

The advantages of using the quasi-corporate model of regional management

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Abstract — The article presents the conditions and problems of using the alternative models of region management. The concepts of "a region", "a corporate management system", "a corporation" are considered. The authors have identified such urgent problem of the region management and development as the economic division of regions into districts, federal districts and branches of the national economy. It is noted that financial and industrial dependence is also of significant importance in the region management. It is proposed to consider the regional economic system as a quasi-corporation. The possibility of using corporate management methods in managing a region is also defined in the article. The authors reveal the essence of the corporation, determine the subjects and aims of the activity, on the example of the region in particular. The possibilities of using corporate forms of the region management have been determined. The influence of the quasi-corporate model of the region management on its efficiency is shown. The authors perform the comparative analysis of the efficiency of using corporate, quasi-corporate and non-corporate management models at the meso-level. They reveal the advantages of using the corporate model of the region management, which are: the close interrelation of all the participants in corporate relations and the subordination of regional economic entities to common goals and interests. They draw a distinction of corporate management methods in terms of their using in the strategic management at the regional level. The quasi-corporate form of the region management is defined as an optimal one from the point of view of its efficiency for the majority of the Russian statistically average regions. It is noted that, in general, using the proposed management model will mostly contribute to the sustainable socioeconomic development of the region, to the growth of its competitiveness, and also to the improvement of the population's quality of living on the given territory. Recommendations for the regional and municipal authorities to improve the efficiency of the used management methods and tools are given by the authors in this article.

Keywords — *region management, management structures, corporate management, quasi-corporate management, region management efficiency, performance of managing a regional economic complex*

I. INTRODUCTION

Введение содержит актуальность темы, обзор Region management is a complex and dynamic process that requires the coordinated work of the authorities with the active participation of business enterprises and the population itself. The management system is an integral part of the region. The development of all components of the regional system is greatly influenced by management processes, which creates the basis for its functioning mechanism.

According to I. V. Arzhenovskiy, a region is a part of the country's territory that has emerged in the process of social division of labor, which is characterized by the specialized production of goods and services, by a community and by the specific nature of the reproduction process in regard to other territories; by the complexity and integrity of the economy, the presence of corporate bodies ensuring the solution of the tasks facing the region. V. S. Bilchak and V. F. Zakharov have the similar opinion and define a region as a socio-economic spatial integrity, characterized by the structure of the enterprises of all ownership forms, concentration of population, workplaces, spiritual life of a person per unit of space and time, and having local authorities of managing a territory (region, krai or republic) [1].

Currently, the concept "a region" is used most often as:

- a synonym for the concept "district";
- designation of any territory with similar taxonomic characteristics;

- the subject of the Russian Federation;
- a part of the country's territory that has common natural, socioeconomic, national and cultural and other conditions;
- reproduction structure;
- the problematic part of the geographic environment or geospace, etc. [2].

The diversity of the presented interpretations indicates the presence of social, natural, state and territorial beginnings of a region. This circumstance allows us to speak about the dual nature of the regional system, which is manifested in the following fact. On the one hand, a region is a part of the state system, and on the other hand, it acts as a territorial entity that has already emerged at the pre-state stage of society's development. In addition, a region, as a natural entity with its specific features of climate and landscape, also has its own socioeconomic characteristics of development, thereby acting as a natural-social system. Thus, a region is a territory within the administrative boundaries of the federation subject and it is characterized by a number of fundamental features, such as complexity, integrity, specialization and controllability, or by the presence of political and administrative authorities.

Management is a necessary and integral element or a factor in the systems development, which is present both in the daily life of each person and in any organization and at enterprises. The region, as a socioeconomic system, also requires management. In a broad sense, the region management is the regulation of the managed object behavior by regional bodies, organizations and authorities for the purposes defined by the state and the region.

Studying the problems of managing region development, one should use the system approach that allows to consider the system of the region management as functioning of several complex systems, including:

- a managing system - a category that defines the essence of the management subject;
- a managed system - the society as a whole and its components as management objects;
- an interaction system - various institutions that realize relations (direct and correction retraction, vertical and horizontal, subordinate and supporting, etc.).

Thus, in respect to an administrative-territorial entity, the subject-object dependence is the essential characteristic of the management system of the region development. The control information comes from the subject, and the feedback information comes from the object [3].

The economic and social development of regions is provided by the executive and legislative authorities, which form personnel potential and direct it to solving strategic tasks of the subordinate territory with the help of projects, forecasts and programs.

Nowadays, the regions management is performed according to the centralized principle, despite the powers and

independence presence in decision-making by regional authorities. Often, the regions are under the strict directional influence of the general economic and social policy of the state both in managerial problems and in the possibilities for the economic development of the national economy branches.

In this regard, such regional management problems as the economic division of regions into districts, federal districts and branches of the national economy, remain urgent. The structure of the Russian Federation subjects, their subordination, financial and industrial dependence are also of particular importance in the region management. Thus, the regions, that are farthest from the center, are less economically dependent if the strategic interests of the state's foreign policy do not affect them. And on the contrary, the northern regions with rich natural resources are the most dependent. They build their internal strategy for the economy development and the social sphere, depending on the available goods and the flow of raw materials, materials and equipment.

II. MATERIALS AND METHODS (MODEL)

The management of any system, organization or enterprise should be built on the basis of a certain management structure, which has certain mechanisms and principles. A region isn't an exception, and, in our opinion, the most appropriate form of the region management is the corporate form of incorporation. Before speaking about the advantages of this form of incorporation and the need of its use in the region management, it is necessary to determine what constitutes the corporate management.

The corporate management system is an organizational model, which is designed, on the one hand, to regulate the relationship between companies' managers and their owners, and on the other hand, to coordinate the goals of various stakeholders, ensuring the companies effective functioning [4].

The corporate management is considered to be a set of mechanisms used to maintain an adequate balance between the shareholders' rights and the needs of the board of directors and management team in the process of managing a company [5]. The corporate management can also be viewed as a process according to which the balance between economic and social goals, between individual and public interests is established.

Most specialists and researchers consider the corporate management from two aspects. In the narrow sense, the corporate management is a system of rules and incentives that encourage company managers to act in the interests of shareholders; and in the broad sense, it is a system of organizational, economic, legal, and managerial relations between different subjects of economic relations, whose interests are connected with the company's activities [6].

The benefit of using the corporate model of the region management is the following: with this management model all the resources of the region are combined for potential opposition to other regions subjects. In this case the region gets an opportunity for confident entry into the interregional market or for access to the necessary information resources.

Also the region strengthens its facilities and increases the aggregate production costs in order to gain certain advantages in interregional competition.

In other words, corporate management structures have a number of advantages over the management structures of individual enterprises or their separate aggregate. Such structures have great economic power, which can significantly affect the various processes of the market and make strong competition to external economic entities.

Thus, the authors propose to consider a region as an integral socioeconomic system in the form of a certain regional corporation. The given corporation will combine the entire population of the region, its financial institutions, industrial, social and market infrastructure facilities, public organizations and regional authorities. The entire combination of the regional corporation components will act together to achieve both the goals common for all components and the individual goals of each component.

III. RESULTS AND DISCUSSION

The corporate model is aimed to become an effective regulator of the social and economic processes of the region, and it will also allow direct influence on the interregional trade development and on other forms of cooperation. By coordinating the activities of the main commodity producers in the region, financial institutions, and market infrastructure objects, it will be possible to regulate and reconcile the production and commercial processes in the region. This fact will contribute to the more efficient management of the certain environment in the region and it will give an opportunity to withstand competition at the interregional level.

For more detailed description of this corporate structure, we highlight its following main features:

- territorial concentration;
- institutional and organizational sustainability and relative autonomy;
- voluntary basis of participants` entry and exit;
- congruence of interests;
- social orientation;
- selective competition within the corporation and identification in the inter-regional competitive environment as an entity, opposing external competition;
- diversification of activities;
- long term existence [7].

Corporations are an integral element of any economy, and the presence of an effective structure of the corporate management is a matter of prime importance. The corporate management consists in managing the activities of a separate corporation by the board of directors and the management team. This process affects such points as setting corporate goals, including obtaining economic profit for owners and managing the current corporation activities, taking into account the interests of corporate relations participants.

The subjects of the corporate management are managers, shareholders and other interested parties (creditors, employees of the company, partners of the company, local authorities). All the participants of corporate relations have common goals, including:

- creation of an economically viable profitable company that provides high-quality goods and jobs and has high prestige and impeccable reputation [11];
- an increase in the value of tangible and intangible assets of the company, the growth of its shares quotations and the provision of dividend payments;
- getting access to external financing (capital markets);
- getting access to labor resources (a pool of managers and other employees);
- increase in jobs and the overall growth of the economy [8].

The corporate management system provides for the interaction of three subjects - shareholders, the board of directors and managers. Business considered as property in this system belongs to the owners, shareholders, and the rights to manage this property are delegated to the agents - the board of directors and the management team. Global and serious decisions regarding the fate and future life of the corporation are made at the general meeting of shareholders. The discussed questions include reorganization, merger, securities, major transactions, etc. This management system ensures that the board of directors is accountable to shareholders, management is accountable to the board of directors, and the corporation as a whole is accountable to employees and customers. All listed groups and subjects of corporate relations should perform their functions and tasks in the best possible way while maintaining the balance of each other interests. And it is the fact in which the corporate management mechanism manifests itself and it ensures the participants responsibility.

Using this corporate management system as a basis, you can apply it for the region. The participants of the proposed corporate model of the region management, as well as the subjects of any corporation, will have common goals. These goals include:

- creation of an economically viable socio-economic system of the region, which ensures high quality of life for the population;
- the stable regional budget, independence from subsidies, transfers from the federal budget;
- the region participation in federal targeted programs, priority national projects, strategies for the macro regions development;
- ensuring food security in the region;
- regional infrastructure development;
- increase in the skilled labor force and jobs.

These goals achievement contributes to the sustainable growth of the regional economy, which can be manifested in key socioeconomic indicators of its development. The objectives of ensuring sustainable development of the region correspond to such basic socio-economic indicators as: the volume of investments in fixed capital, gross regional product, expenditures on education and health care, wages, the average income level of the population and their degree of differentiation, unemployment, environmental indicators and others.

In general, in 2017, the socioeconomic development of the regions of the Russian South (in terms of such indicators as the population real incomes and the physical volume index of the gross regional product) turned out to be slightly lower than the indicators of the national level and of the Central Federal District, the leader in this group of indicators, and in some regions of the Southern Federal District (SFD) it exceeded these indicators (the Republic of Crimea, Sevastopol). In terms of the index of physical volume of investments in fixed assets, one can observe the leadership of the regions of the Southern Russia compared to the indicators of the all-Russian level and the Central Federal District (CFD) (Table 1).

TABLE I. SOCIOECONOMIC INDICATORS OF THE REGIONS OF THE RUSSIAN SOUTH IN 2017

| The Regions of the SFD | The population real incomes, in % | The physical volume index of the gross regional product, in %. | The index of physical volume of investments in fixed assets, in %. |
|--------------------------|-----------------------------------|--|--|
| The Russian Federation | 98,7 | 100,8 | 104,4 |
| CFD | 99,8 | 101,3 | 106,6 |
| SFD | 99,0 | 101,3 | 116,4 |
| The Republic of Adygeya | 100,5 | 101,9 | 107,4 |
| The Republic of Kalmykia | 97,9 | 98,1 | 100,1 |
| The Republic of Crimea | 106,6 | 106,0 | в 2,3р. |
| Krasnodar Krai | 97,9 | 100,1 | 106,1 |
| Astrakhan Region | 95,9 | 102,8 | 117,5 |
| Volgograd Region | 98,8 | 98,6 | 105,0 |
| Rostov Region | 98,7 | 103,2 | 106,2 |
| the town of Sevastopol | 99,5 | 107,7 | 165,0 |

The source: [10, p. 184, p. 458, p. 487]

The subjects of the corporate management system of the region (Fig. 1) are the controlling system. And the subjects of the managed system include representatives of the business community of the region through the enterprises and organizations of the production and non-production sphere, public and non-profit organizations, credit and financial institutions and insurance institutions, social facilities and public institutions in the region.



Fig. 1. The corporate management system of the region

As shown in fig. 1, the interaction of legislative and executive authorities in the region within the framework of the management system can be performed on the principles of corporate management, characterized by the unity of goals, the high degree of centralization, and a rigid distribution of powers in vertical.

However, despite the given similarities of the corporation and the region as an economic system, they do have some difference between them. As for a corporation, all interests and decisions made are mainly subordinated to the same economic goal, it is the profit maximization. And on the contrary, a region has the differentiation of the goals of economic, social and environmental development. Many of these goals can be contradictory and mutually exclusive. In addition, the region is a more open economic system with a deep diversification of economic activity, every of which has its own specifics. Therefore, of course, it is impossible to consider the region to be a complete analog of a classical corporation. Most likely, the region can be conditionally regarded as a quasi-corporation, which can use the corporate management methods and approaches only partially.

TABLE II. THE COMPARATIVE ANALYSIS OF ALTERNATIVE FORMS OF REGION MANAGEMENT

| № | Form of management Criterion | Corporate form | Quasi-corporate form | Non-corporate form |
|----|---|----------------|----------------------|--------------------|
| 1. | The presence of a single external target factor (profit maximization) | yes | partially | no |
| 2. | The priority of economic goals over social ones | yes | partially | no |
| 3. | The degree of integrating management functions | high | average | low |
| 4. | The level of management performance and efficiency | high | average | average |
| 5. | The strategic planning level | high | high | low |

Of course, as have been noted, each region has its own specifics, so the model of its management system can be different. It can be of three forms: corporate, quasi-corporate, non-corporate (situational). Each of the form can have its own advantages in accordance with the specifics of a particular region (Table 2).

As for the performance and efficiency of the region management which is performed in one form or another, they are evaluated according to the specific indicators of the region development [9]. In this case, even if the use of the classical corporate form of management will give high rates of economic development, the overall integral indicator of efficiency may turn out to be low due to insufficient attention to social and environmental problems. At the same time, the use of a non-corporate form, focused mainly on the situational model of management, can lead to the loss of strategic development benchmarks and the loss of the resource potential of the long-term strategic development. According to this fact, for the majority of the Russian statistically average regions, the quasi-corporate form will be optimal from the point of view of its efficiency.

IV. CONCLUSION

Thus, the main advantage of the corporate model of the region management is the close interrelation of all the participants in corporate relations and the subordination of regional economic entities to common goals and interests. Taking into account such principles of corporate management as well-timed and accurate disclosure of information about all material issues of the corporation, effective control over the administration by the board, accountability of the board to shareholders, recognition of the interested parties' rights as set by the law in the corporate management structure of the region will allow regional authorities to perform the effective management.

The advantages of the corporate management model will allow to combine the regional aggregate potential to the full extent, including the production, labor, financial, investment, intellectual and other resources. Coordination of the goals and interests of all the participants in regional management, on the basis of corporate principles, should ultimately help to overcome crisis phenomena in the regional economy, ensure economic indicators improvement, corrective levels of social and economic development of regions.

At the same time, because of the specificity of a region as an open system, in most cases it is advisable to use a quasi-corporate management system [11, 12]. This system combines both the principles of integrating management functions within a single target factor and their diversification depending on the need to determine the compromise between

social development goals and purely economic ones. Using such management model will mostly contribute to the sustainable socioeconomic development of the region as a whole, to the growth of its competitiveness, the development of industry and business, and also to the improvement of the population's quality of living on the given territory.

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