

Yo.M. Petrovych, O.O. Trut
Lviv Polytechnic National University
Management of Organizations Department

SCIENTIFIC INTERPRETATION OF THE CATEGORY OF EFFECTIVENESS

© Petrovych Yo.M., Trut O. O., 2014

Scientific approaches to defining the essence of the category of effectiveness are studied. In terms of the systems approach, the structure-forming factors of the organization's effectiveness are substantiated. It is shown that the identified factors and criteria of effectiveness are the basis for creation of the organization's effectiveness control system.

Key words: task, efficiency, organization, process, result, effectiveness, resources, system, management, aims.

Й.М. Петрович, О.О. Трут
Національний університет "Львівська політехніка",
кафедра менеджменту організацій

КАТЕГОРІЯ "РЕЗУЛЬТАТИВНІСТЬ" ТА ЇЇ НАУКОВЕ ТРАКТУВАННЯ

© Петрович Й.М., Трут О.О., 2014

Досліджено наукові підходи до визначення сутності категорії "результативність". З позицій системного підходу обґрунтовано структуроутворювальні чинники формування результативності організації. Ідентифіковані чинники та критерії результативності є основою створення систем управління результативністю організації.

Ключові слова: завдання, ефективність, організація, процес, результат, результативність, ресурси, система, управління, цілі.

Problem statement

The revival and strengthening of the national economy through its modernization necessitates the formation of a new management paradigm, which should reflect the objective needs of the reformed economy and the society in general. It should identify key factors, that can be used in the construction of modern management system to help managers to accelerate the development of Ukrainian market economy with minimal losses for the society.

The new economic conditions and management require a thorough review of lessons learned and governance methods in order to study the prerequisites for the practical application of modern effective methods and tools. This tool is the methodology *performance management*.

The focus on achieving results is a common feature of all socio-economic systems. The concept of "results" for the development is very broad and multifaceted. A selection criteria to evaluate the impact of Ukrainian organizations in the modernization of the national economy and the creation of the *system of performance management* remains a problem as modern scientific and practical management.

Analysis of recent research and publications

In the economic literature of the Soviet period the category of "performance" is almost not used, only partly identified with the category efficiency. Until recently, domestic science effectiveness

interpreted as only the internal cost associated with the rational use of resources. “To avoid association with it, as a category that describes the company success in the market, it is advisable to take the impact of its activities”, emphasize modern Ukrainian scientists [10].

In modern Ukraine theoretical and methodological basis for the formation of indicator’s system to measure the efficiency and organizational effectiveness is the subject of research of following scientists: A. Berezin, A. Vinogradov, E. Gorchakov, Kozyrev, A. Kuzmin, J. Petrovich, F. Poklonskiy, B. Stadnyk, N. Tereshchenko, A. Tishchenko, L. Fedulova, F. hop, N. Yashin.

The works of foreign scientists, that developed research on effectiveness wider, in particular, the fundamental approach to management effectiveness and efficiency of organizations were covered by: M. Armstrong, V. Biloshapky, P. Drucker, Andy N., R. Kaplan, G. Kokinza, P. Krugman, D. Lafta, D. Nortona, Cinco D., B. Phelps, P. Samuelson, W. Shapiro.

However, despite considerable scientific achievements of foreign scientists, local researchers almost did not cover the grip issues, concerning the effective use of management resources to improve the effectiveness of organizations, formation of adequate management systems, developing appropriate tools and performance management mechanism. Lack of theoretical development and practical recommendations on system performance management organizations in the market environment can be noted.

So today the need to clarify the synthesis and systematization definitions of categories like “performance” is evident, which is the basis for creating the conceptual system of performance management.

Objectives

In the process of development is expected to study and generalize the scientific approaches towards the nature of category performance, study the conceptual basis for the formation of the system of performance management.

Materials

The category “efficiency” is the subject of domestic and foreign scholars study. Thus, domestic scholars N.V. Tereshchenko, N.S. Yashin lead a definition of “performance – a measure of achievement, which corresponds to adequate and predictable goals sets, that meets the specific needs of stakeholders and creates conditions for the continuous “organizational development” [5].

E.N. Gorchakov, F.E. Poklonskiy treat performance as “value results achieved for the scheduled task” [9].

A.V. Kozyreva argues that “performance – the cumulative result of the system, represented by quantitative and qualitative parameters characterizing the matching performance, another production unit to its goals and accumulated potential for further development” [5].

Somewhat limited in our opinion is to determination of the effectiveness given by V.A. Katchalov “effectiveness – the extent to which the organization has implemented the planned activities and planned results achieved in the implementation of quality policy and objective achievement in terms of quality”. This approach of the author is determined by the criterion of performance evaluation – quality.

However, it should be noted that in modern domestic scientific literature focuses more on research of performance management, management activities. So, L.I. Fedulova said: “performance – a measure of precision control, which is characterized by the achievement of the expected object state management, management objectives or the level of approximation to it” [11].

V. Stadnyk says that “performance management system – is its ability to perform administrative functions so that the organization could achieve their goals, responding quickly to changes in the external and internal environment” [9].

Contemporary economic dictionary gives the following definition: “performance management – measure of the achievement of management objectives, the expected object state management; determined by the values of output parameters, performance management object” [14]. The dictionary of economics and finance completes the following definition: “the impact of labour – a measure of the efficiency of

labour, characterized by achievement of outcome / goal-employment or degree of approximation to it; determined by the indicators that reflect the final achieved labour result" [13].

The result of our prior research category "effectiveness" is this definition: "... performance – a composite index that characterizes the potential of the use of resources available to the organization and production system at a given time, to achieve positive results and its goals" [7].

While studying given definitions of the "effectiveness" one can argue, that they are more or less detailed, while expressing a common opinion: performance – is the degree of achievement of planned results (scheduled tasks, goals). However, more complete in the context of management is to determine the effectiveness of scientists such as N.V. Tereshchenko, N.S. Yashin, which meets the modern requirements and allows the functioning of Ukrainian managers to develop an adequate system of *performance management organizations*.

But it's worth noting that both the domestic scientific literature and in social production managers and scientists often equate the concept of "effectiveness", "efficiency" and "productivity". Most authors makes no clear distinction between these concepts and use them interchangeably. On different from the approach in *foreign economic literature* scholars clearly focus on common and different features of these concepts. Yes, in the classic management theory by P. Drucker, which points out the difference between these concepts: "performance is the result of what was made is needed and is right thing. And efficiency is the result, that what is made is right thing " [2].

ISO 9000-2001 clearly defines and delimits the concept of performance (effectiveness) and efficiency (efficiency). Thus, the efficiency is defined as the extent to which planned activities correspond to achieved planned results and efficiency - the ratio between the results achieved and the resources used [1].

The American scientist J. Scott Sinc notes, that performance – a common generalization integral generic term with many features and elements, while the productivity – it's quite a specific concept. Actual performance - one of the seven performance criteria of: effectiveness goals and plans; efficiency; quality; performance; quality of working life; profitability; innovation. These criteria are interrelated and reflect a variety of aspects of social costs: better solutions provide better performance, which in turn leads to a performance to succeed in the long run, the manager must plan, measure, evaluate, monitor and improve each of the performance indicators[8].

Recognized expert in the field of performance management American scholar Gary Kokinz based on balanced system performance and process-oriented approach and developed his own vision of the concept "Performance Management" - Performance Management. In the 2007 book by Kokinz G. "Performance Management" published in Russian demonstrates that the effectiveness and efficiency are equally important. "First, choose a strategy, identify goals and then reach their minimum possible resources" – writes in the commentary to the book of G. Kokinza CEO of SAS in Russia and CIS V. Khrabrov.

Performance Management G. Kokinz defines as "the management strategy of a fully integrated system of methodologies for improving business. Performance Management includes methodology, measurement, processes, software and management system of the organization" [4]. Thus, the study of the impact categories allows us to conclude about a deeper and fundamental research of foreign scholars. Clearly the trend is tracked performance management as a tool for strategic management of the organization, transforming plans into results. Therefore for the successful establishment of strategic management Ukrainian managers require conceptual vision and applied mechanisms using performance management methodology, taking into account the specific conditions and restrictions of the environment of organizations.

Formation of a conceptual model of performance management is associated primarily with the determination of effectiveness as an economic category. To the knowledge of the impact of the economic essence we are using systematic approach. This will allow to thoroughly reveal the contents of the transformation process of resources as the main organization main activity.

The systematic approach to the conditions and results of operation of the organization defines it as a system of resources that comes to interact and determines the results. According to the American scientists M. Meskon, M. Albert, F. Hedouri "... general goal of any organization involves converting resources to achieve results" [6]. Schematically this process is shown on fig. 1.

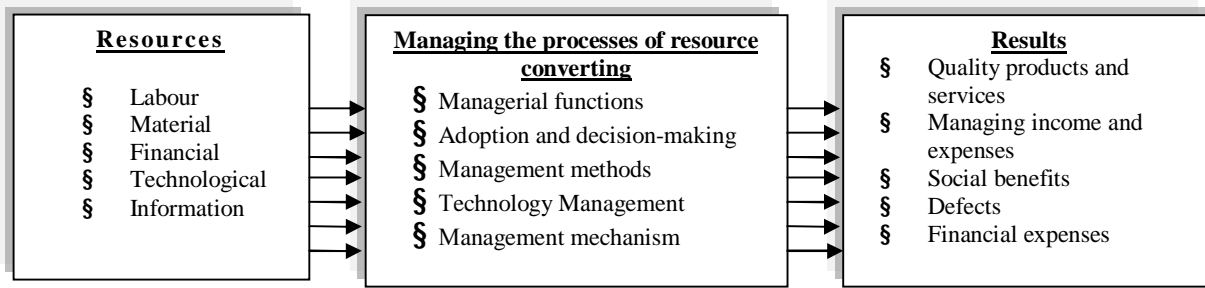
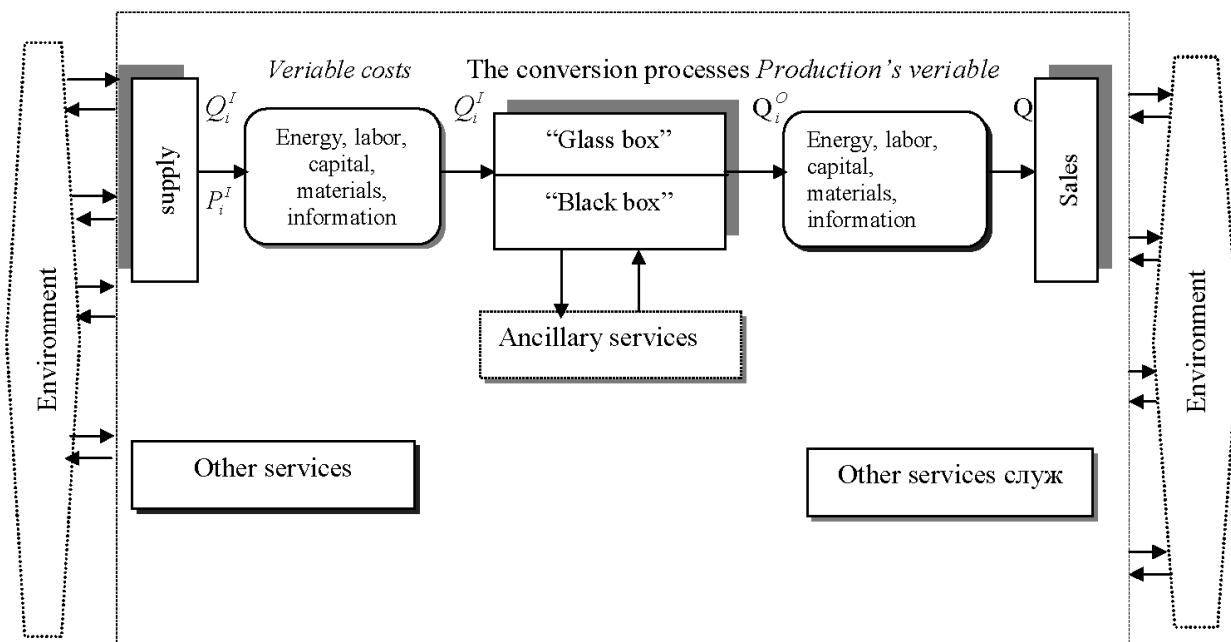


Fig. 1. The process of transformation of the organization's resources and its results

The center of synergistic effect of the enterprise's operational resources interaction is the operating system (fig. 2).



The elements of the operating system is operational resources (Q_i^I – resources; i – resource number; P_i^I – resource price) and operational processes. The results of the organization are reflected in the environment, the output of the system. The main result of the organization is its team of established products (services) sold to consumers.

Organization Management buys factors (resources), that will be spend (Q_i^I – factor; i – factor number) prices are known (P_i^I – price or cost factors). Once factors, that are consumable purchased for use in the system, the cost (P_i^I) appropriate resources obscured, and their purpose is temporarily uncertain as long as actual costs do not compare with budgeted costs. In other words, when resources are purchased, the person responsible for their conversion to the product or service, tend to focus on the amount of resources consumed, rather than their cost, which is reflected in the diagram in the form of resources (Q_i^I), coming to convert the “black box”. Thus there is an additional cost that is the result of synergistic interaction of the totality of operating enterprise resource.

In the national economy operates many types of operating systems organizations. Each system has unique functional characteristics: a combination of cost, a combination of process transformation, combination products, the environment, etc. However, any operating system inherent in typical elements

shown in Fig. 2 In addition, and this is important in terms of performance management, each system uses resources (Q_i^I), paying for them the price (P_i^I), selling production (Q_i^O) and obtaining price (P_i^O). These common elements are crucial to understand the nature of economic performance and management.

The results of our studies suggest that "... performance should be viewed not only as processing resources entering the system to the final product. It is necessary to emphasize the organization's management and that the production of the final product – a process which affects a large number of external and internal factors. Therefore, they must be considered in the production of goods (services) so that they may more fully meet the needs of consumers and be competitive in the market" [5].

From the content of Fig. 2 shows that anything that can cause change inputs, processes of transformation is shown in the output results that directly affects the magnitude of the impact. This makes it possible to conclude that the impact of the organization is a dynamic value, which is affected by complex factors. It is characterized by not only the manufacture of the products and services provided. The products and services provided shall be of high quality, in demand among consumers, their implementation must ensure profitable operation and solving complex social and economic problems of the organization. Therefore, the goal of management should be not only rational organization of operational processes of processing resources but also monitoring and comprehended of internal and external factors that affect the input and output values.

Looking from the point of widespread in the economic literature scientific view that the effectiveness – a summary measure that describes the potential use of the resources available to the organization at this time to achieve positive results and their goals [7].

A positive result of the organization and the achievement of their goals due to efficient use of resources, the latest technology of processing and improved methods of management of production processes. This will provide a stable and long-term effective functioning of organizations, their ability to produce competitive products and provide services that are in demand in the domestic and foreign markets.

Conclusions

In a general sense, as we have shown above, under *performing we understand to the extent to which the goals are achieved*. As for modern organizations characterized by diversity purposes, the definition of performance specified by us as a measure of achievement, adequate and predictable set of objectives that meet the needs of stakeholders and creates conditions for the continuous organizational development.

The full analysis of the operating system allowed us to prove *key factors* for organizational efficiency:

- § composition and the current state of available operating system resources;
- § degree of compliance with resource potential of the strategic goals and organizational objectives;
- § ability to ensure the sustainability of the resource potential of the operating system to the effects of environmental factors and internal flexibility;
- § effectiveness of the management organization.

The efficiency provided effective organization's operating systems and organize its activities. Thus, the impact of an indisputable consequence of the fact that it is produced by the operating system. Society needs the goods and services required number, a range and quality. Orientation management organization for public demand to provide a stable and long-term success in achieving these goals, and necessitates an effective system of performance management.

Prospects for future research

Elucidation of the categorical nature of the "performance" concept has not only important theoretical, but also practical meaning. The point is that a comprehensive understanding of meaningful performance will allow us to further research:

- § reveal the conceptual basis for the formation and functioning of the performance management;

- § identify factors structure-formation mechanism of the impact of market conditions;
- § clarify the criteria and indicators of performance evaluation;
- § highlight the motivational mechanism for performance management;
- § equip line managers with modern instruments and means of conversion organizational goals into concrete results.

1. ДСТУ ISO 9000-2001. Системи управління якістю. Основні положення та словник. – К.: Держстандарт України, 2001. 2. Друкер П. Управление, нацеленное на результаты / П. Друкер; пер. с англ. – М.: Технологическая школа бизнеса, 1994. 3. Друкер П. Задачи менеджмента в XXI веке. / П. Друкер; пер с англ. – М.: Издат. дом «Вильямс», 2001. 4. Гэри Кокинз. Управление результативностью. Как преодолеть разрыв между объявленной стратегией и реальными процессами / Г. Кокинз. – М.: Альпина Паблишер, 2008. 5. Економіка підприємства / О.В. Посилкіна, Р.В. Сагайдак, О.В. Козирева, П.Д. Латін; за ред. О.В. Посилкіної. — Х., 2006. 6. Мескон М. Основы менеджмента /М. Мескон, М. Альберт, Ф. Хедоури. – М.: Дело, 1992. 7. Петрович Й.М. Управління діяльністю організаційно-виробничих систем: навч. посіб. / Й.М. Петрович. – К.: Знання, 2013. 8. Синк Д.С. Управление производительностью: планирование, измерение и оценка, контроль и повышение / Д.С. Синк. – М.: Прогресс, 1989. 9. Стадник В. В. Менеджмент: посібник / В.В. Стадник, М.А. Йохна. – К.: Академвидав, 2003. 10. Тищенко А.Н. Экономическая результативность деятельности предприятий: монография / А.Н. Тищенко, Н.А. Кизим, Я.В. Догадайло. – Х.: ИНЖЕК, 2005. 11. Федулова Л.І. Менеджмент організації: підручник. / Л.І. Федулова – К.: Либідь, 2004. 12. Чейз Р. Производственный и операционный менеджмент: [пер. с англ.] / Р. Чейз, Н. Эквилайн, Р. Якобс. – М.: Вильямс, 2007. 13. <http://subject.com.ua/>. Словник з економіки та фінансів. 14. <http://www.ekonomiks.net.ua/>. Сучасний економічний словник. 15. <http://www.pharmencyclopedia.com.ua/>. Фармацевтична енциклопедія.