



THEORETICAL AND METHODOLOGICAL FOUNDATIONS FOR DETERMINING THE ESSENCE OF THE CATEGORY «EFFICIENCY OF THE ENTERPRISE»

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Abstract. *The multifaceted nature of economic efficiency is largely determined by the complex nature of socio-economic processes taking place in the economy. The term "efficiency" refers to a category that in the economic literature is associated with many different concepts, including rationality, productivity and efficiency. The content of the economic efficiency of the company's activities requires a clear description of the evaluation criteria and indicators, which allows in real practice to identify economic indicators focused on the formation of economically justified consequences. This is necessary because the economic efficiency of the company determines the content of the economic efficiency of the company. The results of the company's activities should have priority in determining the effectiveness of the company's activities; however, this alone is not enough to provide an objective assessment of the effectiveness of the company as a whole. Efficiency, as a scientific category, requires the study of non-financial indicators, such as the level of customer satisfaction and loyalty, innovation, product quality compliance with specified technical criteria, and so on. Business performance can be assessed using several different methodologies, including a mechanistic model, a social model, a hierarchical market model and a model of public organization. When discussing business management from a strategic point of view, it is advisable to take into account the aspect of the effectiveness of the*

organization. The achievement of competitive advantages, the provision of which is feasible through the formation and effective use of key competencies, is the strategic goal of enterprise management at the present stage, and it is possible to ensure these advantages through the use of key competencies.

Keywords: *efficiency, economic efficiency, efficiency, model, efficiency assessment, enterprise, productivity, efficiency, costs, competitive advantages, key competencies.*

Introduction. In a market economy with a focus on social justice, business efficiency in all forms of ownership and spheres of activity is becoming increasingly important and important. Assessment of the level of productivity of an organization is the first step in the formation of a reasonable economic policy for this organization, as well as in the development of its responsibility; in addition, achieving this goal is an important requirement for the continued existence of enterprises operating in an increasingly competitive environment. For domestic business entities, this problem is especially relevant because of the low competitiveness of domestic products on the world market. This problem is complex, its solution is in the plane of financial management, fixed and working capital, and personnel. One of the directions of its solution is the further study of the efficiency of the enterprise as the most important criterion for the survival of the enterprise in an unfavorable and unstable external environment, which determines the relevance of this study.



Material and method. The scientific concept of efficiency as the basis of scientific research has spread in a variety of fields. The study of the problems of improving the efficiency of activities is important for the economy. The concept of efficiency is somewhat complicated, and its meaning always changes in response to changing market dynamics. Let us begin the study of the problem of efficiency by referring to its historical and economic roots, using the scientific premise of historicism as a guide. The names of W. Petty and F. Quesnay are associated with the beginning of the use of the concept of "efficiency" in economic sciences. This is because U. Petty and F. Quesnay were the founders of political economy [4]. In their works, the concept of "efficiency" was identified with "efficiency" and was used concerning specific state policies that contribute to the economic recovery of countries. This was done in the context of their writings. The term "efficiency" was not seriously considered by economic scientists as a separate economic category until the very first quarter of the nineteenth century. In particular, it is fundamentally important to note the merits in this area of the English economist D. Ricardo, who distinguished the concepts of "efficiency" and "efficiency", giving "efficiency" a specific meaning and expressing the category by the ratio of the result to a certain type of expenditure.[15]

In modern economic literature, the category of efficiency is often associated with concepts such as productivity and efficiency, and it is associated with efficiency, which can be defined as the least number of resources spent to obtain a certain result from an activity.

Economic efficiency is increasingly being investigated in the context of strategic positioning, with the goals of ensuring the competitive advantages of the organization,

the possibility of choosing a more effective strategy and adapting the enterprise value chain to the implementation of the chosen strategy. Reading the works of researchers such as A. Idrisov and G. Hamel, you will notice that they pay great attention to the main areas of competence that contribute to building efficiency at all levels [3;5].

Throughout the twentieth century, the concept of "efficiency" was actively applied and studied in the field of economic theory and practice. The problems of production efficiency, the efficiency of firms and the efficiency of the functioning of socio-economic systems at all levels of the hierarchy are the focus of this discussion. At that time, concerning the methodological component, the term "efficiency" became a broad scientific concept used in a variety of sciences. It was an objective category, covering both the economic system as a whole and each of its elements separately.

The word "economic efficiency" is interpreted differently in the United States than in other countries using conceptually similar terms. In everyday language, the concept of "efficiency" is almost always synonymous with "economy", that is, using the least number of possible resources to achieve goals with the highest possible degree of success. People in the West are aware of the existence of such terms as "efficiency", "efficiency" and "efficiency", "performance", which are translated as "efficiency", but have different meanings. These concepts are sometimes collectively referred to as "efficiency".

Productivity and efficiency are economic connotations that should be conveyed by the terms "efficiency" and "efficiency", respectively. Productivity refers to the ability to generate a given value with the least possible resource expenditure, whereas efficiency refers to a specific value or value.



At the same time, "efficiency" is most often defined as the market efficiency of an enterprise, which is evaluated based on the market needs for products and services, the level of customer satisfaction, the occupied part of the market and the quality of products, and "efficiency" is defined as the optimal ratio of resources spent and results obtained, regardless of whether the goal is achieved or not, as an internal efficiency, which depends on the nature of production processes [2].

The word "efficiency" can be directly translated as "efficiency", but it also functions as a kind of synthesis of the two concepts "efficiency" and "effectiveness". There is also the concept of "productivity", which refers to the quality that affects the overall condition of the company. This quality takes into account both economic and non-economic characteristics, reflecting the achieved level of development and its prospects. The above interpretations of efficiency reflect the multilevel qualitative state of a process or phenomenon at both the macro and micro levels. The choice of one interpretation of effectiveness over another depends on the evaluated object in terms of its effectiveness, as well as on the specific goals of the study.

When discussing literary works written in English, the phrase "efficiency" is sometimes used instead of the term "productivity", which translates as "productivity". The economic connotation of this concept is similar to the domestic definition of technological efficiency, which is the ratio of some final products obtained in kind to the resources expended.

From the phrase "total factor productivity" (TFP) [13] came the term "productivity", which was shortened. This idea is analogous to what is known as "economic efficiency" in the context of home economics. Simply put, "economic

efficiency" refers to the ratio of total resource costs to performance results. The theory of factors of production underlies the idea of total factor productivity, often known as TFP. This theory asserts that in addition to labour, other components such as capital, land and acquired knowledge can be considered productive.

At this point, the term "productivity" refers to the ratio of the costs of all or some of the resources used in production as factors of production and the output results obtained [8].

It should be emphasized that productivity, defined as the ratio between the volume of production of a product and the resources spent on its creation, is very important for the enterprise. This is because performance allows you to develop a competitive advantage over other manufacturers. As a result, one of the definitions of efficiency is productivity, which focuses on developing business benefits in the relevant markets.

It is a common practice to associate the idea of maximizing economic efficiency with the final results of production, which are industrial goods. However, this definition does not seem to be quite accurate, since to determine the economic efficiency of an activity, only those products that best meet the needs of society according to quantitative, qualitative and cost criteria should be considered. At the same time, society is interested not just in the product, but also in the efforts that have been invested to achieve the result. This is because the resources of society are relatively limited. Therefore, it is generally accepted among economists that to achieve efficiency, it is necessary to constantly compare results with costs. These comparisons can relate either to the currently available capabilities or to those that may become available in the future. So we can talk about:

-prospective evaluation of efficiency as a comparison of the projected results with the estimated costs of resources needed to achieve specific results [7;22];

-retrospective evaluation of effectiveness as a comparison of the results achieved with the costs of achieving certain goals [1;2].

Historically, efficiency was understood as maximizing the number of results obtained for each unit of costs associated with production or ensuring the lowest possible costs per unit of production. In other words, the idea of efficiency is related to the concept of economy, which refers to the possibility of obtaining the best result from available resources. Comparing results and costs is a line of reasoning that is usually considered the basis for measuring efficiency. In particular, efficiency is calculated as the ratio of results to costs. Many modern researchers both in the USA and abroad use this method in their work to determine the essence of economic efficiency, as the ratio of the result of activity and the costs of its implementation. The essence of the two concepts of "efficiency" and "effectiveness" is sometimes confused, since scientists and

economists often confuse the concepts of effect and result of economic activity.

Efficiency is a set of characteristics and criteria of an organization that reflect the quality of its work, the cost-effectiveness of spending resources, the logic of building production technology, labour productivity and other factors. This should be emphasized. The term "performance" refers to the achievement of certain goals while meeting requirements. Individuals responsible for the distribution of needs can be society as a whole, certain social groups, business owners or individual consumers. Another way to present efficiency is a certain degree of utility for a particular consumer.

Figure 1 shows the relationship between several methods that can be used to assess the efficiency of enterprises. Each of these four concepts is used to varying degrees, which is determined by the situational conditions of the impact of a combination of external and internal factors. It is possible to detect the presence of aspects of all four concepts in the activities of many organizations, especially large ones. This is because situational conditions are influenced by both external and internal factors.

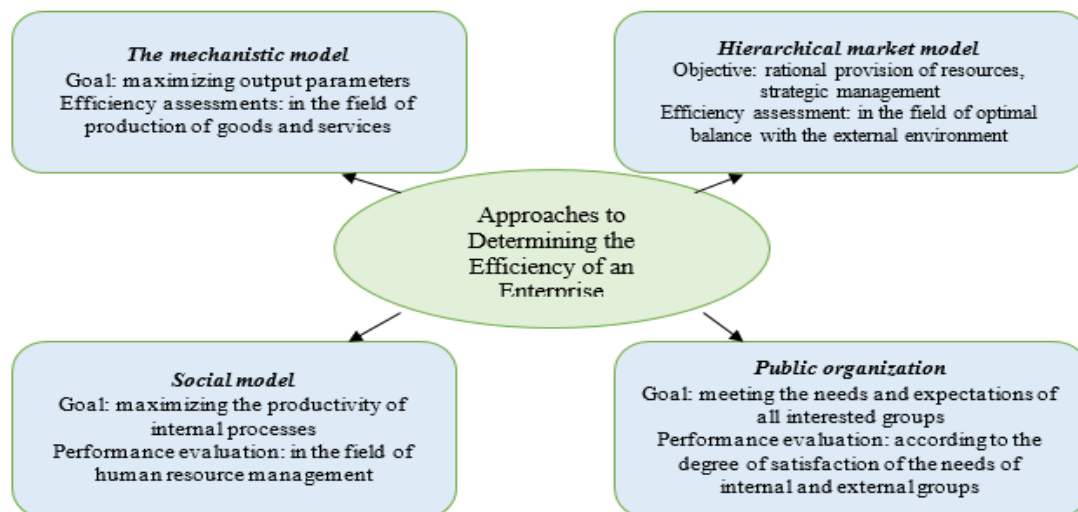


Figure 1 - Interrelation of approaches to determining the efficiency of enterprises



There is not a single enterprise that would fully build its activities according to a single model. Most of the time there is a process of evolutionary transition from one priority to another. For example, from a model focused on the optimal use of resources, there may be a transition to a model whose results are determined by the system effect [4]. This happens quite often.

The first type of business is called a mechanistic model and is characterized by the fact that the firm itself is a mechanism that is a combination of two main factors of production, namely labour and means of production [9]. This model of enterprise functioning provides the greatest "return" of the system due to the in-depth analysis of production activities by enterprises and the comparison of its economic results with the production resources used.

The conclusions obtained as a result of calculations serve as a basis for assessing the level of competitiveness of the enterprise. The usefulness of certain types of resources can be determined using resource efficiency indicators, which are obtained by comparing the result with resources. The transition to the second model of the functioning of the enterprise (social model) in most cases does not mean abandoning the previously presented methods of measuring and evaluating economic efficiency. Instead, the focus shifts to internal processes that allow the implementation of goals that have been established based on high labour productivity. Since the use of the company's workforce is the most significant aspect of the social model, such categories as the integration of activities, ensuring the happiness of team members and maintaining a positive social atmosphere are very important. The human resource management system, which includes indicators of their formation, development and improvement of the quality of working life, serves as the basis

of the methodology underlying the efficiency assessment process.

The need for personnel, as well as strategic recruitment and placement of personnel, are planned by enterprises. Exciting work, fair remuneration and less control by management contribute to a high quality of working life. To make the time spent by employees at work generally more satisfying, enterprises must provide more opportunities to meet the creative needs of employees while simultaneously striving to improve their operational efficiency. Attention is focused only on one component — the person, so the possibilities of using this model to find reserves to increase the overall efficiency of the organization are limited. People are the only component that is taken into account.

The enterprise is considered a complex hierarchical market system in the model of the third type, known as the hierarchical model. This model emphasizes the close cooperation of the enterprise with the environment. When conducting an efficiency analysis, the main attention is paid to the resources coming from the environment [5]. The inefficiency of a business may be because it cannot acquire the necessary resources. This model assumes that the complexity of the system and the complexity of the environment are the same. The effectiveness of the organization in these conditions is assessed as a systemic activity, which means that the assessment takes into account the ability of the organization to self-regulation and self-organization, as well as the ability of the organization to achieve its goal even when external conditions and factors change.

Performance evaluation by the fourth model (public organization) requires taking into account the composition of all stakeholders in addition to the characteristics of the effectiveness with which the company



in question is controlled by these groups. In this regard, the efficiency of enterprises is evaluated not only in terms of the efficiency of production, sales and profit but also in terms of the degree of satisfaction of heterogeneous requirements of such entities as consumers, suppliers, investors and society as a whole. [6]

The criterion for evaluating services that take into account the cost of resources is applied when taking into account their interests. To apply this approach in practice means to take as a basis a strategy known as limited optimization, in which the achievement of any one goal of the organization is limited by the needs of the implementation of another goal at an acceptable level. This strategy ensures that both goals are achieved at an acceptable level. Strengthening the function of influencing the work of the enterprise of social norms and values, and cultural and moral attitudes both within the system and in the external environment is another manifestation of the social significance of the enterprise. This can be seen both inside and outside the system. Thus, the main responsibility of management is to ensure a high level of production and efficiency by developing a spirit of cooperation among employees and maintaining a state of dynamic balance between the competing interests of the various groups involved.

The formulations of efficiency are used with macroeconomics and microeconomics in practice conducted both abroad and within the country. Efficiency is assessed both in a narrow and broad sense, as well as concerning some other areas of activity, including production, finance, personnel, customers and business processes [16]. In the field of macroeconomics, the term "efficiency" refers to the extent to which resources are used to obtain goods and services of such quality, as well as in

quantities that society requires over time. A method that has a minimum cost of the costs used in the production process is considered a cost-effective way of producing a given volume of products from the point of view of microeconomics. This means that the method produces the least amount of waste in the production process.

Each of the numerous participants in economic relations brings his view on the concept of efficiency, which gives the concept a conditional character. When values change, efficiency changes with them. The existence of this fact indicates the absence of a single, comprehensive and adequate definition of this category.

In the modern world, it is important to note that any discussion of the economic nature of such an important indicator as "efficiency" would be incomplete if it did not include a link with the general enterprise management system based on the efficient use of resources and the maintenance of constant financial and economic stability.

In light of the above, it can be argued that the effective functioning of the business as a whole is a direct result of the ability of the enterprise to effectively use its competitive advantages in strategic terms.

Indeed, the reasonable use of competitive advantages and, to an even greater extent, the adoption of logical management decisions regarding these advantages can ensure optimal efficiency. Within the framework of strategic positioning, which refers to performing operations other than those of competitors, or performing the same operations differently, economic efficiency is a factor that is taken into account [1]. Fig. 2 conceptually presents the procedure that must be followed to ensure that the business retains its competitive advantages.



Figure 2 - The process of ensuring competitive advantages

The fact that there is always a risk that the competitive advantage will be replicated by other enterprises is the main problem of competitive advantages. However, it is impossible to reproduce a thoughtfully integrated value chain in which all operations correspond to each other in the context of strategy implementation. On the other hand, a competitive advantage focused solely on achieving efficiency is not the only approach to achieving this goal. According to M. The only way to gain a competitive advantage is to adopt the best strategy and adapt the corporate value chain to implement this plan [14]. This is the only way to achieve a competitive advantage.

Results. The nature of the company's competitive advantages, which serve as "sources of efficiency" for the company, goes beyond the specifics of the products (works, services) that the company creates, or the business processes that are used to create these products. The decisive regulator is the most important area of competence since it is responsible for bringing the organization into a state in which it continuously achieves the required level of economic efficiency. Speaking of an enterprise, a "key area of competence" refers to a specific set of capabilities and technologies at its disposal. In the modern creative economy, the main areas of competence form the basis of

strategic management and determine its effectiveness at all levels [17].

The key areas of competence are those that:

- meet the current and future goals of the company;
- make a disproportionately large contribution to the process of creating value for the consumer;
- are differentiating features, that is, inherent only to this enterprise;
- they can be replicated, that is, they are easily adapted to create new goods and services;

In other words, a company's critical competencies are what it possesses and what gives it an advantage over competitors. The most important competence in a market economy is one that meets all of the following criteria:

- 1) The value or value that the customer attaches to the product. Core competence should make a significant contribution to the value recognized by the customer;
- 2)The core competence should distinguish the company from competitors. If competence is widespread in the industry, it cannot be considered key; the only exception to this rule are situations where the level of competence of the enterprise exceeds the level of competitors;
- 3) the prospect of business expansion. The organization can provide a diverse

selection of new products and services as a direct result of the basic skills it possesses.

Conclusions. Taking into account all of the above, it is important to note that efficiency is considered an indicator of development, the most important incentive, the goal of the management activity of the enterprise and directs the management activity of the enterprise in the direction of validity, necessity, justification and sufficiency. Every business strives to achieve an ideal balance between the interests of its owners and employees, between the tasks set and the development of the business in the

long term, and between income and expenses, risks and profits.

In modern economic conditions, the formation of key areas of competence is based on factors such as the market position of the enterprise, the level of labour productivity, the availability of production resources, the degree of financial stability, the management system, staff professionalism, social responsibility and innovation activity. Other factors contributing to the formation of key areas of competence include the availability of production resources, the degree of availability of production resources, and the degree of financial stability.

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