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IMPROVEMENT OF ORGANIZATIONAL AND ECONOMIC MECHANISM OF CULTURAL SERVICES MANAGEMENT

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Abstract

The service sector is one of the most promising and rapidly developing ones in the economy, as it is the sector that saw faster development of multi-levelled economic relations and economic entities that provide the population with not only a wide range of services but also work places. Cultural services have been changing now and that underlies transition from prescriptive management to flexible regulation of cultural processes, decentralized management that is as democratic as possible and active participation of the population in considering the most important issues of public life. Public-private partnership (PPP) is a new and effective way to attract investments into the sphere of cultural services. Such partnerships can contribute to economic growth and effective development of the socio-cultural sphere by combining resources and experience of each party while carrying out socially significant projects in the interests of society as well. In order to attract investors to cultural investment projects under the PPP scheme the state can stimulate investors (preferential taxation, subsidies, subventions, direct compensation of investment costs, etc.). The authors propose a scheme of an organizational and economic mechanism that contributes to higher cultural services efficiency. It is worked out a scientific algorithm for complex evaluation of effective development variants of regional foundation for cultural programs and projects (RFCPiP), with dichotomous programming method applied and specific features relevant to the sphere of culture considered. The algorithm proposed enables to determine the optimal scenario for RFCPiP development at different levels of socio-economic development of the region.

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Keywords: Public-private partnership, culture, project management, public relations.



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1. Introduction

Culture determines the level of civilized development of the state, its economy, science, technology, and politics. Culture not only spend resources but also reproduce them indirectly as it is one of the branches of the national economy.

2. Problem Statement

The economic mechanism of organizations that provide cultural services based on the system of budget financing and authoritarian management is not able currently to provide favourable conditions for the development of cultural life, constructive interaction of plural independent participants of cultural activity. The model of market economy only does meet public interests, requirements and expectations in regard with culture activities.

3. Research Questions

Organizational and economic forms, methods and management mechanisms that combine elements of market and non-market regulation is necessary, with indisputable public status of culture maintained.

4. Purpose of the Study

The study aims to improve the organizational and economic model of public-private organizations (that provide cultural services) management mechanism.

5. Research Methods

The study involved the following research methods: system, logical, factor, and graphic.

6. Findings

Today, culture has been showing higher interaction with other spheres of social activity and regulation and mainly with the economic one and the market in all variety of its manifestations (Absalyamov, Absalyamova, & Absalyamov, 2015). Therefore, administrative bodies should provide conditions so that interests of many different participants of culture processes – various groups of the population, self-organizing groups, creative teams and their associations, cultural organizations and their employees, social movements, commercial and non-profit organizations – were combined and implemented (Oppio & Torrieri, 2016; Wojewnik-Filipkowska & Węgrzyn, 2019).

Multiple financial relations and independence (full or partial) of economic entities against legal support of market economy base cultural organizations effective activities (Sidorov, 2010; Ventura, Cassalia, & Della Spina, 2016).

The authors worked out organizational and economic mechanism for cultural services management. The entities (Foundations, Centres) that carry out their activities within public-private (mixed) financing should be the primary element of the mechanism.

While performing such organizations (mainly charitable or public ones) bring together representatives of state authorities and private businesses, creative organizations, and other entities interested in order to develop programs and projects, with they being a sort of organizational platforms and providing conditions for interaction between various subjects of the regional cultural space (Javed, Lam, & Chan, 2014; Kulikova, 2012).

Foreign experience shows foundations (charitable organizations) to have a number of benefits:

- companies or individuals that established a foundation are entitled with considerable tax preferences (Korobova, 2014);
- possibility to accumulate funds from various sources and allocate them to those competent in the relevant field (Oppio & Torrieri, 2016);
- the financial and legal competence and professionalism of the Fund's employees contributes to successful implementation of socially significant programs and projects;
- the foundation's resources are protected by the tax law and they are the property of the foundation.

Intermediary state and public organizational structures established at the regional and municipal levels in the field of culture are various organizations that perform certain functions of public administration, but do not have the status of executive authorities (On objects of cultural heritage..., 2002). The crucial functions of such non-profit organizations (foundations, associations, centres) with certain powers given to them by the state should be-coordinating organizational activities and distribution of financial resources including those provided by the state for the development of the cultural sphere (On non-profit organizations..., 1996).

Domestic experience and that of the countries with developed market economies show that the state budget as a source of funding for culture is a necessary but insufficient component (Vorotnikov, 2010). They have a wide variety of sources and forms of financing and channels of resources distribution (Kostoglodova, 2012). The practice of financing the cultural sphere from various sources is widely used in economically developed countries where the financial relations of national and local authorities are based on the model of counter subsidies. National funds are allocated only in response to local budget subsidies or sponsorship funds to increase interests of local authorities in supporting culture.

The model of the public-private mechanism presented (Figure 1) is based on project technology with a variable coefficient of cultural organizations funding. In this case, the financing task is of cost allocation ones.

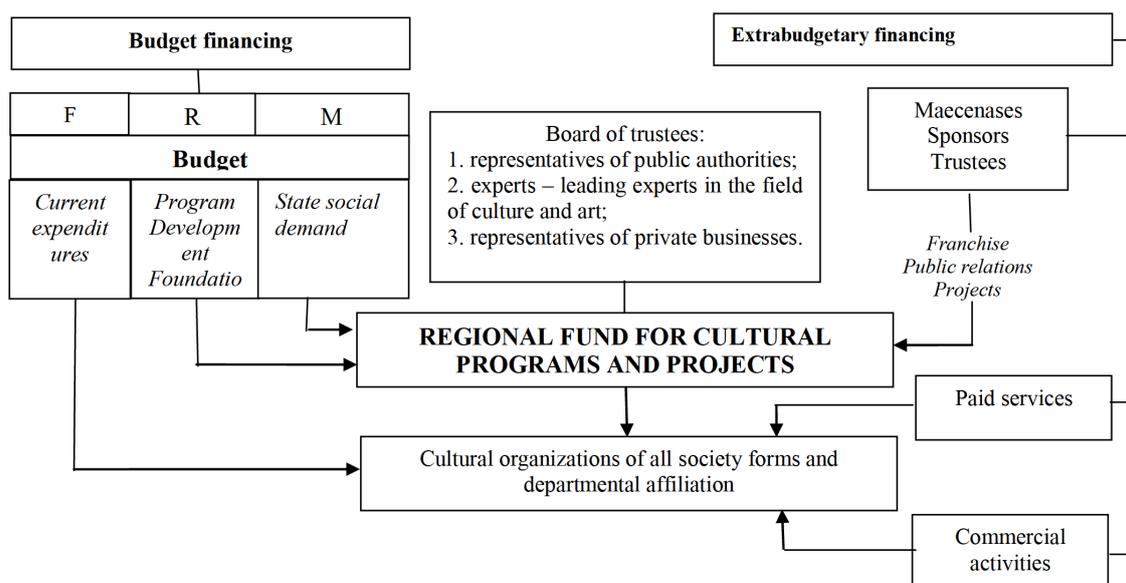


Figure 01. Public-private (mixed) mechanism model of cultural sphere management at the regional level

The mechanism is based on modern social management technologies (fundraising, public relations (PR), project management) and PPP principles (those of legality, equality and freedom of PPP participants, competitiveness, complementarities and reality of obligations, mutual benefit and responsibility, etc.).

The model of management through software-project technology mechanism enables state bodies to go beyond limits of traditional management of the sector institutions at the level of region, to expand their influence on socio-cultural processes involving new socio-cultural entities in the development and implementation of projects (Kamilov, 2011; Kostoglodova, 2014). The competitive basis of this technology makes it possible to choose the optimal and significant programs and projects to be developed in the regional cultural policy; the budget is targeted and formed from various sources; the projects monitoring allows close a project if it fails. This approach reveals a number of significant advantages:

- it meets the specific features of the cultural sphere;
- it meets democratic principles and traditions in the working out and taking specific decisions in such public sphere as the arts and culture;
- it relieves responsibility from officials for ways of direct funds distribution;
- the organizations which justify the need for the cultural project are subsidized.

The tools of the mixed mechanism of cultural sphere management are modern socio-cultural management technologies which have been tested in developed economic systems – fundraising, public relations (PR) and project management.

Fundraising is an effective socio-cultural technology that enables to consolidate the efforts and funds of the state, businesses and the public. It is an activity to attract and accumulate financial resources from various sources for socio-cultural programs and projects. Fundraising is focused on implementation of individual projects that do not have direct commercial benefits (Kulikova, 2012). This technology closely intertwines the interests of state authorities, the businesses, the public, professional communities, and opportunities for commercial and non-commercial activities. In Russia, fundraising technology is still in its infancy.

Public relations (PR) is a specific sector of management aimed at providing a favourable and friendly social environment for business activities. Moreover, PR in the financial, industrial, commercial and other areas, one way or another, involves the socio-cultural sphere. Various interactions with consumers, investors, media, authorities, population, non-governmental organisations, one's own personnel, sponsorship and charity events, exhibitions, contests, etc., in fact, never succeed without knowledge of the socio-cultural sphere specific features.

Knowledge of PR technology is of special importance for managers of non-profit organizations. First, they need to build and promote the reputation and image of their organization, their corporate identity, and they need to establish relations with the authorities, the media, the public, and other organizations including foreign and international ones. Second, when they attract financial, industrial, and commercial capital, government bodies, and public organizations to participate in and support socially significant non-profit projects and programs, non-profit organizations help all real and potential donors form and promote their image and reputation, become known, and get additional advertising opportunities, i. e., their PR is improved. Therefore, the manager of a non-profit organization providing cultural services should be aware in his own organization's PR and his donors and partners' PR too. His non-profit organization's activity is nothing indeed but the commercial sector's PR.

Project management in the field of culture can be considered as a means of economical and rational use of financial resources and an effective social phenomenon that is relevant in modern market conditions (Nikityuk & Timchuk, 2015; Timchuk, Nikityuk, & Gorbachevskaya, 2019). Project management technology involves quantified goals for culture development; it is used to solve financial, material, technical, and personnel problems at the regional level, and makes possible:

- to increase the influence on the socio-cultural processes due to involving new entities of socio-cultural activities to develop and implement programs and projects;
- to solve social and cultural management and planning problems related to the imperfection of the legislative framework and the lack of state legal and financial support;
- to determine the main priorities of the socio-cultural policy in the region taking into account the specific features of its territory and geographical location;
- to ensure that necessary social and cultural minimum can be provided by the state to various categories of the population.

The authors define project management for cultural organizations as a temporary activity, a one-time job with a certain initial budget and, as a rule, a temporary team that is dissolved after the project is completed. This is the art of managing and coordinating human and material resources throughout the project life cycle due to modern management methods and techniques that enable to achieve results defined in the project as to the composition and scope of work, costs, time, and quality. Cultural projects can be as follows: concert, play production, festival, tours, conferences, exhibitions and other cultural and leisure services.

The authors consider it appropriate to propose an algorithm of complex evaluation of effective development variants of regional foundation for cultural programs and projects (RFCPiP) which was based on the researches by Andronnikov, Burkov, and Leontiev (2002) "Integrated Evaluation: Aims of Regional Management" and adjusted to modern conditions of cultural development. The algorithm proposed by the

author is based on the method of dichotomous programming and specific indicators (particular and complex) of efficiency that are identified directly for the sphere of culture (Figure 02).

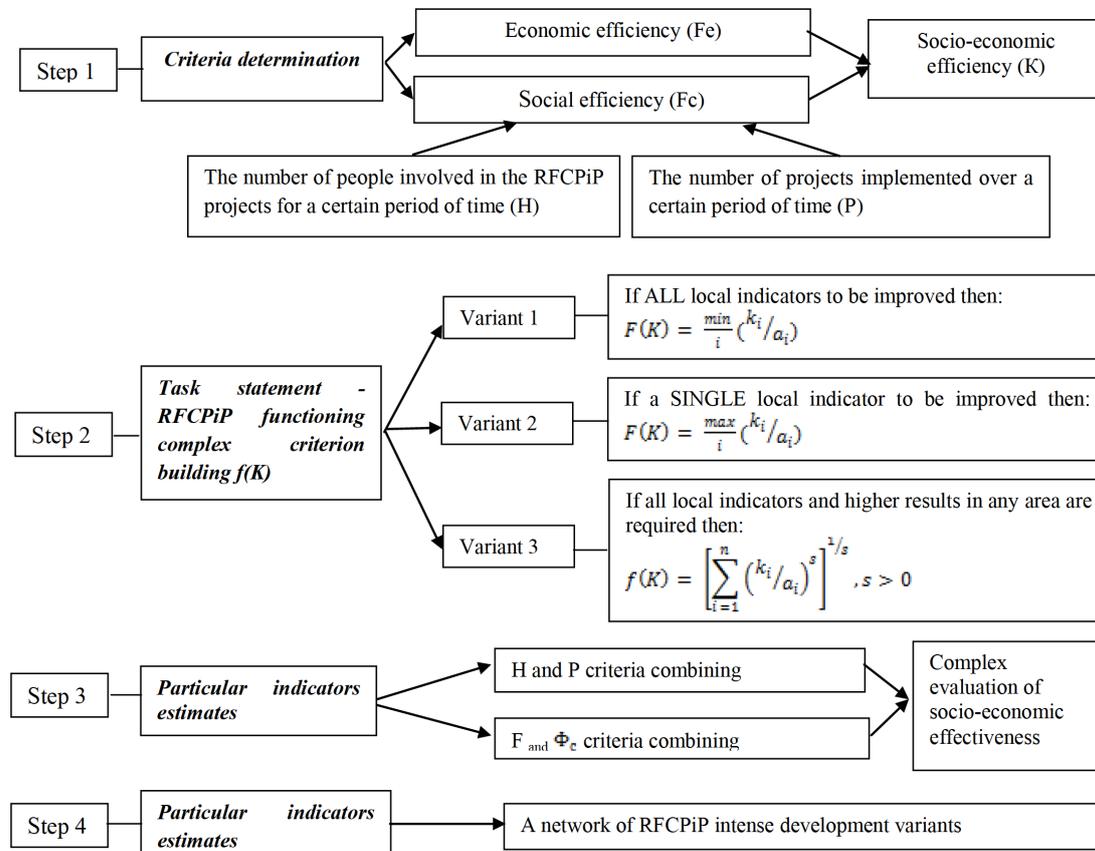


Figure 02. An algorithm of complex evaluation of effective development variants of RFCPiP

The RFCPiP effectiveness can be assessed by a number of indicators:

- particular criteria are:

1. economic efficiency (F_e) is an indicator that reflects the RFCPiP economic efficiency based on the total revenue (i.e., the ability of the RFCPiP to attract sufficient funds to finance projects). Economic efficiency is based on minimized costs of their development and implementation: absolute (the difference between the amount of capital investment and the monetary value of its results), relative (the ratio of the results monetary value and total costs), temporary (the period of return on investment).

2. social efficiency (F_s) is an indicator that shows higher level of intellectual and moral development of the population. Social efficiency indicators reflect quantitative aspect of the social goals achieved. It is quite difficult to calculate the social efficiency of cultural services. There is no still an authorized technique to do that. This criterion is determined by the following indicators: the number of people involved in RFCPiP projects for a certain period of time (H), the number of projects implemented for a certain period of time (P).

- a complex criterion is the assessment of socio-economic efficiency (C) (an indicator that reflects economic efficiency of investments in the social sphere with the achieved social effect taken into account). Indicators of socio-economic efficiency are determined as the social one through the higher

physical volume of the service, the lower service value, the decreased current expenses of social organizations, the increased participation in entertainment events, and the lower unemployment payments. The range of indicators is huge.

Let the RFCPiP efficiency be described by the vector $K=(k_1, \dots, k_j, \dots, k_n)$, where K is the value of the i -ro private criterion.

Then, the task of determining a complex criterion for the functioning of $f(K)$ is set.

Let's consider complex criteria variants of RFCPiP functioning that reflect certain qualitative properties of the goals - higher quality of private criteria (the more the better):

1. If the qualitative property of the RFCPiP goals is an evenly (in a certain ratio) improvement of all local indicators then the complex assessment is as follows

$$F(K) = \frac{\min}{i} (k_i/a_i) \tag{1}$$

where a_i are positive parameters that reflect information about the relative importance of various particular criteria x_i , ($a_i \geq 0$). The advantages of this assessment include:

- It is easy to identify indicators that are currently "crucial" and, first of all, one need to pay attention to them exactly;
- if the vector \bar{a} is taken as an "ideal", i.e., a certain goal that the organizational system should aim at, then (1) is a guaranteed estimate of the degree of this goal achievement.

2. If the qualitative property of the RFCPiP goals is improvement of at least one local criterion, then the complex criterion for achieving the goals is as follows

$$F(K) = \frac{\max}{i} (k_i/a_i) \tag{2}$$

This assessment contributes to the concentrated efforts in a particular area.

3. If the goals set for the RFCPiP are combined (both improving all indicators and achieving high results in any area) then the complex criterion for achieving the goals is calculated on the basis of a weighted average degree estimate and is as follows

$$f(K) = \left[\sum_{i=1}^n (k_i/a_i)^s \right]^{1/s}, s > 0 \tag{3}$$

where s is a constant.

When $s = 1$ we get the simplest form of estimation (linear combination)

$$F(K) = \sum_{i=1}^n (k_i/a_i) \tag{4}$$

Such assessment reflects the property of mutual substitution of goals, i.e. shortcomings in one area can be compensated for by achievements in any other. When the scale conversion and aggregation operations are applied to the described variants, you we get a fairly wide set of possible performance evaluation procedures.

The above basic estimates can be presented in a dichotomous form. If, for instance, one needs to make a complex criterion aimed at evenly improvement of all local indicators we have:

$$\min k_i/a_i = \min \left\{ k_1/a_1; \min \left[k_2/a_2; \left\{ k_3/a_3; \dots \min \left(k/a_{n-1}; k_n/a_n \right) \right\} \right] \right\}$$

And if, for instance, we need to make a complex criterion with the RFCPiP goal of combined character and $p=3$ we have:

$$f(K) = \left\{ \left(k_1/a_1 \right)^s + \left(\left[\left(k/a_2 \right)^s + \left(k_3/a_3 \right)^s \right]^{1/s} \right)^s \right\}^{1/s}$$

A dichotomous representation can be described by a structural scheme. The structural scheme of this sort is a tree a root vertex of which corresponds to the complex evaluation and hanging vertices correspond to local criteria. A specific feature of the dichotomous representation is a multi-step aggregation procedure, with only two estimates being aggregated at each step. This specific feature of the dichotomous representation makes it possible to solve the problem of activity complex evaluation according to criteria by consistent solving a number of two criteria problems.

7. Conclusion

Thus, we can conclude that in order to solve this problem, it is necessary to work out an innovative organizational and financial mechanism for the maintenance and development of culture, the mechanism which could enable public authorities respond to cultural problems quicker. Modern technologies of socio-cultural management and financing which have been tested in developed economic systems can serve as tools for such a mechanism: fundraising, public relations (PR) and project management.

The entities (Foundations, Centres) that carry out their activities within public-private (mixed) financing should be the primary element of the mechanism. Such organizations (mainly charitable or public ones) bring together representatives of state authorities and private businesses, creative organizations, and other entities interested in order to develop programs and projects, with they being a sort of organizational platforms and providing conditions for interaction between various participants of the regional cultural space. The crucial functions of such non-profit organizations (foundations, centres) with certain power vested in them by the state should be coordinating organizational activities and distribution of financial resources including those provided by the state for the development of the cultural sphere

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