

Development of regional competitiveness as a factor in creating a favorable business environment

Desarrollo de la competitividad regional como factor para crear un entorno empresarial favorable

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Contents

- [1. The Value of Competitiveness in the Development of Entrepreneurship](#)
 - [2. Analysis of Competitive Factors in the Business Environment of the Region](#)
 - [3. Conclusions](#)
- [Acknowledgments](#)
- [References](#)

ABSTRACT:

As a result of studying approaches to the interpretation of the concept of regional competitiveness, the authors develop its definition and present a mechanism comprising the features of its formation. The results of the study of the competitiveness of industrial enterprises are presented; the main factors contributing to its development are identified. According to the results, it has been concluded that the development of the business sector in a region is influenced by many factors, the main of which is the investment climate understood as a set of socio-economic elements that determine the attractiveness of the economy. The mechanisms for increasing the competitiveness of regional authorities, local governments and business entities are proposed.

Keywords: competitiveness, competitiveness of the region, investment climate, business environment, strategic goals, management decisions, region

RESUMEN:

Como resultado del estudio de enfoques para la interpretación del concepto de competitividad regional, los autores desarrollan su definición y presentan un mecanismo que comprende las características de su formación. Se presentan los resultados del estudio de competitividad de las empresas industriales; Se identifican los principales factores que contribuyen a su desarrollo. Según los resultados, se ha concluido que el desarrollo del sector empresarial en una región está influenciado por muchos factores, el principal de los cuales es el clima de inversión entendido como un conjunto de elementos socioeconómicos que determinan el atractivo de la economía. Se proponen los mecanismos para aumentar la competitividad de las autoridades regionales, los gobiernos locales y las entidades empresariales.

Palabras clave: competitividad, competitividad de la región, clima de inversión, entorno empresarial, objetivos estratégicos, decisiones de gestión, región

1. The Value of Competitiveness in the Development of Entrepreneurship

At present, it is impossible to succeed in entrepreneurship, if one does not plan its development, does not regularly accumulate data about prospects and opportunities, about the state of target markets, the position of competitors in them. In this regard, in our opinion, the effective factor in maintaining the socio-economic stability of the region is increasing the competitiveness, as the central task of the state, therefore, attention to competition among regions within the country is increasing. After all, it is precisely the high level of competitiveness of the business sector of the region that makes it possible to develop and effectively fulfill the role of socially responsible employer.

As the President of the Russian Federation V.V. Putin noted in his speech: "Russia has a strategic goal – to become a country that produces competitive goods and provides competitive services. All our efforts are aimed at achieving this goal... " (TVC, 2015).

General issues of the theory of competition were raised in the works by A. Smith (1776) and D. Ricardo (1817) in the 18-19th century. Economic theory and practice have made significant progress in studying the issues of competitive advantage and applying the conclusions of the theory in practice under the influence of the works by Harvard Professor M. Porter (1980).

In general, the competitiveness of a region is considered as its ability to attract and retain firms with the stable or growing market share in activities, while maintaining the stable or growing standard of living for those who participate in it (Storper, 1997). Given this, competitiveness may vary depending on geographical space, since regions develop at different rates depending on growth factors (Audretsch, & Keilbach, 2004).

According to M. Porter, high competitiveness is an optional presence of a high technology in the enterprise, as many researchers of this problem believe. At the same time, neither one nor the other guarantees success by itself, as M. Porter believes: "Profit depends on what its product is, whether it is the result of high or low technology" (Porter, 2008).

A. Vorotnikov (2001) focuses on the ability to realize the economic potential in the aggregate of all its elements, to ensure the required level of well-being of the population and on this basis determines the place of the region among other constituent entities of the Russian Federation.

E.N. Bondarenko (2011) believes that a region's competitiveness characterizes its economy's potential for producing products in demand in the domestic, interregional and international markets, which allows it, in turn, to provide businesses and population with high level of income and the required quality of life (Voloshin et al., 2016).

Having considered the approaches to the conceptual apparatus of this economic category, we came to the conclusion that the "competitiveness of a region" is a generalized characteristic that is intensively developing in the field of management theory and practice, influencing management decisions, in implementation of internal and external competitive advantages to create the favorable investment climate for business sector in the region.

Interpretations of the concept of "competitiveness of a region" made it possible to single out its main components:

- Public administration;
- Management of business competitiveness;
- Development of scientific and technical achievements;
- Effectiveness of functioning of socio-political and state-legal systems.

Sharing the point of view of Malecki (2007), we believe that the main element of regional competitiveness associated with economic indicators is the assessment of the regional business environment and its investment climate.

2. Analysis of Competitive Factors in the Business Environment of the Region

In accordance with the concept of the long-term socio-economic development of the Russian Federation for the period until 2020, the state regional policy should be aimed at ensuring

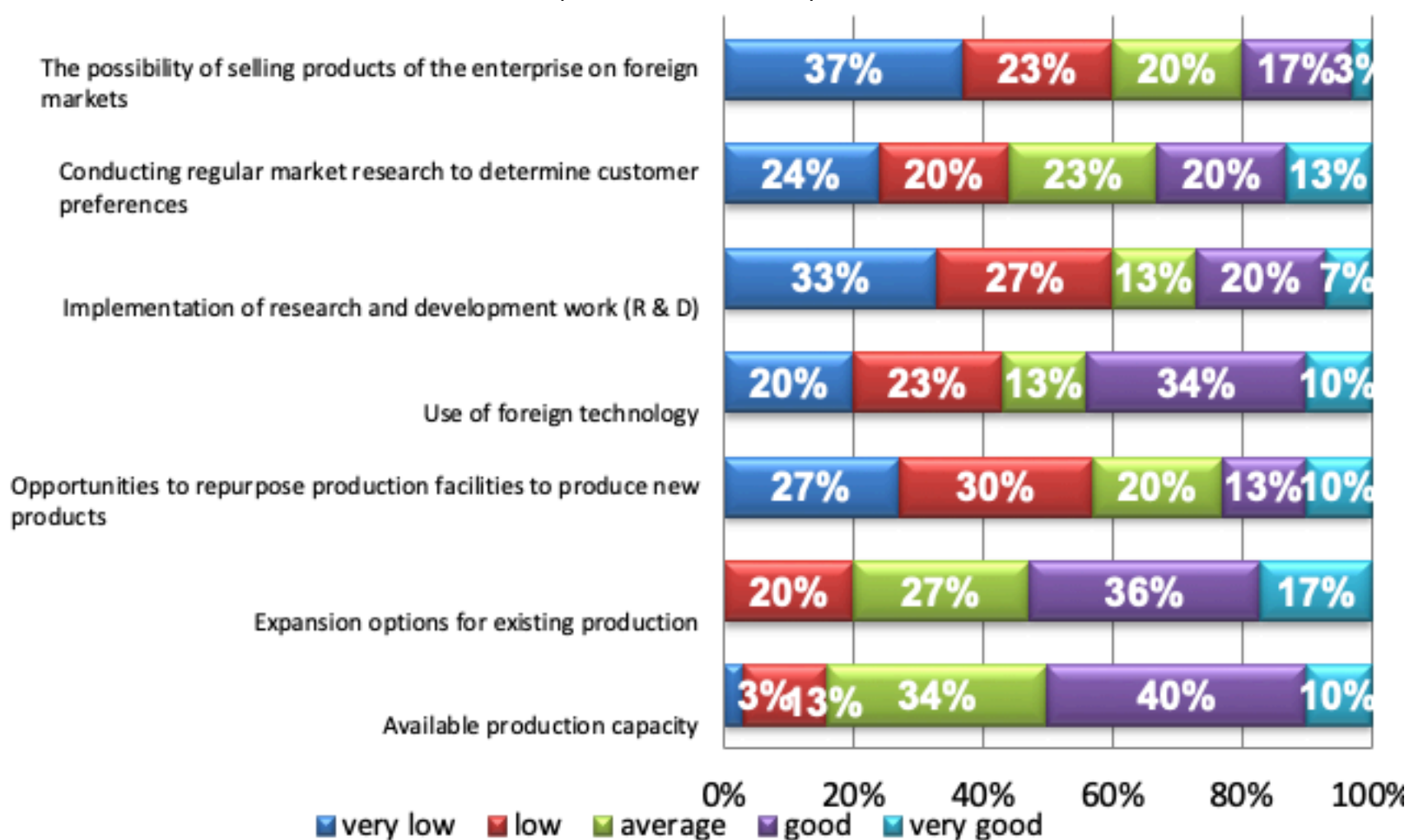
balanced socio-economic development, reducing the level of interregional differentiation and improving the quality of life of the population through improved competitiveness and integrated economic development. Balance should be achieved mainly through the implementation of the following areas of regional policy: creation of new centers of economic growth based on competitive advantages; coordination of infrastructure investments of the state and business, considering the priorities and limitations of development of the region; human development and reducing the differentiation in the level and quality of life of the population (Shikhverdiev et al., 2012).

In order to identify the factors that have stimulating and deterrent effect on the development of competitiveness of the business environment in the region in 2018, we conducted a study in which about 100 business representatives from the Komi Republic participated as experts.

The main research methods used are system analysis, data grouping, comparison method and analogies, generalization method, project approach in the framework of the practice of substantiation and implementation of management decisions.

Assessment of the level of competitiveness of enterprises of respondents allowed us to highlight the following picture (Figure 1).

Figure 1
Evaluation of the level of competitiveness of enterprises

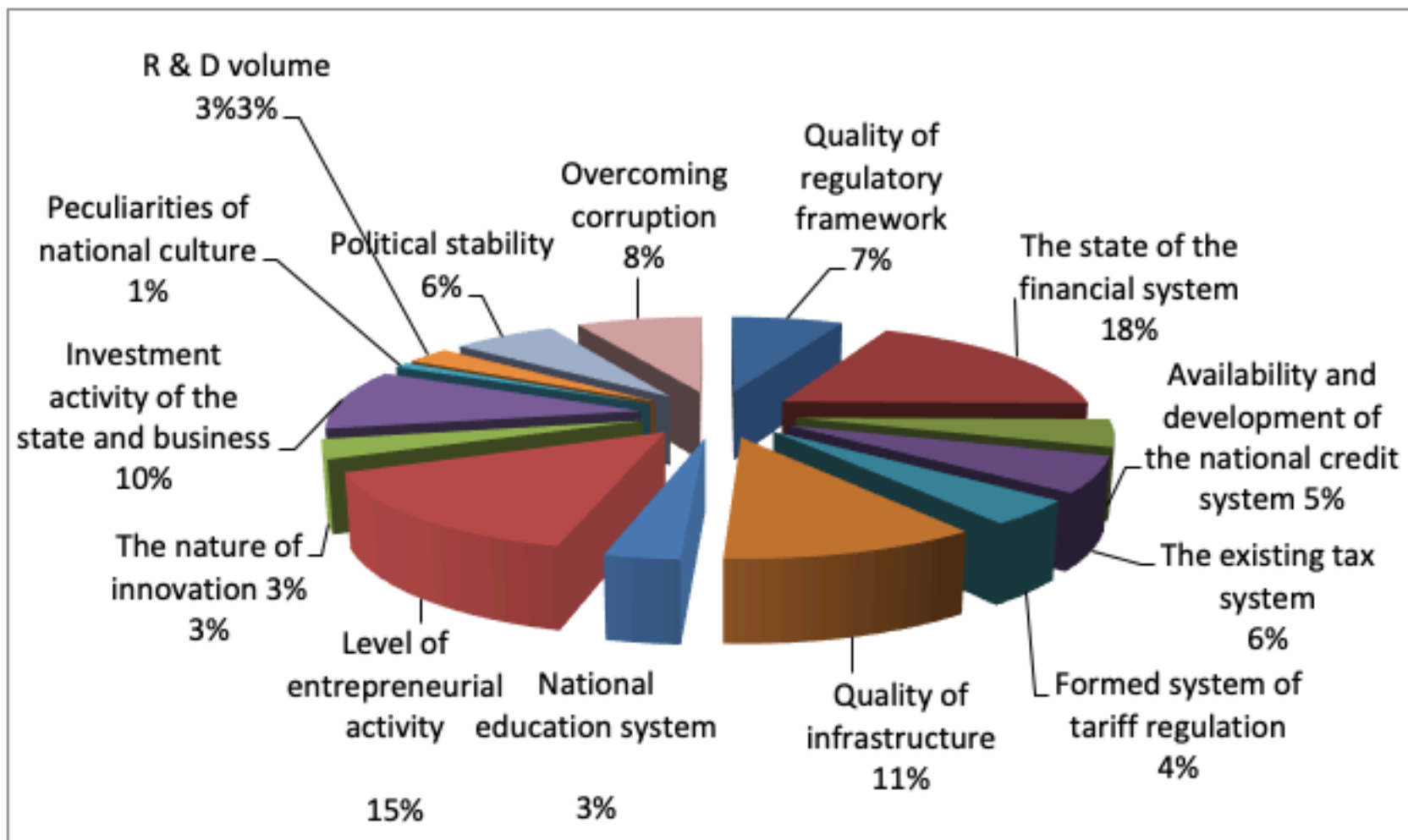


(Shikhverdiev, 2018)

The survey results show that most entrepreneurs are well aware of the existing production capacity and the possibility of expanding existing production. However, more than 50% of respondents noted the low level or lack of opportunities to reprofile production facilities and product sales in foreign markets, as well as the low level of research and development (R & D).

During the survey, the entrepreneurs were asked to identify the main factors that positively affect the competitiveness of enterprises and the development of the economy of the region (Figure 2).

Figure 2
Factors that ensure competitiveness and



(Shikhverdiev, 2018)

As one can see, the most important factors are the state of the financial system (18%), the level of entrepreneurial activity (15%), the quality of infrastructure (11%), and the investment activity of the state and business (10%).

The competitiveness of the region as a factor in the formation of the favorable business environment is assessed according to the level of efficiency of investment management in its economy and the state of the investment climate in the region, and therefore, the article reflects the analysis of investment climate of the Komi Republic.

The region shows dynamics of changes in investment potential since 1996, a steady tendency to improvement is outlined (in 1996 – low potential, high risk, in 2006 – reduced potential, moderate risk, and from 2007 to the present – reduced potential, moderate risk), i.e. the republic with lowered potential – high risk improved its position to reduced potential – moderate risk, which, undoubtedly, becomes much more profitable for potential investors.

According to the rating compiled by the Expert RA agency, the Komi Republic is in the group of regions with an investment rating of “Reduced Potential – Moderate Risk” and ranks 20th among the constituent entities of the Russian Federation (Rating Agency RAEX, n. d.).

According to the rating compiled by FitchRatings, the Komi Republic is in an even better position, and it has been assigned the long-term credit rating of AA + ru (Rating Agency Fitch Ratings, n. d.). However, it should be noted that the investment attractiveness of the republic is due solely to its natural resource potential.

The analysis of private investment potentials and risks allowed us to form a set of favorable and unfavorable factors of the investment climate of the region (Table 1).

Table 1
Factors of investment climate of the Komi Republic (Rating Agency RAEX, n. d.)

Potentials	Average rank for the period of 1996-2017	Risks	Average rank for the period of 1996-2017

Favorable factors of the investment climate of the KR			
Natural-resource	52.3	Economic	14.5
Innovational	31.7	Financial	31.8
Labor	36.5	Legislative	33.5
Unfavorable factors of the investment climate of the KR			
Infrastructural	16.1	Criminal	15.2
Tourist	8.3	Political	13.6
Institutional	12.6	Ecological	8.2
		Social	12.4

According to the analysis of the data given in the table, it is necessary to develop a set of measures aimed at reducing the high private investment risks of the republic:

- 1) criminal risk: reduction of crime (including economic) in the region;
- 2) Political risk: improvement of advisory work of the regional administration with the population, ensuring personnel stability in the regional administration;
- 3) Social risk: decrease in the proportion of the population of the region with income below the subsistence minimum.

As a result of the study of Russian and foreign methodological approaches to diagnosis of the investment climate, the following conclusions have been made:

- 1) Assessment of the investment climate by foreign methods is carried out based on the set of particular factors or characteristics, based on which the object being evaluated belongs to a particular group;
- 2) Foreign methods are guidelines for foreign investors in their investment decisions;
- 3) The practice of assessing the investment climate reflects the tendency to shift the focus from subjective factors, as assessed by experts, to objective indicators obtained based on statistical and analytical data (Rakhimov, 2007).

One of the strategic goals and main objectives in the field of economic development of the northern regions, including the Komi Republic, is the growth of investment attractiveness and formation of a positive image of the region, increasing investment and innovation activity of organizations. However, the implementation of this goal has many problems.

According to the results of the research conducted in the framework of the Research Center of Corporate Law, Management and Venture Capital Investments of ASU named after Pitirim Sorokin in 2018, as well as according to the Republic Revival Program, we have identified internal and external problems that hinder the improvement of the investment climate:

Internal problems

- Incomplete information about the situation in the priority markets for products;
- Lack of own innovative developments;
- Inefficient management systems in the company, low level of corporate culture and social responsibility of business;
- Insufficient level of modernization and greening of production;
- The structure of the company and the methods of organizing the work of employees do not contribute to the quality activity of the staff;
- Lack of qualification of employees to achieve the goals of the company;
- The practice of internal control and risk management in companies of the Komi Republic do not

- have an adequate level;
- Lack of systematic approach to the process of managing business risks.

External problems

- At the legislative level, mechanisms for protecting the rights of investors and supporting investment activities are not sufficiently developed;
 - Significant administrative pressure on the business;
 - Insufficient quality of infrastructure and information support of business;
 - Difficulty of accessing external sources of financing (credit resources, government support, securities market, investments by Russian and foreign funds, development institutions);
 - Growth of informal employment (complex state regulation procedures, administrative pressure, high level of fiscal pressure);
 - Insufficient qualification of personnel in the labor market;
 - Low innovation and investment activity of small and medium enterprises;
 - Shortage of qualified personnel (especially in rural areas).
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3. Conclusions

Based on the results of the study, we have developed the following recommendations for regional authorities and local governments, as well as business entities to improve the competitiveness of enterprises in the region:

At the level of regional and local authorities:

1. Reduction of administrative barriers, including from the point of view of ease of obtaining state financial support by business entities;
2. Promoting and stimulating innovative development of business entities;
3. Encouragement of introduction of energy saving and non-waste technologies in enterprises.

At the level of business entities:

1. Creating a model of strategic development of enterprise personnel;
2. Active use of financial and advisory support from the regional authorities;
3. Active implementation of various forms of outsourcing to optimize own activities;
4. Improving the corporate governance system.

We also propose the following directions for building a system of partnerships between business and government:

On the part of regional and local authorities:

1. Formation of effective mechanisms for providing financial support to enterprises in the form of concessional lending, co-financing, measures to introduce new technologies and modernization of production, as well as a tax credit and the need to actively encourage enterprises to use this support;
2. Simplification of the procedure for collecting documents for state support;
3. Support the promotion of products in new markets;
4. Formation of the information base of analytical materials in regional markets about the needs for goods and services;

On the part of business entities:

1. Increasing the role of information technology in the development of enterprise business processes;
2. Introduction of modern technologies of energy efficiency and waste-free production.

Marked directions and forms of support can be provided both individually and in the complex form as a part of the support of investment projects.

The proposed recommendations will help increase the number of entrepreneurs, the availability of economic resources, which, in turn, will create favorable conditions for improving the competitiveness of the business sector of the region's economy and improving

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[\[Index\]](#)

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