



# Organizational and Economic Arrangements of Economic Systems Management

## Arreglos Organizativos y Económicos de la Gestión de Sistemas Económicos

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#### ABSTRACT:

The article provides research on the main theoretical aspects of organizational and economic arrangements' development of economic systems management, definition of its properties, functions, structure and linkages in order to improve economic systems efficiency in modern economy. The article contains a core of the concept of organizational and economic arrangements of economic systems management, the principles of its development, analysis of its structure and basic functional components of those involving instruments of influence on management object – the economic system. Since the main purpose of management mechanism is to ensure effective economic system functioning and development in modern conditions under environmental factors, it is proposed to add the arrangement with some elements that affect specific components of the system that can provide an opportunity to respond to changing environmental conditions, in other words – to make an adaptive mechanism. An efficient modern organizational and economic arrangement of economic systems management should adapt dynamically to market

#### RESUMEN:

El artículo proporciona una investigación sobre los principales aspectos teóricos del desarrollo organizacional y económico de los sistemas económicos de gestión, la definición de sus propiedades, funciones, estructura y vínculos con el fin de mejorar la eficiencia de los sistemas económicos en la economía moderna. El artículo contiene un núcleo del concepto de los arreglos organizativos y económicos de la gestión de sistemas económicos, los principios de su desarrollo, el análisis de su estructura y componentes funcionales básicos de aquellos que implican instrumentos de influencia sobre el objeto de gestión - el sistema económico. Dado que el principal objetivo del mecanismo de gestión es garantizar el funcionamiento efectivo del sistema económico y el desarrollo en condiciones modernas bajo factores ambientales, se propone añadir el acuerdo con algunos elementos que afectan a componentes específicos del sistema que pueden brindar una oportunidad para responder a cambios ambientales condiciones, en otras palabras - para hacer un mecanismo de adaptación. Un ordenamiento organizativo y económico moderno y eficiente de la

changes, responding quickly to new challenges and threats.

**Keywords:** adaptive mechanism, economic factors, economic system, management mechanism, organizational and economic arrangement.

gestión de los sistemas económicos debe adaptarse dinámicamente a los cambios del mercado, respondiendo rápidamente a nuevos desafíos y amenazas.

**Palabras clave:** mecanismo de adaptación, factores económicos, sistema económico, mecanismo de gestión, organización y arreglo económico.

## 1. Introduction

Modern trends of increasing competition and growing impact of globalization contribute to the search for new, more effective instrument for economic systems management (Mayis et al., 2016; Starostina et al., 2016). The economic systems successful functioning is possible in these conditions by managerial decision-making and timely development aimed at their adaptation to environmental changes, market analysis and system improvement, namely the involvement of an effective organizational and economic arrangement of these economic systems management. Therefore, the study of development issues of organizational and economic arrangement of economic systems management is urgent. Its successful implementation is a critical factor in economic systems development in the context of globalization (Navrotska, 2013; Heyne et al., 2014; Savchenko & Solovyov, 2013), significant aggravation of compliance requirements and increased competition.

The research results not only deepen and develop the conceptual economic systems management framework and can be the basis for further theoretical and applied research towards the effective methodologies and management instruments for economic systems development. They also provide the possibility of their use in practice, in particular in use of specific methods and instruments that make up the structure of studied mechanism.

In the scientific literature, the mechanism is defined as a system designed to ensure organization, functioning and subsistence of the management entity. The structure and content of the mechanism are changing in social production. A number of economists consider the mechanism as a complex, multifaceted system; however, they consider only its components (Abalkin, 1980; Belleflamme & Peitz, 2010). At the present stage, the economic mechanism is seen as a set of organizational structures, concrete forms and methods of management, as well as legal norms to satisfy the economic laws (Savchenko & Solovyov, 2013).

The economic systems management mechanism should be considered following the managerial areas, internal and external environment (Diba, 2005; Vagina, 1990). There are such internal factors: organizational, structural, technical, economic, administrative, material and social. Accordingly, the main types of management mechanisms are (Grishanov & Pavlov, 2005; Concept of economic problems., 2003): organizational, economic, structural, mechanisms for management organization, technical and administrative, information-based and other (Bakasv, 2003; Posnova, 2014). In the economic literature, there is often used the concept of "organizational and economic arrangement", which is used for determining the organizational elements of the economic mechanism (Modern trends in development management., 2014).

Theoretical and practical issues organizational and economic arrangements' development of economic systems management at different levels was studied widely and comprehensively, in particular (Mookherjee & Tsumagari, 2014; Heyne et al., 2014; Bergek et al., 2008). The scientific works of these authors disclosed the nature and composition of organizational and economic arrangements, methodology of their development. However, the issues of organizational and economic arrangements' development and improvement of economic systems management, their effectiveness in modern conditions require further study.

There are two types of organizational and economic arrangements – open and closed. The first relates balanced mechanisms of national and world economies, mechanisms of market-based pricing, financial arrangements of States. The second type includes multiplicative mechanisms that have alternating cycles of economic development and seasonal price fluctuations (Heyne et

al., 2014).

Most authors agree that a major efficiency factor in organizational and economic arrangements of economic systems management is their adaptability under uncertainty (Haken & Portugali, 2014; Feldman & Orlikowski, 2011; Shkolny, 2007).

The main objective of organizational and economic arrangement is to structure management by influencing the management object. This situation resulted from the features that are inherent in modern economy, namely (Savchenko & Solovyov, 2013):

- Plethora of forms of ownership;
- Limiting interference in the economy by the state;
- Unstable development of market relations;
- Free Pricing and Competition.

In literature analysis, there was revealed that modern organizational and economic arrangement of economic systems management is based on actions of organizational and economic nature to ensure the production of "final goods" and respond to external and internal environment (Hallstedt et al., 2013) that impede the attainment of economic system's objectives.

The aim of this study is to examine the basic theoretical aspects of organizational and economic arrangements' development of economic systems management, to define its properties, functions, structure and linkages in order to improve economic systems efficiency in modern economy.

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## 2. Methods

Since at each stage of development, society functions as a system, namely inter-related and interdependent elements, than the nature of organizational and economic arrangement of economic systems management reflects the inherent solution to the adequacy problem of its elements and goals in the context of historical review.

Despite the widespread use of the terms "mechanism", "economic mechanism" and "organizational and economic arrangement", visions of their nature differ and sometimes are contradicting. There is no single methodology for these categories to study, while any mechanism is a historical category. Its structure and content are changed in public production development. Different stage of society development requires a proper mechanism.

In modern scientific works, which are devoted to the theory of economic systems management, there are different approaches: functional, situational and systemic. However, taking into account the consideration peculiarities of economic systems as a set of interrelated elements, the systematic approach will be worth using, as it allows not only to consider the issue of this article in a comprehensive manner, but also to analyze specific situations under logical forces.

In a systematic approach as a direction of scientific knowledge and social practice based on objects' consideration as systems, it is expected to focus the research on a disclosure of object's integrity (an economic system), determination of various types of links in it and putting them into a single theoretical picture. Thus, systematic approach should be seen as a methodological basis of organizational and economic arrangements' development of economic systems management. The efficiency of systematic approach in this development depends on the correct definition of the research objectives, the availability of reliable and complete information to describe the situation, the approaches and methods for systems analysis.

The systematic approach in solving development problems of effective organizational and economic arrangements of economic systems management allows their functioning and the impact on them of internal and external forces considered as a dynamic system in combination with its important linkages. This contributes to finding ways to optimize the system.

Since the organizational and economic arrangement is a set of actions designed to achieve

goals by creating favorable conditions for the efficient use of resources, it is necessary to substantiate the principles, forms, methods, and instruments for economic systems management in the framework of this mechanism.

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### **3. Data, Analysis, and Results**

Economic systems management mechanism is a complex set of instruments, forms and methods of management, which are developed and used by a management entity for conscious and purpose-driven influence on the economic system in order to increase its effectiveness. This economic category combines economic, organizational, legal and other forms, methods, rules, norms of management into an economic mechanism and organizational structure.

Foreign experience in study of economic mechanisms involves the allocation of such elements (instruments) of the economic systems management mechanism: planning by a system of methods, forms and terms; organizational structure of production and management; economic, organizational, legal, social and other management techniques (Ferreira & Filipe, 2012). Thus, summarizing the positions of various foreign authors (Galaty et al., 2014), we can say that they understand the organizational and economic arrangement of economic systems management as a mechanism for the interaction of controlling and controlled sub-systems that is a set of economic instruments and levers, forms and methods of influence on public-oriented economic system.

Domestic researchers in most cases describe the organizational and economic arrangement of economic systems management under internal and external forces influencing economic system's functioning that reflects the complex system of various economic relations (Savchenko & Solovyov, 2013). At the same time, it is a determining force for efficiency in a qualitative aspect, as an instrument for achieving the goal.

The foreign researchers (Owens, 2013) have determined the important features specifying the nature of organizational and economic arrangement, represented by domestic authors:

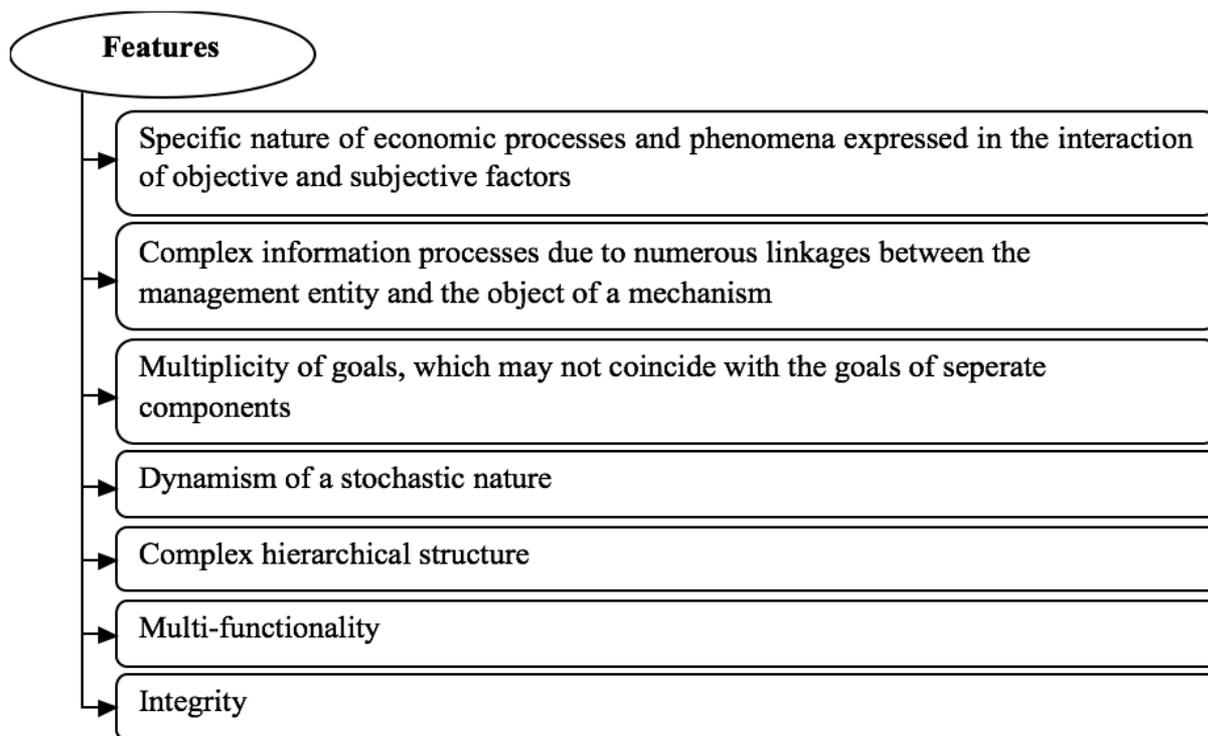
- elemental, according to which the mechanism is seen as an organizing system of linkages between the structural elements;
- functional, which is defined as a set of activities aimed at achieving a certain goal;
- process-based, characterizing the preparation and decision-making.

The main function of this mechanism is to develop, make and implement management decisions aimed at achieving the goal of the economic system. The object of organizational and economic arrangement is the economic system capacity, the ultimate goal of which is to achieve effective performance.

Organizational and economic arrangement of economic systems management is a quantitative and qualitative determinacy of socio-economic relationships and proportions between its subsystems that provides management decision-making, their embodiment, the unity of all economic processes and relationships for economic system's optimal functioning.

The input elements in organizational and economic arrangement's development of economic systems management are particular object and goal. In other words, the first step will be to agree the marked elements: categorization of target goals. In this context, goals are transformed into objectives and features (criteria) that predetermine the goal assessment, that is, form categories of evaluation criteria. Next, there are factors to be determined that need to be influenced to carry out these objectives. If the required combination of factors cannot be formed, the goals are specified for new categories of target goal. Then the criteria and influencing forces are formed again.

Summarizing the foreign and domestic experience, we can say that the following system features (Figure 1) characterize organizational and economic arrangement of economic systems management.



**Figure 1:** System features of organizational and economic arrangement of economic systems management

The organizational and economic arrangement's structure development of economic systems management involves the following stages:

- object definition and management objectives formation;
- management strategy and management system formation;
- clarifying the choice of executing of management activities;
- search for external opportunities to enhance the economic system;
- rational use of scarce inputs;
- improving the economic system efficiency.

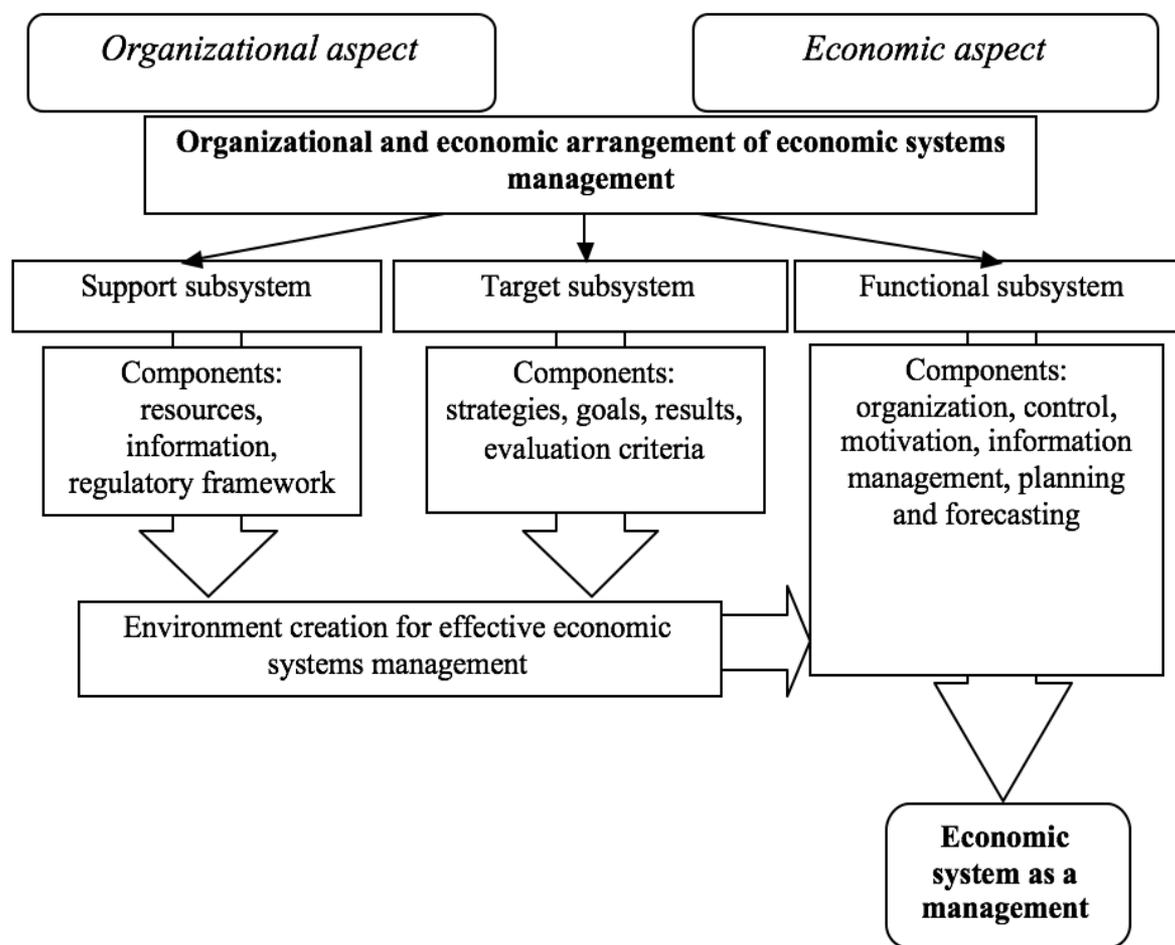
According to domestic scientists, the organizational and economic arrangement of economic systems management may include such aspects of functioning (Savchenko & Solovyov, 2013):

- organizational, describing the form of linkages, relative comparability of volumes, quality and dependence of system parameters at a particular level of management, namely administrative, hierarchical management relationship;
- economic, describing the nature and quality of linkages, opportunities, parameters' proportionality for resource use, highlighting issues related to economic systems' functioning and development and providing certain results.

According to the vision of the author, it is necessary to separate the following subsystems in describing organizational and economic arrangement of economic systems management (Figure 2)

1. Support subsystem.
2. Target subsystem.
3. Functional subsystem.

In turn, the functional subsystem that contains instruments of direct influence on the management object (an economic system) involves the following components: development forecasting and planning; motivational, organizational, control; information provision.



**Figure 2:** The structure of organizational and economic arrangement of economic systems management

Development forecasting and planning provides the following functions:

- market structure analysis of production and consumption, factors' analysis influencing its development;
- forecasting market trends;
- analysis of opportunities and threats of external environment;
- analysis of merits and flaws of internal environment;
- evaluation and selection of the best options for economic system development;
- forecasting development under selected options;
- planning activities on each selected development option.

The Control component with functions of planning, recording and analysis creates information capabilities for management cycle of organizational and economic arrangement of economic systems management. That determines the control function in mechanism structure.

Control is an actions carried out if there is any difference between what was planned and what actually done. Controlling can involve analysis and performance interpretation, process failure analysis, determination of causes, action to eliminate the causes of process failure.

Motivational component is to perform the following functions:

- motivation to entrepreneurship;
- motivation to develop production;
- labor motivation;
- motivation to consume new products.

Organizational component includes the following functions:

- allocation of priorities and preferences in economic system activity;
- creation and optimization of organizational management structures, organizational and economic relations to ensure priorities of the economic system;
- optimum structure formation of resource provision for economic system activity;
- control over the economic activity of the economic system in changing external and internal environment.

The economic system functioning at all levels should be based on a comprehensive study of internal and external information flows that affect the system's linkage interaction. Information provision is an information environment creation for economic system functioning, providing necessary data, integration into search services, receiving, storage, gathering, transfer and information processing, organization of data banks.

Information provision in economic systems management is an instrument for management decision-making at all levels, not only operational, but also a strategic resource.

Information provision subsystem provides finding, gathering, storage and analysis of information necessary to carry out all subsystems' functions of organizational and economic arrangement of economic systems management.

General description of organizational structure contains several statements that define its importance, in particular (Jonker & Karapetrovic, 2004):

- defines the rights and duties (authority and responsibility) on managerial levels;
- ensures the coordination of all management functions;
- affects economic system efficiency, its survival and prosperity;
- largely determines employees' behavior in the organization.

It should be noted that planning is exercised by a set of goals and objectives, strategies, plans and programs; tax regulation, pricing, financial and credit system, investment and innovation (Lundvall, 2007), commercial calculation, the system of economic standards. Motivation – by staff training and planning, economic incentives and sanctions. Control – by controlling the activity, performance analysis, process failure analysis, direction analysis to eliminate the causes of process failure, forecasting problems and programs' development on preventing negative deviations.

The organizational and economic arrangement efficiency of economic systems management in modern conditions requires a fundamental improvement of its main components.

The organizational economic arrangement formation of economic systems management contains of the following stages:

- Informative preparation:
  - definition of management object and entity;
  - definition of management object's features;
  - finding available information;
  - setting goals and objectives, principles' formation.
- Priority rating:
  - identification of existing and potential threats of economic system development, their nature;
  - state analysis of economic system;
  - definition of development priorities.
- Main structural elements' selection:
  - choice of methods, instrument, forms of management;
  - choice of techniques for feedback with management entities;
  - definition of responsibility centers and necessary resources;
  - choice of strategic management areas;
  - performance control.
- Mechanism formalization:
  - substantiation of mechanism elements, their linkages;
  - specifying instruments in accordance with goals and objectives;
  - diagrammatical model presentation of the mechanism.

The basic principles of improving organizational and economic arrangement of economic systems management should include decentralization, comprehensiveness, systematicity, flexibility, transparency, stability, continuity, innovation focus, adequate socio-economic situation.

The organizational and economic arrangement of economic systems management in modern

conditions is based on evaluation of the main factors of external and internal environment in relation to the analyzed system. The chosen development strategy has a special role in improving the organizational and economic arrangement of economic systems management in modern conditions. The strategic aspects have the most significant effect on the economic system successful functioning in general and its individual business processes in particular. In the development strategy changes, the development priorities and organizational structure may also significantly change. In turn, this determines the change in the structure and instrumental content of organizational and economic arrangement of economic systems management. There is a need in redistributing functions between the business processes, as well as in agreed business processes in terms of inputs-outputs. Thus, the organizational and economic arrangement of economic systems management can eliminate duplication of functions and business processes and improve the economic system efficiency.

The scientific novelty of this paper lies in system properties' allocation of organizational and economic arrangement of economic systems management, in the author's presentation and substantiation of the mechanism structure in the form of management subsystems, as well as the stages of this mechanism formation.

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## **4. Discussion**

The complexity and systematicity of methods of influence on the multi-vector factors determines the need for complex integration and linkages' differentiation for economic system adaptability and efficiency as an open system (Bakasv, 2003). All the functions, relationships and attitudes of these methods should be mutually agreed in the framework of organizational and economic arrangement of economic systems management based on the primary objective of the mechanism – to ensure effective economic system functioning and development in modern conditions under environmental factors. Therefore, the mechanism can include separate elements that provide specific effects on system components capable of providing an opportunity to respond to changing environmental conditions, in other words – to make an adaptive mechanism.

Wherein, it is important to view the formation stages of organizational and economic arrangement of economic systems management, as well as to allocate the mechanism features as a basis to account for the specifics of its functioning in modern conditions, while there is no such attempt traced in other studies available to the author.

The system of elements, their linkages and the unity of laws, rules, methods, techniques and instruments of management are the most significant in determining the mechanism in order to improve economic system functioning.

The organizational and economic arrangement efficiency of economic systems management in modern conditions requires a fundamental improvement of its main components (Modern trends in development management., 2014). The successful implementation of such organizational and economic arrangement a critical factor in economic systems development in the context of globalization, significant aggravation of compliance requirements and increased competition. The main function of this mechanism is to develop, make and implement management decisions aimed at achieving the goal of the economic system.

The results deepen and develop the conceptual foundations of economic systems management and can be the basis for further theoretical and applied research towards the effective methodologies and management instruments for economic systems development.

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## **5. Conclusion**

The article provides the study of major theoretical aspects of organizational and economic arrangement formation of economic systems management, definition of its properties, functions, structure and linkages in order to improve economic systems' efficiency in modern economy. It was revealed that organizational and economic arrangement of economic systems

management is a system of interrelated organizational actions that provide reaching of effective functioning under external environment and economic system development. Wherein, it requires a complex of interdependent and interrelated economic activities that need certain methods to achieve the goals.

Thus, the organizational and economic arrangement of economic systems management can be defined as a set of organizational and economic methods that affect the economic system in order to ensure its effective functioning and development. Based on the main purpose of the mechanism – to ensure economic system effective functioning and development in modern conditions under environmental factors – it was propose to add the mechanism with some elements that provide impact on specific components of the system that can provide an opportunity to respond to changing environmental conditions, in other words – to make an adaptive mechanism.

The systematic approach makes it possible to create a coherent system of relations as part of organizationally resistant and economically flexible relations to ensure purpose-driven development of economic systems and the possibility of regulating structural transformations at all levels of management.

The further research of the author in this field is aimed at developing effective methods for managing organizational and economic aspects of modern economic systems' functioning.

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