

## Developing an Organizational and Economic Mechanism for Shaping and Regulating the Competitive Environment in the Regional Economy



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**Abstract.** The processes of economic development of countries, industries, and enterprises are necessarily accompanied by the competition between the subjects of economic activity. That is why it is important to create favorable conditions for them, to form a competitive environment that meets market principles of economic activity, taking into account minimum intervention of the government in the functioning of the market. Russia is inferior to many countries – even to the former Soviet republics – in terms of favorable business environment; it ranks 40th in the Doing Business rating. Since there is no system approach to the formation of a competitive market environment and state competition policy is carried out with the help of economic coordination of economic entities, it becomes relevant to determine the set of elements (subjects, objects, methods, tools, etc.) regulating this area, and to study the links between them. Based on this, the goal of the present study is to develop an organizational and economic mechanism to shape and regulate the competitive environment in the regional economy. To achieve the goal of the article, we considered foreign experience in the formation of the competitive environment in the economy. Using a comparative analysis, we found that Russia has management practices typical of foreign countries, with the exception of effective privatization of enterprises. We studied the initial conditions for the creation of a mechanism to shape and regulate the competitive environment at the regional level (on the example of the Vologda Oblast). Thus, one of them is the need to organize the space for development in the field of entrepreneurship and competition; it is noted in the Strategy for socio-economic development of the

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Oblast for the period up to 2030. With the use of the calculation and analytical method and the method of generalization, we performed a critical analysis of the paragraph of the Strategy relating to this area of regulation. As a result, with the help of the system approach and synthesis, we designed a conceptual scheme for the proposed organizational and economic mechanism and described the action of its elements. The paper can be useful both for the authorities involved in the regulation of market relations, in the implementation of the standard for development of competition in the subjects of the Russian Federation, in the development of appropriate road maps, and programs, and for the representatives of the business community and researchers working in this field of studies.

**Key words:** competitive environment, regional economy, development strategy, foreign experience, Vologda Oblast, organizational and economic mechanism.

### Introduction

The development of capitalist economies is facilitated largely by the competitive environment in the markets of goods and services, which is formed by institutional conditions for coordination of activity of economic entities. And while in some countries the competitive environment was formed evolutionarily, in others it was promoted by creating favorable conditions for competitive behavior of economic entities, taking into account existing and emerging market structures. The latter may include countries of Eastern Europe and Russia. These countries shifted from the monopolized Soviet economy to the commodity markets with the beginning of perestroika. In this regard, Russia had to face many problems in the organization of a market economy based on the principles of competition.

These problems appeared against the backdrop of attempts undertaken by state authorities to bring market institutions into the administrative and command system and at the same time to promote democratization of social and political life in the country [1]. Since the competitive environment can operate under political systems that promote or at least do not impede the development of market relations, and since its formation in Russia is revolutionary, it is not surprising that today our country is inferior to many others in terms of favorable business climate and level of development of the competitive environment (*Tables 1 and 2*).

At the same time, a significant increase in the indicator of the ease of doing business in Russia (see Tab. 1) allows us to say that the efforts of the authorities to regulate entre-

Table 1. Comparison of some countries by the ease of doing business in comparison with the "frontier"\*, in points [2]

Country	2010	2011	2012	2013	2014	2015	2016	2017
New Zealand	88.84	89.08	89.09	89.45	89.32	86.70	86.96	87.01
Singapore	89.77	90.40	90.41	90.38	91.24	85.08	84.50	85.05
Norway	82.05	82.17	82.20	83.45	83.56	82.80	82.30	82.82
Germany	79.49	79.45	79.59	79.24	79.55	79.20	79.88	79.87
France	69.79	70.46	70.49	70.29	70.04	75.34	76.21	76.27
Slovenia	62.75	65.67	67.48	69.48	70.15	73.23	75.44	76.14
<b>Russia**</b>	<b>54.93</b>	<b>54.32</b>	<b>56.66</b>	<b>58.93</b>	<b>66.00</b>	<b>71.25</b>	<b>73.20</b>	<b>73.19</b>
Hungary	65.39	67.20	66.94	66.92	66.92	72.36	72.74	73.07
China	56.52	59.45	58.58	59.94	61.13	63.14	62.86	64.28

\* The frontier, which is assigned the value of 100 points, is calculated by the World Bank Group on the basis of the best indicators of the ease of doing business for all countries and for all years since 2005.

\*\* 47th place in the rating – 2017.

Table 2. Russia's positions in international rankings assessing the business climate and the level of development of the competitive environment

	International rating		
	IMD World Competitiveness Yearbook 2016	The Global Competitiveness Index 2016–2017	Index of Economic Freedom 2017
Position	44	45	114
Sources: Discover the World Competitiveness Ranking 2016 results: World Competitiveness Ranking. Available at: <a href="http://www.imd.org/globalassets/wcc/docs/scoreboard-2016.pdf">http://www.imd.org/globalassets/wcc/docs/scoreboard-2016.pdf</a> ; Country Rankings: 2017 Index of economic freedom. Available at: <a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a> ; The Global Competitiveness Index 2016–2017 Rankings: The Global Competitiveness Report 2016–2017. Available at: <a href="http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf">http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf</a>			

preneurship were not wasted, and the further development of the competitive environment will contribute to the strengthening of market relations and economic growth. In this regard, it becomes relevant to search for ways to form and develop a competitive market environment.

It should be noted that the modern economy has no mechanism that would regulate the development of competitive environment with its constituent elements working smoothly. Instead there is a system of economic coordination in which the main element is global coordination when the partners adapt to management parameters [3]. At the same time, the governments of different countries take into account global coordination and carry out centralized economic coordination (macroeconomics) to achieve development goals. At the micro level (economic entities), decentralized economic coordination adapts to the supporting environment and market structures. As a result, there emerges a need to improve this environment and market structures primarily on the meso level (region), which can be implemented by creating an effective mechanism.

Thus, the goal of the present article is to develop an organizational and economic mechanism to shape and regulate competitive environment in the regional economy. In accordance with the goal, it is necessary to address the following tasks: to consider management practices to shape and develop competitive environment in foreign countries,

to study the initial conditions for creating the mechanism at the regional level, to design a conceptual scheme of the mechanism and describe the behavior of its elements.

### Research methodology

We use comparative analysis as the main method of studying the formation of a competitive environment in foreign countries; the method helps characterize their general and distinctive features. To carry out the analysis, we use the works of domestic and foreign scientists, such as K.S. Oreshko, A.A. Tararuev, H. Dumez, A. Jeunemaitr, W. Eucken, and others. We use generalization and analytical method when we study the conditions for establishing competitive environment on the regional level in Russia. Our knowledge base includes the normative-legal acts regulating competitive processes in the economy, and reports of the Agency for Monitoring and Sociological Research. We design a conceptual scheme for the mechanism for formation and regulation of competitive environment on the basis of the analysis with the help of a system approach and synthesis.

### Foreign and Russian experience

To achieve the goal set out in our paper, let us analyze the experience of developed countries such as Germany, France, Slovenia and Norway. We have chosen Germany as one of the most economically developed countries, and France – because of the large-scale reform it has undertaken to liberalize the economic environment after nationalization.

Table 3. General features in the formation of competitive environment in the economy of foreign countries

Country	Prerequisites	Main features and formation tools
Germany	Transition from an administrative-command economic system to a market economy	Privatization of state-owned enterprises by private companies and foreign investors (individual settlement for each transaction) Establishment of entrepreneurship support system Grant and financial support for high-tech industries Advisory support for entrepreneurs Governmental investment support for enterprises in the form of direct participation Preferential lending to enterprises
France	Liberalization of the economy	Partial privatization of the property of nationalized companies (at a high cost, with the subsequent control of activities) Formation of institutions of financial (in relation to small and medium-sized businesses) and educational support for entrepreneurship Tight control over the prices of natural monopolies
Slovenia	Transition from a planned to a market model of development, restructuring the economy for integration into the EU	Privatization of enterprises (most of the property was sold to employees of the enterprises) Formation of institutional infrastructure for demonopolization of the economy and development of small and medium-sized businesses Providing business with tax benefits Liberalization of government-controlled prices
Norway	Structural reorganization of the economy, the desire of the business community to get a share in the public sector of the economy	Partial privatization of state property (preservation of state participation in strategically important sectors) Abolition of state monopoly on certain activities Implementation of the business support system (educational, technological, etc.) Reduction of administrative barriers for market entry
Source: our own compilation with the use of [4; 5; 6; 7; 8].		

As for Slovenia, it faced problems similar to Russian ones in the formation of new economic institutions. Norway is similar to Russia in terms of commodity oil and gas structure of the economy (*Tab 3*).

Considering the policy of creating a competitive environment in Germany, we should note that it aimed to integrate the institutional economic practices of the reunified Federal Republic of Germany and the German Democratic Republic. First of all, it was necessary to make a shift in the GDR from the administrative and command economy to a market economy. As early as in postwar Germany, economist Walter Eucken spoke about the need for a competitive order based on constitutional and regulatory principles, meaning legally fixed norms and rules of management that change under the influence of the current monitoring of the results of implementation of the established goals [9]. Eucken highlighted two constitutive principles in Germany's transition from a command

economy to a market economy: governmental policy should aim to dissolve or restrict economic power groups; political and economic activities of the state should focus on creating forms of economic environment, rather than regulating the economic process. Nevertheless, at that time, the economic reform on the basis of these principles could not be carried out due to the impossibility of implementing the first principle.

Immediately after the unification of Germany in 1990, its private companies and foreign investors started to privatize enterprises, like it was done in many countries of Central and Eastern Europe. However, unlike in many countries, each transaction in Germany was accompanied by a strict economic calculation and individual approach. In the process of creating institutions and tools of a market economy, a system of support for entrepreneurship was organized. For example, competitions for grants and financial assistance for high-tech industries were organized;

technology and information consulting was provided; investment support in the form of contribution to the equity capital was carried out; preferential interest-free loans were issued, etc. [5, p. 329].

In France in 1982, the nationalization of industrial, commercial and banking enterprises was carried out in order to make them the “engines” of economic development. But it produces the opposite effect: labor productivity declined, as well as profits of enterprises, etc. And in 1986, the privatization of the property of the previously nationalized companies was launched, as a result of which foreign investors received 20% of the capital, the personnel of enterprises got no more than 10%, and the rest of the capital went to French investors [7]. It is worth noting that the government was selling the property at higher prices compared to compensation payments under the nationalization. The economic policy focused on the development of a competitive environment in the private sector was expressed in the formation of institutions that provided financial and educational support to entrepreneurship. Financial support was provided to small and medium-sized enterprises, and the National Agency for Enterprise Creation provided information support and organized educational programs in management (mandatory for entrepreneurs) [8].

If we look at the experience of creating a competitive environment in the Slovenian economy, we should note that this problem was solved in two ways:

1) the government created conditions for the functioning of the market whose economic subjects carried out their activity freely;

2) the institutional infrastructure was designed to match those conditions and facilitate economic demonopolization and the development of small and medium-sized businesses.

The development of the regulatory framework, including the Law on protection of competition (1993), initially aimed to create competitive conditions for national enterprises, and to organize and streamline competitive rules for the functioning of foreign companies. Business was supported mainly by providing it with tax benefits for three main types of taxes (income tax, value added tax, corporate profit tax) [6].

As well as Germany and France, Slovenia carried out the privatization of enterprises. In accordance with the law on transformation of enterprises’ property, a combination of different methods of privatization was envisaged [6, pp. 231-232]. Most of the property of enterprises (40%) was sold at preferential prices in the form of shares to the employees of enterprises, as well as to other citizens on commercial terms; 20% was distributed with the help of free certificates to the employees of companies; 20% was transferred to special investment funds. We can say that the creation of a competitive environment in Slovenia was predetermined by the strategy for joining the common economic space of the European Union. This made it possible to form an institutional basis for a competitive environment in a relatively short period of time – from 1993 to 2004.

Having outlined the processes of formation and development of competitive environment in Germany, France and Slovenia, we should point out that, along with their national economic policy in the field of competition, in the European Union, of which they are part, there is the European Commissioner for Competition, who is responsible for competition in the EU. His/her area of responsibility includes:

– enforcement of competition rules for the effective functioning of the domestic market;

– compulsion to follow the rules of competition in mergers, acquisitions, and subsidies (in the field of transport and energy, too);

– development of market monitoring;

– promotion of compliance with competition law and international cooperation with competition authorities outside the EU [10, 11].

In comparison with the countries discussed above, the process of creating a competitive environment in Norway can be called unique. Its characteristic feature was the pronounced protectionist policy, manifested in a significant concentration of state-owned enterprises in strategically important economic sectors, in high rates of taxes and customs duties that imposed significant limitations on imports. For instance, the government of Norway often held at least one third of the equity stake that allowed it to control the activity of enterprises in such industries as infrastructure, power network, culture, mining, forestry and public health [4].

In the late 1970s, thanks to the business community lobbying its interests to participate in profitable state-owned companies, the conservative government began privatizing state property. Several relatively small state-owned enterprises and then some large metallurgical and transport concerns were transferred to private hands. At the same time, along with the privatization, a system of practices to develop a competitive environment was introduced, which included support for entrepreneurship, reduction of administrative barriers, adoption of laws on protection of competition, etc. One of the most common forms of business support in Norway is the training of future entrepreneurs, their retraining and advanced training, as well as providing technological support to research innovation centers and organizations, business incubators and technology parks [4].

Consequently, continuing to be a “monopolist” and “protectionist”, the Norwegian state

has opened a way for the development of private entrepreneurship and foreign investment within a certain framework, which allowed businesses to become an active participant in the market and influence the competition processes.

Thus, many of the management practices of foreign countries in the development of a competitive environment, with the exception of effective privatization of enterprises [12; 13, p. 9; 14; 15], are typical of the Russian economic policy and at the regional level, too.

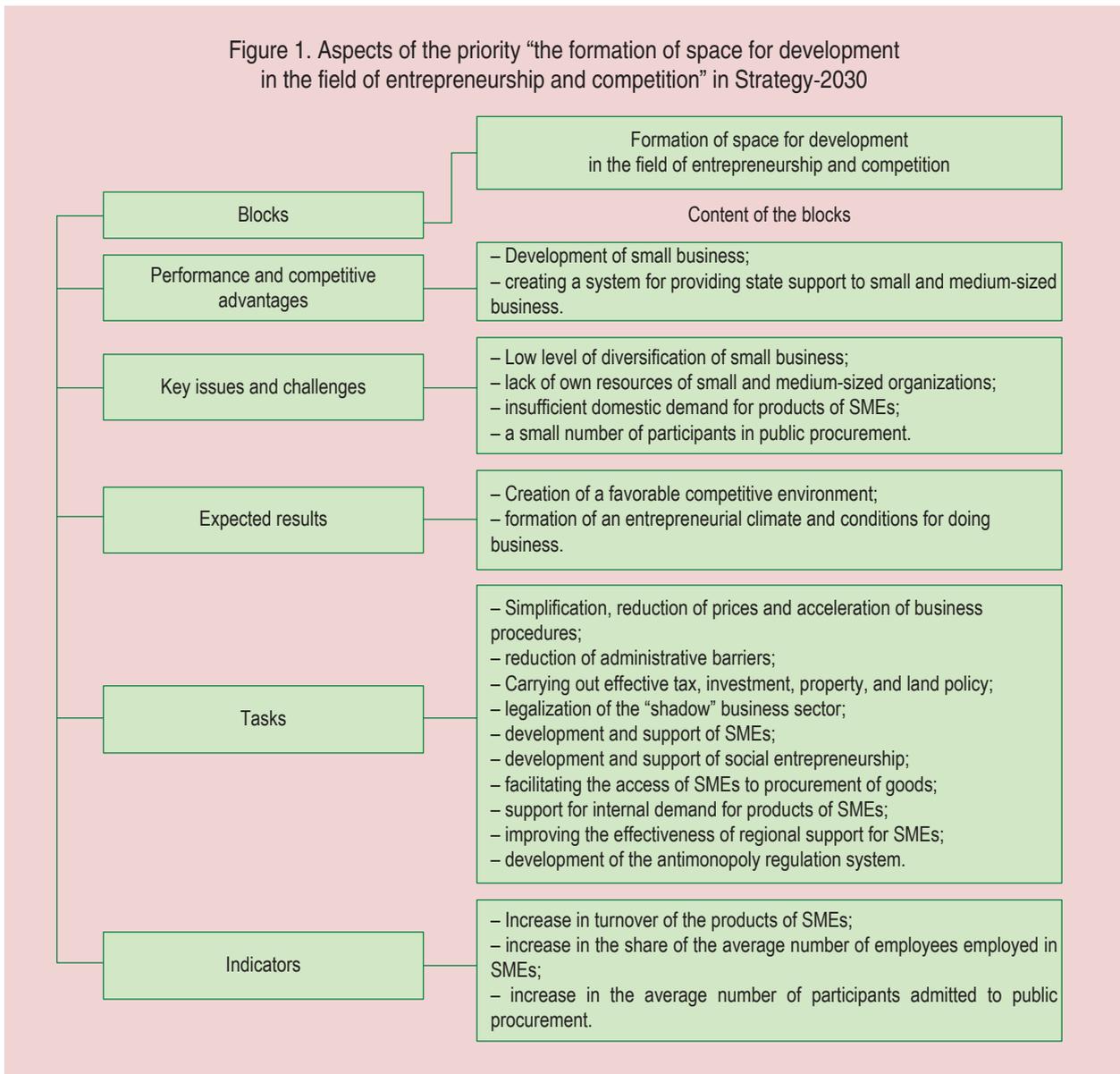
The policy promoting the development of competitive environment is also an element of regional economic policy. Therefore, it is necessary to study the initial conditions for creating a mechanism for regulating the development of competitive environment in the economy of a particular region. Let us take the Vologda Oblast as an example. According to the results of the rating of the degree of promotion of competition in 2015, the Oblast ranked 32nd among 85 regions and 3rd among the 11 regions that are part of the Northwestern Federal District.

The basic document<sup>1</sup> on socio-economic development of the region is Strategy 2030. Paragraph 5.6 of the Strategy pays attention to the implementation of such a priority as “the formation of space for development in the field of entrepreneurship and competition” (*Fig. 1*). One of the factors in organizing such space is the creation of an effective competitive environment in the market. Therefore, the provisions set out in this paragraph affect this area of regulation.

Developers of the Strategy consider that the results of activities and competitive advantages are manifested in the successful development of small businesses in the region.

<sup>1</sup> About the Strategy for socio-economic development of the Vologda Oblast for the period till 2030: Resolution of the Government of the Vologda Oblast No. 920 dated October 17, 2016.

Figure 1. Aspects of the priority “the formation of space for development in the field of entrepreneurship and competition” in Strategy-2030



Thus, the number of small organizations has increased 2.2-fold since 2009. Another achievement is the creation of a comprehensive support infrastructure for small and medium-sized enterprises (SMEs). In general, the block under consideration focuses exclusively on this segment of business.

Note that the section does not provide information about the competitive advantages of the Oblast over other regions. As for the position of the Vologda Oblast in the ranking of competition development (in 2015 – 32nd

place out of 82), it seems to be ambiguous. Hence consider it advisable to specify among the advantages the socio-economic processes in which entrepreneurial, organizational, and managerial skills to use available or potential opportunities (natural resources, labor, infrastructure, etc.) will be the most effective and affect (impact) the competitiveness of the region.

Among the key problems and challenges in the formation of the space are the low level of diversification of small businesses (about 50%

is occupied by trade and services, real estate transactions, and rent and provision of services), the insignificance of its transition to the middle and large segment, and also financial and technological problems, small demand for SME products and a low level of competition in carrying out public procurement.

At the same time, the key problems, in our opinion, lie not in the indicated state of affairs in the organizations and the low level of competition, but in the prerequisites that create such a situation: significant administrative barriers; flaws in the legal framework, inadequate control of the activities of natural monopolies; insufficient solvent demand of people and enterprises; high percentage of commercial loans and the difficulty of obtaining them; insufficient protection of the rights of entrepreneurs and citizens.

The results of spatial development envisaged by the Strategy are associated with the creation of a favorable competitive environment, entrepreneurial climate and conditions for doing business that would prove appealing to current and new market participants by 2030. It is obvious that such results do not allow their achievement to be monitored due to the lack of their measurability. Therefore, it would be necessary to define specific indicators, mainly the relative ones, characterizing the achieved status. The fact that the Oblast is among the top 30 Russian regions in terms of the number of SMEs per thousand population is deliberately narrowing the scope of regulation and does not show the quality of the processes of spatial development. However, the fact that the Oblast is among the top ten Russian regions according to the index of competitive environment development is of great importance.

Regarding the tasks set by the authorities, it is worth noting that most of them are again associated with the development of small and

medium-sized organizations and have a sectoral aspect. For example, these include expanding and ensuring the access of small and medium-sized businesses to the procurement of goods, works, services for state and municipal needs, companies with state participation and large organizations of the Oblast. Thus, analyzing the procurement placed for small businesses in the regions of the Northwestern Federal District, we can say this task was implemented most successfully in the Republic of Komi and in the Murmansk Oblast. It is confirmed by the increase in the share of small organizations in the total volume of procurement in these regions – by 11.5 and 10.1% for three years, respectively (*Tab. 4*).

The key objectives, in our opinion, are as follows: reducing administrative barriers in the creation and execution of business, and reducing direct participation of state executive authorities and local self-government in the activities of economic entities. Thus, in 2016, almost 40% of small and medium-sized businesses believed that the existing administrative barriers are impossible to overcome or they can be overcome only with difficulty<sup>2</sup>. At the same time, the list of tasks should be expanded by adding the consumer, who is the object of influence of competitive environment, since the rivalry of enterprises ultimately goes precisely for consumers' demand and loyal attitude. In this case, the task can be formulated as "creating conditions for improving the quality of goods, works and services provided to the consumer". The urgency of the task is confirmed by the fact that in 2016, a significant number of residents of the Oblast – from 30 to 40% – were not satisfied

<sup>2</sup> The study of the Monitoring and Sociological Research Agency "Assessment of the state and development of the competitive environment in the markets of goods and services of the Vologda Oblast (small and medium-sized business)".

Table 4. Placement of procurement with regard to small businesses in the regions of the Northwestern Federal District according to Federal Law 44-FZ\*

RF subject	Amount of procurement, mln rub.				Proportion in the total annual amount of procurement, %			
	2014	2015	2016	2016 to 2014, times	2014	2015	2016	2016 to 2014, +/-
Republic of Karelia	1 567	2 594	2 977	1.9	5.2	12.0	11.3	6.1
Republic of Komi	2 690	3 162	4 965	1.8	7.6	13.3	19.1	11.5
Arkhangelsk Oblast and Nenets Autonomous Okrug	3 978	4 808	5 478	1.4	7.1	11.5	9.9	2.8
Vologda Oblast	2 848	3 363	3 843	1.3	12.9	11.0	13.0	0.1
Kaliningrad Oblast	3 656	4 281	4 242	1.2	7.9	11.1	10.1	2.1
Leningrad Oblast	4 458	7 986	10 121	2.3	14.0	17.7	17.1	3.1
Murmansk Oblast	2 510	3 223	4 486	1.8	10.6	14.6	20.7	10.1
Novgorod Oblast	1 566	1 647	2 119	1.4	14.6	11.6	19.0	4.4
Pskov Oblast	1 687	2 193	3 158	1.9	10.3	13.6	13.7	3.4
Saint Petersburg	23 367	28 347	34 796	1.5	8.9	7.5	16.1	7.1
Total in NWFD	48 327	61 604	76 184	1.6	9.0	9.8	14.9	5.9

\* Law "On the contract system in the procurement of goods, works and services for state and municipal needs No. 44-FZ dated April 5, 2013.  
Sources: [16]; our own calculations.

with the quality of food, clothing, furniture, household appliances, medicines, gasoline and public transport, medical services, services of management companies and water quality<sup>3</sup>.

An important point of the Strategy is the definition of the indicators that need to be increased by 2030. Except for one, all of them proceed from the success of doing business by SMEs. It is a 1.5-fold increase in product turnover in 2015–2030, the growth rate of the turnover of SME products in manufacturing, an increase in the share of products in the total volume of GRP from 13% in 2015 to 26% in 2030, an increase in the share of the average number of employees in the total employed population from 32.8 to 40% and more, respectively. The tasks of increasing the turnover of the products of SMEs in 1.5 times and doubling its share in GRP propose a reduction in the total GRP volume; this measure seems to be groundless.

<sup>3</sup> The study of the Monitoring and Sociological Research Agency "Customer satisfaction with the quality of goods and services and price competition in the markets of the Vologda Oblast".

It can be stated that all indicators are interconnected and, due to this fact, they limit the list of tasks for the development of competitive environment in the economy of the region. However, the tasks are extended by an indicator such as the increase in the average number of participants admitted to competitive procedures for determination of suppliers (contractors, performers), from 2.9 units in 2015 to 4 units in 2030. Of course, its achievement will be the evidence of effective regulation of competitive environment.

The list of the indicators, besides those mentioned above, should include "growth of people's satisfaction with the quality of products", "increase in the level of satisfaction of entrepreneurs with competitive conditions". Then the competitive environment could be assessed directly by the participants of market relations and would be more objective than the assessment by the subject of regulation.

Thus, the corresponding block in Strategy 2030, which is one of the legal forms of regulating the development of market competitive environment, competition and entrepre-

neurship, focuses mainly on the development of small and medium-sized businesses. At the same time, the main condition for the development of a competitive environment and intensification of competition and competitive relations should be the comprehensive approach, which includes simultaneous improvement of the organizational structure and external relationships, regulatory, technological, financial and investment foundations that contribute to the development of business of all forms and sizes. An effective competitive environment is based on a clear distinction between the powers of different levels of government and the spheres of activity of authorities at each level [17, p. 111].

Currently, the policy of development of competition and the competitive environment in the regions is carried out by territorial agencies of the Federal Antimonopoly Service, departments (ministries, committees, etc.) for economic development, non-governmental sectoral bodies (non-profit associations), the Business Rights Commissioner, etc. Regional authorities have also been taken steps for the implementation of the Standard for development of competition in constituent entities of Russia<sup>4</sup>.

In accordance with governmental policy and the above-mentioned integrated approach, we associate the main directions of regional policy in the development of a competitive environment in the economy with the following:

- 1) ensuring the freedom of entrepreneurs, eliminating administrative and economic barriers;
- 2) improving economic conditions for ensuring economic efficiency of market subjects

and improving the quality of the goods they make, works they execute, and services they render, as well as innovative production;

- 3) control over monopolistic activity, including the activity of natural monopolies, prevention and elimination of unfair competition.

Fruitful work in these areas, becoming system-wide in its nature, is possible with participation of all institutions regulating the competitive environment, their organization in a single mechanism and the establishment of appropriate resource support for their functions, and development of methods, tools and forms used in the regulatory process. Consequently, the development of organizational and economic mechanism to shape and regulate the competitive environment in the regional economy is becoming urgent.

#### **Research results**

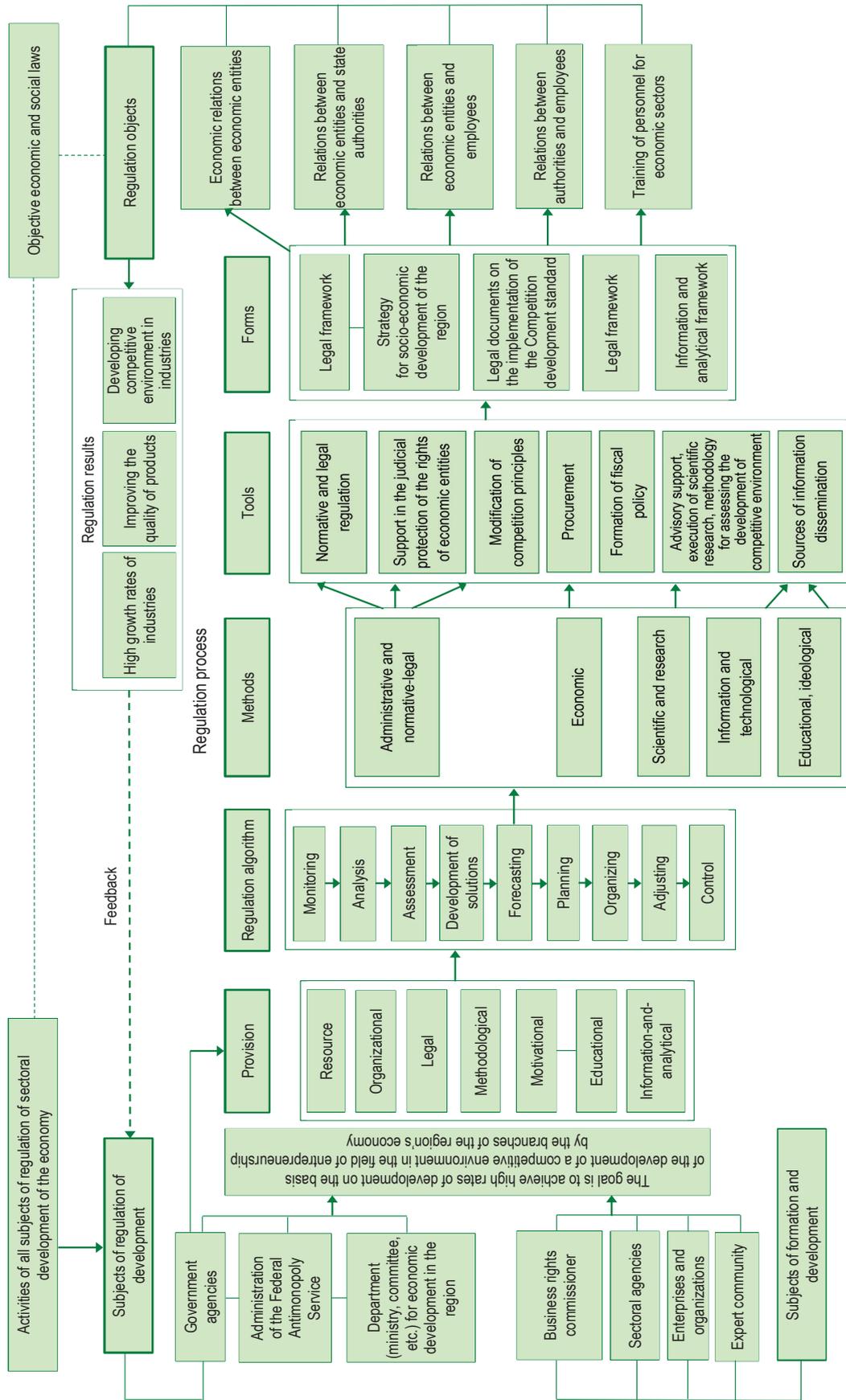
The general scheme of the regulatory mechanism includes the following elements:

- subject – driving force that launches the mechanism;
- goals – programmable desired outcomes of the work of the mechanism;
- methods – tools, techniques, and technologies of the processes for achieving the goals;
- form – organizational and legal registration of methodological support;
- funds – a set of types and sources of resources used to achieve the goals;
- objects – economic entities, economic environment [18].

The interrelationship and action of elements in space and time constitute the essence of the mechanism under consideration. There exist different approaches to its interpretation. Let us consider two of them. For example, A.I. Tatarkin understands the mechanism of regional industrial policy as a system of legal, organizational and economic measures

<sup>4</sup> About the approval of the standard of development of competition in subjects of the Russian Federation: Resolution of the Government of the Russian Federation No. 1738-r of September 5, 2015.

Figure 2. Conceptual scheme of an organizational and economic mechanism for designing and regulating a competitive environment in the regional economy



that promote the emergence of competitive production and the increase in its efficiency [19, p. 67]. According to V.G. Afanas'ev, control mechanisms are those practical measures, tools, levers, and incentives by which the management bodies affect the society, production and any system of social order with the aim of reaching their objectives [20, p. 234]. In general, when searching for a universal definition of the mechanism, most scientists distinguish several similar characteristics.

In this article we will adhere to the definition of organizational and economic mechanism as the relationship and interaction of the organizational structure of regulation and organization of decision-making processes with methods, techniques, tools in accordance with the rules of management, aimed at the most effective functioning and development of the market.

The purpose of the development of this mechanism lies in the successful development of the sectors of the regional economy based on improving the competitive environment in the sphere of entrepreneurial activities. Its construction is based on such principles as:

- minimal state interference in the regulation of market activity;
- freedom of economic activity, freedom of information;
- support for competition, protection of entrepreneurship and property rights.

One of the subjects of regulation in the regions is the Federal Antimonopoly Service (*Fig. 2*). Its functions include monitoring the compliance with antimonopoly legislation, legislation in the sphere of activities of natural monopolies, advertising, and control in the sphere of procurement of goods, works, and services for ensuring federal needs. As we know, the fourth anti-monopoly package (amendments to Federal Law “On the

protection of competition”<sup>5</sup>) was adopted by the Federal Antimonopoly Service for the purpose of developing preventive control measures. The legislation in the field of competition development should be adjusted in compliance with these regulations. It is due to the goals of creating a favorable competitive environment in the activities of economic entities, ensuring their equal access to goods (works, services) of natural monopolies, termination of anti-competitive interference of authorities in the functioning of markets, improving the efficiency of budget expenditures when placing state and municipal orders, ensuring effective control over foreign investment in economic companies of strategic importance.

Departments (ministries, committees, etc.) on economic development in the regions are another subject of regulation. For example, the functions of the Department of Economic Development of the Vologda Oblast are, inter alia, to develop and ensure the implementation of measures for the development of SMEs in the region, to regulate investment activities, create a favorable investment climate and conditions for development of innovation, regulate and develop trade activities, monitor the state and development of individual industries, implement measures for international and interregional cooperation, implement policy in the field of quality, and enhance the competitiveness of goods and services<sup>6</sup>.

These subjects of regulation are government agencies.

An important subject of the formation and development of a competitive environment is the business rights commissioner. The scope of

<sup>5</sup> On the protection of competition: Federal Law No. 135-FZ dated July 26, 2006.

<sup>6</sup> About the approval of the Regulations on the Department of Economic Development of the Vologda Oblast: Resolution of the Government of the Vologda Oblast No. 1314 dated December 16, 2013.

his/her tasks includes support for the development of entrepreneurs and protection of their rights and interests.

As for non-governmental sectoral agencies that form and develop competitive environment, then in the Vologda Oblast, for example, they include the regional association of employers – the Union of Industrialists and Entrepreneurs of the Vologda Oblast and its non-profit organizations – regional industry associations of employers: the Union of Timber Industrialists and Exporters of the Vologda Oblast, the Union of Enterprises and Entrepreneurs of the Consumer Market of the Vologda Oblast in the Field of Trade and Services, the Union of Builders and Designers of the Vologda Oblast, the Association of Peasant (Farmer) Enterprises and Agricultural Cooperatives, and the Vologda Oblast Federation of Trade Unions.

The main objective of the sectoral bodies is to create equal competitive conditions for all in the business environment, to develop coordinated professional requirements for improving the quality of work, to organize coordinated interaction with employees, to implement unified corporate protection of employees together with trade unions and other interested organizations. The common tasks for them are to integrate Russian business into the world economy, preserve traditional and search for new markets for Russian-made products, and create conditions for attracting foreign investments to the country [21].

The work of the Federation of Trade Unions consists in representation and protection of social, labor and civil rights, industrial, professional, economic and social interests of the labor collective and individual workers.

The enterprises themselves and the organizations which are carrying out fair and open competitive policy setting an example for

other economic entities serve as the subjects of formation and development of competitive environment.

Expert support of the processes of formation and development of competitive environment can be provided to the subject primarily by the scientific community and experts in the relevant field. Involving them in the regulation of these processes will allow them to perform the tasks of developing a competitive environment at a high professional level and with greater efficiency.

The objects of regulation are various aspects of relations between economic entities, public authorities, and employees in the course of economic activity, as well as educational training of personnel for economic sectors.

These relations are regulated with the help of material, financial, and labor resources that the subjects of regulation possess. These processes are also promoted by *legal* support that includes advisory services on legal issues in the field of competition and development of competitive relations, and the regulatory framework in this sphere. *Information and analytical* support consists in the use of such sources as statistics, research findings, reports of enterprises, the Internet and the media that bring the processed information to the participants of regulated relations.

*Organizational* support consists in consolidating the resources required for the implementation of the tasks aimed to develop a competitive environment, in providing the performers with functions and powers to execute the works in accordance with a specified algorithm (see Fig. 2) and to interact with other subjects. At the same time, making an algorithm of the works involves the development of *methodological* support in the form of a set of tools, which is a companion document in the implementation of regulatory functions. The rise in labor remuneration plays the main

role in *motivational* support of increasing the functionality of the subjects of regulation. This also includes *educational* support in the form of trainings and courses that contribute to the improvement of qualification and acquisition of new knowledge and skills.

The mechanism with the help of which the subjects regulate the relations presented in the scheme is implemented with the use of various methods and tools. Thus, *administrative* and *regulatory legal* methods are those that consolidate the effect of the conditions and drivers of the market environment and the specifics of competitive relations of participants of economic activity, as well as those that help ensure the observance of related rights at the legal and subordinate levels. The tools of the method are normative legal regulation of economic activity, support in judicial protection of the rights of economic entities in various instances, modification of the principles of competition (formalization of effective rules operating in economic relations by establishing feedback from the participants of the regulated entities to the subjects).

The most effective methods for regulating the development of a competitive market environment are economic ones, that is, those that influence the entrepreneurial activity of market agents and the amount of their work [22]. Here we can select such tools as the implementation of public procurement in accordance with Federal Law 44-FZ of April 5, 2013, participation in the formation of optimal tax rates and benefits, changes in the terms of payment of tax liabilities and subsidies to enterprises.

These methods are necessary to be supplemented by the *research method*, which consists in the scientific substantiation of regulatory processes and improving their quality. Scientific support of the decisions made by the subjects may include up to 5–6 steps of the

control algorithm (monitoring of the current condition – analysis – assessment – decision development – forecasting – planning), before organizing the work to develop a competitive environment. At the same time, one of the stages of the algorithm – evaluation of the competitive environment in the economy – requires that a set of methodological assessment tools be designed and implemented. Prior to the entry into force of regulatory legal acts, it is obligatory that scientific organizations and specialists assess their regulatory impact on market participants.

*Information-and-technology, ideological and educational* methods of regulation cover a large amount of information and analytical data related to the economic activity of economic entities, its legal protection and opportunities transmitted through information sources (Internet, various types of telecommunications, newspapers, specialists). Educational and ideological methods also include information that brings new knowledge to the rules of competition and promotes the development of healthy competition between market agents.

Competitive environment is regulated with the help of various means: legal registration, to which we refer regional strategies for socio-economic development, and legal documentation for the introduction of the Standard for development of competition in the subjects of the Russian Federation; organizational registration (a set of forms for organizing the support of participants in economic activities and promoting competition between them); information and analytical registration, expressed in the placement of data in certain sources by various means.

#### **Implications and conclusion**

In conclusion, we note that the process of regulation carried out through the organizational and economic mechanism of formation

and regulation of the competitive environment in the economy of the region takes place under the influence of external environmental factors, which include:

- global and domestic market demand for and supply of products, labor and resources;
- trends in global and national economies;
- the nature of international political and economic relations, etc.

In this regard, the mechanism is functioning alongside continuous consideration of the factors and appropriate adjustment of its elements.

Thus, the organizational and economic mechanism to form and regulate the competitive environment in the regional economy is represented by a set of interrelated methods, tools and forms implemented according to a given algorithm by governmental and non-governmental entities (subjects) in order to ensure effective functioning of the market, regulate various aspects of economic relations of economic entities, public authorities, and employees, as well as educational training of personnel for economic sectors.

As a result of this regulation, a competitive environment in the sectors of the regional economy should be developed, the quality of their products ensured, and growth rates increased.

At the same time, the proposed mechanism meets the features that we identified in the previous study [23, p. 95]; and they should be taken into account in the formation of the mechanism. These features are as follows: the need to ensure the availability and completeness of information for economic agents (the formation of a quality and comprehensive information environment); creation of conditions for free access to information sources; perception of evolving, objectively existing principles and rules of competition in the economy by the mechanism, their formalization; guarantee of protection of private interests on an institutional basis; provision of a preliminary analysis of the use of regulatory tools in terms of their potential impact on the development of the competitive environment of the regional economy; monitoring the level of development of the competitive environment in the sectors of regional economy, etc.

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