

THE FUNCTIONING OF THE SYSTEM OF INNOVATIONAL MANAGEMENT  
IN UTILITIES SECTOR OF ECONOMY

*Directions of innovative management of public utilities are proposed. The main task of management of communal property in the state is defined.*

*Keywords: public administration, objectives, innovative development, mechanism reform.*

**Костерін В. А. Функціонування системи інноваційного управління комунальним господарством**

*Визначено напрями інноваційного управління у сфері комунального господарства. Визначено основні завдання управління комунальним майном в державі.*

*Ключові слова: державне управління, завдання, інноваційний розвиток, механізм, реформування.*

**Костерин В. А. Функционирование системы инновационного управления коммунальным хозяйством**

*Определены направления инновационного управления в сфере коммунального хозяйства. Определены основные задачи управления коммунальным имуществом в государстве.*

*Ключевые слова: государственное управление, задача, инновационное развитие, механизм, реформирования.*

**Introduction**

Utility's sector of economy holds a special place among the industries that make up areas of economic systems. In the works of most scientists utility's sector of economy is being studied as part of those industries, which are providing remunerated services or in conjunction with housing branch of economy [1, 2]. This approach is traditional and it is based on common features, which are common for both housing and communal services. However, in our opinion, it is somewhat misleading, because the municipal economy has features that allow it to be separated from housing and other industries and to be considered as one particular branch of territorial economic complex.

**Analysis of recent research**

The problems of ways to reform housing and communal services were studied by well-known domestic and foreign scientists: A. G. Alshevskiyh, A. I. Bezlyudov, A. Blohnin, B. V. Burkynskyy, A. Butenko, J. Galbraith, T. Thunderbird, N. Kostecki, L. K. Polezhayev, A. Raykov, V. S. Romeyko, E. E. Rumyantsev, A. N. Ryahovska, F. G. Tahi-Zade, L. Shalabay. However, many issues still remain vague at the present stage.

**Statement of research objectives**

– to identify areas of innovation in management of the field of public utilities sector of economy;

– to identify key issues in management of municipal property of the state.

**Results**

The problems of innovative management in housing units are becoming more relevant in connection with the implementation of a state policy regarding an introduction of innovative mechanisms in the development and promotion of scientific and technical progress in this sector, which found its reflection in such laws: the law of Ukraine «About the management of the objects of state property» [3], «On financial leasing» [4], «On agreements of production sharing» [5], «On the wholestate reform program in the sphere of the development of utilities sector of economy in 2009-2014 years» [6], the resolution of the Cabinet of Ministers from 17.10.2008 «On approving the regulations on purchase of goods and services by the means of public funds». According to these and other laws, innovative approach in the development of utilities sector of economy is of a high priority and an important task. This process is accompanied by further transformations in the system of regional and local authorities, which are aimed at solving the problem of their efficiency in operation. Also market mechanisms are being implemented in the process of running the municipal (communal) formations, which justify the specific features of budget services.

An effective management in communal area consists of managerial innovations from the perspective of the effectiveness of resource management from a side of companies which are a part of state or municipal property for the matter of providing high efficiency of their activities. It assumes a high level of education of state and municipal (public) employees, developed legislative regulations, methodological and methodical accomplishments, the transparency of technologies being used in their activities, a variety of forms for registration of public opinion, a positive image of government and enterprises, etc. The role of a resource management in this sense will solve many problems in the organizational and economic development of local public entities.

If state and regional levels of management currently have theoretical and legal framework of functioning, the municipal management is being under development, both in theoretical and practical matters. Moreover, scientific and theoretical process of conceptual and methodological foundations of the effectiveness of municipal management significantly lags behind the practical process.

Today the theory of municipal management is based on known basics of the general management theory, the theory of state governance, and at the stage of formation.

Problems of an effective functioning of the utilities sector of economics are set before all by administrative and budgetary reforms, as well as the reform of local self-government. The practical absence of methodological, legal, informational, methodological and other types of ensuring of the process of municipal (communal) management in the terms of reforms led to the novelty and complexity of the problems, shown in this paper.

In the works of scholars practically there are no questions, which are devoted to the complex study of the nature and the prospects for innovation in the management of public services in the region. Existing studies tend to consider some separate problems of the formation of the budgetary resources and operation of public utilities. Almost raw in evaluation remains the problem of the judgment of the resultativity in management of public utilities, because its solution requires the specification of theoretical and methodological bases of research of the results in the management of these resources, the analysis of the strategic conditions of improving the quality of housing of local population and the actual dynamics

performance of the level dynamics, organizational development and economic mechanism for solving these problems.

Currently in unsuccessful attempts to reform municipal sphere of economy lies a resultless application of the basics of classical and neo-classical theory, which involves the analysis and implementation of reforms and development of programs with isolation from social, political, psychological and other factors development. Rethinking approaches, methods and principles for the reformation and development of public utilities should go next to the fundamental study in this area. Thus, one of most prominent approaches is the use of an institutional concept, which will give us a possibility to provide a more objective assessment of the socio-economic and production processes that occur in public services. These limitations began to emerge in the analysis of individual behavior and interaction between people at different levels, inaccurate forecasts, which reflected an increase in dissatisfaction with the result. The use of institutional analysis allows more accurate assessment of the economic processes taking place in the society by not only economic but also social, political, psychological and other factors of development.

An application of the institutional approach for the solving of problems gives a possibility to identify special features of the communal forms of management as an independent object of study in the management area, is particular residential units in the region. Features of utilities as socio-economic systems are resulting from the specificity and mode of public management, since they are objects of this management. The main feature is that the population acts simultaneously as the target, object and the subject of management, therefore, a person is the main local resource that is tied to a particular place, that's why the local community and elected by it organs of state power (municipality) is an organization primarily of a social nature, which pursues non-profit purposes and managing it is far more difficult because of the global dependence of the municipal (local) power on the will and interests of the population and a big quantity of simultaneously solved problems. This area of management, unlike public management, is using mainly methods of partnership and corporate participation leaving the methods of coercion aside.

Today an effective management of any system should be used and based on the knowledge of

the basic laws of functioning and development of an organization. These laws include the law of composition, the law of proportionality, the law of the least, the law of synergy, the law of the conregularity, the law of the unity of analysis and synthesis, the law of self-preservation.

Principles and approaches for an objective regulation of natural monopolies such as enterprises of water and drainage, gas and heat-ing supply are derived from the essence of the functioning of these enterprises. Complete absence of market mechanisms in their activities with an objective necessity requires the presence of the relevant regulators from the side of the state in the areas such as normalization (establishment and compliance with standards and regulations), pricing, the policy of the antimonopoly and competitive development. Low levels of state and municipal management, unacknowledgement with the laws and mechanisms of strategic management have led to a systemic crisis in public services.

Thus, the failure of the principle of composition have led to the chaotic operation of public utilities, which is expressed in disagreement and disunity of the goals, objectives, executives and managers at all levels in accordance with a management hierarchy. Failure to comply with the principle of compositionality is manifested in the duplication of functions and processes (jobs) in the system of municipal utilities. Thus, housing complexes of the oblast' and regional entities are controlled directly as state departments of regional, district administrations and executive committees of village, town, city, district and regional councils headed by the mayor. Overlapping of the functions, decision-making and implementation processes have led to the disunity in most municipal systems.

In these circumstances as urgent become problems of management of the subsystem in resource ensuring of collective utilities (legal, methodological, resource, informational) and the effective functioning of the managing subsystem, which components include personnel management, development of managerial decision, coordination of the development of projects in the sphere of public utilities. All this requires the development of new approaches and mechanisms for the administration of territorial resources in order to support the innovative development in the sphere of public utilities. According to a systematic approach, the process can not be competitive if the subsystem of resource

supply is ineffective. First of all, the problem of the management of resource development affects competitive relations in this sphere, meaning that the process of municipal resources shall be a subject of competitive relations.

At the present the problem of an effective resource management is mainly investigated with respect of resource potential of the country, but the modern Ukrainian conditions require a separate and more wide research at the regional level, which is caused by a number of circumstances:

First, territorial entities are forced to seek new revenue sources of socio-economic development. Second, reforming the state and municipal administration puts the question of increasing the effectiveness of housing and communal economy. Thirdly, the resolution of these questions determines the resource availability of the powers of local government in a budget reformtion. Fourth, giving the economy the nature of innovation is an essential condition for improving the quality of life.

So, along with deepening and systematizing of research on resource management subsystem at the regional level, it is relevant to the study the problem at the municipal (local) level. Municipalities are trying to compensate the gap between resource opportunities of municipal (public) entities and obligations imposed on them by the state bodies by finding not only additional financial resources, but also by the means of the search of innovational technologies in management of financial resources of municipal (local) communities. In this context the reform towards greater organizational and economic independence of local authorities must become the factor that will balance financial relations in this sphere.

Currently, violations in the management of local resources can be explained not only by the lack of local budgets, but also the lack of appropriate legal documents or ignoring them in the activities of local government, lack of qualified personnel, and especially not sufficiently high level of theoretical and methodological evaluation of the effectiveness in local resource management. Both science and practice show that the standard of living of a nation and its well-being depend on a systematic approach to the management and efficiency of management, meaning the scientific and educational resource, which is the main component of innovativeness of the economy. Today, more and more value is created by intangible assets and intellectual capital.

In this regard, for innovative development of certain municipal utilities (municipal) entities it is essential to apply new approaches and principles aimed at the active use of innovation and new technologies in the municipal area. In the conditions of reformation of the state municipal management there is a need to develop effective approaches towards evaluating the effectiveness of resource management of municipalities. This fact makes it actual to study the whole complex of issues that involve resource management of municipal formations, particularly in the development of a resource management in the context of methodological and systematic approach in evaluating the effectiveness of management. Innovations in the field of housing and communal complex, namely in the administrative and management unit (as a subsystem of local authorities) are not quite clear not only in municipal management, but also in other types of business entity ownership.

These objective circumstances require the formation of innovative resource management in state utilities area, the assessment of effectiveness of its functioning, the specification of the conceptual apparatus for the realization of this management system.

The operation of the system of innovation management in the sphere of state utilities involves: the establishment of management objectives, the introduction of new organizational forms of production and management of enterprises, the formation of an ordered system of management functions, the formation of indicators for evaluating the effectiveness of management, the development of methodological approaches towards the performance of management, the development and implementation of ministerial and regional target programs, the introduction of monitoring studies on the results of management;

According to the municipal development strategy, based on innovation and using the method of program-target planning the system of so called «tree goals» is being formed together with the objectives in achieving the main goal. Adequate resources should be allocated for each of the functions (tasks), which in turn should be a subject of continuous monitoring. The goals and benchmarks of performance in the various areas of public utilities will look the following way. The general objective of utilities is based on the innovational basis of improving the quality of life. This goal in turn implies to an improving of the usage of economic resources in public services.

According to the key objective of the first level of the «tree», one of the most important purposes one of the main goals of the second level (subsystem) of public utilities is to ensure the effective utilization of economic resources with the aim to maintain high rates of economic development of the municipal complexes.

The objectives of the third and next level or the effective use of the economic resources are represented as follows:

1. The efficient use of natural resources that are in the territory of a state.
2. The effective use of fixed and current assets, which are municipally owned.

It is essential to build appropriate organizational structure taking into account the institutional approach while implementing the strategic goals of the management subsystem.

According to the goal which is set regarding the development of state utilities the new organizational forms of management of utilities should be implemented. They will ensure the consolidation of the interests of the population, business and local government on many fundamental issues of social and economic development of territorial entities and will void the duplication of functions and consequently irresponsibility. In order to implement the goals and objectives one should clearly define the set of functions, and they must be tied directly to the responsibility of local authorities.

### **Conclusions**

Thus, in the basis of reforming the municipal utilities lies an unsuccessful application of the basics of both classical and neoclassical theory, which involve the analysis and implementation of reforms and applications development in isolation from social, political, psychological and other factors. There is also the lack of effective system of management in the context of complete ignorance of basic laws, approaches and principles of operation and development of the organization.

The specialities of the communal enterprises as socio-economic systems, arising from the specificity and mode of communal governance and being the objects of this management, have been established. The main feature is that the population acts simultaneously as the target object and the subject of management, therefore, a person is the main local resource that is tied to a particular place, because the municipality is an organization of a primarily social character, which pursues non-profit goals and managing it is much harder because of the global dependence of the municipi-



pal (local) power on the will and interests of the population and many problems being simultaneously solved.

It is necessary to introduce the new organizational forms of management in the sphere of state utilities that will ensure the consolidation of the interests of the population, business and local government on many important issues of socio-economic development of territorial entities and will void the duplication of functions resulting

irresponsibility. In order to implement the goals and objectives one should clearly define the set of functions, and they must be tied directly to the responsibility of local authorities and people responsible for the implementation. For the establishment of the promising directions for further research it is logically to include the process of development of new organizational forms in the functioning of utility's sphere of economy with regional structures taking into account.

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