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Increasing Operational Efficiency of Companies

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Abstract. The scientific article examines the most potential solutions for increasing the operational efficiency of production systems of companies in the Azerbaijan economy. The relevance of the study is due to the rapid development of technological innovations that can be used to improve the operational activities of enterprises. The theoretical foundations of operational activity and its place in ensuring the economic efficiency of the company's production are considered. Practical examples of AR companies in making decisions to improve operational efficiency are analyzed. Recommendations are formulated on the use of technological innovations in the development of production systems that have a direct impact on the economic indicators of the efficiency of their operating activities. An algorithm of measures aimed at optimizing operating activities by reducing production costs is proposed.

Keywords: *operating activities; operational efficiency; production system; technological innovation; digital technologies.*

In the context of globalization, the modern production practices of companies from post-Soviet countries show that competition is undergoing significant changes, affecting national economies, the business environment, technological processes, and international relations. Globalization intensifies internationalization and the standardization of economic processes while creating new forms of competitive struggle.

Enterprises (businesses) have encountered a critical requirement, which lies in the refinement of operational activities. This directly impacts the increase of operational efficiency, contributing to the sustainable development of their production systems. Only such a strategy is capable of leading to the financial success of an economic entity—especially in the period of the 2020s, which is characterized by factors of environmental instability within national and international economies.

The operational efficiency of an enterprise consists of

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achieving a positive financial result from the processes of resource expenditure, product manufacturing, and sales. In fact, the operational cycle is the core activity of any economic entity whose goal is to generate profit.

The practical role, place, and significance of operational activity within an organization lie in managing the fundamental aspects of the company's business operations. These management aspects are aimed at formulating rational managerial decisions regarding business development, coordinating various areas of the organization's operational activities, and ensuring the economic efficiency of the final results [3]

How can you improve the productivity and efficiency of your business—spending less and gaining more? This is precisely what entrepreneurs focus on when the issue of optimizing operational activities and enhancing the current business model arises. As is often the case, one question brings others that are just as compelling: What exactly should be improved, and how? What if we don't know which direction to move in next?

How do you identify what needs improvement? What are the benchmark indicators for your business? Optimization encompasses the analysis and enhancement of all aspects of operations, including processes, systems, technologies, and teams.

Before proceeding with optimization, ensure that your business has gathered all key metrics and conducted a competitor analysis. To understand what to strive for, you must answer the following question:

Are there any competitors of a specific enterprise (business) or within related industries who have already achieved the desired result?

Clearly, this is a rhetorical question meant to guide you in the right direction. The point is to identify which metrics are comparable and what you should aim for. It is necessary to select 5–10 metrics within your niche and perform an analysis of your 10 strongest competitors. This approach makes it easier to understand the performance levels that the changes we will discuss further will lead to. Key metrics might include the rental cost per square meter, if your business is service-oriented, or the prime cost of your production.

The optimization of operational activities is a key success factor for any business. It enables the improvement

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of product or service quality, the reduction of costs, and an increase in customer satisfaction. In this article, we will examine several ways to optimize operational performance.

1. Process automation

Process automation is one of the most effective ways to optimize operational activities. It allows for reducing task execution time, minimizing the number of errors, and increasing productivity. For example, automating the inventory management process reduces the time spent searching for and ordering necessary materials, while automating the production management process shortens equipment setup time and decreases the volume of defects.

This may involve implementing a CRM system in the sales department (such as amoCRM or Bitrix24), management systems (Kvant or Platrum), or accounting software (1C).

2. System improvement

System improvement is another method for optimizing operational activities. It enables the enhancement of business performance and efficiency. For instance, improving a quality management system helps reduce the number of defects and increase customer satisfaction, while enhancing a production management system allows for shorter equipment setup times and a reduction in production scrap.

3. Implementation of new technologies

Neural networks can help optimize a business's operational activities by utilizing machine learning algorithms to analyze large volumes of data and identify hidden patterns. For instance, neural networks can be used for forecasting demand for goods and services, optimizing production processes, managing inventory and logistics, analyzing financial data, and much more.

Neural networks can also be applied to optimize manufacturing processes, such as controlling robotic systems and automated production lines. This enables the business to improve product quality, shorten production cycles, and reduce manufacturing costs

4. Staff training

Staff training is a vital component of optimizing business operations, as it enhances employee qualifications and boosts productivity. This is particularly beneficial when implementing new technologies or modifying business processes.

Implementing an annual training plan for every employee in your company will inevitably lead to increased performance.

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The investment in new knowledge pays for itself, as employees bring functional new tools into the business and actively work to improve your internal processes.

Today, a pressing issue for increasing the operational efficiency of companies is the formation and development of new innovations, digital technologies, information services, and the intellectualization of business processes. These components contribute to achieving better results, creating new competitive advantages, and increasing both the labor efficiency of personnel and the productivity of equipment [4].

Within the framework of forming an economically effective operational strategy for a company, the following indicators can serve as the most important components (Fig. 1) [2; 7].

Utilization of the organization's production capacity.	Indicates the efficiency of the use of fixed assets and the need for their renewal.
Degree of workforce utilization throughout the entire operating cycle.	Reflects the effectiveness of employees' labor performance.
Compliance with customer expectations and preferences.	Serves as a basis for evaluating the company's brand value.

Figure 1
Efficiency Indicators for Organizational Operations

At present, improving companies' operational efficiency includes the development and implementation of managerial decisions aimed at introducing various digital technologies and innovations.

For example, in Azerbaijan, telecommunications operators such as Azercell, Bakcell, and Nar Mobile, as well as IT companies and integrators such as Pasha Technology, Noventiq, and iTech Group, use digital marketing channels to promote their products and enhance brand value.

Thus, integrated marketing communications make it possible to achieve consistency in managing marketing strategies for product promotion in the markets, alignment in planning marketing activities and the enterprise's brand

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strategy, as well as consistency in financing marketing activities and the company's brand strategy [9].

For some manufacturing enterprises, a key issue is the failure of suppliers and distributors to fulfill their obligations. Through the use of digital technologies and intelligent information systems such as TMS (Transportation Management System) and WMS (Warehouse Management System)—whose advantages include cost reduction, improved operational processes within management units, increased efficiency in the use of fixed assets, and enhanced workforce utilization—enterprise managers are provided with an information and analytical base that enables them to make managerial decisions.

These decisions are aimed at assessing the reliability of suppliers and monitoring their compliance with obligations related to the delivery of inventory items, as well as evaluating the reliability of clients and customers in order to ensure the collection of accounts receivable [8].

In turn, in the oil and gas sector of Azerbaijan, its digitalization enables the active use of cloud computing technologies. A competitive advantage of cloud technologies over traditional data centers is that users can reduce costs associated with computing and various operations. It also becomes possible to manage operational processes of production activities without being tied to a specific computer [6].

These information technologies make it possible to structure large volumes of diverse information and data, including those that differ significantly in their key characteristics. Subsequently, all this data and information are analyzed to identify specific trends and cause-and-effect relationships. The research results provide answers to many questions related to managing the operational processes of an organization.

In general, practice shows that approximately 8%–10% of GDP growth in the country is already achieved through the digitalization of operational management strategies in production, sales, and logistics supply [1].

Based on these technologies that enhance companies' operational efficiency, it is necessary to propose specific recommendations aimed at improving the management of production activities. This will make it possible to improve operational efficiency indicators and bring the organization to a new level of competitive sustainability. These measures

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should include:

1. Develop and implement a digital transformation strategy, in which not only managers and functionally responsible employees are involved in the processes of transformation and improvement, but also the entire workforce of the company. This is necessary to ensure that the degree of integration of digital technologies into operational processes is as high as possible, thereby increasing their efficiency.

2. Establish a service unit for the maintenance and improvement of the company's software acquired from third-party IT solution providers. Since the industrial sector consists of a wide variety of production types, each has its own specific operational characteristics. To adapt to these specifics, it is necessary to modernize the software and improve its integration with existing operational tasks.

3. Establish a centralized big data repository for the company, where cloud services are used instead of physical servers and data centers. This will make it possible to optimize capital expenditures on equipment, as well as ensure the effective use of all organizational data in managing operational activities.

Another key direction for improving companies' operational efficiency under current challenges in the development of production systems is cost management. For this purpose, the following optimization strategy algorithm should be recommended.

It should consist of several stages [5; 10]:

1. Stage One - collection of information related to the company's financial costs, followed by its systematization and classification.

2. Stage Two - processing of information and data, and identification of cause-and-effect relationships between operational efficiency indicators and financial costs.

3. Stage Three - analysis of problem areas and barriers that hinder economic growth and business scalability.

4. Stage Four - determination of the main directions for managing financial costs in order to optimize them.

5. Stage Five - development and adoption of managerial decisions aimed at optimizing financial costs.

6. Stage Six - implementation of the adopted managerial decisions for cost optimization and adjustment of the business development strategy.

In conclusion, it is important to emphasize that the

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current stage of economic system development is characterized by the creation of various digital technologies that are being implemented to improve organizational production processes. This contributes to increased operational efficiency for companies that are open to innovation and the adoption of advanced, intelligent management systems for production processes. The more successfully and effectively digital technologies are implemented in production, the higher the company's operational efficiency, elevating it to a new level of competitiveness.

Thus, the use of various technologies represents a major contemporary production challenge for companies within the economy of Azerbaijan. It is crucial to identify available financial resources and invest them in effective innovative projects capable of generating technologies and solutions that enhance the operational efficiency of economic entities.

In conclusion, optimizing operational activities is a continuous and creative process that enables improvements in business productivity and efficiency. Each improvement in key performance indicators leads to increased profitability and positively affects various aspects of operational activities, including processes, systems, technologies, and people. The implementation of these optimization approaches helps improve the quality of products or services, reduce costs, and increase customer satisfaction.

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