

QUANTITATIVE PERFORMANCE METRICS OF SAMSUNG ELECTRONICS LTD.

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“Measures that help the finance manager in judging the value that the firm’s operations generate for shareholders”.

Abstract: This paper studies the quantitative performance metrics of Samsung Electronics Ltd namely market value added, economic value added, Tobin’s Q, Earning power. It is common that a variety of elements affect an organization's overall performance. These elements come in both quantitative and qualitative forms. It is simple to determine how an organisation performs in relation to a specific element. For instance, an organization's financial performance can be assessed based on net profits, while its marketing performance can be assessed based on net sales or market share. Therefore, taking into account every factor that affects an organization's performance at once and assessing its overall performance become important.

Keywords: Performance Measurement, quantitative factors, qualitative factors

Introduction

Performance - a task's success is evaluated in relation to predetermined, well-known standards for accuracy, completeness, cost, and time. The technique for gathering and sharing the information about a person's, a team's, or an organization's performance is known as performance measurement. A quantitative factor is one that can be easily assessed quantitatively and adds to the performance of an organisation.

Ex: Revenue, EPS, ROI, net profits, etc. Factors that contribute to an organization's performance but cannot be quantified statistically are referred to as qualitative factors. For instance, morale, customer satisfaction, employee satisfaction, etc.

While some metrics focus on the value created for investors, others examine the problem from the perspective of managerial performance. These metrics evaluate whether the manager is able to achieve the desired return on capital or investment and the contributing factors for the higher or lower return. While economic value added measures the value gained after satisfying the return criteria of the investors, return on equity, for instance, examines the same question in terms of the percentage return earned on the funds invested by the shareholders. The amount by which the market is discounting the company's earnings is indicated by metrics like the PE ratio. These are all relative measurements.

Some metrics examine the situation from the perspective of managerial performance; they concentrate on whether the manager can Many measurements have had higher degrees of acceptance at various points throughout time. A few decades ago, Dupont Analysis was a frequently utilised technique; later, EVA took its place. It was necessary to appraise businesses that hadn't yet turned a profit. Measurements are separated into value metrics and performance metrics.

The two categories of performance metrics—relative measurements and absolute measures—have once again been developed. Absolute measurements are expressed as absolute numbers, while relative measurements are expressed as ratios.

Value measurements are also divided into two groups; the first group includes relative valuation measures, which have grown in popularity since the dotcom bubble. The usefulness of measurements to analysts in determining the worth of companies is highlighted in the second category. They are based on the top seven criteria that PwC's 1999–2000 poll of stock analysts found to be significant.

Value Metrics –Operating Profit Margin, Cost of capital, Cost of debt, Cost of equity, Fixed capital Investment efficiency, Working Capital Investment Efficiency, Inventory turnover ratio, Cash Tax Rate, Cash earnings, Time period of Positive yield.

Ratios of Relative Valuation -PE Ratio, PE to Growth Ratio, Relative PE, Value/EBITDA, Price to Book value, Price to sales.

Research Gap: Many qualitative analysis of the performance of a company is there. So there was a need to give quantitative analysis of the performance of the company.

Objectives: This paper studies the quantitative performance metrics of Samsung Electronics Ltd namely market value added, economic value added, tobins's Q, Earning power.

Review of Literature:

Shahryar Sorooshian talks about the various PMSs that have been created for usage in businesses. This article reviews nearly all of the widely used performance management systems (PMSs), making it one of the first thorough attempts in the field. Most business managers have their own preferred performance management system, but few of them are aware of the several PMSs that are readily available. This research discovered some of the most beneficial PMSs recently created for adaption by the organisation, and it finishes with a need for a holistic model.

The corporate world has many established Performance Measurement Systems (PMSs) models. In the meantime, opportunities abound due to discontent with various parts of performance management in a business.

Many issues with the performance measuring system now used in enterprises are brought on by this scenario. According to Taticchi et al. (2010), measuring has been acknowledged as a crucial component in enhancing corporate success. So, some feature has been considered in this debate in order to ensure stability in the performance measurement. The optimal performance measurement system model must be found (PMS). According to the qualities that have been established, this study concentrates on some of the methodologies and model frameworks that have been used for performance assessment sectors.

Through the selection of the method used to achieve successful and to provide strength and weaknesses about these models selected. Currently, performances of organisations are facing challenges due to rapid environmental changes (Yusra et al., 2015), which could cause a serious problem and even the eventual failure of the business (Sorooshian et al., 2011). This condition causes a number of needs associated with the performance measurement for organisations today. According to Taticchi et al. (2010), measuring has been acknowledged as a crucial component in enhancing corporate success. So, some feature has been considered in this debate in order to ensure stability in the performance measurement. Through the selection of the method used to achieve successful and to provide maximum satisfaction to the performance of the company.

Performance review generally involves a financial or non-financial assessment of the company and its employees. The performance measurement system (PMS) is a crucial tool for assessing an organization's performance. According to Sorooshian, Norzima, Yusof, and Rosnah (2011), PMS has been and continues to be a significant challenge for academics (Sorooshian et al. 2011). Further research on performance is required (Sorooshian and Dodangeh, 2013). The primary goal of this study is to close a gap in previous attempts at literature reviews in the field of PMSs. The purpose of this essay is to systematically discuss the most common PMSs today. Performance measurement, according to Michaela S. and Marketa S. (2012), is a procedure for gauging the efficacy, efficiency, and productivity of prior actions.

An review of an organization's management and the value it provides to stakeholders and/or customers is known as performance measurement (Moullin, 2003).

The notion of performance measurement, according to Wu (2009), is still up for discussion. While PMS can be described as a dynamic, balanced system that supports the decision-making process from acquiring, developing, and analysing information (Neely, A; Adams C; and Kennerley M., 2002).

According to Kaplan and Norton (1996), the balance idea may be used to describe how diverse measurements and views are used in concert to provide an overview of the organisation in order to meet market needs.

The development of a system that continuously assesses the external and internal aspect, goals of the review, and priorities is then denoted as dynamic (Taticchi et al. 2010). As is well known, there are numerous methods and model designs in the field of performance measurement that can be used to take measurements in organisations. The PMS offers a variety of options for reviewing and debating. It has also been successful in developing a technique based on the key element of performance measurement. According to Minna S. and Juhani U. (2013), several techniques have revealed a wide range of interpretations of the PMS, with minimal disagreement regarding its primary components and characteristics.

Yet, one of the key reasons why measuring performance is difficult is the difference between what is desired and what possible (Meyer 2002) is. When addressing the method, approaches, and model design, one should concentrate on analysing the factors that are both financial and non-financial, internal and external, and managerial in nature. As a result, the method will be determined by the elements employed.

Performance Metrics

Relative Metrics: Traditional Measures of Performance

□Market value Added (MVA): It is the total value of the company (including debt) reduced by the net assets. It is calculated as follows:

Market cap of the company + Value of outstanding debt – (total assets of the company – current liabilities)

Table 1

Quantitative performance

	MVA	ROE	Earning power	EVA	Tobin's Q
2009	- 33,272,324	0.31 3	0.3	10,014,638	0.062
2010	- 40,326,310	0.19 3	0.18	7,409,466	0.055
2011	- 51,632,666	0.18 1	0.12	12,643,599	0.063
2012	- 59,735,432	0.15 3	0.1	17,514,514	0.051
2013	- 67,319,623	0.10 1	0.06	12,090,517	0.063
2014	- 77,017,335	0.15 3	0.1	-100,531,983	0.038
2015	- 78,294,223	0.18 1	0.14	-69,556,412	0.126
2016	- 110,201,125	0.13 6	0.11	-86,027,022	0.014
2017	- 132,313,144	0.19 6	0.17	-167,015,187	0.015
2018	- 124,395,330	0.20 3	0.18	-411,428,693	0.183

Findings

- All the years negative MVA indicates that the company has destroyed value.
- 2009 to 2013 positive EVA tells us that Company has more than covered its cost of capital. A negative EVA from 2014 to 2018 indicates that the project did not make enough profit to cover the cost of doing business.
- All the years Tobin's Q ratio is between 0 and 1, it costs more to replace a firm's assets than the firm is worth
- A higher gross profit ratio is preferable, indicating higher profitability in 2018. Higher ratio may be due to increase in selling price without change in the cost of goods sold. Decrease in cost of goods sold, with selling price remaining constant. Increase in selling price and decrease in cost of goods sold. Increase in the sales mix, the proportion of products with higher gross profit margins.
- Lower gross profitability during 2013 may be due to increase in cost of goods sold, decrease in selling price, higher proportion of low margin products in the sales mix.
- Higher the ratio better is the operational efficiency of the business concern. In 2009 the operational efficiency is better and the worst in during 2013.
- Highest ratio is during the year 2009, the more efficient use of the capital employed. Lowest ratio is during 2013 which implies the least efficient use of capital employed.

Conclusion

Any finance manager's primary goal is to maximise value created for shareholders. During the past few decades, a variety of metrics have been proposed to determine whether the finance manager has been effective in creating this value or not. The suggested model will assist the organization's management in identifying their areas of weakness and, as a result, in taking corrective action. Since the work involved in the goods produced and services provided by the various industries varies, it is necessary for them to differentiate between the relative weights given to each component influencing performance.

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