ABSTRACT

THE MECHANISM OF ORGANIZATIONAL AND ECONOMIC DEVELOPMENT FOR RELIGIOUS ORGANIZATIONS

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The world experience of countries with developed economies shows that the activities of non-profit organizations and charities are an important element in the development of society. The main goals and objectives of non-profit organizations are to provide services in religious, cultural, and educational spheres, support and solve those social problems which are not relevant for business entities. Religious organizations (hereinafter RO) form a separate subgroup in the general structure of non-profit organizations (hereinafter NGOs) which constitute the third sector of the economy along with government agencies and commercial organizations [1].

Since independence, the process of development of religious organizations in Ukraine has been characterized by high dynamic growth. This was especially noticeable at the beginning of Ukraine’s formation as an independent state and during the social and economic crises of recent decades, where ROs played a significant role in maintaining and protecting the Ukrainian society. Thus, it should not come as a surprise that for decades, church organizations and religious figures have taken leading positions of trust in society.

According to the Law of Ukraine “On Freedom of Conscience and Religious Organizations” as of April 23, 1991, Ukraine adheres to the principle of separation of state and church, which is characterized by non-interference in each other’s affairs, but provides for a partnership model of church (religious organizations) with the state, which are regulated by particular laws.

Within the framework of European integration, a steady and progressive development of the non-profit sector of Ukrainian economy depends on the existence of an efficient organizational and economic mechanism. Performance of the organizational and economic mechanism in a market economy is connected with the issue of adjustment of non-profit organizations to the modern requirements. Therefore, such task calls for special approaches to the management of religious organizations. Today, of particular relevance is the study of conceptual approaches to the formation of a mechanism of organizational and economic development for non-profit religious organizations that would take into account European standards and the question of efficiency in conducting non-profit activities [3].

In order to elucidate the matter of a mechanism of organizational and economic development for non-profit religious organizations, one would need to clarify the meaning of the components that together constitute this concept. Taken from the Greek
word for machine, the notion of a mechanism was introduced into the discussion of economic categories in the 1960s. Borrowed from the field of mechanics, in which a mechanism is defined as ‘a set of interconnected and supplementary elements that allow a physical object to perform the necessary movements and locomote from one place to another, i.e. to move.’ The Explanatory Dictionary of an Economist approaches this notion from two angles: a) a device that performs a number of certain operations in the process of production; b) a set of processes, techniques, methods, and approaches or realization of certain actions aimed at achieving a goal [3].

The most pertinent definition of the organizational and economic mechanism was provided by Leonid Hurwicz, Roger Myerson, and Eric Maskin. When studying economics and game theory in various types of systems, they defined a mechanism as ‘any interaction between economic entities, a game, and a mechanism is the very form of the game. A game is a description of how players, i.e. economic entities, can act and to what outcome any set of actions may lead. The mechanism of development points at the stage in the state of system development, the latter reflecting the implementation of a leading function. At the same time, the mechanism is seen as a process' and grants a way to ensure the implementation of the requirements of objective laws in the process of subjective human activity. It sets rules of the games in economics by focusing the activity and behavior of economic entities in the direction aimed at the attainment of certain goals [3].

Evidently, the organizational and economic mechanism is much broader in its scope than the influence of economic laws and specific forms of their manifestation, since the former notion covers not only the basic but also supplementary relations, e.g. political, ideological, legal, moral, etc., that actively impact the basic relations. The following spheres are recognized as independent parts of the organizational and economic mechanism: governmental and legal, commercial and legal, administrative and executive, governmental and commercial, state and privately controlled, self-managed etc. The economic mechanism is established against the background of interests, their influences, management of interests and actions caused by such interests, and realization of economic interests. Collectively, they constitute the driving force of societal development [3].

In view of the important role that religious organizations play in our society by meeting religious and social needs of citizens and whole groups, it should be acknowledged that their activity helps to ensure the steady development and formation of a new economic mechanism for stimulating the so-called ‘third sector.’ The purpose of such economic mechanism lies in providing comprehensive and systematic support to the activities conducted by religious organizations. It helps to ensure the satisfaction of the main religious interests of citizens and steady development of a tolerant interreligious society. The effectiveness of accomplishing these goals depends on how optimal the combination of individual elements of the economic mechanism is (i.e. how well parts of the mechanism function) and how well it is implemented. The latter aspect is facilitated not only by purely economic measures, but also by administrative, social, cultural, and historical factors. Performance of the third sector and consolidation of civil society also largely depend on social capital, i.e. the level of public trust, community commitment, existence of traditions concerning charity and cooperation, and the overall level of how democratic a society is [1].

It should be noted that the mechanism of organizational and economic
development is a comprehensive approach that possesses a clearly defined structure. It consists of subsystems that together form a mechanism due to the influence of basic organizational and economic blocks, between which exists a system of stable interdependencies. In other words, an inefficiency of one subsystem leads to the inefficiency of an other subsystem and, as a result, the entire mechanism becomes inefficient, or vice versa.

Performance of religious organizations would depend on the improvement of the following basic elements of the organizational and economic mechanism:

- (a) a system of rules as the first element is drafted and implemented in cooperation with religious organizations and authorities. Such regulations provide for a general strategy of management and legal regulation of religious activities, thus creating a favorable legal climate for all religious organizations.

- (b) economic factor as a second element should be aimed at creating a favorable economic environment for the development of religious organizations. This element requires the availability of state subsidies, implementation of a viable taxation system, creation of foundations, provision of grants, training and retraining of employees of religious organizations on fund-raising, project management, marketing, human resource management, social entrepreneurship, financial literacy, accounting and auditing [4].

Furthermore, the organizational and economic performance indicators of religious organizations directly depend on the effectiveness and understanding of the development mechanism of such organizations. This approach should be developed in cooperation with religious organizations and the whole state. The usual spheres of cooperation between religious organizations include social services, protection of moral values, support in the development of civil society, and promoting tolerance between cultures and between confessions.

Therefore, the mechanism of organizational and economic development for religious organizations encompasses a shift of power and functions in existing management and regulatory structures. Their activities are aimed at the formulation, harmonization and coordination of an optimal combination of management methods with governmental regulations and results of interreligious discussions on the development of the non-profit sector.

References: