

OPERATIONAL EFFICIENCY IN THE IMPLEMENTATION OF ENTERPRISE STRATEGY

Iryna Ignatieva,

Doctor of Economic Sciences, Professor,

Tatiana Havrylenko,

Ph.D., Associate Professor,

National University of “Kyiv-Mohyla Academy”

Annotation. *The current paper dwells on such significant problem for economic activity of enterprises as operational efficiency and its importance for the enterprise strategy implementation. A closer look have been taken at the approaches to the strategy effectiveness assessment, in particular both strategic and operational efficiency have been singled out. The authors proposed to apply a system of flexible adaptive triple evaluation of the strategy implementation effectiveness, which is based on the interconnection between the strategy, the goals an the operational control.*

Key words: *strategy, strategic management, strategic efficiency, operational efficiency, operational control, strategy implementation budget, budgeting.*

Statement of the problem. Changes in the role of organizations and management in society result in the search for new methods of management systems efficiency improvement. Obviously, the organizations of the past were primarily created in order to increase the capital of their founders, however, at the current stage of social and economic development, the success of the enterprise in the market is ensured by the correspondence of its results with the expectations of various stakeholders. Such factors as globalization and integration, which are intensively developing at both macro and micro levels significantly sway the change in the management efficiency.

It is insufficient for modern enterprises, performing in conditions of instability and uncertainty of the external strategic environment just to choose the optimal development strategies to form the strategic set out of them. Nowadays, it is important to figure out on what stage of its development the company is, how close it is to the strategic goal, and whether it is moving away from its goals. In other words, in order to implement the strategy of the enterprise, it is necessary to determine its operational efficiency.

The essence of definitions, criteria, methods of evaluation of objects for analysis of the management efficiency occupies a special place in the theory of management, providing it with a comprehensive (systematic) or in-depth (detailed) characteristics.

Such concepts as “effect” and “efficiency”, “result” and “performance” are widely used in theoretical and applied research of various social and economic systems and processes, alongside with the management of the organization (enterprise). These concepts are very close in their meaning, they are interrelated, however, their gist differs.

New management concepts require new approaches to the efficiency evaluation. Hence, it is indispensable to develop an enterprise performance evaluation system that takes into account the enterprise efficiency, the management efficiency, and the

effectiveness of the goals achievement by the various stakeholders.

However, in practice, most performance evaluation systems are based on a financial analysis of the company, considering a short-term period and catering for certain stakeholders, rather than evaluating a company strategy efficiency in the long-term perspective. Obviously, it is quite dubious to get objective evidence of strategic performance without considering the operational efficiency.

Analysis of recent research and publications. Various aspects of the problem of the enterprise strategic plans efficiency evaluation were initially researched by scholars from the countries with the developed market economy. Amid the numerous researches on the problem we initially point out the works of M. Porter, I. Ansoff, P. Drucker, A. Thompson, A.J. Strickland, P. Walker, J.Champi.

In the researches of Y. Azaryan, O. Belyi, V. Budkin, V. Voichak, V. Gerasimchuk, M. Dudchenko, O. Kanishchenko, G. Klimko, R. Leveshko, L. Moroz, I. Rogach, Ye. Romat, dedicated to the problems of the strategy formation and implementation, only some aspects of its efficiency evaluation were considered.

The analysis of theoretical studies in the field of strategic management efficiency evaluation shows that most of them dwell on the strategic and operational aspects of evaluation. However, the issue of operational efficiency in the process of strategy implementation has been insufficiently examined.

Result of the research. Measurement of strategy implementation efficiency is based on a comparative analysis of the organization's economic activity with its objectives. A strategy efficiency evaluation is considered as a feedback mechanism for adjusting the strategy.

It should be noted that the efficiency of strategic management can be seen both in a broad and narrow sense. In the narrow sense, the efficiency of strategic management (as a time-limited process) is the ratio of the outcome (the strategy developed by the enterprise in terms of its completeness, logic, coherence, compliance with the situation, timeliness, etc.) to the cost of resources associated with the strategy development.

In a more comprehensive sense, the efficiency of strategic management is considered as the efficiency of the enterprise strategy implementation. The second approach is apt, since the existence of a strategy does not mean the successful development of the enterprise, therefore the process of strategic management only makes sense in the case of the practical implementation of the developed strategy.

Some researchers [1] state that since the activity of any enterprise is influenced by a combination of factors of the external and internal environment that can have effect on the strategy successful implementation, so it would be expedient to consider both the strategic efficiency of management with external target facilities and operational efficiency.

It stands to reason that the company strategy implementation efficiency to a large extent depends on the overall operational efficiency of the company management system. Yu. Mironenko and A. Terekhanov [2] emphasize that the quality of the company management system can be evaluated by two parameters - the quality of

strategic management and the quality of operational management. Within the structure of the company management system, D. Melnichuk [3] considers not only the system of strategic and operational management but also singles out a system of current management, which can affect the whole system's effectiveness.

The analysis of the studies on the management efficiency proves that methodological elaboration of operational efficiency should be based on the integration of two approaches. For one thing, it is a study of the goals achievement followed by their prioritization, for another thing - an integrated evaluation of how efficiently the company management performed to implement the adopted strategy. The conducted researches have given an opportunity to offer a methodological elaboration of the prioritization of the company goals for the purpose of further utilizing of the evaluation results in the analysis of the overall company performance. The general scheme for the strategic goals prioritizing is presented in Figure 1.

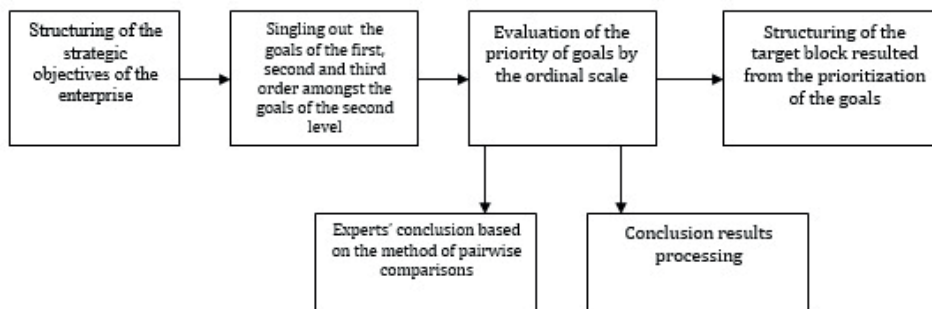


Fig. 1. The general scheme for the strategic goals prioritizing

This goals prioritization process is non-formalized and requires an expert evaluation. There is a good deal of the technical methods for obtaining the expert's evaluation utilizing the ordinal scale, but the method of pairwise comparisons is considered to be the most organic.

Using the method of pairwise comparison, the expert must compare all goals in pairs in respect to the sequence of their implementation in order to make a conclusion for each pair about the benefits of one goal, by a certain criterion, or their equivalence. In this case, the following characters $<$, $>$, $=$ may be used. At the next stage, the conclusion should be worked out by the expert, and the goals should be ranked. The results processing can be accomplished by constructing a "graph of preferences", or in a chart, making use of coefficients a_{ij} [17, p.124]:

$$a_{ij} = \begin{cases} 2 & \text{when } g_i > g_j \\ 1 & \text{when } g_i = g_j \\ 0 & \text{when } g_i < g_j, \end{cases}$$

where g_i, g_j – goals to be compared with each other

So, if at the second level, due to decomposition of the global goal, we get five goals: G_1, G_2, G_3, G_4, G_5 , then at the next stage a group of experts may receive conclusions in the form of paired comparisons with respect to the priority of the selected goals:

$$G_1 > G_2, G_1 > G_3, G_1 > G_4, G_1 > G_5, G_2 > G_3, G_2 > G_4, G_2 > G_5, \\ G_3 = G_4, G_3 < G_5, G_4 < G_5.$$

At the next stage, the graph of "preferences" is performed. Each goal corresponds to a definite vertex of the graph. If the goal g_i is more important than the goal g_j , then a curve ij appears on the graph, which proceeds from g_i and enters the goal g_j . Under conditions of equal importance of the goals, the arrows are indicated on the two ends of the line. Goals priority is determined by the number of arrows entering the top of the graph. The goal with the highest priority is the first one, there is no arrow entering it. Next follows the second goal, and so on.

After setting the priority of the goals realization, the expert group divides them into the goals of the first, second and third order. It is recommended that the beginning of the ranked row is to be referred to the goals of the first order, the end of the row - to the objectives of the third order, and the middle of the row should be referred to - the goals of the second order. The main task of experts, in this case, is to determine the boundaries of the beginning and end of each group. The results of such work will be needed in the transition from strategic guidance to tactical tasks. Approbation calculations, based on methodological recommendations, were carried out with the data presented by JSC Volodarka, JSC Vorskla, JSC Zhelan, JSC Dana. The selected companies are large Ukrainian clothing manufactures that, at the same time, are the major competitors. These enterprises were chosen as the research object because their blocks of goals were not influenced by the sectoral features or the scale factor. The results of calculating the goals priority conducted on data of the research objects are given in Appendix B.

The implementation of the second stage of evaluation of the goals achievement effectiveness in terms of goals prioritization study is based on the application of the method of geometric summation. The essence of the method is as follows: for a selected group of indicators, a graph is made in the form of a square (Fig. 2). Each side of the square is a measuring scale for fixing the value of a particular indicator for a certain period of time. The ratio of the criterion, which is evaluated to the indicator is quite important for the practical construction of the graph.

The following indicators are presented in the enterprise activity - "the more, the better" (labor productivity), on the other hand - "the less, the better" (cost per unit per unit of output). They must be taken into account when orienting the measurement scales in the graph. For each period of time when a system's goals are measured, its total score represents a point on the graph that moves when the value of at least one indicator is changed.

In order to regulate the movement of the point and make the analysis possible, one of the angles of the graph is selected and fixed, and the movement of the point will be regarded in relation to it as the growth of the goal effectiveness and the enterprise performance (in Figure 2, this angle has a "+" sign). Fixing the angle on the graph allows

us to correctly orient the measurement scale for specific indicators. Out of the sides of the square, the indicators can be fixed anywhere.

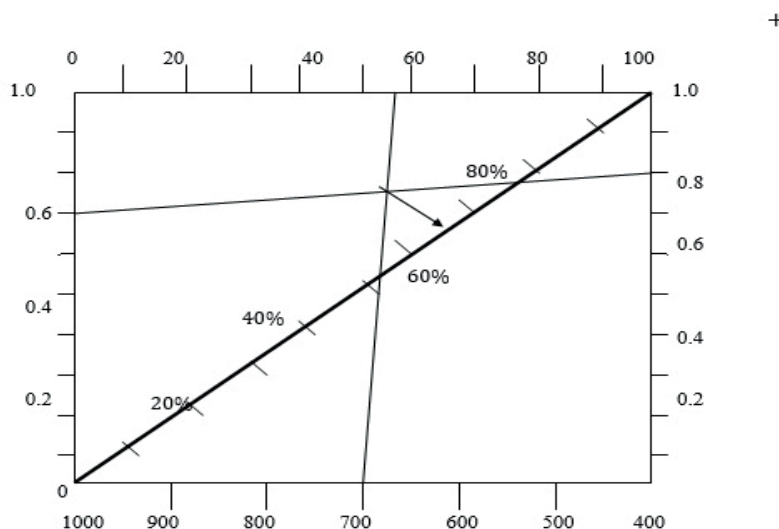


Fig. 2. The graph for the goals setting effectiveness evaluation at the enterprise

Another problem that needs further analysis is the use and comparison of priorities for determining the enterprise strategy. As we have previously mentioned, the priority of the goals of the strategic plan may differ from the priority of the goals of the current moment. Furthermore, this distinction can only refer to the goals of the first order. For example, unforeseen, drastic changes in the environmental requirements require the primary realization of several goals of the second and third order. Resulted from the enterprise goals restructuring, it is precisely the goals of this group to replenish the group of goals of the first order. Moreover, within this group, they will get priority, because they will require an immediate implementation. The very structure of goals and their prioritization is a guide to action for the formation of a strategic set of the enterprise.

At the time of the strategic set formation, all strategic guidelines can be broken up into groups depending on their belonging to one or another goal of the enterprise. Further, with the distribution of strategic goals according to their purposes, they can be attributed to the goals first, second and third order (Fig. 3).

In the process of an enterprise strategic plan formation, when a strategic set of enterprises is well-known, the strategic goals of the first order are to be included in the plan in the first place. If the resources of the enterprise are not exhausted, and the strategic goals of the first order do not remain in the strategic set, then the goals of the second and third order are to be realized. This leads to the fact that in practically any time period of the assessment of the degree of achievement of the global goal in

different degrees will achieve the goals of different orders. Obviously, first-order goals will be implemented faster than the goals of the second and third order, and, accordingly, goals of the second order before the third. In the given figures, the length of the arrows characterizes the degree of achievement of the target in one of the moments when the evaluation and formation of the strategic set of industrial enterprises are carried out.

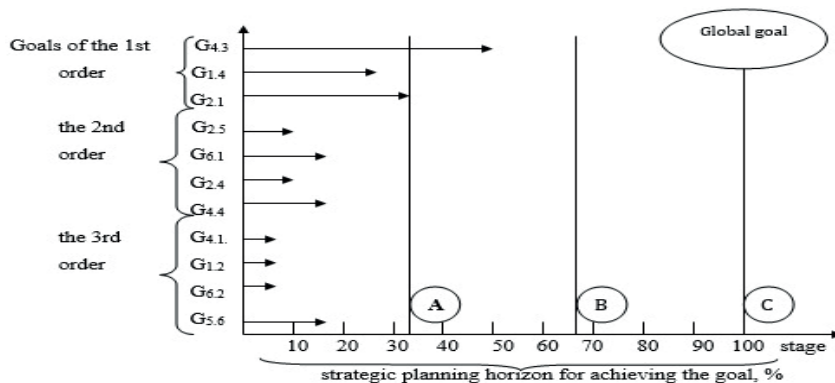


Fig. 3. Results of the goal achievement degree at the stage A

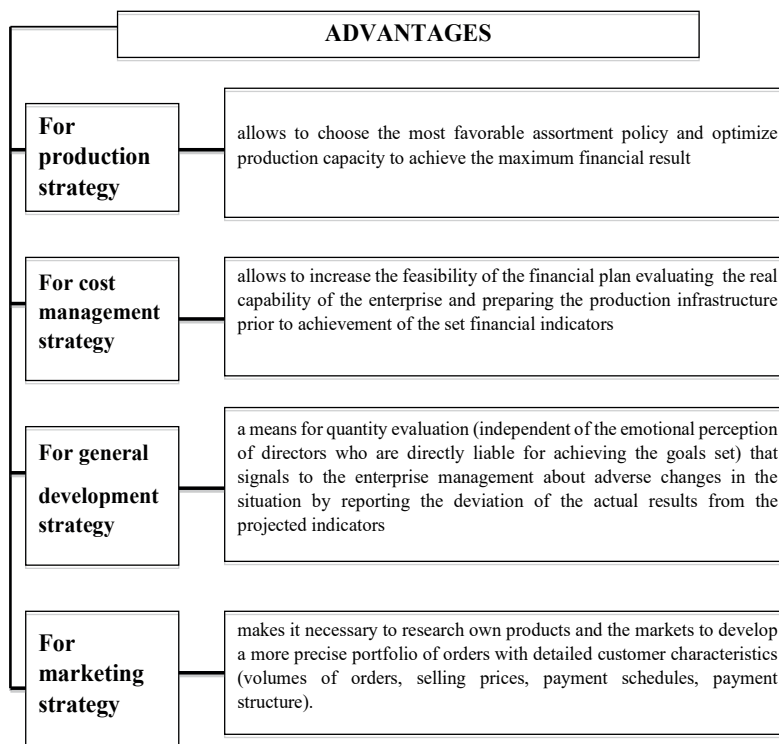


Fig. 4. Advantages of the system of flexible adaptive three-tier operational evaluation of strategy implementation efficiency

Such an assessment system has several advantages and, in conditions of instability, is one of the most advanced methods that significantly increase the efficiency of the strategy implementation of the enterprise (Fig. 4) [6].

Consequently, the use of the system of flexible adaptive three-tier operational evaluation of strategy implementation efficiency as a key management function allows us to anticipate all the actions to be undertaken for efficient implementation of the strategy.

Conclusions. The evaluation of the strategy implementation efficiency serves as the foundation both for optimization of strategic and operational decisions, and for an increase of the of the company's operation efficiency, as well as for improvement of the company strategies, reviewing the current tactics for their implementation to fully achieve the strategic goals of the enterprise.

Consequently, a complete, reliable and well-timed evaluation of the company strategy implementation, in terms of operational aspect, allows us to identify the weaknesses of the company strategy at the proper time, and instantly develop recommendations for adjusting the measures for its implementation in accordance with the requirements and changes in the strategic environment of the of the enterprise performance, which will result in obtaining of competitive advantages and the company's long-term efficiency.

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