

Development of Structural and Functional Model of Interaction of Authorities, Society and Ethnic Business at the Regional Level

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Abstract

The interaction of ethnic business, local authorities and population of a region as a form of social partnership has been considered. Sectoral differentiation of ethnic business has been studied. The methods of socio-diagnostics reveal the problems of using the business potential of small ethnic groups in the south of the West Siberia. The algorithm of formation, as well as structural and functional model of interaction between ethnic business, local authorities and regional society, have been developed.

Keywords: Small ethnic community; Model of interaction; Ethnic business; Social partnership; Local authority.



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1. Introduction

The economic reforms carried out in the regions of Russia involve development and implementation of the effective mechanism of interaction between ethnic entrepreneurship, local authorities and regional society, aimed at matching and coordinating the efforts of all parties, ensuring that their interests are taken into account in formulation and implementation of social and economic policies. The central provisions of such a mechanism should be considered:

- Creation of infrastructural elements complex of the regional economic system, providing favorable conditions for the effective functioning of the territory's economy;
- Use of state and municipal orders to stimulate ethnic entrepreneurship in those sectors that are currently not considered as profitable projects;
- Involvement of entrepreneurs-representatives of small ethnic groups in the region in legislative activities, including lobbying for business structures at all levels of state authorities;
- The fullest possible disclosure of potential and reserves of ethnic entrepreneurship at the level of the subject of the Federation;
- Institutional formalization of ethnic entrepreneurship as the element of the corporate sector of the region, etc.

Compliance with the above provisions implies the interaction of ethnic entrepreneurship, authorities and regional society in the form of social partnership. Its main characteristic is that all three parties are aware of the impossibility of ensuring the welfare of the territory, political and economic stability alone. The interaction is based on the principle "if it is profitable for everyone – everyone benefits" and involves the joint determination of social policy priorities and areas in which ethnic entrepreneurship can take an active part.

2. Methods

Under the social partnership model, the entrepreneurs representing various small ethnic communities wait for the state and local governments to take comprehensive measures for forming the single transparent policy to support charity and social investments of business. If time is delayed, then the expectations of ethnic business structures in relation to the government go beyond the coordination of actions and discontent grows in the business community with how regional and local governments spend budgetary funds and manage the social sphere. Therefore, local authorities are obliged to assume the function of coordinator of social investments of ethnic entrepreneurship, to become the guarantor of their effective and targeted use. Such developments are usually advisory, not prescriptive, based on partnership agreements and cooperation in the field of strategic planning for the development of territories. The participation of entrepreneurs from small ethnic communities in the implementation of urban and regional social programs; in holding competitions for social projects financed partly by budget funds, partly by local business funds; in the creation of funds of local communities, social and economic development agencies, etc. can be named as typical examples of such interaction.

In the opinion of the authors, from the standpoint of social partnership, it is expedient to divide ethnic business structures into three groups, as suggested by D.G. Perekrstov:

- Business structures that themselves apply for assistance to the relevant authorities for the formation of their activities;
- Business structures that are at the stage of fulfillment of their social obligations;
- The most powerful and highly developed business structures (Perekrestov, 2009).

3. Results

The processes lately occurring in the Russian economy clearly demonstrate the increase in the number of enterprises being liquidated (Fig. 1, the coefficient of official liquidation¹). This may lead to the fact that in the regions of the country the share of business structures of the second and third groups will decline in the medium term, and in the long term, the investment climate, conditions for existence and development of business will be unfavorable. Obviously, in this situation, the involvement of entrepreneurs of various ethnic groups in the legal economy is an economically and socially sound project that contributes to the stabilization of positive trends in the economic sphere of the region (Turkin, 2002).

Figure 1: Indicators of the demography of organizations in the whole as to the Russian Federation in 2016 (Federal State Statistics Service)



In the conditions of a massive influx of immigrants and capital from abroad in European countries, not only ethnic minorities were strengthened and new ethnic groups appeared, but also their entrepreneurial activity was developed. This required search and coordination of various kinds of interests entailed a change in the role of state authorities, necessitated taking into account national and religious factors, creating additional preferences for the ethnic groups arriving here, etc.

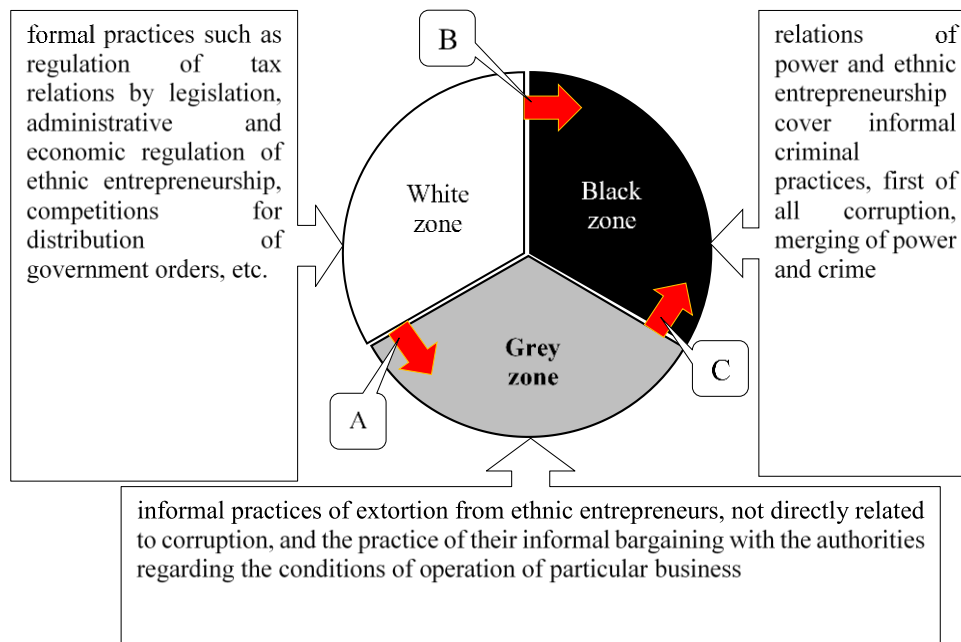
The experience of interaction between ethnic entrepreneurship, government and society accumulated in Western Europe has been called the pluralistic model of social partnership. Such a model involves direct and indirect partnership. From the position of introducing managerial and organizational mechanisms, the direct partnership is carried out through the participation of ethnic entrepreneurship in the expert support of solutions developed by European authorities. It should be noted that in recent years, the phenomenon of “expertocracy” has become

¹ The fertility coefficient of organizations is the ratio of the number of registered organizations for the reporting period to the average number of organizations counted by the state statistics bodies in the Statistical Register according to the state registration in the reporting period, calculated per 1000 organizations. The coefficient of official liquidation of organizations is the ratio of the number of officially liquidated organizations during the reporting period to the average number of organizations registered in the Statistical Register by state statistics bodies according to the state registration in the reporting period, calculated per 1000 organizations.

widespread in the power institutions of the European Union, when, in the conditions of lack of expert resources, the European authorities began to seek help from representatives of business interests for development of legislation. As for indirect partnership, it includes the presence of the third party – law firms accompanying the representation of interests of ethnic entrepreneurship in European authority institutions or foreign relations agencies, which are attracted in the situation of its confrontation with public organizations and social movements. Entrepreneurs also use the services of such agencies when conducting public events or working with the media, i.e. with high politicization and social significance of any issues affecting the interests of ethnic business structures (Butova, 2014).

It is important to note that ethnic entrepreneurship is the most susceptible object from the point of view of political management, the impact on which can be minimized by expanding or limiting resource possibilities. For this, the powerful influence may go beyond the framework of conventional and culturally approved methods, acquire the latent socio-political form. That is why the natural motive of ethnic entrepreneurship in cooperation with authorities of the government is a desire to secure the future through “close business ties” with officials. The latter dictates the need to zone it sectorally by the criterion of legality (the color scale is white, gray and black zones) (Fig. 2).

Figure-2. Sectoral differentiation of ethnic entrepreneurship*



*A-withdrawal of capital from the white to the gray zone with unreasonable tightening in economic policy; B - withdrawal of capital from the white to the black zone with tightening of legislation; C- withdrawal of capital from the gray to the black zone with incapacity of power

The white zone of relations between authority and ethnic entrepreneurship is based on the creation of common rules of the game for all entrepreneurs and on their indiscriminate coercion by the state to implement these rules. The black and gray zones, on the contrary, suggest the creation and support of special informal regimes for entrepreneurs and selective application of sanctions by the state in case of violation of formal norms. They are based on an investment of ethnic entrepreneurship in “good relations” with authorities, which actively use the levers of preferences to achieve their own interests.

The fundamental difference between the black and gray zones is in the objectives and the set of tools for creating preferential regimes. Relations of the black zone are based on the individual selfish interests of an individual official, and the tool to achieve the interests of an entrepreneur is a bribe, involvement of an official in the business (Bekryashev *et al.*, 2014). The relations of the gray zone are based on the interest of fulfillment by the authorities of their public functions and on the mutual interest of parties in the survival of the territory (Kurbatova and Levin, 2010). Thus, the cited data of the Goskomstat of the Russian Federation on liquidation of enterprises, mean the discrete transition of active ethnic business structures either to the gray or black zones. This reflex reaction to situational uncertainty implies changes in the philosophy of companies, their reorientation in economic segments.

It is quite obvious that in this case, there is practically no competition in the white segment and, accordingly, prerequisites for the creation of monopolies (collision of regional players) arise. At the same time, in the gray segment, on the contrary, competition dictates strict rules of behavior in the regional market, which do not always reflect the foundations of law state. Considering the fact that ethnic entrepreneurship has serious problems entering the regional market and is a priori prone to work in the gray zone, then with increasing competition there is a threat of “squeezing” the entrepreneurs-representatives of small ethnic groups even into the black zone.

The latter is getting worse by peculiarities of the ethnos' mentality, including linguistic problems and low legal literacy, which negates the efforts to rectify the situation on the part of the state authorities and makes the security forces to overly control ethnic entrepreneurship and limit its access to resources. The described discrimination, *de jure*, has the factual rationale, which, in response to the technical component of Russian legislation, is not able to offer other ways and mechanisms for the legal realization of ethnic entrepreneurial potential.

Taking into account the scale and number of structural units involved in legal (including power) restoring of the order, ethnic entrepreneurship is forced to look for ways to survive, its adaptation to real market conditions is delayed, and the prospects for development are not clear. This was repeatedly stated in the course of non-formalized interviews conducted by the authors with businessmen representing small ethnic communities in the south of Western Siberia (Simonov *et al.*, 2015). Their results allowed fixing and analyzing the existing problems facing the ethnic entrepreneurship (Table 1).

Table-1. Problems of using the entrepreneurial potential of small ethnic groups

Problems of formation and development of ethnic entrepreneurship	Ways to solve contour problems	Subject on which the solution of these problems depends
Language restrictions	Courses of Russian language and Russian culture are currently implemented	Department of Migration Policy, Department of Education, regional educational institutions
Lack of necessary legal knowledge	Legal consultations to entrepreneurs on labor law, entrepreneur activities and taxation in the Russian Federation	Department of Economic Development and Investments
Restrictions on access to resources, including financial support of the state	Self-financing of ethnic entrepreneurial structures, attracting capital of the gray zone	Deputies of legislative assemblies, Chambers of Commerce, unions and entrepreneurship associations
Uncertainty in designing the future and the need for quick response to the dynamics of socio-economic processes	Short-term capital turnover projects, minor investments in infrastructure and material and technical base	Department of Social and Economic Development of the region in the development of regional evolution programs should take into account the interests of ethnic entrepreneurship

It should be noted that in the process of “authorities – entrepreneurs” dialogue, it would be advisable to involve the expert community able to interpret the requests of both sides in the form of optimized concepts, projects and programs to search for mutually beneficial compromises.

4. Discussion

The formation of the structural-functional model of interaction between ethnic entrepreneurship, local authorities and regional society is based on basic principles, objectives, and functional support. The basic principles of formation of this model include:

- Increasing the efficiency of state authorities in the economic sphere by optimizing the structure and functional load of divisions of authorities;
- Minimization of budget expenses of various levels due to the implementation of the program of cooperation of state authorities, society and representatives of ethnic entrepreneurship;
- Maximum use of scientific, technical and financial capital of the region in the functioning of the developed model based on economic and social benefits.

The objectives of the structural-functional model of interaction between ethnic entrepreneurship, local authorities and population of the region are:

- Full legalization of ethnic entrepreneurship in the region;
- Active involvement of young people of small ethnic communities in business in the south of Western Siberia (Simonov and Peshkova, 2013);
- Attraction of capital from other countries and regions of Russia as investments in the regional economy;
- Accelerated adaptation of migrants from other countries and regions of the Russian Federation to the regional society (Makhmudova, 2015);
- Increasing competition in the regional market and local markets in the south of the Tyumen region;
- Aligning the activities of ethnic entrepreneurs with national standards.

Finally, functional support of the model under consideration assumes:

- Training of entrepreneurs from representatives of small ethnic communities of the south of Western Siberia in educational institutions of the region, including training in the language of historic homeland (Simonov and Khamatkhanova, 2007);
- Improving the legal and regulatory framework for economic activities of ethnic business structures in order to improve the efficiency of the region’s economy as a whole;
- Control over the business activities of representatives of small ethnic groups in the south of Western Siberia, the regulatory and legal activities of legislative bodies and quality of work of executive authorities of the region.

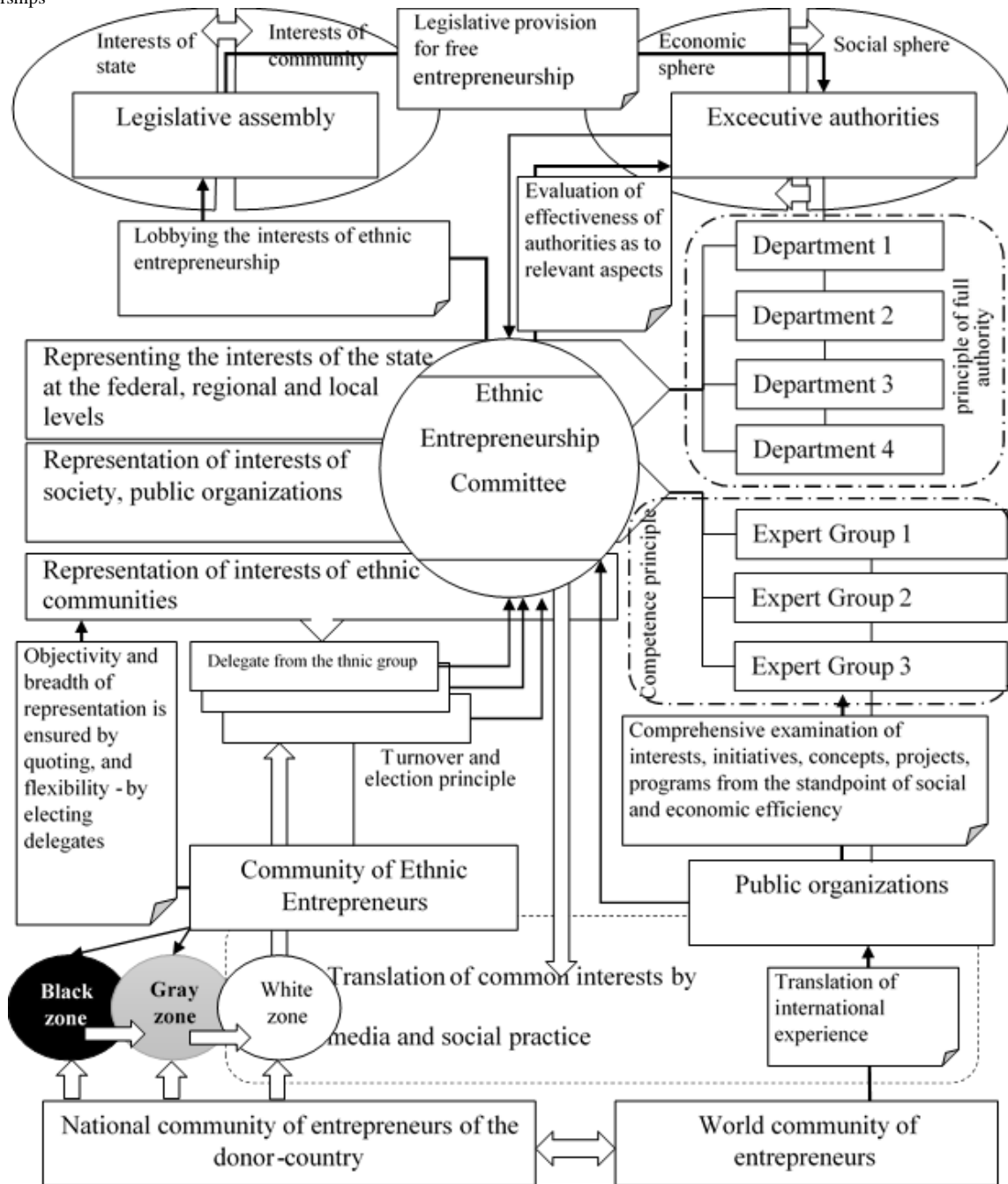
The “implementer” of the structural-functional model of interaction between ethnic entrepreneurship, local authorities and regional society is the Committee on Ethnic Entrepreneurship, which includes:

- Authorized representatives of individual departments of regional authorities (on a permanent basis from the staff);
- Entrepreneurs elected for a specific term, representatives of small ethnic communities in the south of Western Siberia (the term of office is determined by the effectiveness of the activity);

– Experts (expert groups) selected from the regional scientific community by random sampling (the period of vigorous activity is determined by the specifics of the tasks set).

Based on the generalization of the above analytical material, the authors proposed the structural-functional model of triangular interaction at the regional level (Fig. 3).

Figure-3. Structural and functional model of interaction of ethnic entrepreneurship, local authorities and regional society in the implementation of partnerships



With regard to ethnic entrepreneurship, which bears great economic and social costs, this model is aimed at coordinating the activities of government bodies to accelerate the integration of capital of ethnic business structures operating in the south of Western Siberia into the region's economy based on:

- 1) Ongoing dialogue of stakeholders on all aspects of social and economic activities of ethnic entrepreneurship;
- 2) Involving the representatives of those departments and committees of the regions of the south of Western Siberia in this work that are capable of influencing the management process;
- 3) Search for the balance of interests of local authorities, population and ethnic entrepreneurship with the active involvement of regional expert community;
- 4) Legislative initiative aimed at ensuring the freedom of entrepreneurial activity in general and economic activities of representatives of small ethnic communities in the south of Western Siberia;
- 5) Activities of the Ethnic Entrepreneurship Committee formed on flexible basis which involves: use of internal resources of administrations at all levels; election of delegates representing small ethnic communities with the highest prestige among their compatriots; experts gathered in working groups for the period of solving each specific problem, taking into account their competence and professionalism.

5. Conclusions

In the authors' opinion, the proposed model of interaction of the triad is the most effective, because it makes it possible to coordinate not only the interests of each of the parties but also to resolve a substantial part of the contradictions between different ethnic groups in the region, which indicates civilized (legal) ways and means of resolving ethnic conflicts.

Also, the undoubted advantage of this model is, in the authors' opinion, the adequate combination of the formal (official meetings and negotiations with government officials) and informal (open discussion of problems, claims and pretensions within the framework of the prescribed algorithm with the direct participation of independent experts) spheres of interaction. As the key participants in it are experts, they are classified into three groups: a) economists; b) sociologists; c) lawyers, who are selected randomly from the available regional scientific human capital. Their activities are aimed at representing the interests of ethnic entrepreneurship in the forms and documents used in the Russian legal system.

Another significant functional burden of the analyzed Ethnic Entrepreneurship Committee is the function of monitoring the effectiveness of the authorities' activities in implementing the provisions and roles developed in its depths and legislated provisions regarding the place and role of entrepreneur structures in the regional economy consisting of people from small ethnic communities, that is bringing the adopted projects to the stage of their practical implementation.

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