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## The Role of Management Efficiency Measuring in Development of Economic Crisis

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### Abstract

The paper uses retrospective analysis in order to emphasize that XIX, XX and XXI centuries' deepest global crisis were due to lack of regulation regarding finance and financial instruments. Meanwhile paper drives to a conclusion that since the said problem was reappearing again in certain time (which is known as Kondratyev's cycle) it can not be the main reason, provoking crisis. Than the idea is expressed that the main reason for crisis is "one-dimensional" management which focuses on maximization of short-term results which are measured only in terms of financial efficiency regardless of consequences. A few cases of Russian enterprise management are analyzed by means of both qualitative and quantitative instruments which helps to prove the justice of expressed hypothesis.

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### 1. Introduction

Trends of economic development provoked by global economic crisis have revealed that frequently in a case of enterprises' and governmental organizations' low quality performance as well are due to interdependence of management efficiency measurement provided by stakeholders and real results of companies' performance (Joseph et al., 2014; Paruchuri, Misanguyi, 2014; Ragozzino, Moschieri, 2013). Some of the authors who have researched the issue state that one of the most important problems relevant is the type of measurement provided for

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management performance; in case shareholders use one types of measurement, or a number of measures of similar type, this in most cases provokes imbalanced performance of the firm (Wu, Chen, 2013; Berrone, Gomez-Mejia, 2009).

Mainly in case when management performance is being measured, shareholders tend to use economic indicators such as profitability, markets share etc. At the same time such coefficients do provide the overview of company performance, but leave out strategic changes which might be provoked by managers who are making decisions only in favour of short-term urgent growth. According to the problem stated in the proposed paper we finding the proof for interrelation of company performance and measuring managerial efficiency, and intend to define the reasons underlying such management which leads to economic crisis.

## 2. State of the Art

Most of the papers published today on the issue of current crisis management are analyzing the measures taken in order to decrease consequences of the crisis (which actually led to somewhat discouraging conclusions that measures taken were quite often inadequate and inappropriate) and to estimation of direct reasons of the current crisis (mortgage and derivatives in the first place). There also are a lot of analytic papers on comparative analysis of current crisis and the Great Depression which is aiming to figure out some specific features of global crisis's.

The other group of papers are dedicated to different approaches towards preventing global crisis in future and the way global regulation should be carried out in order to prevent next crisis like current one. Some of these papers as well deal with the issues of wealth distribution within national and global economies coming up with some very impressive ideas on post-crisis wealth distribution which would be overviewed further in literature review. But so far the only valid explanation of main reasons which caused current crisis was given within Taleb's black swan theory (Taleb, 2009) in a sort of philosophical way which outlines the reasons for dramatic changes but intends that we can not predict the future. According to the issues of crisis this is partly true but in our opinion the reasons can be found which would explain both crisis reasons and define some principles which can become the basis for post-crisis global regulation.

As it was mentioned in the state of the art section a lot of papers on the topic of crisis are dedicated to direct reasons which led to it. One of the main reasons mentioned is overproduction of US dollar and US Treasury bonds which are considered to be riskless (Dimov, 2008; Khazin, 2006). Those papers, however, seem to ignore the fact that US dollar and bonds are nowadays playing the role of world money due to formation of global financial system occurred as a result of Bretton Woods' agreements and that mentioned overproduction was mainly the result of demand for stabile financial instruments.

Others blame too complex and twisted financial products and instruments (Shah, 2009) which cause global meltdown as soon as things became to unravel which is also partly true especially taking into consideration the idea that was expressed quite a few times that the ones forming and selling financial instruments were far more skilled than the ones buying so almost everything could be sold (which has a practical confirmation in terms of couple of lost cases JP Morgan Stanley vs counties and pension funds).

The next group of authors (see for example Gilani, 2008) outline that pre-crisis world suffered lack of reasonable government regulation (which is mostly true concerning US Federal Reserve and US Treasury Department). As a result of that non-regulated high risk financial instruments came out in the market while none of the consumers were aware of that fact. This group of authors has also paid attention to the fact that measures taken to reduce crisis consequences had merely been a waste of taxpayers' money in order to save the rich (which is perfectly true for Russia as well were government support went to wealthiest companies such as Gazprom, SberBank, Vneshtorgbank or RusAl while regional companies were left to survive on their own which many of them actually did without any government support (Belkovsky, 2008,) and government officials had done nothing to prevent another situation like that in future which is now resulting in blowing on new financial bubble (Marshall, 2009; Marshall, 2010). However besides finding institutions responsible for global meltdown those papers usually do not offer specified solutions of the occurred problem and again – we cannot consider revelation of the one to blame equal to finding the reason of global financial breakdown.

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