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DEVELOPMENT MANAGEMENT OF TERRITORIAL ECONOMIC SYSTEMS UNDER INTEGRATION AND CONVERGENCE CONDITIONS

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Abstract. The *purpose* of the paper is to define managerial approaches to activation of development of territorial economic systems under conditions of integration and convergence. *Methodology.* The study is based on generalisation and substantiation of approaches to the process of development of territorial economic systems under integration and convergence processes. The importance of developing reasonable methods, principles and functions of management, both from the side of central and local administrations, aiming to increase the efficiency of adjustment of territorial economic systems development, improvement of organizational forms in territorial management, including bordering rural territories is underlined. *Practical implications.* The need to use goal-oriented-program and value-regulatory approaches to manage development of territorial economic systems under integration and convergence is substantiated. Here, the goal-oriented-program approach provides for the use of the system of methods and principles, which will ensure the orientation of managerial activity of respective regulatory bodies at implementation of different programs and achieving the goals of development of the system taking into consideration its quantitative and qualitative changes. The value-regulatory approach will be directed at creating new (positive) values related to managerial activity within the dimension of certain rules and norms given by the respective scale of values in social development. The need in development of managerial tools ultimately basing on planning as a function of management of the territorial system's development, as well as developing plans and programs for fulfilment of perspective development of the mentioned system is substantiated. The author's view is expressed concerning the process of development management of territorial economic system, which is considered as the task-oriented process of influence on its strengthening, developing positive qualitative and quantitative changes in it, which will lead to converting such system into a brand new state due to increasing its life-sustaining activity and potential. *Value/originality.* Developing effective managerial approaches is caused by the necessity to regulate integration and convergence processes of development of territorial economic systems according to existing potential, economic and natural conditions of certain territory that will favor their balanced growth. The efficiency of management in the process of development of territorial economic systems will depend on stage wise development of managerial approaches with the use of effective managerial tools. The stage wise development of managerial approaches is based on historical, current and perspective assessment of the level of development of territorial economic system in terms of its matching to the features of integration and convergence processes, on defining outer functional preconditions and outlining the purposes of development of territorial economic system, developing plans and programs of perspective development, their implementation and managing the results.

Key words: managerial approaches, territorial economic systems, state and local executive bodies, integration, convergence, bordering rural territories.

JEL Classification: R58, P10, F15

1. Introduction

Reasonable managerial approaches are essential for solving complex problems of perspective development of territorial economic systems under conditions of intensification of integration and convergence processes. Differentiation in development of certain territorial systems causes the need in studying specific approaches

in managing them, ultimately basing on taking into consideration the potential of the territory and possibilities of its development in future.

Substantial contribution in the study of processes of managing territorial economic systems has been made by native and foreign scholars Gazuda (2014); Gerasymchuk, L. Kovalska (2010); Butko (2007), Storonyanska,

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Shultz (2013), Lall, S. Yilmaz (2001); Spilimbergo, N. Xingyuan Che (2012) and others.

2. Function of management in maintaining development of territorial economic system

Management as a function is implemented through implementation of the number of managerial actions, that is functions of management (basic functions were substantiated by Henri Fayol), in particular through planning, organizing, commanding, coordination and control, which are supplemented in the course of development with such functions of management as motivating, directing, research, assessment, decision making etc. Considering management as a function is connected with development of the structure, content of all kinds of managerial activities, including their interrelation in space and time (Porshneva, Romyanceva, Salomatyna, 1999).

Compared to functional approach to management, the process approach is determined by uniting all kinds of economic activity in one certain territorial system and is aimed at solving important problems in interrelation of each element in the system.

The development of territorial economic system is determined by managerial interrelation between the subject and the object of management in the sphere of production, exchange, allocation and consumption, which is supported with a range of additional elements of the system, as financial, institutional, regulative, informational, trading etc. At this, development management of territorial systems requires working out of reasonable methods, principles, functions of management both from the side of the state and local governments, where (Vysoczkyj O. Y., Vysoczka, Y. P. and Sharov, 2008): public administration as a kind of state activity, is determined by execution of managerial organizational influence by means of using powers of executive bodies through making for implementing and keeping the laws, execution of managerial functions with the aim to provide complex social, economic, cultural development of the state and certain territories, as well as implementing state policies in certain sectors of public life, making for execution of citizen rights and freedoms.

Timely state interference in development of those systems, the economies of which are in danger (or danger is considered as possible), should be a general objective of development management of territorial economic systems. Each of the types of development of territorial economic systems requires effective management from the side of central and local bodies, adequate selection of instruments of management and its implementation, ultimately at bordering rural territories. While considering development at an object of managing territorial economic system, regulative management means managerial influence within defined goals and objectives of management corresponding to defined priorities.

We mean development management of territorial economic system as a straightforward process of influencing

strengthening of it, providing qualitative and quantitative positive changes in it, leading to transforming of such system in the new state due increasing its sustainability and increase of its potential.

Management development of territorial economic systems under integration and convergence requires the use of goal-oriented-program approach and value-regulatory approach.

Goal-oriented-program approach provides for the use of the system of methods and principles, which presuppose directing managerial activities of certain governmental bodies at implementation of different programs and reaching development goals of the system taking into consideration quantitative and qualitative changes in it. Value-regulatory approach to development management of territorial economic systems is directed at creating new (positive) values, related to the activity within certain rules and norms given by certain scale of values (Kuzmin, 2012). Thus, certain goals are defined at the primary stage of development of territorial system, which will further determine existing rules and norms of behavior for all subjects of such system.

3. Managerial tools for maintaining effective operation of territorial economic system

Currently there are certain contradictions as to the problem of what processes of management may arise in future within structural transformations of territorial economic systems, as to the selection of methods of work, which will provide for management in such systems, and improvement of organizational forms of territorial management. These contradictions have resulted in some problems of development of territorial economic systems, in particular:

- Development disparities of certain systems, resulting in divergent processes and disintegration of common economic space of the state;
- Low specialization level of economy of the territory because of ineffective use of advantages of territorial division of labour and resource potential;
- Imperfect structure of economy of the territory, overwhelming share of primary sector as a Soviet heritage and because of imperfect allocation of productive forces.

Given the mentioned, we consider that the development management of territorial economic systems is aimed at formation of integration and convergence processes in such systems according to given potential and economic and natural conditions at certain territory, promoting their balanced development. At this, the efficiency of development management of territorial economic systems depends on stagewise development of approaches, based on the use of effective instruments of management. The stages of this managerial process are as follows: historical, current and perspective assessment of the development level of territorial economic system with respect of its correspondence with features of integration and convergence processes, defining existing conditions for functioning of the territorial

system, objectives of such functioning and development, working on plans and programs of such development, their implementing and results management.

The first stage of management is analysis and assessment of development level of territorial economic system with respect of its correspondence with features of integration and convergence processes. Such assessment provides for development level assessment of territorial economic system using the range of individual and generalized indicators; analysis of the asymmetry and convergence levels of bordering rural territories. That will allow substantiating conclusions concerning the level of integration/convergence of analyzed territories, developing measures aimed at stimulation of integration and convergence processes and deciding on the most effective directions of interterritorial integration.

The study of given conditions of operation of the system, that is assessment of the environment and factors, which are influencing the development of territorial economic system, is the another important stage of management. Vibrant development of economic processes, taking place within territorial systems, requires flexible system of management, its adapting to changeable conditions of external and internal environment.

Adapting is an essential element for providing life activity of open economic system. Therefore, not taking into consideration of this principle counters territorial economic system to vibrant external environment that will lead to systemic economic crisis in future [Goncharov, Martynov, 2014]. It has to be mentioned, that different factors are not of the similar decisive influence for all territorial systems. For example, in one territorial systems factors will have decisive influence, while for development of other territorial systems they will have minor impact. Thus, the availability of natural resources (mineral and raw materials) will decide the specialization of the economy of the territory, the structure of its economy, but for other territorial systems different factors like geopolitical location, transport infrastructure and natural conditions will have a decisive impact.

Developing plans and programs is the next stage in development management of territorial economic systems. The program of development of territorial economic systems is a complex of economic and organizational measures directed at reaching balanced development of territories. Implementing them will help to switch to integration and convergence model. Developing programs for supporting territories with low development level, working out of clear course for forming, studying, approving, financing and control of implementing programs is an important instrument for providing integration and convergence processes. Such programs will concern territories requiring financial assistance in form of direct state investments and budget transfers, provide for introduction of special regimes of investments and innovative activities for economic entities, which are implementing projects within the priority areas of economic activity of the territory. In such

case, territories have to keep to reasonable and effective approach in the use of their resource potential, stimulate their population to high-productive activity, while the state in its turn, will take control these processes and manage them in an effective way. This will allow economic subjects at certain territory to concentrate their efforts and resources ultimately at priority types of activity, which will form the "core" if integration buildup.

Plans and programs of development of territorial economic systems need to be implemented in the form of certain managerial influence. Taking into consideration the multipurpose pattern of operation of such systems, it has to be noticed, that in the course of management, a high number of objectives, which differ in parameters, time horizon, content are being set and gained. Particular managerial influence has to balance divergent guidelines, create conditions to soften "bottlenecks" and problems arising in the process of achieving objectives and organization of process for executing tasks, which were defined.

At this, the special approach is important to the development of the process of managing the results, as a system of management, which should be based on certain style of thinking and behavior oriented at reaching the expected results (Shershnyova, 2004). Defined above respective objectives are being the key results of operation and development of territorial economic system.

The mentioned process includes three stages, they are as follows: the stage for identification of results, at which orientation of the results and the system of required measures are defined for national economy, economy of territories, for people; stage of situational management, where the system of development factors of territorial system is formed and the styles, methods, technologies of management as tools of managerial activity are defined; the stage of results control providing for assessment according to directions of its implementation and working on respective conclusions.

Development of the process of management of territorial economic systems under integration and convergence conditions causes the need to select managerial tools, methods, functions of the system of management and of the system, aimed at providing their effective implementation. At this case, the effective development of territorial economic systems requires keeping to the following principles of management:

- Balance of social, economic and ecological components, which in complex will provide sustainable development of economic system. Transformational structural changes in development of the economy of the territory and the state of environment, as well as economic interests of development of the system and society should be balanced;
- Complexity, that provides for development of the optimal structure of the economic complex of territorial system, specialization of the territorial economy, increasing efficiency;
- Unity, that means integration of all economic entities and resources (elements of the system), into one economic

space of territorial system; integration of all territorial systems into the economic space of the country as a whole;

- Priority principle, according to which the provision of effective development for territorial economic system requires taking into account the priorities of development of the territory, interests of economic entities, territorial community and interests of the country as a whole;
- Versatility, providing for adequate reacting to unforeseeable endogenous changes within the operated system and exogenous changes, caused by external factors;
- Efficiency, providing for productivity in the life of territorial economic system with optimized use of its resource potential.

4. Functionality of development management of territorial economic system

Functionality of the process of managing development of territorial economic systems is determined by certain methods and functions of this process. Among the methods for management of territorial economic systems, the following must be outlined: territorial forecasting, financial, and money and credit methods.

Forecasting of development of the territories is a prognosis of the situation, which is possible in future depending on the implementation of the measures by the state authorities, efficiency of state and local management. Territorial forecasting, which is conducted on the base of historical and current analysis of development of territorial economic systems, allows to define the future level and depth of the processes of convergence and integration, activate the role of the state in development of those territories, where such processes are underdeveloped. The state bodies are able to regulate integration and convergence processes by decreasing the levels of differentiation of territorial development, allocating funds at territories, which are perspective from the point of supporting integration processes in the country as a whole.

Planning of territorial development is a complex of measures undertaken with considering resources, executors, time limits needed for the implementation of measures aiming provision of integration and convergence processes of territorial economic systems. Working out the programs of development for the territories gives them necessary targets, allows to define dominating tendencies, their place in interterritorial and international labour division. Implementation of such programs provides background for integration of the territories into a united economic space of the state, rapprochement of the levels of

their development as a pre-requisite of their convergence.

Among the economic methods for regulating development of territorial and economic systems, financial and money and credit methods are to be mentioned first. They provide for giving one-time, temporary and constant subsidies, bailouts, tax exemptions for reducing production costs of goods, services in struggling territories, aiming to allocate own investment resources and increase the attractiveness of getting them from external sources (Butko, 2013; Larina, Kisel'nikov, 1999; Artemov, 2002).

Development management of territorial economic system is characterized in the systemic way by the functions of management, i.e. respective types of managerial influence referring to all managerial structures of the region.

Planning as a function of development management of territorial economic system, consists of systematized efforts of state and local bodies of management, aimed at working out the development strategy of the territory, its formalization in form of strategic, current and operative planning documents, supporting execution of these plans. The basic conditions for planning of territorial economic systems are as follows:

- Need to provide urgent response to changes of conditions, factors, resources, which influence the development of territorial economic system by means of modelling them;
- Need in uniting resources, concentration of productions for the purpose of creating integration buildups;
- Increasing the involvement of territorial economic systems into international division of labour, internationalization of business;
- Need to decrease the territorial differentiation levels as preconditions for convergence processes.

5. Conclusions

Development management of territorial economic systems under integration and convergence processes determines the need to use goal-oriented-program and value-regulatory approaches, involvement of managerial tools of influence on processes of integration and convergence. That will allow to increase and speed-up development processes of studied economic systems, including bordering rural territories, based on taking into consideration their given natural and human potential, uniting interests and efforts of the state, local communities, empowered bodies, aiming to provide balanced development of territorial economic systems of the state and its regions.

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