DIMENSIONS OF THE COMPANY'S EFFICIENCY

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Abstract

The synthetic concept of business activity assessment, effectiveness circumscribe their theoretical and practical, a multi-dimensional configuration, which gives supportive and evaluative irrelevant in the field of business. In this sense, can be highlighted five dimensional coordinates business efficiency, coordinated, from different perspectives, trying to capture the synergy of effort and effect involved in the definition of efficiency.

Multidimensional approach in four dimensions will be formalized through an array of dimensional coordinates of efficiency, which would allow revealing co-determinations of the defining elements of efficiency, both of those characteristics, their effort and effect, and synthesis of the characteristic of interaction between them.

Business efficiency, in its essence and wholeness, integrative evaluative dimension is placed in a network of co-determination and interactions, at least, highlighted dimensional coordinates, measure the effectiveness and could only be realized through a system of interrelated indicators, each revealing a dimensional aspects relevant in a given evaluative context.

Key-words: *efficiency, effect, effort, multi-dimensional configuration, dimensional coordinates, co-determinations*

JEL Classification: E_{10}, D_{61}

Business efficiency and its interpretation

Etymologically speaking, e*fficiency* derives from Latin, where the meaning ‘make’ is defined as the ability of an entity, system or action values joint efforts, concerted, of any kind, to obtain maximum desired effect or effects and it formally represents the relationship between effects and efforts in a system of inputs and outputs.

Efficiency revolves around the effectiveness of human action, traditionally conceptualized as a reason of a changed state, situation, which results in fulfilling a goal. The world is a dynamic aspect of the action and each action is looked at both in terms of purpose, of intention, usefulness, and of the performance, efficiency.

The g*eneral criterion of efficiency* in economics is the *value*, a subjective concept, i.e. somebody’desire to have something; the value estimation is quite difficult, especially in terms of maximizing it, which implicitly assumes the normative issues of the human action.

Effectiveness of the action involves reaching the desired purpose, and its specific features are the complete nature and accuracy.

Economic efficiency is linked to productivity, competitiveness, allocation, rationality, profit, cost, price, market scale, behaviour, vertical and horizontal relations, utility competition.

A new type of efficiency begins to dominate, after decades of economic expansion, driven by unrealistic rates of consumption and unsustainable levels of debt – the *global economy* tends to recover at lower levels of activity, with smaller loans, better savings and more careful expenses.

At a company level, efficiency *characterizes the overall relationship between inputs and outputs* of any kind, within the company, regarded as a system. Conceptually speaking, business efficiency is the relationship, the value report between outputs and inputs, where the values of the two relation component are expressed in terms of business, but in the context of its shares, the *network of interactions* in which the firm operates.

Reported to the value, business efficiency refers to the *economic value* of inputs and outputs, based on *preferences and choices*, expressed in terms of restrictions such as time and income.

The relevant issues above, concerning the effectiveness of the company, contributes more or less, either directly or indirectly, to *evaluating the company efficiency*, to the *economic value of the company* in its entirety, and the specific dimensions express efficiency in a contradictory way. Furthermore, the *measurement indicators*, of evaluating *various forms of business efficiency*, especially the financial and economic ones, may trigger economic distortions of the company efficiency, of its economic value.

Measuring the company efficiency may be carried out by measuring the diversity of its performance, the efficiency size; it is important to look at the *interconnection*, *hierarchy*, their *selection* and the building of a *synthetic indicator*, either monetary or non monetary (the cardinal criteria evaluation), or a *small set of interrelated indicators* (for example, an indicator for each dimension and the evaluation of their significance on a scale from 1 to10).

The measurement of the efficiency-related performance, of the *efficiency performance*, might focus on the company's relations with clients, on the management, markets, environment, etc. – gradually integrated into a *system for measuring the effectiveness and the company performance.*

These systems for measuring the efficiency performance *must be built around a central aspect*, such as business strategy or its economic value, aiming the measurement of the critical issues of the structure that links the business activities to the customers, processes, environment, employment, markets, etc., by mainly taking into account the *quality of these interactions*.

Dimensions of the company efficiency

As shown above, the *company efficiency* is a concept, a *tool and a complex variable*, *concertant and synergistic,* which expresses the aggregate performance of the company, its economic value, revealing various aspects of its business results, different perspectives of assessing the company's comprehensive income. To fully assess the effectiveness of the company, it is required a *multi-dimensional approach*, where the heterogeneous and complementary aspects of efficiency are being considered, aspects that are included in contained in certain coordinates, which we call criterial, because this is the only approach that gives value and significance to the company efficiency.

In this context, the effectiveness of the company acts as a synthetic concept of the business activity assessment, inscribing, theoretically and practically, a *multi-dimensional configuration*, which gives support and relevance; there are *five dimensional coordinates of the company efficiency*, which are trying, from different perspectives, to capture the synergy of effort and effect involved in the definition of efficiency, with characteristic dimensions.

Constituent coordinate (C): effectiveness (CE), consistency (CT), coherence (CR), competitiveness (CP), specificity (CS), completeness (CC).

Functional coordinate (F): economic (FE), financial (FF), social (FS), technological (FT), Eco-efficiency (FN), managerial (FM).

Analytical coordinate (A): performance (AF), stability(AB), development (AD), robustness or completeness (AR), sustainability (AS).

Actional coordinate (O): transparency (OT); relevance (OR); credibility (OC); predictability (OP); potentiality (OL).

Procesual coordinate (P): organizational (PO); operational (PF); interactional (PI); transactional (PT); strategical (PS).

The five dimensional coordinates and the 27 dimensions can be separated into two distinct groups; the first group comprises the dimensions of education, which creates form that shows the effectiveness of the company, including the size of two comprehensive, content act effectively giving clear that between group size is formative and comprehensive complementarity, co-determination, cyclization and transfers.

The second group includes coordinated constitutive and functional and includes comprehensive details of the analytical group, standing and operated.

The formative dimensions of the company efficiency

The constituent coordinate

Effectiveness, which means an efficiency dimension aiming to obtain the desired effect, the maximum possible in an optimal relationship with available resources, with efforts made in accordance with the requirements of production processes, and not only of the company, it involves *operativity, yield and utility.*

Consistency dimension stability and flexibility means an assessment of the efficiency of the company being consistent if they offer equivalent levels and concerted measures different aspects of efficiency in terms dependent on internal and external business environment.

Specificity is a conditional dimension of business efficiency in the sense that efficiency is evaluated under particular conditions, resulting in operating company, and in this case selection and performance variables that characterizes the firm's efficiency is absolutely correct necessary.

Coherently is the size and configuration compositional efficiency of links between forms and components, the variables, performance efficiency, assuming that size cohesion, harmony, connection, continuity and consistency.

Completeness means that business efficiency assessment should take into account all forms of efficiency, all components, performance and significant variables, completeness, integrality, in evaluating the company.

Competitiveness **is an essential dimension of business efficiency, meaning the company's ability to produce goods demanded by the market. Competitive nature is to provide a feasible set, well defined, opportunities and facilitate the ability to optimize business choices based on factors such as technological infrastructure, quality management, regulatory framework, macroeconomic environment, etc.**

The functional coordinate

Functional coordinate includes dimensions that reveal and express the forms in which it manifests, it conducts the business efficiency, the forms are delineated and defined upon taking into account the objectives, requirements, effects and functions of the company; there are presented six types of business efficiency.

The economic efficiency

Economic efficiency is a *complex form of business efficiency*, which requires a systemic approach in relation to the expenditure inputs and outcomes related to levels of *micro, mezzo and macro*.

This form of business efficiency expresses the relationship between revenues, production company, its economic output (in a monetary expression) and business expenses, diversified costs, the company raised cash inflows, i.e. the economic effects and economic efforts; the economic efficiency is expressed in a monetary manner.

There may be distinguished, according to the temporal criterion, two types of economic efficiency, namely: static efficiency, which can be productive and allocative and dynamic efficiency, allocative efficiency and the dynamic characteristic of particular development of the company, its investment economy.

The financial efficiency

Commonly expressed, the financial efficiency means the business objectives with as low as possible financial resources. The financial efficiency simultaneously target purchase funds, resource allocation and use of assets; various aspects for determining the financial efficiency indicators are aggregated into a general indicator, type score, which cover the whole company. The company's financial efficiency is expressed by its financial performance, using indicators or rates which exploit the information in the balance sheet and income statement of the company's; the financial performance reflects the company’s ability to generate profits in a given period of time, via the existing resources.

The social efficiency

The social efficiency takes into consideration the factors generated by market imperfections, without a corresponding adjustment of business firms, which could have a negative impact on the community and society; the market can allocate resources inefficiently, which may be rational from the perspective of profit-centred company, and inefficient in terms of the company.

The eco-efficiency

Formally, eco-efficiency is defined as a relation between environmental variables and economic or financial variable, this form of efficiency is achieved when the company that supplies goods and services valued competitive (at fair prices, fair), complying human needs and maintaining quality of life, the gradual reduction of the environmental conditions and intensive use of resources. Eco-efficiency is an integralist concept, being addressed from the perspective of company business, meaning the achievement of greater value of inputs, fewer resources, reducing negative externalities.

The technological efficiency

The technological efficiency is effectiveness, efficiency with which a given set of inputs is used to obtain a result, an output. In this respect, technological inefficiency is when a company is unable to obtain the know-how, given an output (result) of that charged higher or the same output with less charged, without increasing the volume of other inputs. In essence, technology means that production efficiency is achieved with the lowest opportunity costs (i.e. opportunity cost best choice for someone who can choose between mutually exclusive choices).

The managerial efficiency

The managerial function of the firm is integrated into all aspects of business, and the managerial efficiency depends on the ability of management to focus on achieving business objectives, with a direct relationship between managerial efficiency and company performance. *Managerial efficiency* could be defined as a comparative assessment of resources used for the results obtained by management activities, thus efficiency is integrated into the concept of the managerial efficiency.

Comprehensive dimensions of firm efficiency

The analytical coordinate (A) includes the following dimensions:

- **Performance (AF),** signifying the success of the company, its objectives being correlated with effectiveness.
- **Stability (AB),** which means to avoid the company's failures and disturbances; the evolution continues on a path to stable performances and results.
- **Development (AD),** signifying the need for business efficiency and ability to express its development, i.e. upgrading of productive, technological, commercial, social, environmental parameters, etc. of its research, innovation, creativity, competitive conditions and increased competitiveness of firms.

- **Robustness or completeness (AR)** expresses the maintenance of efficiency within the company's performance, to ensure a continuous path of development for the company, effectiveness, capability to resist to the destructive pressures and challenges of internal and external environment, markets and processes.
- **Sustainability (AS)** expresses the company's interaction with the natural environment of social, human, etc., involving strictly limiting resource efficiency and impact of externalities upon the environment.

The action coordinate (O) includes the following dimensions:

✓ **Transparency (OT)** is a relational dimension of efficiency; business efficiency should allow understanding and interpretation of its content by external partners, established itself in this regard is expressed through performance as measured by clear indicators, interrelated, to value information and data easily accessible and usable.

✓ **Relevance (OR)** business efficiency mean that it fully expresses the company's performance, allowing the assessment of its ability to exploit effectively the resources available to successfully maintaining appropriate relations with the environment

✓ **Credibility (OC)** is closely related to predictability and transparency, it may be defined as the degree to which business environment (customers, suppliers, communities, authorities, employees and even managers and shareholders); a strong opinion in the anticipated level of efficiency, communicated or forecast.

✓ **Predictability (OP)** means the ability of the company management, but also the external environment, markets and institutions to anticipate developments in business efficiency, predictability can be effective in the short or long term, is closely correlated with transparency and credibility of efficiency, performance efficiency.

✓ **Potentiality (OL)** ***e***xpresses its ability to reveal, to evaluate all aspects of performance, driven forms of any kind of business.

The process coordinate (P) includes five dimensions:

❖ **Organizational (PO)** represents the size of the formal structure means how the company contributes to synchronize activities in order to achieve effective goals, so each individual will perform tasks better, according to attributes, powers and responsibilities.

❖ **Operational (PF).** Size is ‚lucrative' business efficiency, involving appropriate combination of people, processes, resources and technologies to increase competitiveness, productivity and efficiency, performance efficiency.

❖ **Interactional (PI)** is a placement firm size efficiency in the network of relationships of any kind, quality, consistency, finality, efficiency, etc. interact with business partners, employees, with the authorities, community, environment, etc. session effectiveness inducing determinant of the firm.

❖ **Transactional (PT)** circumscribes the market, market efficiency, effectiveness as a form of interaction. Market efficiency depends on the availability and quality of information, regulation and institutionalization of the market and in this sense, transaction costs and benefits can generate transactional efficiency.

❖**Strategic (PS)** refers to the quality and adequacy of goals and objectives, plans and programs, but the company's vision of the place, role and functions in the social environment, natural, institutional markets, the anticipated effectiveness of investments and R & D .

The six forms of business efficiency are influenced, in terms of globalization and informatization of the economy, by markets and institutions, functions and activities, by the quality of **corporate governance.**

Corporate governance, the company is a system of external and internal control mechanisms that allow partners, especially shareholders, but also suppliers, authorities, employees, investors, etc., to monitor business activities, especially by its managers.

The synthetic governance means the process of adopting and implementing decisions, applying governance at company level, locally, nationally and internationally. A good governance has nine major characteristics, as such: participatory, consensual, responsible, transparent, committed, effective, equitable, comprehensive, and complies with rules.

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