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Objectives and Institutions of Regional Development: Interdisciplinary Methodology

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ABSTRACT

The paper proposes an interdisciplinary methodology for creating goals and development institutions in the region as a subject of the federation. The methodology includes the subject-functional, systemic, organizational and strategic approaches. The study is based on a hypothesis that the potential and actual institutions are the objectives of the main subjects of socio-economic development of the region that define its functions. Meanwhile, the concept and the methodology for determining these objectives can be used for systemic formation of the target institutions. The paper concludes with the methodology of systematization of institutional support for the regional development. Recommendations are given to further systematize the institutional support using the matrix method.

Keywords: Regional Development, Russia, Regional Competitiveness, Regional Institutions

JEL Classifications: O2, R1

1. INTRODUCTION

The expert community and the public administration bodies have the understanding of the two key objectives of the current development stage of the country: The need for sustainable economic growth and the provision of social stability. The main vector of development remains the transition from the raw model to an innovative one, which is based on the structural changes. These changes are determined by the modernization and the transition to a new state of socio-economic systems of different levels, including the regional level. The region as a subject of development forms its own goals, policies and institutions, having its unique features of development. These particularities relate to the federal structure of Russia, as well as the complexity of the regional systems.

In accordance with the Constitution of the Russian Federation, the region is a subject of the federation. Withal, the region acts as a subsystem of the national socio-economic system. It belongs

to the federation as a part to the whole, as a subsystem to the system and shall perform the functions and goals being set at the federal level. Therefore, the region can be seen as a self-organizing system and partially self-sustaining within a single state system (corresponding to the definition of a “system” given in the dictionary of Lopatnikov, 2003. p. 216). These features of the federal structure of the Russian state support the permissible parameters of a large heterogeneous economic area related to its socio-economic security. In addition, the region is a complex system characterized by a hierarchical structure and a large number of heterogeneous elements and relationships, the study of which requires adoption of a particular scientific approach (Lopatnikov, 2003. p. 331). Therefore, the socio-economic study of the region is advisable to be undertaken via an interdisciplinary analysis and synthesis (Kuleshov et al., 2012; Minakir, 2014; Tatarkin and Kotljarova, 2013; Shekhovtseva, 2006).

Governing the systems with such characteristics in the face of increasing uncertainty and instability of the environment is

associated with the growing importance of the strategic modes of operation. The implementation of the strategic management of the regional development in market conditions requires elaboration of an appropriate methodology and tools and, above all, to meet the challenges of the regional goal-setting and institutional support. It is the conceptual basis of these solutions are the subject of this study. The object of the study is the region as a subject of the Russian Federation and the subject of development.

2. THEORETICAL BACKGROUND

The role of strategic goal-setting increases with the problem of choosing the type of economic growth and development model. Many publications, on the regional economy (Izard, 1966), economic synergy (Evstigneeva and Evstigneev, 2010), and institutional economics (Auzan and Zolotov, 2008; Grigoriev and Tambovtsev, 2008; Shastitko et al., 2008), consider goal-setting and harmonization of interests of different social groups as one of the most important preconditions of contemporary development. Evstigneeva and Evstigneev (2010. p. 18) note that “the economy, in contrast to the natural sciences being totally focused on the study of the scope of the objective, is full of subjective activity (as its object). The problem of subjectivity initially existed in economic sciences being the only reason of its non-linearity, uncertainty, randomness [...] the subjective target behavior of the object grants its objectivity and its autonomy.” Theoretical aspects of goal-setting are insufficiently studied, thus the targets are mainly formed empirically. At the regional level, an interdisciplinary concept elaborated by Shekhovtseva (2011) considers the standard targets being formed on the basis of the provisions of the basic economic theory and the specific targets on the basis of characteristics of the region. Becoming a “strategic goal-setting paradigm” (Novoselov, 2006) of regional development is determined by the formation of its subjectivity in the open global and national economic space, the implementation of socio-economic functions of the state, a place in the hierarchy of economic systems, and the need to confront the threats of the external environment. However, the implementation of goal-setting process is hampered by the existing institutional support of strategic management of socio-economic development of the region.

In the theoretical respect, the problem is manifested in a number of unresolved issues of institutional economics. Russian scientists have not yet had the consistent understanding of the basic categories, such as “institution” (Inshakov and Frolov, 2010). The strategic landmarks of the basic goal-setters and development actors in the region (i.e., population, business community, government bodies) being reflected in the adopted strategies, programs and projects are neglected as real regional development institutions. Practical activity is characterized by an insufficient use of systematic approach to institutional provision of strategic management of socio-economic development of the region. To solve the problem, the article develops the hypothesis of targeted institutes and institutions based on the system of formation of the objectives of regional development (Shekhovtseva, 2015).

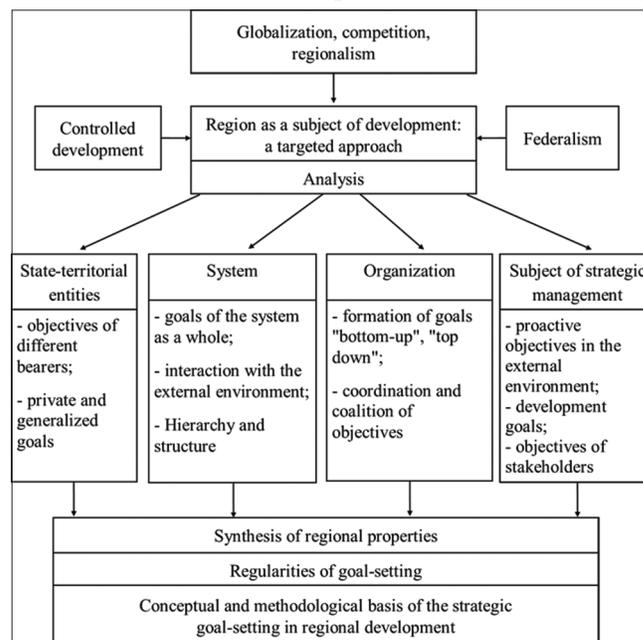
3. DRAFTING AN INTERDISCIPLINARY RESEARCH METHODOLOGY

Meeting the challenges of the regional goal-setting and institutional support is based on the use of elements of the interdisciplinary research of a set of sciences: Sociology, systems analysis, organization theory, strategic management theory, and institutional economics. Sociology implies consideration of the interests and coordination of objectives of the regional population groups. System analysis considers the region as a system of interrelated elements, hierarchies and modes of existence. The organizational theory is exploring the region as an organization with multiple targets, interests and contradictions, horizontal and vertical linkages. The theory of strategic management is based on the development of strategic objectives and methods of proactive behavior in the regional context. Institutional economics examines the target institutions, and institutes that ensure the functioning and development of the regional economy. Interrelated elements of the chain of sciences integrate tools of the regional economy.

Based on an interdisciplinary approach to the region as an object of research, the directions are formed on studying it as a state territorial system, the organization, the subject of strategic management (Figure 1).

As a result of the synthesis of the properties of the region as a subject of development, one can move on to the subject of research, and define the following methodological approaches to the regional goal setting concept: The subject-functional, systemic, organizational, strategic. The subject-functional approach integrates the elements of academic sociology, systems analysis, and the concept of federalism. On this basis, the subjects of the regional development are highlighted, which act as main goal-holders: The population, the business community, government bodies. The needs and objectives

Figure 1: Research methodology on strategic goal-setting of regional development



are being established, which form the generalized functions and objectives of the region in survival (adaptation) and development modes. The systemic approach in addition to the subject-functional, determines not only active but also passive elements of a regional system (i.e., infrastructure, institutes, environment, safety), whose “interests” to be considered in goal-setting. This enables to create a typical structure and composition of goals for all regions - subjects of the RF. Regional structure includes population, business community, government bodies, infrastructure, institutes, environment, and safety. Apart from representing the system as an object, Kleiner (2008) suggests a number of different approaches: By describing the processes (investment, innovation, reproduction), as an environment (factors of external and internal environment of the region), and via examining the major projects (strategies, programs, projects). The organizational approach relates to the systematic approach and forms the organizational system, thus it is complementary in terms of addressing the specific goals of the region and its various groups with conflicting interests, both within groups and between them. The study of organizational systems involves the use of sociological methods among others. Strategic approach enables to create proactive behavior in the region as an organizational system in the external environment, taking into account the agreed objectives in socio-economic and other aspects.

4. INTERDISCIPLINARY APPROACH TOWARDS REGIONAL DEVELOPMENT

The authors hypothesize that the objectives of the main subjects of socio-economic development of the region that define its functions are the prospect and present institutions, and the concept and the methodology for determining these objectives can be used for systemic formation of the target institutions and institutes. This hypothesis is based on the fact that goal-setting is a function of strategic management of development of the region as a subject of the federation. Performance results are the generalized regional strategic objectives, which express the balanced interests of the main actors - object-setters (i.e., population, business community, government bodies at various levels - federal, regional and municipal) and act as a form of social functions and the expected results of economic activity. In a functional context, the strategic objectives can be considered as institutions, and referred to as target institutions. Regional institutions meant to fulfill certain objective functions (institutions) being associated with the organizational entities (such as laws) and organizational structures (such as government bodies). This approach is consistent with foreign and partly with Russian studies, which discuss the concept of ‘institution’ in the functional aspect and the “institute” - in an organizational aspect (e.g., Inshakov and Frolov, 2010).

A feature of the target institutions is an operational nature (or dependence on the process of formation). According to this criterion can be distinguished the potential or actual institutions. Potential target institutions include the unidentified objectives (i.e., theoretical, drafts of the normative documents). Actual institutions include goals established and approved in the regulations (presidential decree, strategy, program, project, etc.), science-based, publicly coordinated and actual targets defined

on the basis of public opinion polls, statistical and reporting information. Like any classification of real objects, processes and phenomena, the proposed typology of institutions is conditional.

Institutional support includes targeted institutions and institutes of both functional and organizational elements of the regional system. These elements can be called the institutionalized forms of civic consciousness and civic engagement, respectively. Goals as an institutionalized form of civic consciousness can serve as a basis for systematization and design of other institutionalized forms of civic engagement - institutes. On the other hand, it is institutes that fix the mechanisms, procedures of defining the objectives and methods of achieving them in scientific and practical activities (Shekhovtseva, 2015).

Let us consider the second part of the hypothesis by summarizing the main points of the proposed concept and methodology of strategic goal-setting of regional development. The concept of strategic goal-setting of regional development initially presented by Shekhovtseva (2011), includes the following elements: Basic concepts, principles, levels and a coalition of goal-setting, structure, types and sources of objectives. Let us consider some of these elements. The basic concepts reveal the content of the terms “region as a subject of development,” “strategic management of regional development,” “strategic goal,” and “regional development strategy.” The region as the subject of development is understood as the sub-national entity, which develops and implements the strategic goals of its development in internal (i.e., regional) and external (i.e., national and global) environmental for the implementation of the social functions of the state through the integration of objectives of stakeholders, as well as the reproductive cycles of the region, while taking into account the existing powers and resources in the context of global competition. Strategic management of socio-economic development of the region is the process of design and implementation of the mission, goals and ways to create conditions for economic development, increase the level and quality of life by progressive change in territorial potential and structure of the region in accordance with changes in the external environment. The strategic goal of the region is a goal to create an image (or portion thereof) of the future of the new state of the region in an uncertain and unstable external environment, including quantitative and qualitative meters and indicating the way of achievement. The strategy of socio-economic development of a regional is a system of long-term most important measures in relation to changes in the external environment, the level and quality of life of the population, industries that form the gross regional product (GRP) and the structure of revenues and expenditures, budget, tax, investment, prices and other elements to ensure the achievement of goals.

The principles of goal setting is multi-levelness, the unification of the management and the coalition approaches, the structuring of objectives, the combination of universality and specificity, and the measurability of objectives. The principle of multilevel goal-setting implies the formation of the four-level pyramid of objectives: Macroeconomic objectives of the region as a subsystem of the national economy and the social sphere; meso-economic objectives of the region as a subsystem, with jurisdiction of the federation; microeconomic objectives consisting of the

components of the subsystem; mini-economic objectives of the goal setting subjects. The principle of unification of the managerial and the coalition approaches reflects supplementation of the state governance by the self-organization of the regional community and presumes the coordination of objectives of the goal setting subjects in the region. The principle of goals structuring over the semantic component (target landmark) and the measuring part (target indicator) enables to evaluate the vertical and horizontal links between the targets and simulate the numerical values of these targets. The principle of combining the universality and specificity is the goal of structuring over the basic (i.e., sample or standard) and the specific components. The content of the basic objectives is determined based on factors and development results in the context of economic and regional theories, subject-functional analysis of the region and the lessons learned from the strategic goals of the region being elaborated (Table 1). Specific regional objectives are determined by the specific characteristics of each region or group of regions (for example, cross-border and maritime).

The principle of using fixed indicators and estimates is based on various approaches to measuring and modeling of the targets defined by the methodology of international organizations (e.g., GRP), or the methodology of experts (e.g., competitiveness of the region). The principle of multi-dimensionality and dynamism in measuring the objectives is implemented in multi-variant, multi-criteria and choice of managerial solutions for strategic goal setting and reflects the non-linearity of development.

The concept and the methodology for determining these purposes can be used for systemic formation of the target institutions and institutes. Target institutions and institutes as both functional and organizational elements of the regional system form the institutional support. Institutional support of the regional goal-setting is also formed at several levels, based on the functions the region as a subject of development, on the

basis of subject-functional, systemic, organizational and strategic approaches. Subject-functional approach enables to select the subjects - target-holders and their goals - institutions. Based on a systematic approach in conjunction with the organizational the levels of institutions and institutes formation are distinguished, as well as the modes of their formation and coordination with the concerned actors. A strategic approach defines "proactiveness" and anticipation of the emergence of new institutions.

Tools of systematization and design of institutional support can be the cognitive, scripting methods, the matrix techniques, and others. For example, the use of the systemic and subject-functional approaches enable to construct a matrix of institutions and institutes on different axes (i.e., criteria): For example, levels of economic systems, the subjects of strategic goal-setting (i.e., the active elements of the economic system), operational modes.

On the first criterion, the goal-setting institutions and institutes of the regional development should be formed at four levels: The macro (i.e., national), meso (i.e., regional), micro (i.e., municipal), and mini (i.e., individual settlement). According to the second criterion, they should reflect the interests of the main subjects of goal setting at all levels: Government bodies, general public, business community, as well as other elements of the regional system (e.g., institutions, infrastructure, safety, environment). According to the third criterion, the institutional forms characterize the current and strategic modes of operation of the regional system.

The objectives of the regional level (Table 2) could serve as the basis of regulatory and legal instruments and bodies (i.e., institutes) of functioning of the sub-federal entities that form the mechanisms and conditions for providing food, housing, employment, health services, etc., as well as the development of life quality, health and safety. These institutes should include government, market and mixed components.

Table 1: The strategic development goals of the regional development in the context of economic and management theories

Name of theories, concepts	Regional strategic objectives at the macro-level in the context of key development characteristics
Keynesian models (J. Keynes, J. Hicks, W. Rostow, R. Harrod, E. Domar) Neoclassical theory (W. Lewis, G. Fay, G. Ranis, A. Hirschman, E. Heckscher, B. Olin)	To ensure high growth rates of GRP based on high growth rates of investment, deep structural changes in the economy at the expense of external and internal sources of development Carry out transition to a modern economy by increasing the competitiveness of domestic products on the foreign market, the comparative advantages of the country in international trade
Institutionalist theory (M. Weber, A. Toynbee, K. Wittfogel, G. Myrdal, K. Polanyi, R. Coase)	To ensure high growth rates of per capita income of the population by increasing employment, improving the quality of human resources and human capital accumulation Improve the basic needs of all members of society at the expense of investment in human capital, poverty eradication, legal availability, reduce inequalities, increase employment. Reduce transaction costs of regional development. Develop internal and external communication in the region
Evolutionary theory (A. Alchian, R. Nelson, S. Winter, S. Y. Glazev, V. L. Makarov, V. Majewski, A. Nove, J. Stiglitz)	To increase the productivity of production through the periodic change of technologies, products, organizations and institutions, to carry out a process of natural selection, competition, implementing innovations based on the interaction of external and internal factors, as well as under the influence of control actions and goal setting
Behavioral theory (G. Simon, R. Heiner, R. Suerte, D. March)	Exercise selection and convergence of coalition goals of the organization in terms of bounded rationality of participants, the presence of multiple objectives, incomplete information, or excessive in its volume
Theory of strategic management (H. Mintzberg, M. Porter, B. Alstrend, J. Lempel)	To ensure a steady state (i.e., configuration) of the region in the external environment and its transformation into a new state on the basis of the changes of the organization itself, and of its external environment. To promote the development of external relations and self-organization of the region. Create a competitive advantages of the region on the basis of strategic assets as factors of sustainable development

Note: Table is based on (Nureyev, 2008)

Table 2: Basic socio-economic functions and objectives of the region

Subjects - target-holders	Modes of regional functioning	
	Current (survival)	Strategic (development)
Population	Ensure living conditions; Provide a source of income; Social protection; Healthcare; Environmental protection, nature conservation; Accessibility of education, sports and culture; Provide infrastructure; Provide security	Ensure the level and quality of life comparable to developed countries; Ensure system security; Ensure the development of intelligence and personality; Confidence in the future; National and civilizational values; Confidence in the state and government; Pride in own homeland; Ensure European ratio of income differentiation of different groups
Business community	Ensure a healthy business environment and terms of doing business; Ensure safety and reduce risks	Capitalization of business results; Growth of capital and its efficiency; Development (diversification) of business; Investment climate; Strategic partnership with the government and trade unions; Socialization of business
Government bodies	Ensure the security and stability of the regional community (public, business, government); Ensure reproduction of the living conditions of the population, the business community, the authorities, including the institutions, infrastructure, the environment, security, de-bureaucratization, demonopolization, etc.; Provide quality services and public goods	Ensure the use, reproduction and renewal of potential of territories, taking into account the interests of present and future generations (to attract investment, support for exports, development of human capital, financing of infrastructure); Ensure the growth of the innovation potential of the region; To increase the competitiveness of the region, including all of its components (business, labor, etc.); Develop proactive behavior of all actors of the region; Ensure strategic partnership of government, business and the public; protect regional interests within the country and at the international level

Table 3: Regional development institutions' formation matrix

Levels of the system	The subjects of goal setting		
	Government bodies	Business community	General public
Macro	Federal and regional laws on strategic planning	Code of conduct	Statutes of public organizations, political parties
Meso	Center for strategic goal-setting, planning and coordination	Unions of manufacturers and entrepreneurs	Formal and informal initiatives and expert groups
Micro	Development agencies	Industry associations, unions, centers of public procedures	Public chamber, parties, unions
Mini and Nano	Foundations and other institutions of different levels	Small and medium enterprises	Societies and other institutes of different levels

Formation of the institutes according to two criteria (level of the system and the subject of goal-setting) can be represented in a matrix (Table 3).

At the macro level can be formed, respectively, such regional institutions as the laws and centers of strategic planning, goal-setting and harmonization, agencies for territorial development, development funds, both formal and informal initiative groups, expert communities, business associations, centers of community procedures and other. The authorities at different levels make laws on strategic planning, centers of strategic goal-setting, planning and coordination, agencies and development funds, support of small businesses and other institutions. The business community will organize the development and implementation of codes of conduct, the unions of industrialists and entrepreneurs, trade unions, associations, centers of public procedures, SMEs, and others. The population is united in the formal and informal initiatives and expert groups, public chambers, parties, associations, societies, creating charters and other institutions of different levels.

The meso-level represents such regional institutions as normative - legal acts and documents in the field of strategic planning, the center of the strategic goal-setting, planning and coordination, agency of territorial development, development

funds, both formal and informal initiative groups, expert communities, business associations, community centers and other (Table 3). In this way, the matrix of institutions and institutes of strategic goal setting and development of the region of different configurations is designed. On the basis of the same matrix can be designed joint development institutions, such as public - private partnerships, clusters, industrial sites are organized by government bodies together with the business community or an open government, which is organized together with general public; the Russian Popular Front with the regional actors, experts and public councils under directors and governance bodies at all levels.

Other approaches are also possible, for example, the construction of the institutional atlas of the development of the regional business based on the functions of management and areas of activity (Popov et al., 2010).

5. CONCLUSION

The study results in a methodology of systematization of the institutional support for development of the region. The novelty and validity of the proposed methodology for the formation of institutions and institutes is reflected in the complex application

of the system and functional approaches to the region as a subject of strategic development, multi-level account of objectives (the interests) of the main elements of the regional system. The specific recommendations are proposed to systematize institutional support via matrix method. They can be used in the practice of the legislative and executive authorities of different levels, the business community and the general public to create a system of institutions and institutes. The field of application is the organizational work for the implementation of the federal law on strategic planning at the regional, municipal levels, in business, public and party organizations, as well as research activities in the field of regional and institutional economics. The results obtained suggest that the hypothesis is confirmed.

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