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© IRINA A. LIMAN<sup>1</sup>, ELENA S. KUZNETSOVA<sup>2</sup>

<sup>1</sup>Dr. Econ. Sci., Professor, Head of Economic Theory and Applied Economics Department,  
Institute for Finance and Economics, Tyumen State University

<sup>2</sup>Cand. Econ. Sci., Associate Professor, Management Department,  
Murmansk Management State Technical University

*irina\_liman@mail.ru, es-kuznetsova@yandex.ru*

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### **MONETARY VALUATION OF SOCIAL EFFECTIVENESS AS A PROSPECTIVE TOOL TO ENHANCE PROGRAMMED PLANNING**

*SUMMARY. Currently, evaluation of effectiveness in public administration is an accepted practice. However, the results of activities of state organizations are often difficult to assess, especially quantitatively. The result-based type of management, which is widespread in the Russian Federation, has both positive and negative consequences for the managed systems. In the long run, the negative effects often become rather stable and displace the positive result. Therefore, when designing evaluation systems for the effectiveness of public administration, it is important to focus on the principles that can minimize possible distorting effects. Introducing the efficiency evaluation systems, an organization has to provide an opportunity to implement the principles of interaction, diversity and dynamism which allow to make the system more transparent and rational.*

*KEY WORDS. Efficiency evaluation, the system of management, public administration, system design, principles of system design.*

Practice shows that performance assessment may have both positive and negative effects. Moreover, it is likely that in the long term negative effects exceed positive ones and become sufficiently stable [1]. These risks are particularly acute within the system of public administration.

If the performance assessment undergoes distortion, the question arises whether it is possible to design it in such a way that side effects are not strongly manifested.

The main causes of distorting effects within the systems of performance assessment in public administration can be defined as follows:

1. Performance assessment systems often become tools for hierarchy management. It is exactly the performance assessment system that can help a manager cope with complex structures and processes, as it implies a lower degree of participation in the management process and is a powerful control tool. On the one hand, such control seems effective as the manager sets clear objectives, analyzes the results obtained and evaluates activities of subordinates. On the other hand, despite the apparent effectiveness, performance evaluation in hierarchical organizations creates many side

effects; the stronger the hierarchy is, the greater are the stimuli that lead to the system distortion. The main side effects comprise:

- Promotion of «strategic behavior» (substitution of concepts);
- Impediments to innovations;
- Masking accurate results;
- Discouragement of cooperation;
- Punishment for good work [2].

It is worth noting that, despite the aforementioned side effects, efficiency assessment systems in hierarchical structures continue to exist since they provide information which one can report to third parties, which is very convenient for managers. In this case, such information can be objectively dysfunctional and create an incomplete or even misleading picture of ongoing processes [3].

2. Systems of performance assessment in public administration are not always able to focus on different criteria and methods of result evaluation. In order for performance assessment to be meaningful and complete, activities of an organization or a department must be considered from several perspectives (from the standpoints of all major consumers of a created product or service). This will be the only way to draw objective conclusions concerning performance efficiency in all its diversity.

The efficiency of the public sector should always be determined by several indicators because organizations operating in the area of public administration should be accountable simultaneously to several agencies and consumer groups [4].

3. Systems of performance assessment are prone to transformation into extremely static systems. This occurs, firstly, because upon implementation the system of performance assessment should initially have a rather high degree of rigidity. Defining efficiency criteria (not only qualitative, but also quantitative), introducing necessary organizational changes to ensure collection and accumulation of information necessary for the functioning of the system, the system becomes an important element ensuring the work of a fixed cycle of planning and control. It is difficult to change this system for many reasons; its adaptability is relatively low.

Secondly, development of a performance assessment system in the area of public administration involves a large number of approvals. Any imbalance within the system is the basis for subsequent changes with an equal number of approvals and discussions. This may be perceived as undesirable; and the system is forced «to harden». Furthermore, the time factor is activated in this case. When the development and trial launching of the system took a few months, or even years, it becomes extremely secured and, as a result, static [5]. Thus, the principles of a performance assessment system should promote reduction (elimination) of the distorting effects presented above.

The first principle to design a performance assessment system is effective interaction. Trust and fairness should be its essential elements. As soon as trust between executives and employees disappears, prerequisites for distorting behavior of the system appear, which is a serious problem as:

- Efficiency is achieved through joint activities; the system of performance assessment may lead to unfair assessment of the role of this or that management level or unit and, thus, undermine credibility of the system in general;

— Performance management can provoke executives to stick to the command-and-control approach to management, which further undermines mutual trust between management and employees;

— Performance assessment can induce employees themselves to provoke distorting behavior of the system (e.g., strategic behavior, substitution of concepts), which, in turn, does not contribute to strengthening of mutual trust.

Confidence within the system occurs only when the overall result is created in the system of interdependencies. This means that performance management should create a contractual rather than a hierarchical relationship between levels of management. When efficiency is achieved in the chain of interdependencies, interaction between the leader and subordinates always becomes its basis.

It is effective interaction that is supported by both the leader and subordinates and generates equally reasonable values (responsibility, professionalism). Interaction can provide a form of performance assessment system in which these values are taken into account as much as possible. Moreover, a system created as a result of interaction of the parties has more interested participants. Consequently, it is most likely that such system will be used consciously and not as an accounting mechanism.

Interaction also increases trust between managers and subordinates. Employees, who are aware that they can influence the process of performance assessment and usage of its results, will have more trust in management than workers who perceive performance assessment only as an element of administrative intervention. Since the result of interaction in a performance assessment system is making important decisions, performance assessment is more predictable for managers and subordinates, as both sides are able to influence these decisions and can rely on the fact that unilateral actions are undesirable (or even impossible).

The second principle of designing a performance assessment system is diversity and redundancy.

Provision of public services is an activity that should meet several criteria at once (sometimes these criteria are mutually exclusive), which requires a search of compromise. Therefore, the result may be differently defined, measured and evaluated. In this case, the need to base efficiency assessment in the area of public administration on different criteria (methods and techniques) is inevitable.

Furthermore, as noted above, many organizations functioning in the area of public administration must report simultaneously to several agencies and consumer groups. For example, the government of a federal subject reports the results of its activities to federal authorities, to their own collective bodies of the executive branch of power, and the citizens residing on the territory of the federal subject. Responsibility to different groups of consumers demands tolerance to the need of meeting various requirements at once and leads to the existence of various performance indicators, methods and techniques to measure performance [6].

When there is such a variety of performance activities indicators and performance assessment systems, they may partially overlap and contradict one another. In this case, the concept of “redundancy” has a positive meaning, such as in many technical

systems. It should be noted, however, that diversity and redundancy should exist within reasonable limits because a performance assessment system can successfully function only when provided with a certain logical consistency and stability. Too much variety and high redundancy, comparison, and assessment make a decision-making process difficult. Balance between continuity and stability, on the one hand, and diversity and redundancy, on the other hand, should be achieved [7]. However, undesirable extremes may appear. On the one hand, the extreme degree of accountability can be absolute stability and consistency; on the other hand, the desire to demonstrate professionalism can lead to a critical diversity of the system. The third principle to design a performance assessment system is dynamism.

The two previous design principles differ in the fact that in the assessment paradigm they are related to the product: a government agency produces certain products and provides services, thus, its activity should be assessed in accordance with the final results. Assessment of effectiveness may also be based on the assessment of the process of achievement of the final result by employees.

In our view, it is important to assess effectiveness of a system in dynamics. Since the system is related to process, it must be able to assess the dynamics of the process of production of goods and services. This dynamics is possible at the level of products (services): the organization develops a new product (or a service), or changes the contents of the package of offered products (services). Dynamics will be also marked at the level of product manufacturing processes (the efforts the organization applies, the degree of innovation of its activity, whether it copes with constant changes in the environment or not, which activity is its priority, the way it maintains relationships with third parties who may have influence on its effectiveness).

Assessment of effectiveness, taking into account only the product, totally misses the dynamics of these processes. In addition, simple product assessment will not allow objectively and comprehensively evaluate the activity of the organization, which in difficult conditions retains its level of production through the use of various innovative techniques, including managing ones [8]. Therefore, an effective performance assessment framework must be dynamic and able to reflect changes in a product (service) development process, and a product (service) production process.

When designing performance assessment systems, a number of requirements should be considered [9]:

1) the stronger the desire for administrative management is, the lower is the effectiveness of the management system assessed by results;

2) a poorly functioning system of effectiveness assessment contributes to lower productivity of employees;

3) focus on the product (or service) and quantitative production can be justified only considering characteristics of the technological process;

4) an effectiveness assessment system works only when there is a possibility to neutralize its consequences;

5) an effectiveness assessment system operates normally only when its application is limited (the system has a limited number of functions and is addressed to a limited number of target groups);

6) an effectiveness assessment system is an important component of the relationship between executives and staff and is designed to help in the implementation of policies regarding promotion and punishment on the basis of the obtained results.

Successful application of performance assessment systems is always relative and is determined by the extent to which, in any particular case, it is possible to minimize distorting effects. Assessment of effectiveness can be beneficial only if its application is moderate enough. In its development, performance assessment runs a kind of a cycle. At the beginning, at the implementation stage of a performance assessment system, its positive features are clearly manifested, but they are supplanted by negative side effects generated by the system itself [10]. Therefore, introducing a performance assessment system, an organization should provide an opportunity to implement the principles of interaction, diversity and dynamics that allow to minimize possible side effects and make the system more rational.

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