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TOWARDS A COMPREHENSIVE UNDERSTANDING OF
PERFORMANCE AT FIRM LEVEL

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Dedication

To my family, my source of "*joie de vivre*".

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TOWARDS A COMPREHENSIVE UNDERSTANDING OF BUSINESS PERFORMANCE AT FIRM LEVEL

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Abstract

In everyday life, the notion of performance is used to describe indistinctly both the behavior and degree of achievement attained by some object or subject in a given task. For example, an athlete in some competition; an artist or actor in a play; a student or his teacher in certain course. In the business context, one can state, "The company is innovative"; "The company was profitable"; "The product is sustainable"; or "The company is socially responsible" when, through a wide variety of indicators, the observer identifies certain attributes in firm's behavior, or his grade of achievement. Therefore, defining and measuring firm's performance is a relevant practice in businesses, also considering that companies need to constantly assess their operation, in order to find better ways of running businesses; compete in the industry, and foremost, to demonstrate their stakeholders that both their processes and products are honoring the stated purposes or expectations.

However, as it will be explained later, The State-of-the-Art review reveals that performance's definition is quite ambiguous. Thus, performance has been conceptually linked to success, profitability, and more recently, to competitiveness or sustainability. In addition, it is remarkable that in management' theory and practice, *performance* tends to be defined as *performance measurement* or *performance management system* (Bititci et al, 2018; Smith and Bitici, 2017). In other words, performance as a concept suffers from both conceptualization (how it is

defined) and operationalization (how it can be measured) problems. Technically, performance is suffering a lack of epistemological delimitation (Bacharach, 1989), but theorists and practitioners may have solved this issue by taking the concept for granted.

Therefore, the aim of this conceptual work is to propose a comprehensive definition of firm performance. This is achieved through a mixed research methods, quantitative and qualitative, mainly exploratory ones, to nurture the definition of performance of the different approaches in theory and practice, appropriately contrasted and validated. Then, as a conceptual synthesis, a model is presented where multilevel and multidimensional features of performance -at firm level- are supported. The proposed model, main empirical contribution, might be useful to develop interventions in business, such as: diagnoses; formulation of improvement plans; case studies; rankings, among other academic and managerial applications.

Furthermore, This document explains the importance and relevance of performance for management, and substantiates in the search for value, the strategic and organizational processes that organizations execute to satisfy both their own and stakeholders' expectations, but, beyond that, to pursue that the value gained may transcend to the social sphere. In this way, it is an invitation to work into ensure that the purposes of organizations exceed economic profit, recognition, or reputation, and become more aligned entities with more equitable, fair, and sustainable organizational schemes: a new approach to business performance.

Chapter 1

1 Introduction

1.1 Motivation

Main motivation for this research resides in the interest of proposing a notion of performance that contributes to the study and practical application of the concept. This contribution is necessary because, at a theoretical view, performance has been defined in multiple senses: it has been used as a dependent or independent variable in thousands of publications in Management; but also, as a proxy for different studies in which it is revealed through hundreds of indicators or parameters. These misunderstandings make research and practical application of the concept difficult because the term has been used indistinctly to define the individual behavior of people in organizations, but also to describe the returns of the company as a whole, it means, without discriminating clearly enough on the unit of analysis.

The companies' performance has been commonly related to the results they obtain. This means, it has been focused on the outputs achieved, disregarding the importance of the correct alignment between purposes, process execution, and resource allocation. In short, it is just like if the company continued to be understood as a black-box and, and, consequently, performance is interpreted as simply what comes out of or results from that tacitly comprehended process.

In addition, performance is usually related to metrics of an economic-financial nature that normally satisfy the expectations of internal stakeholders or those closest to the organization: investors, employees, and even customers. Nevertheless, limiting the understanding of performance to the recognition of the economic benefits that the company generates is a partial view of the magnitude of impacts that organizations generate in relation to their environment, such as, for example, being a developer of human and social capital, or sponsor of science and technology. Therefore, performance has a problem to be revealed, recognized and reported. Trying to solve it, companies rely on the most tangible forms of visualization of results, thus customer satisfaction; sales; number of jobs created; productivity; profits; returns, among others, but these reports are not genuinely reflecting all the impacts that the company generates at the social, political, economic, and environmental contexts.

Firm-performance is a remarkable and relevant concept, since it is the most commonly used independent and dependant variable in Strategic Management studies (March and Sutton, 1997; Newbert, 2008) and, in addition, it is a meeting-point for disciplines such as management, economics, and finance, as this study will show further. This suggests that it is interesting to learn about the different approaches to the subject in both management theory and practice, in order to subsequently reveal similarities and differences and propose a comprehensive understanding - to the extent possible - of the concept that can overcome some of the aforementioned limitations.

In summary, main motivation to research on performance is about the necessity to articulate the firm-performance to superior objectives, domains that go beyond from the traditional profit-based approach and lead to inspire significant contributions of the firms to the society in the sense of prosperity, well-being, human development, happiness, among others, which implies not only to review the conceptual foundations of performance but also to align the strategic objectives of the firms with those broader purposes.

1.2 Problem Statement and Context

Performance is a general concept applied in many contexts and situations to describe the behavior and/or achievement of an object or subject in a given situation. It is used, for example, to describe through attributes such as speed, effectiveness, quantity, quality, and/or how an action is developed or was accomplished. In this study, performance will be addressed in the context of a for-profit organization (an incorporated company) and the group of people who work together, sharing a purpose to develop a certain economic activity pursuing economic and social results.

In this context, firm-performance may be initially defined as the level of effectiveness that companies got from strategy execution. Although, performance is commonly related to evidence of the fulfillment of objectives (achievement), but it is also used to identify opportunities for improvement, as well as to compete by benchmarking outputs among other companies in the industry.

Either achievement, improvement, or competition, performance is a concept related to success, lending foundation to questions asked in the field of business strategy research such as: Why do firms perform differently? Why are some firms successful and others fail? (Rumelt, Schendel, & Teece, 1991) and the extended use of the performance's concept in strategy planning and execution (Venkatraman and Ramanujam, 1986).

Venkatraman and Ramanujam (1986) argue that the importance of performance underlies on three fundamental aspects: theoretical, empirical and managerial. These three aspects will show the relevance of the concept, as well as certain limitations in its definition and measurement.

In theoretical context, performance is a central concept in the study of the strategy: "Most strategic management theories, either implicitly or explicitly, underscore performance implications, since performance is the time test of any strategy" (p. 802). However, such an important concept for the discipline has been understood in ambiguous and diverse ways. Hence, management authors, mainly in the field of strategy, are using in their dissertations different denominations to refer performance (Richard, Devinney, Yip, & Johnson, 2009) such as: *Profit* or *Competitive Advantage* (Barney, 1991; Grant, 1996; Porter, 1981, 1991); *Rents* (Penrose, 1959; Amit and Schoemaker, 1993; Mahoney and Pandian, 1992; Peteraf, 1993, 1994; Peteraf and Barney, 2003; Mathews, 2006; Shoemaker, 1990; Spanos, 2001); *Returns* (Coff, 1999; Hansen & Wernerfelt, 1978; Arthur, 1996); *Economic Value* (Bowman & Ambrosini, 2000; Peteraf & Barney, 2003) and even relying on

abstract figures such as Winter (1995), to define the metric of the performance as: “The idea of superior financial performance may be evoked by a range of phrases such as ‘above normal returns’, ‘high quasi-rents’, ‘value-creation’ and other near-synonyms for ‘making money’ (Winter, 1995). Accordingly, the extensive use of the term performance, with such diverse understandings, might generate misconceptions or limitations in research, measurement, or practical use.

Empirically, *performance* is being used extensively to examine the context and processes of the strategy (802). In this manner, Richard et al (2009), updating appraisals made by March and Sutton (1997), conducted a review in several high impact management journals published in the period 1993-2000, finding that 29% of the papers published by these journals (n=213), used *performance* as a dependent, independent, or control variable; employing 207 different ways to measure performance (Richard et al., 2009).

On managerial approach, as stated before, performance is related to achievement, improvement, or competition capability that the businesses have, comparing the expected results or goals in relation to their current status, measured by Key Performance Indicators (KPI) that provide an approximation of the success achieved in a certain aspect of the business or, eventually, an improvement opportunity area. This reasons may explains the proliferation of ways to measure the firm's performance, as explained above. Nevertheless, some limitations on performance measurement in managerial way is also noticeable. Hence, the annual rankings of the best companies (Fortune, Financial Times, Forbes, etc.) ranks by

revenue, sales or profits, but do not involve externalities, either positive or negative, which companies generate, so those rankings might not disclose sufficiently firm's performance. In addition, the way in which sales, profits, assets are statistically distributed -known as Zip distribution-, makes these indicators poorly comparative (Barabási, 2018).

Therefore, *performance* is a relevant and important concept for the management discipline. However, as mentioned in the preceding paragraphs, and as will be discussed later, there are problems regarding meaning and measuring. Performance needs to evolve from the prevailing for-profit logic, in order to demonstrate the vast contributions that businesses are making to society, but also assuming responsibility for the diverse impacts generated, that means accountability. More than offering satisfaction to customer expectations, promoting employment, and retributing capital returns; companies need to also incorporate in their conception of performance more meaningful components like sustainable development, social impact, and well-being vision to approximate more to the real extent of what the firms' performance is about.

1.3 Research Question

Based mainly on the Systematic Literature Review, and introducing the main problem, one may argue that business performance, as a notion, is suffering a lack of conceptualization and operationalization. For the purposes of this thesis, conceptualization is related to meaning, boundaries, and understanding in

theoretical aspect. In terms of E. Babbie, “the process through which we specify what we mean when we use particular terms in research is called conceptualization” (Babbie, 2014).

Meanwhile, “operationalization is the development of specific research procedures (operations) that will result in empirical observations representing those concepts in the real world” (Babbie, 2014). Thusly, operationalization refers to the need to define a method for measuring a given concept or its representation at empirical standpoint.

Regarding conceptualization problems, whether performance addresses the of individuals’ accomplishments in the organization (Kotter and Heskett,1992; Becker, 2002; Kirby, 2005); or more related to the outcomes obtained by the organization as a whole (Hitt et al, 1986; Rhyne, 1986; Pearce et al, 1987; Atkinson et al, 1997; Kaplan and Norton, 1992; Heskett, 2008; Hamann et al, 2013).

In the same context, it is common to find in the Management Theory definitions of performance as if it were an equivalent to performance measurement (which is more related to what to measure), or performance management (referring to how to use the metrics to manage the firm's performance). Therefore, lack of consensus on how to measure performance is remarkable.

In order to contribute to solve those conceptualization and operationalization problems, this work will address the following research questions:

- **What is Performance at firm level?** (conceptualization problem)
- **How firm performance may be measured?** (operationalization problem)

To address those questions, it is necessary to review the meaning of performance in both the theoretical and managerial boundaries. Theoretical work will be held through a systematic literature review, requesting in the most important journals and reviews in management field about firm's performance meaning. Subsequently, to assess their firm-performance understanding and practice, interviews and a survey will be conducted to managers (C-levels), as will be explained in chapter 3. Then, with the findings, explained in chapter 4 which will be explained in detail below, will make it possible to identify the dimensions through which the firm-performance could be defined and measured. In this way, the research objective described later is addressed.

Finally, a multilevel and multidimensional model will be proposed and a performance metric based on the notion of value will be supported as main contributions from the research.

1.4 Objective of research

Main objective of the research is to formulate a comprehensive definition of firm performance that will bring together theoretical and practical understanding of the concept. The conceptual definition will gather elements of theory, coming from

the review of the different predominant perspectives, but it will also gather the opinion and experience of managers whose practice involves the concept and therefore have a particular understanding of it.

In addition to the research objective stated above, matching quantitative and qualitative methods for the methodological approach is a special challenge.

Next, chapter 2 will present the Performance Research State of the art and identifies the most important stances around it. Further, a convergences and divergences analysis will show the fundamentals of firm-performance meaning. Chapter 3 describes the research methods used, which combine the theoretical and practical approach required to understand comprehensively the performance concept.

Subsequently, Chapter 4 reveals the results and findings. First, by means of cluster analysis, the different theoretical perspectives are identified and analyzed, extracting relevant coincidences and differences. This analysis contributes to the identification of substantial elements for the understanding of performance, in other words, its conceptual foundations. In addition, since performance is an eminently practical concept, chapter 4 develops this perspective, as a compliment to the theoretical viewpoint. Using a survey applied to company managers, it was possible to establish an approximation to their notion of firm-performance and the rationale used to measure it in their organizations.

Then, as a synthesis of these methods and analysis, the study proposes a comprehensive model of performance in which the theoretical stances analyzed, and the practical elements derived from the survey converge. In addition, in the discussion section are explained the reasons why value could be considered a suitable measure to reveal the firm-performance, considering the organization's outputs and its impact on society in different spheres.

Finally, additional lines of research are proposed to complement and enrich this study in order to get more relevant contribution to management discipline.

Chapter 2

"We don't have a word in English that would express happiness when other people are successful [...] When you have an economic rationale in mind, and somebody doesn't meet your expectations, that rationale becomes the most important thing and goodness disappears". Esther Wojcicki

2 Conceptual Framework

2.1 Business Performance research: the state of the art

Mainly, businesses participate in three markets: goods and services, labor, and financial. Therefore, their performance might be evaluated by the generated impact on those cited markets. In relation to the first mentioned, the company interacts delivering satisfaction to the customers' needs in the best conditions of time, cost, quality and quantity; therefore, its performance would be related to the opportunity, efficiency and effectiveness that the company serves to this market. From this stance, sales, growth sales or margins will be affordable proxies to understand businesses' performance in a given period of time. In addition, from a more competitive view, business might use market share index to measure its position or growth chances regarding other competitors.

On the other hand, in the labor market, the company participates by offering employment opportunities for people, compensation, and development. In this way, the quantity and quality of employment, the remuneration, and welfare of the population are relevant aspects concerning to national economy run, since they

explain its possibilities for social development and economic growth. Therefore, companies usually demonstrate their impacts in relation to their contribution to labor supply and demand, labor productivity and related aspects like purchasing power, income equity, and human capital development, although those all aspects are not usually noticeable in conventional accounting or financial reports. In managerial context, at Human Resources Management (HR) field, performance is taken as a pillar concept. More than a measurement or index, performance in HR is related to build “synergy” in teams, engagement (Macey and Schneider, 2008; Sacks, 2006; Barrick, Thurgood, Smith, & Courtright, 2015) a sort of mix of attributes such as collaboration, trust, self-government, and effectiveness that characterize ‘next-level-teams’ (Blanchard et al, 2019). Other HR Performance stance is related to individual performance at work, competences development, and their effects in business results (Becker and Gerhart, 1996; Lengnick-Hall and Lengnick-Hall, 1988; Harter, Schmidt and Hayes, 2002).

Finally, companies participate in financial market essentially, when require resources for its operation or growth, and eventually, when -in search of fresh financial funds- the company issues securities, papers or bonds. Thus, the risk rating, the rate of the securities, or the stock price and their volatility over-time, would be performance indicators in this stance. Moreover, in public and efficient markets, stock prices, dividends yield, Tobin’s Q, among others, are used to monitor the performance of companies, under the rationale that these technical and fundamental analyses about companies to reflect objective and subjective aspects to gain better outlook around returns to their stakeholders. In the prevalent economic logic, is

generally accepted that maximizing profitability in favor of the shareholder is the main objective of companies (Copeland and Dolgoff, 2006; Jensen, 2001). However, there is not the same consensus regarding the appropriate metrics to measure financial business performance. Different viewpoints or practices may be identified in this way: short term outputs versus long term; accounting, financial or economic indexes; liquidity or profitability; outcomes versus outputs (Capon, Farley and Hoening, 2011; Gothelf and Seiden, 2017; Scofield, 2012).

Accordingly, examining the firm-performance regarding to the goods and services, labor, and financial markets is just an approximation to the vastness options to conceptualize and measure performance. However, this standpoint was useful to show the lack of epistemological delimitation from which the concept performance suffers, with the consequent limitations for its study and practical application. Nevertheless, this analysis does not deplete the variety and depth of the different theoretical approximations to performance in management theory, since in fact, from Strategic Management and, more recently, from Stakeholders Model and Corporate Social Responsibility (CSR) perspective, performance is better, broader and frequently analyzed.

2.1.1 Strategic Management Perspective¹

Chacón-Fiallo y Zapata-Cantú (2021) identified in their article What does (superior) performance mean in Strategic Management? the notions of performance in the main perspectives of Strategic Management: Industrial Organization, Resources and Capabilities Based-view, Dynamic Capabilities based-view and Knowledge based-view:

Performance, in the industrial organization theoretical perspective, is understood as a result of the consolidation of competitive advantage. Porter (1981, 1991), based on previous work by Mason (1952), Bain (1958, 1968, 1972), and Andrews (1971), identifies 'firm success' as a consequence of competitive position, leading to superior financial performance, which is influenced by the conditions of the industry in which the firm operates.

To Porter, in the industrial organization perspective, three conditions are necessary for 'the success of the firm': a set of functional objectives and policies (strategy) that define its strategic positioning; the alignment of this strategy and this positioning with the strengths and weaknesses of the firm in terms of external opportunities and threats; and the exploitation of the distinctive competencies that support the competitive advantage (Porter, 1991). The firm, Porter argues, is a collection of discrete and interrelated economic activities, with 'activity' being

¹ This section is full based on Chacón-Fiallo and Zapata-Cantú (2021)

precisely the basic unit that is the source of competitive advantage. For Porter (1991), performing an activity or group of activities consolidates assets in the form of skills, organizational routines and knowledge. Thus, in the perspective of the industrial organization, superior performance is assimilated to the achievement of competitive advantage, especially through the coherent execution of the strategic positioning strategy.

According to Chacón-Fiallo and Zapata-Cantú, from the theoretical perspective of resources and capabilities, "the heterogeneity of resources and organizational configuration are the two necessary conditions identified as causes of superior performance (Barney, 1991), which is assimilated to the achievement and maintenance of competitive advantage (Newbert, 2008). Resource heterogeneity is manifested in the possession of resources and capabilities with VRIN characteristics: valuable, rare, inimitable and non-substitutable (Barney, 1991). However, the possession of VRIN resources and capabilities is not enough to guarantee the consolidation of superior performance (Mahoney and Pandian, 1992). Therefore, the organizational configuration to take advantage of, exploit or capitalize on these resources becomes fundamental (Penrose, 1959; Teece, Pisano, and Shuen, 1997; Barney, 1991; Eisenhardt and Santos, 2000; Moliterno and Wiersema, 2007)" (p. 98)

"As an alternative to the understanding of competitive advantage as synonymous with superior performance, Peteraf (1993, 1994) proposes that the superior performance of firms is related to the generation of rents, and identifies

ten different types of rents, thus specifying the imperative of producing Ricardian rents - derived from the differentiation of resources - and quasi-rents - returns that exceed the short-term factor's cost of opportunity. Subsequently, Peteraf and Barney (2003) set out a definition of superior performance that gives an important shift in the understanding of rent-based performance towards the theory of value: *“the capacity to create more economic value –an additive combination of producer and consumer surplus- than the marginal competitor in its product market”* (Peteraf y Barney, 2003)”. (p. 98)

A subsidiary approach to resources and capabilities is dynamic capabilities (Helfat and Peteraf, 2003, Eisenhart and Martin, 2000). Barreto (2010) and Ambrosini and Bowman (2009) stated there are three different approaches to performance in the strategy literature:

First, firm-performance as a direct function of dynamic capabilities - which are firms' abilities to integrate, build and reconfigure internal and external competencies in response to rapid change in the environment (Teece, Pisano, and Shuen, 1997). From this perspective, firms' dynamic capabilities explain success or failure, competitive advantage or wealth creation (Barreto, 2010)" (p. 98).

Second approach states that the relationship between dynamic capabilities and performance is subject to actions to identify and exploit opportunities. Thus, for Eisenhardt and Martin (2000), long-term competitive advantage does not depend on dynamic capabilities per se, but on the configurations of resources created by

dynamic capabilities and on a more timely, intelligent and favorable use than the competition (Eisenhardt and Martin, 2000).

Finally, the third approach argues that the relationship between dynamic capabilities and superior performance is indirect. Thus, Zott (2003) argues that dynamic capabilities can influence performance by modifying the configuration of resources and/or routines. Even when firms may have identical dynamic capabilities, they could configure their resources differently and, thus, obtain different results (Barreto, 2010).

As dynamic capabilities gained value as assets, especially those intangible assets that are leveraged to achieve their objectives, alternative approaches to resources and capabilities evolved and focused on studying how organizational activities became more dynamic, then turned into characteristic practices or routines (Nelson and Winter, 2002) and later into knowledge. With the progression of activities to routines and then to knowledge, their capacity to generate advantages was recognized, and, therefore, as value carriers; that is, the more these activities, routines and knowledge contribute to the generation and exploitation of advantages, the more valuable they are.

From this insight, emerged the knowledge-based perspective, an approach that considers knowledge as the source of competitive advantage and superior performance (Grant, 1996, 1997; Eisenhardt and Santos, 2000). Knowledge is within individuals; embedded in the principles, policies and processes of

organizations. This knowledge evolves through path dependencies, replication and recombination of existing knowledge. According to Nonaka, Toyama and Konno (2000) this evolution follows a spiral pattern, highly iterative, through the accumulation and continuous flow (Dierickx, Cool and Constance, 1989) between tacit and explicit knowledge; individual and organizational (Eisenhardt and Santos, 2002).

Chacón-Fiallo and Zapata-Cantú (2021) also identify similarities and divergences between the four perspectives of Strategic Management analyzed: "The perspectives of industrial organization, resources and capabilities, dynamic capabilities and knowledge-based capabilities support their respective arguments with similarities and differences. On the similarities side, we observe the dynamics of a firm in relation to a competitive environment or industry. The way in which companies recognize their environment, characterized by dynamics of economic, political, social and technological change that translate into opportunities or threats that must be identified and capitalized on (Porter, 1991, Teece et al., 1997). At the same time, they recognize the existence of internal conditions that could enhance the capture of opportunities or limit their exploitation." (p. 99).

Likewise, these same perspectives coincide in recognizing the existence of a unique configuration of resources and capabilities whose use provides basis for to eventually get access to and, in certain cases, keep up a competitive advantage; although it is noteworthy that the authors of the analyzed perspectives assigned

them different appellations (e.g., activities, routines, absorptive capabilities, and dynamic capabilities).

In the industrial organization perspective, it is asserted that the profitability of the firm depends on two elements: competitive position and industry effects (Porter, 1991). Meanwhile, in resources and capabilities, rents come from the ability to exploit valuable, rare, inimitable and irreplaceable resources and capabilities, and whether these resources and capabilities have been acquired or developed (Barney, 2001). Whereas in the knowledge-based perspective, rents come from the consolidation of competitive advantage from knowledge (Grant, 1996, 1997).

A fundamental reason for the differences in approach between these perspectives on strategy is the influence of economic theory. Porterian competitive advantage theory and resource and capabilities theory are heavily influenced by economic equilibrium theory (Solow, 1956), which focuses on the profit maximization paradigm (Nelson and Winter, 2002), while the knowledge-based perspective has been influenced by evolutionary theory, whose fundamental questions influenced competition theory and the theory of technological and institutional change (Nelson y Winter, 2002).

In line with the above, Chacón-Fiallo and Zapata-Cantú (2021) state: "economic theory also influences the way in which contrasting perspectives understand performance-related rents. In industrial organization and resources

and capabilities, the financial performance of the firm is associated with the phenomenon of rent generation, without observing its appropriation (Peteraf, 1993; Barney, 2001), while in the knowledge-based perspective, appropriation is perceived from the stakeholders' perspective, i.e., competitive advantage does not lead by itself to superior performance; it depends on how appropriate the rents are by the stakeholders (Coff, 1999). In addition, resource heterogeneity - the principle of industrial organization and resources and capabilities - generates ricardian and monopolistic rents (Peteraf, 1993), while the knowledge-based perspective warns of the possibility of generating shumpeterian rents, i.e. those based on innovation in response to rapidly changing environmental regimes (Ambrosini y Bowman, 2009).”

2.1.2 Stakeholders Perspective and Corporate Social Responsibility (CSR)

As mentioned above, the interest of capital providers is generally the priority of companies. However, nowadays other stakeholders' expectations are being considered. In this sense, the Stakeholders Model (Atkinson, Waterhouse, and Wells, 1997; Bridoux and Stoelhorst, 2014; Hillman and Klein, 2001; Jensen, 2001; Harrison and Wicks, 2013; Preble, 2005) constitutes a theoretical basis from important questions can be asked about the firm-performance: What are the company's relevant interest groups? Which are their expectations? Does the company satisfy those expectations? or How high? This last question, in particular, implies a form of measurement of the firm-performance as the company's ability to satisfy to a certain degree of stakeholder demands in sustainable manner, that

means, “sustainability is concerned with the impact of present actions on the ecosystems, societies, and environments of the future” (Ameer and Othman, 2012).

Other approaches are closer to establishing, measuring and revealing the responsibility of organizations for the suitable exploitation of natural resources (Hassel et al, 2005; Shaltegger and Synnestved, 2002), ecoefficiency (Sinkin et al, 2008; Klassen and McLaughlin, 1996); the identification and promotion of good exploitation, distribution and consumption practices and product life-cycle (Kiron et al, 2017; Leonard, 2010; Agan, Kusey, Acar, Acikgoz, 2014); relationship of public and private management (Li and Wu, 2017; Porter and Kramer, 2011; Crane, Palazzo, Spence and Mattes, 2014); philanthropy (Brown, Helland and Smith, 2006; Porter and Kramer, 2002; Chung and Kinsey, 2019); the relevance of non-financial indicators to measure firm-performance (Costa and Castelo, 2012; Orlitzky, Schmidt and Rynes, 2003; O’Connell and O’Sullivan, 2016); the best financial performance given a sustainable approach (Carroll, 1979, 1991; Preble, 2005, Berman, 1999; Caesaria and Basuki, 2017, Cochran and Wood, 1984; Brammer and Millington, 2008; Delmas and Blass, 2010; Waddock and Graves, 1997); the recognition of the impacts - positive and negative - generated by companies at the social level (Epstein and Roy, 2001); the recognition and attribution of distinctions, seals, certifications to companies that act in function of assuming responsibility for their productive processes (B Corp (2014); Fair Trade, Rainforest, Certified Carbon Neutral, among others), taking care of the transparency of their relations with stakeholders and the promotion of values aligned with higher purposes, such as the United Nations Global Compact Sustainable Development Goals (SDG). In relation to impact disclosure,

practices such as the Global Reporting Initiative (GRI), Environmental, Social and Governance Criteria (ESG) standards -and even indexes- such as the Dow Jones Sustainability Index (DJSI) or FTSE4Good are promoting the adoption of new performance management schemes in organizations and guide society's stakeholders in terms of preference for consumption or investment in companies that develop these practices and comply with certain standards.

From stakeholder's perspective, firm-performance is centered on the question How does the firm contribute to society? In this regard, it can be said that the function of a company is to reward, contribute and compensate the society. Concerning to rewards, companies recompense the use of productive factors (mainly capital and labor), thereby allowing economic growth and development. On the other hand, companies contribute to society through processes of human and social capital formation, also facilitating technology transference, science and innovation, acting as intermediaries to bring solutions from the laboratory to the market, under the most favorable conditions of time, cost, risk and quality. Finally, companies compensate (or should do so) for the externalities they generate in their relationship with the environment and society. It is commonly recognized that only 'rewarding' is revealed as the impact that companies have on society, however, the other two mentioned impact forms (contributing and compensating) are less recognizable although their evidence is incontrovertible, but equally undeniable is CSR is aiming to fill this gap.

Regarding performance measurement, Epstein and Roy (2001) include indicators like "work force diversity, environmental impacts, bribery, corruption,

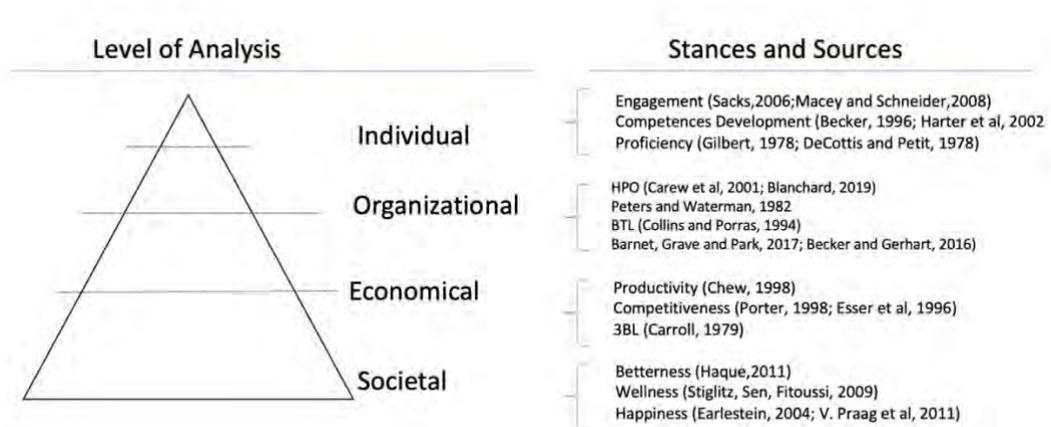
community involvement, ethical sourcing, human rights, product safety, and usefulness” (Ameer and Othman, 2012). More traditional foci, Cochran and Wood (1984) state that there are two methods to appraise CSR: reputation indexes and content analysis (Cochran and Wood, 1984). These methods are related to building a consistent and recognized reputation that will positively impact the company's financial performance metrics measured by stock market indicators (share price, Tobin's Q, market capitalization) or through profitability and growth indicators. In this sense, CSR measurement practices have behaved on two different fronts with similar concerns. On the one hand, at the theoretical plane, CSR research has focused on establishing statistical relationships between factors related to sustainability and performance, using different proxy variables. On the other hand, empirically, researchers has been focused on developing auditing, assessment, and measurement practices related to good practices around sustainability, tending to accreditation, certification or recognition; which consequently leads to stakeholder satisfaction, and the appreciation of intangibles assets such as brands, at the same time that the company gains reputation and social recognition.

2.1 Levels of Analysis

The previous section highlighted the two most relevant and prolific theoretical positions on business performance, which ratified the variety of perspectives for defining the concept and its relevance for the discipline of management. In the same line of contributing to the elucidation of the concept of firm performance, it is necessary to clarify at this point the differences that arise when observing it from

different level of analysis: individual, organizational, economical and even societal, as shown in Figure 1 below:

Figure 1. Performance at Different Levels of Analysis



Source: Author elaboration (2021)

Hence, at individual level of analysis, performance is associated with what and how to do, but also with the impact of these actions (De Cottis and Petit, 1978). Accordingly, Gilberth (1978) establishes factors associated with the individual performance at the firms: standards or procedures, feedback, task support, incentives, competences, capacities, and context; where the quality and quantity of each factor present in the individual's work will produce a given performance as a consequence.

Performance is also observed in organizations as a whole (Barnet, Grave and Park, 2017; Becker and Gerhart, 2016). For instance, Carew, et al. (2001) conducted a study on High Performing Organizations (HPO), charactering six

elements found in each HPO organization: Shared information and Open Communication, Compelling Vision, Ongoing Learning, Relentless focus on customer results, Energizing systems and structures, Shared power and High involvement (Blanchard, 2019); concluding that companies should seek the quadruple bottom line (success with customers, employees, investors, and environment) instead of the traditional bottom line: profits. This perspective tends to attribute an identity to the organization and the capacity to achieve its goals based on agreements on purposes, processes, and resources. Given that the organization is seen as an entity, its performance is not assessed based on individual actions or achievements.

At economical level, the firm-performance and their impacts might be assessed through within two different scopes: productivity, at industry, and competitiveness at clusters, countries or geopolitical regions. Common productivity claims are related to efficacy, efficiency, and effectiveness in the use of productive factors, based on classical foci on economics: scarcity of resources. Chew (1998) defines productivity as “Units of output over Units of Input” in order to simplify the complexity of the concept, and states the importance to measure productivity to “illuminate how a business can get more units of output per labor hour, per machine, or per pound of materials than its competitors” (Chew, 1988). With technological evolution, the classic Cobb-Douglas definition of productivity, focused on the conventional factors of production: capital and labor, has been enhanced with the incorporation of technology as a factor (Solow, 1956) initially as a substitute and/or stimulus for labor, and later understood as an opportunity to

innovate in processes, materials and products. This focus on the productivity of manufacture plants has also been complemented by understanding firms as integrated value chains (Porter, 1991), not only emphasizing on efficiency of production but also the logistics of supply and output, necessary conditions for delivering value to customers or consumers (Piotrowitz and Cuthbertson, 2015). Evolution of productivity approach has also integrated other factors, such as management practices, which, according to Bloom et al (2007, 2010), contributes to explain the differences in the performance of industries and countries.

Precisely, at this level of analysis, competitiveness, is a observable characteristic at economical level, that might explains the superior firm-performance in a competitive market, which becomes sustainable when activities, resources and capabilities, and strategies are configured to make more valuable, unique and differentiated the value delivered to market (Porter, 1998) . Competitiveness reveals the performance of companies seen in productive chains, industries, clusters or associations, which evidences the impact of companies in economy, but even more importantly, it shows the interaction with other social, economic and political actors in the construction of countries and regions with greater strengths, based on pillars such as innovation, education, political organization, among others; complementing the practice, based on classical economics, of measuring aggregated demand growth annually by Gross Domestic Product (GDP).

Measuring competitiveness is possible at micro, meso and macro tiers in order to reveal the quality of interactions -at different grade- among social actors, and inspires actions at the private and public sectors to overtake organizations and institutions to higher social and human development degree (Esser, Hillebrand, Messner, and Meyer-Stamer, 1996). Competitiveness involves the interdependent analysis of several factors in relation to the economic system of a region, industrial cluster or country. For instance, factors such as: Governance, infrastructure, ICT Adoption, economic stability, health, skills, Product market, labor market, Financial system, market size, business dynamism, innovation capability, which are considered in the Global Competitive Index (GCI), measured by the World Economic Forum, are the result of the interaction of private enterprise entities, non-governmental organizations, institutions and public companies, to achieve better economic, political and social conditions in a positive business environment.

As an alternative to the competitiveness paradigm, which has revealed structural differences between nations, their organizations and institutions, as well as criticisms around the way the economic performance is measured (Stiglitz, Sen, and Fitoussi, 2009), there are positions that propose happiness, prosperity, and betterness (Haque, 2011) as the fundamental purpose of countries. For example, the Gross National Happiness Index (GNH) comprises nine domains: psychological wellbeing, health, education, time use, cultural diversity, and resilience, good governance, community vitality, ecological diversity and resilience, and living standards, with regard to society, government, and industry aligning their purposes in pursuit of the general wellbeing of the Bhutanese population, in this case.

More than an exhaustive review of the definitions of performance, the previous paragraphs contribute to highlight its significance and relevance at different level of analysis, but also confirm the necessity to propose coherent and consistent definition and measurements of performance.

Once the phenomenon of performance has been analyzed from different theoretical perspectives and levels of analysis, it is necessary to ratify that this work will address the firm as unit of analysis and Strategic Management as the disciplinary field in order to formulate conclusions and contributions.

Chapter 3

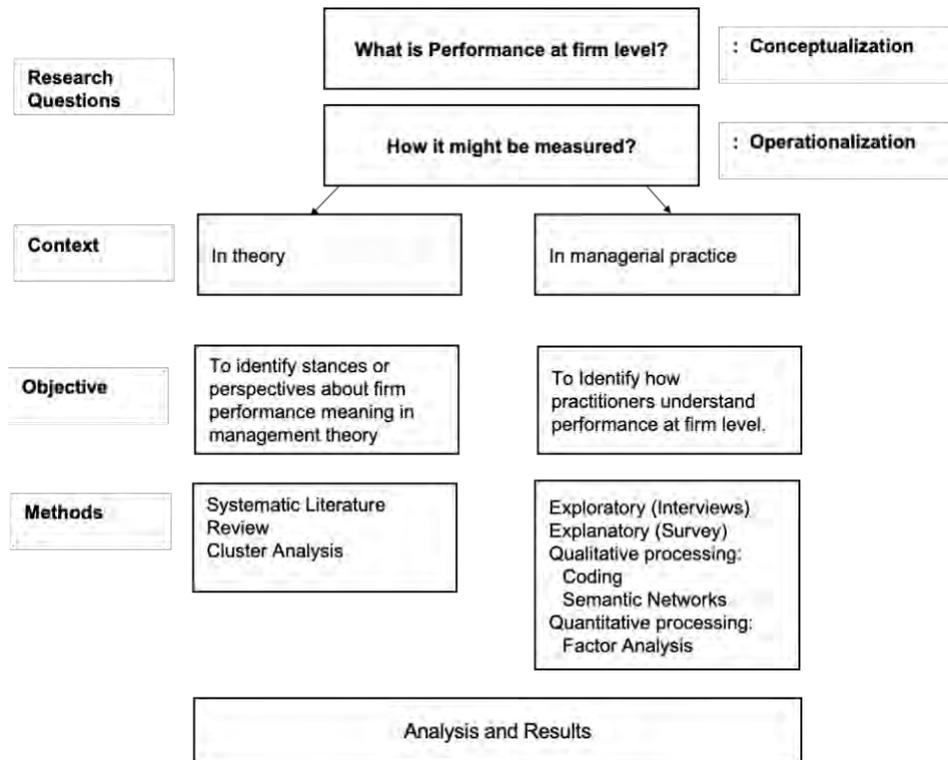
*Scientific explanation does not consist in the reduction of the complex to the simple.
Rather, it consists in substituting a more intelligible complexity
instead of a complexity that is less intelligible.*
Claude Lèvi-Strauss

3 Research Design

3.1 General Description

To address the research questions stated: What is performance and how can it be measured? The following research plan was designed and executed:

Figure 2. Research General Design



Source: Author elaboration (2021)

3.2 Methods

3.2.1 Systematic Literature Review

To address the proposed question, from this context (theory), systematic literature review was selected as the initial method. Literature review “is a key tool, used to manage the diversity of knowledge for a specific academic inquiry. The aim of conducting a literature review is often to enable the researcher both to map and to assess the existing intellectual territory, and to specify a research question to develop the existing body of knowledge further” (Tranfield, Denyer, Smart, 2003). Thus, once the research question was defined, a search, selection, and analysis of the materials was carried out. Subsequently, the content analysis was performed, and the results were synthesized (Gusmão et al, 2018). The details of the executed process are explained below:

- a) A search in scientific reference databases (Scopus, Web of Science) was carried out to identify articles whose title, abstract, content or keywords contained: performance, firm-performance, business performance in the time period 2000-2020.
- b) As a result of this query, a total of 1812 papers were obtained. Subsequently, this search was refined with the impact factor criterion, considering the FT50 journals list, because its highest quality, various business disciplines comprised

(Rawhausser, Cummings, Newbert, 2017) widely-recognition (de Jong and Veld, 2020) and peer-reviewed nature (Desai and Kumar, 2020; Aguinis, Ramani and Alabdiljader, 2017).

- c) After refining the list of references, a total of 142 papers were obtained. Then, analysis of these papers permitted to verify the relevance and pertinence of their content to the objective of the research.
- d) A repository with a copy of all the journals examined, highlighted and commented was consolidated in Mendeley facilitating sourcing and further reference process.

3.2.2 Hierarchical Clustering Analysis (HCA)

Data collected, coded and processed allowed to perform a Hierarchical Cluster Analysis with the goal “to find optimal grouping within each cluster are similar but the cluster are dissimilar to each other” (Rancher and Crhistensen, 2012). “Cluster analysis is a group of multivariate techniques whose primary purpose is to group objects based on the characteristics they possess” (Hair et al, 2014). Hierarchical cluster analysis was conducted following the procedure described as follows:

- a) Criteria and scale development and application. Once concluded the literature review, a database was consolidated and classified following criteria and scale shown in Table 1:

Table 1. Criteria and scale for clustering

Criteria	Scale
Does the publication define "performance"?	Yes = 1 No = 2
Does it use performance as dependent variable?	Yes = 1 No = 2
Field	Finance = 1 Marketing = 2 Operations= 3 Human Resources=4 IT=5 Legal=6 Others=7
Level of Analysis	Individual = 1 Organizational = 2 Economy =3 Societal = 4
Year publication	(2000-2020)
Purpose	Achievement = 1 Improvement = 2 Competition = 3
Journal	
Author(s)	
Main Subject	

Source: Author elaboration (2020)

- b) Proximity Matrix. The first approach to clustering will be to obtain the proximity matrix and the dendrogram (graphical and iterative representation of the groups according to proximity) using the standard SPSS 27 ® procedure.
- c) Cluster description. To compare means, proceed to describe the clusters using a statistical criterion that reveal the homogeneity (of the attributes) of

the observations associated with each cluster to be observed. In this particular case, the means was chosen. The method in SPSS 27 ® indicated the following parameters:

Analysis, Classify, Hierarchical cluster, Number of Cluster (4), Label (author); Method (Ward); Standardization (Z)

Next, using the standard method of SPSS 27 ® the means were compared using as variables: the vector obtained by the Ward Method as an independent variable, and the year of publication of the paper as a dependent variable. Ward Method is preferable due “is not a single measure of similarity, but rather the sum of squares within the clusters summed over all variables [...]. In this Method, the selection of which two clusters combine is based on which combination of cluster minimizes the within-cluster sum of squares across the complete set of disjoint or separate clusters” (Hair et al, 2014).

Statistical features obtained must be contrasted to theoretical characteristics (Table 1 scale) in order to review, understand, and validate the grouping.

Moreover, the quality of grouping must be tested by hypothesis test where:

H_0 : The group means are equal

H_1 : The group means are different

Using the standard SPSS 27 ® method to compare means, ANOVA (1 factor), the correct composition of the groups was validated.

e) Graph visualization. Using the SPSS 27 ® standard procedure, the variables to be plotted (series) will be obtained by reduction dimensions (factor analysis), forcing the grouping of the variables into two factors (each of which will be considered a series in the plot). The factorial coefficients were kept as variables in the data table, and based on them, the graphic representation was made where the regression coefficient of Factor 1 represented the y-axis and the regression coefficient of Factor 2 the x-axis. As mentioned before, the variables were intentionally grouped into two factors, using the principal components method, seeking the best statistically significant explanation the accumulated variance respect other methods ran. This procedure will check the correlation coefficients between the variables, evaluate whether they can be grouped into factors and determine whether this grouping is statistically significant in explaining the performance construct (Hair et al, 2014).

The results of HCA method are reported in Chapter 4.

3.2.3 Survey process: Quantitative and Qualitative Methods

As mentioned in the research general description section, it is important for the research to consult to managers and practitioners about their performance notion and the measurement practices they follow, given that the theoretical notion

of the concept is not enough to build a sufficiently robust comprehension and, mainly, applicable to managerial reality. Thus, the following methods were conducted to address performance from an applied perspective:

- a) Interviews and Survey development. Addressing the purpose of consulting the opinion of directors and executives regarding performance was the way to identify patterns of definition and measurement of performance, five in-depth interviews were carried out with a group of executives (c-levels) as target group. An interdisciplinary outlook was observed, given the experience and skills of the executives. Given the differences in language between companies and countries, and differences in terminology at a theoretical and practical stances, interview was useful to validate a test questionnaire. Then, the instrument was reviewed by experts in both thematic and methodological aspect in search of external validity. The deployment of the items, scale and sources are described below in Table 2:

Variable	Item	Section	Scale	Source
Goal Setting	1 Firm-performance depends mainly on the effective definition of the company's objectives.			Che-Ha, Mavondo, Said (2014), Wang, Wang and Liang (2014)
Shared goals	2 Level of consensus on company goals influences firm-performance			Inkpen, Tsang (2005)
Engagement	3 Commitment of the company's employees influences the firm-performance			Macey, Schneider (2008), Saks (2006); Smith, Blittici (2017); Barrick et al (2015)
Compelling Purpose	4 Firm-performance will be better if company's purposes are challenging			Gartenberg and Prat (2016)
Seizing	5 Company's ability to identify and capture opportunities in the environment influences firm-performance			Teece (2007, 2014), Augier and Teece (2009)
Process Execution	6 Firm-performance is a consequence of the effective processes execution	1	Likert 1-7 points ranging from "Strongly disagree" to "Strongly agree"	Neely (2014)
Committed Talent	7 Firm-performance will be enhanced if the company counts on skilled and committed talent			Becker and Gerhart (1996); Barrick et al (2015)
Resources and Capacities	8 Resources and capabilities availability assure good Firm-performance			Bamey (1991) Petenaf (1993) Ferreira and Fernandez (2017)
Customer Satisfaction	9 Customer satisfaction is the main focus of firm-performance			Gruca and Rego (2005), Anderson et al (1994, 1997)
Financial Outputs	10 Firm-performance is largely explained by the company's financial results.			Silvestro (2016)
Coherence Goals-Results	11 To achieve better firm-performance is important to assure coherence between goals and results.			
Impact	12 Firm-performance includes the impact of the company's actions on society			Beal et al (2017) Mackley et al (2016)
Performance Definition	13 How would you define "firm-performance"?			
Performance Measurement	14 As a business manager, how do you prefer to measure "firm-performance"	2	Paragraph	
Performance Measurement Rationale	15 In relation to the previous question, why do you prefer to measure firm-performance in this way?			
Employment				
Human Capital Development				
Sustainability				
Scientific and technological Development	16 Regarding to "firm-performance", how relevant are the following business objectives?	3	Multiple choice grid ranging from "1: No Relevant" to "7: Strongly Relevant"	Becker and Gerhart (1996) Syddler et al (2014) Ameer et al (2012), Mun et al (2018) Eccles et al (2014) Epstein and Roy (2001) Koellinger (2008) Szalanski (1996) Bloom et al (2012) Costa and Callen (2014) Beal et al (2017)
Best Practices				
Reputation				
Transparency				
Achievement				
Improvement				
Social Impact	17 How important are the following companies rationale to measure their performance?	3	Multiple choice grid ranging from "1: No Important" to "7: Strongly Important"	Blittici and Garrago (2012) Bourne and Neely (2003) Beal et al (2017) Mackley et al (2016) Silvestro (2016), Richard et al (2009)
KPI Data Gathering				
Prediction				
Competition -> FP				Porter (1985) Bamey (1991)
Seizing -> FP				Teece (2007, 2014), Augier and Teece (2009)
Committed Talent -> FP				Becker and Gerhart (1996); Barrick et al (2015)
Process Execution -> FP	18 How much does each of the following aspects influences firm-performance?	3	Multiple choice grid ranging from "1: Null Influence" to "7: High Influence"	Neely (2014)
Resources and Capacities -> FP				Bamey (1991) Petenaf (1993) Ferreira and Fernandez (2017)
Reputation -> FP				Itner and Larcker (2003)
Hierarchical Level	19 The hierarchical level of the position you currently hold is	Control	1: President 2: C-Level 3: Manager 4: Other	
Field Expertise	20 Your area of specialty / expertise is:	Control	1: Finance 2: Marketing 3: Operations 4: Human Resources 5: IT 6: Other	
Economic Sector	21 The company you currently are working for is involved in (economic sector):	Control	1: Primary 2: Secondary 3: Tertiary	

Table 2. Item's scale and sources. Source: Author elaboration

Instrument was organized in three sections: Sections 1 and 3, composed of multiple-choice items, Likert scale, one to seven range; and Section 2, composed of three open-end response items. This design involved both quantitative (sections 1 and 3) and qualitative (section 2) treatment as explained in Table 3:

Table 3. Methods used to process data - survey

Section	Objective	Items
1	Factor Analysis	Multiple Choice
2	Qualitative Analysis	Open-ended
3	Descriptive Analysis	Multiple Choice

Source: Author elaboration (2020)

b) Applying Survey. Questionnaire was distributed electronically through Google® Forms platform. Sampling was randomly drawn, non-finite size, considering the huge size of population. From an initial list of 400 potential respondents linked to business program graduate associations, professional organizations, and professional networks, first contact began through email, but it was not effective way. Target group was very difficult to reach, considering their busy schedules and the intermediation needed to contact them. Then, one-to-one strategy was implemented to increase effectivity. As a result, 122 questionnaires were answered, but 21 cases were excluded

due to duplicated, incomplete or inconsistent responses. Sample size satisfies following criteria:

Population	:	Unknown
Confidence	:	95%; (Z = 1.96)
Error	:	1%
p	:	50% (no previous data available)
q	:	1-p

3.2.3.1 Quantitative Methods

Once applied, cases were statistically processed by following stages using the standard SPSS 27 ® procedure for survey' section 1 and 3:

- a) Descriptive statistics. parameters such as Mean, Median, Standard deviation, Maximum and minimum, and range was obtained and interpreted. Skewness and Kurtosis also as an initial approach of type of distribution.
- b) Normality Test. Due sampling size ($n > 50$), Kolmogorov-Smirnoff Test was conducted to evaluate normality (Hair et al, 2014). If obtained *p-value* is lower than 0.05, positive to normality is stated. It is important to mention that non-normality is not an issue, moreover is a possible feature of dataset. If it do so, non-parametric test will be conducted.

- c) Correlation Analysis. In order to establish the relation between variables in terms of correlation, taking account of sample size, and given normality test results, Spearman Test (non-parametric, in case of non-normality) was conducted (Hair et al, 2014).
- d) Factor Analysis. Standard SPSS 27 ® procedure for dimension reduction (factors) was conducted in order to “identify the structure of relationships among either variables or respondents by examining either the correlations between the variables or the correlations between respondents” (Hair et al, 2014) and to determine whether the variables under study could be grouped into significantly homogeneous factors to describe dimensions of the firm-performance construct (Henson and Roberts, 2006). The stages followed to perform EFA was:

First. Select the type of factor analysis. In this case, R-type analysis because “a set of variables to identify dimensions that are latent” are been manipulated (Hair et al, 2014). Also the type of EFA will be defined considering the objective of research.

Second. Select Factor Method. The method selected will be the one that allows finding the dimensions that explain the greatest percentage of the total variance. “The percentage of variance criterion is an approach based on achieving a specified cumulative percentage of total variance extracted

by successive factors” (Hair et al, 2014). In social sciences, is expected that a solution accounts for 60% of the total variance is satisfactory (p.107)

Third. Select Rotation Method. In this stage “a rotational method to achieve simpler and theoretically more meaningful factor solutions” (p.110). In this case, Orthogonal method Varimax, meets the criteria of simplicity and in addition, was selected because it reveals a higher percentage of variance explicated instead other methods. Additional criteria supports this choice, is related to the low correlated measures obtained and the small number of variables present in this case (p. 114).

Fourth. Communalities and Factor Matrix Analysis. Using general procedures of SPSS 27 ® for reduction dimensions, the matrix of communalities and the factor matrix will be processed, which should show the convergence of the variables under study in certain dimensions, with their respective factor loadings, with scores higher than 0.50 to be admissible (Hair et al, 2014).

After obtaining the dimensions and their respective factor loadings, meeting the criteria of robustness and statistical significance, proceed to analyze the correspondence with the theoretically defined factors.

The results of statistical methods are reported in Chapter 4.

3.2.3.2 Qualitative Methods

It was proposed to create a series of open-ended questions in the survey to extract from the respondents' opinions the elements that could contribute to the construction of a definition of performance and to identify their measurement practices. Respondents' opinions were used to create a database that could then be coded and analyzed using Atlas TI 8® very useful tool considering its nature and functionality (citation, quotation, word counting, coding, semantic analysis, structures and more).

It is important to mention that the sample size and representativeness for this section of the survey are exactly the same as for sections 1 and 2 (Quantitative section). Additionally, since the survey was administered in spanish, the responses, code index and reports were translated by an expert who also validated the consistency of the project.

The steps involved in processing section 3 of the survey are described below:

- a) Classification. The answers to the open-ended questions (items 13, 14 and 15) were extracted from the main table and a separate table was constructed with them, ensuring that the migration did not modify the original text in any way (deletion, truncation, moving).

- b) Organization and structure of the data. The process of reviewing the information contained in the table suggests the approach, notion, scope that the respondents have in relation to the problem in question. It is essential not to lose the relationship that exists between each answer and its author, since they come from people with different training and experience, and this represents the basis for understanding the rationale. In this aspect, there is also an opportunity for future research.
- c) Coding Strategy. Predetermined codes exist, since the objective of research is to identify patterns to build a performance notion. So, the terms that respondents use to define firm-performance are the basis of coding stage. However, while reading and reviewing responses to the items, new elements of interest and relationships are gradually discovered.
- d) Comprehensive analysis. Highlight, do comments, pre-coding, are some of the actions related to the comprehensive reading of the items' responses. However, more than the reading itself, it is interesting to find out the meanings that may be present in the participants' responses. This stage is very important for the construction of the code table.
- e) Coding. To read carefully all the responses, assigning a code or codes, if necessary, making simultaneously comprehension of meaning or sense of the response in question, and so on for each response. It is possible that as

coding develops, new codes may emerge and even the emergence of others that better express or capture the meaning of the response.

- f) Analysis and debugging. Once the coding stage has been completed, the code table must be reviewed and refined. It may even be necessary to make adjustments at a later stage when the relationships between codes and their roots, or the relations between codes, are being analyzed.

- g) Network representation. More than a final solution or report, networks are an analytical resource for understanding the relevance of nodes (codes) and their relationships. Additionally, they facilitate the organization of a large set of complex data into a more comprehensible scheme that promotes understanding without losing the relevance and clarity of its original form. From the network representations, a higher level of understanding is achieved than that of the opinions considered individually or even as a whole, since it facilitates the interpretation of meanings and relationships beyond the data. Additionally, it allows the use of indicators such as density and groundedness, which enable the relevance of the network elements to be assessed and assigned a specific weight within the model being constructed. Finally, they are a visualization resource that facilitates the socialization of acquired knowledge.

Develop of the methods, analyses, and results are described later, in the chapter 4.

Chapter 4

“Success is the rewards we earn from the communities we belong to”

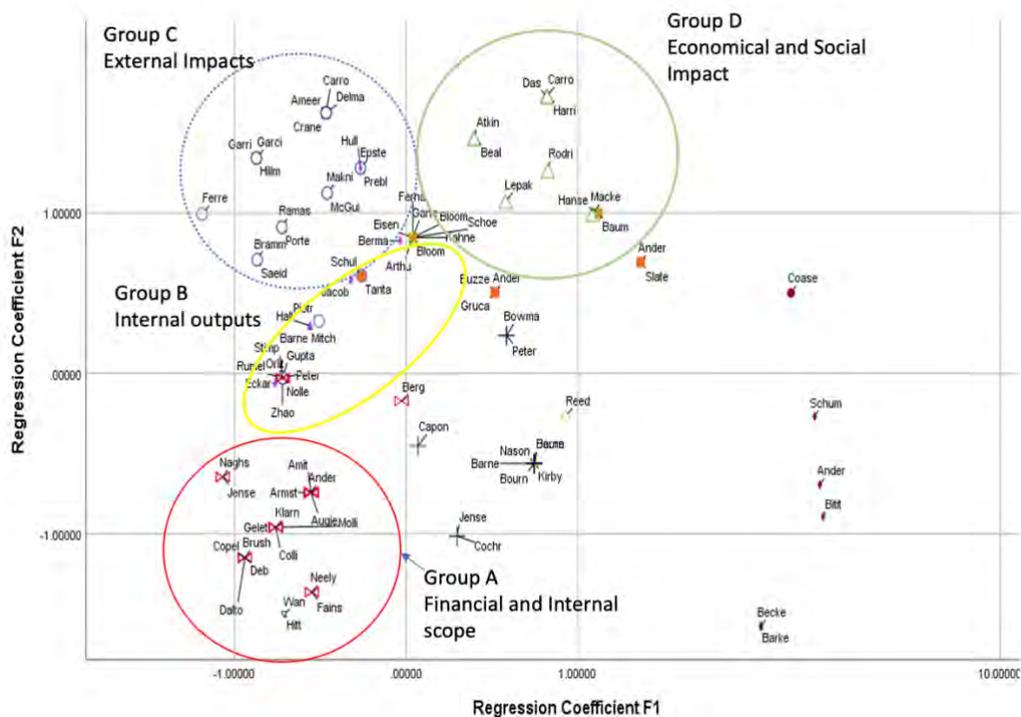
A.L. Barabási (2018)

4 Results

4.1 Findings in Hierarchical Clustering Analysis

The Figure 3 reveals the clustering that resulted from the statistical process described in chapter 3. The distances that exist between the different authors are represented in the graph, which implies an analysis of convergence (proximity) and divergence.

Figure 3 Author’s Clustering (convergence-divergence).



Source: Author elaboration (2020). Computed in SPSS 27 ®

A differentiated group of authors can be identified who address the performance of the company:

- a) Group A, red line circle in Graph 1, authors such as: Amit, Augier, Brush, Capon, Copeland, Dalton, Hitt, Jensen, Naghshbandi, whose firm-performance approach is related to the economic or financial results, focused on productive factors return, in exclusive benefit of shareholders, with an eminently internal focus, without considering the external impact of the performance at societal level.
- b) Group B, represented in Graph 1 with a yellow oval, characterized by authors like: Rumelt, Gupta, Zhao, Augier, Moliterno, Anderson, Amit, Armstrong, Brush, Hitt, focused on internal attributes of performance but oriented to its external impacts.
- c) Group C, blue dotted line circle in Graph 1, related to authors such as: Delmas, Crane, Ameer, Garriga, Garcia-Castro, Hillman, Ferrell, among others, who understand the relationship between corporate social responsibility and performance. This approach points out how companies perceive non-financial benefits, especially reputation and recognition (seals, certifications, etc.), from their good practices in relation to environmental sustainability (diversity and inclusion, poverty, carbon footprint, etc.).

d) Group D, green line circle in Graph 1, related to authors like: Atkinson, Das, Carroll, Beal, Hansen, Eccles, Lepak, Mackey, Rodriguez-Fernandez who recognize company performance as an economic issue, focused mainly on value, which distinguishes the economic and social impact of companies and their impact on the expectations of different stakeholders, not just the shareholders. Some authors out of this four groups identified are considered outliers.

Developed cluster method allows to state that authors have several divergence and convergence viewpoints. Mainly, the divergence factors identified are the level of analysis (individual, organizational, economical, societal). In addition, and derived from the previous feature, more differentiation might be observed in the scope around the impact of companies. Some authors limit their visions to the output, normally the financial results and internal perspective; while other authors (mainly CSR perspective) are more interested into observe the impact outside the organization, for example on culture, society, and environment.

Meanwhile, two factors of convergence are notable: the strategic nature of performance and the value as a metric of the economic contribution and satisfaction of stakeholder's expectations. In this regard, some assumptions may be stated and further developed:

First. Performance is perceived both inside and outside the company. Inside, it is observed as a comparison between the defined purposes and the

achievements. From this stance, as a retribution logic, company accomplish his objectives when get enough returns from invested resources.

In turn, from outside of the firm, shareholders, customers, suppliers, potential employees, competitors, etc. may observe the firm-performance in terms of satisfaction of their respective interests and expectations. In this sense, firm-performance may be defined based on attributes - observable in their processes or products - and measured by identifying achievement or status. It means, how big, good, fast, soon, etc., a company do or get some action or result.

Second. Typically, performance is evidenced in outputs that organizations achieve; however, firm-performance includes stages prior to these achievements, related to how company got it (the process); as well as why (the purpose) in which the objectives are set and the actions to be committed are inspired.

Third. Performance is visible in different levels of analysis: individual, organizational, economical, and even societal. It is a multilevel construct that reveals the importance of businesses in widespread contexts and impact.

Fourth. Regarding to the outputs, which are observable through the traditional financial indicators; they could also be traced through the valuation of intangible assets such as the knowledge that the company capitalizes on; the relationships it establishes with different stakeholders; the reputation that businesses build in. Additionally, the positive and negative externalities that companies produce in

search of its goals must be understood. Those are the more evident differences between the two main stances analyzed in this work (Strategic Management and CSR) and represented by the cluster analysis executed.

It is important to mention that the hierarchical cluster analysis developed was validated through hypothesis testing, using the ANOVA method (1 factor), determining the adequate grouping of clusters (proximity) and identifying the divergences between them ($F=7.793$, $Sig=.000$, $df=9$).

4.2 Findings in Statistics Methods

4.2.1 Descriptive Statistics

Following are the results of the statistical analysis of the data collected through a survey, externally validated by experts, applied between May and July 2020, with good reliability $\alpha= 0.839$ (Gliem and Gliem, 2003), to 123 company managers from different industrial sectors (67% services, 33% commerce and manufacturing), located in several Latin American countries. Once the cases had been filtered out (by inconsistencies, errors or duplicates) 101 cases was consolidated (size that satisfy statistical requirements of sufficiency); 38% of them were company Presidents, 49% C-levels, and 13% directors; with a variety of professional backgrounds: 15% claimed to be specialized in finance, 29% in marketing, 21% in operations, 13% in Human Resources and the rest, were specialists in other business areas such as IT, legal, among others.

The survey items were statistically processed in order to determine, initially, descriptive parameters, then to establish how the variables are distributed (normality test) and finally, by exploratory factor analysis, whether they could be grouped into factors.

The items and their coding for interpretation in this document are presented in Table 4 below:

Table 4. Items Identification

Variable	Tag	Item
X1	Goal Setting	Firm-Performance depends mainly on the effective definition of company objectives
X2	Shared Goals	Degree of consensus on company goals influences firm-performance
X3	Engagement	Commitment of company employees influences firm-performance
X4	Compelling Purpose	Firm-performance will be better if company's purposes are challenging ones
X5	Seizing	Company's ability to identify and capture opportunities in the environment influences Firm-performance
X6	Process Execution	Firm-Performance is a consequence of effective processes execution
X7	Committed Talent	Firm-Performance will be enhanced if the company counts on skilled and committed talent
X8	Resources and Capabilities	Resources and capabilities availability assure good firm-performance
X9	Customer satisfaction	Customer satisfaction is the main focus of firm-performance
X10	Financial outputs	Firm-performance is largely explained by the company's financial results
X11	Coherence Goal-Results	To achieve better firm-performance is important to assure coherence between goals and results
X12	Impact	Firm-Performance includes the impact of the company's actions on society
X13	Perf Definition	How would you define "firm-performance"?
X14	Perf Measurement	As a business manager, how do you prefer to measure "firm-performance"
X15	Perf Measure Rationale	In relation to the previous question, why do you prefer to measure firm-performance in this way?
X16	Employment	
X17	Human Capital Develop.	
X18	Sustainability	
X19	Scientific & Tech Develop.	Regarding to "firm-performance", how relevant are the following business objectives?
X20	Best Practices	
X21	Reputation	
X22	Transparency	
X23	Achievement	
X24	Improvement	How important are the following company's rationale to measure their performance?
X25	Social Impact	
X26	KPI Data Gathering	
X27	Prediction	
X28	Competition	
X29	Seizing	
X30	Committed Talent	
X31	Process Execution	How much does each of the following aspects influences firm-performance?
X32	Resources Cap.	
X33	Reputation	

Source: Author elaboration (2020)

Table 5 shows the descriptive statistics for items 1 to 12, and Table 6 shows the statistics for item 16, which asked respondents about the relevance of performance to certain business objectives.

Table 5. Descriptive Statistics (Items 1 to 12)

Reactive	Average	Median	Std. Deviation	Range	Min.	Max
X1	5,63	6,00	1,093	5	2	7
X2	5,93	6,00	1,079	4	3	7
X3	6,70	7,00	0,671	3	4	7
X4	5,74	6,00	1,036	5	2	7
X5	6,28	7,00	1,097	5	2	7
X6	5,52	6,00	1,331	5	2	7
X7	6,70	7,00	0,671	3	4	7
X8	5,33	6,00	1,408	5	2	7
X9	5,87	6,00	1,055	5	2	7
X10	5,44	5,00	1,144	6	1	7
X11	6,34	6,00	0,752	3	4	7
X12	5,68	6,00	1,311	6	1	7

Table 5 reveals a higher grade of consensus on the items: X₃ (Engagement), X₇ (Committed Talent), y X₁₁ (Coherence Goal-Results) and more dispersion in X₁₀ (financial outputs) and X₁₂ (Impact). Source: Author elaboration (2020). Computed in SPSS 27 ®

Table 6. Descriptive Statistics (Items 16)

Regarding to FirmPerformance, how relevant are the following business objectives							
	Employ	HumCDev	Sustain	ScTecDev	BestPrac	Reput	Transpar
Average	4,86	6,43	5,71	6,19	6,01	6,19	6,64
Median	5,00	7,00	5,00	7,00	7,00	7,00	7,00
Std. Deviation	1,655	,993	1,283	1,206	1,221	1,302	,912
Range	6	4	4	6	6	6	4
Min.	1	3	3	1	1	1	3
Max	7	7	7	7	7	7	7

Transparency and Sustainability, in respondents' opinion, are more relevant regarding firm-performance than other business objectives. Source: Author elaboration (2020). Computed in SPSS 27 ®

Table 7. Descriptive Statistics (Item 17).

	How important are the following company' rationale to measure their performance						
	Compet	Achieve	Improve	Rewards	ShowImpct	DataGather	Predict
Average	3,77	4,54	4,32	3,56	3,73	4,12	4,06
Median	4,00	5,00	5,00	4,00	4,00	4,00	4,00
Std. Deviation	,937	,911	,836	,994	1,048	,952	,936
Range	4	4	4	4	4	4	4
Min.	1	1	1	1	1	1	1
Max	5	5	5	5	5	5	5

Respondents consider more important for measuring firm-performance achievement, improvement and predictions. Less important rationales are competition, show impact, and rewarding. Source: Author elaboration (2020). Computed in SPSS 27 ®

Additionally, Table 8 represents the Item 18 descriptive statistics, concerning about the influence of business aspects on performance:

Table 8. Descriptive Statistics (Item 18)

	How much does each of the following aspects influences firm-performance?					
	Rivalry	Seizing	Committed Talent	Process Execution	Res & Cap	Reputation
Average	5.69	6.37	6.76	5.75	5.97	6.23
Median	5.00	7.00	7.00	5.00	7.00	7.00
Std. Deviation	1.398	1.129	0.709	1.292	1.118	1.232
Range	6	4	4	4	4	4
Min.	1	3	3	3	3	3
Max	7	7	7	7	7	7

Source: Author elaboration (2020). Computed in SPSS 27 ®

According to Table 8, exist consensus among the managers consulted regarding "committed talent" as the most influential factor in the company's performance, considering in the next rank of importance, with similar variability, the capture of opportunities and the availability of resources. Aspects related to the

execution of the processes were considered at the third stratum of importance and then, the factor with the less influence, in the opinion of the respondents, was the 'sector rivalry'. However, all the factors proposed to the managers consulted in item 18 were relatively homogeneous in their assessment.

4.2.2 Normality Test

Given the sample size (n=101), the variables in study were tested for normality using the Kolmogorov-Smirnoff test, establishing non-normality for all of them. Table 9 shows the results for the variables.

Table 9. Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Estadístico	gl	Sig.	Estadístico	gl	Sig.
X1	,186	101	,000	,868	101	,000
X2	,225	101	,000	,842	101	,000
X3	,473	101	,000	,504	101	,000
X4	,192	101	,000	,874	101	,000
X5	,329	101	,000	,697	101	,000
X6	,214	101	,000	,877	101	,000
X7	,473	101	,000	,504	101	,000
X8	,189	101	,000	,893	101	,000
X9	,232	101	,000	,851	101	,000
X10	,213	101	,000	,878	101	,000
X11	,306	101	,000	,772	101	,000
X12	,209	101	,000	,847	101	,000

a. Corrección de significación de Lilliefors

Source: Author elaboration (2021) computed in SPSS 27 ®

The results obtained in this procedure do not affect the practice of other methods or their subsequent analyses, but should be considered in the

Confirmatory (CFA, Structured Equation Model) studies proposed in the Future Research section, as well as sample size increase is indispensable (Hair et al, 2014).

4.2.3 Correlation

Given generalized non-normality observed, it was decided to use non parametrical test for correlation analysis: Spearman's bivariate correlation method (SPSS 27 ®), with a confidence level of 99% and statistical bilateral significance. The following correlation coefficients were obtained between the variables involved in the study, which have a “small but definite relationship” (Hair et al, 2014).

Table 10. Correlation Matrix (Spearman Test)

	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12
X1	1.000											
X2	0.309	1.000										
X3	0.205	0.358	1.000									
X4	0.278	0.225	0.349	1.000								
X5	0.152	0.295	0.412	0.433	1.000							
X6	0.360	0.193	0.199	0.229	0.112	1.000						
X7	0.191	0.316	0.623	0.450	0.398	0.366	1.000					
X8	0.183	0.212	0.400	0.223	0.226	0.302	0.336	1.000				
X9	0.375	0.247	0.369	0.363	0.394	0.305	0.355	0.224	1.000			
X10	0.273	0.357	0.183	0.172	0.126	0.275	0.209	0.172	0.213	1.000		
X11	0.261	0.399	0.378	0.202	0.250	0.331	0.418	0.235	0.244	0.479	1.000	
X12	0.128	0.281	0.278	0.337	0.236	0.062	0.301	0.105	0.238	0.033	0.119	1.000

Green: Strong Correlation Orange: Moderate Correlation
 Yellow: Small but definite correlation White: Low correlation

Source: Author elaboration (2020). Thumb Rule (Hair et al, 2014)

As shown in Table 10, the correlations are low and moderate; however, this phenomenon should not be considered a weakness, since there is a relationship

between the variables analyzed with a sufficient statistical significance, but also further with the factor analysis conducted, it will be shown that the characteristics of the variables and their relationships are sufficiently reasonable to contribute to explain the concept of performance and its operationalization. This argument will be reinforced practicing Exploratory Factor Analysis (EFA) below.

4.2.4 Exploratory Factor Analysis (EFA)

Two initial concerns appear before to perform the EFA. The first, is the low correlation between the variables under study, and the second is the non-normality identified on them as well. Regarding the first issue, Hair et al (2014) state that if correlations are low between variables, EFA is probably not indicated. However, “if ‘true factors’ exist in the data, the partial correlation should be small, because the variable can be explained by the variables loading on the factors” (p.101).

Regarding the non-normality evidenced, Hair et al (2014) indicated that non normal data does not primarily affect the performance of the EFA since “in fact, some degree of multicollinearity is desirable, because the objective is to identify interrelated sets of variables” (Hair et al, 2007). Nevertheless, to initially validate the readiness of the data for this kind of analysis, Bartlett’s test of sphericity, the Measure of sampling adequacy (MSA) and the Keiser-Meyer-Olsen test were calculated:

Table 11. Exploratory Factor Analysis Tests

Test	Result
Barlett's test of sphericity	Sig: 0.000 Interpretation: Sufficient correlation exists among variables to proceed.
MSA	MSA > 0.8; Meritorious
KMO test	0.829 Sufficiency of sample size to proceed

Source: Author elaboration (2020). Thumb Rules (Hair et al, 2014).
Computed in SPSS 27 ®

Once determined the readiness for EFA, extraction model (Common Variance) and rotation (Orthogonal, Varimax) method was selected because provides the best percentage of explanation of variance, then, proceed to compute the communalities as a measure of shared variance between variables (Henson and Roberts, 2006; Hair et al, 2014).

Factor loadings obtained, after 6 iterations, using the principal components method. Loadings are significant enough, considering that this value should be greater than 0.55 for a sample size of 100 respondents (p. 115). Nevertheless, values lower than 0.5 was maintained for being consistent with the initial theoretical notion.

Table 12. Varimax Rotated Factor-Loading Matrix

Item	Factor			
	1	2	3	4
X12	0.864			
X4	0.612			
X5	0.576			
X7	0.471			
X9	0.470			
X3	0.461			
X10		0.847		
X2		0.664		
X11		0.586		
X6			0.919	
X1			0.556	
X8				0.956

Source: Author elaboration (2021). Computed by SPSS 27 ®

The factor loadings converged on four factors with eigenvalues greater than 1.0 (Kaiser et al, 1974). Given the complexity of the construct under study, total explained variance (59,21%) might be considered an auspicious result.

Figure 4 represents the convergence of the factors discriminated by the EFA methodology with the factors identified in the literature review that were considered in the design of the instrument (survey).

Figure 4. Identified Performance Factors

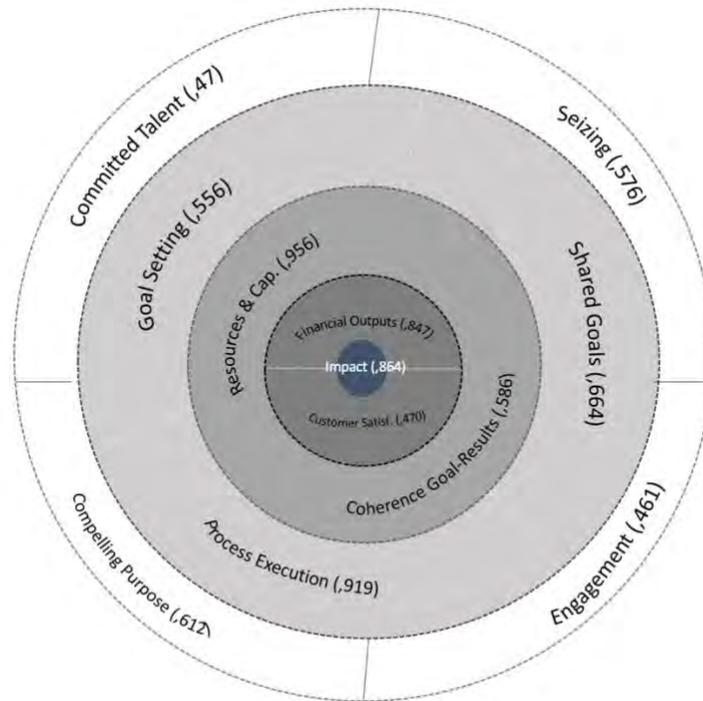


Figure 4 synthesizes identified factors through survey (including its respective factor loadings).

Source. Author elaboration (2021)

4.3 Findings in Qualitative Analysis

Once examined statistically survey' sections 1 and 3, proceeded to analyze survey Section 2. This section was open-end questions exploring performance definition (item 12), performance measurement (item 13) and the rationale of measurement performance (item 14). Answers was coded and analyzed using Atlas TI 8 ®, obtaining the following findings:

4.3.1 Exploring Definition (Conceptualization)

In the survey, practitioners identify three main lines: “performance is both financial and non-financial related”; “performance has different types of impact”; and “performance has time-based dimension”:

Financial and non-financial issues. Some definitions about performance explain it as: “*Consistent results during the time, that the company delivers to its shareholders in terms of profits and share value*” or “*Fulfillment of objectives reflected in profits and good financial results*”. Nevertheless, respondents expressed concerns about social dimension of business: “*To reach (good performance), is necessary to constantly generate value also to consumers, employees and the environment*”. Other opinion was (performance is) “*an organization’s ability to impact stakeholders by seeking sustainability for the organization*”.

Practitioners identify different impacts. In this regard, some practitioners argue: (performance is) “*The alignment of interests among the members of the business that produces favorable results for all*”; “*Generating value for shareholders, humanity and the planet*”. At this point, is clear that business seeks goals achievement, but implicitly are thriving best outcomes, outputs and impacts in favor of stakeholders and society, in opinion fo the respondants.

Performance is related to business life-cycle and has a time-based dimension too: “*Performance has a particular definition according to the stage of the business. For a startup for example, a good performance may be associated with successfully testing of its product or service, while for a large corporation it may be associated with increasing its profitability throughout the time*”.

Using functions and tools for coding from Atlas TI ®, and introducing count-of-words (total mentions in the project), density (number of relations between codes / maximum number or relations in the network) and groundedness (number of cites coded / total cites in the project) as indicators, Table 13 shows the most relevant codes and its relations and mainly, the semantic network (Figure 5) that allows define business-performance based on practitioner’s opinion:

Table 13. Semantic Network Structure

Performance is	To do <i>Associated Active verb</i>	What to do <i>Associated Noun</i>	In order to <i>expected output/outcome</i>	In favor of
Capacity (of)	Alignment Monitor Execution Achievement	Purpose Strategy Indicators Processes Resources (Time) Goals	Common good CSR Value Adding Satisfaction Profit Reputation Results Stock Price	Employees Stakeholders Customers

Source: Author elaboration (2020)

a) Based on coded answers represented in the network, respondents identify performance mainly as: a *capacity* related to strategic issues, useful to follow-up the *objectives* or *goals' accomplishment*, but also *monitor*, through *indicators*, the status of the *processes* or *execution*; financial (*profits, value*) and non-financial outputs (*satisfaction, sustainability, reputation,*) in favor of stakeholders (*customers, employees, owners*) and furthermore, the society. As main finding of this section, following is the performance definition stated by practitioners in the survey:

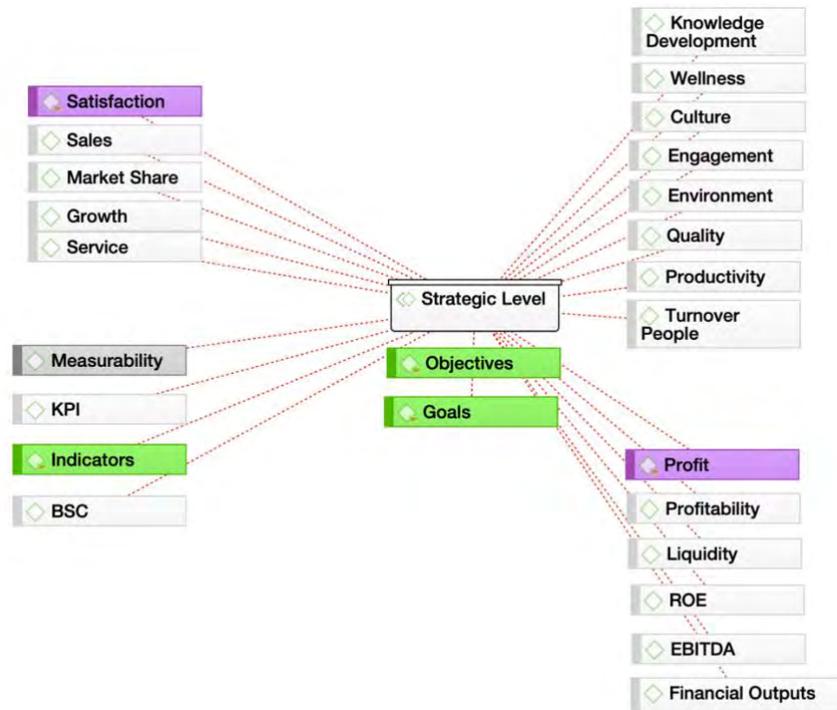
Performance is a capacity to align purpose, strategy and resources to execute and achieve sustainable and perdurable financial and non-financial results in favor of stakeholders and society.

4.3.2 Exploring Performance Measurement (Operationalization)

Aforementioned definition is an integrative solution obtained from field work, nevertheless, is extremely important to differentiate performance from performance measurement. Aforementioned performance's definition involves some performance (what is) and performance measurement (what to expect) terms. Manager's definition states that performance is related to "capacity to". Meanwhile, performance measurement is related to monitor the execution and achieving some key indicators (financial and non-financial). This discussion will be taken up later in Chapter 5.

Regarding to practitioner's preference about firm-performance measurement, three differentiated stages to measure performance was identified as shown in Figure 6:

Figure 6. Stages of Firm-Performance Measurement



Source: Author elaboration (2020). Computed by Atlas TI 8 ®

- a) First, as aforementioned, main interest of performance measurement is to follow up business strategic compromises. Using tools like Key Performance Indicators, or more structured and aligned systems such as Balanced Scorecard (Kaplan and Norton, 1992), companies intend to analyze market related issues such as service, sales, growth, satisfaction, market share, etc.

- b) Second, focused on both people (soft): culture, people engagement, employee turn-over, wellness; and processes (hard): quality, opportunity, and productivity.

- c) Third, financial metrics related to profitability (ROE, ROI, ROA, ROCE), liquidity (EBITDA, Free Cash Flow) are frequently mentioned and used in business to check if coherence between goals and results exists;

Rationale behind of these practices are related to comprehensiveness, that means indicators let them measure at the most integral way the business-performance, but more important point of view, in agile and practically manner. Practitioners are also concerned about objectivity. They need measures to point out goals achievement, identify improvement opportunities or analyze gaps between results and expectations.

Evaluating the performance of a company through indicators depends largely on its moment in the life cycle and its strategic positioning. Thus, from a purely financial perspective, a venture is usually assessed by indicators such as pay-back or break-even point; Small and Medium Enterprises (SME) by EBITDA, sales, working capital, sales growth; while large companies look at their position in the financial market and examine their shareholder price, market capitalization, bond rating, or share price. Recognizing finance matters, businesses require performance measurement tools that allow them to act in a timely manner when faced with the identification of a market opportunity, as well as when faced with the

correction of a process - soft or hard. Companies need tools that allow them to measure not only what they do -the outputs- but also how they do it -the outcomes- in favor of broad number of interest groups. Additionally, the company must recognize the impact that their businesses generate on society and the environment. These requirements make measuring firm-performance a "multidimensional process about how is doing, and how big or effective is the business impact" (Esty, 2018).

Chapter 5

5 Discussion²

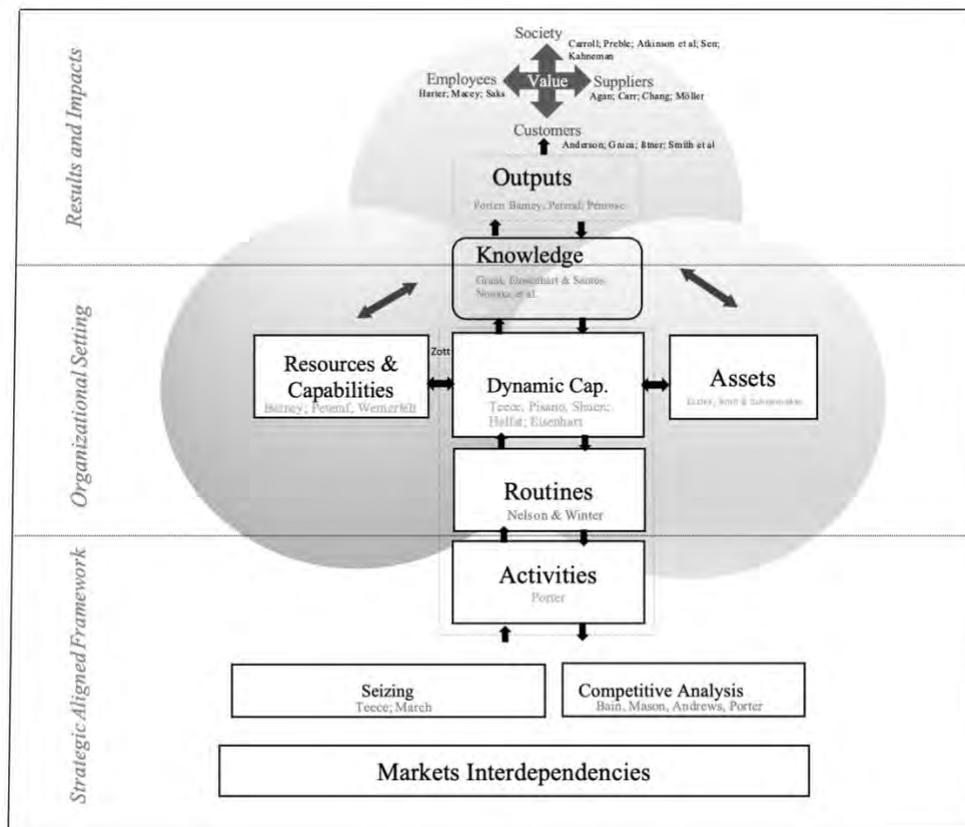
As Chacón-Fiallo and Zapata-Cantú (2021) suggest, the model shown in Figure 7 is an abstraction that allows defining the firm's performance from its complexity, in a more intelligible way, as a multilevel and multidimensional construct. "Multilevel, because it comprises the different evolutionary phases of performance that depart from the organization's strategic intent: purposes and objectives; their configuration and interaction (strategies, routines, activities, resources) and recognize their results and impacts. And multidimensional, because within each level, there are different factors -dimensions- that allow to explain it". (Chacón-Fiallo and Zapata-Cantú, 2021).

Multilevel is related to strategic, organizational, and output layers of performance. The strategic Aligned Framework "represents the rational and continuous process by virtue of which the firm analyzes the competitive environment and specifies the strategic actions or activities (Porter, 1981) and routines (Nelson and Winter, 2003; Eisenhart and Martin, 2000) to be carried out using its resources and capabilities (Barney, 2001), which are found at the Organizational Setting stage (Barney, 2001), where resources are configured and exploited (March, 1991). This dynamic is iterative and allows the organization to capitalize on experiences that can modify the configuration of resources and capabilities, thus making them more

² This section is based on Chacón-Fiallo and Zapata-Cantú (2021) where indicated

valuable in relation to their strategic importance for the firm (as a source of advantage), and also in relation to their capacity to produce rents (Peteraf and Barney, 2003)" (p. 100).

Figure 7. Comprehensive Multidimensional and Multilevel Firm-Performance Model



Source: Chacón-Fiallo and Zapata-Cantú (2021)

“The results and Impacts stage comprises rents, which - according to the literature review - meets the expectations of productivity in the short term and return in the long term. It should be clarified that not all rents are susceptible to distribution, since some are represented in strategic assets, therefore, not disposable. Thus, the company generates value (Bowman and Ambrosini, 2000), which it distributes or

shares with its main stakeholders: customers (Priem, 2007; Smith and Colgate, 2007; Möller and Törrönen, 2003; Porter and Kramer, 2011); and another part of the value generated is retained by the organization (Lepak, Smith, and Taylor, 2007), in the form of social recognition, key business relationships, among other intangibles.” (p. 101).

5.1 Towards the conceptualization of performance: proposed definition

“According to the proposed model, the performance of a company can be defined as a multidimensional construct, comprising the strategic (SAF), organizational (OS), result and impact levels. Dynamics intra and interdimensions explain the company's effectiveness in interacting within the markets; identifying opportunities and threats; establishing purposes and objectives; defining activities or routines; making use of resources and capabilities to achieve the systematic execution of purposes, policies and processes; and obtaining results that meet the expectations of the organization. Those expectations are related to the fulfillment of company objectives and stakeholders demands such as the satisfaction of needs (customers), profitability (investors), commitment and involvement (employees), sustainability (society), among others. Therefore, **performance -understood in the levels of analysis explained above- is an observable capacity whereby a firm relates to the markets; defines and executes its strategy; carries out its processes; manages resources and additionally (not only, as has been traditionally seen in theory) in the results it obtains, including the social impact**” (p. 101).

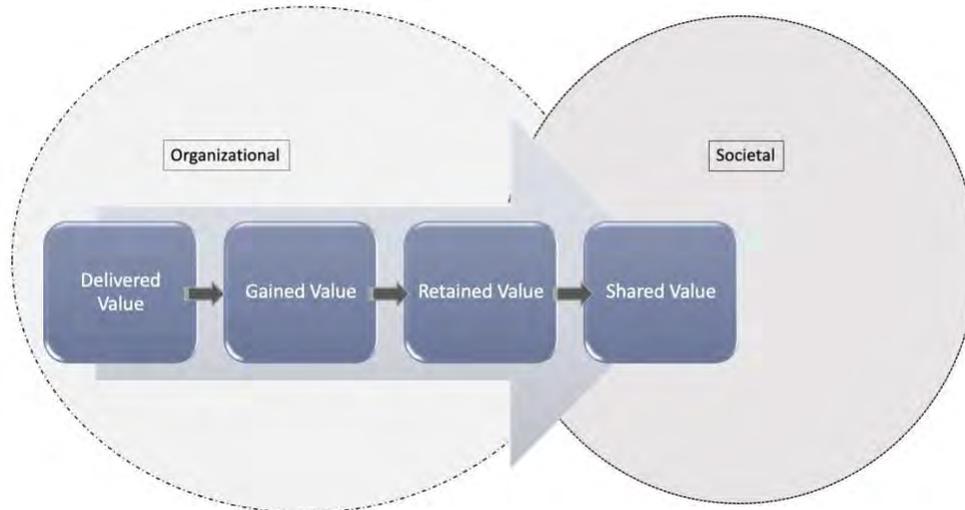
5.2 Towards performance measurement definition

“Regarding the measurement of the firm's performance, the model proposes to appeal to the notion of value; a concept that is not only represented in the marginal return on capital (economic and financial approach), since value is also embedded in: the VRIN resources (Barney, 1991) and in the distinctive capabilities that sustain the competitive advantage (Amit and Schoemaker, 1993); in the retribution it delivers to its stakeholders, and in the knowledge that the firm generates, exploits and accumulates (Amit and Schoemaker, 1993); in the retribution it delivers to its stakeholders, and in the knowledge that the firm generates, exploits and accumulates. This means that the economic value that companies produce does not reside just in the results they obtain, or in the rewards, compensation and contributions they make to their stakeholders, but is additionally represented in the strategic resources that remain in the firm, including knowledge.” (p. 101).

As a synthesis of the progression or evolution of value, Figure 8 reveals different phases of value in its transition from the organizational boundaries to societal ones. First, either as a service or a product, value is delivered to customers achieving two of satisfaction: (i) company's expectations regarding the product and (ii) customer satisfaction. Then, when these expectations are accomplished, organization gain value, part of which is distributed or shared with different stakeholders; while another portion of this value is retained in the form of tangible

assets (particularly rents, surplus) and intangible assets (knowledge, brand recognition, goodwill).

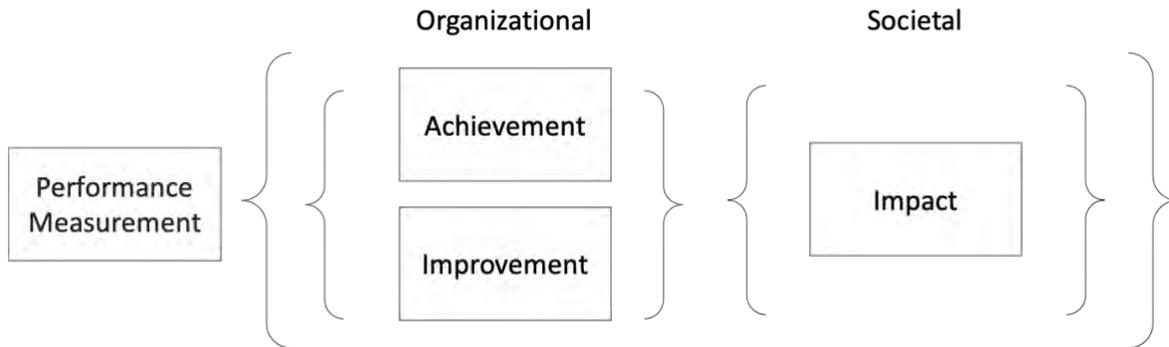
Figure 8. Value delivered, gained, retained, and shared



Source: Author elaboration (2021)

At this point, it is important to recall the definition obtained (based on survey analysis) where practitioners argue that performance is "**Performance is a capacity to align purpose, strategy and resources to execute and achieve sustainable and perdurable value in favor of stakeholders and society**" which understands performance as a capacity to evaluate the fulfillment of internal expectations and external impacts (society and the environment). Based on these dimensions, it is proposed that performance measurement might be attempted as follows shown in Figure 9:

Figure 9. Performance Measurement proposed foci



Source: Author elaboration (2021).

Companies use multiple and diverse indicators to appraise their performance, so, herein no unanimity around a single metric is proposed. Nevertheless, from the theoretical convergence found, and the practical knowledge of managers, it is argued that **value** could be an integrating perspective to measure performance at firm level.

“Economic value, as a performance metric, has the advantage of exceeding the short term that characterizes widely used metrics such as profit; it allows the objective measurement of the firm's current and future results and even, in contrast to the postulates of the resources and capabilities perspective, which considers that strategic assets are not transferable (Bowman and Ambrosini, 2000), it could allow the valuation of strategic assets in particular market situations, such as mergers, acquisitions, alliances or franchising.” (p.101).

“In addition, value is rooted in economic theory, which facilitates its formalization. Moreover, there are several financial measurement models applied to the determination of asset value, including: Discounted Cash Flow Method, Real Options, Black and Sholes Model (Black and Scholes, 1972), Cost Assets Pricing Model (CAPM. Sharpe, W., 1977), among others, which would allow progress in operationalization and empirical validation.” (p. 101).

The aforementioned definition of firm-performance and the appropriated manner to measure it affect the goal that a given firm seeks; the means to achieve it; the resources availability and the effectiveness of the firm' s configuration and execution. This is the reason why performance is a relevant concept for business as economic unit. In this sense, if businesses properly align their purposes, processes, policies and products with a coherent notion of performance, the result is more likely to satisfy the expectations of the markets, the organization and its stakeholders.

This statement is intended to ratify that performance does not lie exclusively in the level of result or impact. The firm-performance also includes prior stages to these achievements, related to how company accomplished it (the strategic and tactic processes); as well as why (the purpose). Therefore, purpose is a fundamental concept for companies. Different purposes imply different performance rationale and measures (Behn, 2003). Thus, differences between the purposes and results on the public (institutions and organizations) and for-profit

companies management, which also fosters the invitation to revise the excessive - sometimes exclusive - vision centered on the economic benefit in favor of the capital owners. All other aspects involved in business activity depend on its definition, including performance and how to measure it.

At this point, the current reflection on the need to review the purposes of companies and the relationship they have with more significative social benefits such as wellness, happiness, prosperity and sustainability becomes more valuable. The revision of its purposes, tending to the incorporation of new ethical, economic, political and social paradigms in the company, will allow companies to exercise a different leadership in society, motivating the sustainable use of resources, additionally, it will allow them to evolve in accountability, that means, how the businesses assume, reveal and report benefit and impact, transcending the practices of certifications and seals, also overcoming the misconception that sustainability is at odds with profitability. In contrast, sustainability is a challenge that motivates companies to undertake new ways of doing things, to innovate in markets, products, materials, forms of distribution, understanding -from the purpose- that society expects sustainable compensation, retribution and contribution schemes from the company. Therefore, as stated along this work, it is necessary to comprehensively understand performance, since it is the connecting thread between the pursued purposes, actions committed, and the results achieved.

Chapter 6

The moral core (of the company) is not profitability or efficiency.

It is to create (social) welfare, human prosperity.

Daniel Goleman in a "Force for Good" (2015)

6 Conclusions

6.1 Theoretical Contribution

The results of the research process described in this document contribute to the understanding of the theoretical and practical aspects of firm-performance. This analysis contributes to the identification of substantial elements for the understanding of performance, in other words, its conceptual foundations.

Theoretically, definitions of performance and performance measurement have been formulated:

Conceptualization:

Performance (...) is an observable capacity whereby a firm relates to the markets; defines and executes its strategy; carries out its processes; manages resources and additionally (...) in the results it obtains, including the social impact"

Operationalization (Performance Measurement):

"Performance is a capacity to align purpose, strategy and resources to execute and achieve sustainable and perdurable value in favor of stakeholders and society"

One aspect that deserves to be reiterated in this section as a theoretical contribution is that value is an integrating concept for the different perspectives that investigate the performance of the firm. However, there is still room for a better understanding of the different substrates in which value underlies, from its origin to the moment when it is shared with society.

6.2 Practical Contribution

The contribution of the study consists in proposing a Comprehensive Model of Firm-performance that gathers the theoretical and practical elements raised in the previous chapters, which are the result of a literature review and a consultation to practitioners. As well a multidimensional and multilevel model that comprises the components of performance and describes how they interact, in fact, it is not a static notion of performance, but rather a representation of the dynamics of performance in organization.

Similarly, this work states the possibility of measuring company performance based on value, considering that this concept overcomes the short-term limitations, as well as the tensions between profitability and liquidity of other commonly used indicators; it enjoys scientific and practical validity and additionally integrates theoretical perspectives of finance, economics and strategy.

The practical use of the multidimensional and multifactorial performance model will allow organizations to carry out diagnostic exercises to identify strengths and areas for improvement, as well as to explain the reasons behind the achievement of their goals. In addition, communicate their contributions and impacts to their stakeholders. It is necessary to understand performance in its true dimension, overcoming the current practice that limits it to the measurement of KPIs, periodic accountability to third parties and the visibility of actions to mitigate the negative impact on corporate reputation.

6.3 Further Research

This work can be continued, enriched, and deepened by means of the following actions:

1. To develop a qualitative research exercises to validate definitions stated and the Comprehensive Performance model. Expose the definitions and the model to validation by experts, theoreticians and managers. Similarly, for

empirical validation of the model, it is recommended to perform a confirmatory analysis (by Structured Equation Model, SEM) and analyze the factor loadings for different rotation methods. The above, considering that three of the variables (X3, X7 and X9) showed loadings lower than 0.5. Additional test must be run to check eventual homoscedasticity. Aspects such non-normality and sample size must be reviewed.

2. In addition, it is recommended that a SEM should be developed to validate the relationships between variables, establish the factor loadings and identify statistical errors attributable to certain variables. This method would be especially useful to understand the portion of variance that is not explicated by factors, that means, associated to errors.
3. An interesting approach is to delve deeper into value as a contribution of the company -to itself, its stakeholders and society. The vision of value generation should be enriched by measuring value, considering return on capital but also adding the value that the organization retains (underlying, for example, intangible assets such as knowledge), shares and distributes.
4. Finally, a validated scale might be developed to provide the basis for a ranking of companies that recognizes the multidimensional and multifactorial nature of performance. The scale should overcome the limitations of traditional rankings, which are focused on short-term measurement and an exclusively financial approach to performance.

However, some limitations must be overcome to continue with the study, related to the difficulty of accessing directors and managers to act as experts in instrument validation phases or respondents in new applications of the instrument.

Additionally, an in-depth systematic review of the literature on value as a performance metric is suggested, however, since this concept is so widely used in so many and diverse theoretical perspectives, an adequate design must be made to limit the relevant sources in order to carry out an efficient exercise.

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Appendix A

Abbreviations and Acronyms

HR	:	Human Resources
VRIN	:	Valuable, Rare, Inimitable, Non-substitutable (resources)
FT50	:	Financial Times 50 list of journals in management
CSR	:	Corporate Social Responsibility
B Corp	:	Benefit Corporation
SDG	:	Sustainable Development Goals (UN)
GRI	:	Global Reporting Initiative
ESG	:	Environmental, Social and Governance Criteria
DJSI	:	Dow Jones Sustainability Index
FTSE4Good:		Financial Times Sustainability Exchange for Good (Index)
HPO	:	High Performance Organizations
BTL	:	Built to Last (Collins and Porras, 1994)
GDP	:	Gross Domestic Product
GCI	:	Global Competitiveness Index
ICT	:	Information and Communication Technologies

GNH	:	Gross National Happiness Index
HCA	:	Hierarchical Cluster Analysis
EFA	:	Exploratory Factor Analysis
MSA	:	Measure of Sampling Adequacy
KMO	:	Keiser-Meyer-Olsen Test
ROE	:	Return on Equity
ROI	:	Return on Investment
ROA	:	Return on Assets
ROCE	:	Return on capital employed
EBITDA	:	Earnings before interest, taxes, depreciation, Amortizations
SME	:	Small and Medium Enterprises
CAPM	:	Cost Assets Pricing Model
CFA	:	Confirmatory Factor Analysis

Curriculum Vitae

Oswaldo Chacón-Fiallo, (Bogotá, Col, 1972-) is Business Administrator (1996), Finance Specialist Graduated Diploma (1998) by the Externado de Colombia University (Colombia). In 2002, he also achieved an Information Systems Graduated Specialist Diploma by Universidad de Los Andes (Colombia). Mr. Chacón-Fiallo has working as Scholar at Externado de Colombia University where he was been recognized as a Distinguished Professor in 2011 and 2021, in virtue of his extensive and dedicated academic work. Instituto de Empresa (Spain) granted him a Master in Business Administration Diploma in 2013. Since 2015, developed doctoral studies at Tecnológico de Monterrey, Santa Fe Campus, sponsored by scholarship from Conacyt and EGADE Business School, and Externado de Colombia University support.

Mr. Chacón-Fiallo has participated in several academic experiences in teaching, speaking, consulting and research in Latin America. He is current Academy of Management (2015) and Strategic Management Society (2019) member.