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FINANCIAL MECHANISM OF PUBLIC-PRIVATE PARTNERSHIP: A REVIEW OF THE CONCEPT OF PROCESS AND NORMATIVE APPROACHES

The article covers the conceptual principles of the development of process and normative approaches. Given that the process approach is based on the concept of «process», its role in the activities of the subjects of economic relations is determined. It is proved that achieving the desired result of functioning of the financial mechanism of public-private partnership provides a normative approach. The advantages of the normative approach, which include: the target orientation of the investigated mechanism, methodical simplicity and sufficient technological development of standards, are outlined. It is concluded that the choice of methodological approaches depends on the effectiveness of building a certain model of the financial mechanism of public-private partnership, which should take into account cost optimization, efficient and high-quality provision of services to society.

Keywords: financial mechanism, public-private partnership, process approach, normative approach, socio-economic results.

Formulation of the problem. In modern science, there are many methodological approaches that contribute to various scientific research. At the same time, the priority task is to choose the rational ones, for which it is necessary to adhere to the following requirements: to take into account the goals and objectives of scientific research; use several approaches complementing each other, which will allow us to comprehensively explore the object of research and find out the consequences of the impact of economic factors on it. Therefore, the study of process and normative approaches, in particular, in the sphere of building partnerships between the state and business entities, is relevant.

Actual scientific researches and issues analysis. The importance of application in the scientific research of methodological approaches is proved by economists. Thus, the essence of the process approach was revealed in his writings: L. Basovsky, I. Borisenko, E. Deming, N. Dikan, G. Emerson, A. Fayol, G. Ford, D. Juran, M. Porter, F. Taylor, V. Shuhart and normative – J. Anderson, B. Jenkins, B. Lomov, J. March, J. Olsen, G. Simon and many others. However, in the scientific literature, issues regarding the use of process and normative approaches in shaping the financial mechanism of public-private partnership are not sufficiently studied.

Target setting. The purpose of the research is to consider the conceptual foundations of the development of process and normative approaches, as well as to substantiate the need for their application in the process of building a certain model of financial mechanism of public-private partnership.

Presentation of the main research material. An objective study of the performance of a particular model of the financial mechanism of public-private partnership (hereinafter – PPP) requires the use of a process approach. He arose in the late 60's of the twentieth century and is the methodological basis of the general theory of processes and process theories, in particular, the process management theory. Its founder is considered representatives of the school of administrative management – G. Emerson, A. Fayol, G. Ford, F. Taylor¹. They suggested using procedural approaches to carry out activities in accordance with the objectives, obtaining maximum benefits through the use of available resources. In this case, the specific control functions that are independent of each other are distinguished, and on the basis of which the rational structure of the organization should be determined.

Further evolution of the process approach is associated with the development of practical methods that enable balance between inter-functional processes, oriented to achieve the necessary results and

¹ Файоль, А. (1923). *Общее и промышленное управление*. Москва: Центральный институт труда. Файоль, А., Эмерсон, Г., Тейлор, Ф., Форд, Г. (1992). *Управление – это наука и искусство*. Москва: Дело. Тейлор, Ф. У. (1991). *Принципы научного менеджмента*. Москва: Контроллинг.

continuous improvement. The ideas concerning the continuous improvement of processes were developed in his writings by E. Deming¹, D. Juran², V. Shukhart³. On the basis of their achievements, the concept of quality management has evolved, therefore, in the majority of cases, the process approach is associated with quality management.

Modern understanding of the process approach for the first time in 1985 was proposed by M. Porter in substantiating the theory of competitive advantages in the form of a chain of value creation as a sequence of strategically important activities⁴. According to the scientist, such an approach involves the allocation of a system of processes, around which should be organized activities at all levels of management.

His followers were such scholars as L. Basovsky, I. Borisenko, N. Dykan⁵. They view management as a process – a sequence of continuous interrelated actions called management functions (planning, organization, motivation and control).

The process approach is based on the concept of «process». Scientists believe that, firstly, the process – is a dynamic change in the system in time, and secondly, the result of the process should be the result that represents the value for the consumer⁶. Thus, all processes in the activities of subjects of economic relations are necessary to achieve the planned tasks and obtain the expected results. Each process is characterized by its inputs, applied methods and tools, as well as performance indicators at the outputs.

The process approach considers the model of a financial mechanism as a set of interconnected, continuous operations, procedures and operations that convert inputs (financial resources, flows of information, etc.) into outputs (socio-economic outcomes). Very often the output of one process is an input for another (Fig. 1).

The use of the process approach in constructing a model of a financial mechanism is based on the following methodological principles: the interconnection of processes; the purposefulness of processes (the purpose of the process and the focus on achieving the desired socio-economic outcomes); continuous improvement of processes (definition of a list of indicators characterizing the process and its results for further change and improvement); responsibility for the implementation of processes by the partners of the partnership.

Thus, due to the process approach, an effective, rational and effective model of the financial mechanism of public-private partnership can be created. Its use makes it possible to determine the ways of improving and qualitative modification of the model of the investigated mechanism in a practical plane.

The choice of a specific model of the PPP financial mechanism and achieving the desired result of its functioning is ensured by a normative approach. In carrying out a methodological study of the term «normative», B. Lomov defined it from the standpoint of mathematical modeling in the following way: «As in any study, initially – based on the available in the science of the theoretical positions and specific data – formulated the hypothesis to be verified. According to it, some ideal model is constructed which corresponds to the hypothesis. Such a model usually acts as normative. It does not reflect what actually happens when a process unfolds, and what should happen if some source (hypothetical) position is taken, with the normative model referring to some idealized object: it is «cleared» from the particulars⁷. And further: «This type of mathematical modeling is most popular among economists who usually follow the idea of «rational person», always calculate the best options and want to maximally satisfy their needs⁸».

¹ Deming, W. E. (1982). *Quality, productivity, and competitive position*. Cambridge, MA: Massachusetts Institute of Technology, Center for Advanced Engineering Study.

² Джуран, Дж. (2004). *Якість в історії цивілізації. Еволюція, тенденції і перспективи управління якістю*. Москва: Стандарти і якість.

³ Shewhart, W. (1939; 1986). *Statistical Method from the Viewpoint of Quality Control*. New York: Dover Publ.

⁴ Портер, М.Э. (2005). *Конкуренция*. Москва: Вильямс.

⁵ Басовський, Л. (2007). *Управління якістю: учеб. посіб.* Москва: ИНФРА, 25. Дикань, Н., Борисенко, І. (2008). *Менеджмент: навч. посіб.* Київ: Знання, 53.

⁶ Репин, В. В. (2013). *Бизнес-процессы. Моделирование, внедрение, управление*. Москва: Манн, Иванов и Фербер; Елиферов, В.Г., Репин, В.В. (2005). *Бизнес-процессы: регламентация и управление*. Москва: ИНФРА-М.

⁷ Ломов, Б. Ф. (1981). Математика и психология в изучении процессов принятия решений. *Нормативные и дескриптивные модели принятия решений*. Москва: Наука, 8-9.

⁸ Там само.

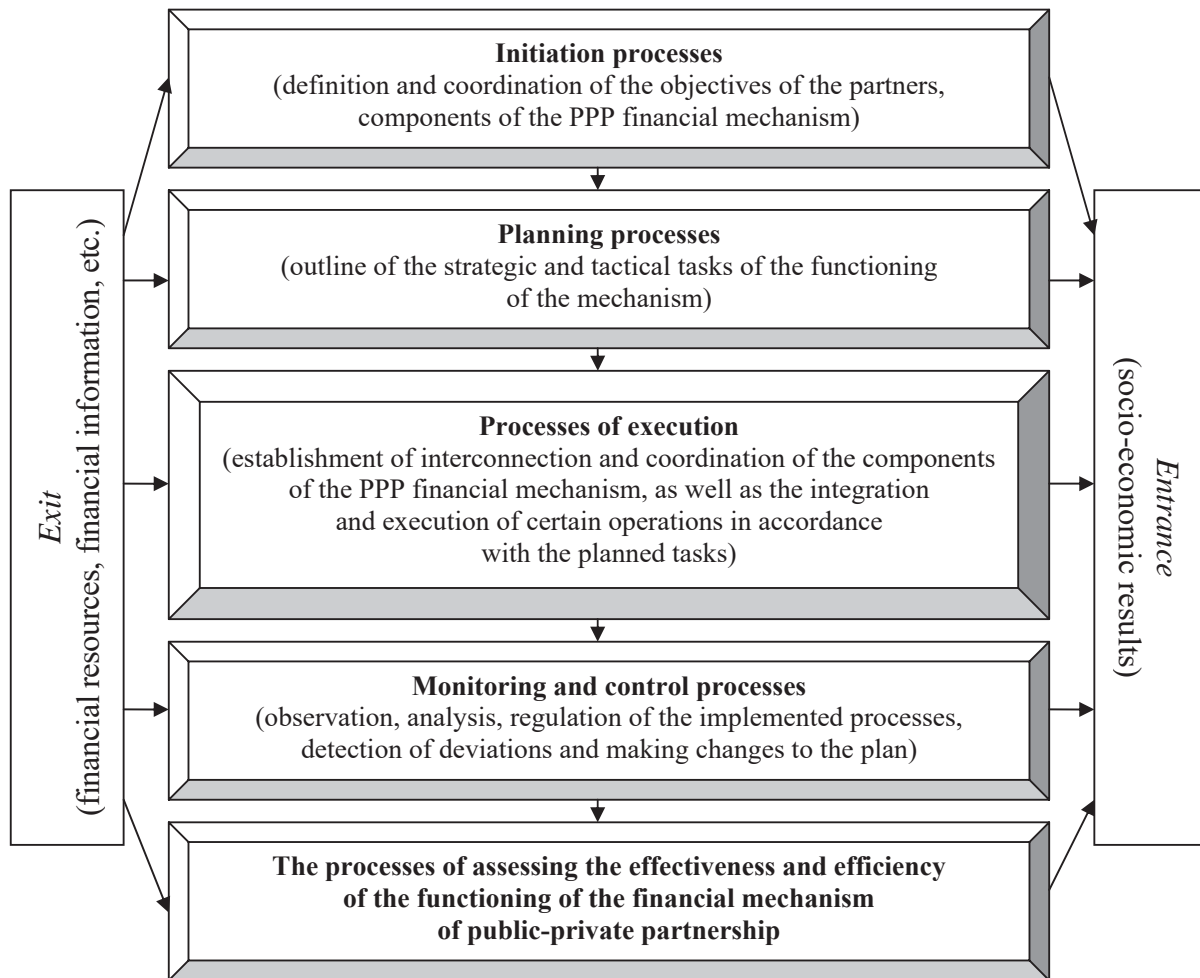


Fig. 1. Process approach to building a model of financial mechanism of public-private partnership

Built by the author

In addition, this approach, including such theoretical developments as the concept of limited rationality (G. Simon), the concept of the dynamic cycle (J. Anderson, B. Jenkins), the concept of institutional institutionalism (J. March, J. Olsen), examines the process of adoption financial decisions as a set of rationally determined procedures, a certain sequence of actions, which determines the optimal choice of a particular alternative. Thus, the supporters of the normative approach proceed from the fact that the subject of economic activity is able to objectively and comprehensively assess the situation, analyze the decisions taken and predict their consequences in the short and long term.

The application of this approach in our research makes it possible to rationalize and optimize the process of making financial decisions by the partners, to determine the evaluation indicators and criteria of the financial mechanism functioning, to make mathematical calculations of the benefits and costs of alternative options regarding the choice of a particular model of the indicated mechanism.

Normative approach involves the use of certain standards. In the broad sense, the norm is an indicator characterizing the desired state of the operation of an object. Thus, within the framework of this approach, a system of indicators is developed that characterize the establishment of the goals of functioning of the financial mechanism of public-private partnership. They serve as target benchmarks or imperatives required for the implementation of the PPP. Due to this approach, deviations of the object from the standard are determined according to certain indicators (norms).

Normative approach is to establish standards for all components of the PPP financial mechanism. This makes it possible to increase the effectiveness of its operation. At the same time, these standards

must meet the requirements of complexity, efficiency, validity, prospects for application in scale and time.

Advantages of the normative approach are the target orientation of the investigated mechanism, the objective possibility of exercising control over the achieved socio-economic results, methodical simplicity and sufficient manufacturability of the development of norms that are characteristic of the corresponding model of the financial mechanism of the PPP. The disadvantages include the fact that the norm is considered as a subjectively desirable indicator of obtaining the planned results by participants in public-private partnership. In addition, due to the influence of various environmental factors, standards are constantly changing, which reduces the value of this approach.

The considered approach allows to complexly form and distribute all kinds of resources in accordance with the established norms, to carry out the current control over their use, to evaluate the effectiveness of the functioning of the PPP financial mechanism, to timely correct and make the necessary changes.

Conclusions. Thus, the effectiveness of constructing a particular model of the financial mechanism of public-private partnership depends on the choice of methodological approaches, which should take into account cost optimization, efficient and high-quality provision of services to society, rational distribution of various types of risks between the partners of the partnership and the profit from joint activities. Therefore, the choice of one or another model depends on: first, the degree of the need for such cooperation on the part of state authorities; secondly, the perfection of the legislative framework and the degree of its readiness to implement the partnership relations between the state and business; thirdly, the financial capabilities of the state; fourthly, the investment climate that has been formed in the country and other factors.

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