

Modern Economic Management Model Efficiency Business and Criticism Traditional Budgetings

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Abstract

The article describes the concept of corporate performance management (CPM), its strategic role and actuality in current terms of doing business. The author analyses and classifies CPM maturity levels, reviews fundamental performance management instruments, presents key factors of successful CPM implementation and key activities for business performance improvement in a strategic perspective. Economic management efficiency activities directed at optimizing implementations strategies and consisting of a set of integrated cyclic analytical process, supported corresponding technologies and related how to apply for financial assistance, so to the operating room information. BPM allows the company to determine, measuring and manage efficiency its activity, directed at achieving strategic purposes. Key financial and operating systems processes BPM enable planning and budgeting, consolidation and reporting, key data analysis indicators efficiencies and their distribution within the organization. Also, the article deals with the relationship between budgeting and the business system management efficiency. Management efficiency of business activities (English the terms CPM, BPM, EPM) — this is a set managerial processes (plannings, organizations accomplishments, monitoring and analysis), which are allowed to define a business strategic goals and then to evaluate and to manage activity on achievement delivered goals at the optimal level usage existing resource.

Key words: Corporate performance management (CPM), enterprise performance management (EPM), business performance management (BPM), strategy execution, strategic goals, key performance indicators (KPI), performance improvement.

I. INTRODUCTION

It is too difficult to specify when exactly in the historical humanities first appearance methods for efficiency evaluation works. But, for example, is known the first links to management efficiency present in the treatise sun Tzu "The Art Of wars». Slip Tzu claims in order to win in the war, the Emperor must own complete information about your strengths and weaknesses, as well as about the strong ones and

enemies' weaknesses. Parallels between tasks business and war include:

- Data collection — both internal, so are the external ones;
- Analysis data recognition systems and structures, models and data values ;
- Acceptance solutions and forming impacts' according to the results analysis.

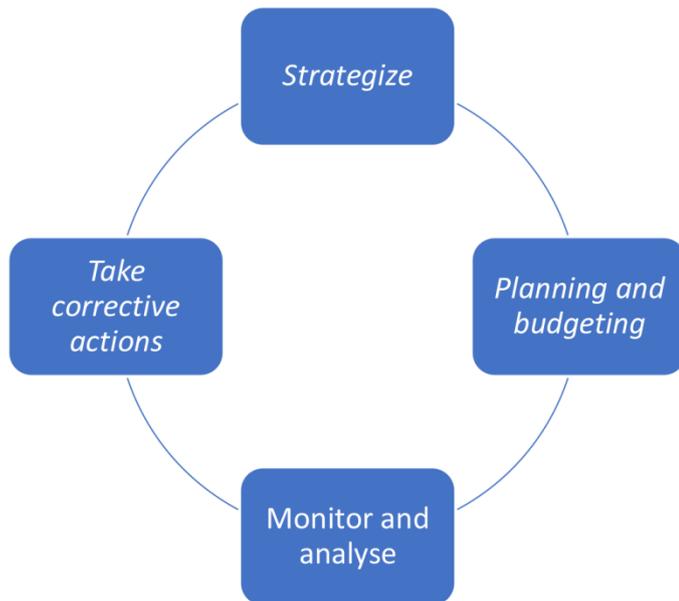
On the eve The first world war wars have arisen the formal education system the control system that is used described by F. Taylor. In the 20s of the 20th century in America and Great Britain began to conduct an assessment of army personnel officers, and this approach, "evaluation of merits» or " rating efficiencies jobs " typed peak of its own popularities. The idea of a target audience management (Management by objective) was offered By Peter Drucker in the 50s of the XX century. During this period, it became obvious, what are the existing ones approach to management they require improvement. Over time his ideas were found reflection and in other management departments' concepts. Today on the companies you can see it practical implementation some of them among them: management by purpose MBO (Management By Objective), business management efficiency - BPM [4].

However, most distribution received a concept BSC (BalancedScorecard - balanced scorecard, in the Russian version - MTSP). New regulations the concepts were stated in the article by R. Kaplan's and so on. Norton's " TheBalanced Scorecard – Measures that Drive Performance" in the journal Harvard Business Review in 1992.

Today BPM concept is recognized by the world community, including so famous analytical companies, like IDC, Gartner, and META Group. Quite notable it turned out to be 2003: in the spring of analysts SPEX (a division of META Group) was published the first rating BPM systems, in summer was educated BPM forum-professional organization, combining analysts' leading international companies and providers' BPM systems, and in the fall same year analytical Gartner company published the first " magic one quadrant» BPM solutions. In quality worthy resource attention also note electronic BPM Magazine, which publishes software materials questions of theory and BPM practices.

II. METHODS

An important event occurred in 2004 when to view necessities standardizations BPM was formed Software group standardizations BPM (BPM Standards Group). To the most important developments, done by the group industrial standard (Industry Framework Document), inclusive definition BPM, typical architecture informational BPM-systems, as well as a characteristic the main processes management. Founder business processes presented in Figure 1.



Drawing 1. The main processes VRM systems.

Concerning formalization strategies, that BPM-systems allow managers to develop strategies and bring them up to speed up to divisions companies, identify opportunities creating value and form Yandex. Metrica systems, ensuring efficiency evaluation business and its environment dynamics.

III. RESULTS AND DISCUSSION

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During this period, it became obvious, what are the existing ones approach to management they require improvement. Over time his ideas were found reflection and in other management departments' concepts. Today on the companies you can see it practical implementation some of them among them: management by purpose MBO (Management By Objective), business management efficiency - BPM (Business Performance Management), management based on keywords indicators activities - KPI (Key Performance Indicators).

Thus, BSC-systems include everything components in the "formalization" section strategies». At the same time combination indicators' gives it to managers possibility evaluate the extent to which a successful company goes forward in the specified field direction, and for how long its current value activity responds approved strategies. These functions correspond to the "monitoring" section and analysis. " Finally, BSC-systems allow to create notifications and support processes adjustments goals that respond to the "corrective actions" section impacts».

Similar reasonings are applicable for the system plannings and budgeting. First of all this application contain all the information necessary for planning functionality, including maintenance analytical direction and classifiers, description of the financial system structures and principles' interactions, tracking trends, analysis of deviations and so on.p. Such system consider the companies' needs , allowing you to compose budgets for each business unit and for everyone structural units, at the same time, consolidation information can be implemented on any of the levels organizational structures. Listed the functions represent the "planning" section. Besides, planning system and budgeting provide carrying actual plan based on the information from transaction files systems (section «monitoring and analysis"), and also an adjustment plans and budgets (the "corrective actions" section impacts»). Finally, the modern systems of these classes contain developed organizational functions that allow you to involve them in the budget process dozens of hundreds of them even specialists, by ensuring by doing so collegiality strategic management (functionality in the "formalization" section strategies»).

System plannings and compilation the budget is lying at the heart of management efficiency activity business and of semester usage budgetary control in the significant degree of responsibility his ability unite all elements organizations in the comprehensive the plan that serves various purposes goals, in particular planning activities and the subsequent one assessment of the actual activities by comparison with the plan. Despite on performance of this integrative functions and creation the basics for efficiency evaluation, budgetary control has many restrictions, such as the tendency getting started budget games or a dysfunctional one behaviors (Hofstede 1967; Onsi 1973; Merchant 1985b; Lukka 1988). From a report by Neely et al. (2001), lists the 12 most commonly cited shortcomings of traditional budgeting:

1. Budgeting is time consuming;
2. Budgets hinder responsiveness and are often an obstacle to change;

3. Budgets are rarely strategically oriented and often contradictory;
4. Budgets are of little use, especially given the time required for their preparation;
5. Budgets focus on lowering costs, not value creation;
6. Budgets strengthen vertical command and control;
7. Budgets do not reflect the emerging network structures that organizations are implementing;
8. Budgetary processes stimulate games and inappropriate behavior;
9. Budgets are developed and updated too rarely, usually once a year;
10. Budgets are based on unconfirmed assumptions and conjectures;
11. Budgets strengthen departmental barriers rather than facilitate knowledge sharing;
12. Budgets make people feel underestimated.

Schmidt 1992; Hope and Fraser 1997, 2000, 2003; Ekholm and Wallin 2000; Marcino 2000; Jensen 2001 also support performance about the widely distributed discontent budgeting in practice. In this regard, sources' dissatisfactions are synthesized.

Disadvantages 1, 4, 9, and 10 are linked with repetitive events critical comments in relation to that by the time usages find them assumptions such as usually deprecated, what reduces your risk the value of the process compilations budget. The more radical version of this the critics are included in that the usual budgets never they can't be valid, because they can not catch it uncertainty, related to fast-changing conditions (Wallender 1999). In more detail conceptual the plan of operation useful system budgetary monitoring requires the presence of two interdependent elements. First, it must be a high degree of operational efficiency readiness, which provides valid a reasonable plan period of time (as a rule, to the next year). Secondly, senior officials must have good predictive indicators models to use the budget provided reasonable standard efficiencies, according to with whom they are working must carry responsibility (Berry and Otley 1980). Where this criterion follows, budgetary the control is useful mechanism control, but for organizations, working in more turbulent conditions, he Becomes less useful (Samuelson 2000).

Claims 2, 3, 5, 6 and 8 touch another one common criticism of that it is a low-budget item control imposes vertical command and control system structure, centralizes adoption process decisions, suppresses initiative and concentrates attention to reduction expenses, and not on creating costs. How much, budgetary monitoring frequently prevents achievement strategic goals by supports (last year budget?!) such mechanical methods such as compilation budget in the past year plus General reductions. Besides, budget attention is directed on a

financial account result, which leads to the discrepancy of operational and strategic ones solutions with current ones, which are backed up non-financial targets and reduces costs annual cycle plannings, what results for budget purposes related games with skillful distribution income and expenses. (Merchant 1985a).

Finally, claims 7, 11 and 12 reflect organizational and human resources the preparation budget. Criticisms claim, what is vertical, command and control mode, oriented on the center of responsibility budgetary control incompatible with chain creatures cost and hinders authorized users employees accept optimal solutions (Hope and Fraser 2003).

Still one estimate budgeting you can read it in the book of f.Lalu «His opening speech organizations future's»: "The budget determines goals for all and everyone in organizations and leaves it executors room to maneuver. In theory this is absolutely reasonable approach. But anyone who participated in progress, knows how fast he starts give failures. Top-management requires from units' provide budget vision, in response, employees they occupy a deaf area defense and start to bargain: they seek to approve the most recent one low indicators', to be sure achieve agreed goals and get bonuses. As a result at the top management level they don't add up making ends meet, and the

manual imposes subordinate budgetary indicators, according to their estimates, converging with what is promised shareholders. After all, top management he wants it to bonuses. And employees ranked lower nothing else not remain, how to agree. Instead of an open one discussions, what is real feasibly, what is not, employees organizations exchange Excel files tablets with fictitious names forecasts, dictated fear of incongruity the appropriate numbers. Thus, the budgeting process does not reach the main goal — to make people responsible and motivate them to achieve results.»

Classic the rule to use guide ourselves managers in traditionally "budgeting"» companies, sound so: «Spend everything is different the Department's budget to the next year required trim». Or: "When you are ready to ask, how many means needs for achievement one or the other indicators, ask how much as possible — I do not care guide reduce your budget allocation to the minimum, Yes even and will control it every penny».

Taking into account so long list of problems and numerous calls for improvement, it seems strange, what is overwhelming majority firms are saved formally the process of compiling budget (97 percent respondents' in Umapathy 1987). As the reasons for the existence traditional budgeting system in many companies you can note the following [8, with.129]:

- Extremely high expenditure under review already usual in the company budgeting system;
- Benefits from integrations new system budgeting very difficult measure;

- Process revision's existing in the company planning system causes very strong internal resistance within themselves companies, so how to do this affect the interests of virtually all sides;
- Traditional approach to budgeting, despite all its disadvantages, just a little more whether not the only one mechanism coordinations management within the company, as covers all division and directions activities (Otley 1999).
- They are so deeply rooted in the structure organizations (Scapens and Roberts 1993). "They stay centrally coordinated activity (often the only one) within the business "(Neely et al. 2001, 9) and represent a 'unique ' self a process that covers all sphere organizational activities'.

However research organizations showed that, although 25% of companies save your own traditional budgeting system, 61 percent are actively upgrading their system, and 14% refuse from them (Ekholm and Wallin 2000). We see two practical events that illustrate offers by improvement budgetings or rejection from him.

IV. CONCLUSIONS

A decision many marked ones no problem promotes integration modern concepts' adaptive and advanced budgeting, which are different from the traditional one budgeting more flexibel systems with the ability to adapt in a change internal and the external environment and simplification procedures' budgeting.

Although these two events lead to different conclusions, perfection budgeting system is advocated by combining more complete, oriented on activity operating models with detailed information financial model.

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