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Modelling of regional corporate environment development

Abstract. Modern corporations create specific relations within the social and economic system. Interaction between corporate sector, authority and society forms the dynamic corporate environment. Economic effect of territorial development can be reached thanks to a combination of the integrated and differentiated approaches in corporate processes management which considers the type of the corporate environment. In the article, the level and dynamics of the regional corporate sector concentration has been measured in terms of revenue from the sales using the Concentration Degree Index as for the years 2004, 2010 and 2010. It is concluded that Russia has about 600 big corporations of regional and inter-regional type with very high Concentration Degree Index which proves strong corporations' influence at the regional development in Russia.

Keywords: Region; Regional Economy; Corporate Development; Corporate Interaction; Corporate Environment

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Модельовання розвитку регіонального корпоративного середовища

Анотація. Сучасні корпорації формують специфічні відносини в соціально-економічній системі. Взаємодія корпоративного сектора, влади й суспільства формує динамічне корпоративне середовище. Економічний ефект територіального розвитку може бути досягнуто завдяки поєднанню інтегрованого й диференційованого підходів до управління корпоративними процесами з урахуванням типу корпоративного середовища.

Ключові слова: регіон; регіональна економіка; корпоративний розвиток; корпоративна взаємодія; корпоративне середовище.

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Моделирование развития региональной корпоративной среды

Аннотация. Современные корпорации формируют специфические отношения в социально-экономической системе. Взаимодействие корпоративного сектора, власти и общества формирует корпоративную среду, которой свойственна динамичность. Экономический эффект территориального развития может быть достигнут благодаря сочетанию интегрированного и дифференцированного подходов к управлению корпоративными процессами с учетом типа корпоративной среды.

Ключевые слова: регион; региональная экономика; корпоративное развитие; корпоративное взаимодействие; корпоративная среда.

1. Introduction. Studying interrelation between economic units of national economy was subject of scientific research for centuries. Branch, economy sector, territorial education, set of economic institutes and other economic units can be considered as the elements of structural analysis.

Modern corporations are significant functional elements of the region's social and economic system. Studying of their activity allows determining possible influence of corporate structures on its development and regional economic system in general. Corporations also need to be considered as an object of the state impact in the economic sphere at both federal and regional levels.

2. Brief Literature Review. French economist, the author of growth poles theory F. Perroux (1969) believes that connection between units of national economy have steady character, simultaneously they are capable to change and remain [1]. Simultaneous development of several methods of the national economy structuring proves versatility and ambiguity of this economic category. The Nobel Laureate Jan Tinbergen (1956) considers that the structural analysis of economy is necessary for ensuring efficiency and productivity of flexible, adaptive and actual national economic policy [2].

Due to the scope of current research, we should mention some key works which create its theoretical framework.

We considered Russian and Ukrainian papers dedicated to the regional development and the influence of corporations on this process in the post-Soviet territories.

It is worthy to mention that O. Churikanova and I. Bielkina (2015) offer a region typology through the extent of connection between region's concepts: regions with strong, average and weak cognitive connection [3]. L. Gasuda (2015) proves that strengthening of economic interaction between system elements adds value to the territorial economic system [4].

The corporate interaction theory is based on the main postulates of the social exchange theory. Skinner (1953), Homans (1964), Blau (1986), and Bourdieu (1991) worked on them in different years [5-8].

Regularity of corporate systems development and the corporate interaction principles are covered in the works of the authors from all over the world, namely: E. F. Fama (1983), M. C. Jensen, W. S. Clifford (2000), D. C. North (2003) [9-11].

3. Purpose. Working out of methodology ensuring the regional economic policy realization taking into account the features of the corporate environment and the region's type.

4. Methodology and Results. Some Russian scientists (Samosudov, 2007; Zubarevich, 2005) develop «the theory of corporate engagement» which allows describing the interaction between subjects in the corporate system to produce the structural and dynamic analysis [12-13].

Corporate engagement is proactive behaviour of existing and potential participants of corporate relations which directed to a particular result. In this process, obtaining the desired benefits of each participant takes place by combining the individual capabilities and resources.

The composition of participants of corporate relations extends far beyond the corporation's activity. It includes all those who can have an impact on the corporation by participation in its industrial, financial and social activity or institutional mechanisms of the socio-economic system. That is why, in our opinion, the company cannot be regarded as a specific legal form, but only as a particular state of socio-economic system.

Participants of corporate relations form specific groups. Their subjects of interests coincide in some areas, but in other ones disagree. However, all participants of corporate relations are interested in stability of the company. That is communion of interests of the individual members and the groups, which is the basis of the corporate system. Except for shareholders and managers, active participants of the corporate relations are the company's staff, lenders, authorities, and other partners. Development of social and economic relations and processes led to the fact that today it is not possible to predict the number of participants of corporate relations and directions of their interactions.

Corporate sector is the basis of modern economy. In the developed countries scientific and technological progress, socio-economic development of region and the level of social security are provided by a large corporate structure. Its contribution to the technology-intensive enterprises development, infrastructure and nature-exploiting industries is especially significant.

Common principles of the big business classification have not yet been developed in Russia. This category includes not only large integrated business group, but also a wide range of large companies (Y. Pappé, 2003; «RAEX») [14]. There are following groups of corporations on a territorial basis: regional; inter-regional; transnational or international.

The study of the corporate sector of the Russian economy at the regional level, which is held since 2004, allows claiming share of inter-regional corporations as a part of Russia's largest companies is growing, both in quantity and volume. There were 103 such companies in 2004. This figure rose by 2.65 times up to 2014. Corporate construction moves along the path of extension of business and regional expansion of the largest companies. The average amount of revenue of company which is included in the 10 largest Russian industrial corporations has increased by almost 2.5 times in current prices from 2004 to 2014. That is confirmed by the continuous decline in the number of major corporations in the metropolitan area, which is related to their restructuring and the transition of inter-regional activity. Reducing the number of regions with increase in the total volume of the largest corporations in 1.9 times in 2013 indicates the presence of significant structural changes in the direction of the inter-regional corporations strengthening in the national economy. Increase in the number of regions in 2014 to 45 is connected with the expansion of the list of regional and inter-regional corporations to 600 (previously 400). Level and dynamics of the regional corporate sector concentration can be measured in terms of revenue from the sales using the Concentration Degree Index (Table 1).

Calculations were made with the inter-regional corporations and without them. Concentration of the largest corporations in the regions is high and constantly growing. Calculations of concentration indicators for the set of companies including inter-regional corporation have the value close to the limit value (0.9194) in 2014.

The observed intensification of regional expansion of corporations entails reformatting of interaction strategies between

Tab. 1: **Concentration degree indicators of the largest corporations in the region in terms of revenue from sales, Russia**

Indicators	2004	2010	2014
Including inter-regional corporations			
Number of regions	48	39	45
Accumulated share, %, d	3.1602	1.7437	2.3640
Concentration degree index, K	0.8918	0.9385	0.9194
Error in share, M_p	0.0663	0.039	0.041
Excluding inter-regional corporations			
Number of regions	47	38	44
Accumulated share, %, d	9.0968	7.0333	7.1143
Concentration degree index, K	0.6422	0.6656	0.7065
Error in share, M_p	0.0700	0.077	0.069

Source: Authors' own research and calculation based at the Russian Federation Federal State Statistics Service data

business and authority at the regional level. Not a long process of corporate development in Russia has passed the stage of regionalization. Today, inter-regional corporations dominate in the national economy as well as in the system of corporate relations. Corporate capital overcomes the narrow limits of individual regions, strengthening the single economic space of Russia. Modern corporate development trends should be taken into account when national and regional industrial policy is being developed. They are the basis for searching methods and mechanisms of corporate activities regulation, adequate to the existing conditions.

When corporate development was seen as a characteristic of the business environment in the region [15], a close correlation was established between the presence of the largest Russian corporations and innovation activity levels in the region and investment attractiveness of the region. However, the interaction of these characteristics has dialectical nature. The business environment of the region is the result of the interaction of economic, political, social, legal, technological and other processes.

Research of strategic interaction between the authority, society and business in Russia is based on a study of the big business territorial distribution, which is conducted in 2 main areas.

The first of them is typology of regions according to their importance for the leading business groups and companies (Zubarevich, 2005). There are 4 types of regions according to the well known approach [13].

Basic production regions for Russian business groups are economically strong regions where corporate positions are clearly defined and delineated.

Expansion regions represent a zone of active penetration of Russian big business, as required for its development and attractive for asset diversification.

Semi-peripheral business areas have no resources, profitability for export production, favourable geographical position and capacious market.

Peripheral underdeveloped regions have a lot of negative factors: political instability, the specific political regime type, the low quality of the population, poor infrastructure and few resources, etc.

An important result of this study is possibility to compare different scale and business origin (intra-regional and external-regional) in the different types of the regions. Selective comparison showed essential distinction of business environment of regions and proved complexity of factorizing.

Also, types of regions can be determined by their functional role in the region's economy (Ashcheulova and Shirokova, 2009) [16]. Corporations are not identical in relation to a general region economic complex. Territorial and legal connection of the owner (owners) to the region and orientation to the domestic or foreign market are their major characteristics in this issue. It is an objective basis of use of the differentiated approach as a regulation principle of corporate structures development. According to this approach, instruments of state control of corporate development are determined due to the features of the type of corporate structures prevailing in the region.

The complex structural analysis of corporate sector will be the first step. For this purpose, all corporations of regional economy can be divided on export oriented and local ones that will allow determining priority guidelines of new forms of the associated entrepreneurship in its territory.

The next critical characteristic of the relation of corporations to the general regional economic complex is a legal form of the owners. It allows classifying corporations as local (which are consumers of the local equity) and external (the region is a presence zone for them, the supplier of labour and a part of material resources, infrastructure base of production) ones.

Hence, all corporate structures which are present in the region can be divided in relation to the regional economic complex into four types.

The first type is export oriented corporate structures with prevalence of local equity which turn out products for the markets, external in relation to the region.

The second type is regional corporate structures with prevalence of local equity which are suppliers of the domestic regional market of consumer and manufactured products and service.

The third type is region oriented corporate structures with prevalence of extraneous equity which are suppliers of the domestic regional market of consumer and manufactured products and service.

The fourth type is corporate structures with prevalence of extraneous equity's turn out products for the markets, external in relation to the region.

The variety of types of regional corporate environment is represented in the three-dimensional model including 16 segments (Figure 1). Such specific variety will allow considering all range of both subjective and objective factors of regional corporate environment forming in case of the regional economic policy development and implementation.

5. Conclusions. The complicated task of constructing a realistic spatial projection of the corporate structure of national economy should be solved in the near future. The corporate environment of the territory is changing. This makes

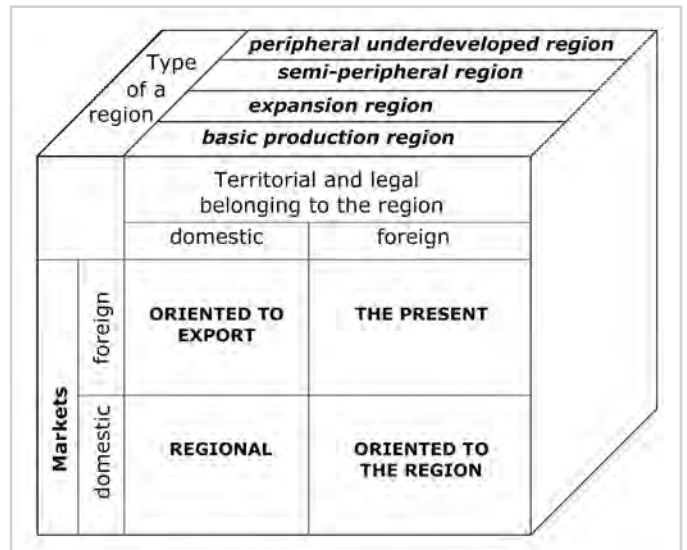


Fig. 1: Region - Corporation interaction model
Source: Authors' elaboration

it necessary to control and predict changes of its conditions, in order to harmonize the proportions of socio-economic development at the meso-level. There is a need of a specific territory's development strategy coordination with the corporate strategies of the companies in the regions of the Russian Federation.

Using the author's model «Region-Corporation» allows determining the characteristics of corporate environment area, assessing the extent of corporate «integrity» of economic space which do not have tough territorial and subject framework. As a result, the economic effect of territorial development can be achieved by the combination of integrated and differentiated approaches to the regulation of corporate processes and phenomena.

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