

PERFORMANCE MEASUREMENT AND MANAGERIAL INCENTIVES OF MANUFACTURING COMPANIES IN SRI LANKA

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Abstract

Performance measurement system can play a key role in communicating, evaluating and rewarding the achievement of strategic objectives (Christopher D. Ittner, 1997). Many manufacturers have instituted programs to reduce costs and improve their operations but frequently fail to evaluate whether their operational changes achieved their desired results (Scheer, 2006). An active performance measurement system can help to determine areas to improve before invest or money (Touche, 1994). Firms adopt performance measurement systems typically classified as financial and non-financial measurements (Simmons, 2000). Some manufacturers even use performance measurements to determine compensation and incentive bonuses (Ittner, 1997).

This paper mentions to assess the performance measurement in manufacturing companies and plan the management incentives like the adding the bonuses for basic salary of managers. Company is using the financial and non-financial measurements including return of investment, residual income, economic value added, return of sales, and balanced scorecard for the analysis the performance of the company. Companies exercise the different type of financial and non-financial performance methods for purpose of determine annual incentives plan of manufacturing companies. This method is important to improve of business activities and to keep the skillful management for foreseeable future.

Key words: Performance Measurement, Managerial Incentives, return of investment, residual income, economic value added, return of sales, balanced scorecard