

# Application of non-financial indicators in evaluating the enterprise performance using the statistical methods

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## Abstract

Business performance measurement has become an important phenomenon. To evaluate the performance the variety of methods are used. Nowadays conventional performance evaluation of enterprise with the use of financial indicators is not sufficient. This way of performance evaluation has some weaknesses, which can be removed by taking into account also non-financial indicators. The aim of this paper is to determine the influence of selected non-financial indicators on the enterprise performance. In meeting the objective and solving mentioned problem, standard research methods, such as comparative analyses and the method of analysis and synthesis are used. To verify the correctness of the selection of non-financial indicators and to analyse relationships between these indicators, the correlation matrix is applied. In addition to above mentioned methods, when creating strategic management map, the method of modelling will be used. The research and measurements conducted will result in the proposal of the strategic model, where the prognosis of strategic objectives until 2015 is carried out.

**Key words:** Balanced ScoreCard method, Correlation matrix, Economic Value Added, Non-financial indicators, Performance, Strategic management map

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## 1. INTRODUCTION

Nowadays the conventional performance evaluation of enterprises with the use of financial indicators is inadequate. When evaluating the performance of the company, the need to use new methods, tools and indicators assessing the financial aspects as well as other functional areas of the company, emerges more frequently. The increasing emphasis is given to the non-financial indicators, which contain measures focused on the assessment of the customer base, internal processes evaluation, assessment of the level and quality of personal staff, safety evaluation, supplier-consumer relations and many other indicators.

Despite the criticism of excessive use of the financial indicators in enterprise performance evaluation these indicators continue to be the most important. The values of these indicators reflect the impact of other perspectives and indicators of the Balanced ScoreCard method (BSC) (Kaplan, Norton, 2007). Financial perspective, as one of the four perspectives BSC, represents the financial performance of the enterprise. But in this perspective, it is necessary to shift to new indicators and methods of performance evaluation too.

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## 2. THEORETICAL DEFINITION OF THE PROBLEM

Currently the evaluation of the Slovak enterprise performance is applied with the use of three basic methods (Kislingerová, 2011)

1. Evaluation using the set of indicators usually from the five areas of evaluation - liquidity, activity, capital structure, profitability and market value. These groups are mutually independent and they constitute a parallel set of indicators. Some of these measures are key Performance Indicators (*ROA – Return on Assets, ROE – Return on equity, Current liquidity, Interest coverage, Capital turnover, etc.*).
2. Evaluation with the use of set of indicators compiled as (arranged into) pyramidal decompositions, on the top of which is key synthetic indicator, as for example *ROA - Return on assets* or *ROE - Return on equity*. The latest pyramidal decomposition, developed in the Czech Republic is INFA model (Neumaierová, Neumaier, 2002).
3. Evaluation with the use of one synthetic indicator which connects partial indicators and other statistical data into a single unit – one of the prediction models (*Z – score, Taffler index, Credit score* as well as the models of above mentioned authors - Inka Neumaierová and Ivan Neumaier – IN99, 01,05.)

These financial goals and measures represent focus point at which the goals and measures of other areas of business are targeted. Without considering the financial aspects of the business and without long-term profits the company would not exist. It is necessary to define objectives demonstrating the eligibility of future existence of the company, i.e. such capitalization of equity that in the view of other options represents the best solution. For this purpose, it is appropriate to use indicators of profitability and turnover, as well as indicators related to the liquidity of the company (Cash flow, Cash-to-cash, etc.). According to surveys conducted when implementing the system of performance evaluation in practice, among the most important performance measures occurred enterprise value measured by EVA - Economic Value Added, indicator FCF – Free Cash Flow, Return on assets, Liquidity, Cost ratio, Capital structure, WACC and other financial goals.

In the financial perspective it is important to monitor the satisfaction of the owners. In this context, it is necessary to measure the fulfilment of the most important objective – Net Present Value expressed by the EVA indicator. Model of corporate financial management INFA (Neumaierová, Neumaier, 2002) is the tool for value management in the financial perspective. It is a frame on which the other perspectives are based. Within the financial perspective the long-term as well as short-term enterprise performance measured by EVA indicator is monitored.

### 2.1 Selection of the appropriate financial objectives and indicators

When choosing financial objectives and indicators into the financial perspective, we have to pay attention to two facts.

The first of them states that when evaluating financial performance only on the basis of indicator of net profit and derived ratios, we get inaccurate data. We can make mistakes in the field of strategic management or remuneration for the following reasons:

- *uncertainties from the accounting system (the precautionary principle, the accrual accounting system, etc.),*
- *the choice in the area of accounting procedures (form of depreciation, reserves, etc.),*

- *giving preference to the creditor's claims over the demand of owners and other distortions.*

Therefore much more appropriate measure to evaluate the financial performance is the EVA (Economic Value Added) indicator reflecting the impact of the Cost of equity. It is in fact economic profit which evaluates the benefits for enterprise owners after paying the Rate of equity.

The second issue is related to the selection of financial targets. These targets may change during the life cycle of an enterprise and at every stage of this cycle different financial goal can be important. This fact should be taken into account in constructing the financial perspective of BSC. According to this, the enterprise sets financial goals ranging from aggressive growth to stability, closure and disposal. Simply we can say that there are three basic stages of the business life cycle: growth, expansion and mature (Kaplan, Norton 2007).

## **2.2 Why are financial indicators not sufficient?**

In all the above-mentioned evaluations, the financial indicators are dominant. The majority of these financial indicators are based on the financial accounting, which is established on accounting standards. These indicators are important for the measurement of financial performance, for tax purposes and also for capital markets (Kislingerová, 2011).

As the main weaknesses of these indicators are considered:

- most of the indicators are based on the historical data because they come from the financial statements, focus on these indicators leads to meeting short-term objectives and neglecting of long-term ones, connection to the strategy is missing, they often leads to thoughtless cost reduction at the expense of future development of the enterprise,
- these indicators do not affect any significant strategic areas, they are not suitable for forecasting the future development of the enterprise and formation of the corporate strategy, because they are considered to be lagging indicators,
- they are used to express objectives, particularly focusing on profitability, while there is a risk of customization of the results by enterprise management,
- some of them do not accept influence of environment, innovation, customer satisfaction, importance of intellectual capital, etc.,
- these indicators are often unreliable.

## **2.3 Non-financial indicators**

Above mentioned weaknesses of financial indicators can be removed by the use of non-financial ones. Application of non-financial indicators ensures incorporation of other areas and aspects of performance, which lead to long-term prosperity, to the measurement and management of performance. These indicators are considered to be leading indicators.

The establishment of non-financial indicators is closely related to the attempts to determine factors of the enterprise success. In the early 80s Peters and Waterman (1982) proposed eight factors leading to the business success, subsequently Chung, Daniel and Rockart designed also the critical factors of enterprise success. In the late 80s the Malcom Baldrige National Award, granted to excellent organizations in accordance with the seven criteria, was established in the USA. The aggregate concept of enterprises evaluation – the Balanced ScoreCard method - was introduced by Kaplan and Norton (2007). These authors added into assessment and measurement of performance also non-financial indicators in four perspectives. Resulting from their effort the strategic management map consisting of indicators of

financial perspective, customer perspective, internal business processes perspective and perspective of learning and growth was constructed. This strategic management map contains not only the objectives but also their drivers. Another method of enterprise evaluation utilizing non-financial indicators is the method of Harry Pollak (2004). In the early 90s the recommendations for creating excellent organization were formulated and The European Quality Award was also awarded. EFQM - Excellence Model emerged from the BSC concept, which reveals the strengths and weaknesses in order to improve the position of enterprise in the global world and competition.

#### **2.4 How to determine non-financial indicators**

The determination of the non-financial indicators has to be based on long-term goals and strategies of the enterprise. Particularly demanding is the measurability of these indicators. Mentioned indicators are classified into tangible indicators, which are measurable as for example increase in the number of customers, increase in market share, reducing the time of customer service and others. The most difficult is the measurement of the second group of indicators, so called intangible indicators, as for example innovation, corporate culture, customer satisfaction, customer loyalty and others. If we are not able to express some of these indicators in physical units, we have to choose different indicator.

#### **2.5 The procedure for the selection of the indicators**

Measurement of the enterprise performance with the use of indicators can be divided into three phases, according to which we proceed in the presented contribution.

1. Identification of the key measurable performance indicators.
2. Indicators measurement.
3. The use of indicators to plan in practice.

Since there are various non-financial indicators, it is necessary to classify them by:

- enterprise market position – brand, market growth, market share, product price, the proportion of new products,
- customers – customer satisfaction, customer loyalty, the speed of orders fulfilment,
- innovation – new products and services, quality of the products and services, technological support and others,
- productivity – new technologies, environment,
- employees – employees satisfaction, fluctuation, training and others.

Ittner and Larcker (2003) introduce the following method of selecting non-financial indicators:

- to propose causation strategy model and set out key areas and indicators,
- to examine enterprise databases and the location of non-financial indicators in these databases,
- to verify the model and the relationships in it,
- to constantly upgrade the model, particularly in relation to the external environment,
- to implement activities based on the results and to use outcomes in decision-making,
- to control the results constantly, mainly on the basis of ex-post analysis.

Implementation of new and progressive package of indicators represents investment into IT systems, which have to be connected to the number of databases.

### 3. DATA PROCESSING AND METHODS USED

The sample for the performance calculation and evaluation consists of companies running a business within the energy industry, namely three companies active in the field of electricity distribution in the Slovak Republic with the largest share on this market. As a source of information web pages and annual reports of these companies (Východoslovenská distribučná, a.s.), (Západoslovenská distribučná, a.s.), (Stredoslovenská energetika, a.s.) as well as web page of „Regulatory Office for Network Industries“ are used. Whereas these companies require not to publish the data provided, they will be mentioned in this contribution only as DIS1, DIS2 and DIS3.

In this paper we focus on determining the impact of the selected fundamental factors on the enterprise performance. We put emphasis on the selection and application of the non-financial indicators specific for the analysed industry. In the light of above-mentioned, the following scientific problem is formulated: „Can the selection of non-financial indicators influence the final evaluation of enterprises performance?“

The choice of non-financial indicators influencing performance evaluation of the enterprise can be realized with the use of Balanced ScoreCard method (Kaplan, Norton, 1996), INFA model (Neumaierová, Neumaier, 2002), factor analysis (Grunwald, Holečková, 2009) and mathematical and statistical methods. Enterprise performance is measured and calculated with the use of the EVA indicator generally considered to be the top indicator of the enterprise performance evaluation. Established objectives and tasks are implemented with the use of mathematical and statistical methods.

For the transformation of the non-financial indicators and EVA indicator to the scores, the method of scoring is used. Each of the given indicators is assigned by corresponding number of points. The maximum score is 8 points. Indicators which fail to reach maximum number of points will be assigned the score with the use of formulas (1) and (2).

We calculate the scores of indicators, development of which should be growing, by putting the highest value of the indicator to the denominator of the equation (1).

$$b_{ij} = \frac{x_{ij}}{x_{imax}} \times 8 \quad (1)$$

We calculate the scores of indicators, development of which should be declining, by putting the lowest value of the indicator to the numerator of the equation (2):

$$b_{ij} = \frac{x_{imin}}{x_{ij}} \times 8 \quad (2)$$

Where

- $x_{ij}$  is the value of the j-th explanatory variable associated with enterprise i
- $x_{jmax}$  is the highest value of the j-th explanatory variable assessed by 8 points, it refers to the indicators, development of which should be growing
- $x_{imin}$  is the lowest value of the j-th explanatory variable assessed by 8 points, it refers to the indicators, development of which should be declining
- $b_{ij}$  is the score of the enterprise i for the j-th explanatory variable

To assess the impact of the selected non-financial indicators on the EVA indicator the correlation matrix is applied. Its results are used to determine key non-financial indicators involved in the financial performance development of the selected companies.

Individual correlation matrices are processed with the use of software Statistica. This software in each of correlation matrices marks the correlations, in which P values are less than significance level of 0.05. In these cases we reject the null hypothesis  $H_{0x}$  in favour of the alternative hypothesis  $H_{1x}$ . Therefore we conclude that the studied linear relationship between given variables is statistically significant.

In meeting the target and solving the problem, other standard methods of research are used, such as comparative analysis, logic and the methods of analysis and synthesis. In addition to above mentioned methods, when creating strategic management map the method of modelling is applied.

In accordance with the stated objective and mentioned methods of solution, four scientific hypotheses were set up. These hypotheses were tested with the use of correlation matrix.

$H_{01}$ : There is no statistically significant linear relationship between selected non-financial indicators.

$H_{11}$ : There is statistically significant linear relationship between selected non-financial indicators.

$H_{02}$ : There is no statistically significant linear relationship between selected non-financial indicators and the EVA indicator.

$H_{12}$ : There is statistically significant linear relationship between selected non-financial indicators and the EVA indicator.

#### 4. RESULTS AND DISCUSSION

The first step in our research was the identification of the key non-financial performance indicators in terms of the selection procedure of non-financial measures. Since the energy industry and specifically companies active in the field of electricity distribution represented our research sample, we selected sectoral indicators of those companies as the non-financial indicators. The correctness of the selection of these indicators was verified using the correlation matrix (Table 4). When selecting indicators we have complied with the measures classification in accordance with the theory of Kaplan and Norton (2007). Selected set of indicators is given in Table 1.

Table 1 Selection of non-financial indicators for performance assessment

<i>Evaluated area</i>	<i>Indicators</i>	<i>Unit of measure</i>	<i>Rationale for the selection</i>
<i>Financial perspective</i>	<i>Cost consumption (CC)</i>	<i>€/Point of supply</i>	<i>Key performance indicator in terms of the financial perspective</i>
<i>Financial perspective</i>	<i>Return on investment (ROI)</i>	<i>Ratio</i>	<i>Key performance indicator in terms of the financial perspective</i>
<i>Customer perspective</i>	<i>Point of supply profitability (PSP)</i>	<i>%</i>	<i>Key performance indicator in terms of the customer perspective</i>
<i>Customer perspective</i>	<i>Tariff for electricity distribution without losses including electricity transmission - Voltage level Mv (TED)</i>	<i>€/MWh</i>	<i>Key performance indicator in terms of the customer perspective</i>

Internal perspective of BSC	Energy efficiency of electricity distribution (EE)	%	Key performance indicator in terms of the internal perspective of BSC
Internal perspective of BSC	Share of losses in the electricity distribution (SL)	%	Key performance indicator in terms of the internal perspective of BSC
Internal perspective of BSC	Average interruption duration of electricity distribution to point of supply – Voltage level Mv (AID)	Minutes/Point of supply	Key performance indicator in terms of the internal perspective of BSC
Perspective of BSC potentials	Number of failure to comply with standard of quality events to recorded events (NFRE)	%	Key performance indicator in terms of the perspective of BSC potentials
Perspective of BSC potentials	Number of failure to comply with standard of quality events to employee (NFE)	Number/Employee	Key performance indicator in terms of the perspective of BSC potentials
Perspective of BSC potentials	Employee labor productivity (ELP)	€/Employee	Key performance indicator in terms of the perspective of BSC potentials

Source: Own processing

These indicators met the condition of measurability (Table 2) as well as condition of ensuring mutual relations between indicators (Table 4). This file consists of indicators reporting significant relationships of mutual dependence. The only indicator showing no relationship with non-financial indicators in the file is *Return on investment*; however, this indicator affects overall enterprise performance.

Table 2 Values of the selected non-financial indicators

Indicators	DIS1	DIS1	DIS2	DIS2	DIS3	DIS3
	2010	2011	2010	2011	2010	2011
Cost consumption	0.42	0.56	0.29	0.36	0.13	0.16
Return on investment	0.54	0.40	0.52	0.42	0.46	0.48
Point of supply profitability	5.80	10.24	15.18	17.89	30.77	33.71
Tariff for electricity distribution without losses including electricity transmission - Voltage level Mv	13.38	13.35	17.00	16.91	9.49	9.31
Energy efficiency of electricity distribution	93.33	94.13	90.48	92.08	91.55	91.87
Share of losses in the electricity distribution	6.54	5.74	9.30	7.70	8.33	7.99
Average interruption duration of electricity distribution to point of supply – Voltage level Mv	419.57	206.57	526.71	484.57	251.98	42.21
Number of failure to comply with standard of quality events to recorded events	2.05	4.06	2.52	1.59	1.14	0.44
Number of failure to comply with standard of quality events to employee	598.00	522.00	483.00	251.00	650.00	148.00
Employee labour productivity	1 003.83	1 129.10	850.52	980.88	3 457.7	3 048.71

Source: Own processing

Values of selected indicators were transformed to the scores. The total scores of the enterprises demonstrate that the best performance, assessed with the use of non-financial indicators, achieved enterprise DIS3. This enterprise in each of the selected indicators achieved nearly 8 points. Worst evaluated indicator for this company is indicator *Share of losses in the electricity distribution*. The lowest score of 37 points was achieved by enterprise DIS 2.

Table 3 The scores of selected non-financial indicators

Indicators	DIS1	DIS1	DIS2	DIS2	DIS3	DIS3
	2010	2011	2010	2011	2010	2011
<i>Cost consumption</i>	3	2	4	3	8	7
<i>Return on investment</i>	6	8	6	8	7	7
<i>Point of supply profitability</i>	1	2	4	4	7	8
<i>Tariff for electricity distribution without losses including electricity transmission - Voltage level Mv</i>	6	6	4	4	8	8
<i>Energy efficiency of electricity distribution</i>	8	8	8	8	8	8
<i>Share of losses in the electricity distribution</i>	7	8	5	6	6	6
<i>Average interruption duration of electricity distribution to point of supply – Voltage level Mv</i>	1	2	1	1	1	8
<i>Number of failure to comply with standard of quality events to recorded events</i>	2	1	1	2	3	8
<i>Number of failure to comply with standard of quality events to employee</i>	2	2	2	5	2	8
<i>Employee labour productivity</i>	2	3	2	2	8	7
<b>Score</b>	<b>38</b>	<b>40</b>	<b>37</b>	<b>43</b>	<b>58</b>	<b>75</b>

Source: Own processing

We applied correlation matrix to analyse relationships between indicators. Correlation matrix pointed out the significant dependencies between the indicators. Statistically significant relationship is between the indicators *Cost consumption* and *Point of supply profitability*, *Cost consumption* and *Number of failure to comply with standard of quality events to recorded events*. Between the indicators *Point of supply profitability* and *Employee labour productivity* is the same relationship, while *Employee labour productivity* shows also dependence with *Tariff for electricity distribution without losses*. Statistically significant linear relationship is between the indicators *Energy efficiency of electricity distribution* and *Share of losses in the electricity distribution* - it stands to reason because the losses in the electricity distribution negatively influence energy efficiency. Selected indicators do not show statistically significant linear relationship with EVA indicator, but correlation coefficients are sufficiently high. It can be concluded that there is relationship, but non-linear.

Table 4 The correlation matrix for non-financial indicators

Correlation (non-financial indicators)											
Marked correlations are significant at the level $p < ,05000$ N=6											
	CC	ROI	PSP	TED	EE	SL	AID	NFRE	NFE	ELP	EVA
CC	1.0000	-.2924	<b>-.8774</b>	.5158	.7553	-.7715	.2671	<b>.8655</b>	.2068	-.7940	.6889
	p= ---	p=.574	<b>p=.022</b>	p=.295	p=.082	p=.072	p=.609	<b>p=.026</b>	p=.694	p=.059	p=.130
ROI	-.2924	1.0000	-.1365	.0052	-.3720	.3788	.2917	-.2949	.2180	-.0600	-.4464
	p=.574	p= ---	p=.796	p=.992	p=.468	p=.459	p=.575	p=.570	p=.678	p=.910	p=.375
PSP	<b>-.8774</b>	-.1365	1.0000	-.6536	-.5175	.5334	-.5935	-.7632	-.4123	<b>.8945</b>	-.6318
	<b>p=.022</b>	p=.796	p= ---	p=.159	p=.293	p=.276	p=.214	p=.077	p=.417	<b>p=.016</b>	p=.178
TED	.5158	.0052	-.6536	1.0000	-.1272	.0989	<b>.8647</b>	.4740	-.0418	<b>-.8977</b>	.3512
	p=.295	p=.992	p=.159	p= ---	p=.810	p=.852	<b>p=.026</b>	p=.342	p=.937	<b>p=.015</b>	p=.495
EE	.7553	-.3720	-.5175	-.1272	1.0000	<b>-.9995</b>	-.2845	.5227	.1885	-.2525	.6126
	p=.082	p=.468	p=.293	p=.810	p= ---	<b>p=.000</b>	p=.585	p=.287	p=.721	p=.629	p=.196
SL	-.7715	.3788	.5334	.0989	<b>-.9995</b>	1.0000	.2642	-.5342	-.1777	.2779	-.6220
	p=.072	p=.459	p=.276	p=.852	<b>p=.000</b>	p= ---	p=.613	p=.275	p=.736	p=.594	p=.187
AID	.2671	.2917	-.5935	<b>.8647</b>	-.2845	.2642	1.0000	.2595	.2742	-.7208	.3860
	p=.609	p=.575	p=.214	<b>p=.026</b>	p=.585	p=.613	p= ---	p=.620	p=.599	p=.106	p=.450
NFRE	<b>.8655</b>	-.2949	-.7632	.4740	.5227	-.5342	.2595	1.0000	.4421	-.6723	.5952
	<b>p=.026</b>	p=.570	p=.077	p=.342	p=.287	p=.275	p=.620	p= ---	p=.380	p=.144	p=.213
NFE	.2068	.2180	-.4123	-.0418	.1885	-.1777	.2742	.4421	1.0000	-.0704	.5137
	p=.694	p=.678	p=.417	p=.937	p=.721	p=.736	p=.599	p=.380	p= ---	p=.895	p=.297
ELP	-.7940	-.0600	<b>.8945</b>	<b>-.8977</b>	-.2525	.2779	-.7208	-.6723	-.0704	1.0000	-.4598
	p=.059	p=.910	<b>p=.016</b>	<b>p=.015</b>	p=.629	p=.594	p=.106	p=.144	p=.895	p= ---	p=.359
EVA	.6889	-.4464	-.6318	.3512	.6126	-.6220	.3860	.5952	.5137	-.4598	1.0000
	p=.130	p=.375	p=.178	p=.495	p=.196	p=.187	p=.450	p=.213	p=.297	p=.359	p= ---

5. Source: Own processing

### 5.1 The procedure for the selection of the indicators

In terms of the theory of Ittner and Larcker (2003), who introduced the way of the selection and application of non-financial indicators, the selection and verification of the indicator's choice is followed by the formation of a strategic model (Figure 1).

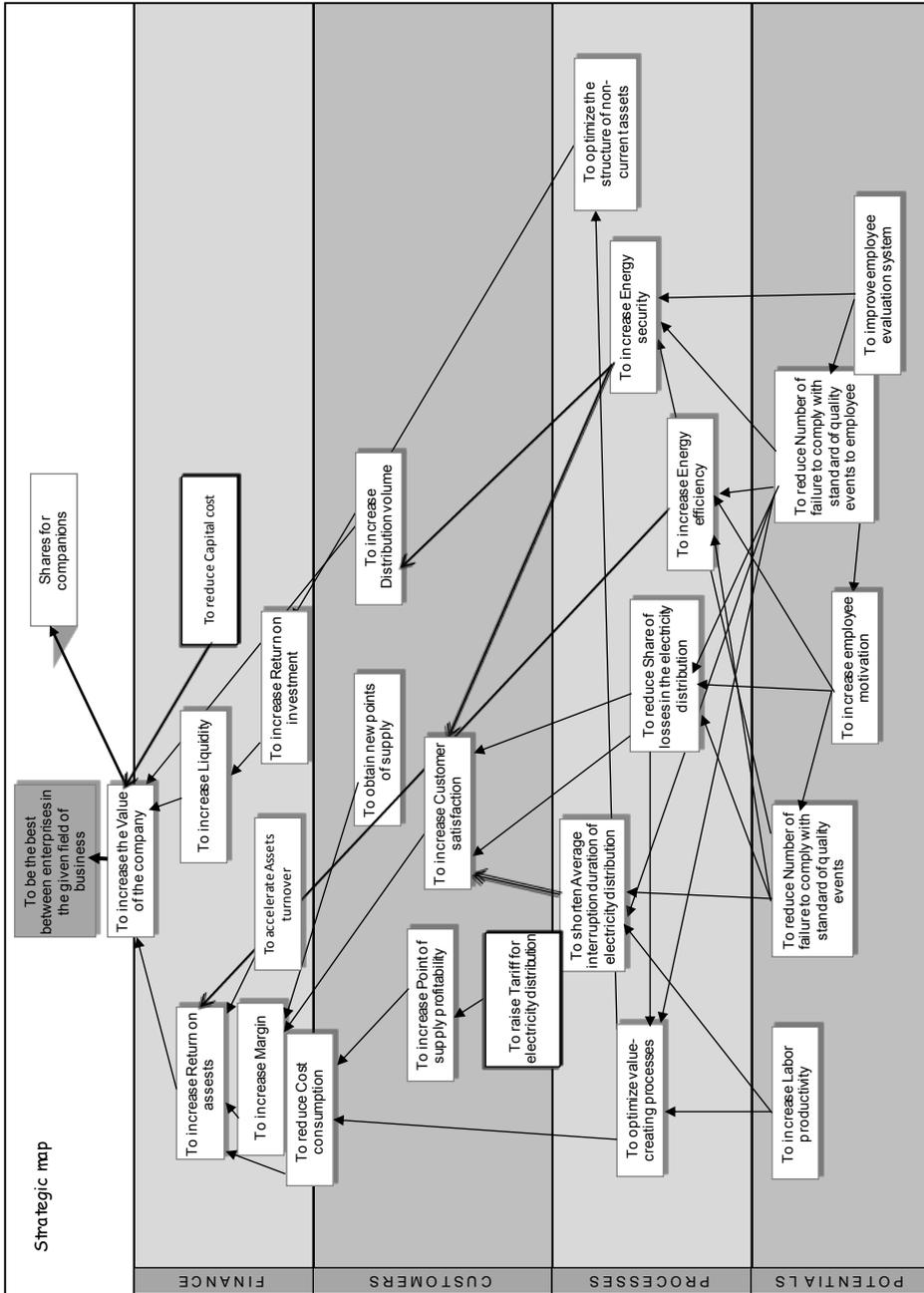


Figure 1 Strategic management map  
Source: Own processing

When creating this model we applied selected indicators, as well as variables representing other perspectives of BSC model and propose strategic management map. This map is based on synthetic performance variable – EVA indicator. Strategic management map is divided into four perspectives; each of them contains selected number of targets and measures. Non-financial indicators occur mainly in customer perspective, internal perspective of BSC and perspective of BSC potentials.

This process does not finish by the proposal of strategic management map. It is necessary to monitor implementation of the objectives set out in the prognosis. The most appropriate way for pursuing objectives is the database which includes goals, measures, prognosis and control over its implementation (Table 5).

Table 5 Database of strategic objectives

No.	Perspective	Strategic objectives	Indicator	Measure	2012	2013	2014	2015
1	Finance	To increase the Value of the company	EVA	€	-75 610	-60 000	-4 000	0
2	Finance	To increase Return on assets	ROA	%	3.94	4.19	4.79	5.50
3	Finance	To accelerate Assets turnover	AT	Ratio	0.47	0.51	0.58	0.67
4	Finance	To increase Return on investment	ROI	%	4.20	4.50	4.90	5.89
5	Finance	To increase Margin	M	%	2.29	6.56	6.57	6.58
6	Finance	To reduce Capital cost	WACC	%	12.85	12.85	4.70	4.70
7	Finance	To increase Liquidity	CL	Ratio	0.66	1.05	1.21	1.33
8	Finance	To increase Cost consumption	CC	€/Number of points of supply	0.49	0.51	0.57	0.61
9	Customers	To increase Customer satisfaction	Questionnaire	Points	60.00	70.00	75.00	79.00
10	Customers	To increase Tariff for electricity distribution	Tariff	€/MWh	16.91	16.98	17.00	17.21
11	Customers	To increase Point of supply profitability	Profit/Point of supply*100	%	17.89	18.00	18.21	18.45
12	Customers	To obtain new Points of supply	Number of points of supply	Number	618 029	640 000	655 000	700 000
13	Customers	To increase Distribution volume	Distribution volume	TWh	3.90	4.00	4.10	4.20
14	Processes	To shorten Average interruption duration of electricity distribution	Period	Minutes	484.57	450.00	440.00	410.00
15	Processes	To reduce the Share of losses in the electricity distribution	Share of losses in the electricity distribution	%	7.70	7.60	7.50	7.45

16	Processes	To optimize the structure of non-current assets	OM	Ratio	0.47	0.51	0.58	0.67
17	Processes	To optimize value-creating processes	The number of optimized activities/ Number of activities	Ratio	0.10	0.15	0.20	0.25
18	Processes	To increase Energy efficiency of electricity distribution	The Amount of electricity supplied/overall distribution capacity	%	92.08	93.00	93.50	94.00
19	Potentials	To reduce Number of failure to comply with standard of quality events	Number of failure to comply with standard/ Number of events *100	%	1.59	1.56	1.54	1.50
20	Potentials	To reduce Number of Failure to Comply with Standard of Quality Events to Employee	Number/ Employee	Number/ Employee	251.00	230.00	200.00	170.00
21	Potentials	To increase employee motivation	Percentage of Turnover	%	10.00	8.00	6.00	5.00
22	Potentials	To increase employee labour productivity	Labour productivity	€/ Employee	980.88	990.00	995.00	1 000.00
23	Potentials	To improve employees evaluation system	Questionnaire	Average number of points per employee	78.00	80.00	83.00	87.00

Source: Own processing

For the successful application of the Balanced ScoreCard strategic model it is necessary to implement these steps:

- to build strategic causal model and set out its key areas and indicators,
- to verify enterprise databases and the location of non-financial indicators in them,
- to verify the model and the relationships inside it,
- to constantly upgrade the model, particularly in relation to the outside surroundings,
- to implement activities based on the results and to use the results in decision-making,
- to constantly supervise the results mainly on the basis of post analyses.

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