

4.4 Main criteria of economic efficiency for agricultural enterprises activity

The issue of increasing the efficiency of agriculture in our country has become the subject of attention for many economists. Studying the complex of problems related to finding ways to increase the efficiency of agriculture is one of the most relevant tasks facing domestic agricultural science.

In the conditions of a market economy, the economic environment is rapidly changing, so there is an urgent need to continue systematic research on the effectiveness of agriculture and ways to improve it in new conditions [94, c. 62].

The efficiency of public production lies in achieving a higher level of production and national income for each unit of material, labor, land, and financial resources by reducing material intensity, cutting labor costs, and significantly improving product quality. Only on this basis can the economic and social problems of society be successfully addressed. The general concept of production efficiency, unlike its economic efficiency, encompasses not only economic but also social aspects. Additionally, it includes ensuring social guarantees for the population and stabilizing the political situation in the country.

The category of efficiency is a leading one in the system of economic categories. From the perspective of economic theory and practice, the correctness of understanding, interpretation, and use of efficiency depends on the correctness of the entire system of production efficiency management and its assessment through a system of relevant indicators, the correctness of understanding the efficiency criterion, and the methodology for calculating its indicators.

In domestic economic literature, the clarification of efficiency as an economic category has received extensive coverage. There are publications that fundamentally differ in theoretical approaches to solving the problem of improving the efficiency of the economy, including its agricultural sector. Some scientists adhere to old theoretical views, others consider the achievements of foreign economic thought more significant, and still, others try to combine the main provisions of different scientific schools to some extent. However, all approaches and lengthy discussions boil down to

determining the essence and types of efficiency, depending on the selected characteristics, its social and economic content, establishing a criterion for evaluating efficiency, and justifying the choice of the result and costs when determining it.

"Efficiency, as noted by J. Krylek, is related to purposeful human activity, rationality of activity, namely, cognition, understanding, reinterpretation, and work. Only purposeful, rational work can be effective, that is, can lead to the desired goal. In the social understanding, effective is what brings desired results, leads to the achievement of goals of the entire society (political, socio-economic, cultural-educational), or collectives and their individual members" [95, p. 12]. The author rightly notes economic efficiency as a socio-economic category associated with the development of productive forces and the nature of production relations inherent in a particular mode of production. They determine its content, goals, and criteria.

The category of "efficiency" belongs to the categories that are the most controversial and at the same time the most widely used in economic sciences to assess the process of economic activity of certain subjects in a market economy. Therefore, attention should be paid to clarifying the essence of efficiency, its main dimensions and criteria, preliminary classification of factors that determine the efficiency of the functioning of an enterprise or industry.

Making certain decisions and organizing the activity of an enterprise in conditions of a market economy requires the application of certain rules, principles, and fundamentals that will create opportunities for obtaining the best results under the established conditions of activity. The rationality of the actions carried out by the enterprise should be based on the principles of thrift (or the so-called principle of rational management), which in the general sense encompasses two forms:

- productivity, which is based on achieving "maximum" effects with stable (established) costs;
- economy, which involves obtaining certain effects while striving to minimize the costs incurred [96, p. 17].

However, it would be fair to mention that when interpreting these principles, it is impossible to completely ignore the fundamental goal of enterprise activity.

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Therefore, the effectiveness, in addition to evaluating the level of implementation of the management principles (the relationship between effects/costs), should also encompass an assessment of the obtained effects and costs incurred in order to achieve the goals of the activity.

Based on the stated considerations, two complementary components of efficiency can be distinguished:

- effectiveness, which determines the level of achievement (realization) of the set goals;
- cost-effectiveness, usefulness, which form connections or differences between the obtained effects and the incurred costs.

This is called the target approach. Such an interpretation of the category of efficiency requires clarification of the triad of concepts "goal-effects-costs".

There are two approaches to assessing efficient management - target and systemic. With a systemic approach, there is a somewhat different interpretation of efficiency. Firstly, organizations are open systems connected by many relationships with the environment, striving to preserve their integrity and ensure their development, trying to optimize the processes of search and use of resources, as well as search and maintenance of their competitive position in relation to other elements of the environment.

In the systems approach, efficiency is expressed as the organization's ability to overcome uncertainties that arise from the environment, as well as the construction of environmental conditions in such a way as to facilitate the organization's ability to search for and skillfully use environmental resources.

Based on this approach, the interpretation of efficiency is expressed in the triad of "inputs to the system - transformation process - outputs from the system" (Fig. 1).

These interpretations require the identification of stages in assessing efficiency.

In the target approach, these stages are:

stage 1 - determining the level of achievement of established goals (effectiveness);

stage 2 - determining the level of use of available resources (productivity).

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In the systemic approach:

stage 1 - determining the ability to search for resources in the environment;

stage 2 - determining the level of use of available resources (their overall suitability for organization).

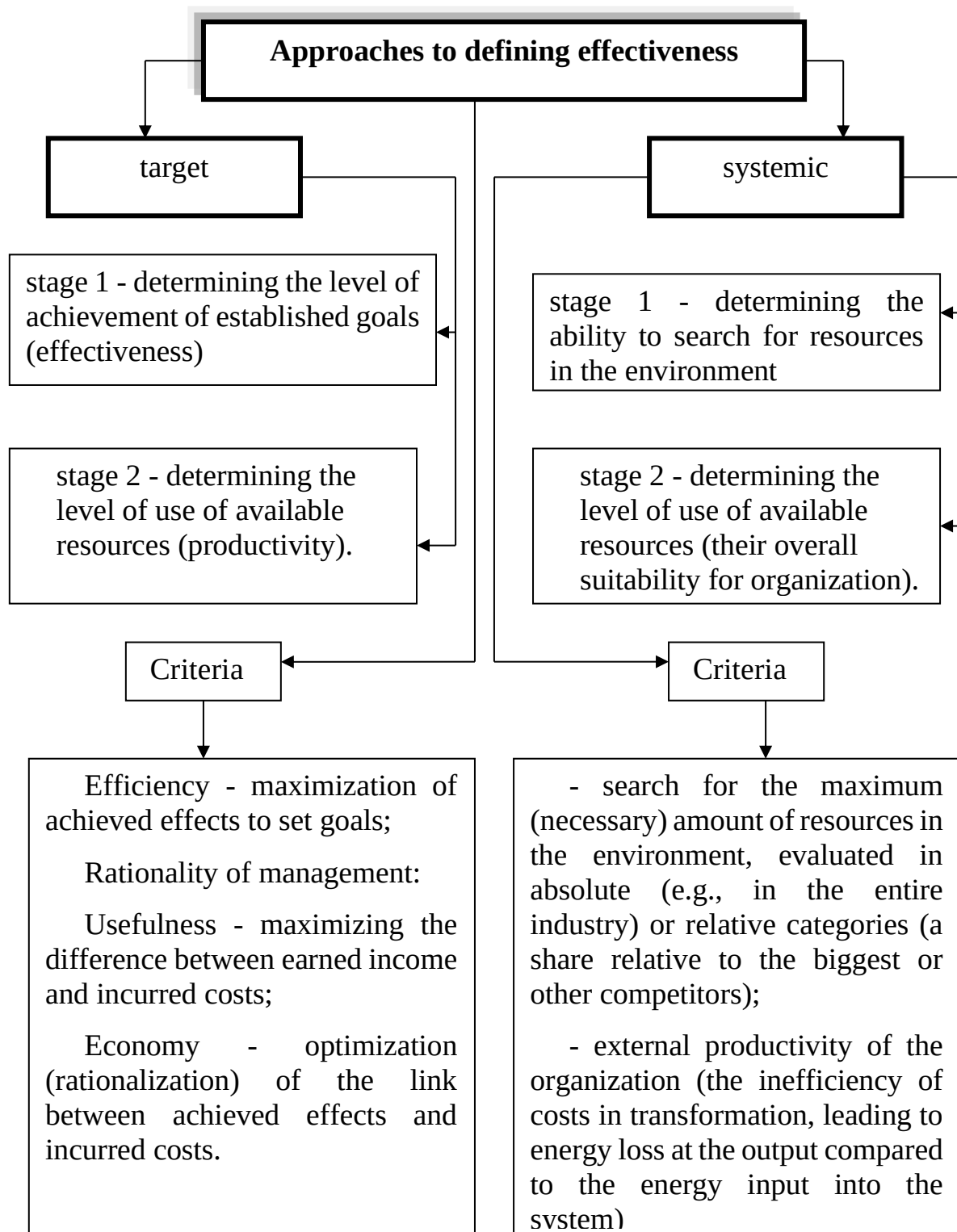
The target approach involves using the following criteria:

- effectiveness - maximizing the achieved effects for the stated goals;
- rationality of management;
- usefulness - maximizing the difference between income and expenses;
- economic viability - optimization (rationalization) of the relationship between the effects achieved and the expenses incurred.

Systemic approach:

- searching for the maximum (necessary) amount of resources in the environment, evaluated in absolute (for example, in the industry as a whole) or relative categories (share in relation to the largest or other competitors);
- external productivity of the organization (inefficiency of transformation costs, which resulted in energy loss at the output of the system compared to the energy at the input to the system).

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**Fig. 1. Characteristics of approaches to evaluating
effective management*.**

*Source: developed by the authors.

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The use of different approaches and criteria for evaluation results in different dimensions of efficiency. For example, R. Matveichuk proposes the following indicators: under the goal-oriented approach - the level of achieving the set goal (provided that such a level is established); profit; productivity; profitability. Under the systemic approach - the search for a certain determined amount of resources in relation to other environmental elements (including competitors); maximizing income through the use (operation) of available resources (processed based on [97, p. 117-118]).

Interpreting both concepts of effectiveness, it is necessary to identify the main prerequisites for differentiation of efficiency. The first key point implies the expediency and purpose of the enterprise's functioning, formulated on the basis of rational management. The systemic concept is based on obtaining means that operate in the environment. Therefore, the essence of efficiency in such an understanding lies in the ability to search for these resources and use them properly. In the target interpretation, efficiency includes two components: the level of achieving the set goals and the principles of rational management.

Thus, effectiveness has a dual nature and encompasses two main dimensions:

- the market dimension of effectiveness;
- the economic dimension of effectiveness.

The market dimension of effectiveness is reflected in the formation of an optimal structure of added value for the customer, measured by the difference between the associated benefits (suitability) in the process of consumption (use, ownership) of a certain product and the expenses incurred to purchase it (customer orientation) [98, p. 29-32].

At the same time, the economic dimension of effectiveness is associated with establishing an optimal (rational) structure of actions and expenses in the process of creating added value (cost orientation) [99, p. 29-32].

To determine each category of effectiveness, it is possible to set starting points. In the first case, the starting point is a condition of the enterprise's integrity, formulated on the basis of the principle of rational economic behavior. The systemic concept is based on the scarcity of necessary resources that exist in the environment. Therefore,

the essence of effectiveness in the systemic concept is primarily expressed in the ability to combine these resources with each other and to use them properly. In the interpretation of integrity, as already mentioned, effectiveness includes two components: the level of achieving the set goals and the prerequisite of the principle of rational economic behavior.

A rather interesting approach is proposed by H. Fogel, who suggests using four dimensions to interpret effectiveness [99, p. 32-34]:

- Technological dimension;
- Economic dimension;
- Social dimension;
- Environmental dimension.

According to H. Fogel, the characteristic of the operating conditions of each enterprise is that it must start from the premise of limited resources. Therefore, the main goal of the enterprise is the principle of rational economic behavior. Characterizing individual aspects of effectiveness, H. Fogel notes that the technological dimension requires an understanding in terms of quantity and time, while the market dimension emphasizes the importance of value for the customer. The undervaluation of social and environmental dimensions is, in the author's opinion, the effect of changes that occur in the systems of society's values, as well as greater awareness and understanding of the protection of the environment.

M. Belsky [100, p. 114-119] proposes an even greater number of efficiency indicators, which include: material dimension; economic dimension; system dimension; political dimension; cultural dimension; and behavioral dimension. We agree with the proposed effectiveness indicators by M. Belsky.

A somewhat similar approach, but based on traditions, is proposed by P. Berezyvsky, who, according to the selected classification principles, distinguishes the following types of efficiency: depending on the type - technological, economic, social, ecological, and energy efficiency; by the stages of the reproduction process - social efficiency, production efficiency, distribution and consumption efficiency; by factors of the production process - efficiency of capital investments, production funds,

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labor resources, land funds; by sectors of economic activity - the efficiency of production placement, specialization, intensification, management, and so on; by territorial feature - the efficiency of the national economy, specific regions, regions, districts, and so on; by the level of management - the efficiency of a branch, sub-branch, complex, enterprise, unit of the enterprise [100, p. 20].

The main types of efficiency, depending on classification principles illustrated in Fig. 2, indicate the multidimensionality of the efficiency category, thereby confirming the application of different criteria for its evaluation [101].

Let us characterize some dimensions of efficiency:

Material - implies the genotype function of the enterprise as an organization (a type of activity that the organization realizes as a social subsystem) - the efficiency of the enterprise is expressed in satisfying certain societal needs and/or achieving its external goals (this dimension does not take into account the costs required to achieve the goals).

Technological - is a measure of efficiency that falls under the category of productivity and is understood as technical productivity, which includes technical factors such as asset productivity (product value), labor productivity (general, living, and embodied); technical facilities productivity, and so on.

Market - is a typical target interpretation of efficiency that encompasses interrelated criteria in two dimensions: goals-effects and goals-costs. Goals-effects: a purely market-based measurement which involves identifying, creating, and satisfying the external needs of the company's clients. Goals-costs: a market-economical measurement that involves satisfying the external needs of the company's clients at a rationally justified level of cost.

System - can be applied with the expression "healthy system" (the enterprise as a system or subsystem) to achieve the long-term goals of the enterprise (development, adaptation to changes, etc.), as well as the potential characteristics of the system.

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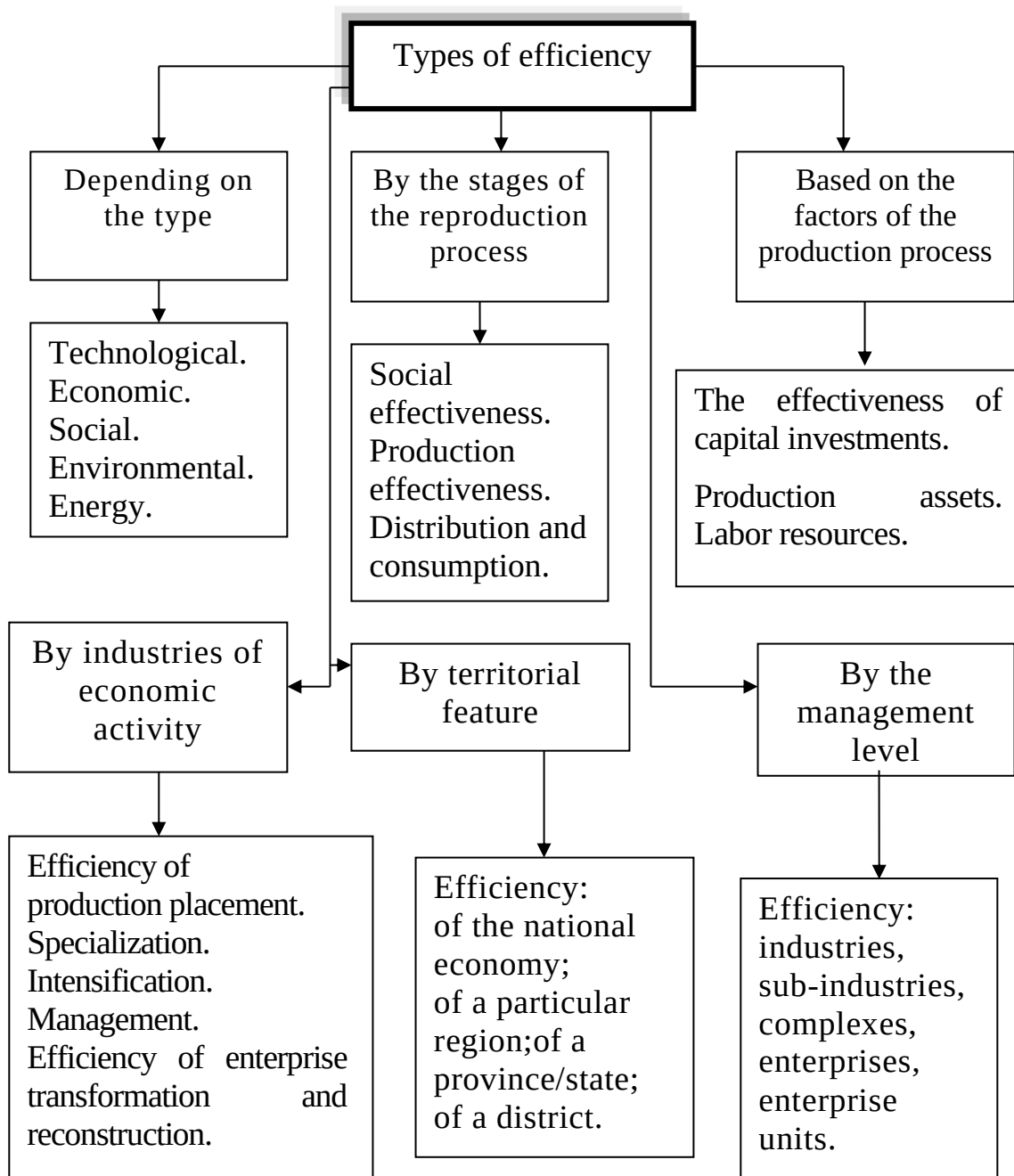


Fig. 2. Types of effectiveness depending on the type of classification*.

*Source: developed by the authors.

Political - encompasses the links between the enterprise and its environment in the field of order processing and implementation, competence in contract negotiations, correct choice of investments, and partnerships among governmental organizations, local government, economic and social partners.

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Cultural - emphasizes the ability of the company to comply with societal norms and values that allow it to maintain and contribute to the development of society's culture.

Social - expresses the interests of the company's owners and employees in terms of needs and social roles.

Ecological - outlines the impact of the company on the environment and its links to the natural environment.

Economic - encompasses criteria that link the effects received with the expenditures made. [99, p. 103]

Thus, an approach to considering efficiency as a triad of "goal-effect-cost" is suggested. This indicates the right to existence of at least three criteria for evaluating efficiency:

- the criterion of expediency and suitability of the effect, which forms a link between the set goal and the achieved effects;
- the criterion of cost-effectiveness, which relates to the link between the effect and the costs;
- the criterion for assessing the reality of goals and the correctness of the selection of means, which establishes the links between goals and costs.

Therefore, an analysis of scientific publications regarding the theoretical essence of enterprise performance has allowed identifying two approaches to evaluating effective management - goal-oriented and systemic. In the goal-oriented approach, the main components of efficiency are effectiveness and cost-effectiveness (usefulness). In the systemic approach, efficiency is expressed in the organization's ability to overcome uncertainties arising from the environment, as well as in searching for means from the environment and their skillful use in such a direction as to promote the organization's development.