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# ЕКОНОМІЧНИЙ АНАЛІЗ В УПРАВЛІННІ ДІЯЛЬНІСТЮ ПІДПРИЄМСТВ

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## MECHANISM OF FINANCIAL DIAGNOSTICS OF THE ADMINISTRATIVE DECISIONS ACCEPTANCE

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### **Abstract**

*It is proved that management decision-making is a conscious choice of the available options or alternatives of actions that reduce the gap between current and desired future state of the enterprise. Management decisions making is a way of constant exposure of control of subsystem on a managed subsystem in order to achieve the set goals. It is discovered the necessity of diagnostic of decision making of financial and economic activity management of the enterprise and effective management decisions mechanism for completeness, consistency and establishing formal compliance and actual procedures for their adoption. In the article we have considered the diagnostics mechanism of making decisions in financial management of the enterprise, which includes the steps of management decision making, assessment of the status and determination of the necessary procedures. There are following steps in the process of formation the management decisions of the company: the definition of the enterprise's objectives, the identification of problems in the process of achieving the goals, the researching of problems and setting the diagnosis, the searching for solving problems, the evaluation of alternatives and selection the most appropriate, the coordination of decisions in the enterprise, approval of decisions, the preparation for the implementation of decisions, the management of application solutions, the checking the effectiveness of the taken decisions. The selection of the proper and effective management decision is the result of complex use of economic, organizational, legal, technical, information, logical, mathematical, psychological and other aspects. The description of the problem situation gives an idea about the factors that must be carefully analyzed and considered in the decision. It is identified quantitative and qualitative criteria, which contribute the process of selection the possible decisions of a problem. We have considered 14 main stages of development the administrative decisions. It is concluded that the effectiveness of management decisions should be described as efficiency set of development the administrative decisions and the effectiveness of their implementation.*

**Keywords:** *management of the enterprise; finance activity; management problems; making management decisions; mechanism of diagnosis; efficiency; stages of development the administrative decisions.*

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### МЕХАНІЗМ ФІНАНСОВОЇ ДІАГНОСТИКИ ПРИЙНЯТТЯ УПРАВЛІНСЬКИХ РІШЕНЬ

#### **Анотація**

У даній статті обґрунтовано, що ухвалення управлінського рішення є свідомим вибором керівника підприємства одного з наявних варіантів або альтернатив дій, які скорочують розрив між поточним і майбутнім бажаним станом підприємства. Управлінські рішення являють собою засіб постійного впливу керуючої підсистеми на керовану підсистему для досягнення намічених цілей. Виявлено необхідність діагностики процесу прийняття рішень в управлінні фінансово-господарською діяльністю підприємства і запропоновано ефективний механізм прийняття управлінських рішень для повноти, логічності та встановлення відповідності формальних і реальних процедур їх прийняття. Представлений механізм діагностики прийняття рішень в управлінні фінансово-господарською діяльністю підприємства включає етапи прийняття управлінських рішень, оцінку стану і визначення необхідних процедур. У процесі формування управлінських рішень на підприємстві виділяють наступні етапи: визначення цілей організації, виявлення проблем в процесі досягнення цих цілей, дослідження проблем і постановка діагнозу, пошук вирішення проблеми, оцінка всіх альтернатив і вибір найбільш придатної, узгодження рішень в організації, затвердження рішень, підготовка до реалізації рішень, управління застосуванням рішення, перевірка ефективності прийнятих рішень. Вибір правильного та ефективного управлінського рішення є результатом комплексного використання економічного, організаційного, правового, технічного, інформаційного, логічного, математичного, психологічного та інших аспектів. Опис проблемної ситуації дає уявлення про фактори, які необхідно ретельно проаналізувати та розглянути при вирішенні. Визначено кількісні та якісні критерії, за якими здійснюється процес вибору можливих варіантів рішень тієї чи іншої проблеми, розглянуто 14 основних етапів розробки управлінських рішень. Зроблено висновок, що ефективність управлінських рішень слід охарактеризувати як сукупність ефективності розробки управлінських рішень та ефективності їх здійснення.

**Ключові слова:** управління підприємством; фінансова діяльність; проблеми управління; прийняття управлінських рішень; механізм діагностики; ефективність; етапи розробки управлінських рішень.

#### **JEL classification: D210, D810, M210**

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**Introduction.** In conditions of transformation the economy of Ukraine the financial management activities of the enterprise are characterized by many strategic and tactical problems, which are unsafe for business operation. That is why the identification and further solution of enterprise financial management problems requires a comprehensive investigation, while the decision-making is a key tool for managing the impact on the enterprise's management financial problems for the approximation the actual parameters to the object reference.

Despite the fact that the management decisions are always considered as a center point of management activities, and attracted the attention of famous scientists: G. B. Knorring [1], M. A. Michael, H. Franklin [2], T. Peters and R. Waterman [3], B. G. Litvak [4] Y. G. Bersutskogo, N. N. Lepy [5], V. Shcherbakov [6] and others, there is no sufficient number of publications, which covering this issue.

**The purpose of this article** is the justification of the need of diagnostic the process of making decisions in the management of financial activities of the enterprise and the development of an effective mechanism for making management decisions for completeness, consistency and compliance for the conformity of formal and real procedures for their adoption.

**Results.** The adoption of the administrative decision is a choice of one of the available options or alternatives

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of actions that reduce the gap between current and desired future state of the enterprise. The process of making decision is the basis of the planning of any enterprise, because the plan is a set of decisions about using the resources to achieve enterprise goals. The acceptance of solution by manager is a kind of art, and decision is not just a process, but also a type of mental activity and the manifestation of the man's will. The following features characterize this process: the ability to select the optimal variant from the alternatives, the availability of objectives, the necessity of decision maker's strong act.

Decisions should be based on accurate, current and forecasted data, the analysis of all factors, influenced the decision and take into account the possible foresight consequences. Managers are required to study thoroughly the incoming information for the preparation and adoption management decisions on its basis, which should be coordinated at all levels of intra-hierarchical management pyramid.

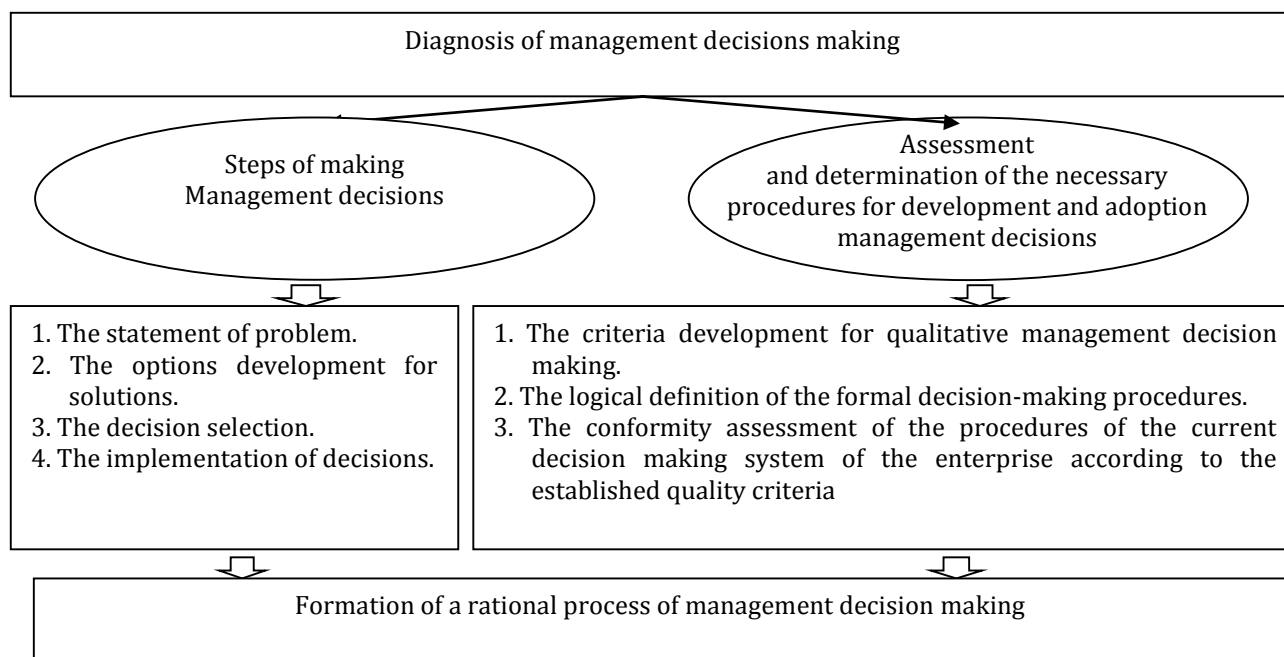
Making decision is a key tool for managing impact on the management problems of financial and economic activity of the enterprise, the purpose of which is to eliminate the problems and approximate the actual parameters of the control object to the reference. In this regard, the main objective of the diagnosis as an effective management tool is to solve the problems of rationalizing the process of making decisions in management the financial activities of the enterprise.

Diagnosics management mechanism of making decisions is presented on figure 1.

It should be noted that every management decision as a tool for effective management impact must correspond with some requirements. Among them we can distinguish the use of a scientific approach in management; management in accordance with economic laws; accounting the features of the managed object and resource security of perform the management solutions; management timeliness and flexibility; clarity and lack of contradictions in the management; multivariance of management decisions and insurance of their comparability; provision with quality information.

We select the main methods of making decisions to achieve target goals:

- method which is based on the intuition of the manager, because of previous experience and knowledge, that helps to select and make the right decision;
- method which is based on the concept of "common sense", when manager, making decisions, justify them by consistent evidence, the content of which based on his practical experience;
- method which is based on scientific and practical approach, which offers a selection of optimal solutions on the basis of processing large amounts of information in order to substantiate decisions. This method requires the use of modern technology and above all, electronic computers.



**Fig. 1. The diagnostics management mechanism of decision making in financial activities of the enterprise**

Selection of the proper and effective management decision is the result of complex use of economic, organizational, legal, technical, information, logical, mathematical, psychological and other aspects. Therefore, management decisions - is a way of constant exposure of the control subsystem on a managed subsystem, control subject on the control object. This action ultimately leads to the achievement of the set goals. Administrative decisions in the organization is an act of the management subject (head of the organization or

group of managers), aiming at selection the one variant of the enterprise development from the several alternative options the achieving set goals at the least cost [7].

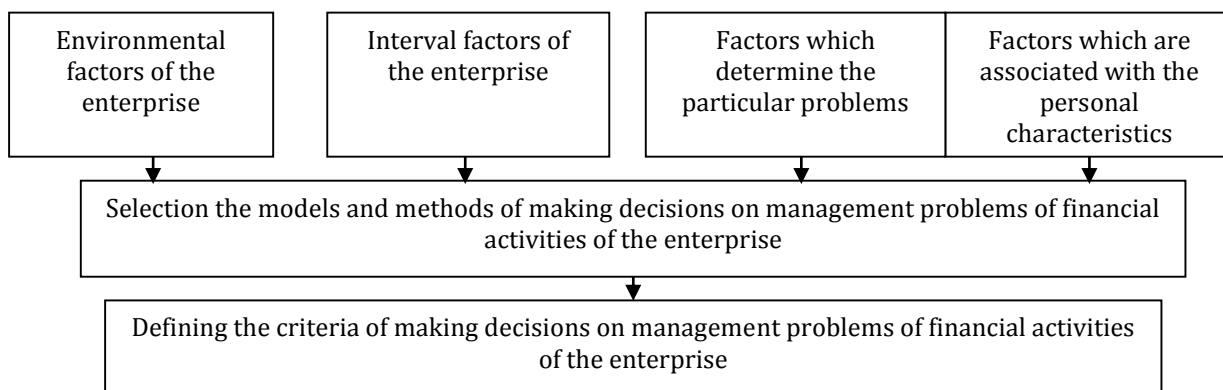
All management decisions can be divided into two types: traditional solutions, which is repeatedly occurred, in order to select one of the existing alternatives; unconventional, innovative management solutions, development of which is related to the search for new alternatives. Correct diagnosis of enterprise financial management problems, the definition of the purpose of their solutions within the above restrictions is a prerequisite for the proper definition of models, development methods and management decisions. The choice of which depends on the specific situation and is determined by a combination of factors, which in combination form "configuration", depending on which process of making management decisions can be different: a formalized or intuitive (Figure 2) [7].

An important element in the development management decisions in financial and economic activity of the enterprise is the search and evaluation of possible variants of solutions of the problems and elimination of their emergence. No matter which method or methods are used for the synthesis of the development management decision on this issue, it should be suggested the largest possible number of alternative solutions. The management practices assume at least three solutions to the problem and at least two options for the individual measures [8].

Detailed structuring of management process of making decisions is presented in this algorithm: formulation of the problem, formation of the solutions, selection and implementation of the solution. Description of the problem situation gives a performance of the factors that must be carefully analyzed and considered in the decision. First of all, it is required to determine whether they are internal or external to the enterprise, because effects on these two groups of factors are different.

The internal factors that depend on the enterprise include objectives and development strategy, production and management structure, financial and human resources, volume and quality of work, etc. They form the enterprise as a system which achieves the set goals. Therefore, a change of one or more factors at the same time can cause adoption of administrative influence measures, aimed at preserving the properties of the system as a complete formation.

External factors not depend much from the enterprise, they create the environment in which the organization operates. In modern conditions it is characterized by great complexity, dynamism and uncertainty that makes it difficult to account environmental factors when making management decisions.



**Fig. 2. Decision making in the management of the financial activities of the enterprise**

A necessary element (and parameter) of making management decisions is the evaluation of the undertaken actions at its various stages. At the stage of formulation the problem of making decisions – it is an assessment of the boundaries, the scope and level of problems and problematic situations circulation; at the stage of solutions – it is evaluation of various options offered by the specialists; at the stage of decision – it is assessment of expected consequences for its implementation.

Before the selection of possible solutions of a problem, it is necessary to define the criteria that will be carried out this process, the choice of which is determined by the specific problem situation. All criteria are divided into quantitative and qualitative. Investigation in the field of management theory and practice have shown that as the most commonly used quantitative criteria for making management decisions can be: maximum profit for given limit of costs; minimum cost with set profit limits; risk and liquidity; a minimum period of investment return; maximum equity; increase in profitability; increase in turnover, etc. Qualitative criteria for determining the specificity of a particular individual problems can be defined as: conquest enterprise prestige; attraction of new clients; expansion of markets; settling interests for the groups of individuals within the enterprise; satisfying the ambitions of managers, etc. Qualitatively designed decision-making criteria for diagnosed problems of management financial activities of the enterprise allow to cut off unsuitable alternative solutions and thus significantly reduce the time, costs and the risk of making wrong decisions to a minimum.

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A further stage of acceptance procedure of administrative decisions is a ranking of alternative management actions on the financial problems, depending on their degree of effectiveness. Moreover, the most popular is method of "cost - profit", characterizes the efficiency as the ratio of profit per unit of input.

The final stage of a process of making management decisions is a diagnosis for their implementation. The objects of monitoring implementation of management decisions are: compliance with the basic characteristics of implemented solutions (restrictions, resources, artists, etc.); the implementation deadlines; the state of the problem situation (clarification of its structure: the causes, factors, symptoms, consequences); identification of the causes of deviations in the implementation of decisions; the assessment of the effectiveness of solutions.

The effectiveness of management decisions becomes apparent only after their implementation, so the decision-making process does not end with the control of their implementation, and includes an analysis of the actual effectiveness of the decisions taken, which determines: strengths and weaknesses of the taken decisions; the additional opportunities and perspectives opened by solving problems; the additional risks associated with the solution of problems; the projected time of actions of administrative decisions.

Organization of development process of management solutions is a range of activities. The main stages of development the administrative decisions are below:

1. Obtaining information about the situation, which must be complete and accurate, in order to adopt errors or inefficient solutions, using not only quantitative but also qualitative information.

2. Setting goals, factors, mechanisms, laws, resources, which influence on the development of this situation. An important role is played here by identification of the priority objectives, because in management it is as always select some purpose.

3. Development of the evaluation system, when it is necessary.

4. Analysis of the situation, the aim of which is to establish the factors that influence on the development of this situation.

5. Diagnosis of the situation to determine the most important issues that should pay attention to the conditions of deliberate processes firstly. It is also necessary to explore the nature of the impact of these issues on these processes, which is aim of the diagnostic.

6. Development the forecast of situation, because it is impossible to manage the enterprise without predicting the development of events. Therefore, the main role in the decision-making process is related to the assessment of the expected development of the analyzed situations, as well as the expected results of the different alternatives of management decisions.

7. Generation of alternative management decisions. In this process, it is important to fully use the information on the decision-making situation, as well as the results of the analysis and evaluation of the situation, the results of its diagnosis and prognosis in various possible ways of developments.

8. The selection variants of administrative actions. After development the alternative management actions in a form of certain ideas, concepts, process workflows, as well as possible ways of implementation possible solutions, it is necessary to cull non-viable, non-competitive and inefficient option.

9. The development of situation scenarios. The most important task in the process of developing scenarios is to establish the factors that characterize the situation and tendencies of its development. In addition, one of the main problems here is the definition of alternative options for changing the situation and tendencies of its change over time, and identification of possible alternatives with control actions or with their absence.

10. The expert assessment of the main options for the management actions. Examination of giving comparative evaluation of alternative control actions, firstly, characterizes the feasibility of these effects, as well as the possibility of achieving a particular purpose, and secondly, makes it possible to carry out ranging management action using the available credit system in accordance with various level of achievement, necessary costs of labor, material and financial resources.

11. Collective expert assessment, that provide the greatest validity and effectiveness of the decisions.

12. Development of an action plan. At this step outlines specific organizational and technical measures aimed at implementing management decisions.

13. Monitoring implementation of the developed plan. Status of implementation of the plan should be regularly monitored and the changes should be systematically analyzed.

14. Development of managerial decisions, which carried out the analysis of the results of this situation development to assess the effectiveness of management decisions and their implementation.

Management decision making is an intermediate phase between management decisions and management actions. On this basis, the effectiveness of management decisions should be described as a set of development efficiency of administrative decisions and the effectiveness of the implementation of these management decisions. It is possible to evaluate the activities efficiency of the administrative staff of the enterprises as a whole and the effectiveness of individual management decisions. In order to assess the effectiveness of management actions we can use the concept of the total economic impact, because in obtained results there is some labor contribution of all members of the enterprise of different professions.

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**Conclusions.** Thus, we can conclude that management decision making is a choice of one from several alternatives. The need for making management decisions is a conscious and purposeful human activity. This need arises in all stages of the control process and is a part of any management function. The nature of management decisions depends on the completeness and accuracy of information available on the situation. Accordingly, management decisions can be taken in conditions of certainty (deterministic solutions), and in conditions of risk or uncertainty (probabilistic decision). Diagnosis of financial and economic activity is the link between accounting and management decision making. The process of management decision making is a cyclic sequence of the manager action aimed at resolving the problems of the enterprise, analyzing the situation, generating alternatives and choosing the best option, and then we can talk about implementation of the selected management solutions.

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