

Complex Estimation of the Efficiency of the Financial Planning System

How to Plan the Financial Success of a Company

Valery Nezamaikin

Russian State University for the Humanities
Financial University under the Government of the Russian
Federation
Moscow, Russia
NezamaikinVN@mail.ru

Irina Yurzinova

Department of Economic Theory
Financial University under the Government of the Russian
Federation
Moscow, Russia
IYurzinova@fa.ru

Abstract—The article is devoted to evaluating activities of financial services companies. The application of the system approach is a methodological basis of such assessment, examining the four aspects of evaluation: organizational, managerial, financial and technological, and the expert, scoring and weighting criteria.

Keywords—financial planning; financial service; methodological base of an estimation; organizational; managerial; financial and technological aspects of the evaluation; methods of evaluation of activities of financial service companies

I. INTRODUCTION

Only a competent financial department can plan the financial success of a company. The problem of planning the financial success is fairly well studied and a lot of approaches can be found to solve it. However, one must remember that not every specialist is able to arrive at a favorable solution even if he has the necessary knowledge.

Therefore, if the company director wants the financial planning to be a success he must analyze the efficiency of his financial department.

The complexity of socioeconomic processes on all levels of aggregation is constantly growing. This demands a corresponding adaptation of the planning systems.

A growing amount of resources (financial and others) is spent to develop plans of economics and socioeconomic progress. Yet to this day there is no adequate method to evaluate the efficiency of the investment. All known systems to evaluate the quality and efficiency of planning are aimed at analyzing the planning result. In other words, the following questions are answered: "Was the plan worth developing? Were the economic and social costs of its implementation justified?"

At the same time, another important question is to be answered: "Were the costs of the plan development justified? How optimal and effective was the organization of planning?" The answer would help us to reduce the expense

for development of the plan documentation and enhance the quality of the planning.

Let us define the effectiveness of the planning system as the degree of economic justification of the expenses invested into the functioning of the planning system.

The complexity of contemporary planning systems requires the use of a system approach in their evaluation. There are at least four different aspects of evaluation:

- Organizational;
- Managerial;
- Financial;
- Technological.

They will be considered below.

II. ORGANIZATIONAL ASPECT

There are many ways to evaluate the quality of organizational interaction. We choose to concentrate on two of them:

- The organization of information exchange between participants of the planning system;
- The organization of work of the planning system itself. In this case, from our point of view, the emphasis shall be made on identification of resource losses in the planning system.

The main difficulty for the adequate evaluation of the organizational aspect of a planning system lies in the fact that the main evaluation criteria have a non-numerical character.

III. MANAGERIAL ASPECT

The managerial aspect of the evaluation must reflect the efficiency of the planning system in its role as a part of the general managerial system of the company. Traditionally, the evaluation concerns itself either with the quality of

management (the managerial product) or with the final state of the management object. In both cases, some objective problems can be stated.

The most simple and straightforward way to evaluate the managerial effectiveness is to analyze the number of plan changes during its implementation or to analyze the deviation of achieved parameters from their planned values.

One must take into account that plan changes and deviations are not always the result of bad plan quality. The changes may become necessary because of unforeseen circumstances.

IV. FINANCIAL ASPECT

The most logical way to evaluate the financial aspect of functioning of any economic system is to correlate the income and the expense. To get an adequate estimate, it is extremely important to determine which part of the total income was produced by the evaluated object.

The financial evaluation is at its simplest for isolated transactions, projects (programs) and activities (i.e. separate branches of a national economy).

If it becomes necessary to evaluate the financial effect in more complex situations, it can be achieved by changes of the organizational structure or by special research.

V. TECHNOLOGICAL ASPECT

The technological aspect of an evaluation must reflect the technology level used in the planning system.

We assume that there are several general criteria for technology evaluation which can be applied in any case. One could name the following:

- frequency of changes in the used technologies;
- how often the planning system needed special researches required the usage of non-standard technologies;
- how often operations of a management system were performed outside of the planning system because the available technologies were not adequate to the task.

The different aspects of evaluation of the effectiveness of a planning system described above do not overlap and complement each other. On the final step of the evaluation, one must integrate the evaluation results obtained for the different aspects and use this integrated result to form an opinion about the general effectiveness of the evaluated planning system.

To obtain this integrated assessment, several methods are available.

- Method 1: Expert Assessment

Advantage: simplicity and low level of resource consumption

Disadvantage: of the results

- Method 2: Scoring

Advantage: it is possible to simply combine results that cannot be added directly. Disadvantage: typical for all scoring systems of assessment: difficulties of development of rating scales, etc.

- Method 3: Weighted Estimate

Advantage: it is possible to reflect the different importance of various aspects – by assigning of greater weights to the more important aspects

Disadvantage: difficulty of determination of weight coefficients.

VI. CONCLUSION

The proposed approach allows to evaluate the efficiency of functioning of planning systems more adequately than other existing approaches since it considers more of the system specifics. Additionally, the approach is characterized by a low resource consumption because it needs no special research that could increase the cost significantly.

REFERENCES

- [1] J. Schumpeter. *The Theory of Economic Development* / J. Schumpeter. – Cambridge: Harvard, 1934.
- [2] J. Tinbergen. *Economic Policy: Principles and Design* Amsterdam: North-Nolland, 1956.