STRATEGIES FOR THE INSTITUTIONALIZATION OF INNOVATION PRACTICES IN RUSSIAN REGIONS (THE CASE OF VOLGOGRAD OBLAST)

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ABSTRACT

The methodology of managing the social/economic sphere in a region incorporates both general foundations and particular specific prospects for fostering innovation. The innovation trajectory in present-day Russia is aimed at enhancing quality and improving productivity, expanding the markets, boosting the population’s well-being, and opening up new vistas of opportunity. Innovation plays a key role in resolving many regional issues that, above all, are associated with social/economic life in society. Today, a major factor in fostering human capital and speeding up the pace of innovation-driven development is the use of new technology, which is crucial to creating a successful system of interaction between the government, the business sector, industry, and the scientific/technical sector. But innovation is hardly possible without employing foresight, analysis, and forecasting, as the nature of social/economic development in any region may undergo changes over time based on a focus on cultivating innovation potential. This paper examines the current situation in Volgograd Oblast with a view to bringing forward a set of recommendations on resolving the region’s existing problems.


1. INTRODUCTION
The era of innovation-driven development implies the complexification of societies and the development of new institutionalized practices. A special role is played by innovation technologies, which help provide boosts with respect to mediated forms of interaction. Constructing an effective model for future development and establishing proper ways for the economy to operate may provide a foundation for sound managerial decision making within the political, economic, and social spheres of Russia’s society. Based on ‘The Strategy for Innovation-Driven Development in the Russian Federation through to 2020’ and ‘The Concept on Long-Term Social/Economic Development in the Russian Federation through to 2020’ the regional authorities are employing the problem-targeted, project-based, and innovation-focused approaches to determine social/economic dynamics in regions.

In present-day Russia, regional planning is grounded in the problem-targeted approach, which implies reciprocal relationships at all stages in management and a focus on the implementation of federal, regional, and municipal programs. The vector of social/economic development in regions is aimed at boosting people’s standard of living and preserving social stability in Russia [1]. The essence of the innovation-focused and project-based approaches to exploring innovation-driven development lies in orienting the economy toward the galvanization of innovation-focused activity within a set of key sectors that are known to drive economic development and development in other areas of life in society. The purpose of this paper is to establish a set of ways to institutionalize regional innovations in present-day Russia and gain an insight into the nature of social/economic development in Volgograd Oblast within the last decade.

2. METHODS
One of the more significant tools for forecasting and developing the future is foresight. A positive criterion is that foresight helps register changes taking place in all areas of life, including social relationships, economic processes, scientific/technological activity, and cultural development. So what is foresight? In a strict sense, foresight is not just about forecasting something but implies the ability to “guess” what the future holds based on a set of factors that may have an effect on the population, the government, the business sector, and the scientific community. Consequently, implementing a certain foresight project dealing with the social/economic sphere in a region implies the possibility of shaping and managing the future based on resources available, objectives set, conditions created by the regional authorities, and the region’s potential as a whole [2]. The key object of foresight research into a region is human capital, as a measure of the capacity to make profit encapsulated in people and a reserve of knowledge, abilities, and skills influencing growth in production and revenue [3]. Human capital makes it possible to actualize the ability to create, produce, and put into effect scientific knowledge and retain one’s positions in the market.

Foresight is employed in practice via the use of various techniques of data analysis and an integrated system of methods in general, some of the key ones being analysis of the literature, systems analysis, SWOT-analysis, STEEPV-analysis, expert panels, simulated panel discussions, expert interviews, surveys, and others. For instance, to determine strengths or weaknesses, opportunities or threats SWOT-analysis is employed. Having said that, methods employed in foresight research are, above all, based on the creativity and experience of specialists engaged, efficient interaction, and sound evidence. Also important is the fact that the monitoring of futures studies practices is aimed at assessing available information and determining the key stages in a study: preparation → mobilization of participants → anticipation → development of recommendations → implementation of transformations [4].
The choice of methodology for regional foresight ought to be based on specific issues, goals, and objectives within a particular area under research (Figure 1).

![Figure 1 Generic foresight methodology](image)

The regional focus may be on foresight research into transportation, healthcare, economics, education, and many other areas, but a key characteristic is focusing on the opinion of experts and their analysis of the situation, which is highly significant for foresight projects.

When it comes to managing innovation-driven development in the social/economic sphere, it may help to be guided by relevant notions of relationships between people and their joint activity. And, since the term ‘innovation’ is equivocal and in a narrow sense implies obtaining new technology to generate some revenue, it, definitely, may help to view this category in a broader sense, more specifically in terms of innovation-driven development and innovation-focused activity. One of the first scholars to propose a broader construal of the term is J.A. Schumpeter. The scholar views innovations as technical and organizational changes, and asserts they help achieve an edge in the market – an economic gain [5]. Without question, development through borrowed ideas is a simpler process and requires less effort – yet, as per scholar A.S. Skorobogatov, an entity’s own innovations make it possible for it to develop within the setting of its own culture [6].

As has been justly pointed out by scholar R. Florida, most of the key factors in economic development, like talent, innovativeness, and creativity, are distributed in the world unevenly, being concentrated in particular areas [7]. The outcomes, and, concurrently, the deepening, of territorial division of social labor govern our understanding of the essence of the city. Some of its distinctive traits have been identified by Russian urbanist G.M. Lappo [8]:

– the city emerges and develops in response to the needs of society, its production forces, and their spatial organization, which manifest at a certain stage in historical development;
– the city emerges at a certain time and in a certain place which matches the city’s functions with its features;
– the city is, concurrently, both an economic center and an environment with specific features for the population living in it.

Development in any region is reflected in changes through time, but a key aspect is the availability of innovations or their development. Thus, innovation acts as a means of continual renewal and competition. In the authors’ view, it is possible to think of regional innovation through the lens of the process of activity, the outcome of activity, the level of
novelty, and the locality of the place where it is done. The other attributes can be employed specifically in respect of particular organizations and production operations, e.g. small businesses – in implementing a business plan, it is important to follow the goals and objectives set, which normally include both economic/social and organizational strategies.

3. DISCUSSION

3.1. Variants for the institutionalization of innovations in Russian regions

In conducting their analysis of innovation-driven development in Russian society, the authors took account of both the structural aspect and the dynamic nature of new innovation practices. For the purposes of this study, institutionalization of innovations implies organizing new practices in various spheres within Russian society in a climate of intensification of the process of foresight, clusterization of the economic sector, and development of social partnerships within the social/economic and political spheres. The authors’ analysis of innovation-driven development in regions has made it possible to identify the paternalist and partnership-based approaches to institutionalizing innovation practices in present-day Russia.

The authors view variants for institutionalization as ways to implement and develop innovation technology and put in place innovation practices. The paternalist variant for institutionalization in a region implies a closed mechanism between the government and the business sector. With that said, social institutions are in no position to influence the development of innovation practices. The partnership-based variant, in turn, is predicated on the social partnership mechanism. In this model, the priority is clusterization within the economic sector. By designating innovation practices (methods of foresight, clusters, forms of social partnership, etc.) and focusing attention on conditions that are needed for innovation-driven development, it may be possible to establish which variant for institutionalization is characteristic of a particular region.

In today’s swiftly changing, hard-to-predict world, special significance is being taken on by innovative technology for the formation and management of information, including foresight technology. The complexification of life in society causes increases in the number of social issues, which it is hard to resolve without analyzing the situation and trying to foresee an outcome and without working out a proper concept on the region’s development. Plus, issues could be resolved by the government in a more efficient manner if there were proposed and considered alternative solutions and developed short-term and long-term strategies for development in society. Currently, many Russian regions are engaged in fostering cooperation in the area of foresight, and most have had success with mastering its key methods. When it comes to clusterization, Russia currently has 25 territorial innovation clusters (in Voronezh Oblast, Novosibirsk Oblast, Kurgan Oblast, Penza Oblast, Perm Krai, Moscow, Saint Petersburg, and other regions) [9]. Regional cluster policy helps achieve the economic efficiency of activity by economic entities that make up a cluster and drive social/economic development in those regions.

The proper operation of the partnership-based model of innovation-driven development requires certain conditions that will facilitate building a constructive dialogue between the government, the business sector, and society. In this regard, there is importance in making it possible for the majority of the population to take part in the innovation process. Society’s openness to innovation, the government’s ability to facilitate the implementation of innovation practices, and businesses’ preparedness to engage in innovation activity are the key preconditions for the successful institutionalization of innovation practices.
3.2. Vector of social/economic development in Volgograd Oblast

The shift to innovation-driven development in Volgograd Oblast is taking place amid a deep economic and social crisis. The authors’ analysis of the current condition of the region’s economy has helped obtain the most objective and credible information on current development in Volgograd Oblast. At the moment, the region is characterized by quite a tough social/economic situation, so the authorities may need to choose between reducing spending or stepping it up to ensure future boosts in income. Since the economic and social spheres are closely interrelated, economic indexes of development in the region are supplemented with similar social indicators. Thus, along with social statistics materials, to identify the region’s key problems and determine possible ways to resolve them the authors also employed the findings from their sociological study, which helped summarize self-assessments by Volgograd Oblast residents and determine the best variant for the institutionalization of innovation practices in the region.

The law ‘On the Strategy for Social and Economic Development in Volgograd Oblast through to 2025’ sets out the following objectives: to boost people’s standard of living, develop the economy, develop the social sphere, develop the infrastructure, improve security, enhance the system of managing public funds, enhance the system of overall public administration, and develop a prosperous civil society. The region devotes a great deal of attention to investment regional policy. There are plans to work closely with the Agency for Strategic Initiatives and stage Innovation Days with a view to putting in place one of the largest platforms for interaction between representatives of the scientific and expert communities, the business sector, and the government aimed at working out a strategy for innovation-driven development in the region. The above statute lays an emphasis on openness on the part of the government: “State and municipal authorities are set the objective to ensure transparency of activity, so that residents will not mistrust the authorities and, justly, accuse them of being “estranged from the people”. It has been stressed more than once that “there is being implemented at all levels of the government the project/program principle of administration” [10]. So how effectively have the goals and objectives set by the regional authorities been implemented in real life?

At present, Volgograd Oblast actively employs methods of foresight, with a focus on the development of strategies and concepts on future development and short-term and long-term programs and organization of monitoring of the implementation of program provisions with the engagement of experts. However, the region’s cluster policy is still in the formative stage. Currently, the region is carrying out work on putting in place the Kamyshin Textiles innovation textile cluster, a chemical/pharmaceutical cluster, an innovation territorial cluster on the production of cutting-edge construction materials and high-purity chemical products based on the Svetloyar and Narimanovsky magnesium chloride fields, an integrated automotive cluster for the manufacture of small-class buses, and a radio-electronics cluster. There are also plans to create an innovation chemical cluster in Volgograd Oblast [11]. At the moment, the government is working on relevant programs for the development of the above clusters.

Over the last decade, the region’s economic development has been characterized by relatively slow growth rates across most of the key indicators (Gross Regional Product, Industrial Production Index, etc.). A major concern is the deindustrialization of the region. The critical situation in the Aluminum Plant, Krasny Oktyabr, Khimprom, and Volgograd’s other enterprises has driven up the unemployment rate and resulted in the marginalization of certain social groups within the city and the region, which, certainly, is not conducive to social/economic and political stabilization within the region, but, just on the contrary, is setting it on a path of regressive development.
As part of their sociological study ‘Social/Economic Problems in Volgograd Oblast’, between May and June 2015 the authors conducted a questionnaire-based survey (N=1,080) involving 8 districts in the city of Volgograd for the purpose of identifying the region’s key social/economic issues and determining the current social well-being of Volgograd residents. The authors employed the stratified accidental sampling method. The statistical sampling error was ± 3%. The authors factored in the following key social parameters for the city’s adult population: age, education, and professional identity. The study identified 9 major strata within the population of the city of Volgograd: workers and specialists employed in industry; personnel at budgetary organizations; military personnel; public officers; entrepreneurs; students; unemployed individuals; retired individuals. To process the data, the authors employed SPSS. In analyzing regional social/economic development, of significance is such an indicator of social satisfaction with life as social well-being, i.e. the sentiments of particular individuals and those of entire communities. This component is characterized by such indicators as ‘stability or instability within a community’, ‘one’s being protected or unprotected’, ‘satisfaction/dissatisfaction with life’, etc. Based on the findings from the authors’ sociological study, most of the surveyed residents of the city of Volgograd viewed the social/economic situation in the country as unstable (54.4% stating it was ‘unstable’ and 35.2% stating it was ‘recessionary’).

Regarding the situation in Volgograd Oblast, a significant portion of the respondents picked ‘crisis’ (51.5%) and ‘instability’ (43.0%). On the whole, Volgograd residents view Russian society as dynamically developing and continually changing. The question ‘How do you think has the life of the nation’s population changed over the last 2-3 years?’ drew the following responses: 15.6% – ‘I’d say it has improved’, 5.7% – ‘it has definitely become better’, 45.3% – ‘I’d say it has become worse’, and 26.5% – ‘it definitely has become worse’. This cannot be regarded as a positive characterization and a stabilizing indicator for the region’s development. Lifestyle as a subcategory of social changes with Volgograd Oblast residents is reflected in assessments of social well-being, the situation in the region, as well as top priority issues that regular citizens are preoccupied with. Empirical data attest that, in the view of Volgograd residents, the top concerns facing Russian society today are ‘low income; shortage of money for basic essentials’ (28.8% of the respondents), ‘corruption among government officials’ (15.0%), and ‘inflation; growing prices for the essentials’ (11.8%). The question ‘In your opinion, resolving which of the issues on the list is of the greatest significance for Volgograd residents at the moment?’ elicited the following responses: 21.1% – ‘inflation; growing prices for the essentials’, 19.4% – ‘low pensions and low pay’, and 13.7% – ‘lack of new jobs’. Despite the fact that the average monthly pension has increased since the start of 2015 by 1,191.1 rubles and totaled 12,118.8 rubles back in March 2015, retired citizens did list in the questionnaire low pensions and not having enough money to pay for basic essentials [12].

Based on the results of the authors’ questionnaire-based survey attest, most respondents attach the greatest significance to the well-being of their love ones, their own material well-being, and economic self-sufficiency. According to the respondents, their material status depends on themselves (22.0%) and one’s earnings should be obtained in a fair, bona-fide manner (22.3%). In today’s climate, most Russians are focused on transforming their lifestyle and enhancing their entourage, as current strategies pursued by the government are aimed at changing the actual person.

Rising unemployment, inflation, deindustrialization in the region, and some other issues are thwarting the innovation vector of economic and social development in the region. Empirical data indicate that for quite an extensive period now Volgograd Oblast residents have attached the greatest significance to issues such as inflation and continually rising prices
for basic essentials, high levels of unemployment, low wages and pensions, costly public utilities, and some other issues. For instance, in terms of the economically active segment of its population the region has exhibited the following unemployment rate: in 2010 – 8%, in 2011 – 6.9%, in 2012 – 6%, in 2013 and 2014 – 6.6% [13]. In 2017, the number of those looking for a job was 16,710, with 7,641 individuals recognized as unemployed. By contrast, as of January 1, 2018 the official figure on the unemployed is 3,245 individuals. The trend of demand being the greatest for blue-collar positions has persisted in 2018 as well – 62.3%, with the rest of today’s job openings (37.7%) accounted for by office-based employees and engineering/technical personnel [14].

Based on employment indicators, Volgograd’s labor market has been unstable all year so far, and, despite the measures taken by the municipal and regional authorities, the situation in Volgograd Oblast has not changed much in the last 10 years.

Not all cities are centers of attraction and development of innovations, but it is worth noting that the city of Volgograd is characterized by migration-related cooperation and may need to focus more on putting in place a sustainable social network of interactions among arriving labor migrants, the local population, and regional establishments at both the institutional and interpersonal levels. This kind of interaction may help boost significantly the city’s attractiveness [15]. Nongovernmental organizations possess innovation potential and may propose new ideas that can help resolve some of the issues within the social sphere [16]. These organizations ought to develop promising projects, imbibe cutting-edge solutions, and interact with government and business establishments.

The results from the implementation of social/economic policy published by the Territorial Body of the Federal State Service on Volgograd Oblast between 2014 and 2017 and the findings from the sociological study ‘Social/Economic Problems in Volgograd Oblast’ substantiate the need to make major adjustments to the existing system of strategic planning of social/economic development in Volgograd Oblast. In addition, there is a need for continual monitoring of strategic forecasts and adjustment of the plan for further development in the region by reference to changes in society. A key issue is the mismatch between the theoretical foundations of the strategy for innovation-driven development and the actual situation within the economic and social spheres in a particular region. Therefore, it may help to focus on optimizing the system of strategic planning of innovation-driven development and regional administration. With that said, the implementation of ‘The Strategy for Innovation Development in the Russian Federation through to 2020’ ought to be predicated on principles of social partnership to ensure the maximum accommodation of the interests of the various strata in Russian society, facilitation of the development of innovation practices in present-day Russian regions, and cultivation of social responsibility in entities within the three key spheres – the nation’s civil society, government, and business sector.

4. CONCLUSION

Against a backdrop of the region’s low levels of innovation potential, poorly developed public-private partnership sector, and deficient democratic culture (at the level of both the government and society), Volgograd Oblast is currently characterized by the paternalist variant for the institutionalization of innovation practices. The region still has some barriers impeding the diffusion of new technology and innovation practices. There are issues with interaction between the government and the business sector in the area of development of innovation policy, with proper preconditions for innovation-driven development having yet to be formed in the region.

An analysis of social/economic development in the region indicates that in this situation it may help to employ, alongside the results-oriented one, the partnership-based approach,
which implies cultivating effective two-way communication via the conduct of referendums and mobile surveys on relevant issues faced by Volgograd Oblast residents and introduction of new forms of interaction between the government, civil society institutions, and business establishments. A keen focus ought to be on engaging social subjects in the discussion of social/economic issues of various levels and boosting innovation activity in businesses. Only this will enable the shift from the paternalist to the partnership-based system of institutionalization of innovation practices in regions as a whole and in Volgograd Oblast in particular. At the moment, Volgograd Oblast is characterized by uneven innovation activity. However, there is sound potential for galvanizing innovation, which should help boost people’s quality of life. It is worth keeping in mind that successful social/economic development in Volgograd Oblast requires more than just boosts in people’s income – the region will need to, above all, focus on fostering the reproduction of its human capital to ensure boosts in people’s standard of living as a whole. Ultimately, success in resolving economic regional issues will depend on the business sector, while social issues could be resolved through stimulating the implementation of various projects, fostering entrepreneurship and production, developing a favorable infrastructure, stepping up funding, attracting new human resources, and creating training centers.

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