPORTANCE OF ORGANIZATIONS PERFORMANCE ON ORGANIZATIONAL GROWTH

Accurate and appropriate measurement of performance is a critical element in entrepreneurship research (Aktan, Bulut, 2008). According to Achemfuo,(2012), a well-organised system of performance measurement may be the single most powerful mechanism at management’s disposal to enhance the probability of successful strategy implementation. In many of the studies in the field of strategic entrepreneurship, firm performance is defined as a dependent variable and the entrepreneurship activity of the firm is considered an independent variable. There is strong agreement among the researchers that the results of successful entrepreneurial activities positively correlate with the improvement of a company’s performance (Fairoz, Hirobumi & Tanaka, 2010).

Measuring absolute firm performance is very difficult, because the concept is complex and multi-dimensional. Researchers suggest that multiple performance indicators should be used to measure this complex construct (Farrington, Matchaba, 2011). The predictable approach to firm’s performance has been to consider financial performance (Frank, Kessler & Fink, 2010). Another approach to organisational performance is to use measurement against purpose, using perceptual measures of company performance (Fatoki, 2012).

A similar approach to assessing the level of satisfaction arising from specific factors and actions was adopted by other researchers such as (Wang, 2008). The literature suggests that responses on performance approach are reliable (Schillo, 2011) as compared to independent data from the organisation. Much of the research on performance measurement has come from the areas of organisational theory and strategic management. As discussed previously, organisational performance can be measured using financial measures, nonfinancial measures or a combination of both. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customer satisfaction, customer referral rates, delivery time, waiting time and employee turnover (Hughes & Morgan, 2007). The performance measures used in this report are a combination of financial and non-financial measures.

Several researchers have suggested that subjective performance measurement may be appropriate given the restrictions imposed by objective measures (Runyan, Droge & Swinney, 2008). Objective measures works mostly with more developed companies and do not fully accommodate SMEs. Performance is measured using attributes like Profitability, Sales growth, Market share and Customer satisfaction and personal satisfaction.

• Profitability
Profitability measures a firm’s past ability to generate returns (Hughes & Morgan, 2007). What is common for profitable companies is management has a business plan and focuses on four key areas to help ensure the strategies needed to execute the plan are working. The four key areas are metrics. There is an old adage that says ‘if you can’t measure it (Fatoki, 2012). You can’t manage it’. Successful companies are obsessed with granular measuring aspects of loan production, secondary market results and employee productivity. Production and gain-on-sale (GOS) metrics are sliced and diced by channel, investor, product, salesperson, state (Fairoz, Hirobumi & Tanaka, 2010).

• Sales growth
Successful entrepreneurs focus on profits and return on equity over loan production. Higher loan volume does not guarantee higher profits (Aktan, Bulut, 2008). In today’s new mortgage banking world, higher profits can equate to higher risk; higher risk requires a higher return on equity. Successful companies set a return on equity boogie and continuously review the metrics and financial results to uncover any deficiencies or new opportunities that would help ensure meeting the required profits and return on equity (Achemfuo,(2012).

• Market share
For entrepreneurs to be successful, they must focus on the market share which determines production. Higher loan volume does not guarantee higher profits. This is all about the clientele an entrepreneur claims to have (Combs, & Todd, 2008). Market share is what shows that the business is performing better or not. Successful companies continuously review the market share and financial results to uncover any deficiencies or new opportunities that would help ensure meeting the required profits and return on equity (Aktan, Bulut, 2008).
**Customer satisfaction**
Customer satisfaction is defined as consumers’ evaluation of their experiences with a service provider that accumulates over time (Fairoz, Hirobumi & Tanaka, 2010). Customer and employee satisfaction are two further aspects to consider. Positive perception of service quality is the indication of the customers’ satisfaction (Fatoki, 2012). Companies satisfy these needs by avoiding defects and improving the perceived quality and value added by their offerings. Customer satisfaction increases the willingness-to-pay and thus the value created by a company (Schillo, 2011).

**Personal satisfaction**
Positive perception of one’s service quality is the indication of the personal satisfaction (Fatoki, 2012). An Entrepreneur should have personal satisfaction from entrepreneurial activities. In general, one should be satisfied with his/her present enterprises and earnings from the current enterprise (Combs, & Todd, 2008). They should be willing to work harder than in order to help the enterprise succeed. My values and the enterprise values are very similar (Fairoz, Hirobumi & Tanaka, 2010). When there is personal satisfaction, entrepreneurs keep working for this enterprise hence improved performance of the enterprise since it makes them proud to be working for the enterprise (Covin, Lumpkin, 2011).

The relationship between inventory management and performance, Covin, Lumpkin, (2011) says that the linkages between IM and performance have been discussed by many authors in the context of large enterprises. Reducing throughput time by faster value addition to the materials clearly would lead to a competitive edge. This would lead to advantage on the inventory cost front also. Keynesians argue that expansionary fiscal policy should be used in times of recession or low economic activity as an essential tool for building the framework for strong economic growth and working towards full employment. In theory, the resulting deficits would be paid for by an expanded economy during the boom that would follow; this was the reasoning behind the New Deal, Hansen, Bent (2003).

**REFERENCE**

[3]. Covin, Lumpkin, 2011
[4]. Fairoz, Hirobumi & Tanaka, 2010)
[5]. (Covin, Lumpkin, 2011).
[6]. Combs, & Todd, 2008).
[7]. (Fatoki, 2012).
[8]. Equity (Aktan, Bulut, 2008).