

# Making the Mechanism of Enterprise Performance Management

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## ABSTRACT

*This paper is devoted to the development and methodological ground of a conception of making the mechanism of enterprise performance management. It describes a model of implementation of performance benchmarking on the enterprise includes the sequence of operations, which enables to connect together several key management functions, and clearly divide the performance management process into several steps. It provides both direct and feedback to ensure continuity of performance management process. Author proposes an organizational mechanism to reduce the time and resources to implement the process of enterprise performance management that consists in an organization of the branch and regional benchmarking agencies (BBA and RBA). The BBA and RBA systems are functionally complement each other, and contribute to the accelerated development of various industries and regions: RBA increases the level of innovation development of efficient enterprises; BBA raises to this level remaining, less-efficient enterprises of the industry.*

**KEYWORDS:** *benchmarking agency, economic efficiency, organizational mechanism, performance benchmarking, performance management*

**JEL Classification:** M11, L2

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## Introduction

Impact of the global financial crisis and other external and internal factors revealed the inability of the existing market mechanisms to ensure effective functioning of industrial production. New business environment is characterized by falling demand and a lack of investment resources that forces to seek new mechanisms to ensure effective business development. Under the reduction in output and resources saving, efficiency becomes an important object of the management process, which requires the participation of not only the managers of company and its employees, but also the government, whose function should be to help businesses in managing its efficiency.

The aim of this study is the development and methodological ground of the conception of making an adequate device of enterprise performance management.

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## 1. Theoretical Basics of the Mechanism of Enterprise Performance Management

The mechanism in the economics meant the sequence of actions, states, defining a process or phenomenon. Accordingly, *mechanism of management* can be defined as a clear sequence of actions (steps, stages, phases), defining the management process. And, because management is a purposeful process in which certain problems are solved, the management mechanism can be represented as an algorithm, which is defined as a sequence of specific actions or steps to solve the problem (Rayzberg, 2007).

However any action should be carried out by a certain entity to specified manner with using the necessary tools and resources. Therefore, full disclosure of the mechanism of management requires:

- (1) decomposition of the process into separate phases, stages, steps (functional aspect);
- (2) definition of performers and managers (organizational aspect);
- (3) the choice of tools, methods and description of management technique (methodical aspect);
- (4) description of the general algorithm for solving the basic problem of management.

In management theory there is no uniform approach to defining the essence of the concept "mechanism of management". Most often, scientists consider separate components of general economic mechanism: institutional, economic, or organizational-economic mechanisms. Given the managerial nature of the tasks of this study, the use of the economic mechanism, which is a dialectical evolving system of types and forms of ownership, methods and forms of administration, tools of government enforcement and market self-regulation to ensure the effective functioning of the enterprise (Bryukhovetska, 1999), separately from the institutional component it would be incorrect. Hence the mechanism of enterprise performance management is appropriate to consider not only in organizational form, but also in the organizational and economic form.

Thus, the methodology of this study is associated with the construction of organizational and organizational-economic mechanism of management that ensures a continuous and steady growth of enterprise performance.

In the theory of management mechanisms there is no generally accepted interpretation of the term "organizational management mechanism". So, Hruznov (2009) defines it as a complex concept, which characterizes the set of necessary linkages that arise between the different elements of organizing production, labor and management. In other sources it is considered as:

- (a) integrated system of actions to implement the control (Saharchuk, 2004);
- (b) a system of methods and techniques of forming and regulating the relations of objects with internal and external environment (Strahova, 2005);
- (c) a system of training and management decision-making (Perepelkina, 2006);
- (d) structure of managerial actions, means and methods for their implementation, aligned in a certain sequence (Novikov, 2007).

Summarizing the existing interpretation in the context of enterprise performance management, we give the following definition: *an organizational mechanism of enterprise*

*performance management* is a system of actions and interactions of organizational structures that collectively solve the main problem of enterprise performance management – ensuring continued and sustainable growth of enterprise performance. For the formation of such a mechanism it is necessary to determine the set of subjects and objects of governance, their relationships and actions, as well as methods for their implementation.

The variety of interpretations, understanding and reflection of the essence of the term "*organizational-economic mechanism*" in management theory has forced us to resort to their classification and highlight the main approaches outlined below.

*Operational approach* reflects this type of management mechanism in the form of a sequence of operations (actions, events) that leads to the desired result (Halysia, 2005; Sitnik, 2000). This approach makes similar the terms "management mechanism" and "algorithm" and allows the use of tools of drawing algorithms for mapping the organizational-economic management mechanism.

*Methodical approach* defines organizational-economic mechanism as a set of forms and methods of management that are applied in the process of formation and optimal use of enterprise resources for a maximum intensification of production (Rogoza, 2005; Shevtsova, 2001). Supporters of this approach focus on methodical maintenance of management process and its individual components.

*Functional approach* reflects this management mechanism in the context of its functional components: organizational, motivational and economic mechanisms (Tranchenko, 2005). This approach links the different elements of components into a single system of the functions performed by the mechanism.

*Systemic approach* considers this mechanism as a system of interdependent organizational and economic subsystems (elements): principles, management practices, organizational forms and norms (Kendyukhov, 2007; Mihay, 2007; Rayevnyeva, 2006; Kosinskiy, 2005). An increase of production efficiency is said as the main purpose of such system is to increase production efficiency.

There are different definitions of organizational and economic management mechanism that consider it as:

- (a) a complex dynamic organism (Inhovatova, 2007);
- (b) a set of forms, structures, methods, tools and functions of management (Koutsenko, 2007);
- (c) a set of organizational forms, economic methods and leverage of external and internal influence (Yakovleva, 2006);
- (d) a set of necessary linkages between the various interdependent organizational and economic phenomena (Hruznov, 2009).

Such diversity of approaches allows us to characterize the organizational-economic mechanism of management in different aspects and present it in different forms. But in terms of enterprise performance management a definition and characteristics of the organizational-economic mechanism has not yet been given.

Based on the purpose of this study, we give the following definition: *organizational-*

*economic mechanism of enterprise performance management* is a system of techniques, processes, leverage, organizational structures and their interactions that determine the content of enterprise performance management and collectively solve his main task. The main task of management in this study is to ensure continuity and sustainability of the process of improving the enterprise performance.

To ensure the effectiveness of performance management process, the construction of simple organizational-economic mechanism is insufficient, because except for the institutional and economic components it must contain the motivational mechanism that is required for a high-quality execution of the decisions and goals to improve efficiency. In this regard, in this study the key concept is a *general mechanism of enterprise performance management*, which is a set of organizational structures, the specific organizational, economic and motivational tools, techniques and management practices that implement a clear sequence of actions aimed at ensuring continuity and sustainability of the improvement of enterprise performance.

The main categories underlying the formed conception of mechanism of the enterprise performance management are defined in Table 1.

**Table 1. Basic categories and definitions of a conception of the mechanism of enterprise performance management**

Categories and concepts	Definition
Enterprise performance	<ul style="list-style-type: none"> <li>▪ the objective economic category, which characterizes the degree of achievement of general and specific objectives of the enterprise, getting results on the optimal use of all resources</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>▪ a special management approach that aims at ensure the effective functioning of the enterprise, and describes the methodology, measurements, processes, methods, techniques, systems and software that are used for diagnosis (estimation), analysis, control and ensuring the growth of performance in different enterprises</li> </ul>
Performance benchmarking	<ul style="list-style-type: none"> <li>▪ a management method, which uses different types of benchmarking and the various sources of improvement to ensure the growth of the enterprise performance</li> </ul>
External performance benchmarking	<ul style="list-style-type: none"> <li>▪ a group of benchmarking types directed to find ways improve the efficiency of the enterprise through the sources of improvement outside the enterprise itself (in the industry, in other areas, overseas)</li> </ul>

Source: author

In accordance with this definition, we have developed conceptual, organizational and methodological proposals that form the basis of a general mechanism of enterprise performance management, in particular:

(1) performance benchmarking is selected as a basic method of performance management, which form the mechanism; we decomposed a process of performance management on a number of stages and operations;

(2) creation of specialized organizational structures (benchmarking agencies), which provide implementation of important stages of the enterprise performance management, is justified.

The functional-organizational aspects of formation of the mechanism of enterprise performance management are presented below.

## 2. Formation of the Mechanism of Enterprise Performance Management

### 2.1. Model of implementation of performance benchmarking on the enterprise

One of the most effective methods of performance management is a benchmarking. It provides choice and optimal mix of different types of benchmarking to ensure continuity and sustainability of the growth of enterprise performance. Conventionally, all kinds of benchmarking, depending on the source of improvement, can be divided into two groups: external and internal.

If benchmarking is performed in order to improve efficiency, it can be called *performance benchmarking*. Group of benchmarking types, which are implemented in order to find external sources of performance improvement (best practices), i.e. outside the enterprise, is called *external performance benchmarking*. To implement external performance benchmarking on an enterprise, we offer the following sequence of operations:

- (1) identification of process (operation) that need improvement, i.e. so-called "bottlenecks";
- (2) detailed study of the selected process (operation);
- (3) search for benchmarking partners, preferably ones that show the best performance in the industry (best practices);
- (4) estimation of the performance of selected companies;
- (5) ranking of companies from the analyzed sample;
- (6) selecting the best representative of the industry as a firm-benchmark;
- (7) determination of quantitative value of costs reduction and potential growth of the enterprise efficiency;
- (8) development of a plan of learning the best practices, primarily for "bottlenecks";
- (9) making managerial decisions on the implementation of planned actions to improve enterprise performance;
- (10) monitoring the results of execution of decisions on actions aimed at improving the enterprise performance.

Such sequence of benchmarking implementation allows to combine the basic functions of management, and precisely to distinguish in performance management process a number of stages (figure 1):

- (1) a stage of lacks revealing;
- (2) a stage of data selection;
- (3) a stage of an estimation and analysis;
- (4) a stage of planning and decision-making;
- (5) a stage of the control.

Since at the certain stages of performance managerial process can be the situations that cause repeats of separate operations, an algorithm of benchmarking should provide feedbacks (Figure 1).

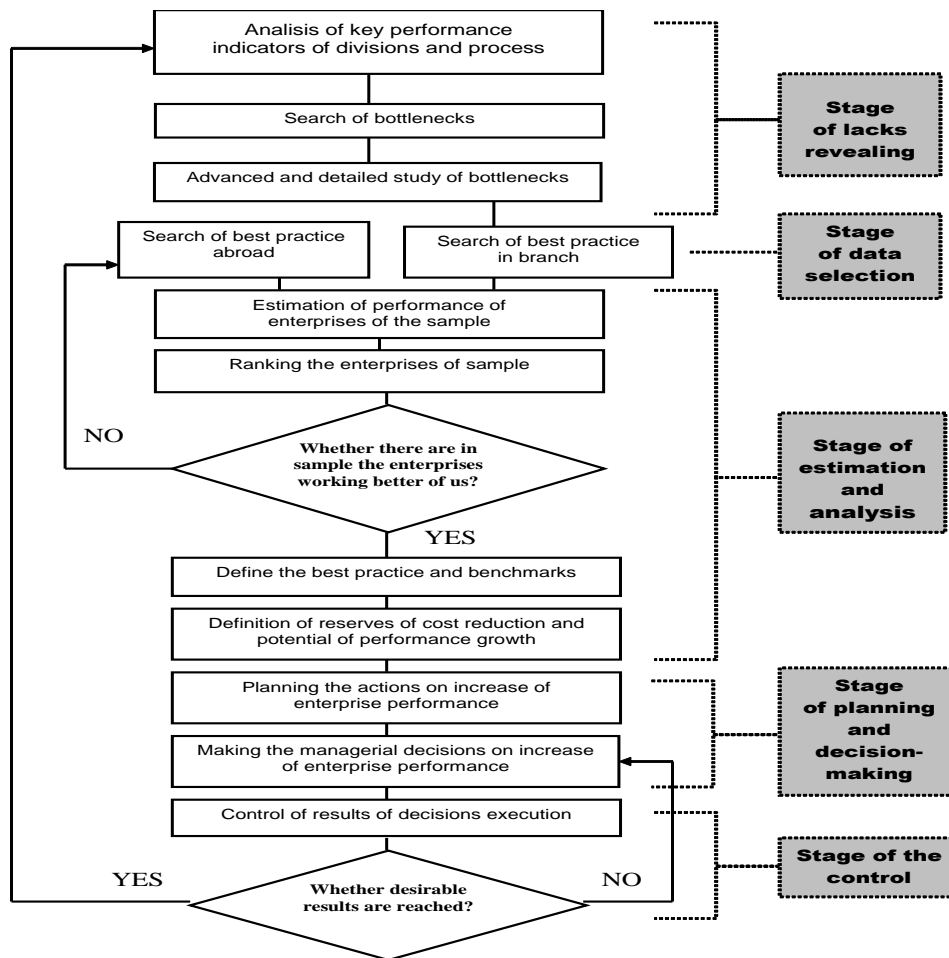


Figure 1. Model of implementation of performance benchmarking on the enterprise

Source: author

In particular, if at a stage of an estimation and analysis emerges that in a sample there are no such enterprises, which would carry out analyzed operation or process better us, i.e. efficiency of our enterprise is defined as the highest, it is necessary to return on a stage of selection of data for expansion of analyzed sample with connection of the foreign companies successfully work in the same scope. Thus, in case of absence of effective competitors in a home market (branch) it is expedient to study foreign experience and to use of international benchmarking toolkit, which carrying out, as a rule, demands more time and the resources necessary for search and gathering of the information about foreign firms. As a rule, international benchmarking requires more time and resources to search and collect the necessary information about foreign best practices:

(a) access to international data base about enterprises producing similar products (services, works) with the aim of selecting companies for the performance analysis;

(b) access to general technical, financial and economic information on selected companies for analysis;

(c) establishment of direct contacts with the managers of the firms-benchmarks to get extended information about the used technologies of production (supply, marketing and other processes and operations) and management practices.

Moreover, an important aspect of international benchmarking is the national characteristics that significantly affect the internal and external environment of any company. Hence they must be considered in international comparisons. So, when using the cost indicators it is necessary an adequate choice of the exchange rate to compare data in the analysis. Here it is expedient to take into account purchasing power parity. When estimating an efficiency of the service of supply and distribution it may be important the natural and climatic conditions, location of companies, government regulation of transport and fuel and energy industries, etc. When comparing the overall efficiency of production it can be taken into account such factors as the national price levels for raw materials, the cost of attracting credit resources, capacity and degree of competitiveness of markets, as well as other factors. Allowance of the impact of all possible significant national factors in the international comparisons may require certain amount of time and resources.

The resources should be compared with the benefits that can provide the results of international benchmarking, the main of which is to achieve world-class in performing some (or all) processes (operations) and the corresponding level of the enterprise efficiency. Formally, the economic efficiency of any form of performance benchmarking can be expressed as follows:

$$E_B = \frac{(z_1 - z_0) \cdot Q_1}{Z_B}, \quad (1)$$

where  $z_0$ ,  $z_1$  are the cost of product unit, respectively, before and after benchmarking

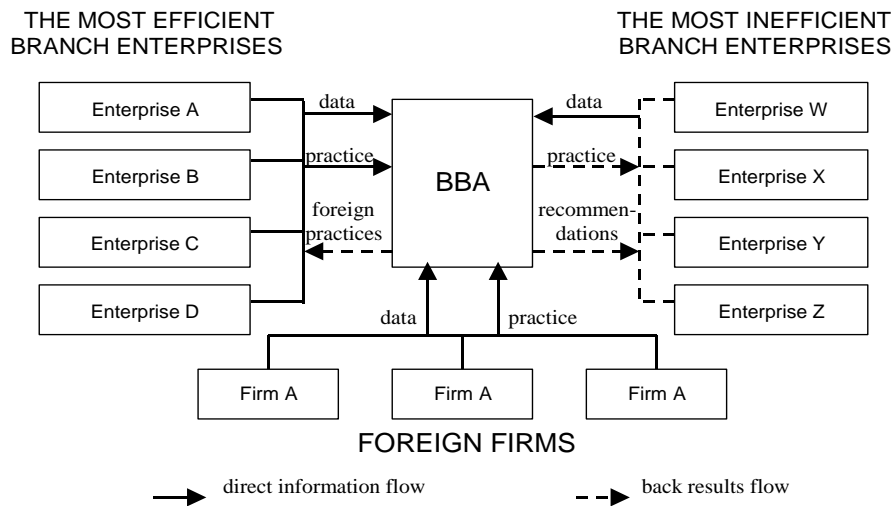
implementation;  $Q_1$  is annual output after benchmarking implementation;  $Z_B$  is the annual expenses connected with benchmarking implementation, including information expenses, training and wages, travelling expenses on visit of firm-benchmark, adoption of new technologies, etc.

In a case if  $E_B \leq 1$  the economic sense of benchmarking implementation is lost. However, this case is possible, and its probability is higher, when the enterprise operates more efficiently, and reserves to reduce its costs are less.

## 2.2. Organizational aspects of the mechanism

Usually small enterprises have no possibility to implement benchmarking that is explained, on the one hand, by absence of the necessary personnel and resources for its implementation by their own forces, and on the other hand, by high cost of services of the specialized international organizations, which perform researches and consultation on benchmarking. Therefore the distribution of the offered tools of enterprise performance management is complicated. However, considering public necessity for social and economic development of various branches of economy and regions, it is expedient to create state-operated branch and regional benchmarking agencies.

Interaction of such agency (branch benchmarking agency – BBA) with the enterprises is presented in the Figure 2.



**Figure 2. Scheme of interactions between the BBA and enterprises**

Source: author

The main functions of the branch benchmarking agencies (BBA) are:

- (a) data collection and formation of database using various showings of operational and economic activity of the branch enterprises;
- (b) interaction with foreign information agencies to receive the data about the foreign firms, which produce the same or similar goods or services;
- (c) estimating an efficiency level of the branch enterprises;
- (d) ranking and identifying the most effective and inefficient enterprises of branch;
- (e) determination of reserves of costs reduction and potential of efficiency growth on each enterprise and branch as a whole;
- (f) finding a firm-benchmark for each inefficient enterprise of branch to assist in the establishment of direct contacts and provide information that is necessary to adopt the best practice;
- (g) cross-country analysis of the enterprises performance to find firm-benchmark and adopt the best foreign practices;
- (h) ranking and finding a foreign firm-benchmark for each effective domestic enterprise to assist the establishment of direct contacts and provide information that is necessary to adopt the best practice;
- (i) development of recommendations for the inefficient enterprises of branch directed to increase their efficiency.

Thus, BBA is completely implementing two stages of performance benchmarking – stage of data selection and a stage of an estimation and analysis (see Figure 1). The role of the enterprises during benchmarking in this case is reduced to:

- (a) monitoring a work of divisions (processes, operations) and transferring of the necessary information to BBA;
- (b) planning and decision-making on the basis of the information and the recommendations received from BBA;
- (c) control over performance of the managerial decisions.



Such scheme of work with BBA participation both facilitates work of the enterprises on performance management, and considerably reduces expenses of time and resources to its realization.

In particular, BBA takes upon itself all expenses connected with: search, purchasing, processing and the analysis of information; wages for the highly skilled personnel – economists, experts in marketing, technologists, translators, programmers and other experts; payment for special hardware and software, and other expenses. Concentration of the listed expenses and the information in one analytic centre will allow loading of capacities and personnel of the BBA and by that to receive additional economic result of its creation.

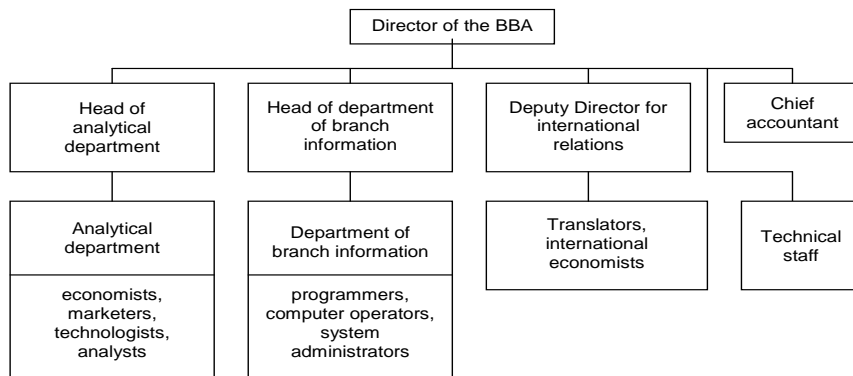
The offered scheme of work with BBA participation removes necessity of carrying out of essential organizational changes at the enterprises in connection with introduction of the performance management system. Necessity for additional analytical and administrative divisions disappears. At the large industrial enterprises it is enough to execute the following actions:

(a) to strengthen the work of the economical and operational services (departments) that are tracking the work of divisions (processes, operations) of the enterprises. This will probably require the introduction of additional post – which is responsible for collection and reliability of the information about processes and operations, finding the "bottlenecks" and their profound studying, preparation, sending and receiving information from the BBA;

(b) to introduce a post of the deputy director on enterprise performance management, whose duties will include development of managerial decisions for efficiency growth on the basis of the information received from the BBA and economical department, and control over performing these decisions.

At the small and medium enterprises the complex of benchmarking works can be entrusted to existing personnel (economists, technologists, director). Otherwise it is possible to create a post of responsible for contacts with the BBA and all stages of performance benchmarking, which are being performed at the enterprise: revealing of problems, planning and decision-making, monitoring and the control.

The proposed organizational scheme of managing the BBA presents in the Figure 3.



**Figure 3. Management and organizational structure of the BBA**

*Source: author*

The main functions of the BBA, i.e. performance estimation and ranking of enterprises, finding the firms-benchmarks, making recommendations to enterprises are assigned to the analytical department. Department of branch information must provide reception, transmission, processing and storage of information, creation and updating of databases, development and maintenance of special software. The functions of the deputy director for international relations include all the necessary actions to ensure an international benchmarking: contracting for information from international news agencies, the entry and obtaining membership in the Global Benchmarking Network and other international benchmarking associations for direct contacts with foreign firms, etc. Technical staff must maintain the BBA assets in good repair, cleanliness, order and security.

It is expedient to finance the BBA on the account of the budgetary funds, which are assigned to the branch ministries (government). Corresponding ministry should control and manage the work of BBA.

Thus, the realization of the BBA project will make benchmarking accessible to any enterprise both large and small, and will considerably raise economic efficiency (1) of its implementation due to reduction of expenses of the enterprises.

Besides, attracting of the government in the person of the BBA considerably facilitates a problem of reception of the information about branch and foreign competitors that is usually almost impossible to solve.

The BBA project solves the problem of performing two types of benchmarking: competitive and international benchmarking, which accordingly provide improvement of enterprise performance and with world-classes quality. Moreover the listed types of benchmarking give short- or medium-term effect in the form of enterprise performance growth, and all of them are based on a principle of a pursuit of branch leaders that promotes leveling of efficiency on branch. Such policy to a certain extent does not give an opportunity to the ordinary enterprises to “jump above” these leaders, to become better than leaders in any aspects of activity. Besides, the responsibility for perspective development of branch in such situation lays down only on branch leaders, and in case of their unwillingness to introduce innovations and to apply the last science achievements in the activity, a speed of intensive branch development can be considerably slowed down.

In this case it is expedient to apply functional benchmarking that analyze the enterprises of the other unrelated branches with the purpose of a finding the ways for improvement of similar operations or processes. This type of benchmarking is capable to lead to innovations and rapid growth of enterprise performance.

The problem of assistance to the enterprises in functional benchmarking implementation can be solved by Regional benchmarking agencies (RBA). The RBA must serve to enterprises of the region, which wish to improve separate processes, operations, by introducing the best practices, methods and the innovations that are created by the enterprises of other unrelated branches.

Unlike BBA, the RBA is not attached to any branch. RBA watches over the all best practices in given region, in other regions of the country and abroad. Thus, it accumulates knowledge bases and the data, which can be useful for realization at the enterprises of region. The scheme of benchmarking implementation which involves the RBA is similar to the scheme on Figure 1 with one difference only – search of partners on benchmarking is carried out not in the concrete branch where the enterprise works, but in the other unrelated branches.

To receive the latest information about the best world practices and methods of realization of various functions of management and business it is expedient the RBA join to a number international benchmarking associations, such as Global Benchmarking Network, European Foundation for Quality Management, The Benchmarking Network Inc. etc., which collect information about hundreds thousand examples of the best practices of business and various functions (supply, selling, personnel management, planning etc.) in the developed and developing countries. Since direct membership in such associations for the small or medium enterprise is expensive, the RBA must rid the enterprises from those expenses by performing an international functional benchmarking at their request.

Functionally the RBA activity differs from the BBA. Its basic functions include:

- (a) collection and accumulation of information, formation of the data and knowledge base about the best domestic and world practices of business and processes;
- (b) introduction and membership in international benchmarking associations for the purpose of expansion of information basis and arrangement of direct contacts with successful foreign firms and organizations;
- (c) search and granting of the information about the best samples of realization of separate functions and businesses upon request of the enterprises of region;
- (d) organization of meetings and other direct contacts to representatives of firms-benchmarks by request of the enterprises of region;
- (e) informational, methodical, consulting and other support of the enterprises of region which wish to implement a benchmarking.

Thus, the RBA does not provide estimates of enterprise performance in individual sectors or regions. Its main goal should be to provide the necessary assistance in implementing benchmarking for enterprises at their request: informational, methodological, consultancy, etc.

Organization of the RAB in the establishment phase is expedient to perform at the expense of regional (provincial) government administrations and under their leadership. In the future they will be able to operate on the principle of self-sufficiency at the expense of enterprises of region that turn to them for help in performing benchmarking and looking for foreign or domestic benchmarks. Price of services RAB should be much lower than the price of membership in international benchmarking agencies, otherwise request of enterprises to them will not be economically feasible.

Arrangements for the creation of the BBA and RBA should significantly raise the degree of use of benchmarking in various economic activities, as well as to ensure its availability of the mass of inefficient enterprises, especially small and medium.

However, the agencies perform only information and analytical parts of the benchmarking. Managerial part of the benchmarking, namely planning, decision making, supervision and monitoring the enterprise itself should take over. And here it should be noted that, despite all the benefits of benchmarking in terms of enterprise performance management, the fact of its application does not guarantee an efficiency improvement. We should be careful when using benchmarking, because when defining firm-benchmark for high efficiency, it does not give guidance on the ability and willingness of enterprise to improvements, i.e. the availability of such systems, processes or activities that would enable him to achieve this level of efficiency. Achieving the level of efficiency of such firm-leader requires a serious study – the processes and actions of the enterprise must be solely justified. Easy obtaining a set of defined indicators of other companies and then making uninformed decisions to achieve them can have negative consequences. For example, the absolute reduction in the

number of components to achieve the world level (the level of the world's best manufacturers) with respect to their quantity in stock, in case if the enterprise is not ready for such changes can drastically affect its efficiency and causing losses because of the downtime of equipment and personnel. If the actions are reasonable, the performance will be improved.

If the implementation of management decisions did not bring the expected result, it is necessary to analyze the causes and take re-adjusted decision aimed at improving the efficiency of the analyzed process (see Figure 1). Thus, correction of administrative errors will guarantee the effectiveness of benchmarking process.

In order to avoid managerial mistakes, we formulate the following cautions for enterprise management from the negative consequences of improper use of the results of benchmarking:

(a) there is some dispersion of the data used in benchmarking, so the choice of one benchmark to a particular enterprise can be difficult;

(b) the data about compared enterprises are constantly changing, as they improve their activity;

(c) to make decision we should focus not only on particular indicators, such as labor productivity; since the performance indicators are interrelated, we should consider all-important indicators in terms of achieving the main goals of the enterprise performance;

(d) indicators associated with the product range, production technology, etc., will affect the results of benchmarking.

In the case of the successful implementation of benchmarking and the expected positive results to improve the process (operation) or the business as a whole, it is advisable to continue monitoring and analysis of performance of production units and processes, thus performing a looping the general scheme of benchmarking and repeating the process again (see Figure 1). Thus, the proposed mechanism ensures the continuity of the process of benchmarking and guarantees its successful implementation, allowing repetition of operations, which do not give the expected result from the first time.

As a result of such a mechanism, benchmarking is a continuous process, an integral part of enterprise management system, ensuring an increase of its efficiency in various areas (divisions, processes, operations).

For each of the above proposals aimed at improving performance management in the enterprise, it makes sense to generalize the functional-organizational features and to clarify the terms of usefulness (Table 2).

Performance management with the BBA leads on most of criteria, except for confidentiality. It makes this form the most attractive to many enterprises. However, such advantages are provided mainly due to the fact that the most of the cost of analytical work and establishment of direct contacts are shifted from the shoulders of enterprises on the state budget, at the expense of which the BBA should be organized. Despite the fact that the BBA hits the pocket of taxpayers, its implementation will lead to improvement the most of the domestic enterprises, who are now working ineffectively. It will contribute the introduction of industry-leading technologies and management practices, enables enterprises managers to think about the need to manage efficiency and will give an impetus the transition from extensive to intensive development of industry and the economy as a whole.

Table 2. Functional-organizational features and conditions of use of the performance management forms

Performance management form	Conditions of use	Features
Self-implementation of benchmarking by enterprise	<ol style="list-style-type: none"> <li>1. The company has a sufficient number of qualified personnel, facilities and opportunities for benchmarking information.</li> <li>2. The company does not want to disclose their business information.</li> <li>3. The company is interested in direct contacts with firm-benchmark without agents.</li> <li>4. There is a positive experience in internal and other types of benchmarking.</li> </ol>	<ol style="list-style-type: none"> <li>1. The company bears all costs and performs all phases of benchmarking without the involvement of outside organizations.</li> <li>2. Cost of resources and time are high.</li> <li>3. We maintain the confidentiality.</li> <li>4. There is a probability of failure when choosing a firm-benchmark and establishing contact with it.</li> <li>5. The possibility of insufficient sample for reliable estimation and analysis of the efficiency and ineffectiveness of following actions.</li> <li>6. Capability to apply any type of benchmarking.</li> </ol>
Direct contacts with the international benchmarking agencies	<ol style="list-style-type: none"> <li>1. The company wants to enter their products on international markets.</li> <li>2. The company does not want to disclose their internal business information to competitors</li> <li>3. The company wants to achieve world-class performing operations or product quality</li> <li>4. Lack of effective competitors on the domestic market.</li> </ol>	<ol style="list-style-type: none"> <li>1. The company pays for admission and membership fee to an agency, performs all calculations and carries the bulk of costs.</li> <li>2. Cost of resources and time are average.</li> <li>3. We maintain the confidentiality.</li> <li>4. Probability of failure when selecting firm-benchmark and establishing contacts is low.</li> <li>5. Sample of companies for benchmarking provided by the agency.</li> <li>6. Capability to apply an international benchmarking.</li> </ol>
Performance management using the BEA	<ol style="list-style-type: none"> <li>1. Reduction or a low production efficiency.</li> <li>2. Complete absence or a lack of effective methods of work within the enterprise.</li> <li>3. Lack of resources and time for independent benchmarking.</li> <li>4. Need for rapid improvements in key processes.</li> <li>5. Need to improve the quality and competitiveness to world-class to enter to foreign markets.</li> </ol>	<ol style="list-style-type: none"> <li>1. The company trusts all analytical work to the BEA.</li> <li>2. Cost of resources and time are low.</li> <li>3. Privacy missing.</li> <li>4. The BEA ensures a success of the choice of firm-benchmark and establishing contacts.</li> <li>5. The actions of the enterprise are reduced only to the individual functions of performance management – planning and decision making, monitoring and control.</li> <li>6. Capability to apply competitive, process and international benchmarking.</li> </ol>
Performance management using the RBA	<ol style="list-style-type: none"> <li>1. Lack of innovation in the enterprise.</li> <li>2. Need to improve operations, products, which are no analogues (competitors) at market.</li> <li>3. There are various difficulties (lack of access to information, the resistance of competitors, etc.) to apply benchmarking in our industry.</li> <li>4. Complete ineffectiveness of business or inability to further development, which requires fundamental changes in business, innovation.</li> </ol>	<ol style="list-style-type: none"> <li>1. The company orders and receives assistance (information, consulting, methodological) of the RBA.</li> <li>2. Cost of resources and time are below the average.</li> <li>3. Confidentiality is preserved.</li> <li>4. The RBA ensures quality of information and advice.</li> <li>5. The company does most of the work on benchmarking.</li> <li>6. The RBA enables to organize direct contacts and meetings with the firm-benchmark by the order of the enterprise.</li> <li>7. Capability to apply primarily functional benchmarking.</li> </ol>

Another important form is the performance management with the RBA. This form allows effectively operating companies to find new methods of management that have not been implemented in their industry. Using knowledge bases and RBA data, such enterprises can go to an innovative way of development. Through improving the performance of its activities, the branch leaders raise own goals and tasks. The rest of the enterprises of branch (sub-industry) thanks to the BBA adopt the innovations that were successfully implemented by branch leaders.

Thus, systems of the BBA and RBA are complementary and contribute to the accelerated development of various industries: RBA raises the level of innovation development of efficient enterprises to a new level; BBA pull up to this level remaining, less-efficient enterprises in the industry. Since efficient companies tend to have the funds to development, it is expedient to organize the activities of the RBA on economic contracts, i.e. on a fee basis. Because clients of the BBA are more likely inefficient enterprises usually do not have free resources, funding for BBA should assume the state.

### **Conclusions**

During making of the mechanism of enterprise performance management we have offered:

(a) a model of implementation of performance benchmarking on the enterprise includes the sequence of operations, which enables to connect together several key management functions, and clearly divide the performance management process into several steps. It provides both direct and feedback to ensure continuity of performance management process. We included a possibility to apply an international benchmarking and formulated economic criteria of its economic efficiency;

(b) an organizational mechanism to reduce the time and resources to implement the process of enterprise performance management that consists in an organization of the branch and regional benchmarking agencies (BBA and RBA). The BBA aims to implement two stages of performance benchmarking - data selection, and estimation and analysis. The scheme of work with the BBA not only facilitates the operations of enterprises for performance management, but also significantly reduces the time and resources for its implementation. Organization of the RBA aims to assist enterprises in implementing a functional benchmarking. Accumulating knowledge and data on the best national and foreign practices in different areas, the RBA should eliminate a number of costs of the region enterprises that associated with the implementation of functional and international benchmarking. The BBA and RBA systems are functionally complement each other, and contribute to the accelerated development of various industries and regions: RBA increases the level of innovation development of efficient enterprises; BBA raises to this level remaining, less-efficient enterprises of the industry.

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