

## Management of Territorial Economic Development: Project Approach

Kristina Ye. Babenko\*

*Ukrainian Engineering Pedagogics Academy  
61003, 16 Universitetskaya Str., Kharkov, Ukraine*

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*\*Corresponding author*

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**Abstract.** The urgency of the research topic is due to the need for rapid response of regions to changing environmental processes in the context of the spread of digitalization and active introduction of innovative technologies. In today's market economy, project management is becoming a necessary factor in ensuring the competitive advantage of many regions. The purpose of the article is to substantiate the need for a project approach to the management of economic development of territories. Methods of analysis, synthesis, scientific abstraction and logical generalization are used to fulfill the goal. Trends in the evolutionary development of project management are identified. It is noted that one of the new alternative directions in the development of project management is flexible project management. It is determined that at the level of regional management the project approach can be used both for the implementation of individual projects and in the implementation of targeted programs. It is proved that an integral part of the successful implementation of regional projects is the formation of a system of training methods and tools of project management. The foreign experience of project management application at the regional level is analyzed and three key models are identified: American, European, Canadian. The key principles of using the project approach to the management of economic development of territories are identified, namely: systematization, integration, balance, dynamism, decomposition, competence. The practical significance is to identify the features of the project approach to regional development management, which must be taken into account: openness and publicity of regional projects; increased control over the targeted use of local budget funds for regional projects; the complexity of assessing the effectiveness of the regional project; difficulties in setting priorities and differentiating regional projects

**Keywords:** economic development, project management, regional development, flexible management methods, regional projects, project approach

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### The Problem Statement

The most important strategic task of Ukraine's economic development is the formation of such a socio-economic environment of the regions, which, based on the effective use of domestic potential and capacity, can ensure the economic development of the territories. But the main problem today is the low level of competitiveness of Ukraine's regions, which prevents them from being active competitors in both domestic and foreign markets. Therefore, the issue of the need to respond to market variability and its requirements is becoming extremely timely. Due to the global introduction of Internet technologies, economic

digitalisation, innovations in the field of technological support, the issue of finding new approaches to management in modern conditions is becoming more urgent. In addition, the imperfection of the system of territorial organisation of power and the strengthening of interregional differentiation only increases the need for changes in management approaches. In this context, a flexible governance model is becoming one of the tools that allow regions to respond quickly and adequately to the challenges and opportunities of a constantly changing dynamic environment, without losing the conditions for dynamic, balanced regional development.

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### Analysis of Recent Research and Publications

Issues of research on the management of economic development of territories are studied by many scholars, including: V.O. Bezugla [1], Z.S. Varnal [2], N.L. Gavkalova [3], A.I. Honta [4], M.I. Dolishnii [5], V. Yelinievskiy [6], S.V. Koliadenko [7], V.S. Kravtsiv [8], E. Libanova [9], O.V. Olshanska, O.V. Prytulenko [10], C. Fray, S. Green [11], D.J. Fernandez, J.D. Fernandez [12], the interpretation of R. Harrod is presented in the work of Yu.V. Kovbasiuk, V.M. Vakulenko, M.K. Orlaty [13], etc. Regarding the application of the project approach to regional development management, significant results are presented in the works of V. Vlasenko, N. Havkalova [3], A. Honcharuk, O.P. Kavtysh [14], V.P. Radchenko [15], E.S. Charkina [16] and others.

Considering the efforts of scholars and researchers, as well as government officials and representatives of self-government, entrepreneurs, and the public to find mechanisms for further cooperation for the balanced economic development of territories and regions, the processes of changing the basics of regional governance remain topical issues,

especially in the context of growing territorial differentiation in economic development.

### Purpose of the Study

The purpose of the article is to substantiate the need for a project approach to the management of economic development of territories. In the context of this goal, it is necessary to solve the following tasks: to study the evolution of project management; to analyse foreign experience in the application of project management; identify the features of using the project approach to regional development management.

### Results Research

To systematise, classify and organise most of the available information on theoretical approaches to project management, it is necessary to analyse the current work of Ukrainian and foreign experts in this field of research, which will form a theoretical basis for understanding the depth of the issue, its element-by-element and detailed picture. A schematic representation of the evolution of project management development is presented in Figure 1.

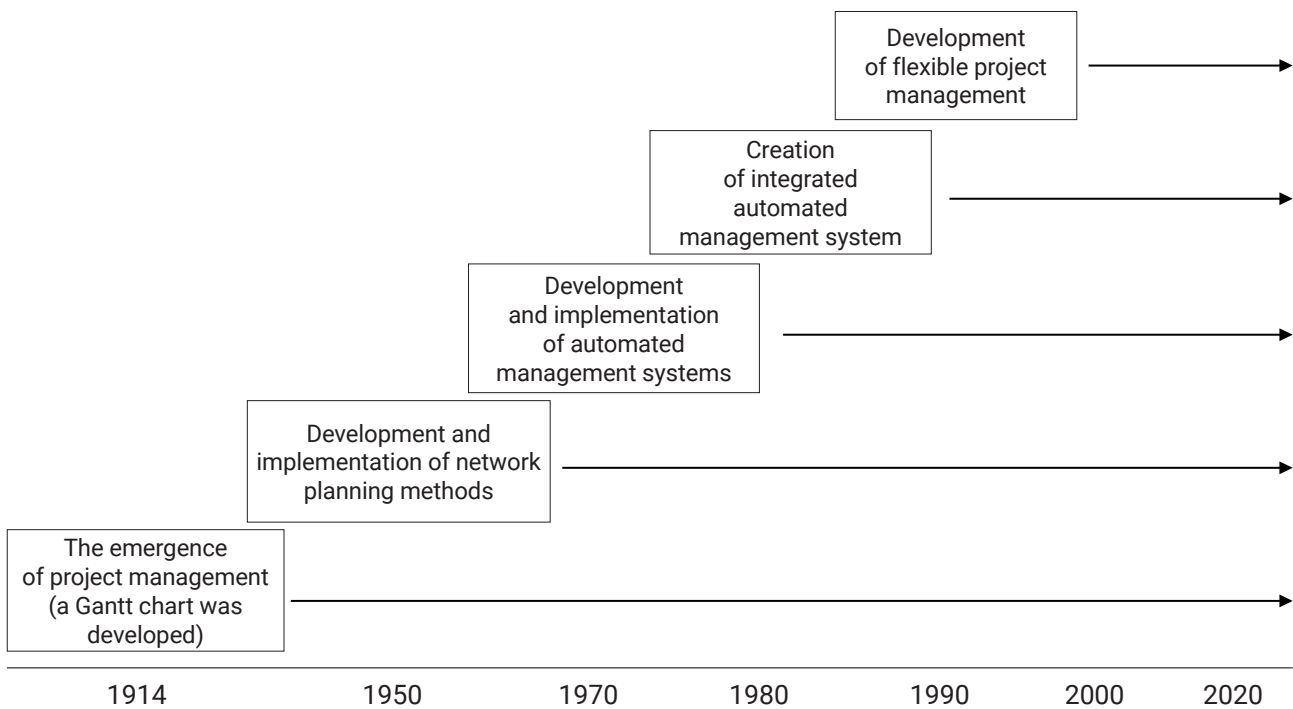


Figure 1. Trends in project management development

According to the proposed scheme, it should be emphasised that the emergence and formation of a project management system occurred in the second half of the twentieth century. Previous approaches were not able to quickly respond to the changed and complicated external environment, the relevant economic situation, which eventually became the impetus for the development of theory and the need to implement project management. An important impetus was the development of network planning, which became widespread in the United States in the second

half of the 1950's, but the global spread of this theory was provided only by the development of technologies that support full-scale implementation of personal computers. Modern reality indicates the importance of implementing tools and methods of project management theory in the period of development of innovative projects, global programs in all industries and human society.

Project management creates advantages and unique competencies that are extremely important for highly efficient and successful activities of industry enterprises in a

competitive market environment, as well as in the realities of the new economic situation, characterised by significant speed and dynamics of change in certain areas. It should also be noted that the emergence, development, and spread of project management theory, its tools, and methods are primarily due to the reaction of market factors to changes in the external environment, which in its current form and stage of development is characterised as “knowledge-based economy”. This indicates that project management concepts have become an important tool for modernising public administration. O. Kavtysh confirms this [14, p. 31], emphasising the following advantages of the application of project management in the context of regional socio-economic development: opportunity to clearly distribute functional powers by levels of management and ensure transparency and comprehensive control over their implementation in the implementation of programs at the regional level; the possibility of forming flexible structures for regional project management, which will allow to harmoniously adjust project management methods with strategic management; opportunity to practically implement the strategy of targeted rational accumulation, distribution, and use of project resources according to the criterion of maximising the final result; feedback from the population of the region, central authorities, stakeholders, etc.

It should be noted that theorists and practitioners have been searching for adequate project management methods and tools for several decades. The main direction of this search is to improve the existing methods of project management and their adaptation to the specifics of the activity. The traditional set of methods and tools for project management is aimed at effective planning and monitoring of work to achieve goals within budgets and calendar deadlines. The desire to increase resource efficiency with clear time and budget constraints should be recognised as a key effort.

But with the continued application of the traditional approach to project management, most practitioners have realised the need to use fundamentally new methods and tools for managing modern projects. According to scholars [11], linear thinking, administrative procedures, and standardised consistent practices are no longer suitable for today’s conditions for developing new products and services. In this context, one of the new alternative directions in the development of project management is flexible project management.

It should be noted that the philosophy of flexible management is the agile approach. Despite the fact that the concept of flexible Agile methods is actively used in the IT industry and in other sectors of the economy, in practice, the implementation of Agile methods may be accompanied by certain problems which are related to the lack of expected results in terms of flexible methods used, their inefficiency, loss of control, etc. All this is mainly due to incorrect interpretation of Agile principles in the implementation of this approach, lack of understanding of

key components of the methodology, lack of necessary organisational resources and infrastructure for interaction with internal and external stakeholders. Therefore, for effective flexible project management it is important to properly adapt the management system and the use of flexible management methods, because the order of their implementation and use can ensure effective development of a particular project and the region as a whole.

It should be noted that at the level of regional management, the project approach can be used both for individual projects and in the implementation of targeted programs. However, it should be borne in mind that governance at the regional level is more conservative than corporate management, and therefore the implementation of project management may be hampered by additional costs, resistance to change, and lack of qualifications of officials. In this context, an integral part of the successful implementation of regional projects is the formation of a system of training in methods and tools of project management.

To increase the effectiveness of project approach tools in the management of regional economic processes, it is advisable to consider foreign experience, apply “best practices” of project management, which have been successfully tested in developed countries. It should be emphasised that in the developed countries the project approach is used mainly for the implementation of regional development strategies and programs.

Analysis of foreign experience in the application of project management at the regional level has identified the following models of regional development: American, European, Canadian. The strengths of the American model are transparency and accessibility of information, a simplified mechanism for access to financial resources, and a wide range of spheres, industries, and areas covered by financial assistance. The weaknesses of this model are a certain inconsistency in the provision of financial assistance and the lack of strategic planning for US development. The advantages of the European model include the simplicity of regional development projects, the systematisation of ways to provide financial assistance, and a fairly simple way to obtain it. The disadvantages of this model are the uneven provision of financial resources to EU member states. The advantage of the Canadian model is the application of the “mixed principle” of investing in regional development, which contributes to the creation of prerequisites for the introduction of scientific and innovative approaches to the formation and implementation of regional development projects. But this model is characterised by the difficulty of providing financial assistance and strict control over its use, as well as excessive centralisation of state institutions that take care of regional development projects.

Summarising the analysed information on this issue, it should be noted that there are special conditions for project management of economic development of territories [8], which must be considered:

1) openness and publicity of regional projects, which involves more active participation of the scientific community, experts, entrepreneurs, and the public in their preparation, implementation and monitoring;

2) regional projects are a practical basis for implementing economic reforms in the region, attracting investment and implementing an innovative model of economic development management;

3) increased control over the targeted use of local budget funds for regional projects to mitigate such risks as: theft of funds and underfunding;

4) the complexity of assessing the effectiveness of a regional project that is aimed not at achieving a commercial goal, but at a certain social effect;

5) difficulties in prioritising and differentiating regional projects.

Thus, the key principles of using a project approach to managing the economic development of territories are:

- the principle of systematicity, which means that on the one hand, project management of regional development is seen as a single mechanism, and on the other – as a set of relatively independent management processes;

- the principle of integration, which allows considering the fact that project management is primarily an integrated process in which changes in some management processes inevitably lead to changes in other processes;

- the principle of balance, which indicates the balance of priorities of economic systems in the region. This principle

ensures consistency in the goals and functions of all management processes, considering the allocated resources and developed plans;

- the principle of dynamism, which indicates the importance of optimal regional projects to achieve the ultimate goals in terms of time, resource, and budget constraints;

- the principle of decomposition, which means that project planning processes are based on the decomposition of goals and work into smaller components for more effective management;

- the principle of competence, which helps to ensure and maintain a high level of competence in the work of the project team.

## Conclusions

The project approach is one of the innovative tools for managing economic processes at the regional level, which helps solve regional problems and effectively reform the economy. Using a project approach will identify priority areas of regions, structure them into integrated programs and projects, clearly and unambiguously formulate goals, objectives, and expected results, form criteria for effective implementation of regional projects, consciously consider possible risks and optimise resource use. The direction of further research is the development of an algorithm for implementing the agile approach in the activities of united territorial communities.

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## Управління економічним розвитком територій: проектний підхід

Крістіна Євгеніївна Бабенко

Українська інженерно-педагогічна академія  
61003, вул. Університетська, 16, м. Харків, Україна

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**Анотація.** Актуальність теми дослідження обумовлена необхідністю швидкого реагування регіонів на мінливі процеси середовища в умовах поширення цифровізації та активного впровадження інноваційних технологій. Визначено, що у сучасній ринковій економіці управління проектами стає необхідним чинником забезпечення конкурентної переваги багатьох регіонів. Метою статті є обґрунтування необхідності застосування проектного підходу до управління економічним розвитком територій. За допомогою використаних методів аналізу, синтезу, наукової абстракції та логічного узагальнення визначено тенденції еволюційного розвитку управління проектами. Обґрунтовано, що управління проектами формує переваги і унікальні компетенції, які необхідні для високоефективного та успішного функціонування територій в умовах конкурентного ринкового середовища, в реаліях нової економічної ситуації, що характеризується значними швидкостями і динамікою змін в тих чи інших областях. Доведено, що одним з нових альтернативних напрямів у розвитку проектного управління стає гнучке управління проектами. Визначено, що на рівні регіонального управління проектний підхід може застосовуватися як для здійснення окремих проектів, так і в рамках реалізації цільових програм. Доведено, що невід'ємною частиною успішної реалізації регіональних проектів є формування системи навчання методам і інструментам проектного управління. Проаналізовано зарубіжний досвід застосування проектного управління на регіональному рівні та виявлено три ключові моделі: американську, європейську, канадську. Визначено ключові принципи використання проектного підходу до управління економічним розвитком територій, а саме: системність, інтеграційність, збалансованість, динамічність, декомпозиція, компетентність. Практична значущість полягає у виявленні особливостей використання проектного підходу до управління регіональним розвитком, які необхідно враховувати: відкритість та публічність регіональних проектів; підвищений контроль цільового використання коштів місцевого бюджету на регіональні проекти; складність оцінки ефективності реалізації регіонального проекту; труднощі у встановленні пріоритетів і диференціації регіональних проектів

**Ключові слова:** економічний розвиток, проектне управління, розвиток регіонів, гнучкі методи управління, регіональні проекти, проектний підхід

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