

POTENTIAL OF STRATEGIC DEVELOPMENT OF REGIONAL ECONOMY

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Potential of economic and organizational regional strategic development consists of: a) regional productive forces, b) configurative structural component (includes organizational potential in terms of its forms and structural elements), and c) organizational processes (contain strategic management actions to introduce modern organizational forms). Components are: management potential, potential of trust, educational, productive, nature, innovative, human potential, potential of form and process. Principles are: conceptuality, empathy, utility and variety.

Keywords: *regional development, strategy, strategic regional management, strategic potential, components of strategic potential, principles of strategic potential.*

Introduction. Modern economic life is characterized by a wide range of features, among which the most significant is increased competition both among enterprises and at the regional level. The competitive struggle of territorial economic systems for resources is intensified by financial crises, demographic problems, and political challenges and others. The success of the region in economic competition is due to new management mechanisms that allow to activate internal potential and take advantage of the benefits that globalization provides.

Among such mechanisms, the leading role is played by the strategic management of the regional economy, making it possible to anticipate not only situational opportunities and threats, but also anticipate long-term trends and adapt the potential of the region to possible changes, and transfer management into a strategic direction.

In this regard, the potential of the regional economy as a set of obvious and hidden opportunities for the development of the territorial system becomes an object of strategic purpose, an independent actor in the formation of strategic competitive advantages.

The economic potential of regional economy as a dynamic system in modern conditions requires constant updating of the terminological interpretation and systematization of its components, which determines the relevance of this study.

Review of publications. The scientific analysis of the essence of potential is in the focus of attention of researchers, as evidenced by numerous publications. So, in the paper by Moshak S. (Мoшaк С.) and his colleagues. potential is considered as a source of competitiveness of the regional economy, while it is emphasized that „the potential for competitiveness is a set of abilities of an economic entity that are the result of the experience of previous functioning, as well as opportunities that will ensure the uniqueness of certain positions of an economic entity in the future” [8].

The strategic potential of collaboration between regions and countries is describes by Paresashvili N., Abashishvili A., which declare that „the Neighbourhood Policy aims to support the process to close political, economic and cultural interrelationships between the EU and neighbour states, and through these means the EU promotes the spread of democracy, stability and welfare around its borders” [4].

Abesadze N., Parasashvili N. investigate the influence of human resources on the potential of development in Georgia and suppose that „nowadays inefficient employment of Georgian population is a main obstacle for socio-economic development, regulation of trade agreement and formation civilized labour market of the country” [1].

There is the opinion, which is offered in our previous papers, that the Triumvirate of culture, economy and tourism ‘constitute the organizational, spiritual and material foundation for the development of the regional economy and especially its human component” [2].

Slovak researchers Krošláková M., Kubičková V and others consider that the main factor of strategic development is innovative high growth business, gazelles, „as an important subgroup of HGE, make up only approximately 0.5%-1% of all newly established companies with 10 or more employees and with a growth higher than 20% [3].

At the same time the system content of potential of strategic development is not researched in sufficient measure.

Results. The formation and implementation of competitive regional advantages necessitates capacity management based on the created and adopted regional development strategy, which is the core of longtime regional management.

Regional strategies applied in the process of functioning of the potential for raising the regional economy are divided into active and passive. Active strategies include those that are aimed at creating competitive advantages, while passive ones are limited to the tasks of using existing competitive advantages.

We understand the organizational and economic potential of the region's strategic development as a set of opportunities, abilities and mechanisms for conducting economic activity aimed at achieving the strategic goal of regional development and aggregating resources, forms of conducting economic activity and processes of its activation in a single impulse.

Organizational and economic potential is the basis for the implementation of the strategy; and, depending on the combination of potential opportunities and the adopted strategy, regional development options are possible.

In this context, organizational and economic potential of strategic development consists on: a) regional productive forces, b) configurative structural component (includes organizational potential in terms of its forms and structural elements), and c) organizational processes (contain strategic management actions to introduce modern organizational forms).

The component-subject structure of organizational and economic potential is the set of elements that are necessary for the formation of competitive advantages in modern business condition. These components are: management potential, potential of trust, educational potential, productive and nature potentials, innovative potential, human potential, potential of form and process.

The management potential contains the possibility of applying modern methods of regional management, as well as forms of organization and management of business in the region.

The potential of trust makes it possible to increase the effectiveness of strategic development by reducing transaction costs.

The educational potential allows the formation of a specific set of competencies necessary for work in turbulence and strategic development. The potential of education offers a collection of ideas that have the prospect of turning into innovations. The production potential provides the volumes of products necessary to meet the needs of the region. The natural potential creates the conditions for efficient production, and requires the consideration of environmental factors in the strategic development of the regional economy.

Innovation and investment potential ensures the transformation of innovations into innovations and the possibilities of their production. Human potential plays a decisive function in regional strategic development, ensures the quality functioning of all components of the organizational and economic potential. The potential of the configuration and the organizational process is a combination of forces that coordinate interactions and relationships, the mutual influence of the elements of the economic potential on the strategic development of the region.

The imperatives of the purposeful and effective functioning of the mechanisms for enhancing the organizational and economic potential of the development of the regional economy are follows (fig.1):

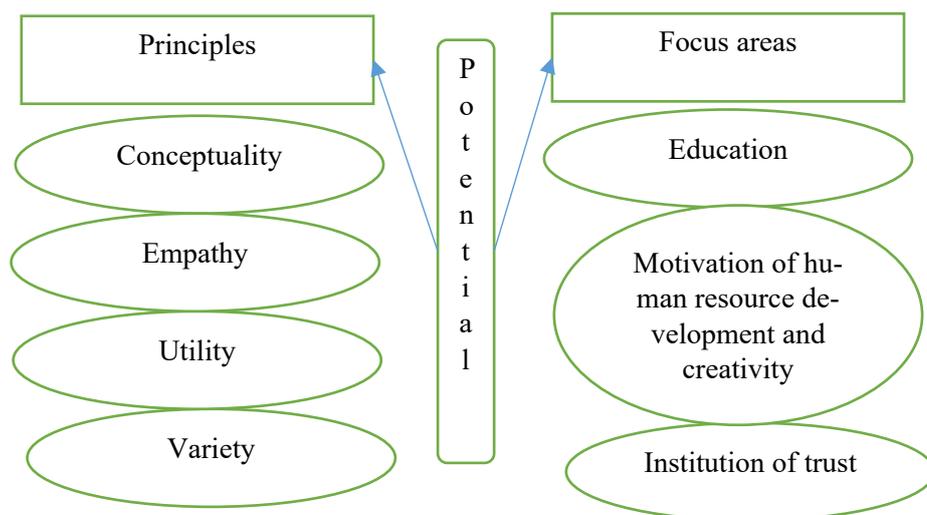


Fig.1. Principles and focus areas of strategic regional potential (created by authors)

1. Conceptuality – the development is based on a clearly formed vision of the prospects for the functioning of the region.

2. Empathy as a principle is the ability of regional management to feel, predict the future state of the economic system and its organizational and economic potential, obtained as a result of managerial decisions. Empathy is presented in this study as the ability to "Display" the state of a managed system by the system that governs.

3. Utility as a practical orientation. The development should not be aimed only at building certain ideal models, but should have a concrete practical result.

4. Variety. The mechanisms involved in the development process should cover various areas and management methods.

These principles are implemented due to the following conditions:

- Providing economic preferences to enterprises belonging to the circle of strategic regional actors, ensure regional competitiveness and human development. In this case, they act as locomotives for strengthening the socio-economic potential and its labor elements.

- Information support, creation of a monitoring consulting center, which will provide information to existing and potential investors, etc.

- Implementation of strategic management, which primarily involves the definition of a vision, a concept for the development of a region, development of a strategy and justification of its implementation.

To implement the principles of the effective operation of mechanisms for the development of the organizational and economic potential of the region, we can name the following areas (fig.1):

- Transformation of regional higher education institutions into competitive educational institutions that provide a system of continuing education and accumulate world experience in the development of the human potential of the region.

- The development and implementation of a motivation system for creative-innovative activity as such a type of activity forms the creative class as the personnel base of a competitive regional society.

- Promotion of the institution of trust on the basis of educational, cultural, educational or other regional events, which will significantly reduce transaction costs in the region and ensure the creation of economic competitive advantages.

Organizational and economic potential interacts with the regional development strategy, allows to highlight the following combinations: active strategy and active development potential of the forward region; active strategy and passive potential – development is ambitious, but organizational and economic are not justified; passive strategy and active potential – irrational development when the existing potential is not used properly (regional management does not match the capabilities and capabilities of the regional economy); passive strategy, passive potential if development happens, the region takes advantage of existing advantages, does not create new opportunities and prospects.

The processes taking place within the framework of the organizational and economic potential of regional development in this study are considered from two perspectives.

Firstly, these are the processes of transforming of resources coming from the external environment and depending on the action, called „acquisitive” and „dissipative”. An acquisitive process involves the accumulation and consumption of wealth in the region and in the elements of its organizational and economic potential. This term is also used „to refer to a group of processes that convert the energy of resources entering the processor from an external environment, relative to the process, into results that contribute to the development of a regional system. Dissipative processes are the processes of dissipating the energy of resources coming from the external environment and, thus, inhibiting the development of the regional system, since energy dissipation leads to attenuation of the movement, loss of resources, the formation of dissipative structures that limit the flow and even the complete cessation of „acquisitive” processes “[7].

It should be noted that dissipative processes under their control can play a positive role in the development of organizational and economic potential. It seems, „that the barriers to regional development, as well as stagnation caused by dissipative processes, contribute to increasing the resistance of the regional system due to the “ mutations ” of acquisitive processes.

Mutations of acquisitive processes in a regional system occur on the basis of a structural change in its resource potential, resource processing operations, and increased process efficiency. Thus, dissipative processes lead to a qualitative improvement in acquisitive processes, which, in turn, contributes to the development of the regional system. ” [7].

The acquisitive processes taken into account in the process of modeling the development of organizational and economic potential cover:

1. Foreign investments with which innovative management and innovative culture come to the region.

2. The processes of labor migration, contributing to the mastery of new technologies and improving the quality of human potential in the region. As Paresashvilia N. confirms „the priority of the state must be realized by means of such active actions, as professional training, employment and rehabilitation program for the unemployed and economically passive citizens depending on social aid. Therefore, it is necessary to break down

the cycle of the dependence of the citizens on the incomes gained through the state support and thoroughly engage the citizens in fruitful labor. The primary target group will be those with a long record of unemployment consequently losing the potential of being employed. Underdeveloped united structure or information system of the labor market and underemployment of a great part of the economically active population was also identified" [5].

3. Scientific exchanges that form new knowledge and contribute to the creation and practical implementation of innovations.

Examples of dissipative processes, the course of which is possible within the framework of organizational and economic potential and which increase the resistance of the regional economy to crisis phenomena, include the following. Firstly, the active influence of foreign universities on the student community of Transcarpathia with the aim of organizing their outflow from Ukraine and student migration to European countries. These processes weaken the human potential of Transcarpathia, but at the same time intensify the work of internal regional institutions for the formation of the labor potential of the region (higher school, family, state support for youth, etc.).

At the same time, with the right regional policy, the majority of students who have studied abroad will return to their region, which ultimately will improve the quality of the region's human potential. In addition, it is impossible not to attribute a predatory attitude to the forests of Transcarpathia to the dissipative process, which represent the wealth of not only the region, but the whole country.

On the other hand, in the process of modeling the organizational and economic potential, it is advisable to consider business processes as a set and sequence of interrelated measures, actions, works aimed at creating a specific product for consumers.

In the theory of process management, the basics of which should be taken into account when forming a model of the organizational and economic potential of the strategic development of the regional economy, there are three types of business processes that, in our opinion, are more correctly called organizational and economic processes: managing, operational and supporting.

Management processes include current and strategic management of organizational and economic potential. The current realities of economic development necessitate increased attention to the management processes of the innovative component of strategic potential, especially the intellectual property of economic entities. This is emphasized in the works of Sobolieva T. and others who consider that *„despite the fact that the study of organizational determinants in the open innovation collaborative projects is an area of increased interest for both academics and practitioners of innovation management a modern understanding of these aspects at the enterprise level remains incomplete and needs further research. The IP (intellectual property – author) management involves the implementation of the key managerial functions, such as developing a strategy and planning measures for the protection and commercialization of intellectual property, organizing activities to create conditions for their implementation, creating a supportive innovation culture and encouraging innovative climate, audit and monitoring the implementation of the IP management strategy”* [6].

Operational processes are aimed on production of goods and services in the region. The formation of competitive advantages of the regional economy necessitates the intensification of operational processes in the field of information and innovation economies. It is innovations that have turned into innovations that provide not only new goods and services, but also fill supporting regional processes with new content.

The supporting process proposed in this study is considered one that ensures the production of goods and services and creates an internal regional product. In the process of modeling the organizational and economic potential of the strategic development of the regional economy under the conditions of applying the cluster form of business organization where operational business processes together constitute the regional operational process, it is rather difficult to clearly define it.

Moreover, the content of the process is determined to a considerable extent by the type of model of innovative activity that can be adopted in the region and at its enterprises: open or closed. With an open model, the regional economy and its innovative players actively attract intellectual ideas and resources from the external environment. With a closed model, a „broth” is created in the region that forms sprouts and creates the conditions for the generation of ideas within the region.

The above points regarding processes as an integral part of the strategic potential of development also confirm the role of the strategy as a glass potential and all actions aimed at its implementation. Management, operational and supporting processes are intertwined into one, inextricable, mutually supportive

Management depends on the content of operational processes, and supporting processes depend entirely on a) management strategies and tactics implemented in the management process and b) content and tasks of operational processes.

The individual, separate stages of the regional operational process overlap, transforming from a linear model to an interactive one. Regional operational processes include supply, production and sales. In the theory of business processes, marketing is also an operational one. In this study, we consider it appropriate to attrib-

ute marketing in the third group to supporting processes due to its main function – to support the demand for goods and services of a regional business.

The circle of supporting processes includes those that contribute to the effective functioning of operational processes and ensure the effective functioning of the organizational and economic potential of the region. The main regional processes are presented in Fig.2.

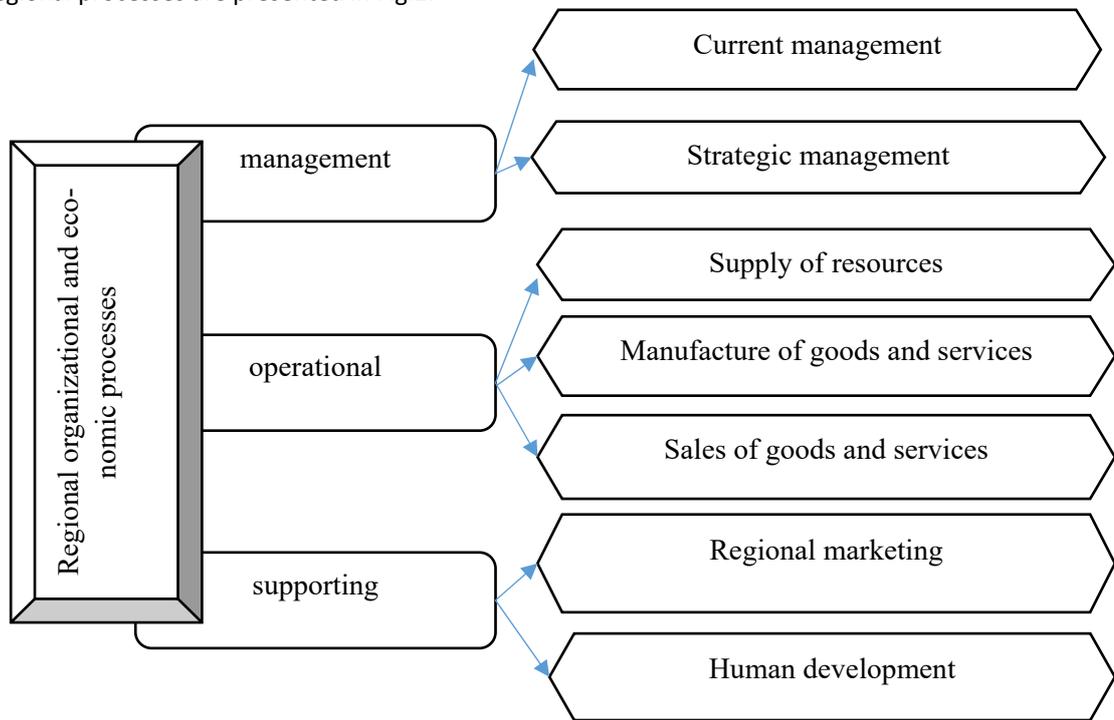


Fig. 2. Regional processes occurring during the functioning of the organizational and economic potential of strategic regional development (created by authors)

The processes indicated above in the figure can be acquisitive or dissipative in different situations and with different strategies for the development of the region. Thus, the innovative orientation of the strategic potential can attract creative work in the region, but at the same time, with its oversupply and lowering the level of cost of innovative labor, the advantages achieved in the region may decrease, which is more related to the quality of the current tactical management of the region and its development.

The second condition for the different influence of these processes on the results of the development of the region is globalization, which involves the active movement of capital and labor around the world, depending on their pricing environment and the political and economic interests of transnational corporations.

The next condition is the economic efficiency of the processes. Each process is carried out in time (and time is the most expensive resource, since it does not resume), space (requires territory and spatial organization), intellectual, financial and other resources. The region will be competitive, ensuring its development, subject to the effective, rational use of all resources involved in ongoing processes.

The strategic potential of the region's economic development, aimed at creating competitive advantages, in modern conditions cannot be considered without regard to the natural, environmental content. As noted above, the nature of the compound fills the strategic potential. At the same time, on the other hand, the strategic potential aimed at the future should provide appropriate living conditions for future generations, the conditions of blooming nature and its harmony with society. « At present, econology is developing more and more actively – a direction based on an ecological and economic approach to regional development, which begins in Eastern Europe. Moreover, increasingly based directions are not only taking into account the "environmental" component, but also considering it as an organic part of the whole in the context of the co-evolution of society and nature» [9]. All this allows us to assert that the natural-climatic component in the context of the strategic development of the regional economy serves not only as one of the types of potential, but also as a development goal that determines economic, social, cultural, ethical and other development parameters. At the same time, when economic goals conflict with environmental requirements, strategic management uses additional mechanism, for example, cultural and ethical tools should be put in place, the action of which is aimed at harmonizing interests and overcoming conflicts.

Conclusion. At the end it is emphasized the following. The combined efforts of the various regional development actors and their potential, whose strategic goals are coordinated and which consider co-operation effective, provide significant benefits for the whole region in competitiveness with other territorial economic systems. The advantages of strategic orientation of formation and realization of development potential are the

following:

- rationalization of production processes;
- harmonization of market relations between the region and its actors;
- improving the efficiency of economic activity in the region;
- reduction of the risk level of innovative innovations;
- concentration of capital for innovations;
- increasing the flexibility of economic activity and making economic decisions;
- Increase in value added created in the region.

The strategic development of the regional economy is determined by its organizational and economic potential. The organizational and economic potential of strategic development is a systemic unity and interaction of regional productive forces, configurational, structural and process-organizational elements that ensure the sustainable development of the region, the formation of its key competitive advantages and the implementation of the regional development strategy.

The imperatives of the purposeful and effective functioning of the organizational and economic potential of the development of the regional economy are as follows: 1. Conceptuality – the development is based on a clearly formed vision of the prospects for the functioning of the region; 2. Empathy as a principle is the ability of regional management to feel, predict the future state of the economic system and its organizational and economic potential, obtained as a result of managerial decisions; 3. Utility as a practical orientation. 4. Variety of various areas and management methods.

The conditions in terms of which the principles of strategic potential will be realized are the following: a) economic preferences to the strategic actors of the regional economy, b) information support, c) implementation of strategic management.

The areas to create a potential of strategic regional development: regional higher education institutions must be converted into competitive educational institutions that provide a system of continuing education and accumulate world experience in the development of the human potential of the region; motivation system (sphere of management) for creative-innovative activity as such a type of activity forms the creative class; trust as an institutional and cultural basis of development.

Regional processes play the mostly important role in strategic regional potential. They can be acquisitive or dissipative in different situations, depends on: regional strategy, globalization, culture of efficiency in region.

As a part of potential regional processes are determined by strategy of the regional development and tactic of present economic actions.

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