

Formation of new approaches to the evaluation of territorial systems' competitiveness

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Abstract— This paper proposes a new algorithm of effective (statistically valid) strategic management decisions making towards competitive recovery of the territorial system that can be used by the government agencies and municipalities. Current solution differs from the already existing decision procedures in the addition of the following stages: analysis of the international environment (for the purpose of determination of some impliable development options) and analysis of the internal environment (for the purpose of determination of the key competitive advantages) within the activities of the territorial system, formation of the competitive territorial systems' group (after the strength detection of the territorial system and its particular fields which are able to meet competition), a conceptual foresight of the territorial system's competitiveness. Considerable progress has been made with regard to the measuring system that provides an integral estimation of the following territorial system's parts: society standard of living; income standard and attractive terms for the production of goods and services accomplishment in existence; economic growth and institutional development rate of the territorial system. In conclusion an advanced measures system for the comprehensive performance estimation of the territorial system's competitiveness is presented.

Keywords – *competitiveness, region, territorial system, economics, state management*

I. INTRODUCTION

The disadvantage of the most existing competitiveness assessment methods of the socio-economic (territorial) systems consists in a failure to take their comprehensive assessment. Lots of such methods cover only some particular aspects of competitiveness or represent a socio-economic

development evaluation for the single territorial system (or for the comparison with other territorial systems), but not the competitiveness assessment literally. Therefore it is impossible to work out any management decisions providing increase of the competitiveness. Without doubt the issues of socio-economic territory development are important but in fact we face a particular substitution of notions, such that the initial research objectives could not be achieved.

From this perspective, becomes obvious the necessity to disregard the analysis of the socio-economic performance of territorial system and to scheme out a new method that will allow to obtain an impartial proper competitiveness assessment on the base of reliable figures and which findings will contribute to the right management decision-making in accordance with the territorial system challenges.

II. MATERIALS AND METHODS (MODEL)

Nowadays there is a lack of both theoretical and practical common methodological approaches to the quantitative competitiveness assessment of a territorial system of any level (including its weak spots), that would identify the priority guidelines for the strategic management for the purpose of development of current competitive advantages and creation of new ones.

In the scientific literature devoted to the challenges of the regional and spatial economics, the question about the competitiveness of the territorial systems as a socio-economic category is not explored properly as yet [1]. Moreover today the competitiveness of the territorial system is the most important index of the economic development.

The main components of the territorial economic relations of any level (regions, federal districts, countries) can be defined as competition (resource contention and prospective markets) and as cooperation with the aim to increase the competitiveness[2].

III. RESULTS AND DISCUSSION

The competition is an absolute term, while the competitiveness is a relative one. It means that a subject might be competitive nothing but at a certain point in time and in comparison with some other subject.

The key elements for the understanding of the term “competitiveness” are presence of competition, struggle for better existence conditions, struggle for profit; certain economic interests, i.e. an effect of the triumph in the economic battle; presence of some competitive advantages as key factors; existence of a short-term and a long-term competitiveness; correlation between competitiveness, efficiency and functional performance of the territorial systems [3].

Taking into consideration that the term “competitiveness” is multifaceted, so to our opinion the research approach to the territorial system as an economic unit allows us to identify five levels of the territorial systems’ competitiveness.

1. Territorial systems' competitiveness at the MEGA-ECONOMICS level means competitiveness of unions, alliances or a group of countries.

2. Territorial systems' competitiveness at the MACRO-ECONOMICS level refers to the national competitiveness of a country and its macroregions (federal districts).

3. Territorial systems' competitiveness at the MESO-ECONOMICS level means competitiveness of regions and municipalities.

4. Territorial systems' competitiveness at the MICRO-ECONOMICS level relates to competitiveness of branches, types of economic activities, industrial clusters, firms.

5. Territorial systems' competitiveness at the MINI-ECONOMICS level stands for competitiveness of products (goods and services) made or provided by different enterprises [4].

The formation process of competitiveness is carried out from the mega-level to the mini-level and ensures interrelation between all the determining factors. For instance, competitiveness of a company and its products is determined by the competitiveness of a country where this company is based. In a similar vein the competitiveness of a country depends on the competitiveness of national companies, branches, types of economic activities, municipalities, regions as well as macroregions [5].

We use the term “competitiveness of the territorial system“ to mean a relative characteristics of a particular territorial system which can illustrate exposure, revealing and fulfillment of its competitive territorial potential that currently permits to assure high standards of living for the population (for individuals), to provide an adequate income level, as well as

attractive industrial terms for production of goods and delivery of services (for economic actors). The analysis of the territorial potential helps to facilitate the independent sustainable functioning of the economic actors on the particular territory and to contribute to the increase of the socio-economic development rate, as well as to afford ground for the governing bodies of the territorial system to have an impact on the macroeconomic politics under the conditions of competition with other territorial systems for the mobilization of resources, to defend the interests of the territorial system at the higher management level to and to create a relevant internal environment.

The given definition covers a statistical (ability to compete at the present moment or otherwise stated level of competitiveness reached by now) and dynamical (ability to improve competitive positions strategically or otherwise stated a growth potential of system’s competitiveness) aspects of the territorial systems’ competitiveness.

It is worth noting that performance measures of the territorial system competitiveness should be interrelated and complex. Beyond that, the calculation of the performance measures should be carried out on the basis of reliable statistics data to avoid ambiguity by the interpretation [6,7].

From our point of view the most efficient performance measures model is a model, that can provide an integral estimation of the following territorial system’s parts: 1) society standard of living; 2) income standard and attractive terms for the production of goods and services accomplishment in existence; 3) economic growth and institutional development rate of the territorial system (refer to Table 1).

To prove and validate the statistically reliable management decisions made by state administration bodies and municipalities aiming to improve the performance of the measures, which weight the territorial system down and wherefore the territorial system loses out to its opponents, the authors represent a new algorithm of the decision-making. The particular algorithm may hope to contribute to the sustainable development of the territorial system in the economic and social spheres. Current solution differs from the already existing decision procedures in the addition of the following stages: analysis of the international environment (for the purpose of determination of some impliable development options) and analysis of the internal environment (for the purpose of determination of the key competitive advantages) within the activities of the territorial system, formation of the competitive territorial systems’ group (after the strength detection of a territorial system and particular fields which are able to meet competition), conceptual foresight of the territorial system's competitiveness (refer to Figure 1).

TABLE 1. REPORTING MEASURES SYSTEM FOR THE COMPREHENSIVE PERFORMANCE ESTIMATION OF THE TERRITORIAL SYSTEM'S COMPETITIVENESS

Measure group	Economic grounds for the particular measures selection
1. Society standard of living. Statistical figures: 1) per capita income. 2) the average estimated monthly salary of the employees. 3) the household final consumption expenditure.	The population is considered as the main subject of the territorial system which acts to fulfill its economic interests and to meet its requirements.
2. Income standard and attractive terms for the production of goods and services accomplishment in existence. Statistical figures: 1) profite (loss) on sales by type of business activities. 2) rate of profit enhancement across the business. 3) level of profitability by type of business activities.	The present measures allow to highlight the industry specialization of the territorial system.
3. Economic growth and institutional development rates of the territorial system. Statistical figures: 1) value (percentage) of investment in the fixed capital stock of enterprises; 2) number of for-profit organizations. 3) revenue by for-profit organizations.	The sustainable socio-economic development of the territorial system as well as its competitive recovery can not be made without a profound investment policy that contributes to the investment prospects of the particular territory and encourages foreign investment. The rate of economic growth, the structure and quality of GRP are driven by business. The business development impacts directly on the competitiveness of the territorial system. If the business fails, the economy of the territorial system would not function or expand.

specify the priorities of the sustainable socio-economic development.

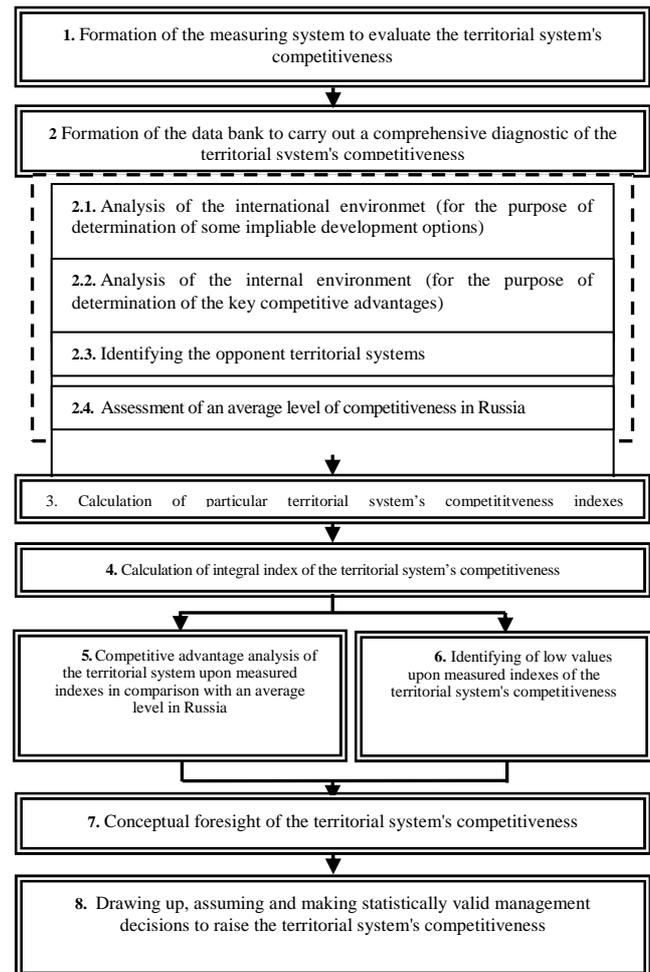


Fig. 1. Algorithm of effective (statistically valid) strategic management decisions making towards competitive recovery of the territorial system performed by the government agencies and municipalities.

Let us take a closer look at some special characteristics of the presented algorithm of effective (statistically valid) strategic management decisions making for the government agencies and municipalities to raise the competitiveness performance of the territorial system.

The database building for the forthcoming complex evaluation of the territorial system's competitiveness requires an analysis of the external environment of the territorial system to recognize its development options as well as to define available resources that are needed for keeping the internal potential of the system up to the mark. The external environment is a set of factors that are exogenous in relation to the organization and influence organizational efficiency.

The analysis of the external environment allows us to determine the key competitive advantages of the territorial system and disclose its potentiality. In total, the analysis of the external environment and the internal context of the territorial system are called for detection of its strengths and weaknesses, facilities and challenges for the purpose to

The need for the identifying of a group of territorial competitive systems, as well as their comparison with the overall Russian level of system competitiveness, are due to the serious differentiation (heterogeneity) of territorial systems within the economic space of the Russian Federation in terms of living standards, investment attractiveness, favorable conditions for the organization of production of goods and services. Continuous monitoring and study of socio-economic development trends of territorial competitive systems and identification of opportunities for cooperation within the framework of industrial specialization will ensure the formation and production (build-up) of the competitive advantages of the territorial system, as well as its positive positioning and accelerated progress in the economic space of Russia.

IV. CONCLUSION

Thus, based on the conducted research of the already existing measuring methods for the territorial system's competitiveness performance, we can introduce a new model for evaluation of the territorial systems' competitiveness, which is economically justified. Due to the particular model the new approach to the complex competitiveness performance of the territorial systems was developed. It consists of three main components: index of high standard of living of the population, index of maintenance of income standard and attractive terms for the production of goods and services accomplishment, index of economic growth and institutional development of the territorial system for the government agencies and municipalities.

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