

Organizational mechanism for regional service economy management

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Abstract: The article informatively describes service economy and ascertains the goals which, if solved, can make for its formation with the use of regional potential available. The authors substantiate that this process is reasonable to be carried out by using a system approach. This approach stipulates a strategy with a concrete content and implementation mechanism. The article presents the most important components of the organizational mechanism for regional service economy management, the author's interpretation of general and subsidiary principles for strategic territorial management and the functions of regional management.

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Introduction

The transformation of regional economy causes an objective need to find new approaches and methods for territorial management in order to improve region's competitiveness and people's life. The key goal of regional management can look like this: the social and economic development of a region with service economy as a strategic guideline for the territory [1].

In this connection, it is important to ascertain the main components of the organizational mechanism for regional service economy management. This mechanism makes for the effective structure reorganization of regional economy aimed at strengthening its service direction with maximum service potential involved. Besides, it is important to create conditions for the effective transformation of economic relations. The implementation of the above mentioned mechanism demands the specification of management principles and functions.

Findings

Service is a special kind of activity aimed at the satisfaction of customer's needs by doing work some people, social groups or institutions call for. At present, service is not just a separate field but a brand new format for the interaction with customers by customer-focused approaches, new economic relations and kinds of activity everywhere in different economy sectors beginning with the real sector and ending with domestic services. In the 20th century service became a large-scale sphere of human activity. More than 70% of industrially developed countries are now the members of world service market. The regularities of service need to be analyzed in details; otherwise it will be impossible to make it meet contemporary requirements [2].

The fact that service industry consolidated

its role and importance in modern world is characterized as a process of service distribution not only in economy but in society at large. The formation and development of economy is accompanied by the following phenomena and processes:

- Macroeconomic indicators change: the unit weight of services rises in the Gross Domestic Product (or the Gross Regional Product); the number of service economic entities and jobs in service industry increase; the volume of capital and investments in this sphere grows; the share of expenses for services in the budget of domestic economies, etc.;

- Service develops in material production, and service is considered an essential part of it and the necessity for its effective work [3].

We can name the following characteristics of service economy:

- The development of subsidiary services and processes which promote the effectiveness of material production;
- The ability of an enterprise to interact with customers promptly;
- Flexibility, adaptability, high-speed decisions, active marketing and logistics;
- Dynamic business connections between service suppliers and customers;
- The development of cooperation and interaction with rivals for a fuller satisfaction of customers' needs [4].

Consequently, it is necessary to solve a complex of interconnected problems in order to reach the goal:

- to increase the volume, diversity and quality of services in a region;
- to enlarge the share of service in the Gross Regional Product;

- to provide the wide accessibility and easy purchase of services by creating an opportunity for territorial deployment of service enterprises closely to the customers;

- to create new service products based on modern resource-saving technologies which increase the final result for customers;

- to make services accessible for different groups of customers depending on the whole demand for certain kinds of services in this area, the level of income, etc.;

- to form a culture of service and to ensure its high quality [1].

System approach is the basic one for these problems. It sets the structure of strategy with a concrete content and implementation mechanism. Regional development under the distribution of service needs an individual approach both in strategy determination for the service economy of a certain region and in choosing economic-organizing forms, tools and methods for managing necessary changes [5].

Management is based on the regulation of ties between different territories which undergo external influence and develop their own impulses influencing the economic system. The functional problems of territories are caused by the most active part of management system – management mechanisms. These mechanisms influence the factors that determine the performance of managed object. Thus one should constantly correct the order and tools of economic-organizing relations [6].

Today, the social and economic development of the country is influenced by three main factors: the market one – from the viewpoint of expansion into the world market; the competitive one – as the main condition for the improvement of people's life quality; and the industrial one – as the complete reorientation of production organization [7]. If we want these factors to influence country's development in the most favourable way, it is necessary to take into account their influence not only at the national level but also from the viewpoint of certain territories (at the regional level).

While analyzing modern trends and problems of regional development, one can make a general conclusion: in some leading regions there is an evident concentration of all types of resources. As a result, disproportions arise in the level and rate of development among certain territories. Statistic researches confirm this: 80% Russian regions are subsidized today; the difference between regions in producing and consuming per head is up to 40 times (the most well-to-do region is Moscow; the poorest one is Ingushetia).

Management aimed at the stable

development of certain territories is now becoming the main goal. If reached, it will help the country to increase its competitiveness in the global society [8].

The efficiency of regional management is in a great measure connected with several principles. In particular, the authors corrected the existing general principles of regional management considering service economy. They include:

- *priority* (the determination of priority strategic lines for the development of a region in the context of changing environment and service potential);

- *compliance* (the reflection of the main lines of service-oriented activity in regulatory instruments at the regional level – strategic, program and other ones);

- “*growing points*” (the determination of key development vectors for the service economy of a region aimed at stimulation and support);

- *result-oriented management* (management by objectives as the basic tool for regional management in contemporary conditions);

- *interference* (the consolidation and development of intersectorial and interregional ties);

- *indicative principle* (unified appraisal indicators for the efficiency of regional service development strategy);

- *monitoring and control* (regular monitoring of how the target indicators of service economy in a region change).

Besides, the authors present subsidiary principles used in regional strategic management for the completeness and soundness of strategic reorganization in the service-oriented development of a region (Figure 1) [9].

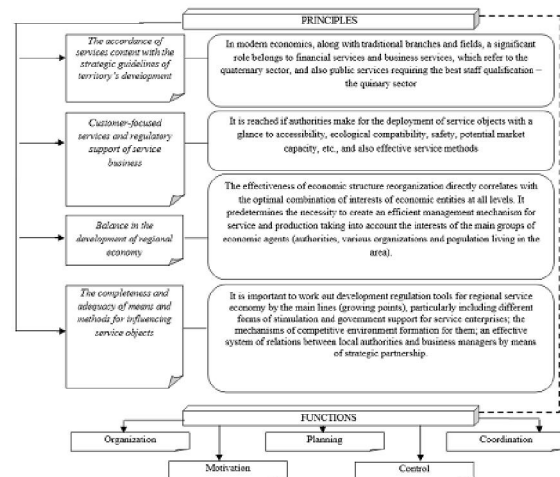


Figure 1. The elements of the organizational mechanism for regional service economy management

Management functions are one more important element of the organizational economic mechanism for regional service economy management. Their traditional interpretation also needs to be corrected in the context of service economy which looks the following way in the author's version [10]:

- organization: the reorganization of regional economy aimed at the maximal use of service potential;

- planning: the substantiation and correction of socio-economic development strategy for a region; the creation of programs for regional development with a glance to the basic indicators of service economy;

- coordination: balancing the development of different spheres and fields in regional economy including new service zones;

- motivation: creating the conditions for economic entities to develop differentiated innovative service everywhere;

- control: the regional monitoring of service strategy implementation and results.

Conclusion

So, in the author's opinion, the essential transformations and structure reorganization of regional economy in service direction cause the impartial necessity to establish, first of all, the strategic management in order to reach the effective results. The latter thought seems to be a kind of basis for the future efficient management of new regional economy. The strategic planning of regional development enters a new stage which presupposes the interconnection and accordance of federal, regional, interregional and intersectorial development priorities and makes it possible to build a mechanism for the effective use of resources both in production and in service. Territorial strategic planning has an important social and political function and promotes social integration and the improvement of socio-economic ties between all the residents and economic entities of a territory.

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