

Methodological approaches to managerial efficiency evaluation of organization

Enfoques metodológicos para la evaluación de la eficiencia gerencial de la organización

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ABSTRACT:

Managerial efficiency evaluation is necessary for all organizations because its results allow actively influencing their current socio-economic status and promoting their development, determining the scale and course of changes, identifying the most important growth factors, tracing and correcting uncontrollable processes, making decisions about changes, as well as predicting their effects on key parameters and planning the future development of the organization and its subsidiaries. Managerial efficiency evaluation of the organization is considered in many publications. This article comprehensively investigates managerial efficiency evaluation methodology, highlights the major research avenues in this area, and determines the basic problems of the existing techniques and their application. The authors carried out theoretical study and analysis of provisions defining the notions of "efficiency" and "managerial efficiency", based on the identification of their role in ensuring the functioning and development of the company in general. Also, the authors conducted systematization and clarification of the methodological basis of managerial efficiency

RESUMEN:

La evaluación de la eficiencia gerencial es necesaria para todas las organizaciones porque sus resultados permiten influir activamente en su estatus socioeconómico actual y promover su desarrollo, determinando la escala y el curso de los cambios, identificando los más importantes factores de crecimiento, seguimiento y corrección de procesos incontrolables, toma de decisiones sobre cambios, así como predecir sus efectos sobre parámetros clave y planificar el futuro desarrollo de la organización y sus subsidiarias. La evaluación de la eficacia gerencial de la organización se considera en muchas publicaciones. Este artículo investiga exhaustivamente la metodología de evaluación de la eficiencia gerencial, destaca las principales avenidas de investigación en esta área, y determina los problemas básicos de las técnicas existentes y su aplicación. Los autores llevaron a cabo estudios teóricos y análisis de las disposiciones que definen las nociones de "eficiencia" y "eficiencia gerencial", basándose en la identificación de su papel para asegurar el funcionamiento y desarrollo de la empresa en general. Asimismo, los autores realizaron la

evaluation of the company, showing the structural-functional organization, quality and efficiency of the management system, and characterizing the impact of management system on financial and operational performance of the company.

Key words: management, corporate management, organization, enterprise, evaluation, methodological approaches, efficiency, managerial efficiency.

sistematización y clarificación de la base metodológica de la evaluación de la eficiencia gerencial de la empresa, mostrando la organización funcional estructural, la calidad y la eficiencia del sistema de gestión, y caracterizando el impacto del sistema de gestión en el desempeño financiero y operativo de la empresa.

Palabras clave: gestión, gestión corporativa, organización, empresa, evaluación, enfoques metodológicos, eficiencia, eficiencia gerencial.

1. Introduction

Business performance of enterprises in the contemporary socio-economic conditions of modern society development and an unstable business environment are determined to a significant extent by managerial efficiency. Organizations that devote considerable attention to managerial efficiency evaluation are more competitive and sustainable; they have more opportunities to develop in various aspects.

In contemporary conditions, one of the priority directions of improving the management in addition to economic, industrial, technological, and organizational processes at the enterprise is the systematization, development and improvement of theoretical and methodological approaches for the effective practical management of enterprises in all sectors.

Managerial efficiency in the organization is the main reserve to improve the end results of its activities. To ensure the high managerial efficiency of the organization, it is necessary to systematically carry out its evaluation that brings the certainty, shows the trend, and results. A review of currently existing methodological framework for evaluating the managerial efficiency of organizations, as well as generalization and analysis of the data obtained is of considerable theoretical and practical interest.

Changes occurring in the external and internal business environment of the enterprise naturally cause the emergence of new methods to evaluate the managerial efficiency. In these circumstances, the requirement of enterprises manageability is one of the most important criteria for evaluating its business performance. With the increase in impact of the external business environment and even the internal environment, in which the organization operates, there arises a need to pay attention to the study of the processes occurring in the surrounding business environment as well as to develop or improve the methods which allow evaluating their impact on the management of the enterprise in general (Tishchenko, 2005).

The issue concerning managerial efficiency evaluation in the modern socio-economic conditions is studied insufficiently in scientific literature. Currently, there is no common understanding of what are the particular basic elements, indicators, and criteria determining the enterprise's managerial efficiency.

2. Methodology

The term "managerial efficiency" is used in different variations and with regard to various phenomena in quite diverse scientific research and practical activities, though most often in management. Contemporary scientific literature dealing with management presents a variety of theoretical and methodological approaches to understanding of this term, which are expressed in the characteristics and ways of its representation in form of indicators and criteria. Many scientists consider "managerial efficiency", first of all, as the level of achievement of the objectives, set strategy, the pace and stages of functioning and developing of socio-economic, productive, organizational, or technical systems (the enterprise), the level of its organization and performance. In other cases, the "managerial efficiency" is understood as the equivalent and interrelated concepts such as "effectiveness", "productivity", "quality", "stability", and "consistency".

The "managerial efficiency" refers to the creation of the best social and economic conditions of the organization's activity in terms of achieving the goals and strategies set forth by the company management, within the prescribed period at specified qualitative and quantitative efficiency indicators and least-cost resources. The development, implementation and practical application of the managerial efficiency evaluation methods are currently an important and necessary condition for improving the financial, economic and social condition of any enterprise. A study of managerial efficiency is widely presented in the scientific literature, though uniform approach to its assessment currently is not fully researched and developed. Due to the fact that it is quite difficult to provide measurable evaluations in practice, while the quantitative comparison of the parameters of the controlled object often is impossible, therefore, to assess all aspects and processes taking place in management is practically impossible. In some cases managerial efficiency evaluation of the organization is limited to the analysis of the economic and financial condition of the company (Peters T., Waterman R., 1986).

The methods most widely used for organization's managerial efficiency evaluation are presented through the following models.

1. Lorenz Meisel Balanced Scorecard System (BSC)-model developed in 1992. The model reflects the parameters or criteria (blocks), which describe customer relationships, internal activity at the enterprise, financial support for managerial decisions, and the prospect of the human resources development. The model is based on the idea that the company's management is loyal to corporate staff, therefore, the managerial efficiency evaluation should be carried out not only based on the system processes and elements, but also on the company employees (Sibirskaya, 2014).
2. Norton-Kaplan BSC-model or balanced scorecard system (balanced calculation card system, balanced assessment indicators system, and balanced performance indicators system) is a strategic management system allowing assessment of its effectiveness, which reflects the goals and objectives of the enterprise through the scorecard. The model was developed in 2001 and was originally intended exclusively for assessing performance of organizations in the banking sector. The scorecard is divided into blocks similarly to Meisel model, but the "prospect of human resources" is replaced by "innovation, development, and learning" (Kaplan, 2003).
3. Stewart Stern developed the concept of "EVA-based management" (Economic Value Added), which is a system of indicators of financial management that sets a single basis for making managerial decisions by core and non-operational personnel. The model allows simulating, monitoring, implementing, and evaluating made managerial decisions towards just one corporate development direction, namely, ensuring added value to shareholders' investments. With regard to the EVA-based management efficiency, Stern determines 4M: Measurement, Management system, Motivation, and Mindset (Makarenko, 2008).
4. K. McNair, R. Lurch, and K. Cross, in 1990 presented a model, which is called "Pyramid of efficiency". The model is based on the relationship of customer-centric corporate strategy with financial performance of the organization, which is supplemented by several key quality indicators. Traditional managerial information should proceed only from the top of the organization. "Pyramid of efficiency" is based on global quality management concepts, industrial engineering, and the "actions" based accounting. Actions are understood as something that is being done by people or machines to meet consumers' needs.
5. Christopher Adams and Peter Roberts in 1993 proposed a model, called EP2M. According to Adams and Roberts, important is that is being done by the company in the following four areas: servicing of customers and markets; improvement of internal processes (increasing efficiency and profitability); change and strategy management; and property and freedom of action (Ivlev, 2002).

When generalizing the described models, we can present a methodology for managerial efficiency evaluation, which is based on the following three groups of indicators:

- 1) indicators showing the structural and functional organization of the company;

- 2) indicators reflecting the quality and effectiveness of the management system;
 - 3) indicators characterizing the influence of management system on financial and production performance of the enterprise.
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3. Results

In the framework of the conducted study, the following results were obtained in line with the set objectives:

- theoretical study and analysis of provisions defining the "efficiency" and "managerial efficiency" notions, the identification of their role in ensuring the functioning and development of the organization in general;
- a systematization and clarification of the methodological bases has been carried out to evaluate managerial efficiency of the organization, showing the structural and functional organization, quality and efficiency of the management system, as well as characterizing the impact of management system on financial and operational performance of the company.

Theoretical and practical significance of the conducted research lies in the fact that these findings can be used in the organizations' managerial practices in various fields, as well as by executive power bodies when evaluating and managing the restructuring of industries, complexes, and industrial enterprises.

4. Discussion

The concept of "managerial efficiency" is used in various fields of science and practice, especially in management, but very often it is associated with terms such as production efficiency, an efficient decision, and process efficiency. At that, the wide use of this concept is not backed by a clear understanding of what tasks, conditions and restrictions should be used while applying this concept. Contemporary scientific literature presents many approaches to the understanding and study of this concept in the characteristics and ways of reflecting managerial efficiency through indicators and criteria. Many scientists in the field of management consider efficiency first of all as the level of achievement of the development objectives of the organization, the pace of its functioning, the level of structural organization, consistency, and stability (Porshnev, 2010).

In most cases the managerial efficiency evaluation, particularly in terms of economy, is limited only to the comparison of the intended or already received result to the cost of its receiving (Razu, 2000).

From the viewpoint of system-based approach, the cost-benefit ratio is a socio-economic system (organization) presented as the so-called "black box" model, in which there are inputs into the system in the form of resources, and outputs in terms of economic performance, while the interaction of internal elements of the system (structural subdivisions, and company staff) is not analyzed at all. In theoretical and methodological aspect, the inputs to the system are the points of impact of the external environment on the enterprise, while the outputs are the points of impact of the system on the external environment. The most difficult step in constructing a model of such system is the choice among the input and output parameters of the characteristics, which quite fully describe the purpose of the object (Gontareva, 2008).

Review of the "managerial efficiency of the organization" just from the economic perspective is incorrect for several reasons.

First, the resource-intensiveness, which is often regarded as the managerial effect, does not reflect the necessity, sufficiency, and timeliness of the effect obtained at normal functioning and development of the company.

Second, causes and factors of the efficiency occurrence are incomprehensible and unclear; therefore it is unknown how to manage efficiency. Besides, the possibility of obtaining the same

effect at the same cost and the same financial and economic conditions is not defined, that is, the resource-intensiveness is insufficient to describe the conditions of achieving the effect (Kleiner, 2008).

Third, a unified methodological approach to the vision of what socio-economic effects, results, and resources must be considered when evaluating the overall functioning of the enterprise has not been developed. Therefore, in each particular case it is necessary to define what is meant by the effects, results, and costs, and how to evaluate them. Use of resources and the manifestation of the economic effects and results always take place in different time intervals. Thus, there is a need for their discounting. Discounting is necessary to determine the value of the cash flow for both result and costs based on bringing the cost of all payments to a specific point in time, which is set in advance. Accordingly, various effects, economic performances, and costs will cause increase or decrease of each other at different times, or can be neutral in the course of interaction of the management system elements.

Fourth, the socio-economic effect, economic performances and resources must have a single system of measurement (usually monetary), while this causes some difficulties even in economic calculations. This concerns the problem such as valuation of intangible assets of the organization. The evaluation of social, psychological, or environmental effects that are always present in the organization is even more difficult (Keeney, 1981).

Thus, when evaluating the managerial efficiency of the organization we face the problem related to the necessity of inclusion of company dynamics into the methodology to evaluate its development prospects, as well as the impact of social and psychological factors.

Managerial efficiency evaluation through the utilization of the strategic potential of an enterprise was carried out by scientists such as I. Ansoff (Ansoff, 1989), A.E. Voronkov (Voronkov, 2000), and I.P. Otenko (Otenko, 2000). Managerial efficiency is evaluated as the quality of conformance between the actual economic performance and the performance that could have been achieved assuming full implementation by the system of its functions in the external environment. At that, these definitions do not fully take into account operational expenses targeted to achieve the economic performance, as well as the time required to achieve necessary quality of the economic potential for its implementation. Therefore, in many cases, full utilization of the economic potential may lead to loss of business continuity of the enterprise.

In the literature on economics and management we can find a number of other definitions of managerial efficiency. Vlasov P.K. and Kiseleva A.A. define the managerial efficiency as the best performance of the organization reached within the shortest time with the least expenses of resources, and able to ensure the long run development in the future (Vlasov, 2002). As we can see, this definition lacks the comparison base between economic performance and costs. That is, in this approach, the managerial efficiency is considered solely as a "short-run" category, while "least expenses spent on the necessary amount of resources" are transformed in their absence, and, consequently, managerial efficiency becomes nearly unattainable (Leontyev, 2013).

It can be concluded that the sustainability and progress in functioning of the enterprise is possible only under condition where the set performance goals comply with the specific socio-economic conditions of functioning, objective laws and existence principles of a variety of management processes. It follows that the organization which is equally effective for all goals and all the financial and economic conditions of its external and internal environment, cannot exist and develop. If the obtained economic performances and the resources used are real, while their accounting is available, then when assessing managerial efficiency of organization its objective component may be sufficient. The objectification of socio-psychological principles, even if they could have been taken into account when evaluating managerial efficiency, can be done through formal and informal managerial decisions and actions based on these evaluations ultimately changing the condition of the real economic, social, organizational, and production processes in the company. Managerial decisions will be correct if the set goals are relevant to

the economic needs and opportunities of the organization, and take into account the impact of the external environment, i.e. the level of scientific and technical progress, contemporary trends of economic organization, geopolitical situation, etc.

A similar viewpoint is expressed by M. Castells, who in his research argues that the result from human activities was formed based on the increase of the return per unit of resource and time, which is close to the operational (resource consumption) (Hicks, 2000).

From the presented definitions it can be concluded that comprehensive and system-based properties of "managerial efficiency" include the following main elements:

- managerial effectiveness, which shows the quality of conformance of the obtained economic performances with their scheduled or specified values for a specific point in time;
- resource intensity of management is considered as the ratio between the achieved economic benefit and all kinds of resources spent on its achievement, which include labor, material-and-technical, energy, information, financial, industrial, institutional recourses, etc.;
- operational efficiency is determined by the time required to achieve the goals of the corporate activity and the development in terms of socio-economic aspects.

Based on the literature review we can draw some conclusions concerning the fact that a significant number of authors recognize the concept of managerial efficiency to be complicated issue, though rather sustainable, systemic and comprehensive, affecting nearly all business processes of the enterprise. Virtually every scientist focuses on specific components of managerial efficiency, such as for example, effectiveness, resource-intensiveness, consistency, complexity, operational efficiency, flexibility, sustainability, subjectivity, etc. Each of the managerial efficiency components can be described through a series of indicators and evaluation criteria that are applied in practice, though the limits of their use yet have not been investigated in full. Particular indicators and criteria do not uncover fully the meaning of the "managerial efficiency" term as a resultant property, which depends on many socio-economic factors.

Thus, the managerial efficiency of the enterprise should be understood as the degree of organization of task-oriented and long-term functioning of economic and social systems allowing maximum use and build up of its potential, especially management potential.

Comprehension of methodical approaches to evaluate organization's managerial efficiency requires consideration of the indicators, criteria, and parameters that describe the main sources of its occurrence, manifestations, and principles of their interaction with each other, as well as influence on organization. The methodology is based on the pricing principles and approaches, as well as resources and business performance evaluation rules. Based on the review of existing indicators described in the scientific literature, we should select the following parameters to evaluate managerial efficiency: effectiveness, resource-intensiveness, operational efficiency, quality, sustainability, consistency, integrity of management potential, and good organization of enterprise functioning (Gontareva, 2000). The completeness of the list of indicators and criteria selected to describe and evaluate the organization's managerial efficiency can be identified and augmented in the course of their use.

Each of the indicators and criteria selected for the organization's managerial efficiency evaluation can be of "differential", "instant", "integral", "consistent", "integrated", and "sustainable" aspect, i.e. be measured either at some time point or within a certain timeframe on average, or in general as a system. In turn, each of socio-economic factors having impact on the managerial efficiency of the organization is able to be manifested from various sides, and is valid at a certain periods of time, during which the current, operational, and long-term efficiency of the enterprise adapts to changes in the goals and strategies of the organization and management structure due to the impact of external and internal environment

5. Conclusion

Analyzing the problems related to organization's managerial efficiency evaluation, which are shown in the study, we can outline certain conclusions. The obtained outcomes have both scientific value and practical importance for further applications in the enterprise management in the contemporary socio-economic conditions of social development, especially in rapidly changing and unstable environments.

1. The managerial efficiency of the organization is essential condition to improve the ultimate results, and first of all financial and economic performance of the organization, though it takes into account socio-psychological aspects as well. The existing gap in the production management system and the enterprise management system in general can and should be resolved based on improving the efficiency and quality of senior managers' work.

2. The organization's managerial efficiency largely depends on the useful application of the management resources and reserves, based on the use of general and specific functions, management principles and methods, their structure and interaction in the course of organization's management. Therefore, to evaluate how the use of resources and reserves influence the managerial efficiency, we should consider them in terms of their structure and content identifying the factors influencing them.

3. A comparative analysis of the methods used to evaluate the organization's managerial efficiency revealed the complexity of highlighting results and factors of the managerial impact on the performance efficiency of the whole enterprise in their pure form. The evaluation methodology proposed in the present study, qualitatively differs from the existing ones by the fact that it allows avoiding the influence of a number of factors and accounting for the economic performance of the organization.

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