

ABSTRACT

This study is on the evaluation of the relationship between the use of performance measures and performance results in the "Electronic Components Industry" organizations listed in the Stock Exchange of Thailand (SET) will be explored. The importance of the performance measures in terms of contribution to performance results in the "Electronic Components Industry" is being analyzed. In addition to that, the relationship between the types of performance measures used (based on four performance measures perspectives ~ financial, customer, internal business process, and learning and growth) and performance results are being observed in terms of their relationship direction, magnitude and significance level. The objective is to see whether the commonly held premise that the use of performance measures contributes towards better performance results holds true in the Thai SET listed Electronic Component Industry companies. Also the relationship between each performance measures perspective and performance result is being evaluated.

The nature of the research is empirical and questionnaire based. Analysis was done in two parts. In the first part the relative importance of the performance measures in terms of their contribution to performance results determined by the Standardized Canonical Discriminant Function was explored. In addition to that the Grand Average Method with the use of the industry's Earnings Per Share (EPS), Return On Investment (ROI), Cash Flow (CF) averages to confirm the consistency in the Discriminant Function's rating. In the second part of the analysis Linear Regression was used to determine the relationship between each performance measures perspectives (Financial, Customer, Internal Business Process, and Learning & Growth) and the performance results' determinants (EPS, ROI and CF) over two periods (year 1994-1996 and year 1996-1998).

The results of Part I showed that the three most important performance measures in increasing level of importance in the Electronic Component Industry are Net Profit Margin, Market Share (Segment), and Percentage of Revenue from New Products. The three least important performance measures in increasing level of importance are Sales Growth Rates, Percentage of Growth of Business with Existing Customers, and Percentage of Revenue from New Applications. The classifications of organizations are consistent using both the Grand Average Method and the Standardized Canonical Discriminant Function. The results obtained from Part II on the relationship between each Performance Measures Perspective and EPS (year 1994-1996) showed positive relationship, that is with each usage of performance measure the EPS will increase, for all perspectives except for the Internal Business Process perspective. For the Internal Business Process perspective a negative relationship exists that is with each usage of performance measure the EPS will decrease. As for year 1996-1998, negative relationships between each performance measures perspective and EPS, ROI or CF exists. This means that for each additional use of the performance measure type the performance result will decrease. The directions of the relationship are varied sometimes positive and sometimes negative. However, they are generally consistent within a period. Majority of the relationships is negative and the magnitudes of the relationships are close to zero. In addition to that the significance level is above the set 0.05 level. Therefore, the increasing use of performance measures may not contribute to an increase in perform result. This maybe due to chance as the possibility that the results are due to random fluctuation is greater than the set significance level. Further testing to confirm the results is needed before any strong premise can be stated.