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The theoretical basis of the assessment and management of the activity of enterprise efficiency

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Abstract

The article outlines the main directions of increase of enterprises economic efficiency on the basis of the comprehensive assessment of the achievements additional to the market competitive advantages. The process of improving the efficiency of enterprise presented in the scientific literature reflects the methodological problems of establishing the optimal set of criteria and selection methods to determine and evaluate the effectiveness, leading to the development of models efficiency of enterprises. To evaluate the effectiveness of marketing we identified a number of indicators: market share, return on marketing costs, preserving and increasing the number of clients, relative quality of the product. It can be mentioned that indicators for assessing the economic efficiency of enterprises proposed by the author will increase the competitiveness.

Keywords: Market economy, competitive advantage, economic efficiency, modern enterprise, performance assessment methods, quantitative criteria and indicators of performance, financial indicators, marketing, personnel, directions for improve economic efficiency

1. Introduction

Key performance indicators (Eng. Key Performance Indicators, KPI) are indicators of activities of the unit (enterprise) that assist organizations in achieving strategic and tactical (operational) objectives. The use of KPIs enables an organization to assess its condition and to help in the assessment of the implementation of the strategy.

KPIs allow monitoring of business activity of employees, departments and the company as a whole. For the term "key performance indicators (KPI)" is often translated into Russian as of "ключевые показатели эффективности" (KPI) but it's not quite an accurate translation.

The researchers are unlikely to have any difficulties while translating the given keywords from English into Russian. Keywords characterize the degree of achievement of the purpose, which is essential to the operation of one of the areas of activity of the company. The problem arise while defining the term "indicator" although technically, it is "performance efficiency". The correct wording can be found in the requirements to quality management system [2]. It divides the word performance into two terms: effectiveness and efficiency. The standard effectiveness is the degree of achievement of the planned results (the company's ability to focus on results), and efficiency is the ratio between the achieved results and the resources spent (the ability of the company to implement its goals and plans with a specified quality level, expressed certain requirements – time, costs, degree of goal achievement). The word combines both the performance and effectiveness, and efficiency. Thus, the correct translation of the term KPI is "key performance indicator performance outcome" as the result of the work of contains and the degree of achievement, and the cost of obtaining the result.

It is a tool of measurement goals. If the figure you come up with is not connected with the goal, it means that it has not been formed on the basis of its content. Then, it is advisable not to use this KPI. Techniques of setting, revising and monitoring the goals and objectives that form the basis of the concept which becomes the basis of modern management is called "Management by objectives". [2]

2. Methods and indicators management of efficiency. The theoretical basis.

Profitability (in other words, useful, feasible, cost-effective) is a relative measure of economic efficiency. Profitability comprehensively reflects the degree of efficiency of the use of material, labor, money and natural resources. Ratio of profitability is calculated as the ratio of profit to assets, resources, or threads forming it. It can be expressed as profit per unit of invested funds and profit, which carries any currency with it. Profitability is often expressed in percent. The key indicators are:

- Return on equity (ROE Return On Equity) = Net profit / equity
- Gross margin = gross profit / Revenue
- Return on sales (ROS Return On Sales) = Operating profit / Revenue
- Return on assets (ROA Return On Assets) = Net profit / Assets or (Net income+Interest expense) / Assets

Additional indicators are:

- The profitability of fixed assets = Net profit/fixed assets;
- Return of personnel (ROL) = Net income/amount of personnel costs (payroll and other costs associated with employees);
- The basic ratio of return on assets (Basic earning power) is the ratio of profit before taxes and interest receivable to total assets. BEP = EBITDA/total Assets × 100 %;
- Return on invested permanent capital (ROIC) — the ratio of net operating profit to average for the period of own and long-term borrowed capital. ROIC = EBIT × (100 % — tax Rate profit)/Invested capital .In the special case when it is used as invested capital borrowings ROIC (EBIT × (100 % — tax rate on profits) are equal to the amount of percent on borrowed capital)/(equity capital+debt capital);
- Return on capital employed (equity + long-term debt) (ROCE);
- The profitability of total assets (ROTA) = Profit before tax / Total assets;
- Return on business assets (ROBA);
- Return on net assets (RONA) = Profit before tax / Net assets;
- Profitability = Profit / (Value of assets + value of current assets);
- Profitability margins (Profitability of the margin) is the ratio of cost of goods sold to its selling price.

The performance management is very strongly influenced by the development of the concept of the Balanced scorecard. Managers typically used the balanced scorecard to the organization's purpose to make clear to employees to determine how to monitor the objectives and to implement a mechanism that signals the necessity of amending the organization of corrective actions. [5] These steps are the same as we can see in the concept of the balanced scorecard, and as a result, balanced scorecard is most often used as the Foundation of a performance management system in the organization.

Using the methods of performance management, the owners strive to convey the strategy to all levels of the organization to transform the strategy into actions and metrics that measure these actions, and use the analysis to find causal relationships, which, when meaningful, help in making informed decisions.

3. Conclusion

Management effectiveness of an organization is a set of management processes (planning, organization, execution, control and analysis) that enable businesses to define strategic goals and then evaluate and manage activities to achieve the set goals with the optimum use of available resources. This control system is built on the principles of value management business. [4]

Marketing is now becoming a "management philosophy", the main elements of which are called market orientation, subordination to the interests of consumers, an offer of increased benefits to consumers.

To evaluate the effectiveness of marketing we identified a number of indicators: market share, return on marketing costs, preserving and increasing the number of clients, relative quality of the product. [3]

Improving the efficiency of the sales increases capacity of distribution channels.

In the technological chain of products development such areas of business as finance, staff, and development, are not separate stages, but affect all aspect of core productive activities.

1. Staff. The effectiveness of staff can be evaluated using the following quantitative indicators: sales per employee, training and remuneration of staff, return on training costs.

2. Finance. The effectiveness of corporate finance results in an increase of financial stability, solvency, profitability, profit margin and property status.

3. Development. Development effectiveness as functional area is an activity aimed at increasing the value of the company and ensuring the attractiveness of the business.

Proposed indicators for assessing the economic efficiency of enterprises will increase the competitiveness. [1]

The performance management covers the whole spectrum of tasks in strategic, financial, marketing and operational management of the company and includes the use of such managerial techniques as modeling the strategy map, balanced scorecard, process-oriented planning and cost-benefit analysis, budgeting and business modeling, consolidated management reporting and analysis, monitoring of KPIs (key performance indicators) associated with the strategy.

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