

MANAGEMENT BY OBJECTIVES - FACTOR OF GROWTH IN ORGANIZATIONAL PERFORMANCE

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***Abstract:** The complexity of the social, political and economic environment over the last period of time has generated a process of professionalisation of organizational management in order to implement the concept of performance within economic organizations. This was due to the difficulties encountered in accepting the concept of performance and the setting of criteria and performance measurement indicators. The performance of economic organizations in practice is characterized by: economy - obtaining the necessary resources at the lowest cost, efficiency – maximizing the results obtained from a given amount of resources, or minimizing the amount of resources for a planned outcome and effectiveness – the results achieved achieve the expected results. The determination of the level of organizational performance is determined by how human, material, informational and financial resources are used to achieve the proposed objectives to the level of expectations and how they satisfy the organizational interest.*

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Performance of economic organizations

Performance, in conceptual terms, expresses an achievement in one area of activity and is associated, in most cases, with the positive result of an action or action that leads to success. Determining performance requires a comparative analysis of the results obtained with the consumption of the factors that contributed to their production.

The good result of an organization is characterized by its ability to fulfill its mission, to procure and control its resources, to produce the goods or services it is responsible for, in terms of quality and productivity. This is possible if the organization has an approach to the use of resources available in terms of efficiency and effectiveness and if there are relationships between results, means and objectives.

The term performance of economic organizations can include several guidelines, namely, the definition of performance according to the level of achievement of the strategic objectives, the definition of the performance according to the value created and the definition of the performance in terms of productivity and efficiency.

In general terms, the performance of economic organizations is their ability to source resources in an economical manner and to use them effectively. In this sense, several specific performance dimensions can be outlined, namely:

- *resource saving*, characterized by the provision of adequate, low-cost quality resources;
- *cost minimization*, characterized by measuring the consumption of resources made to produce and deliver a particular service;
- *efficiency*, characterized by the relationship between the result obtained and the means used to obtain it;
- *effectiveness*, characterized by the ability of an organization to achieve the expected result;
- *quality of service*, characterized by the degree to which the product or service meets the needs of consumers;
- *financial and global performance*, characterized by the quality of economic services provided and the overall performance approach.

According to practices, an economic organization is performing if it is both efficient and effective in allocating and using available resources. In this context, the organization is performing well if it achieves or exceeds its established goals.

The valences of the performance of economic organizations

A feature of current managerial practice is the leadership of organizations according to rigid principles in the conditions in which effectiveness and efficiency can be improved only if modern methods of organization and leadership are used, if employees are involved in the decision making and implementation or if part of the decisions are transferred to lower levels.

In this context, the performance of economic organizations is characterized by three valences:

- *economic* - purchasing the necessary resources at the lowest cost. According to this valence, the main criterion underlying the process of implementing the strategies and policies is the economic one, ie the lowest cost.
- *efficiency* - consists in getting the most possible results with a determined level of resources or with a lower one. This involves maximizing the results obtained, or minimizing the amount of resources for a predetermined result.
- *efficacy* - the results achieved must reach the expected results. This implies the achievement of objectives defined and set by managers. In order to achieve the objectives, there must be an adequate information system, a functional organizational structure and adequate management methods and techniques that ensure the link between objectives and performance requirements.

In practice, performance is generally addressed through benchmarking of efficiency and effectiveness. Efficiency involves comparing financial, material, human, informational efforts with direct and social effects. Efficacy is measured by comparing the results obtained with the desired ones and preserving the objectives under the pre-established conditions.

Organizational performance is influenced, on the one hand, by the particularities of the organizational structure and, on the other hand, by its operating mechanisms. Mainly, organizational performance is influenced by:

- the resource economy, which aims at satisfying in quantitative and qualitative terms the interests of the organization;
- the cost of operation, which is influenced by the fact that the level of financial resources needed to finance operating costs is subject to constraints due to the insufficiency of funds in relation to the increased needs and requirements of the quality of the services provided.

- the efficiency of the activity, which is influenced by the fact that if efforts are strictly dimensioned, effects, especially social ones, are difficult to determine and can not be fully quantified;
- the effectiveness of the activity, which means the organization's ability to achieve its goals, objectives and tasks;
- the quality of the results, has a determining role within the organization, so that the process of improving the quality of services requires increased attention in order to maintain market place and balance.

In this context, practical experience regarding performance management has shown that changing the organization's approach and the role of managers are not only timely but also necessary, given the limitation of resources, the growth and diversification of the level of market requirements.

However, given that organizational performance is influenced by managerial competence, management should focus on achieving goals, achieving planned outcomes and improving the efficiency and effectiveness of activities, and managers' appreciation to be made on the basis of their ability to solve social and economic problems with which the organization is confronted.

In order to ensure the functioning of the organization, it is necessary to assess the problems with the management tools used, to establish budget forecasts, to specialize activities and to adapt managerial functions to existing constraints, diminishing or even eliminating them so as to ensure an acceptable level of performance.

The growth organizational performance

The growth organizational performance can be achieved through the structural and functional modernization of the organization, adapting to the realities of the Romanian economy and society, establishing a new organizational and functional relationship, increasing and strengthening the role of the management, and reconsidering the partnership with the shareholders.

Elements of performance of economic organizations can be identified as follows:

- *the referential system*, defined by the mission of the organization, the strategic options, the strategic and operational objectives, the action plans;
- *the size of the performance*, characterized by resource saving, cost of operation, efficiency of the activity, efficiency of the organization, quality of the results;

- *performance measurement system*, defined by accepted performance criteria, established performance indicators, collection, analysis and reporting system, monitoring and evaluation, use of performance information.

The main causes that may limit organizational performance growth can be identified by lack of development strategies, financial constraints, insufficient training and experience of managers and staff to meet job requirements and requirements, overuse of old organizational and functional structures in the context of which activities, functions or salaries have changed.

Starting from the existing realities, we believe that the process of improving organizational performance needs to involve changes on several levels, as follows:

- *strategically*, by redefining the role of the organization and putting emphasis on performance;
- *legally*, by diminishing legislative density and wider use of framework laws, which creates greater scope for action;
- *organizationally*, by reducing hierarchical levels, simplifying procedures, delegating the execution of tasks to lower levels;
- *cultural*, by changing the values and modes of action of managers, staff, and interest groups;
- *information*, through the introduction of information and communication technology, which offers possibilities for increasing the administrative capacity and increasing the efficiency of the activities.

The dominant idea of increasing organizational performance is the establishment of adequate functional structures and the use of modern methods of mobilization and use of the available resources (human, material, informational and financial) in order to fulfill the functions and responsibilities in optimal conditions.

Also, in order to increase performance, changes must also shift from concentration on inputs and budgets to concentration on outputs and quality growth, as competitive economy, cost reduction and quality improvement are essential to maintaining the organization on the job market.

The design of a modern management system involves the establishment of a set of principles, norms, rules, working methods, standards, responsibilities, acting as a unitary one and contributing to the performance of the organization's

performance. These must be consistent with the purpose and objectives that management has set out to achieve.

In this respect, the main responsibilities of management should be on the use of funds and property management, ensuring the legality, regularity and efficient and rational use of funds and patrimony management.

Designing and implementing a high-performance organizational structure is a complex process for any manager, the organizational structure being the main tool by which it acts to achieve predetermined objectives.

Reorganizing the management system so that it is efficient and effective to ensure performance management performance must ensure management by objectives, the definition of concrete and measurable objectives, and the establishment of clear performance measurement mechanisms.

Objective Management is a system through which an organization's leadership translates the general objectives set out in the organization's strategies and policies into specific objectives defined for each functional structure.

This system is made up of a set of well-harmonized elements, the sizing of which makes the efficient use of resources and the achievement of economically and socially significant results, namely:

- *a set of objectives*, encompasses all the objectives set by management, regardless of the level at which they are defined, the time horizon, the degree of coverage or the hierarchical level;
- *activity programs*, include concrete actions to achieve the objectives;
- *budgets*, refers to all the resources necessary to achieve the objectives;
- *the methods used to carry out the activities* include the tools, techniques and instructions that management uses to achieve the proposed objectives;
- *achieving programs*, involves achieving what the organization has planned.

These elements include controlling the achievement of objectives, which is necessary for both the upper and lower management levels, and requires each manager to have controls set for each activity and objective for which he is responsible.

Advantages and disadvantages of management by objectives:

Advantages	Disadvantages
Provides a clear picture of the entity's present and future; Allows a rational allocation and use of the entity's resources; Establish the role of each employee within the entity; Responsible for staff; Allows proper evaluation of employee performance; Motivates employees; identifies potential areas within the entity.	Increased rigidity; High time horizon for its implementation and application; Ask for top management, who must provide continuous support to employees.

The implementation of management through objectives has an impact on managerial activities and decisions, mainly in terms of management, management and planning, as well as improving management style, behavioral change, measurement and evaluation of managerial performance.

Concrete and measurable objectives imply the use of the term SMART as an acronym for the characteristics considered essential for an objective, namely:

a) *specifically*, it requires a specific formulation and expression, unambiguous, indicating what is to be achieved. The wording should not provide much detail, but it must be sufficient to communicate a clear requirement. A goal is specific if all people involved in achieving that goal understand the same way they do.

b) *measurable*, it assumes that there is a possibility to carry out a precise assessment of the activities carried out to achieve the objectives. A measurable objective is that which enables it to be accurately determined whether it has been fully achieved or the extent to which it has been attained.

c) *can be achieved*, assumes that the goal can really be achieved. If the persons who carry out the activities necessary to achieve the objective believe that the established objective is difficult or impossible, then they will no longer try to strive to achieve it.

d) *realistically*, it assumes that the objective is compatible with other entity objectives and contributes to the impact of the program. A first aspect to be considered refers to the fact that the goal must be something that is important and necessary to accomplish.

e) *fixed in time*, involves setting the time horizon required to achieve the goal. If there is no clear delineation of the timeframe, there will be no effective way to assess progress.

Taking into account that organizational performance is characterized as achieving organizational goals, we believe that goals must be set so as to pose challenges for management and employees.

Applying the management system through objectives has beneficial effects for the organization as it facilitates effective control over all activities, motivates employees to participate in the achievement of objectives, and creates a coherent organizational framework that fosters collaboration between all structures within the institution.

Performance measurement mechanisms are a process that links the concept of performance with the indicators used to measure the results. In the broadest sense, performance measurement is based on the following principles:

- *clarity*, specify the beneficiary and how to use the information. For this, parties needing performance information are identified, and indicators are built to contribute to full performance measurement;
- *emphasis*, involves concentrating attention on priority objectives and activities that require improvements in their realization. Management should be aware that indicators affect employees' behavior and thus use this aspect in choosing appropriate indicators;
- *alignment*, assumes that the performance measurement system is aligned with the target setting and performance review processes at the institution level. A link must be made between the indicators used to perform the different activities and the indicators used to measure performance;
- *balance*, involves establishing indicators to provide a balanced picture of performance and striving to achieve a balance between planned and realized costs;
- *refinement*, involves the continuous adaptation of indicators to the needs of the changing entity;
- *indicators*, assume that the indicators used are robust and easy to understand to be used for the intended purposes.

Devoted instruments for performance measurement are indicators that need to be established in a direct relationship with the organization, processes and personnel issues, and must relate to quantity, quality, cost and time.

Looking from the same perspective, the process of defining and setting performance indicators is complex because public services are at the border between competitive logic and social logic, which requires a balance.

Conclusions

The performance of economic organizations is characterized by improved cost-effectiveness and can be determined by comparing projections with achievements or through global productivity.

By increasing institutional performance, it is ensured that an efficient organizational system is put in place to develop activities and reduce costs, develop specific standards and compare costs and performance levels with those set. Changes in the structure of the organization, in the way they perform their activities, coincide with scientific progress. To this end, all organizations benefit from the impact of telecommunications and information technology, but they must struggle to obtain the resources needed to meet the growing expectations and needs of its service users.

The primary objective of performance evaluation should be to examine, in any organization, how it uses the funds, meet the efficiency and effectiveness requirements, and formulate recommendations on ways and means of enhancing performance.

Consequently, the overall guidelines for performance by economic organizations need to be focused on objective management and achievement of planned outcomes, management's decision-making and task-responsiveness to achieve them, as well as performance measurement based on performance indicators.

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