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Research Article

CONTENT ANALYSIS THE TERM "EFFECTIVENESS" AND THE CONCEPTS OF ITS QUANTITATIVE CHARACTERISTICS

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Abstract:

In a market economy, the effectiveness of the functioning of enterprises is of particular relevance. The article analyzes the concept of "effectiveness" and develops the concept of its quantitative characteristics. The authors are of the opinion that the integrity of any system (including public) is supported by the harmonization of the functioning objectives of its structural elements. Any violation of this agreement leads to a decrease in efficiency in the future and is a factor in the degradation of the system itself.

Consolidation of views and approaches to measuring efficiency at various levels of social reproduction is possible only on the basis of a dynamic assessment of social wealth, since it is precisely this factor that reproduces the human community that can be measured at all levels of human activity. The proposed concept of efficiency is inextricably linked with the characteristics of the reproduction process, a system of performance indicators. The system of indicators itself is necessary and exists already to the extent that it reflects various parties, stages, elements of social reproduction.

Key words: *efficiency, types of efficiency, efficiency goals, performance indicators, goal alignment.*

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INTRODUCTION:

"In a market economy, issues of the efficiency of enterprises' operation are of particular relevance" [5]. Analyzing the content of the term "efficiency", the authors revealed the diversity and dissimilarity of the existing definitions of this category, due to the fact that efficiency can be viewed from different perspectives, taking into account management levels, goals of subjects in the economy, etc. This differentiation is maintained both at the level of an individual economic entity and society as a whole. In the economic literature, more attention is paid to the indicators characterizing the efficiency of using individual resources, the activity of the enterprise as a whole or its structural divisions, while the indicators characterizing the efficiency of activity at the level of society are not sufficiently analyzed. Quantitative performance evaluations do not always reflect the goals that must be achieved in the process of human activity. It does not take into account the thesis that, as a category, efficiency reflects the totality of relations between people, as well as the result of coordination and realization of personal, group and social goals in the process of social reproduction. Getting the economic effect at the level of various business structures is often not consistent with the social and environmental needs of society as a whole.

The content of the term "efficiency" is multifaceted and evolves as economic entities and social systems develop. Efficiency improvement is determined by the integrity of the system, coordination of the goals of the functioning of its structural elements, the violation of which leads to a decrease in efficiency and is a factor in the degradation of the system itself. The theory of efficiency, like many other theories, evolves with the development of economic thought, causing debate in the scientific community. The analysis and systematization of many theoretical and practical points of view revealed differences in views on this issue.

It is necessary to note the fact that the idea of the essence of efficiency, which developed in the twentieth century, seriously evolved in the XXI:

- in the years of industrialization and the first five-year plans, an increase in efficiency was perceived as the achievement of high rates of economic development [6];

- in 1935 S.G. Strumilin proposed high productivity of labor as the highest criterion for the success of economic aspirations [8]. In 1956, in the Temporary Typical Method for Determining the Effectiveness of Implementing Techniques, he clarified his presentation: "... the degree of increase in labor productivity and, accordingly, the degree of

reduction of social labor costs to meet any need of society ..." [8];

- I.B. Zagaytov (1972) showed that an understanding of the goals of society is a sufficient basis for evaluating and choosing the effectiveness criterion, that this connection is more obvious when considering the model of the task of optimizing the rates and proportions of reproduction [3]. The idea of B.P. fully agrees with this statement. Plyshevsky (1976), who believed that the goal of any economic activity is to achieve the greatest results with the least effort, that is, its maximum productivity, and singled out this as a criterion of efficiency [10];

- TS Khachaturov (1979) formulated the thesis that "efficiency ... is the ratio of the economic or social effect to the costs necessary to achieve it" [9].

The purpose of the research: development of theoretical positions of efficiency and the concept of its quantitative characteristic.

Materials, methods and research conditions. The degree of substantiation of scientific and applied provisions, conclusions and recommendations presented in this article is confirmed by the use in the process of research of works of domestic and foreign scientists, materials of reference and electronic media. The reliability of the research results is ensured by the application of general scientific and special methods of scientific knowledge.

MATERIAL & METHODS:

Analysis of different views on the content of the term "efficiency" of the second half of the XX - beginning of the XXI century showed that the existing positions can be identified with the following theses:

- efficiency - the achievement of the highest productivity of social labor;

- efficiency - effectiveness, the ratio of effect to cost;

- effectively everything that contributes to the earliest achievement of the tasks and goals (as a measure of the expediency of decisions, actions);

- effectively all (maximization of welfare), which is preferable for society and (or) an individual.

When assessing the effectiveness of various development options, the necessary resources are compared, the use of which leads to approximately the same result (comparative efficiency). But it should be borne in mind that different types of resources have different turnover rates in production processes, which makes it difficult to translate them into costs.

RESULTS AND DISCUSSIONS:

The most common is the position according to which efficiency reflects the effectiveness of a process, the use of a particular type of resources, capital or the enterprise's activity as a whole. V.V. Korshunov notes that "the category of economic efficiency is used: 1) to assess the effectiveness of the current activities of an enterprise; 2) assess the effectiveness of options for the development of production and the choice of the best" [4].

In addition to profit and profitability, the effectiveness of the current activity of an enterprise is also characterized by such more private indicators as efficiency: the use of borrowed funds, import and export operations, a specific transaction, etc. To efficiency, which is accompanied by an increase in profits, increased profitability, reduce production costs, increase product quality and, as a result, increase in revenue.

An attempt to summarize the results of the above and many other studies and discussions on the problem of efficiency was undertaken by the compilers of the Great Soviet Encyclopedia: "Economic efficiency - the ratio between the results of production (products and services), on the one hand, and the costs of labor and means of production - on the other" [2].

In foreign literature, the definitions of efficiency, similar to those of domestic studies, have been revealed. So, Christopher Ritson (Great Britain, 1977) believes that "welfare economics analyzes the criterion of maximizing individual or collective well-being or utility" [11]. At the heart of the assessment of the welfare of society and the preferences of individual projects, according to his direct observation, is the "cost-benefit analysis" (cost-benefit analysis). This opinion was shared by Soviet scientists when analyzing the problem of maximizing the productivity of social labor and the result-cost correspondence. V. Pareto (Italy, 1920), analyzing the problem of equilibrium and efficiency, formulated the optimality criterion ("Pareto criterion"): "... if every individual prefers X 'in comparison with X, it seems undeniable assertion that any projects that move we are from X to X 'should be accepted "[12], "... X' is better than X according to the meaning of the compensation test, if the winners can compensate for the losers - in other words, the winners can give enough of their winnings so that everyone will be better "[12]. These two theses, in fact, reflect the idea that the result should exceed the costs, i.e. they indicate the result-cost relationship. In our opinion, the criteria for evaluating performance vary depending on the level of management or business:

- For society, the most important are the rates of development, for example, the growth rate of GDP, the growth rate of social wealth and other macroeconomic indicators;

- for investors operating in financial markets, it is interesting to study the return on the invested ruble, which is adjusted (or rather, even ranked) with the help of indicators and risk preferences, inflation rates, business activity indices and other parameters of the state of the economy;

- for owners in the real sector of the economy, profit growth, dividends per ruble of their investments is important. In this area, the demand for the goods produced and, accordingly, the revenue from sales, becomes important. Due to changes in market conditions in the analysis of efficiency, the study of current activities prevails, the priority is given to profitability indicators, various types of effects (gross income, net income, investment effect, etc.) per unit of resources consumed;

- in the social sphere, efficiency is represented as a certain amount of goods per capita or the rate of such growth (number of beds in hospitals, school places, average per capita income and other indicators).

Many studies [3, 9, 11] traced the attempt of scientists to link efficiency with the goals and objectives of society, for example, "effectively all that is most conducive to the speedy achievement of the objectives set by society" [9]. In our opinion, this is a key starting point in the discussion of the concept. As a category, efficiency reflects the totality of relations between people that are shaped by the formation, coordination, and realization of individual, group, and social goals in the process of social reproduction. This approach allows us to state the following:

- first, the integrity of the system is supported by the harmonization of the functioning goals of its structural elements. Any violation of this agreement leads to a decrease in efficiency and is a factor in the degradation of the system itself. Therefore, it is logical to demand the formation of a "tree of goals" in connection with the activities of many subjects and the complexity of the relations between them. Accordingly, a system of performance criteria should be formed;

- secondly, efficiency as a concept reflects the result of coordinating people's ideas about the degree of their satisfaction with the process. That is why efficiency is an economic category;

- thirdly, efficiency is a measure of coordination and satisfaction of not just goals, but above all the needs of people. Goals only reflect the existence of these needs.

Efficiency characterizes:

- the process of functioning of the system (as a system object), since it itself involves the interaction of subsystems with its own goals and implies a certain correspondence between the result of the process and the means (factors) used in this process. This position underlies the modern approach to efficiency, although it indicates only the need to realize the goal in the context of limited resources;

- implementation of the objectives of the system, with the factors for their achievement may not be significant (for example, in the aftermath of natural disasters, saving people, etc.). Therefore, efficiency reflects the degree, the measure of realization of the goal of the existence of the system (compliance with the achieved result and the goal of the system);

- a measure of the usefulness of individual subsystems for the functioning of the system, as well as the usefulness of one system for the functioning of another, interacting with it. In the study of the comparative utility of the two subsystems, one of

Level 1 - Comparison of absolute effects: $(E_a) \left\{ \begin{matrix} \sum \\ D_e \end{matrix} \right\}$

Level 2 - Comparison of relative effects: $\frac{E_a}{F} \left\{ \begin{matrix} \sum \\ D_e \\ F \end{matrix} \right\}$

Level 3 - Estimation of approaching the goal: $K_e = \frac{E_a}{D_e} \left\{ \begin{matrix} \sum \\ 1,0 (100\%) \end{matrix} \right\}$

them will be recognized as more effective, and one of them will be given preference that allows one to fully realize the purpose of the system's functioning.

There is no contradiction in the formulated theses; moreover, the process of making decisions about effectiveness is more complicated than their content. His logic in human society is in the sequence:

“Need→Interest→Purpose→Effect←Factor”,

which is repelled from the need as the need for the subject to receive any good for the continuation of its existence and development (that is, for its own reproduction).

Interest is a conscious need. Not only objective, but also subjective factors take part in its formation, for example, the influence of the environment, which can be expressed in different ways (“the desire to be like everyone else”, “the desire to live better than others”, “the desire to dress fashionably”, etc.) and others. This determines the variance of interests with the same need (fig. 1).

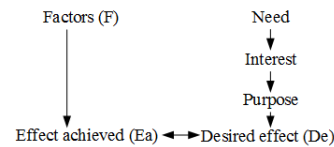


Figure 1: Decision making about efficiency

The goal is the interest of the subject, subjected to formal expression (qualitative or quantitative) and installation for execution. In essence, the movement from need to goal for the subject is a process of awareness, concretization, selection of one or a few preferred ones from a set of options, and, after setting the goal, are already obligatory for him.

Ties efficiency and purpose in its definition of D.N. Boyko, who believes that efficiency is a relative measure of approaching the goal [1]. Agreeing with this thesis, we consider it necessary to add that the human community is a single continuously functioning system, therefore the term “efficiency” should mean a relative measure of approximation to the goal of creating a system as a result of its functioning. Such a representation will be completely identical for the system itself, for any segment in its structure, for any process occurring in it, and even for an individual as a “primary element”, which, being a biological object, is itself a system.

Differentiation of external and internal factors of activity of subjects against the background of the possibility of meeting the same need in various ways causes differences in interests that can cause the existence of not just a tree of goals, but the variability of the tree of goals itself. The very ability to meet the need in various ways determines the possibility of regulating and harmonizing the interests of people. In other words, it ensures the existence of humanity as a coordinated community of individuals. In the proposed concept of efficiency, it is important that the achieved effect, as a result, the result of the activity, be comparable to the desired (target) effect in its quantitative (and / or) qualitative characteristics (single units of measurement, a single scale of qualitative assessments, and so on).

The first level of decision-making on efficiency reflects a simple comparison of absolute effects (achieved and desired) and is used only with “other things being equal”, which implies an approximate equality of factors applied in the process of achieving the goal in various ways. This level is applicable in

cases where the goal is expressed by qualitative characteristics (for example, in the binary code “yes, achieved”, “no, not achieved”).

The second level of decision-making on efficiency allows differentiation of activity factors and ensures the comparability of the achieved and desired effect by converting them into relative values, for example, returns per unit of resources, profitability, investment efficiency ratio and other indicators. This assessment option incorporates most indicators and judgments of efficiency. The relative values of the achieved and desired effects are comparable even with different amounts of applied activity factors.

The disadvantage of the first and second levels is the fact that they only allow to assess whether the goal of the activity has been achieved. The third level allows you to form a judgment about how closer to the goal. The ratio of the achieved and the desired result can be implemented in two versions:

- as the ratio of the absolute values of effects. It is known, for example, as indicators of the fulfillment of plans;

- as the ratio of the relative values of effects.

When evaluating, he takes into account not only the size of the effect, but also the factors of activity consumed to achieve it.

In all cases, the decision about the effectiveness of the desired (target) effect is a criterion. Various groups of quantitative estimates of the goal (can be both absolute and relative), for example:

- The best of the results achieved in society;
- The average result for a group of subjects (state, nation, industry, region, etc.);

- the result achieved by the subject in the past period (evaluation of changes in efficiency over time);

- assessment reflecting the objective of the subject or their group (the required rate of return for the investor, a planned indicator, the estimated value-standard set by research institutions, the value in accordance with the business plan, etc.).

All of these options are applicable at a comparable level of development and for a certain period of time for which a judgment about efficiency is formed. However, both the human community as a whole and the multitude of subjects within it (for example, enterprises, households, industry, state, etc.) do not have a clear time limit for functioning in the future beyond which they no longer exist, or it is comparable to the period the life of the individual. The activity of such subjects is perceived as an “eternal process”. This factor, as well as the variance of development in the future, cause uncertainty in the quantitative assessment of the goal and led to the

emergence of specific performance criteria, designated as the maximum (or minimum) of the absolute or relative effect and formalized with the help of mathematical functions that simulate the process of activity, allowing at each stage of development, specific quantitative assessment of the goal. Similarly, it is possible to characterize an attempt to measure the main function (mission) of an individual subject or their group in social reproduction.

At the country level, the size of national wealth as an aggregate value (at market prices) of all economic assets (non-financial and financial) owned by residents of a given country at a particular date, minus their financial obligations (both residents and non-residents) [6]. Then the rate of growth or increase in national wealth can be an indicator of efficiency. At the same time, the volume of the product produced and other macroeconomic indicators, rather, only partially characterize the process of social reproduction, which covers not only the sphere of production of material goods and services, but also the sphere of human reproduction and its labor power. The disadvantage of the “national wealth” indicator is an implicit (or even fragmented in the form of rights assessment) accounting of accumulated knowledge, with a deficit of which the same resources yield less return. Therefore, the development of a system of indicators for assessing the effectiveness of social reproduction needs further development.

For subjects of lower levels of management (industry, enterprise, household), the size of capital as part of social wealth managed by individual subjects and their groups can serve as a baseline indicator of the activity factor for evaluation. This indicator can act as a factor of activity and as an effect at the same time. The growth rate of capital (the ratio of capital available at the beginning of a period of time, as a factor of activity, and capital generated by the end of the period of activity, as an effect) is a good indicator of efficiency.

When using the size of capital as a factor of activity in the form of effect, it is advisable to use the part of the social product that:

- produced by the subject (value of gross output);

- gets the subject in the process of activity in exchange for the benefits produced by him (revenue, profit, dividends, interest, etc.).

It is necessary to note the fact that in the conditions of the market the efficiency of the activities of

economic entities is interdependent. Improving the efficiency of one of the business partners, for example, by increasing prices, can lead to a decrease in the efficiency of another - due to increased costs for purchased inventory items. The growth or decline in consumer ability of the population also largely determines the demand for food and consumer goods, which ultimately affects the performance of a particular commodity producer.

CONCLUSION:

Consolidation of views and approaches to measuring efficiency at various levels of social reproduction is possible only on the basis of a dynamic assessment of social wealth, since it is precisely this factor that reproduces the human community that can be measured at all levels of human activity. The proposed concept of efficiency is inextricably linked with the characteristics of the reproduction process, a system of performance indicators. The system of indicators itself is necessary and exists already to the extent that it reflects various parties, stages, elements of social reproduction.

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