Reengineering of economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development

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Abstract. The purpose of the article is to reengineer of the economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development. Methodology. The scientific works of scientists in the field of economic transformation management are the theoretical and methodological basis of the study. To achieve the purpose of the article, the following research methods were used: theoretical generalization of the directions of the public administration reform; methods of positive and normative analysis – to develop recommendations for reengineering of economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development. Results. The main development trends and the impact of transformational drivers on the state of the national economy are studied. It is proved that despite the rather high potential for the development of innovation, investment, digital technologies and small business in Ukraine, their role in ensuring effective economic transformations remains insufficiently active. The transformation of these processes into powerful drivers of economic development and transformations is a vector requires a consistent public policy and the creation of appropriate economic, legal and institutional conditions. The conceptual matrix model of economic development.

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Transformation management is substantiated. The model involves that implementation of the projects of national (regional) importance is a process which is carried out in parallel and in relation to the other processes of the socio-economic system functioning. The purpose of identifying priority areas for the transformation of the economy into individual projects is to ensure faster and more effective implementation of reforms, their transparency and controllability. The model will eliminate the problems of establishing effective communications and synchronization of actions between levels of government; allow us to use of resources (including human resources) more efficiently, to increase the level of responsibility and control at each stage of the transformation process. Practical meaning. The directions of the public administration reform that can be used by the executive branch are given. Prospects for further research. The choice of the optimal model of the economic transformation management is one of the basic conditions for ensuring the accelerated development of the economy at all levels.

**Keywords:** reengineering, management of economic processes, strategic goals, matrix structure.

JEL Classification: L86; O14; O32.

Number of references: 14; number of tables: 0; number of figures: 1; number of formulas: 0.

Reінжиніринг управління економічними трансформаціями як базова передумова реалізації стратегічних цілей розвитку країни

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Стаття надійшла: 01.05.2019
Стаття прийнята: 05.06.2019

Topchiy O. O., Voyt D. S., Prokopenko N. O., Trushlyakova A. B., Riabets D. M. Reengineering of economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development. Економічні горизонти. 2019. № 2(9). С. 78–87. DOI: 10.31499/2616-5236.2(9).2019.212852

Анотація. Метою статті є проведення реінжинірингу управління економічними трансформаціями як базової передумови реалізації стратегічних цілей розвитку країни. Методологія. Теоретичною і методологічною основою дослідження є наукові праці вчених у управлінні економічними трансформаціями. Для досягнення поставлених в роботі мети були використані такі методи дослідження: теоретичне узагальнення – напрямів реформування системи державного управління; методи позитивного і нормативного аналізу – для виро-

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блення рекомендацій з проведення реінжинірування управління економічними трансформаціями як базової передумови реалізації стратегічних цілей розвитку країни. Результати. Досліджено основні тенденції розвитку та вплив трансформаційних драйверів на стан національної економіки. Встановлено, що попри достатньо висokiй потенціал розвитку інноваційної, інвестиційної діяльності, цифрових технологій та малого бізнесу в Україні, їх роль в забезпеченні дієвих економічних трансформацій залишається недостатньо активною. Для трансформації вказаних процесів у потужні драйвери економічного розвитку та трансформації економічної системи в заданому векторі необхідна послідовна державницька політика та створення відповідних економічних, правових та інституційних умов. Обґрунтовано концептуальну матричну модель управління економічними трансформаціями, яка передбачає, що реалізація проектів національного (регіонального) значення є процесом, що здійснюється у часі паралельно та дотично до інших процесів функціонування соціально-економічних систем. Метою виділення приоритетних напрямків трансформації економіки в окремі проекти є забезпечення більш швидкої та ефективної реалізації реформ, забезпечення їх прозорості та контрольованості. Застосування моделі дозволить нівелювати проблеми щодо встановлення ефективних комунікацій та синхронізації дій між рівнями управління, ефективніше використовувати ресурси, зокрема людські, підвищить рівень відповідальності та контролю на кожному етапі трансформаційного процесу.

1. Introduction.

Modern conditions, characterized by rapid and unpredictable changes in the political, economic and social environment, require a revision of existing models and approaches to management processes in the direction of their optimization, increasing the adaptability and effectiveness of the impact on the economic transformation management of the socio-economic system in a given strategic direction.

We agree with the opinion of Y. Bondar that today “the managerial bureaucracy with its authoritarian-bureaucratic methods of management did not accept new social and political values. The copying of the Western governance model has further complicated the situation. Destructive trends in management are increasing. The growth in the number of managers is often due to incompetent people. Corruption has permeated all the governance structures; bureaucracy has become the norm for civil servants. All these circumstances have actually negated the organizational activities of public administration, led to the loss of control over many spheres of public life and the economy. The disintegration process in the economic and political spheres turned out to be long and deep. The world economy has never faced such very specific difficulties: economic, political, psychological. There is a lack of deep understanding of the objective economic laws of transition. That is why the reform process has reached a stalemate” (Bondar, 2013).

2. Literature review.


Ключові слова: реінжинірування, управління економічними процесами, стратегічні цілі, матрична структура.

Кількість джерел: 14; кількість таблиць: 0; кількість рисунків: 1; кількість формул: 0.
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V. Torkaniuk (2019), I. Kramarenko (2019) and others. However, the implementation of “The Strategy of Sustainable Development of Ukraine by 2030” requires reengineering of economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development.

3. Methodology.

The scientific works of scientists in the field of economic transformation management are the theoretical and methodological basis of the study. To achieve the purpose of the article, the following research methods were used: theoretical generalization of the directions of the public administration reform; methods of positive and normative analysis – to develop recommendations for reengineering of economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development.

4. Research objectives.

The purpose of the article is to reengineer of the economic transformation management as a basic prerequisite for implementation of the strategic goals of the country’s development.

5. Results and discussions.

In Ukraine, the process of transformation of economic systems management is carried out in the context of public administration reform at all levels, namely at the level of industries and types of economic activity, regions and territories.

O. Zakhidna, Yu. Mydlyk and Yu. Shukatka notes that “the main directions of work in terms of territorial development management should be: strengthening the revenue base of local budgets; strengthening incentives for local governments to replenish the revenue side of the budget; streamlining of basic spending powers between budget levels based on the principle of subsidiarity (bringing funding closer to the level where certain services are provided)” (Zakhidna, Mydlyk and Shukatka, 2016).

In 2016, “Public Administration Reform Strategy of Ukraine through 2021” was approved by a prescription of the Cabinet of Ministers of Ukraine (2016) in order to improve the public administration system. The Strategy defines the main goals, objectives and directions of the management system optimization at all levels in accordance with European standards of administration on the transformation of the public administration system. According to the document, the purpose of the Strategy “is to improve the public administration system and to increase the level of competitiveness of the country. The implementation of this Strategy should result in a more efficient and accountable public administration system which works in the interests of society, ensures the sustainable development of the country and provides quality services”.

Final engineering or design of public administration reform involves the construction of a qualitatively new public administration model characterized by the following indicators: transparency, flexibility, openness and accessibility for two-way communication with citizens and other economic entities based on the introduction of new technologies, including e-government. Indicators of the Strategy success are the improvement of the state’s position in the international rankings.

Important areas of public administration strategy implementation are: formation of public policy and its coordination, development of an effective, efficient and inclusive system of administrative services, high level of efficiency and transparency of public finance management, organizational structures optimization and public servants skills development. The main directions of public administration reform are shown in Fig. 1.

At the same time, the public administration reform strategy does not include the regional and territorial level, the main reform directions of which are defined in the Concept of local self-governance and territorial power reforming in Ukraine, in particular within the framework of decentralization reform.
An important principle of the strategy is the coordination of actions of all government levels based on the system of collective responsibility “state – region – territorial community – person”. At the same time, the fundamental problems of defining innovation development strategies and management models for their implementation in market conditions, the relationship and mechanisms of their interaction at the national and regional levels, are still unresolved. But at the same time it should not contradict the task of forming the market as a system. It is necessary to introduce new organizational and managerial relations, as well as innovative mechanisms of cooperation between different branches of government and entrepreneurship (Halanets and Palayda-Tys, 2019).

The basis for increasing the financial capacity of communities for the effective performance of social functions and economic growth is the economy development in the respective territories, taking into account their natural potential, existing production infrastructure and human capital. At the same time, communities have rather limited tools to ensure the accelerated development of territories at this stage and need additional powers in the field of economic policy-making.

The financial and economic aspects of the division of powers are defined only through budgetary mechanisms. The issue of empowering local and regional authorities to stimulate the development of priority industries, economic activities, investment and innovation activities of enterprises remains un-
addressed. The problem of effective economic transformation management is significantly complicated by the mismatch between economic and administrative zoning. As a result, relatively integrated economic areas, characterized by the unity of transport communication systems, infrastructure, production, technological and other connections are in administratively delimited territorial units. On condition that different approaches to taxation, administrative and legal procedures, different approaches to infrastructure development are provided, this creates obstacles to the balanced development of certain types of economic activity and territorial production clusters.

Given the course of European integration of the country, the experience of EU countries should be used to optimize the engineering of public administration based on the identification of the main directions and priorities for the management systems transformation. Attention should be paid to the following strategic directions of European policy, which affect the effectiveness of development of countries and territories and allow for transformation processes in the economies of member countries in accordance with the main vectors of sustainable development:

1. Creating a common framework for all economic conditions, i.e. key indicators of the business environment, aimed at stimulating investment and innovation activity in the region, development and efficient use of local resources, promoting employment and preserving the environment. Regulatory tools to maintain the set parameters are economic and financial levers (taxes, administrative procedures, credit and grant assistance system), as well as general principles and approaches to the formation of strategies and programs at all levels.

2. Long-term strategic vision of the goals to be achieved. The main directions of the managed transformation of the economic systems at the level of the EU countries are

the creation of the infrastructural conditions for business development and improvement of the citizens’ living standard, assistance to less developed territories to bring them closer to common standards.

3. An objective or “non-political” method of attracting and allocating resources. In other words, it must be clear how money is raised and distributed within programs or regions. This should be justified by the relevant statistics.

4. Application of co-financing (public and private) of the projects, in particular infrastructure, housing, social.

5. Stimulating the development of the economy’s industries and sectors with the use of specialized, state, public and regional funds. In the EU, the creation of specialized funds and programs that provide financial resources for the development of certain industries (for example, European Agricultural Guidance and Guarantee Fund), regions (European Regional Development Fund), spheres of economic activity and social security (Cohesion Fund, European Social Fund).

6. Development of stable budgets and coordinated programs development. The importance of the European Union’s seven-year budget for the success of regional policy cannot be overstated. This ensures the stability of investment promotion in long-term projects in line with a strategic vision that is relatively protected from the changing political environment (Directorate-General for Regional and Urban Policy, 2012).

7. Stable legal framework that establishes a wide range of rules governing the implementation of the strategy. In the EU, this is the result of an institutional architecture in which the political level, the participating countries and the European Parliament choose the legal basis while the right to select projects is delegated to the administration at national and regional levels, which is separate from the European institutional level.

8. A system of monitoring and evaluation of actions that is necessary in order to be
able to demonstrate the value created for beneficiaries and taxpayers. This requires the inclusion of technical capacity in program management, although some specific tasks, such as macroeconomic modeling, may be performed by research institutions or universities.

9. High level of the programs substantiation. The main conditions for receiving EU support are: respect for open markets in the EU (rules of competition for state aid, rules of open public procurement); respect for environmental policies and regulations; respect for the principle of equal opportunities; an approach based on partnership and democracy. In the EU, non-compliance with the conditions has often led to financial sanctions.

According to the research, one of the problems of managing economic transformations is the lack of clear coherence and connections between the state and regional government levels in the context of the effectiveness of the formation and implementation processes of a comprehensive model of economic process management at all levels, as well as a system of indicators for its evaluation.

Problems of formation of effective public administration engineering are the subject of many Ukrainian and foreign scientists’ researches. A majority of the foreign scientist studying the effectiveness of territorial management in different countries are in favor of an administration’s gradual transition from hierarchical models to matrix ones based on the design principles. In particular, Among the scientists who studied the features and directions of implementation of the project management principles in system public administration at different levels, including state, regional and municipal, we can highlight the studies of M. Stemberger, A. Kovacic and J. Jaklic (2007), N. Ahrend, K. Walser and H. Leopold (2011), M. Flieger (2013). Design principles introduction and, accordingly, the change of management engineering of the authorities allow us: to perform the set tasks quickly and efficiently, to determine responsibilities and relevant performance indicators, to avoid duplication of functions in departments and at different management levels and use digital technologies more effectively.

Ukrainian scientists also studied the introduction of project management in the system of state and regional government. In particular, V. Babaiev and V. Torkaniuk propose to introduce project management as an effective tool for achieving certain strategic goals in the system of state and regional government in Ukraine. The authors consider the concept of “project” as “organizational and technical system of clearly defined tasks, physical objects, executors, technological processes, the corresponding system of technical and organizational documentation and resources allocated for this purpose”. The phases of the project are the development of its concept and design, project implementation and its completion (Babaiev and Torkaniuk, 2019).

I. Parfonov (2014) exploring the potential application of the project approach in the system of public administration at the regional level, proposed a new model of organizational structure, the features of which are the hierarchical distribution of public management at three levels: strategic, functional and operational. At each level, there is a division of labor using a technological (project) approach, the division of tasks not on a functional basis, but technological on separate, clearly defined stages of implementation, provided with appropriate resources and with a certain time limit.

Based on the study results it is assumed that the most optimal engineering for economic transformation management, which combines levels (state, regional, territorial) and areas of economic activity is a matrix structure with elements of project management. It will eliminate the problems of establishing effective communications and synchronization of actions between levels of
government; allow us to use of resources (including human resources) more efficiently, to increase the level of responsibility and control at each stage of the transformation process.

The management of the important infrastructure projects at the EU level is organized according to the matrix principle. An example of such a project is the construction of a Single European Transport Area that involves the creation of a working group to implement, coordinate and monitor work at all stages of the project (Directorate-General for Mobility and Transport, 2011). At the same time, at certain stages, regional authorities and companies are involved in the project implementation. Project management is carried out independently, but in cooperation with governments and their specialized departments. The creation of a separate project, rather than a simple distribution of goals for its implementation and funds among the participating countries, allows us to implement the project faster, to maintain the common standards, to carry out transparent monitoring of the effectiveness, identify and eliminate problems at certain stages, to involve regional, state or supranational resources.

Matrix engineering of the public administration system involves layering on the usual linear-functional model of public administration and project management for the implementation of reform in a particular area.

Matrix engineering of the structure of economic transformation management is proposed to be introduced in order to accelerate the development of certain sectors of the economy that depend on the influence of the state and regional factors. Its implementation involves the use of a process approach. According to this approach, the project is divided into certain logically-completed work stages, containing transparent final indicators of their evaluation. A project team headed by a project manager is created to implement the project. However, at certain stages it is possible to involve specialists and companies from the different functional areas of economic activity both at the regional and territorial levels.

The characteristics of matrix engineering of economic transformation management are that there are project groups, which implement projects of accelerated development of certain spheres of economy and society to ensure the transition of the national economy to a criterion-defined model of sustainable development. The project groups operate alongside the current processes of managing the development of the state socio-economic system. As we can see from the figure, the matrix model involves that implementation of the projects of national (regional) importance is a process which is carried out in parallel and in relation to the other processes of the socio-economic system functioning. The purpose of identifying the priority areas for the transformation of the economy into individual projects is to ensure faster and more effective implementation of reforms, their transparency and controllability.

Experts in the field of public projects note that any project implemented in the coordinate system of public administration should be integrated with state and regional strategies and programs, and its implementation should contribute to the strategic development goals of the country or its territories. Thus, “the integrated approach to project management involves consistency of objectives (national, sectoral, regional, local) and the logical structure of the project; the program of resources and expenses in the context of results; the program with the organizational structure of the project executor; work schedule and monitoring; unification and coordination of all project information systems into a single system and connection of all components of project development and implementation with the personnel management system. An integrated approach makes it possible to guarantee efficiency, productivity and sustainable results throughout all phases of the project cycle; to determine the form and content of the documents that are produced at
each stage to make the necessary decisions; to use a uniform document format” (Kulinich, 2017).

Given the sustainable development goals and the main world economic and social trends, the priority areas of state and regional projects in Ukraine at the current stage of economic development should be:

1. Transport and logistics infrastructure development, which has a direct impact on increasing country’s business activity, will increase exports of services, create new jobs and favorable conditions for the development of all business areas;

2. The project for the development of agro-industrial complex, which is a basic factor in ensuring food security of the state and growth of export potential;

3. Development of digital technologies and IT business, which, according to experts, can increase potential GDP by 40% in 15 years;

4. Development of the processing industry, which will increase the level of added value, use internal resources more efficiently, create additional jobs;

5. Other projects that meet the established criteria.

Hence, at the present stage of economic transformation, the choice of the optimal model of the economic transformation management is one of the basic conditions for ensuring the accelerated development of the economy at all levels. The proposed matrix design of economic transformation management defines the conceptual principles of redistribution of tasks, responsibilities and powers in the management system, taking into account the principles of the project approach. This approach will ensure an efficient, manageable and flexible project implementation process, which is necessary to ensure the transition of the economy to a socially oriented, cost-effective and environmentally balanced model of functioning in accordance with the sustainable development goals.

6. Conclusions.

The main development trends and the impact of transformational drivers on the state of the national economy are studied. It is proved that despite the rather high potential for the development of innovation, investment, digital technologies and small business in Ukraine, their role in ensuring effective economic transformations remains insufficiently active. The transformation of these processes into powerful drivers of economic development and transformations of the economic system in a given vector requires a consistent public policy and the creation of appropriate economic, legal and institutional conditions. The conceptual matrix model of economic transformation management is substantiated. The model involves that implementation of the projects of national (regional) importance is a process which is carried out in parallel and in relation to the other processes of the socio-economic system functioning. The purpose of identifying the priority areas for the transformation of the economy into individual projects is to ensure faster and more effective implementation of reforms, their transparency and controllability. The model will eliminate the problems of establishing effective communications and synchronization of actions between levels of government; allow us to use of resources (including human resources) more efficiently, to increase the level of responsibility and control at each stage of the transformation process.

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http://eh.udpu.edu.ua № 2(9)‘2019 Економічні горизонти
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