

## The Organizational Aspect of Implementation of the Regional Service Economy Development Strategy

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DOI: <http://dx.doi.org/10.13005/bbra/1741>

(Received: 30 November 2014; accepted: 17 January 2015)

The most important prerequisite for sustainable development of a territory is the building of a system of regional strategic management of the services sphere. The objective of the article is to develop an organizational mechanism for implementation of a region development strategy in the circumstances of servicization. The article presents characterization of the regional service economy and highlights its specific features. The authors have identified the problems and necessary adjustments of the system of regional management from the point of formation of the regional service economy. By comparing the existing methods of budgetary planning of the regional development, we have proven the high efficiency of the target-oriented technology; justified the necessity of making organizational changes in the administration of the executive power, including the transformation of rules and regulations for the formation and implementation of a development strategy in order to effectively manage the process of formation and development of the service economy. It has been proven that the presence of a dedicated structural unit in the system of executive bodies will allow to push the service sector of the economy of the "south" of the Tyumen region to the new level by improving the management of the processes of the regional economy conversion, and, as a result of the management, the efficiency of the executive bodies in achieving sustainability of the regional development.

**Key words:** Service economy, Region, Development strategy,  
Business administration, Target-oriented approach.

Currently, the issues related to the problem of sustainable development of regions of different levels become more and more urgent. At that, it is necessary to improve the efficiency of using the production capacity of territorial entities along with construction of the relevant social and market infrastructure. In the current context, management of development of a region is determined by several tools: the concept and the

strategy of socio-economic development, the program (scheme) of territorial planning, the federal target programs (FTP) and a set of long-term target programs (LTTP) (Kamilov, 2011). The strategic planning of regional development is entering a new stage, which assumes harmonization and coordination of the federal, regional, inter-regional, and cross-sectoral priorities of development, which would allow forming a mechanism of efficient use of the available resources (Chizhevskaya and Fedorova, 2012). Strategy, as a rule, is a scenario for guidance only and is based on the rationale of a particular direction of the economy development (White *et al.*, 2013).

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Efficiency of implementation of a strategy of socio-economic development of a service economy is largely dependent on the degree of maturity of organizational issues and preparedness of authorities of regions of the Russian Federation and municipalities to solving the assigned objectives. The analysis of the management structures of the above-mentioned regions gives reasons to conclude that it is necessary to allocate the functionality responsible for the servicing processes, which will later allow achieving the best results of the territory development and its most complete fulfillment (Nazmutdinova, 2014).

Planning and elaboration of development programs can be considered to be essential tools for implementation of the government policy correlated with the public interest. The territorial strategic planning fulfills an important social-political function contributing to the development of social integration, alignment of social and economic correlations between the population and economic entities in the territory.

Currently, the issues related to the development and implementation of programs for the development of territorial units become more and more urgent due to the reform of the Budget Code of the Russian Federation. At that, a significant role is assigned to the aspects of formation of targeted programs of regional focus. The target-oriented method of planning assumes distribution of funds accumulated at the level of the territory according to the purpose in order to achieve the maximum efficiency from the point of solving the problems of socio-economic development of the region.

The role of targeted (sectoral) programs in the formation of a regional development strategy is to detail and plan the development of certain industries in the region (Zabara, 2013). First of all, the program documents provide for priorities for the development of industries, in which the region specializes, as such development is able to provide for improvements by achieving a multiplicative effect.

Despite the considerable amount of research in the area of use of the target-oriented technologies at the regional level, the issues of quality of the programs selection are still not fully solved. In particular, there is an objective need to define the principles of selection and arrangement

of this process using the system of standardized estimates of the feasibility and efficiency of program events at various stages of their suite formation (Cheimetova, 2013).

One of the main conditions for effective use of targeted programs to eliminate the asymmetry in the territorial structure of the country's economy is the selection of priority tasks to achieve balanced regional development, which we need to focus on (Nikulina, 2013). The modern regional economy of the Russian Federation cannot be considered to be effective, implying the existence of the proportion of the volume of production of certain industries that can satisfy the needs of the national economy with minimal resource and time costs. With the transition to a market economy, such a structure is gradually destroyed, which is usually accompanied by a sharp decline in output (Vazhenina and Vazhenin, 2009). The most important prerequisite for sustainable development of the area is to build a system of regional strategic management of the sphere of service (Tokareva, 2012).

#### **Methodology and methods**

Study of the theory and practice of regional management allows concluding that the sequential (progressive) development of budget planning predetermined the occurrence of target-oriented technologies as an effective tool for development and implementation of regional policies and achievement of the goals and objectives of socio-economic development of the territory.

One of the underlying mechanisms of the subjects is the development strategies adopted at their level. This document is based on the directive documents adopted at the federal level, the strategies of districts, and the recommendations of the Ministry of Regional Development. The next tool for solving the problem of management of the region development is the program of socio-economic development of the Russian Federation. The main document regulating its occurrence is an Order of the Government of the Russian Federation. It covers almost all sectors of activity and subsystems: the humans, the social, economic, and resource spheres, and the infrastructure. It has an ultimate goal, a list of tasks and projects on these subsystems.

A possible variant is management of the

development of the territory based on the Order of the Government of the Russian Federation on the main activities (MA) of the subjects of budget planning. The document assumes medium-term planning and the availability of strategic goals of

the subject, objectives, and performance indicators for each of them. The Order provides budgetary targeted programs. Attached to the document, a form of reporting the performance indicators for all three years by objectives is provided. Also, the

**Table 1.** Comparative characterization of the budget planning methods

Attribute	The target-oriented method	The regulatory method
Necessity of application	Helps to maintain a unified approach to the formation and rational allocation of financial funds by specific programs and projects, and ensure budget transparency	Aims to synchronize the processes of budgetary reforming at the federal, regional, and local levels
The idea of the method	Involves the development of targeted programs planned for several years ahead and having clear performance indicators	It is mainly used in planning of funds to finance budgetary events and in execution of cost estimates of budgetary institutions. Standard specifications and norms are set by laws or regulations that directly or indirectly determine the tangible indicators and legislative acts of subjects of the Russian Federation, which regulate the non-addressed by the federal government issues of funding of different activities
Singularities	Ensures full implementation of current liabilities in accordance with the goals and expected results of regional policy, the ability to concentrate financial resources for carrying out the work at specific objects, preventing them from being sprayed	Provides for existence of progressive rules and fiscal standard specifications, which are the qualitative basis for budget planning, the prerequisite for adherence to the economy policy. In addition, the rules and regulations can serve as an essential prerequisite for implementation of automated (economic-mathematical) methods in the budget planning
Advantages of the method	Allows implementing the systematic approach, distribution of powers and responsibilities, rational planning and monitoring of the progress in implementation of programs, ensuring effective solution of problems through the implementation of a package of measures linked to objectives, resources, terms, and performers	<ul style="list-style-type: none"> <li>• the ability to predict the amount of funding based on the actual budget capacity;</li> <li>• interest in ensuring the allocation and assignment of the optimal amount of funds for financing a particular public sector;</li> <li>• formation of economic interest to a certain budgetary sphere;</li> <li>• flexibility of application;</li> <li>• planning of costs of investment nature.</li> </ul>
The structural unit of the method	Contains targeted programs aimed at addressing the problem of improving the efficiency of budget spending	Norms and standard specifications are established by legislative acts or regulations. Standard specifications may be represented as: <ul style="list-style-type: none"> <li>• monetary value of physical indicators;</li> <li>• norms of individual payments;</li> <li>• standard values of costs and consumption of relevant services in the form of physical indicators;</li> <li>• standards, which are based on the average statistical values of expenditures for a number of years, as well as material and financial capacity of the society in a particular period</li> </ul>
The order of budgetary resources allocation	Estimate-based order of planning the funds required for implementation of measures. The funds are allocated among targeted programs on a competitive basis	The amount of funds allocated for the implementation of activities and projects is determined based on the planning and financial estimates. Budget estimate of expenditures is executed based on physical indicators and financial standard specifications. The methodology for calculating the standard specifications is based on the per capita indicator of budgetary funding. The algorithm for calculating the standard specifications of per capita budgetary financing allows calculating the corresponding averaged standard specification and distribute among municipalities (subjects) the financial resources of the regional (federal) budget passed to them in the form of subventions. However, this approach does not allow estimating the actual amount of costs to be funded
Effectiveness	It allows ensuring implementation of the promising areas of socio-economic development in view of the real capability of a particular territory and its specific capacity	Allows identifying the priority targets in the socio-economic development of territories

report on the distribution of the budget funds by years, goals, and objectives is mandatory. Consequently, this document is of the nature of a medium-term strategy or, more precisely, a comprehensive targeted program, and can become the basis for developing a system of management by objectives of the territory development.

Table 1 shows the characteristics of the regulatory and target-oriented methods of budget planning. The comparison allows concluding on the evolutionary nature and presence of objective prerequisites for application of the target-oriented technologies.

The requirements for the selection of issues, including the territorial ones, which may become the targets of program development, can include the following ones:

- The priority of the major problems of socio-economic, defense, scientific and technical, environmental, and other nature, which are proposed for solution;
- The practicability of solving a problem in a program method with the government support;
- The need to coordinate inter-sectoral correlations;
- Accounting for the priorities and goals of socio-economic development of the Russian Federation, the structural and scientific-technical policy trends, the

forecasts of development of national needs and financial resources;

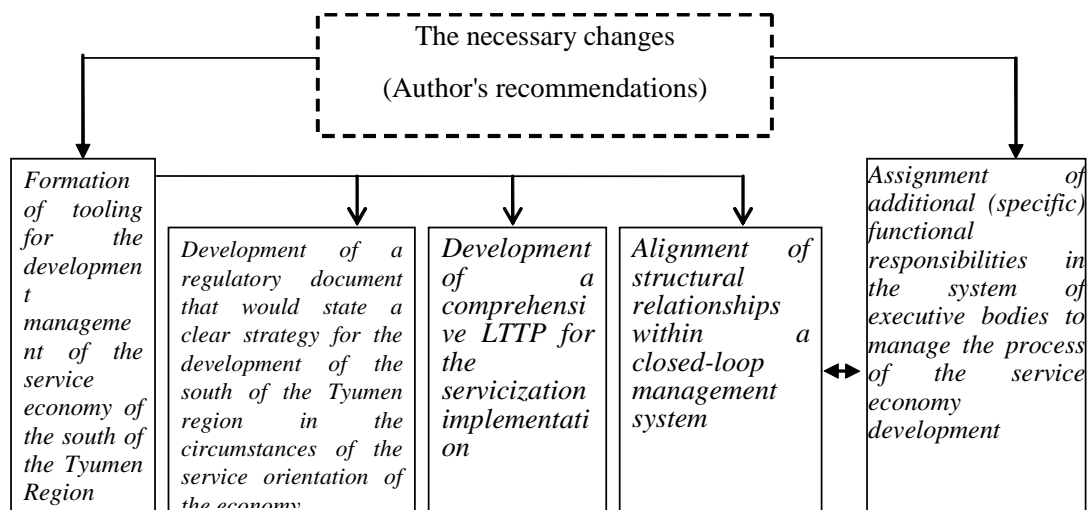
- Preliminary assessment of the socio-economic efficiency and impacts of implementation of the program being developed.

Accumulating resources in the course of implementation of fast-payback program events, it is necessary to allocate them to the objects of the longer-term, strategic nature, which would allow achieving significant breakthrough in the region. Implementation of targeted programs largely depends on the feasibility and efficiency of the operational decisions made based on the analysis of the implementation of program activities.

### Research results

The region's service economy is a post-industrial regional economy based on independent income-generating development of various types of services excluding the secondary nature of their operation and tight coupling of the product portfolio to the primary (single) consumer of the products with maximum use of the service capacity of the spatial socio-economic system.

It should be noted that the development strategy of the region in the circumstances of its economy servicization, in our opinion, is described with a pronounced focus on improving the quality of the finished products produced by the service subjects, and improvement of the customer service



**Fig. 1.** Directions of adjustments of the system of regional management at the formation of the regional service economy

quality. A key role is given to customization, i.e. the special, individualized approach to meeting the needs of an individual customer, which is the highest degree of manifestation of interaction in the correlation “service provider - client”.

This determines the necessity of formation of a new regional management concept based on the development and abidance by the principles of management of a service economy by means of regulating the processes of the economy servicization and adjustments to the strategy of regional development in the circumstances of the servicization, as well as the necessary changes in the legal framework (Tonysheva, 2013).

The recent changes in the economic situation have had a significant impact on the situation and the level of development of the regions. First of all, this resulted in the deformation of sectoral territorial relations in the direction of the strengthening raw-material specialization of the producing areas. The current structure of the

national economy as a whole and of the industrial production in particular is the result of gradual evolutionary development under the influence of a wide range of factors, such as climatic conditions, the political situation, the progress in science and technology, and other regional specificity (Cheimetova, 2014). In this respect, an interesting study is the study of the Tyumen Region – a subject in the Urals Federal District, which also includes the Khanty-Mansi and Yamal-Nenets Autonomous Districts.

The study of the existing Russian practice has shown that the territorial production structure of the regional economy of the consolidated Tyumen Region is described with pronounced division into “the north” and “the south”. Oil and gas extraction prevails in the economy of “the north” (Gadzhiev *et al.*, 2012). In the south of the Tyumen Region, a stable structure of production has been formed, which is focused primarily on the development of agriculture, engineering, the petrochemical industry, the food

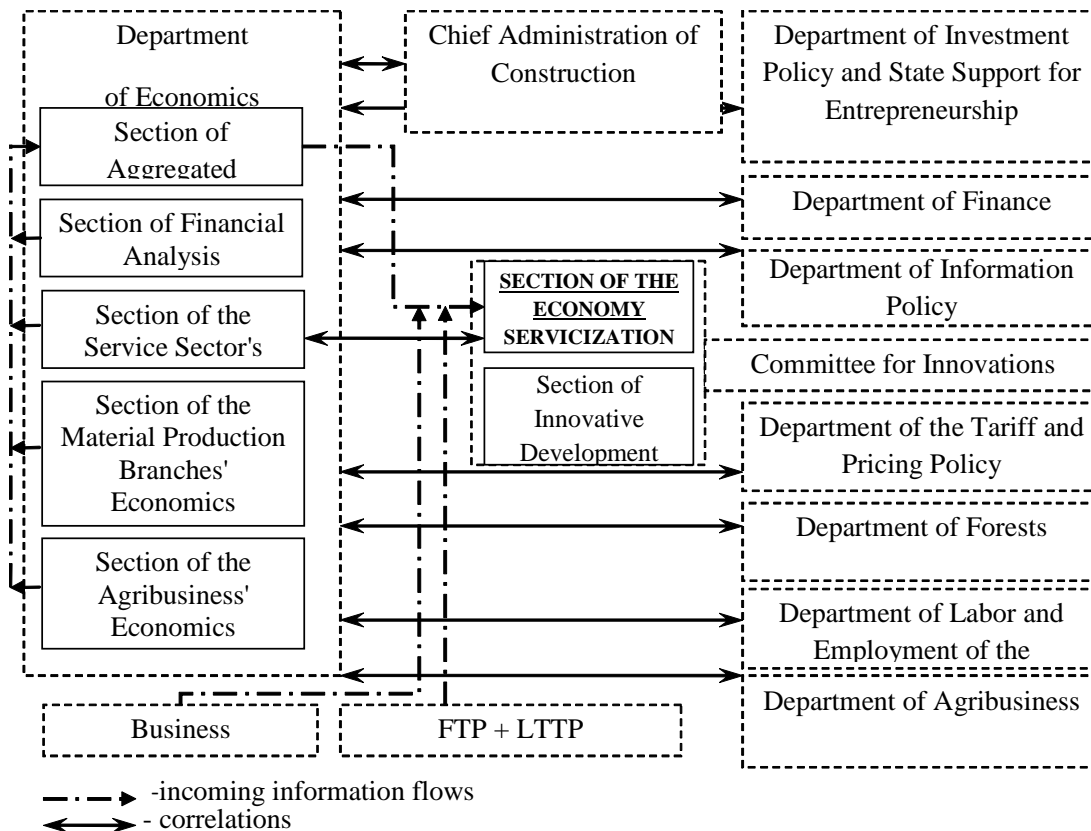


Fig. 2. The proposed changes in the structure of executive bodies (a fragment of the structure)

industry, and the service sector. It has been assigned the status of a servicing territory: despite the close proximity of districts that provide the most part of the hydrocarbon raw material extraction and of the state budget revenues, there has not been created any infrastructure in the region, which would allow adequately using the existing capacity and ensure creation of an industrial and manufacturing base aimed at further processing and sales of products produced for final consumption.

The study of the structural dynamics of the GRP allows concluding that the Tyumen region has increased the share of production from 34% to 64% in the last 5 years; however, for its south, the indicators are equal to 46% and 38% accordingly. This is explained by the high share of the fuel industry of autonomous districts of the Tyumen Region, which confirms the mono-raw material structure of the economy of the territory (Chizhevskaya and Fedorova, 2012).

Thus, in “the south” of the region, primarily the activities of the secondary and tertiary sectors of the economy are concentrated. However, the level of development of the tertiary sector is quite high and allows considering it as a basic one for the socio-economic development of the territory.

The above determines the need for

development of proposals regarding improvement of the efficiency of management of the economic development of the south of the Tyumen Region. The authors have identified the problems and necessary adjustments to the system of regional management from the point of formation of the regional service economy (Fig. 1).

In order to improve the manageability of the development of the economy of “the south” of the Tyumen Region, which is under study, efficient allocation of regional resources, and best use of the servicing capacity, it is proposed to add the control functions with regard to the process of targeted formation and development of the service economy to the functional responsibilities of a number of departments and committees within the executive bodies’ structure (Tonysheva and Nazmutdinova, 2014).

In particular, it is recommended to create a specialized structural unit in the system of executive bodies to manage the servicing process of the economy of “the south”. It is suggested that such an element could be a “working group” formed within the Committee for Innovations – the Section of the Economy Servicing, which would perform the control functions with regard to the process of targeted formation and development of the service economy in the region. From the standpoint of building a

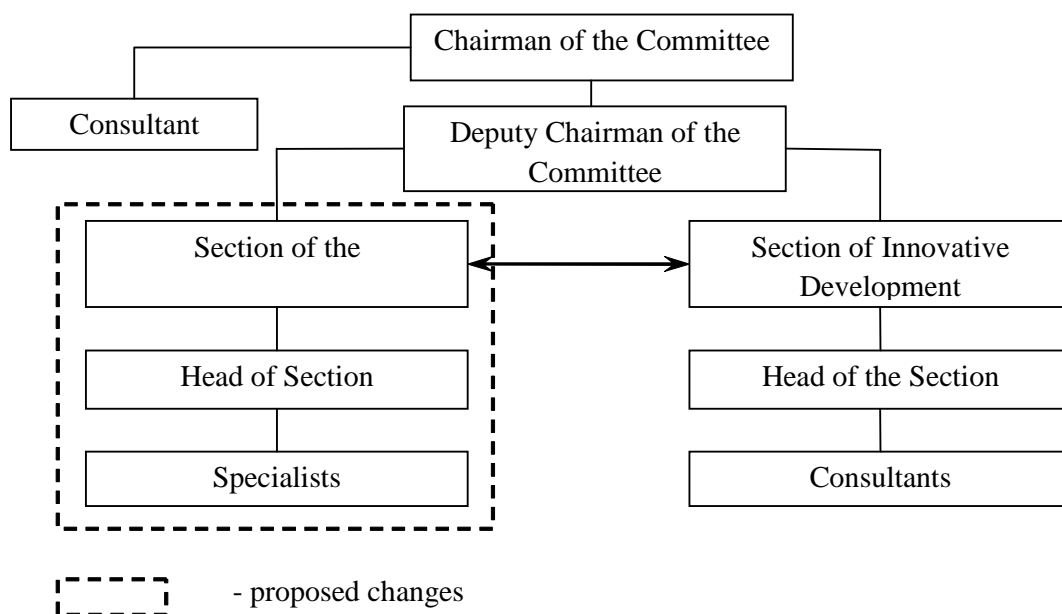


Fig. 3. The adjusted structure of the Committee for Innovations



closed-loop management system, the place of this section in the system of executive bodies will be as follows (Fig. 2).

The above scheme shows that the additionally introduced Section of the Economy Servicization will be in close touch with the Department of Economics, in particular, with the Section of the Service Sector's Economics, which will be collecting and analyzing information on the current situation in the regional service area. This will allow for timely diagnostics of the current state of the services sphere, as well as for the strategic analysis of the servicization capacity required for the formation and subsequent adjustment of strategic points in the development of the regional economy in terms of its service orientation.

It is important to note that the proposed establishment of a structural unit in the Committee for Innovations was predetermined:

- a) Firstly, by the strategic benchmarks of the national economy and, as a result, by the content of the federal and departmental targeted programs characterizing the innovative way of development. We have already noted that the development of the service in the current conditions should be fully supported by the latest innovations to ensure the best implementation of the customer-oriented approach and improvement of the population's living standards, as well as to ensure the strengthening competitive position of the Tyumen Region in the national economy due to activation of the processes of the economy servicization;
- b) Secondly, by the need for a separate division that would directly interact with the business environment for prompt identification of its needs for innovative products in the field of services and their promotion to the developers through the Section of Innovative Development. This short "shoulder" in the correlations will allow to bring together the interests of customers and executors and to obtain the necessary results as quickly as possible;
- c) Thirdly, by the need for the formation of their own strategy of innovative development of "the south" of the Tyumen Region in the circumstances of servicization

of the economy, which is possible only based on clear definition of the growing points through the implementation of a strategic analysis and the use of appropriate tools at the strategy development. Due to the sufficiently high labor intensity of these processes, there is an objective need for a separate "working group", which would not only develop the necessary strategy, but be also engaged in its active implementation later on.

In view of the above, the proposed structure of the Committee for Innovations is provided in Figure 3.

In the additionally introduced structural unit, fulfillment of such functional responsibilities as interaction with the business environment, monitoring of the population's needs, and the strategic analysis in the service sector is assumed. The section's performance can be evaluated by the developed draft strategy of servicization and elaborated proposals for its implementation. Later on, the work on the development and implementation of an appropriate LTTP can be performed.

In our opinion, the presence of a dedicated structural unit in the system of executive bodies will, similarly to the Departments of Forestry and Agriculture, Department of Health and Culture, etc., allow to move to a new level the service sector of the economy of "the south" of the Tyumen region based on improving the manageability of the processes of conversion of the regional economy in the direction of maximizing its servicization capacity.

## DISCUSSION

During the formation of policies and programs aimed at saturation of the Russian domestic market with competitive services and competitive end products, the key role should be given to the establishment of the institute of strategic planning as a mechanism for coordination of priorities at all levels and stimulation of the activities of individual industries, which have the import substitution capacity. However, in practice, there are currently no clearly developed and adopted approaches to the development of strategies of territorial-sectoral development, and

the adopted programs of strategizing require adjustment with account of the changing conditions of the external and internal environment and increasing globalization (Chizhevskaya *et al.*, 2009).

According to the current legislation in the field of budget planning, a targeted program is a comprehensive document, the purpose of which is to address the top priority task for the given period. It is a tool for solving system problems through the implementation of a battery of measures linked by the objectives, resources, and terms (Nazmutdinova, 2013). In this case, the experience says that the totality of the program measures is not always optimal in terms of their efficiency and ability to address the priority problems of the region. Often they address the current problems only and are related to the daily operations of the executive bodies of territorial entities.

This deficiency does not allow implementing fully the program approach, which assumes formation of a package of interrelated programs to achieve the strategic targets of the socio-economic policy of the territory. Elimination of this contradiction will improve the efficiency of the process of selection and implementation of programs (Sheelagh *et al.*, 2004).

The program presents the objectives, ways, and means of solving the problem. It assumes detailed description of the process of goal achievement and solution of the objectives with determination of responsible persons for each of the events, clear time frames (terms of implementation), the scope and sources of funding. Separate events can be concretized and detailed within the feasibility studies. In addition, it may assume development of additional program documents for its individual elements (Belonozhko and Silin, 2013).

Describing the state of development and implementation of regional programs at the level of the Federation subjects, we should highlight the currently widespread practice of their creation – programs are developed as both comprehensive ones, covering all areas of the territory's economy, and sectoral ones, dedicated to some single sector. In addition, there are programs aimed at addressing problems of groups of sectors (e.g., the social infrastructure sectors), as well as of settlements in

the region (Rudneva and Simarova, 2011). Programs at the federal, regional, and provincial level are the main mechanisms of the state's influence on the development of the territory, i.e. the management mechanisms.

With limited resources, it is necessary to define a rating of programs from the standpoint of the possibility of achieving the strategic priorities of the socio-economic development of the territory. Thus, it is possible to form two packages of programs:

- a) The base one – including programs of the region's development, which are taken to be implemented in the next plan year;
- b) The reserve one – containing programs, which may be implemented in the case of availability of additional resources, or in the case of their reallocation.

Among the large number of programs, those ones should be preferred, which are capable of providing for the greatest economic and budgetary efficiency, and contributing to the greatest extent to solving the key problems for a given region, and thus have a significant impact on the entire socio-economic situation in the region. Those projects deserve prioritized support that can provide for the greatest multiplying impetus for the buildup of the territory's capacity (Fedorova and Chizhevskaya, 2009).

## CONCLUSION

The above gives reasons to conclude that the service sphere becomes one of the dominant components of socio-economic systems of different levels and an important factor of the spatial and territorial development, which requires improving the strategic management. The correct choice of strategy development determinants and tools of effective management of the service activity will allow solving partially the system problems of the Tyumen Region's economy and creating conditions for the further sustainable economic growth.

Thus, in order to achieve the set goals on implementation of the strategy of development of the service economy of the region, it is necessary to implement the following measures (Tonysheva *et al.*, 2013).

- a) To form a map of tactical decisions based



on comparison of the effectiveness of management and the service capacity of certain activities;

- b) To distribute the resources among the three budgets: the current, tactical, and strategic ones. A certain key to success in supporting the transformation processes in the economy of the region, along with the implementation of the Balanced Scorecard as the target of development, is efficient formation and use of the strategic budget;
- c) To add the functions of management of the process of targeted formation and development of the service economy to the functional responsibilities of a number of departments and committees in the structure of the system of executive bodies.

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