

# YOUNG RESEARCHERS

DOI: 10.15838/esc/2017.5.53.14

UDC 330.341, LBC 65.290.2

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## Revisiting the Development of Cooperation Between the State, Business, and Society in Addressing Territorial Development Issues



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**Abstract.** At present, socio-economic development in leading countries is characterized by intensive development of cooperation between government, business and society. In conditions when territories gain more autonomy in solving socio-economic development problems, business entities act as funding sources for addressing the most urgent issues, the priority of which is impossible to determine without participation of the public. Having studied the evolution of cooperation between government and business in Russia we point out that the extent of government participation in the economy depends on its national development specifics at different stages, which determines the diversity of their interaction models. Having reviewed domestic and foreign research works we systematize the existing models of trilateral interaction. The paper analyzes the implementation of joint projects and programs by the authorities and business in the Russian Federation and reveals forms of participation of society in addressing regional problems on the example of the Vologda Oblast. Streamlining the interaction between the authorities, business and society will help unite their efforts to solve priority development tasks in the territory. In this regard, we propose a set of recommendations for the authorities that will help develop this trilateral cooperation. The study uses system approach, structural-functional analysis, method of expert estimations, groupings, comparison and generalization; tabular and graphical techniques for data visualization are applied, as well. Legislative acts and other regulatory documents of state authorities and administration, official data of the Ministry of Economic Development, and the Russian Union of Industrialists and Entrepreneurs serve as information base of the study. We also use the results of a survey of heads of Vologda City enterprises

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**For citation:** Kopytova E.D. Revisiting the development of cooperation between the state, business, and society in addressing territorial development issues. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 5, pp. 197-215. DOI: 10.15838/esc/2017.5.53.14

conducted by VolRC RAS with our direct participation. The findings of the paper can be used in scientific and educational activities. They are of practical interest to the authorities, because they can help improve economic policy aimed to promote participation of business and society in dealing with problems of the territory.

**Key words:** cooperation, authorities, business, society, development of territories, project management, monitoring.

**Introduction.** Almost all constituent entities of the Russian Federation are facing the aggravation of social problems in conditions of a lingering economic recession. Moreover, financial and economic capabilities of regional and municipal authorities in solving social issues with the help of budget resources are very limited. In the circumstances, regions need to seek additional resource opportunities that can be used for development of territories. However, it is possible to raise additional resources only if all subjects of economic relations participate in social processes and unite their efforts and resources.

The necessity of searching for optimal socio-economic relations is due to the nature of modern processes taking place in society and manifested in the rapid development of service industry and information technology, acknowledgement of the value of human capital and importance of regulating social stability in the country, and enhancement of the role of business in territorial development [10].

**Methodology and research methods.** The methods of the research are as follows: economic and statistical analysis, methods of generalization and expert interviews. Methodological basis includes the works of domestic and foreign economists in the field of regional economics. In particular, the works of leading Russian scientists (V.G. Varnavskii [4], G.B. Kleiner [9], V.N. Leksin [11], M.I.

Liborakina [6], A.I. Tatarkin [20], V.F. Ukolov [22], T.V. Uskova [24], V.N. Yakimets [26], etc.) and foreign researchers (A. Carroll [27], R. Freeman [28], etc.) prove that a unifying element of these concepts should be the recognition of the importance of partnership between government, business and society to ensure socio-economic development at the national, regional, and municipal level.

Any society (including the business community) or state has vital interests, without which they cannot exist and develop: for society it is a set of needs the fulfilment of which ensures its existence and harmonious development; for the state it is socio-economic development of territories; for business it is the maximization of profit. Only continuous and mutually beneficial interaction between these actors will help ensure high and sustainable levels of regional development and achieve strategic goals of state authorities.

In this connection, the study of trends and the search for management tools to develop tripartite cooperation between government, business and society determine the relevance, scientific and practical significance and purpose of the present work.

**Results of the research.** It should be noted that the views on the role of partnership cooperation between government, business and society in the management of territories changed more than once. For instance, in the

19th century, the state enhanced the efficiency of the means of production for private owners (G. Hegel and K. Marx are founders of this approach). In the first half of the 20th century, the state represented the interests of a particular social group, and in that case the association of people was coercive (A. Gramsci, G. Hins). From the mid 1960s–1970s, the relationship between the governments, business and society changed from authoritarian to partnership (G. Lembruch, Ph. Schmitter) [25].

While studying the evolution of interaction between business and authorities in Russia we find a marked change in the role each of them plays in the economic system, an expansion of the range of social policy actors and a significant expansion of the role of business structures in addressing social and economic problems. Such changes were most prominent in the second half of the 20th century (*Tab. 1*).

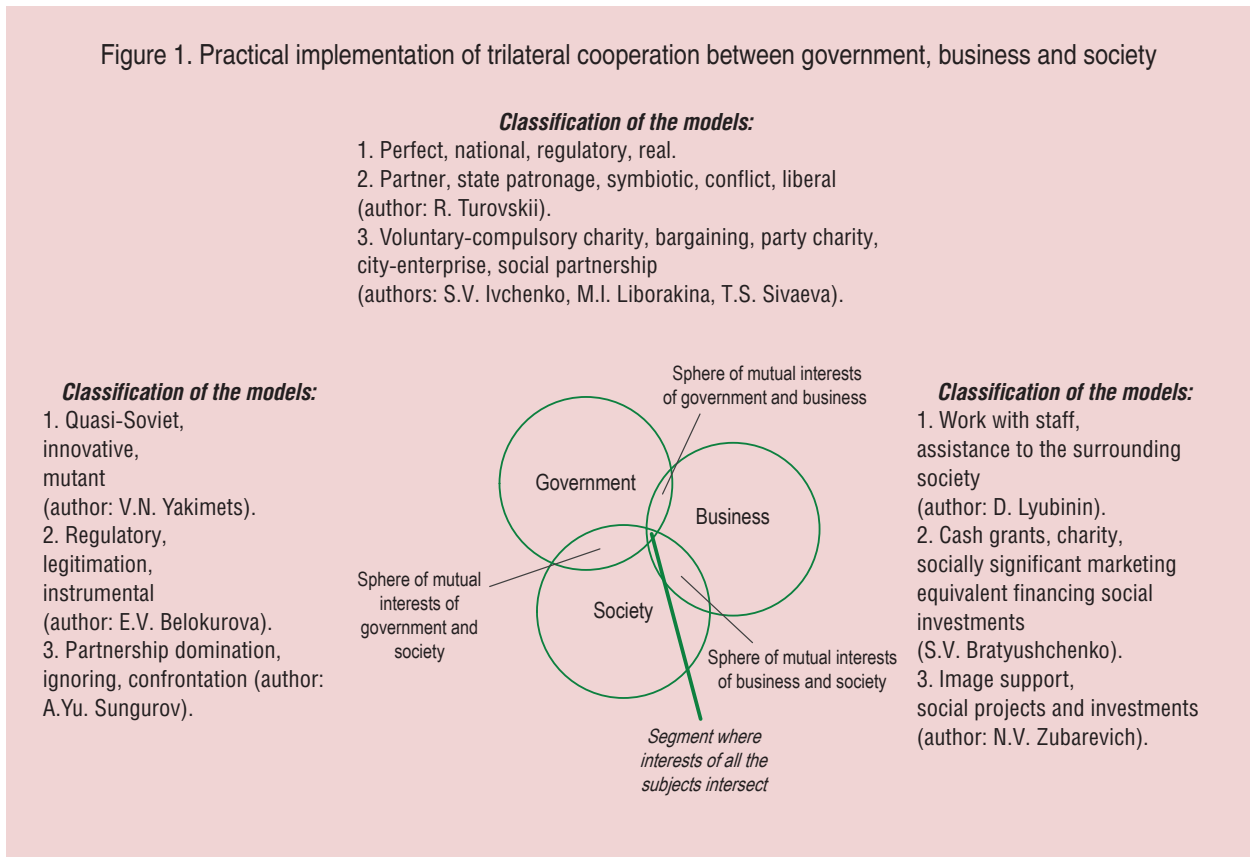
Recently, Russian regions have developed a tendency toward the formation of a fundamentally new system of interaction between government, business and people. It not only represents a set of tools to coordinate the interests of interacting parties in addressing priority socio-economic issues, but it is also a crucial part of socialization process taking place in the modern Russian economy. Moreover, effective cooperation between the state and business promotes growth rate in the economy and social sphere, increases regional budget revenues, enhances the development of science and education, increases the accessibility of socio-economic infrastructure, technology and quality of life, and helps raise investment [24].

In addition, cooperation between business and government reflects the current state of society as a whole, because such cooperation affects the models, forms and technology of

Table 1. Evolution of interaction between business and government in the Russian economy (second half of the 20th century)

| Stage  | Period        | Content   |
|--|---------------|---|
| 1  | 1960–1979     | Economic entities with economic resources become the driving force of territorial development. Additionally, the region serves the interests of a backbone enterprise, and it, in turn, creates and maintains social infrastructure.  |
| 2  | 1980–1989     | The authorities in most cases disengaged themselves from intervention in the activities of economic entities. Some researchers [1, 15] characterize this period as a time of “privatization of power” by business.  |
| 3  | 1990–1994     | State resources were actively transferred to private property, which contributed to reduced quality of life, increased inflation and social tension. As a result, the authorities implemented rigorous financial, credit and tax policy, imposed limits, quotas, and licenses in relation to business structures.       |
| 4  | 1994–1999     | The period of convergence of government and business, during which the state appoints major private sector representatives to high state positions. Moreover, a huge amount of financial resources becomes concentrated in the hands of a group of the largest businessmen who actively withdraw their capitals abroad. |
| 5  | 1999– present | Cooperation between government and business is beginning to form due to the fact that the state needs to control the financial and economic activity of enterprises, and the latter need “rules of the game” in order to function successfully in a market economy.   |
| Compiled with the use of the sources [18, 22]. |               |   |

Figure 1. Practical implementation of trilateral cooperation between government, business and society



management. It is important to note that in a real situation there is always a combination of several types of such models (Fig. 1). In particular, territories can have one of the basic models of government-business interaction (perfect, national, regulatory, real) and the model depending on the level of conflict (functional, partnership, symbiotic, conflictual, liberal, and the model of state patronage [17, 21]) depending on the extent to which economic entities participate in addressing regional development issues (voluntary-compulsory charity, trade-off, party charity, enterprise city, social partnership [6]).

Civil society is an active participant in the socio-economic system of the region. Interaction with the authorities can take the

form of partnerships, ignoring, confrontation, and domination [19]. There exist other classifications of government-society interaction. In particular, V.N. Yakimets [26] highlights quasi-Soviet models (ways of government-society relations widespread in the Soviet era and transferred to the present time), innovation models (cooperation models that were new or rarely used in the pre-perestroika period, it was possible to design those models due to the change in the system of state and the dominant type of economic relations), and mutant models (interaction that combines features of the first two types, while it is based on some kind of quasi-Soviet cooperation with external properties characteristic of innovative methods).

The author of another study [2] proposes to use the following classification of government-society interaction models:

- regulatory model, based on liberal tradition within which non-governmental organizations are important institutions that connect public and private spheres;

- legitimation model, based on a system approach, in which non-governmental organizations perform important functions in the political system (functions such as articulation and aggregation of interests);

- instrumental model, based on communication as a social mechanism for management and transmission of information, the mechanism necessary for effective solution of social problems.

Studying the models of business-society interaction deserves special attention within the study of the trilateral interaction. It is traditional to classify the interaction of business entities with the staff and with the surrounding community [12]. S.V. Bratyushchenko [3] identifies the following models: money grants; charitable donations and sponsorship; socially significant marketing that allocates part of its profit to socially significant projects; equivalent funding that allocates percentage of its sales of a particular product for the implementation of social programs; social investment; social budget.

N.V. Zubarevich presents a classification of interaction between business entities and society depending on the type of social program implemented by business [7]:

- charity akin to that which existed in the Roman Empire, i.e. one-time charity projects in the lead-up to the election, regional (city) festivities;

- regular image-based assistance to socially vulnerable groups;

- internal and external social projects and programs;

- social investments in society, in the development of human capital (investments in education projects, public health, sports events, etc.);

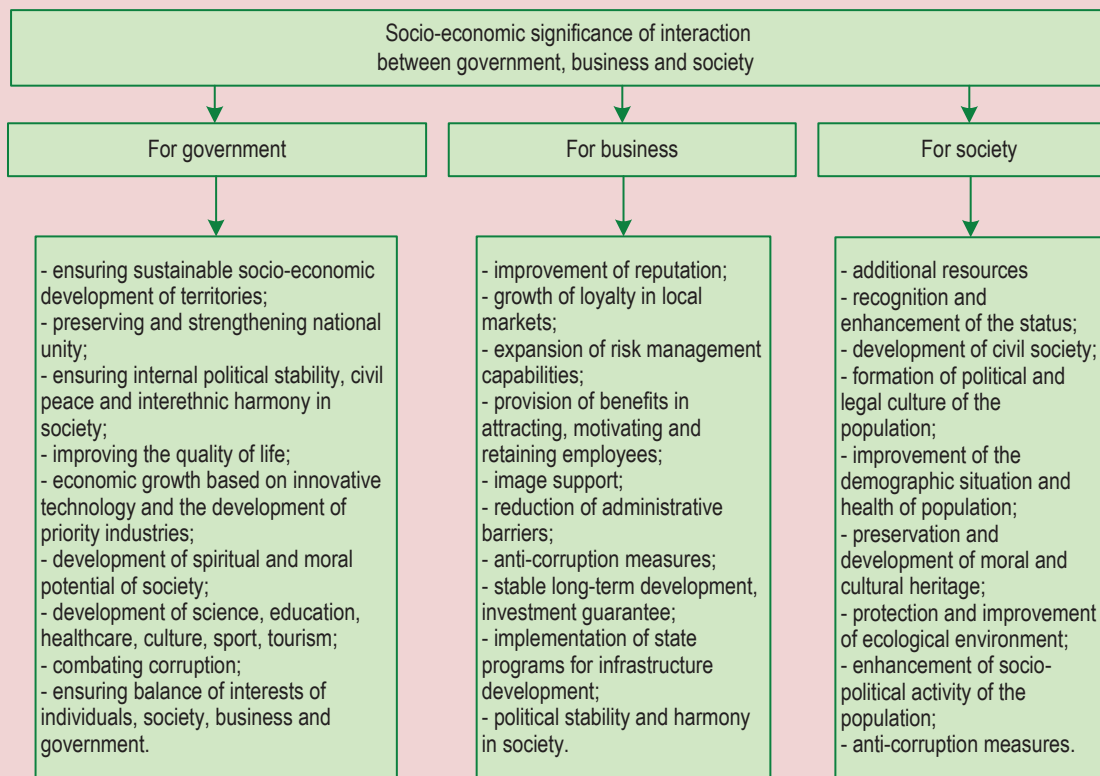
- participation of business in administration (improvement of administration of territories in their own interests and in the interests of sustainable social development of local communities).

Having studied theoretical aspects of government-business-society interaction we conclude that the number of classifications of models of this cooperation is large and diverse. However, such interaction is currently being used as a win-win model that has high potential, and in which the partnership between equal stakeholders enhance the opportunities of solving urgent socio-economic problems and make a significant contribution to the development of civil society (*Fig. 2*) [8, 29, 30].

Acting on its own, each of the parties, while having certain specific resources, is not able to meet all social needs. However, when their resources are pooled together, it is possible to achieve synergistic effect, the essence of which lies in the fact that the outcome of partnership is not simply a sum of the combined resources, but the result that is superior to this sum.

This is why joint projects become a fundamental tool in economic development of territories, in raising investments, and in enhancing the quality of services provided to people. As of the beginning of 2016, the Russian Federation is implementing 873 projects, under

Figure 2. Socio-economic importance of trilateral interaction between government, business and society



which the total sum of agreements comprises 640.3 billion rubles of private funds (at the federal level: 12 projects amounting to 133.7 billion rubles; at the regional level: 104 projects worth 408.1 billion rubles; at the municipal level: 757 projects amounting to 98.5 billion rubles) [16].

However, the potential of such interaction is not being implemented to the full. It is revealed that the ratio of private funds in joint projects with the authorities to the nominal gross domestic product of Russia makes less than 1%. This ratio, according to expert estimates, should be about 4–5%. Only in this case will it be possible to confirm that funds are being allocated to the Russian economy on a system-wide basis and on the principles of government-business-society partnership [16].

Having studied the experience of implementation of partnership projects of the government and business, broken down by economic sectors, we identify the following features for each sector (*Tab. 2*):

- the most in-demand projects for the transport infrastructure include construction of highways and their infrastructure (in this case the federal and regional levels have an equal number of projects – ten at each level);

- the majority of projects in the social sphere are implemented in health care at the regional level (45 projects) and in education at the municipal level (43 projects). It is noted that the sphere of health care is traditionally attractive due to the fact that it receives a sufficient amount of financial resources via paid services [16];

Table 2. Implementation of joint projects of government and business, broken down by infrastructure sectors on the territory of the Russian Federation as of 2015

| Sector in which the project is implemented | Level of project localization |          |           | Total number of projects |
|--|-------------------------------|----------|-----------|--------------------------|
|  | Federal                       | Regional | Municipal |                          |
| Transport                                  | 12                            | 25       | 10        | 47                       |
| Social                                     | 1                             | 76       | 95        | 172                      |
| Utilities                                  | 0                             | 11       | 615       | 626                      |
| Energy                                     | 0                             | 0        | 28        | 28                       |

Source: Ministry of Economic Development of Russia, calculations by the Center for PPP Development.

– the housing and utilities infrastructure has projects at the municipal level in the field of water supply and sewerage (310 projects), as well as in the field of production and transfer of heat energy (280 projects); 11 projects in the sphere of solid municipal waste management are carried out at the regional level;

– projects in the energy infrastructure are implemented only at the municipal level.

We should mention the amount of funds from the private sector allocated to the implementation of projects. According to the results of 2014, a total amount of 200.9 billion rubles of private funds was raised. The Central Federal District managed to raise the greatest sum among all federal districts (102.3 billion rubles; *Fig. 3*). The situation with raising the funds of business is most critical in the North Caucasian (655.5 million rubles) and Northwestern (4.1 billion rubles) federal districts, where budget funds constitute a large share of funding in such projects.

The geographical distribution of charitable support is similar (*Fig. 4*). According to the contest “Leaders of corporate philanthropy”<sup>1</sup>,

<sup>1</sup> The study of 2016 covered 60 Russian and international companies with a total turnover of over 100 million rubles in 2015, performing their philanthropic activities on the territory of the Russian Federation. Expenditures on social and charitable projects by the end of 2015 were revealed by 56 participants. Based on the data provided, they spent nearly 20 billion rubles on charity and social assistance.

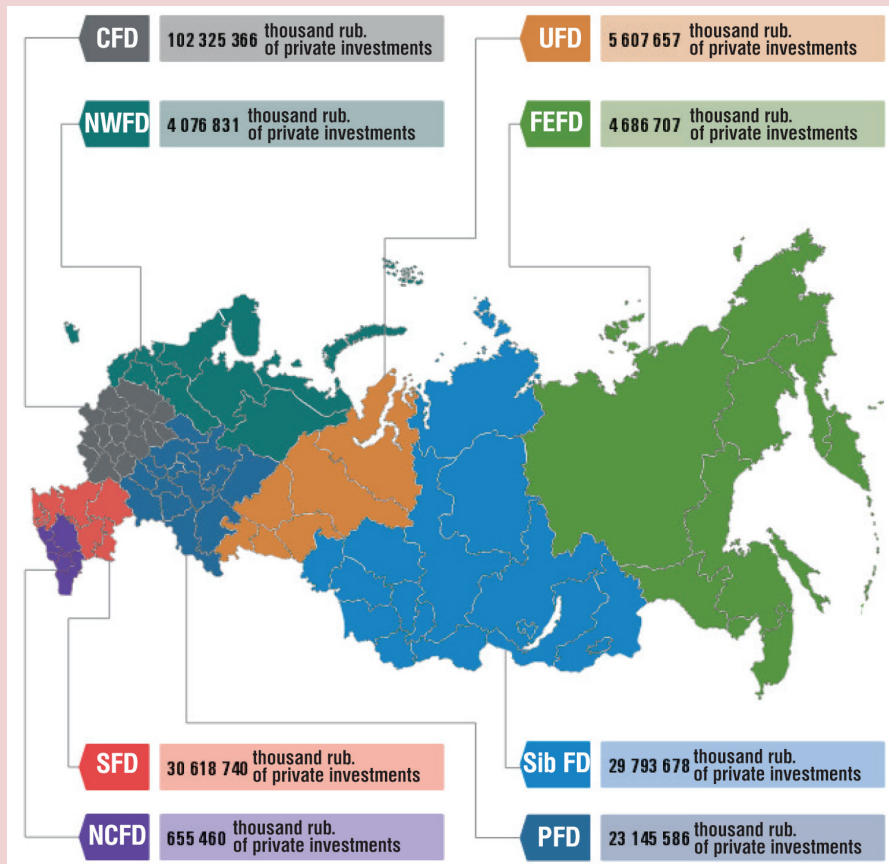
which is carried out by the organization “Forum of Donors”<sup>2</sup>, beneficiaries from Central Russia, the Urals and the Volga region were in the focus of attention of the project participants most often.

As for participation of business entities in the development of territories through the implementation of social programs, we can say that despite the fact that the number of these programs increased almost 1.5-fold in 2013–2015 in comparison with the number of programs whose targets are employees of the company, it is still significantly less (*Tab. 3*). This suggests that they pay major attention to developing their employees rather than to participation in development of territories in which they operate.

However, the extent of participation of business entities in addressing socio-economic development issues in the territories can be much greater. It is confirmed by the results of an annual survey of managers of organizations carried out by the Russian Managers Association for the purpose of evaluating the role of Russian enterprises in addressing socio-economic problems. The majority of respondents (52.9%) have a negative attitude toward a situation when fundamental functions

<sup>2</sup> Donors Forum is a partnership of major Russian and foreign charity (donor) organizations working in Russia. Official website: <http://www.donorsforum.ru/>

Figure 3. The amount of funds involved in partnership projects of government and business, broken down by federal districts of the Russian Federation as of 2014 [16]



CFD – Central FD; NWFD – Northwestern WFD; UFD – Ural FD; FEFD – Far Eastern FD  
 SFD – Southern FD; NCFD – North Caucasian FD; Sib FD – Siberian FD; PFD – Volga FD

Figure 4. Geographical distribution of philanthropic activities of business entities, broken down by federal districts of the Russian Federation in 2014–2015 [5]

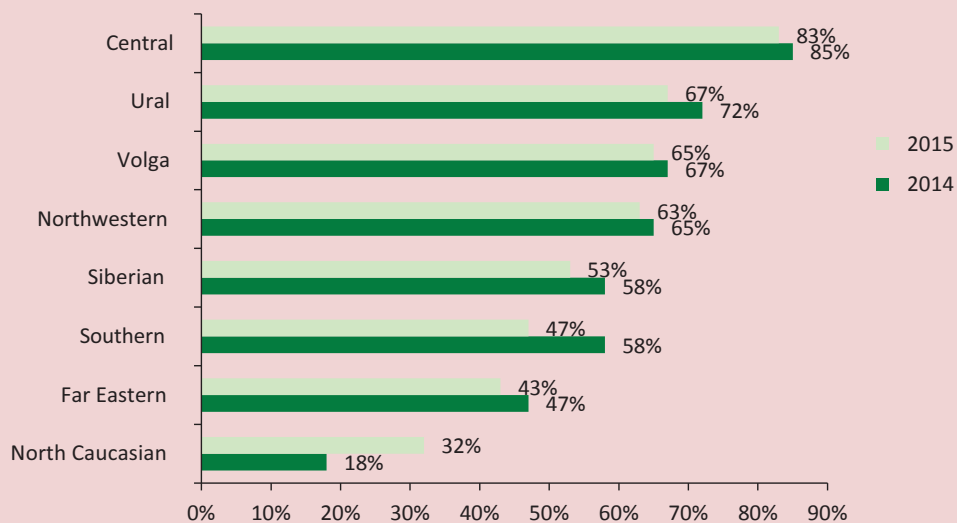




Table 3. Practice of Russian business structures in the implementation of social programs

| Sector to which an economic entity belongs | Number of economic entities |      | Programs |      |                      |      |                    |      |                            |      |
|--|-----------------------------|------|----------|------|----------------------|------|--------------------|------|----------------------------|------|
|  |                             |      | Total    |      | Focused on employees |      | Focused on society |      | Codes, policies, standards |      |
|  | 2013                        | 2015 | 2013     | 2015 | 2013                 | 2015 | 2013               | 2015 | 2013                       | 2015 |
| Oil and gas                                | 17                          | 21   | 51       | 70   | 22                   | 25   | 17                 | 24   | 12                         | 21   |
| Power                                      | 19                          | 25   | 30       | 54   | 14                   | 15   | 10                 | 13   | 6                          | 26   |
| Metallurgy and mining                      | 18                          | 21   | 44       | 74   | 28                   | 30   | 13                 | 23   | 3                          | 21   |
| Production of machines and equipment       | 18                          | 21   | 26       | 34   | 20                   | 23   | 3                  | 3    | 3                          | 8    |
| Chemical production                        | 9                           | 10   | 18       | 23   | 8                    | 8    | 4                  | 9    | 6                          | 6    |
| Woodworking industry                       | 1                           | 2    | 1        | 2    | 1                    | 1    | –                  | –    | –                          | 1    |
| Food production                            | 4                           | 5    | 14       | 16   | 6                    | 6    | 4                  | 5    | 4                          | 5    |
| Telecommunications industry                | 5                           | 6    | 7        | 8    | 3                    | 3    | 4                  | 4    | –                          | 1    |
| Finance and insurance                      | 8                           | 11   | 17       | 26   | 6                    | 6    | 6                  | 9    | 5                          | 11   |
| Housing and utilities sector               | 2                           | 3    | 4        | 5    | 1                    | 1    | 1                  | 2    | 2                          | 2    |
| Retail trade                               | 2                           | 3    | 3        | 4    | 2                    | 2    | 1                  | 1    | –                          | 1    |
| Transport and road industry                | 10                          | 10   | 22       | 24   | 13                   | 13   | 3                  | 5    | 6                          | 6    |
| Public catering                            | 1                           | 1    | 1        | 1    | 1                    | 1    | –                  | –    | –                          | –    |
| Construction                               | 3                           | 3    | 6        | 8    | 3                    | 4    | 3                  | 4    | –                          | –    |
| Agriculture and forestry                   | 3                           | 3    | 5        | 5    | 2                    | 2    | 3                  | 3    | –                          | –    |
| Education, science, culture                | 2                           | 2    | 2        | 2    | 1                    | 1    | 1                  | 1    | –                          | –    |
| Other                                      | 4                           | 1    | 5        | 1    | 4                    | –    | 1                  | 1    | –                          | –    |
| Total                                      | 126                         | 155  | 256      | 365  | 135                  | 145  | 74                 | 111  | 47                         | 109  |
| Compiled with the use of: [14].            |                             |      |          |      |                      |      |                    |      |                            |      |

in providing social services to people are passed on to economic entities. Respondents think that it is not in the scope of enterprises' activities to perform these tasks; they pay taxes to the budget, so the government has the necessary resources to implement these activities.

Heads of business entities of the city of Vologda have the same opinion. More than 70% of heads of enterprises in Vologda believe that business must comply with basic social legislation, i.e. pay decent official salary (76%) and provide its employees with safe working conditions and social protection (70%). About half of managers believe that they must comply with their obligations to business partners (42%) and consumers and maintain high quality of

products they produce (54%). A quarter of respondents believe that their participation in the development of the territory of their presence can be reduced to their payment of taxes only<sup>3</sup>.

However, enterprises and organizations alone cannot meet the needs of residents. It is the authorities, employers and trade unions (i.e. the main participants of production and social relations) that should be interested in improving the situation in the first place.

<sup>3</sup> In August–September 2015, Vologda Research Center of the Russian Academy of Sciences, with the direct participation of the author, carried out a survey of heads of organizations to determine their attitude toward the essence of economic category of “corporate social responsibility” and identify ways to increase social responsibility of business.

In the Vologda Oblast, committees and agencies together with local authorities, business representatives and their associations, non-governmental associations of employers and trade unions are continuously working on the development of social partnership, primarily with the aim of improving the practices of collective agreements. Legislative framework for the activities of social partnership institutions in the region is represented by the oblast law of the Vologda Oblast dated November 29, 1996 No. 120-OZ “On social partnership in the Vologda Oblast (with further amendments), the law of the Vologda Oblast dated July 2, 2008 No. 1811-OZ “On the Civic Chamber of the Vologda Oblast” (as amended on June 29, 2016).

In addition, regional agreements between the Vologda Oblast Government, trade unions and employers are concluded regularly with the goal of facilitating the establishment of conditions that will help citizens implement their rights to decent work and its payment, and that will help alleviate poverty, reduce the gap between the richest and the poorest, and promote free development of man.

The most common forms of interaction between regional authorities and people include working with citizens’ letters and appeals, personal reception of citizens on various issues, organizing public expert reviews and oblast information days, and the work of the oblast civic chamber. Towns and districts of the Vologda Oblast have reception rooms of the Vologda Oblast Governor, information about the regional budget and important legislative acts is provided at special public hearings.

Non-economic forms of interaction between authorities, business and people in the

Vologda Oblast include, first of all, joint social events, open councils, lobbying and public hearings.

An essential component of every method of public relations is communication, which implies mutual exchange of information about the goals, activities, interests and demands, ways and methods of solving problems proposed by the parties, consideration of opinions and viewpoints. An important role in this respect belongs to the Vologda Oblast Civic Chamber, which handles these issues for many years. The Chamber includes representatives of various non-profit organizations and political parties representing the interests of certain social strata and categories.

To date, the work of the Vologda Oblast Civic Chamber is very useful. First, it provides an opportunity for direct dialogue with state administration and helps social groups express their interests publicly. Second, non-governmental associations are granted the right to conduct public expertise of draft decisions of public authorities freely and thereby contribute to the implementation of their program goals and objectives. Third, while possessing sufficient intellectual, professional and political potential, and acting voluntarily and in an organized way, non-profit organizations have proven themselves as reliable social partners of the authorities in the implementation of socially significant programs. Fourth, the Civic Chamber of the Vologda Oblast plays an important role in the socio-economic and political life of the region, consolidates non-governmental associations, major political forces, executive and legislative authorities, helps maintain a stable socio-political situation and implement social projects [8].

A special role in implementing socially significant projects belongs to socially oriented non-profit organizations (SO NPOs), whose activities are supported by the Government of the Vologda Oblast on the basis of the law of the Vologda Oblast of October 18, 2013 No. 3184-OZ. As of December 31, 2016, in the Vologda Oblast there are 1894 registered NPOs, among them 899 are non-governmental organizations. Each year the number of citizens involved in them increases; so does the number of socially significant projects implemented in the region.

Thus, at present, the interaction between government, business and residents on the territory of Russia is quite active. However, it is not always system-wide and comprehensive; it often lacks adequate resource support and, as a result, does not influence regional socio-economic policy to the extent necessary in modern conditions.

In this regard, one of the most important tasks for the regional authorities is ***to use and expand the tools to encourage businesses and society to participate in addressing problems of the territory***. This, in our opinion, can be achieved if the following aspects are implemented:

- an information system is developed and measures are worked out that aim to popularize and promote the experience of business and society participation in regional development;
- citizens' personal responsibility for the tasks of territorial development is established.

*The first aspect can be implemented* with the help of providing information support to economic entities, organizing exhibitions and fairs of social projects, awareness-raising events and a competition for the best socially responsible partner enterprise; it can also be

helpful to create a special page on the websites of constituent entities Russian Federation, which would contain information on the involvement of business in the development of the territory. In the context of this aspect the task of the authorities is to cooperate with scientific and educational institutions and provide methodological support in terms of organizing and implementing training programs and scientific and methodological support for the formation of a social report. In addition, it is proposed to organize charity concerts, the proceeds from which will be allocated to the implementation of socially significant projects in the territory.

*The implementation of the second aspect* involves measures that would enhance the role of social institutions in the development of a sense of responsibility in citizens and their involvement in addressing regional problems.

In connection with the increasing role of civil society institutions in the administration of the territory (trade unions, territorial self-government, non-profit organizations, volunteer associations, community councils, the civic chamber, the youth parliament, etc.) the authorities must take into consideration their opinions and should pay attention to their interests.

It should be noted that the “foundation” of a future personality that later can become a businessman, public servant, etc., is laid in childhood; this is why raising and education should include various tools that help develop responsibility. To achieve this goal it is advisable to develop guidelines for parents, caregivers and teachers, which would contain universal knowledge, abilities, skills and based on the experience gained in this sphere.

Regional governing bodies together with social institutions carry out activities aimed to form a positive image of a socially responsible businessman, and instill in the younger generation the values of kindness, sacrifice, the sense of personal responsibility for socio-economic development of the region and the sense of involvement in this process. Educational outreach activities for children, adolescents and young adults is held in the form of lectures and seminars, training videos, games, excursions to enterprises, etc.

Residents can be involved in solving problems of the territory with the help of the following techniques:

1. Organization of advisory councils to discuss ways to address socio-economic development issues.

2. Development of crowdfunding (national funding) of social initiatives. This activity implies the development of an application on official websites of Russia's constituent entities, it helps pool the bank of objects in need of assistance and instantly transfer the funds for the implementation of a specific project.

3. Development and implementation of a mobile application "Active citizen". It provides an opportunity to vote online at referendums organized by the authorities (to vote for the restoration of parks, choose the place for establishing a monument or an art object, vote for the opening of a bike hire, etc.).

4. Organization of a social advertising contest "My city – my castle" that will draw attention to the solution of socio-economic development issues on the premise that "the city is me" and encourage residents' participation in the management of the territory.

5. Maintaining a database of public associations and organizations for the purpose of involving them in projects and activities based on matching the interests of the population and proposed solutions to socio-economic problems.

One of the tools for enhancing the participation of businesses and companies in solving social and economic problems of the area is the *project approach in managing the economy of the region*, since it helps solve several tasks: to attract the resources of business structures, to ensure the involvement of citizens in addressing regional challenges, to enhance their trust in the authorities, to harmonize the interests of the parties, to develop a sense of responsibility for the development of the territory, to organize cooperation and constructive dialogue between the project participants.

In this case, expanding the use of a project approach requires the formation of institutional conditions of administration. For this purpose it is necessary to establish an *office for social planning* under the regional authority exercising powers in the sphere of strategic planning of territorial socio-economic development. The main purpose of the office is to promote this development. Employees of the office promote interaction between government, business and society; develop tools to involve business and population; assist in the dissemination and promotion of experience in their participation in regional development, as well as in the preparation of legislative initiatives and regional development strategies; monitor the development of interaction between government and business structures; create a

database of projects; organize and host round tables; select and implement relevant projects.

Our research shows that the positive experience of using this approach is available in the Belgorod, Vologda and Irkutsk oblasts, in the Krasnodar Krai, in the republics of Bashkortostan (city of Ufa), Udmurtiya (city of Izhevsk), etc. Having analyzed the implementation of projects in the city of Vologda, we conclude that there is an annual increase in the number of projects and companies participating in them (*Tab. 4*).

At that, we determine that the implementation of such projects helps provide support to socially vulnerable population groups, reduce social tension, and enhance financial and economic performance of participating organizations. Thus, in 2009–2015, when the Zabota project was implemented in Vologda, the owners of Zabota discount cards saved about 150 million rubles, the volume of goods sold and services provided within the framework of this project amounted to 2.4 billion rubles. Enterprises benefit from participating in this project by getting additional advertising, enhancing their image and improving relations with the authorities and local community, increasing their appeal to the consumer and to the business community,

increasing their turnover, which increases profitability of the business [23].

Obviously, in order to develop the interaction between government and business it is necessary to adjust regional economic policy. In our opinion, *organizing a system for monitoring* this cooperation is a most important tool that can provide feedback and objective information for making effective management decisions.

The main components of the proposed methodological tools that we consider efficient for monitoring government-business interaction in the management of the region's economy are presented in *Figure 5*.

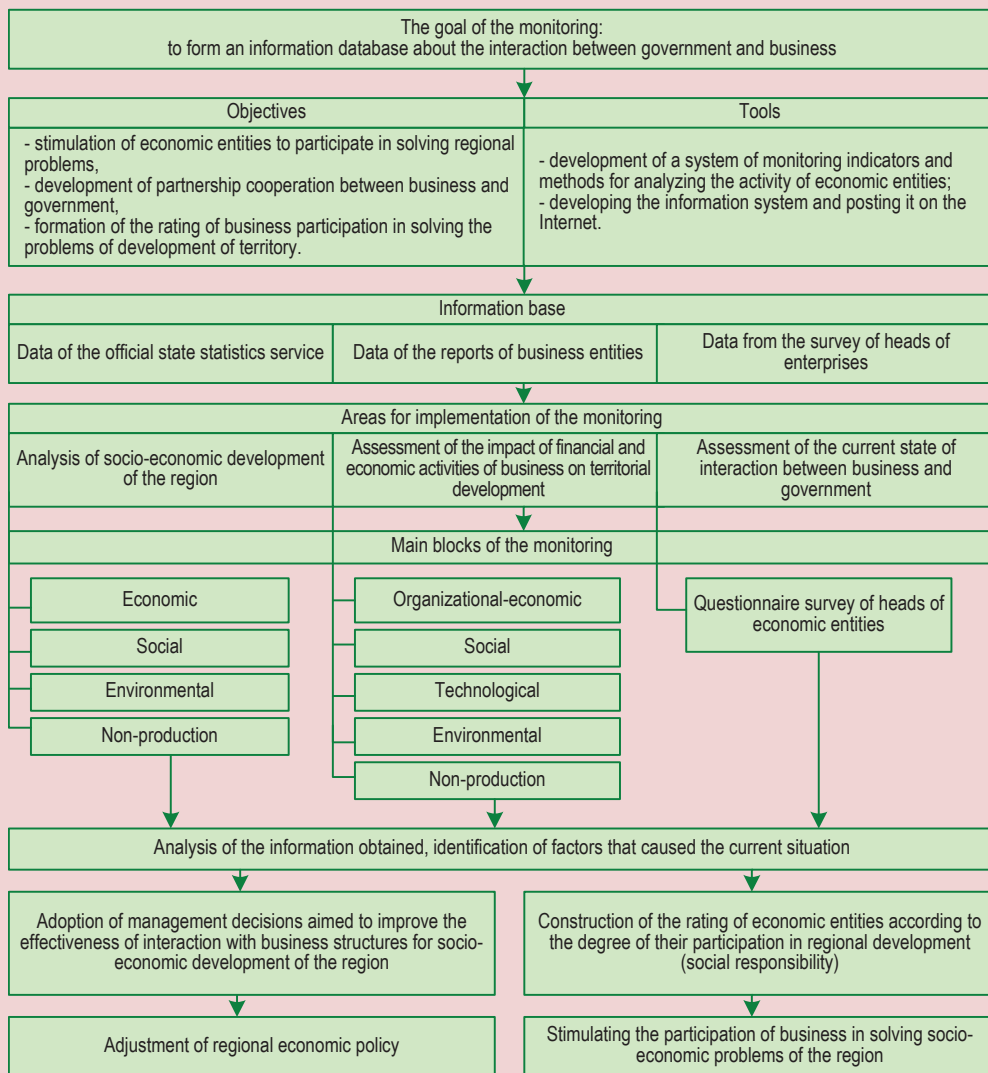
*At the initial phase* of the monitoring it is necessary to establish an information base of the research. Relevant data can be drawn from the following sources: Federal State Statistics Service, federal and regional executive authorities, ministries and departments, reporting of business entities in the context of allocated blocks, and surveys of enterprises' heads.

*The second stage* consists in analyzing the current situation. In this case, in order to establish a system for monitoring the interaction between government and business, it is also important to define the ways in which the

Table 4. Data on socially significant projects implemented in Vologda

| Indicator   | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 to 2010, fold |
|---|------|------|------|------|------|------|------|--------------------|
| Total number of projects, units   | 5    | 5    | 10   | 25   | 40   | 50   | 70   | 14.0               |
| Total number of participating organizations, units                        | 15   | 15   | 25   | 65   | 150  | 400  | 450  | 30.0               |
| Total number of enterprises that participate in the Zabota Project, units | 22   | 192  | 174  | 208  | 241  | 251  | 263  | 11.9               |
| Number of entities that implement the Zabota Project, units               | 86   | 452  | 438  | 506  | 522  | 590  | 613  | 7.1                |
| Compiled with the use of: [25].   |      |      |      |      |      |      |      |                    |

Figure 5. Scheme of implementation of the monitoring of interaction between regional authorities and business



Source: compiled by the author.

monitoring can be implemented. Having reviewed relevant scientific publications we find out that methodological tools for monitoring the interaction of government and business are not worked out thoroughly. In particular, the tools are considered only in the aspect of implementation of government-business partnership projects. In addition, there is

not enough research on the methodology for monitoring the results of participation of business entities in the socio-economic development of territories. At the same time, it is important for management process to assess the achievement of objectives, i.e. their compliance with the objectives of socio-economic development in the region.

A special feature in managing regional economy on the basis of government-business interaction consists in the necessity to match the decisions with the opinion of economic entities. In this regard, we suggest a third way to implement the monitoring: to evaluate the current state of interaction between business and government by conducting a questionnaire survey of heads of business entities, which would assess their interaction with the authorities and participation in the socio-economic development of the territory of their presence. The survey will help identify the following aspects:

- attitude of business representatives toward various forms of partnership;
- regional problems that are possible to solve with the involvement of the business;
- assessment of the current level of interaction between these economic agents
- reasons that hinder its development.

In view of the above, we highlight the following ways to monitor the interaction between government, business and citizens.

The first way is to analyze socio-economic development in the region. It will help evaluate the results of interaction between government, business and society and the impact of this cooperation on the current socio-economic situation. Consequently, it is proposed to monitor this aspect by tracking the dynamics of the following indicators:

- economic (tax payments to the regional and local budgets; the volume of products sold, works performed and services rendered; the amount of works performed under partnership agreements between government and business; the volume of investments in fixed capital, etc.);

- social (average annual number of people employed in the region; average monthly wage of employees, etc.);

- environmental (specific emissions of pollutants into the atmosphere; the share of secondary raw materials used; the volume of investment in environmental protection, etc.);

- indicators of the non-manufacturing sector (the number of companies involved in partnerships with public authorities and (or) participating in territorial development projects; the number of implemented projects on territorial development; the amount of funds allocated by business entities on the financing of social projects, etc.).

The analysis is based on the data provided by Rosstat (Federal State Statistics Service of Russia), federal and regional authorities.

The second area of monitoring is to evaluate the impact of business structures on territorial development. It is done with the use of indicators grouped into five blocks characterizing economic, social, technological, environmental and non-manufacturing sectors. Reporting statements of economic entities is its information base. The results of the assessment help create a ranking of economic entities according to the extent of their participation in regional development.

The third area of the monitoring consists in evaluating the current state of interaction between authorities, business and citizens. It includes a questionnaire survey of managers of economic entities that assesses the extent of their interaction and identifies reasons that hinder the participation of business and citizens in territorial development.

We carried out a survey of heads of business entities of the city of Vologda and it shows that 21% of them consider that business ought to address social issues in one way or another. And the leading role in solving social problems of the territories, according to businessmen, should belong to local authorities (80%), and federal and regional authorities (73%; *Tab. 5*). Only 12% believe that it is small and medium business that should deal with social problems.

It is revealed that social programs are implemented by economic entities occasionally (41.1% of respondents) and only by large business (32.2%). However, business entities are ready to initiate new projects in sports (33%), education (32%), beautification of territory (27%), culture (18%), and health care (11%).

When participating in territorial development projects, heads of economic entities pursue the goal of obtaining additional advantages, first of all, positive public reputation

(64%), more trust from the authorities, partners and citizens in their work, and attraction of new clients (48%), building human potential (48%), and establishing partnerships with the authorities (46%).

Speaking about major problems in the development of cooperation with the authorities, the heads of enterprises note that one of them is the fact that the mass media do not pay sufficient attention to their participation in addressing the problems of the territory (*Tab. 6*).

At the final stage of the monitoring, recommendations are worked out and measures are developed that expand the interaction between government and business for the purposes of regional socio-economic development. Recommendations based on the established information database should be addressed to the appropriate management levels, depending on which we define the following types of information:

Table 5. Distribution of answers to the question: "Who should be involved in addressing social problems of territories?", percentage of surveyed heads of Vologda enterprises

| Subject                          | Percentage |
|----------------------------------|------------|
| Local self-government            | 80         |
| Federal and regional authorities | 73         |
| Residents                        | 30         |
| Big business                     | 29         |
| Small and medium business        | 12         |

Table 6. Sufficiency of information that the media provide about the participation of businesses in addressing the problems of the city of Vologda, percentage of respondents

| Answer                        | Percentage |           |      |       |
|-------------------------------|------------|-----------|------|-------|
|                               | Newspapers | Magazines | TV   | Radio |
| Sufficient                    | 13.1       | 7.1       | 19.0 | 9.5   |
| Sooner insufficient           | 36.9       | 32.1      | 26.2 | 29.8  |
| Virtually insufficient        | 33.3       | 36.9      | 39.3 | 38.1  |
| I find it difficult to answer | 16.7       | 23.8      | 15.5 | 22.6  |



– strategic, designed for the highest level of management of regional economy, includes indicators of government performance efficiency;

– tactical, aimed at middle management, which includes heads of structural units;

– operational, intended for specialists in individual units (lower level of management), it is used for addressing current issues [13].

Thus, the regular monitoring of interaction between regional authorities and business structures will make the adjustments introduced in regional economic policy more valid.

**Conclusions.** It is necessary to note that the development of interaction between authorities, business and society is considered promising in conditions when economic

and financial capabilities of authorities are insufficient for the full implementation of powers vested in them and when the external economic environment is unstable and its effects on the socio-economic situation in the regions of Russia are adverse.

This situation is characterized by the fact that their participation in dealing with socio-economic problems of the territory is not used to the full. It is possible to boost this process only by promoting the role of the state in establishing partnership cooperation between government, business and society and by harmonizing their interests. This very partnership has significant potential, the use of which will provide a synergistic effect for socio-economic development of Russian territories.

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Received February 28, 2017.