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## THE IMPROVEMENT OF STATE REGULATION MECHANISM OF REGIONAL DEVELOPMENT DURING THE PERIOD OF ECONOMIC STAGNATION

*In the article during the process of investigation of the mechanism of state regulation of regional development in the period of economic stagnation the author proposed 4-step process of development and implementation of strategies of regional economic systems and methodical complexes, which are suitable to the tasks of each stage. Formulated scientific guidelines for the organization of operational cooperation of "center - regions" in a period of stagnation.*

**Keywords:** regional development, state regulation mechanism, economic stagnation, the interaction of the "center - regions".

**Jemeljanowa E., Udoskonalenie mechanizmu regulacji państwowej rozwoju regionalnego w okresie stagnacji gospodarczej**

*Autorka artykułu, poddając analizie mechanizmu regulacji państwowej w sferze rozwoju regionalnego w okresie stagnacji gospodarczej, zaproponowała 4-etapowy model rozwoju i realizacji strategii regionalnych systemów gospodarczych. W pracy znalazły się także wskazówki metodycznych przyporządkowane do zadań z każdego z etapów procesu. Sformułowano rekomendacje naukowo-metodyczne dotyczące organizacji i współdziałania operacyjnego na linii „centrum – regiony” w okresie spowolnienia gospodarczego.*

**Słowa kluczowe:** rozwój regionalny, mechanizm regulacji państwowej, stagnacja gospodarcza, współdziałania „centrum – regiony”

**Ємельянова Е.М. Удосконалення механізму державного регулювання регіонального розвитку в період економічної стагнації**

*У статті автором у процесі дослідження механізму державного регулювання регіонального розвитку в період економічної стагнації запропонований 4-етапний процес розробки і реалізації стратегій регіональних економічних систем та методичні комплекси, адекватні завданням кожного з етапів процесу. Сформульовано науково-методичні рекомендації з організації оперативної взаємодії «центр - регіони» в період стагнації.*

**Ключові слова:** регіональний розвиток, механізм державного регулювання, економічна стагнація, взаємодія «центр - регіони».

**Емельянова Е.Н. Усовершенствование механизма государственного регулирования регионального развития в период экономической стагнации**

*В статье автором в процессе исследования механизма государственного регулирования регионального развития в период экономической стагнации предложен 4-этапный процесс разработки и реализации стратегий региональных экономических систем и методические комплексы, адекватные задачам каждого из этапов. Сформулированы научно-методические рекомендации по организации оперативного взаимодействия «центр - регионы» в период стагнации.*

**Ключевые слова:** региональное развитие, механизм государственного регулирования, экономическая стагнация, взаимодействие «центр - регионы».

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### **Introduction**

The uncertain prospects of the global economy's development, against the background of increasing interdependence between its separate parts as a result of trade and financial integration, dictate the feasibility of strategic adjustments to the development of national and regional economic systems.

The aftermath of the recent economic crisis may be regarded as irreversible for some emerging economies, such as Mexico, Russia and Turkey, due to the fact that, in 2013–2015, a significant proportion of the shrinking volume of production was lost irreparably. Thus, the question remains open whether the countries – growth centres – are capable of propelling economic development in the event of recession in the developed countries.

According to the point of view generally accepted by the expert community, any near-term recovery of the global economy would be either limited or unsustainable, i.e. U or W-shaped. The key reason lies in the side effects of the credit crunch, as well as in reducing the causes of the recession solely to the optimisation of financial instruments, while ignoring the issues of limits to the efficiency of economic processes, imbalances between production and consumption, and growing social inequality. In this context, the need arises for rethinking of administration strategy both at the level of the national economy as a whole and at the level of regional economic systems.

The projected global economic stagnation must be adequately addressed when shaping and implementing the mechanisms of government economic regulation.

Regional dynamics, their nature and current status remain in the focus of continuous research by Ukrainian scientists and experts, mostly due to the high level of differentiation between Ukrainian regions and the growing regional disproportions. S. Bila, A. Vlasjuk, V. Vorotin, Ya. Zhalilo, O. Shevchenko, V. Zhuk, M. Kushnir, and L. Fedulova devoted their works to this issue. However, given the expected stagnation in the global economic system, adjustments are required to the existing conceptual approaches and methodological support applied in the regional development under favourable environment, which motivated the choice of this research topic.

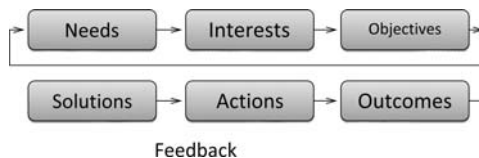
### Statement of research objectives

Suggest, with regard to the nature of the strategic administration process, improvements to the mechanism of government regulation of regional development during economic stagnation and establishment of prompt interaction between the centre and regions during the period of stagnation.

### Results

The State and a system of its bodies, as the entity of governance and governed objects, do not exist in the society all by themselves, and if they do, their rationality and efficiency are quite low. It is only through their interaction that they generate development factors and make it possible for people to address their problems. The mechanism proposed below would embody such interaction.

The social mechanism behind the establishment and implementation of state administration is understood as the aggregate of and the logical interrelation between social components, processes and patterns, whereby a subject of state administration (or components thereof) ‘captures’ the society’s needs, interests or objectives related to controlling actions, formalises them in its administrative decisions or actions and, relying on state authority, implements them in practice. In other words, this is a mechanism behind social ‘saturation’ (filling) of state administration that, through the use of this mechanism’s potential, acquires the desired conditionality, validity, and efficiency (Fig. 1).



**Fig. 1.** Social mechanism behind the establishment and implementation of state administration

In this sense, social mechanism not only draws attention to the legal, functional or organisational patterns and procedures for the establishment and im-

plementation of state administration (which many legal scholars often restrict themselves to), but also dictates the need to determine, for each administrative phenomenon, in conjunction with, based on and together with them, its social function, social role and values in social movement. Unless this mechanism and evaluation of each of its components are given due regard, awareness of state administration phenomena may sometimes assume a purely perfunctory character.

The existence and development, content and forms, areas and essence of improvements to state administration, all its other aspects and manifestations are determined by the objective needs of society to coordinate actions and behaviour of people in a purposeful, organising, governing and imperative manner, to ensure interrelations and alignment between numerous active groups. The necessity of and deep interest shared by every individual, group, community of people in the establishment, maintenance of and improvements in the regular and rational relations with other individuals, groups, communities, their concern for orderly conduct of the affairs of public importance, for scientifically valid course of manufacturing, scientific and technological, spiritual and other processes generate a synthesised or, one might say, a universal need for administration in general and state administration in particular.

Our research, with regard to the nature of the strategic administration process, has established that the state administration mechanism for regional development during economic stagnation, from its planning to implementation, keeps in line with the process of strategic state administration and represents distinctive 'feedback' between the process of implementing the strategy of socio-economic development and the status of its administered objects, i.e. a regional economic system and the national economic system considered in the context of its ability to meet the needs for the society's survival and development (Fig. 2). Here, these objects' key systemic characteristics to be preserved in the administration process include sustainability, integrity (as self-sufficiency and emergence) and adaptivity. Objectives of the mechanism have been worded within the terminology of system approach and evolutionary economics that form the basis for cognitive modelling of economic system development during stagnation.

Conceptual support for sustainability, integrity, and adaptivity of a regional economic system in the stagnation environment is carried out at the first stage of the process of state regulation of regional development during economic stagnation, called 'definition of strategic objectives in regional development'. This stage is implemented using analytical techniques of strategic analysis and forecast.

The second stage, i.e. 'coordination of development objectives between a regional economic system and the national economic system', intended to pro-

vide conceptual support for the national economic system’s integrity and for the co-evolution of a regional economic system during their strategic development, is implemented by applying the technologies of systems analysis and objective-based management techniques to the strategic planning process. According to these approaches and techniques, not only should objectives in the development of parts not contradict those of the development of the whole, but should also ensure the system emergence and integrity through their high coherence.

The third stage entails the implementation of the regional economic system strategies and involves achievement of the first-stage objectives in practice. To accomplish it, methods and technologies to ensure security (food, energy security) are applied; clustering is developed; the share of organic and network structures is increased at the expense of hierarchical and vertical ones.

The fourth stage involves the achievement of the tasks set at the second stage of the process (Fig. 2).

Process stage	1. Definition of strategic objectives in regional development	2. Harmonisation of regional and national economic system strategies	3. Implementation of regional economic system strategy	4. Prompt interaction between the centre and regions during implementation of regional and national economic system
Responsible authorities and structures	Regional authorities, consulting companies, local self-government representatives	think tanks under Ukraine’s National Security Council, National Institute for Strategic Studies or other analytical centres, Cabinet of Ministers	Regional authorities	Cabinet of Ministers, government authorities with special status
Objective of the stage	conceptual support for the RES sustainability, integrity, and adaptivity in the stagnation environment	conceptual support for the NES integrity and for the RES co-evolution during their strategic development	achievement of Stage 1 objectives in practice	achievement of Stage 2 objectives in practice
Methodological support	analytical techniques of strategic analysis and forecast	systems analysis, objective-based management techniques	methods and technologies to ensure security (food, energy security); development of clustering; increased share of organic and network structures	business process re-engineering techniques, data exchange techniques, ‘fast’ monitoring technologies

Fig. 2. Improvements to the mechanism of government regulation of regional development during economic stagnation

It involves setting up prompt interaction along the 'centre to regions' lines in the process of implementing regional economic system and national economic system strategies. To implement it, application of business process re-engineering techniques, data exchange techniques, 'fast' monitoring technologies is suggested. ('Fast' monitoring technologies imply the application of the black box concept and evaluation of the incoming and outgoing integral characteristics of the given economic system's functioning).

To implement the expert and analytical functions defined for each stage of the functioning process in the mechanism of government regulation of regional development during economic stagnation, it would be advisable to set up a number of think tanks grouped according to the network principle. Application of CALS technologies would be most appropriate to coordinate activities of such think tanks.

CALS (Continuous Acquisition and Life-cycle Support) technologies represent modern approach to the design and manufacture of high-tech science-based products, which involves application of computer technology and state-of-the-art information technologies to all stages of product life-cycle, providing uniform ways of process control and interaction between all participants in the cycle, such as product customers, suppliers/manufacturers, field and maintenance personnel, implemented in compliance with international standards governing such interaction, primarily through electronic data interchange [1].

It is important to note that the CALS acronym has been around since the mid-1980s. However, its meaning has changed significantly since then. Currently, CALS refers to Computer Acquisition and Life-cycle Support, a strategy to improve systematically the efficiency, productivity and profitability of business processes through the introduction of modern communication techniques among all participants to the process of manufacture, marketing and post-production support of the product.

In this research, the development strategy for a regional economic system and the national economic system, along with recommendations for effective operation of the mechanism of government regulation of regional development during economic stagnation serve as a 'product' of space-distributed think tanks' activities. Application of CALS technologies provides data integration and coordinated think tank activities, as well as accelerates the entire process by simultaneously performing parallel functions (e.g., analysis of the national economic system's potential and forecast of the global economy dynamics).

Thus, the process of strategic state administration in the field of economy requires harmonisation between development objectives for the national economy as a whole and a regional economic system as its component. This process

requires coordinated efforts by the legislative and executive branches of the government, as well as not only the involvement of advisory bodies as generators of administrative decisions, but also making use of the available analytical and expert potential.

Periodic feedback along the 'centre to regions' line is implemented through the application of business process re-engineering technologies and advanced IT technologies.

Currently, as part of the process approach to management, a process-based management model for organisations has emerged, which implies perceiving an organisation as a set of processes. Transition to this management model is achieved by applying the Business Process Re-engineering (BPR) technology.

According to the definition given by M. Hammer, re-engineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed. [2].

When this approach is applied to the company management, it offers the following results:

- a shift from functional departments to process teams;
- changes in employees' functions, from simple to multidimensional;
- changes in the requirements imposed on employees, from monitored completion of prescribed tasks to independent decision-making;
- changes in the requirements for employee skills, from training to education;
- changes in the performance assessment and remuneration, from the activities-based to the results-based assessment;
- changes in the advancement criteria, from those based on ability to those based on performance;
- changes in the employee's mission, from meeting the needs of superiors to meeting those of the customers;
- changes in managers' roles, from controlling to coaching;
- changes in the company's corporate structure, from hierarchical to more flat;
- changes in administrative functions, from secretarial to leading [2, pp. 55–59].

Consequently, the business process re-engineering represents the technology to develop an organisation by setting new parameters for its operation. In this event, the management system also undergoes significant changes that are most visible in this example of organisational chart (Fig. 3).

Thus, the traditional hierarchical company structure has managers at various levels, with customer-serving employees located at the hierarchy's foundation. Customers find themselves essentially at the bottom of the structure. In a

new company, customers are not at the bottom, but at the side of the company, as if they were equal partners; the employees who interact directly with customers are process operators; mid-level managers are team leaders in charge of the relevant processes (process leaders) [2]. Changes in the structure of organisation cause transformation in the management system's controls.

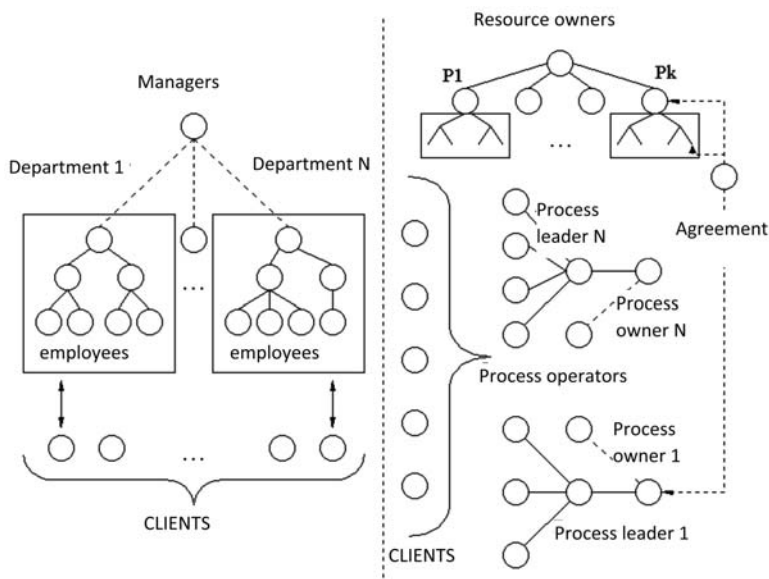


Fig. 3. Old (left) and new (right) company structure [2, p. 61]

On the whole, the business process re-engineering technology has delivered a new fundamental basis for the implementation of the process approach.

The introduction of the process owner was conditioned by the need to collect information in order to implement monitoring of region status (determine the economic cycle phase of a regional economic system), to control key points in its movement towards the development strategy implementation, to analyse and evaluate deviations in the achievement of strategic objectives, and identify reasons for such deviations.

#### Real-time data interchange technologies

Ensuring the required feedback periodicity in the course of interactions along the 'centre to regions' line may be achieved through the application of modern data exchange technologies that allow both accumulation and analysis of large volumes of data in real time.



## **Conclusions**

Following the research of the mechanism of government regulation of regional development during economic stagnation, a four-stage process has been suggested for the development and implementation of regional economic system strategies, along with methodological sets appropriate for the tasks to be addressed at each stage.

It is reasoned that the key systemic characteristics of regional and national economic systems to be preserved in the strategic administration process should include sustainability, integrity (as self-sufficiency and emergence) and adaptivity.

Scientific and procedural guidelines have been formulated to set up prompt interaction between the centre and regions during the period of stagnation. Ensuring the feedback periodicity in the course of interactions along the 'centre to regions' line is achieved through the application of business process re-engineering and advanced IT technologies, including data exchange technologies that allow both accumulation and analysis of large volumes of data in real time, as well as CALS technologies.

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