Development of Corporate Performance Management in the Context of Customer Satisfaction Measurement

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Abstract

The paper presents the research results in the area of Net Promoter Score integration into the corporate performance measurement and management in the paradigm of the 21st century. Critical analysis and customer satisfaction and loyalty measurement was performed in the modern methods context of enterprise performance measurement and management. The results of the performed empirical research proved and demonstrated the expediency of NPS use for customers’ satisfaction measurement in the automotive industry area in the Czech Republic, including the confirmation of suitability and significance of NPS integration into the financial performance measurement system based on the economic value added method.

1. Introduction

Turbulence, chaos and discontinuity, as manifestations of the current global world, bring new views on the measurement and management of corporate performance. According to Drucker: “There is only one certainty: the future will be different from what we have today” (1995).
Current conditions place more importance on non-financial indicators which, in connection with financial indicators, can better identify the conditions influencing changes in the parameters of corporate performance. The new direction of corporate management, oriented towards performance, is associated with the transition from static models to dynamic models which react flexibly to changes in the business environment. A holistic interdisciplinary approach to corporate management plays a significant role in this process.

The introduction of new technologies enabling rapid production growth and a decrease in the price of products and services easily increases the excess of offer over demand. This increases pressure on competition, resulting in a battle over markets and new customers. Besides cost and quality, time becomes an important factor in this competition. The global economic environment, as we have known it over the last decade, has led to the individualization of industrial products in order to correspond to customer wishes and, at the same time, to a shortening of the life cycle. Such products also include automobiles. Changes in the requirements for industrial products are related to the transition from classic large-scale production, producing standardized products to new production conditions of value for the customer, able to adapt to customer demands and individual needs. In the surroundings of global competition it is very important for a company to measure customer satisfaction in order for the conditions for stable production growth to be created. Under these changes, corporate management style and management skills must also change.

2. Definition of the problem

Marketing plays an important role in interdisciplinary corporate management, oriented towards value for the customer. New marketing concepts provide a more complex view of the measurement and management of corporate performance, where non-financial indicators focused on customer satisfaction and loyalty, or company value, become more important. The convergence of marketing principles and financial corporate management brings very new opportunities for the measurement of corporate performance.

According to Porter (1994), only a company which achieves a better-than-average profitability in their industry has a competitive advantage. But this also means that the company has competitive supremacy only when its activities provide a sufficient number of customers to protect it from the power of the competition. An increase in sales is dependent on customer satisfaction and being tied to the product and the manufacturer in the long-term. Customer loyalty is then created as a foundation of manufacturer prosperity. Business based on the principals of value for the customer requires not only the measurement of customer satisfaction, but also its management using these principles. Measuring performance in the global economic environment based on the principles of linking classic, hard, financial indicators with soft indicators has thus become a foundation for new, modern approaches to corporate management.

The automotive industry is one of the world’s most developed industries. Under the influence of changes over the last decade, mainly in context of the current global economic crisis, it has on the one hand brought about a high level of individualization, corresponding to the needs and wishes of the customer, but with the emphasis on quality and increases in production efficiency by cost saving on the other. Automobile production, including parts and components, employs 9 million people globally, with another 50 million or so connected to the automotive industry in related manufacturing industries and services. According to data reported by the OICA (International Organization of Motor Vehicle Manufacturers), global production in 2014 reached 89.5 million cars, an increase of 3% compared to 2013 (OICA, 2015). The development of the automotive industry as we know it today is, however, dependent on oil extraction and new road construction. Pollution from road traffic also sets limits for production development; ways to replace and overcome these limits are being sought. All this is in conflict with industry economic performance parameters.

Increasing levels of traffic individualization became a phenomenon of global world development at the turn of the 21st century. The automobile has also become a symbol of an increase in living standards and wealth for the population of the modern world. The customer is considered the most important force in the growth of the automotive industry. For the producer, therefore, it is increasingly important to gauge customer satisfaction and loyalty and use customer experience as feedback for production.

Automotive production in the Czech Republic has specific circumstances. It has a long tradition, including qualified and cheap labor. From a global point of view, Czech automotive production is in 13th place, and in terms of
the number of automobiles produced per thousand inhabitants, shares first place with Slovakia (The Automotive Industry Association, 2015). It is, therefore, logical that the automotive industry has become the backbone of the Czech economy. The consequence, however, is greater vulnerability in the current subsiding global economic crisis. From the perspective of the small open economy of the Czech Republic, it is apparent that automobile production is mainly intended for export. Other specifics of the market in the Czech Republic include a relatively high frequency of used cars, and their age, which was approximately 14.5 years in 2014 (The Car Importers Association, 2015).

3. Goals and methodology of the research

The primary goal of the qualitative and quantitative research performed from 2011 to 2015 was to create a model of performance of an industrial company based on Economic Value Added (EVA) in the context of customer satisfaction. Verification of the proposed model and its implementation were performed in the specific conditions of supplying an automotive company. The situation analysis of the automotive industry in the environment of globalization, and the research study of customer purchase behavior in the field of automobiles, have provided the basic parameters for the creation of a model from the point of view of the customer, a consumer, as an important interest group that influences the performance of automobile manufacturers. The results of customer satisfaction and loyalty measurements were used to identify the possibilities of growth in economic added value as a scale for the performance of an automotive company.

The scientific methods used in the research are based on empiric information and knowledge, based on scientific observation, measurement and classification in close connection to the research of theoretical knowledge and rules. The empiric methods used include obtaining data by way of a questionnaire survey on customer purchase behavior on the automobile market, including the evaluation of customer behavior using indicators characterizing satisfaction and loyalty. The research study includes a statistic evaluation of mutual bonds of satisfaction using correlation analysis. The research study identifies and generalizes final automobile customer requirements in a mutual context necessary for the creation of a model of the performance of an automotive company. Osterwalder’s “Business model” (Osterwalder & Pigneur, 2012), which unearths the essence and principles of the creation, transfer and acquisition of company value, was used as a basic building block for the situational analysis of the automotive industry.

4. Proposal of a company performance model in the automotive industry

4.1. Company performance in the 21st century

In the current global world, performance can be perceived as the success rate of a company on the market, the ability to succeed in competition and to find opportunities for further growth in the changing, unstable economic environment of the global world. The success rate is that which can be seen under the term performance under current conditions. Peter F. Drucker states, “If you can’t measure it, you can’t manage it” (1995). But if we measure, we must first know what to measure and how to measure it. Net Present Value (NPV) is a suitable scale for measuring company performance from the investment point of view because is also takes risk and time factors into consideration. In the last ten years, the focus has mainly been on the Economic Value Added (EVA) indicator; there is a connection between NPV and EVA, as proved by Richtárová (2006), EVA can be understood as a system of company management enabling not only performance measurement, but also the evaluation of investment projects, companies and acquisitions, as well as management salaries. EVA is one of a new generation of financial indicators, of the so-called lead character, that will “turn on the red light” in time. Classic financial indicators are unable to respond in time to the changing, chaotic and turbulent environment of the globalized world. Despite the indisputable advantages, there is a problem with the adjustment of input data for the calculation of an indicator, even if the capital is defined as the source for financing the activities producing operative turnover (Knápková & Pavelková, 2009).

Performance measurements at a higher, more evolved level of performance oriented company management represent complex approaches, enabling the connection of non-financial, explicitly acting indicators with
performance growth financial indicators. Well-known management systems include the Balanced Scorecard (BSC). Its basic goal is the balanced satisfaction of company shareholders (Kaplan & Norton, 2000). The BSC system enables the connection of financial indicators with non-financial indicators and distinguishes the lead (moving, future predicting) indicators and the lag indicators, expressing the consequences of acts and processes. Relying only on financial indicators can significantly limit future corporate potential (Knápková & Pavelková, 2009). A subject analysis of performance can be supported by a causal map enabling not only recognition of causes and consequences, but also complications of these relationships within the company (Horváth & Partners, 2002).

The new direction of 21st century company management, oriented towards performance, is associated with the transition from static models to dynamic models which react flexibly to changes in the business environment. Controlling becomes an important part of these systems for its integration potential. From this point of view, Horváth’s “Architecture of Performance” can be introduced (Horváth & Partners, 2002), see Figure 1, connecting controlling, Balanced Scorecard and company processes (with the use of Activity Based Costing) into a joint system of performance management.

![Architecture of performance](image.png)

Fig. 1: Architecture of performance as multicritical tool

Source: Authors’ own adaptation, 2015, according to Horváth & Partners (2002)

4.2. Orientation towards the customer

A long-term partnership with the customer requires the constant recognition of customer needs, motivations and habits; and using this knowledge in an innovative process of company offers. Lošťáková (2009) characterizes the management of customer relationships as an interactive process aimed at achieving the optimal balance between company investment and the satisfaction of customer needs. Customers differ not only in level of satisfaction, but also in attributes that create satisfaction. If companies perceive the customer satisfaction as their main goal, they must work with segmentation effectively. The creator of the Net Promoter Score (NPS), Fred Reichheld (2003), moves the issue further when, based on his own research, he states that companies achieving high levels of NPS recorded long-term performance growth.

The conclusion is that satisfied, loyal customers are those who bring the greatest benefits for the company from the long-term point of view. The fundamental concept that increases company performance is to satisfy the customer. Comparison with the competition on the principles of benchmarking is an important prerequisite for successful company performance management. It is important to know the position of the company in the relation to
performance. It is an essential precondition for the determination of market position in the competitive environment of the automotive industry.

4.3. Description of selected methods used in the research

The proposed model is based on a situational analysis of the Czech automotive industry. Results from research into the purchase behavior of Czech automobile customers-consumers (B2C) are used as the data source for measuring satisfaction using the Net Promoter Score (NPS). Measured NPS values are then used to simulate company performance on the basis of the EVA indicator, and for the creation of a model. From the sale categorization point of view, the automobile is a so-called special commodity, which is chosen thoroughly at length by the consumer, who considers and compares before deciding to buy. Besides the qualitative and technical parameters of the car, image and brand are also very important criteria for the choice. The customer-product-performance relationship is essential for the creation of a model. If the price of the product represents revenue, and quality denotes cost, then these variables can also represent the connection between company performance and customer satisfaction.

In today’s global world, customer satisfaction is an important factor ensuring the stability of company revenue, as well as company performance growth. Customers are connected with other interest groups inside the company, employees and owners. By influencing each other, all three interest groups create the preconditions for company performance growth, mainly credibility and corporate culture. “Customer satisfaction is one of the intensive development sources necessary for the creation and strengthening of the competitive position of a company on the market. Satisfaction can be defined as a man’s subjective feelings on the fulfilment of his expectations. These are subject to both experience and information, as well as personality and environment” (Kozel, Mynářová & Svoškodová, 2011).

Customer satisfaction is most often measured by using different modifications of the Customer Satisfaction Index (CSI), which is based on a barometer of customer satisfaction which has been applied in Sweden since 1989 (Marinič, 2008). It is important to note that the indices of customer satisfaction (ECSI – European Customer Satisfaction Index, ACSI – American Customer Satisfaction Index, CSI) measure cumulated satisfaction, summarizing experiences of customer behavior, including changes in attitude in the relationship with the supplier.

The Net Promoter Score (NPS) is a method of principles of instant customer experience. The NPS® (Net Promoter Score) was developed by Satmetrix, Bain & Company, together with Fred Reichheld. The first findings on NPS were published in 2003 in an article in the Harvard Business Review (Reichheld, 2003). The NPS principle is demonstrated in Figure 2. Since then, NPS has been perceived as the standard for measuring and increasing customer loyalty. The Net Promoter® concept is protected by copyright. A whole range of variants of these metrics and systems was created, mainly in the USA. The NPS concept has gradually become accepted throughout the world and is now also beginning to be accepted in the Czech Republic. Net Promoter Score (NPS) metrics create a precondition for the observation of customer value, i.e. segmentation according to satisfaction. Working with customer segmentation is its greatest significance. Experience shows that NPS is extremely useful for internal benchmarking; for example, the evaluation of vendors for trade and services companies, including car dealers, but also in the manufacture of products for one specific brand, which is particularly valid in the automotive industry. Organizations achieving high NPS values display the great importance of customer and employee loyalty for business success, as stated by Owen and Brooks (2009).
Neumaierová and Neumaier (2011) also discovered that NPS as the only indicator does not put customer and company employee into opposition. The metrics have an especially positive influence on corporate culture and the creation of a trusting atmosphere in the customer-employee relationship, creating conditions for sharing tacit knowledge. NPS metrics can also be used for research into B2B relationship satisfaction.

4.4. Situation analysis of the automotive industry in the Czech Republic in strategic context

The results of the situation analysis of the current state of the automotive industry in the Czech Republic and its position on the market according to Osterwalder’s model are documented in Figure 3:

![Figure 3: Growth factors of performance in the automotive industry](Image)

Understanding the changes caused by the current unstable global environment should help to adjust the business model to shifting external forces. The environment in which a company works can, according to Osterwalder, be seen as a “certain space” of the design, respectively a certain context, in which the business model is being created. It is influenced by customers, new technologies, competition, and other factors including legislation and regulations (Neumaierová & Neumaier, 2011). This view allows for a better understanding of how the company works, what it needs to function successfully and, at the same time, ensure stable performance growth for the interest groups around it. This model was used as a part of the situation analysis of the Czech automotive industry, the aim of which
was to uncover performance growth factors in relation to the behavior of the Czech customer and owner (user) of the automobile.

5. Model of company performance, its parameters and verification results

The relationship between the customer and the product can be expressed by the “philosophy of product layers” of the Dutch scientist Leeflang. The core of the product is represented by its utility value, the extended product is its perceived satisfaction value and the total product represents the extension of product services related to its use (Tomek & Vávrová, 2001). Kislingerová et al. (2008) also found out that the management of customer satisfaction lies in the identification of key influencing attributes. Influencing these attributes through a number of activities, including quality improvement projects, leads to changes in customer expectations and perception and forms their satisfaction. This approach was used to solve research into the creation of a performance model.

The presented performance model is set in the environment of so-called “Performance Architecture” (Horváth & Partners, 2002) which integrates Controlling, Balanced Scorecard and Activity Based Costing. The use of the Net Promoter Score (NPS) for the company performance model is based on customer segmentation, embodied in the very metrics. The price – quality relationship is firmly embedded in the performance oriented system of automotive industry management and its strategic orientation. This relationship is very important for customer orientation, but challenges their expertise. “At a certain point, the customer no longer sees quality increase as an important precondition for paying a higher price for the product” (Tomek & Vávrová, 2001).

The verification of the model functioning in the conditions of a medium-sized company was performed in cooperation with managers, head of control, and account manager of AGC Automotive Czech, Inc., Chudeřice. Controlling is an important part of quality cost management. Its main goals include quality cost optimization. The parameters required by the customer are entered into the plan using “Parts per Million” (PPM). An important fact about the company is that the strategic concept is decided by the parent company AGC Automotive EUROPE in Belgium, which corresponds with general findings on the strategic management of automotive industry companies in the Czech Republic. In most cases the strategic concept of the Czech Automotive industry is in the hands of foreign owners. The only exception is the Škoda Auto company, which is the so-called managing second-order company with a wide range of competences, such as several large research and development centers; for example, Visteon Autopal and Bosch (Ženka & Pavlínek, 2013).

Not only the harmony between the appearance of the glass and the bodywork design, but also especially high safety requirements in every specified parameter are important restrictions of automotive glass utility value. Customer value includes high supply quality. Attributes of product satisfaction are directly declared in the contract and are the subject of a demanding audit, performed by the customer at every stage of the whole process of contracted production. On the other hand, the know-how of automotive glass manufacture leading to the improvement of experience is added value for the supplier. Product supply for the automobile company also includes services. The company secures a sequence (set) of glass in the order of the production plan, saving assembly time for the customer. In the debate on company performance evaluation, the specialists from the AGC Automotive Czech, Inc., Chudeřice positively evaluated universality and functionality of the presented performance model based on the principles of customer satisfaction evaluation and conditions in the company.

6. Conclusions

The main aim of the research was to create an automotive industry company performance model in the context of customer satisfaction. The created performance model is the generalization of the findings from the qualitative research. Findings on the importance of the attributes of overall customer satisfaction as moving forces of performance in relation to the Economic Value Added indicator were also used for the creation of the simulation model, which showed the capital intensity of automobile production. The automobile is a product significantly tied to the life cycle. Current global technical and economic conditions have led to a shortening of this life cycle. For the future, changes in retail strategy and a transformation from the automobile as property to the automobile as a service
can be expected. Operative leases offering a method of automobile purchase to the customer segment of private persons (households) is imminent in the Czech automobile market. Car sharing is also a new product in this field.

Acknowledgements

This paper was created within the project SGS-2015-021 Development of Financial Management Approaches as a Tool for Corporate Value Growth at the University of West Bohemia, Faculty of Economics.

References


