

# CONCEPTUAL BASES OF IMPROVEMENT OF THE ORGANIZATIONAL AND ECONOMIC MECHANISM OF INCREASE OF INVESTMENT ATTRACTIVENESS OF THE SPHERE OF CULTURE

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**Abstract.** *The purpose* of this article is to develop the main elements of the organizational and economic mechanism of increasing the investment attractiveness of the sphere of culture. *Method.* The research is based on the use of a systemic approach to assessing the current state of functioning of the cultural sphere and improving the organizational and economic mechanism for increasing the investment attractiveness of the sphere. This research also uses a modeling method, in particular, to develop a concept of models of cultural services that can be provided by cultural institutions: free services, services on a co-payment basis and full payment by the consumer of cultural services. *Results.* The research identified the main problems of attracting investment in the sphere of culture and main components of the sphere of culture that need improvement. It is proved that the full functioning of the sphere of culture is possible only with the provision of quality services that can meet consumer demand. Also the place where the service is provided (infrastructure) and the staff who provide this service are very important. Therefore, to attract capital investment in the sphere of culture, it was proposed to use the tool of public-private partnership. To improve the quality of work of employees, it was proposed to introduce a system of key performance indicators for employees. In the course of scientific research, the main element of the organizational and economic mechanism of increasing the investment attractiveness of the cultural sphere in Ukraine was determined by the need to use a project approach to the formation of competitive markets for cultural services. It was determined that the solution of problems in the sphere of culture can be done only if the creation of legal and organizational conditions for financing the sphere of culture, results-oriented, diversification of funding sources, the formation of competitive markets for cultural services. *Value/originality.* According to the results of the research, an organizational and economic mechanism for increasing the investment attractiveness of the cultural sphere was proposed, the main elements of which were updated models of financing cultural services, new approaches to the remuneration system, use of public-private partnership, project approach.

**Key words:** investments, investment attractiveness, culture, organizational and economic mechanism, public-private partnership, project approach.

**JEL Classification:** E22, J24, L32, Z10

## 1. Introduction

In the conditions of economic crisis, investments, which can serve as a basis for full-fledged social and economic development of this or that country, acquire considerable value for the countries. That is why the question arises about the need to increase the investment attractiveness of the country. Taking into account global trends, investors are beginning to invest in innovative products and goods that are the result of the development of the creative economy. Creating an innovative

product is possible only by increasing investment in human capital, the basis for the development of which is, in particular, culture. In addition, in highly developed countries, investors looking for new and promising areas for investment are beginning to pay considerable attention to the sphere of culture and investment in the creation of cultural products. In the current realities of Ukraine's development, it is culture that can become a driver for increasing the amount of investment in the country, but currently the sphere is financed on a residual basis.

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Therefore, the question arises about the need to change approaches to financing the sphere, the use of modern tools to attract investment.

Currently, the main ways for the organizational and economic mechanism to increase the investment attractiveness of the cultural sphere remain insufficiently substantiated, and modern tools and mechanisms for attracting investments in the cultural sphere have not become widespread in Ukraine.

## 2. Problems of development of the sphere of culture

A number of factors can influence the increase of investment attractiveness for the cultural sphere. The main factor influencing the investor, which increases the flow of investment in a particular industry or sector, is to obtain maximum profit with minimum risk. Currently, the main problems of the sphere, which do not allow the sphere to function effectively and attract investments, are:

1. Outdated mechanism of financing the sphere.
2. Socio-cultural infrastructure, which is in an abandoned state.
3. Low share of financing of capital expenditures from the state and local budgets.

4. Lack of effective tools to attract extra-budgetary funds in the sphere.

5. Lack of highly qualified personnel.

6. Inconsistency between supply and demand (Figure 1).

For each problem, which is shown in Figure 1, a comprehensive solution should be developed, which in combination will form an organizational and economic mechanism to increase the investment attractiveness of the sphere, as a consequence will increase investment in the sphere (Figure 2).

Solving the problems of investment attractiveness that are inherent in the sphere of culture can be done only if the legal and organizational conditions for financing the sphere of culture, result-oriented, diversification of funding sources, the formation of competitive markets for cultural services.

The updated organizational and economic mechanism for increasing the investment attractiveness of the cultural sphere should perform the following tasks:

1. To ensure more efficient use of financial resources provided in the state and local budgets for culture.
2. To ensure the receipt of extra-budgetary funds in the sphere of culture and create opportunities for the development of socio-cultural infrastructure.

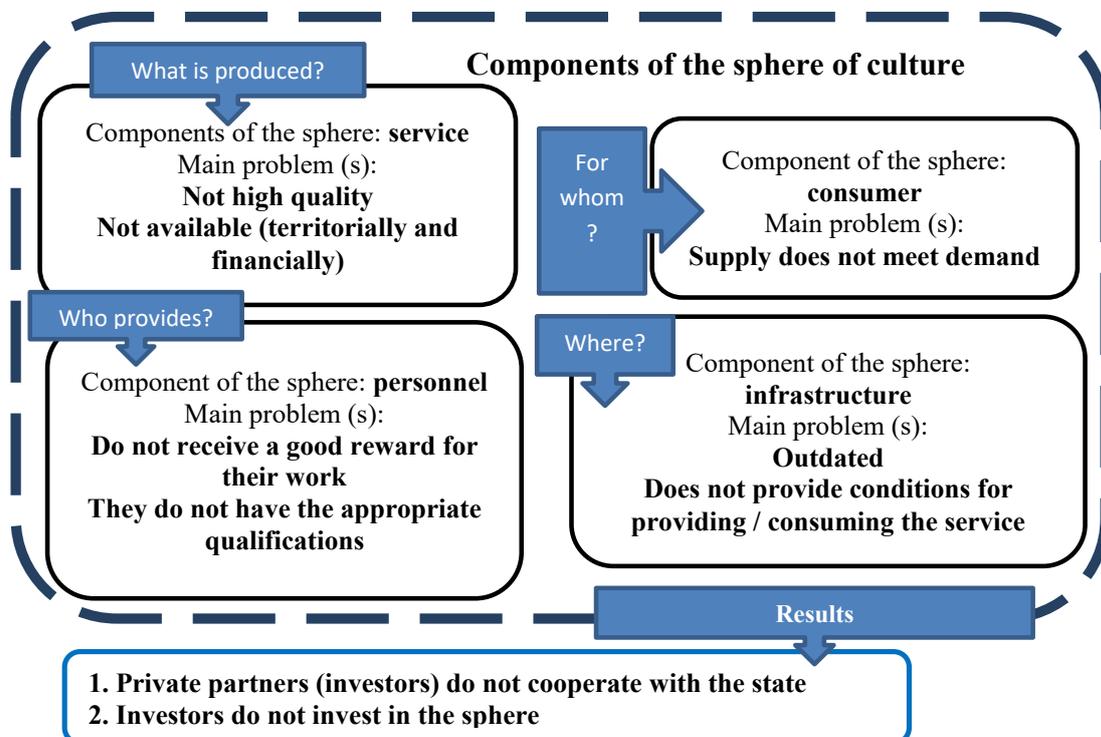
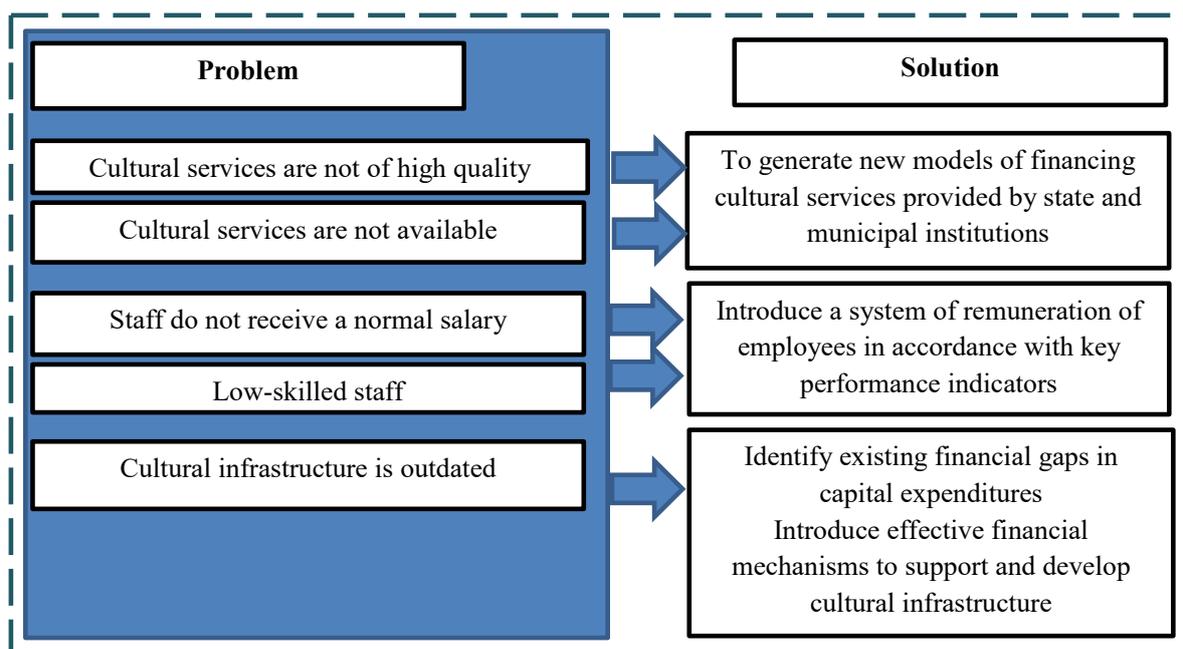


Figure 1. The main components of the problem of low investment attractiveness of the sphere of culture in Ukraine



**Figure 2. Ways to improve the organizational and economic mechanism to increase the investment attractiveness of culture**

3. To create favorable working conditions to attract highly qualified personnel to the sphere.

4. To create a competitive market of cultural services in which the supply meets the demand.

Thus, the main elements of the organizational and economic mechanism that are able to ensure the implementation of these tasks are:

- Updated models of financing cultural services provided by cultural institutions;
- Updated system of remuneration for employees in accordance with the results of their activities;
- Public-private partnership for culture;
- Project approach for the formation of competitive markets for cultural services.

### 3. Models of financing cultural services

Models of financing cultural services provided by state and municipal cultural institutions should be based on state guarantees of affordability and take into account the solvency of the consumer of cultural services. Thus, a broad offer should be created in the market of cultural services, under which each consumer would be able to meet their cultural needs. It should also take into account the fact that there are certain state guarantees, so we should not forget about the services that must be provided to the citizens of Ukraine free of charge. In turn, in order to attract private investors, it is necessary to develop models for financing cultural

services, which are provided on full payment by the consumer, this type of service is the most interesting for the investor, who aims to make a profit.

It is necessary to introduce three main models of cultural services that can satisfy the interests of the state, consumers and investors. Opportunities for attracting investment through the introduction of models for the provision of cultural services, which can be provided by institutions and organizations that carry out their activities in the sphere of culture are given in Table 1.

### 4. Remuneration system

The next element of the organizational and economic mechanism of increasing the investment attractiveness of the cultural sphere is the modernization of the remuneration system.

The system of remuneration should include incentives for quality and efficient work of employees of cultural institutions, in particular, provide for the relationship between remuneration and productivity of the employee. The employee must also receive rewards as opportunities for professional development and training.

The introduction of a system of “key performance indicators” can serve as an incentive that will positively affect the motivation for quality and creative work of employees of cultural institutions and will attract highly qualified personnel to the

Table 1

**Attracting investments through the introduction of models for the provision of cultural services that can be provided by institutions and organizations that carry out their activities in the sphere of culture**

Model provision of cultural services	Interest in investing		Steps needed to implement the model
	State (public investment – budget funds of all levels of budgets)	Private investor	
free cultural services	The state investments, first of all, ensure the fulfillment of the functions of the state and the norms of the Constitution, according to which the state provides cultural rights for the citizens of Ukraine.	Investing in the production of services provided free of charge can, above all, serve as a basis for obtaining preferences from the state, such as tax benefits, or exemption from certain types of taxes.	1. Definition at the legislative level of the list of services that will be provided free of charge and included in the basic set of cultural services 2. Development of a single method of calculating the cost of free services
cultural services on a co-payment basis	Investing public investment primarily ensures the performance of state functions to support and develop the cultural sphere	Investing in the production of services provided on a co-payment basis can serve as a basis for obtaining preferences from the state, such as tax benefits, or exemption from certain types of taxes. Making a profit	1. Development of models of differentiated financing for different types of cultural institutions and different types of cultural services 2. Development and approval of guidelines for calculating the cost of services provided on a co-payment basis
cultural services on terms of full payment by the consumer	The state does not invest directly in the provision of paid services, but may direct capital expenditures for the development of cultural institutions, which in turn will have an impact on the quality of cultural services	Making a profit	1. Definition and approval of the list of services that can be provided by cultural institutions on the terms of full payment by the consumer

cultural sphere. In turn, increasing the share of highly qualified and motivated staff will have a positive impact on improving the quality of cultural services.

It should be noted that the system of key performance indicators that are acceptable for any organization must meet the following requirements:

- Limited number of indicators;
- Unity for the whole organization;
- Measurability, the ability to quantify indicators;
- Direct relationship with the most important factors of success;
- The ability to influence numerous factors;
- Incentive for the employee (Panov, 2013).

In order to improve the quality of cultural services, it is proposed to introduce an evaluation system of the employee's work, for the results of which bonuses will be paid to the salary, as well as an annual bonus based on key performance indicators set at the beginning of the year.

In addition, it is proposed to use the management system of providing quality services by cultural institutions (Figure 3).

### 5. Public-private partnership for culture

The basis for providing affordable cultural services to the population is modern infrastructure that allows for the provision of quality cultural services. In order to increase the share of capital investment in culture, it is necessary to use modern tools to raise funds, in particular the instrument of public-private partnership.

Public-private partnership has become widespread in economically developed countries and serves as a tool to attract extra budgetary funds in various sectors of the economy. Given the state of funding for the cultural sphere on a "residual basis" and the limited budgetary resources, the use of this tool for the cultural sphere can serve as an impetus for the development of the sphere.

The introduction of public-private partnership will create opportunities to attract extra-budgetary funds for infrastructure and innovation projects in the sphere of culture, restoration of cultural heritage sites, reconstruction and modernization

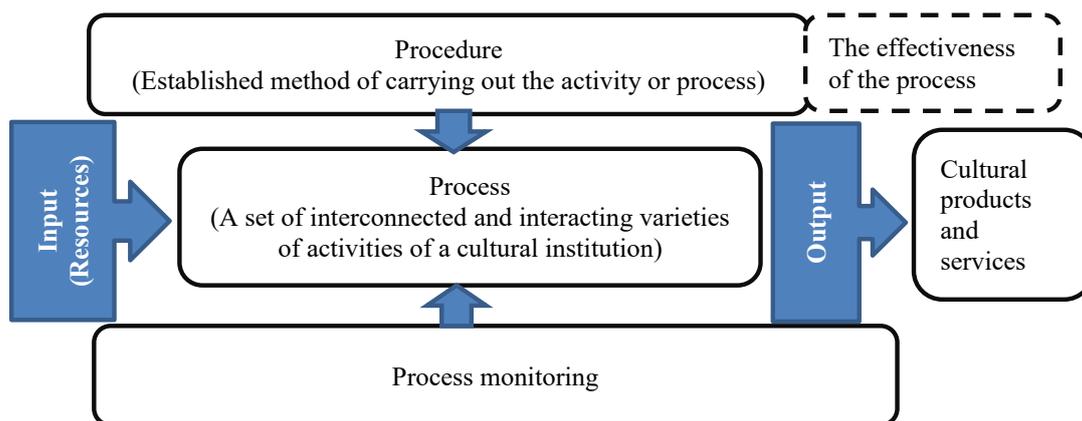


Figure 3. Schematic definition of the process for the management system of quality services

Source: (Voronina, 2015)

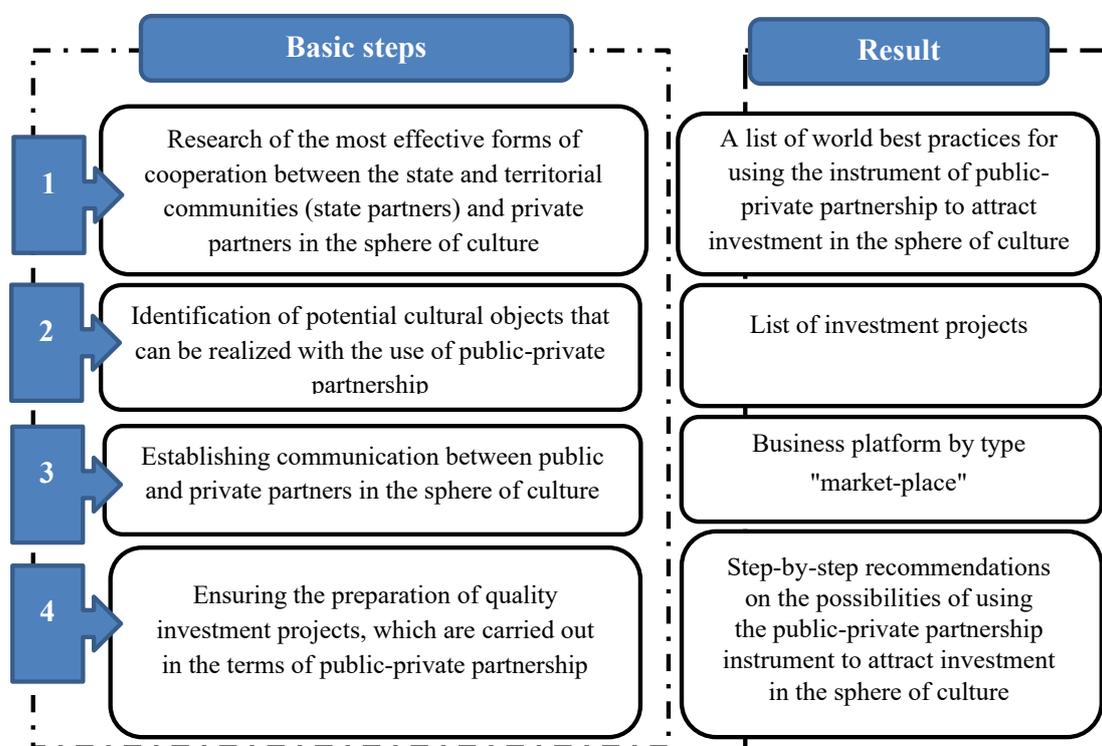


Figure 4. The basic steps for the implementation and use of the public-private partnership instrument to attract investment in the sphere of culture

Table 2

**The main advantages of using public-private partnership in the sphere of culture**

Benefits for the public partner	Benefits for a private partner
1. Savings in budget funds 2. Obtaining a socio-economic effect 3. Ability to gain access to modern and innovative processes and tools that can be used in the activities of institutions 4. Attracting capital investment for the construction of new facilities 5 Allocation of investment risks with a private partner	1. Opportunity to invest under state guarantees 2. Receiving preferences from the state, for example, obtaining tax benefits 3. Distribution of investment risks with the state partner 4. New opportunities for project implementation

of cinemas, theaters, libraries and clubs, creation of new cultural spaces (Table 2).

To use the tool of public-private partnership for culture in Ukraine effectively, it is necessary to follow the steps shown in Figure 4.

Thus, the instrument of public-private partnership is a universal and, at the same time, an effective mechanism for attracting financial resources and highly qualified personnel to address strategic challenges of socio-economic development in a budget deficit.

## 6. The project approach

The last and main element of the formation of a favorable investment field for the development of culture in Ukraine is the introduction of a project approach to the formation of competitive markets for cultural services.

The competitive market of cultural services should be formed and developed on the basis of taking into account the demand and supply for cultural services (products), focus on the current needs of consumers of cultural services and the state of their satisfaction.

Today at all levels there is an introduction and development of project management technologies, which allows to focus attention and resources on the implementation of a certain set of tasks with certain restrictions, such as time, resources, budget.

The sphere of culture is one of the priorities for the use of methods and techniques of project management, the implementation of which will contribute to the formation of optimal organizational structure and interaction of executive authorities and local governments, increase the number of alternative resources, optimize their use, stimulate supply and consumption of cultural services.

The project approach to financing the cultural sphere is not only a tool for creating a competitive market for cultural services, but also a key element for attracting investment and creating a favorable investment field for cultural development. The main advantages of the project approach are:

- allowing to combine different forms of investment using a percentage;
- taking into account the proposed models of financing cultural services: the use is possible for the provision of free services, for services provided on a co-payment and full payment basis;
- creating competition between cultural service providers;
- giving the opportunity to provide cultural services and products at the best value;

- being the basis for the use of public-private partnership, crowdfunding, fundraising;
- giving a clear logical model of project implementation;
- providing the possibility of multi-channel financing;
- leading to more efficient use of funds;
- increasing investment from domestic and foreign investors.

The project approach as the main element of the organizational and economic mechanism of increasing the investment attractiveness of the cultural sphere should serve as a prerequisite for increasing investment.

## 7. Conclusions

At the present stage of economic development, there is a gradual combination of passive and active roles of consumer and producer, which leads to the transformation of financial relations and the emergence of new financial instruments and methods of capital mobilization.

The development of ties between culture and business, the establishment of various forms and opportunities for mutually beneficial cooperation in these areas, as well as the formation of public opinion in favor of cultural support will attract alternative funding tools and other resources (human, material, information, etc.).

Not only cultural products and services, but also cultural projects are common practices for attracting public or private investment in culture. That is, the introduction of a project approach to finance the cultural sphere and the creation of competitive markets for cultural ambassadors, can serve as a basis for organizational and economic mechanism to increase the investment attractiveness of the cultural sphere in Ukraine.

Solving the problems of investment attractiveness that are inherent in the sphere of culture can be done only if the legal and organizational conditions for financing the sphere of culture, result-oriented, diversification of funding sources, the formation of competitive markets for cultural services. The main elements of the organizational and economic mechanism to increase the investment attractiveness of culture are updated funding models, new approaches to the system of remuneration of employees in the sphere, the use of public-private partnerships, and the introduction of a project approach.

Further research should be aimed at developing a model of multi-channel financing of culture in the framework of the project approach.

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